Report of the
Comptroller and Auditor General of India

Economic Sector

for the year ended March 2012

Government of Odisha

Report No.3 of the year 2013

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Preface

This Report on the audit of expenditure incurred by the Government of Odisha has been prepared for submission to the Governor under Article 151 of the Constitution. The Report covers significant matters arising out of the compliance and Performance Audit of various Departments / activities under Economic Sector.

The Report starts with an introductory Chapter 1 outlining the audit scope, mandate and the key audit findings which emerged during the audit exercise. Chapter 2 of the Report covers Performance Audit and Chief Controlling Officer based audit while Chapter 3 discusses material findings emerging from compliance audits.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous reports; matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

Chapter 1

Introduction

Chapter 1
Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of Odisha relates to matters arising from Performance Audit of NABARD assisted irrigation and flood control projects of Department of Water Resources, Chief Controlling Officer (CCO) based audit of the activities of Forest and Environment Department (Forest Wing) and Compliance Audit of Government Departments.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

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

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

This chapter provides the audited entity's profile, the planning and extent of audit, and a synopsis of the significant audit observations. Chapter 2 of this Report deals with the findings of Performance Audit and CCO based Audit and Chapter 3 deals with Compliance Audit of various departments.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

1.2 Audited entity's profile

There were 38 departments in the State at the Secretariat level headed by Additional Chief Secretaries / Principal Secretaries / Commissioner-cum-Secretaries, assisted by Directors and Sub-ordinate Officers. Of these, 15 Departments and two Wings of other two Departments including PSUs / Autonomous bodies coming under these Departments are under the audit jurisdiction of the Accountant General (Economic and Revenue Sector Audit).

1.3 Authority for Audit

The authority for Audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. CAG conducts audit of expenditure of the departments of Government of Odisha under section 13[1] of the CAG's (DPC) Act 1971. In addition, CAG conducts audit of Autonomous Bodies substantially funded by the State Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the CAG.

1.4 Organisational Structure of the Accountant General (Economic and Revenue Sector Audit) Odisha

As a part of restructuring of State Audit Offices by the CAG, erstwhile office of the Accountant General (CW&RA), Odisha became the Principal Auditor of the Economic Services Departments of the Government of Odisha and was renamed as Accountant General (Economic and Revenue Sector Audit), Odisha from 02 April 2012. After restructuring, Audit of accounts of State Departments / Agencies / Public Sector Undertakings / Autonomous Bodies grouped under "Economic Sector" and "Revenue Sector" are under the purview of the Accountant General (Economic and Revenue Sector Audit), Odisha.

1.5 Planning and conduct of audit

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

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

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

1.6 Significant observations of Performance Audit and Chief Controlling Officer based audit

This report contains one Performance Audit and one Chief Controlling Officer Based Audit. The focus has been on the audit of specific programmes/ schemes/activities and offering suitable recommendations, with the intention to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

1.6.1 Performance Audit of NABARD assisted Irrigation and Flood Control Projects

Performance Audit of NABARD assisted irrigation and flood control projects sanctioned under tranche XIII to XVII financed from Rural Infrastructure Development Fund revealed that the Department of Water Resources (DoWR) did not have any streamlined procedure for identification, prioritisation and selection of projects for loan assistance under RIDF. There was no Master Plan for flood control and management. The Executive Engineers proposed the projects on individual need basis which are approved, consolidated by the High Power Committee and submitted to the NABARD.

Due to selection of projects without comprehensive study of technical, economic, financial, organisational aspects and preparedness for their implementation, out of 265 projects scheduled for completion by March 2012 for providing irrigation to 45167 hectares of agricultural land, only 41 projects (15 *per cent*) were completed creating irrigation potential for 1106 hectares and 83 projects were dropped midway or not-commenced. The remaining 141 projects were still in progress with expenditure of ₹ 241.32 crore.

Out of 55 cases put to tender for ₹ 66.43 crore, 14 tenders for ₹ 4.47 crore were finalised within the validity period of 90 days and the remaining 41 tenders for ₹ 61.96 crore were finalised with delays ranging between 31 and 353 days.

The Chief Engineers surrendered ₹ 142.76 crore and could spend only ₹ 449.29 crore (33 *per cent*) of the sanctioned loan amount of ₹ 1354.40 crore due to delay in acquisition of land and finalisation of the ayacut planning.

Only 19 *per cent* of the envisaged irrigation potential was created, utilisation thereof and collection of compulsory basic water rate were not assured due to lack of joint verification.

Management of contracts was poor and there has been no system for independent assessment of the quality/quantity of work by third party.

Due to poor management of the contracts and lack of monitoring for timely completion of the projects there was unfruitful/extra expenditure and excess payment/undue benefit to contractors on implementation of the NABARD assisted projects was ₹ 374.94 crore.

(Paragraph 2.1)

1.6.2 CCO Based Audit of Forest and Environment Department

The Chief Controlling Officer Based Audit of the Forest Wing revealed that the State is yet to prepare its Forest Policy after five years of recommendation (March 2006) by the National Forest Commission.

Six working plans relating to seven Divisions were approved after a delay of more than five years. One working plan relating to two Divisions was pending with Principal Chief Conservator of Forest, Odisha and another plan for one Division was not prepared. Out of the two National parks, one National park (Similipal) was not finally notified though the initial notification was issued in 1980. Similarly 18 out of 19 Sanctuaries were not finally notified.

14 corridors for elephants were identified by the State Government covering length of 420.80 km and areas of 870.61 sq km were not executed due to non finalisation of Elephant Corridor Management Plan.

NPV of ₹ 32.49 crore in respect of six User Agencies relating to three Divisions was either not levied or short levied. ₹ 13.61 crore received as on 31 March 2011 towards Compensatory Afforestation from user agencies could not be utilised.

Due to injudicious decision of Government, there was loss of Forest Development Tax of ₹ 197.66 crore deducted from sale value of Kendu Leaves (2006-07 to 2010-11).

387 timber coupes and 356 bamboo coupes were not made operational during 2006-11 which deprived the Government of realisation of revenue.

Sales were finalised below the cost in respect of 1046 Lots during the KL crop year 2006 to 2010 resulting in realisation of less sale value of ₹ 7.82 crore. Department sustained loss of production of 0.84 lakh quintals calculated at minimum five per cent of production of 16.86 lakh quintals during crop year 2006 to 2010 resulting in loss of revenue by ₹ 64.30 crore.

Vacancy in forester and forest guards was 39 and 36 *per cent* of the sanctioned strength, the coverage of forest area by a forest guard varied from below one hectare (Cuttack and Bhubaneswar) to 11993 hectares (Keonjhar).

No evaluation of the plantation programmes was undertaken by the PCCF, Odisha as well as DFOs du ring 2006-11. Also there was no inspection by higher authorities starting from PCCF (Odisha) to DFOs during 2006-11.

Internal control was weak, total number of units due for audit was not planned and even those planned during 2006-11 could not be audited.

(Paragraph 2.2)

1.7 Significant Audit observations of Compliance Audits

1.7.1 Parking of compensation money outside Government Account

The Special Land Acquisition & Rehabilitation Resettlement Officer, Telengiri Medium Irrigation Project parked advance compensation money of ₹ 19.79 crore outside Government Account (savings bank account) instead of civil deposits in violation of the provisions of Treasury Code and Government instructions.

(Paragraph 3.1)

1.7.2 Extra cost due to departmental lapse

Tender for a work of "Rehabilitation Extension and Modernisation of Taladanda Branch and distributary Canals" could not be finalised within the validity period. The EE refunded the earnest money deposited by the second and third lowest bidders as a result the third lowest bidder who was willing to execute the work at the first lowest tender rate could not be accepted. This led to re-tendering the work resulting in extra cost of ₹ 4.63 crore.

(Paragraph 3.2)

1.7.3 Undue benefit to contractors

In construction of Jambhira Left Main Canal, the Executive Engineer, Jambhira Canal Division No.II executed supplementary agreement for excavation of laterite sheet rock treating it as an extra item on the ground that it is different from the sheet laterite rock and paid at higher rate though there was no change in methodology of excavation. This led to extension of undue benefit of ₹ 8.50 crore to contractors.

(Paragraph 3.3)

1.7.4 Undue benefit to contractor

The Executive Engineer, Lower Indra Canal Division No.II computed item rates providing five km distance for transportation of earth instead of actual distance of three km. This inflated the estimated cost resulting in extension of undue benefit of ₹ 1.60 crore to contractor.

(Paragraph 3.4)

1.7.5 Extra cost due to adoption of a non-schedule item

The EE of Betanati Canal Division included Hessian cloth in cement concrete lining work being a non-scheduled item with higher cost in the estimate/ agreement instead of polythene film as per the SoR. This led to extra cost of ₹ 1.01 crore.

(Paragraph 3.5)

1.7.6 Avoidable extra cost

The Executive Engineer, Bhubaneswar (R&B) Division No.II included an unwarranted item (epoxy coating) in steel bars in the estimate/agreement violating the stipulation of SoR as well as provisions of Bureau of Indian Standards. This led to avoidable extra cost of ₹ 3.06 crore.

(Paragraph 3.6)

1.7.7 Undue favour to Odisha Bridge and Construction Corporation (OBCC)

Government authorised OBCC to collect toll with retention of 15 *per cent* of the total collection towards agency charges. OBCC retained 35 *per cent* of the toll collected without approval of Government and did not deposit the entire amount with the Government. This led to undue favour of ₹ 22.72 crore to OBCC. There was also unauthorised retention of revenue of ₹ 2.90 crore.

(Paragraph 3.7)

1.7.8 Extra cost due to non-finalisation of tender

The CE failed to obtain the information from the field units within the validity period which led to cancellation of tender by the Government. The work on re-tender involved extra cost of ₹ 1.83 crore**.**

(Paragraph 3.8)

1.7.9 Excess expenditure due to adoption of higher lead charges

The Executive Engineer of Rourkela (R&B) Division included basic cost of slag and adopted higher lead charges in estimates which inflated the estimated cost leading to excess expenditure of ₹ 1.48 crore.

(Paragraph 3.9)

Chapter 2

Performance Audit

Chapter 2
Performance Audit

This chapter contains the findings of Performance Audit on NABARD assisted Irrigation and Flood control projects implemented by Department of Water Resources and Chief Controlling Officers based audit of Forest and Environment Department (Forest Wing) of Government of Odisha.

DEPARTMENT OF WATER RESOURCES

2.1 NABARD assisted Irrigation and Flood control projects

Executive Summary

The Department of Water Resources (DoWR) has the mandate to plan, develop, utilise and manage State's water resources. These activities are carried out with funds provided by Government of India (GoI), State plan/Non-plan, external loans and loans from NABARD under Rural Infrastructure Development Fund (RIDF).

Irrigation projects assisted under RIDF upto Tranche X were reviewed by Audit and the findings reported through the Audit Report for the year ended 31 March 2007. Most of the deficiencies pointed out in the earlier Audit Report continued to persist. Therefore, a follow up Performance Audit was conducted covering the period 2007-12 during April to August 2012 of selected projects financed from RIDF loan under tranches XIII to XVII with the broad objective of assessing the robustness of the planning process of identification/prioritisation of projects, economy, efficiency and effectiveness on implementation of the projects and achievement of the benefits targeted.

Audit noticed that the DoWR does not have any streamlined procedure for identification, prioritisation and selection of projects for loan assistance under RIDF. Department did not prepare any Master Plan for flood control and management. The Executive Engineers proposed projects on individual need basis which are approved by the High Power Committee for submission to NABARD.

The Benefit Cost Ratio, an important indicator for gauging the economic viability of the project, was not assessed as per the norms prescribed by NABARD.

Due to selection of projects without comprehensive study of technical, economic, financial, organisational aspects and preparedness for their implementation, out of 265 projects scheduled for completion by March 2012 with a target of providing irrigation to 45167 hectares of agricultural land, only 41 projects (15 per cent) were completed creating irrigation potential for 1106 hectares (two per cent) and 83 projects were dropped midway/not commenced. The remaining 141 projects were still in progress at various stages of execution with expenditure of ₹241.32 crore.

Though tenders are to be finalised and agreements executed within codified validity period of 90 days, out of 55 cases put to tenders for ₹66.43 crore,

bids for 14 works for ₹4.47 crore were finalised within 90 days and the remaining 41 bids for ₹61.96 crore were finalised with delays ranging between 31 and 353 days over the prescribed 90 days, obtaining extension to the bid validity.

Projects sanctioned by NABARD as single package were implemented unauthorisedly splitting up into sub-packages for facilitating finalisation of the tenders at lower level and to avoid combined evaluation of bid capacity of the bidders.

Management of contracts was poor resulting in excess payment and undue benefit to contractors and extra cost to the Department for ₹29.97 crore. Expenditure efficiency of the Department was poor as the Chief Engineers surrendered ₹142.76 crore and could spend only 33 per cent of the sanctioned loan amount due to delay in acquisition of land and finalisation of the ayacut planning. Budgetary and financial controls were lacking as several instances of irregular booking of funds to NABARD loan account and diversions of funds were noticed.

Only 19 per cent of the envisaged irrigation potential was created, utilisation thereof and collection of compulsory basic water rate were not assured due to lack of joint verification and certification of the ayacut.

Monitoring the implementation of the projects as well as supervision of works by the Technical officers was inadequate and ineffective. There was no system for independent assessment of the quality/quantity of work by third party.

The total unfruitful/extra expenditure and excess payment/undue benefit to contractors on implementation of the NABARD assisted projects was ₹374.94 crore.

2.1.1 Introduction

The Government of India (GoI) set up (1995-96) Rural Infrastructure Development Fund (RIDF) for providing loan assistance for implementation of ongoing as well as new projects in the rural areas. In the irrigation sector, the projects that can be sanctioned under RIDF include Major, Medium, Minor Irrigation projects[1] and Flood Control/ Drainage Projects. NABARD operates the RIDF and provides loan assistance upto 95 *per cent* of the cost of a project carrying interest at 6.5 *per cent*. The balance amount is provided by the State Government. Funding is by way of reimbursement of expenditure incurred on the project on a monthly basis on submission of statement of expenditure (SoE) by the State Government.

2.1.1.1 Organisational structure

Finance Department is the nodal agency for procurement of loans and their repayment. Department of Water Resources (DoWR) under the administrative control of the Principal Secretary to the Government is responsible for implementation of the water resources projects. Execution of the projects is

[1] Major: Culturable Command Area (CCA) above 10000 ha, Medium: Between 2000 and 10000 ha and Minor: Between 40 and 2000 ha

administered by two Engineers in Chief (EIC), Water Resources/Planning and Designs, 13 Chief Engineers (CE) who in turn are assisted by 16 Superintending Engineers (SE) and 56 Executive Engineers (EE).

2.1.1.2 Audit objectives

Performance Audit was conducted to assess

- The robustness of the planning process covering identification/ prioritisation and selection of projects/works
- The economy, efficiency, effectiveness in implementation of projects including Contract Management
- The overall management of funds and achievement of benefits targetted
- The adequacy of the Monitoring/Evaluation system covering quality and internal control

2.1.1.3 Audit criteria

Audit criteria were sourced from the following

- Annual Plans, Perspective Plans, Regulations, Orders/instructions of GoI/Government of Odisha.
- Policy, Guidelines, Master plans, and norms of implementation of the projects.
- Odisha Public Works Department (OPWD) Code, Manuals and Schedule of Rates.
- Terms and conditions of NABARD loan agreement.

2.1.1.4 Scope and Methodology

Performance Audit was conducted during April 2012 to August 2012 covering the period 2007-12, selecting 87 projects out of 469 projects in DoWR, EIC (Water Resources), CE offices and 37 (out of 56) Divisional offices excluding projects under Odisha Lift Irrigation Corporation (OLIC)/Odisha Agro Industries Corporation (OAIC) financed from NABARD under tranches XIII to XVII. The projects were selected using stratified random sampling method considering the sanctioned value of the projects.

The audit objectives, criteria, as well as scope and methodology were discussed in an Entry Conference held with the Principal Secretary to Government, DoWR and Senior Management of the Department on 24 April 2012. The draft Performance Audit report was issued to the Principal Secretary to Government in October 2012 and was discussed on 21 December 2012 in the Exit Conference. Views expressed by the Government have been considered while finalising the report.

We acknowledge the cooperation and assistance extended by different levels of the management at various stages of conducting the Performance Audit.

2.1.2 Result of Previous Audit

NABARD assisted medium and minor irrigation projects financed under RIDF up to tranche X were reviewed in audit and findings reported through the Audit Report for the year ended 31 March 2007. The main findings indicated that the Government could avail only 54 *per cent* of the loan amount due to slow progress in execution of the works and as of March 2007, only 45 *per cent* of the envisaged irrigation potential could be created. However, most of the deficiencies pointed out in the earlier Audit Report continued to persist. A follow up audit was, therefore, considered necessary.

Audit Findings

2.1.3 Project planning

2.1.3.1 Deficiencies in selection/prioritisation of projects

As per the guidelines of NABARD for financing projects under RIDF, the project should be selected after a comprehensive study of technical, economic, financial and organisational aspects to ensure that the capital resources are used to create productive assets which are expected to realise benefits over a period. Risk factors like land acquisition, forest clearance and other bottlenecks are to be identified in the project proposals and mitigated suitably for timely completion of the projects. Further, OPWD Code required that no work should be commenced on land which had not been duly made over by a responsible civil officer.

Under the present system, the EEs propose the projects to the EIC (WR)/CE (MI) on individual need basis which are initially placed before the High Power Committee (HPC)[2] in phases and on clearance by the HPC, the proposals are sent to NABARD through the Finance Department for sanction. Loan assistance is sought from NABARD on consolidation of projects approved. Projects are implemented by the DoWR for completion within a stipulated time frame of three years.

The position of projects proposed and sanctioned under RIDF tranches XIII to XVII (scope of Performance Audit) was as follows.

Table N: 2.1 Details of projects proposed and sanctioned

(₹ in crore)

Tranche	No of Projects proposed	Cost	No of Projects sanctioned	Cost
XIII/2007-08	95	435.99	56	180.38
XIV/2008-09	249	449.55	209	372.83
XV/2009-10	233	676.90	37	148.83
XVI/2010-11	284	1362.76	108	333.27
XVII/2011-12	180	1479.92	59	402.52
Total	**1041**	**4405.12**	**469**	**1437.83**

Source: Information provided by EIC (WR)

[2] The HPC constituted in December 2003 with the Development Commissioner cum Additional Chief Secretary as Chairman.

DoWR does not have any streamlined procedure for identification, prioritisation and selection of the projects for loan assistance from NABARD

The DoWR does not have any streamlined procedure for identification, prioritisation and selection of the projects for loan assistance under RIDF. There was also no mechanism for integrated analysis of the projects proposed under one tranche with defined quantifiable criteria like Benefit Cost Ratio (BCR), available culturable command area (CCA), investment per hectare, time for completion and preparedness (completion of land/rehabilitation issues and finalisation of the detailed project report) for effective state-wise planning to facilitate prioritisation and selection of suitable project for delivery of the highest value on time. During 2007-12 under tranche XIII to XVII out of total 1041 projects for ₹ 4405.12 crore proposed at the appraisal stages, NABARD sanctioned 469 projects for ₹ 1437.83 crore which was only 45 *per cent* in terms of number of projects.

As selection of the projects were done without following definite criteria and assessing the preparedness for their completion, 196 projects sanctioned for ₹ 419.12 crore either were dropped or not commenced due to delay in land acquisition, obtaining orders for forest clearance, non-finalisation of drawings/ designs/ayacut[3] planning of distribution system, lack of administrative approval, public agitation and non feasibility etc. Several projects which were taken up were also not completed as scheduled evidencing lack of systematic and effective planning for identification and selection of projects.

The Government stated (December 2012) that project reports prepared by EEs at field level were prioritised by the CEs keeping in view the field and the public requirement in consultation with the public representatives wherever necessary.

The reply is not acceptable as there were no records to substantiate prioritisation and selection of the projects considering local needs and consultations with public representatives at grass root level or any other procedure.

2.1.3.2 Dropped projects

Irrigation plays a significant role in increasing agricultural yield from the land. Though the State had irrigation potential for 30.36 lakh hectares (ha), only 20.85 lakh ha (69 *per cent*) were under crop cultivation.

50 sanctioned projects were dropped resulting in wasteful expenditure of ₹ 1.83 crore on 26 projects

NABARD sanctions major, medium, minor irrigation and flood control/ drainage projects for facilitating creation of additional irrigation potential and retrieving agricultural land from water logging. The Administrative Department is to take all steps to remove any legal or procedural hurdles in all respect for smooth implementation and completion of the projects. A sanctioned project is to be completed within three years from the date of the sanction failing which the project would not be eligible for loan assistance under RIDF and the mobilisation advance/loan disbursed on these deleted projects is to be repaid to NABARD with full interest.

We noticed that out of 431 Minor irrigation and flood control projects sanctioned under tranches XIII to XVII, 50 projects (11 *per cent*) sanctioned for ₹ 62.90 crore and targeted to provide irrigation potential to 6204 ha of

[3] The area served by an irrigation project such as a canal, dam or a tank.

CCA as well as flood control works were dropped due to delay in acquisition of land (four projects), shortage/overlapping of ayacut (five projects), projects taken up from other sources (six projects), public agitation (five projects) and projects not feasible (30 projects). This indicated that the projects were proposed by the EEs and sanctioned without comprehensive study of the feasibility for their implementation. As a result of the failure of the Department for resolving issues like land acquisition/forest clearance etc by timely interventions so as to ensure viability, projects were abandoned and 6204 ha of agricultural land for irrigation targetted was not achieved. Besides, expenditure of ₹ 1.83 crore incurred on 26 of these projects on mobilising the prerequisites till abandonment was rendered unfruitful.

The Government though confirmed (December 2012) the deletion of the projects did not offer any comment as to the failures in mitigating controllable issues like shortage/overlapping of ayacut, projects taken up from other sources, feasibility nor did it indicate initiation of any action plan for smooth implementation of these projects.

2.1.3.3 Non-starter projects

Works on 38 sanctioned projects did not commence rendering them to lapse and involved wasteful expenditure of ₹ 2.64 crore

As per the guidelines of NABARD, in case the Government fails to commence a project within one year (applicable for projects sanctioned up to tranche XVI)/ 18 months from tranche XVII) from the date of the sanction, the sanction for the project lapses after two/three years. The entire outstanding amount of mobilisation advance/RIDF loan disbursed, if any, is to be repaid to NABARD with interest before approval for deletion of the projects. Details of the projects not started are mentioned below.

Table No: 2.2 Details of non-starter projects

(*₹ in crore*)

Tranche	No of projects sanctioned	Cost	No of projects not started	Delay in commencement (In months)	Sanctioned cost	Irrigation potential (ha)	Stabili-sation (ha)	Expendi-ture on the non-starter projects
XIII 2007-08	56	180.38	1	36	1.97	0	0	0.07
XIV 2008-09	209	372.83	33	24	54.10	5750	2091	2.56
XV 2009-10	37	148.83	4	12	36.56	746	0	0.01
Total	**302**	**702.04**	**38**		**92.63**	**6496**	**2091**	**2.64**

Source: Progress reports of the department on NABARD assisted irrigation and flood control projects

We noticed that out of the 302 projects sanctioned for ₹ 702.04 crore under tranches XIII to XV, 38 projects sanctioned for ₹ 92.63 crore were not commenced within one year/18 months from the date of their sanction due to delay in land acquisition, obtaining forest clearance, non-finalisation of the drawings/designs/ayacut planning of the distribution system and for lack of administrative approval.

Failure of the Department in selection of the projects without ensuring the preparedness for their implementation led to sanction of all these projects lapsing and irrigation potential targeted to be provided to 6496 ha agricultural land and stabilisation of 2091 ha irrigable land could not be achieved. Besides, the expenditure of ₹ 2.64 crore incurred on these projects on the preliminary works was rendered wasteful.

The Government while confirming (December 2012) that these projects have not commenced within the stipulated time, did not offer any specific comments on steps, if any, initiated for acquisition of land/obtain forest clearance and accountability for the non finalisation of the drawings/ designs/ayacut planning of the distribution system and the action plan for implementation of these projects.

2.1.3.4 Benefit Cost Ratio

The Benefit Cost Ratio for assessing the economic viability of the projects was not assessed at the appraisal stage as per the norms

The Benefit Cost Ratio (BCR[4]) is one of the important parameters needed for gauging the economic viability of a project. As per the guidelines of NABARD, a project with BCR greater than one at 15 *per cent* discounted rate is acceptable for finance under RIDF.

Out of the 38 major and medium irrigation projects sanctioned and implemented during 2007-12, we examined the Detailed Project Reports (DPR) of two major and seven medium projects and noticed that the BCR of three projects (Baghalati, Deo and Hadua Medium Irrigation Projects) was assessed between 1.91 and 1.42 at different stages of the implementation of the projects without adopting the discounting method. These projects stipulated for completion between 2004 and 2010 were delayed due to land acquisition, finalisation of rehabilitation and resettlement issues, modifications in the designs and default in execution. The cost of these projects increased and BCR showed declining trend (between 1.65 and 1.22 from 1.91 and 1.42) which are likely to decline further as the project works are yet to be completed.

As a result of non application of discounting factor, the Department did not have cushion to absorb the drop in the BCR and thus, the projects are likely to be rendered economically not viable by the time they are completed.

Further, the computation of the BCR for Deo project was incorrect as the project cost did not include the rehabilitation charges of ₹ 113 crore due for payment to the project affected families of seven villages falling between the reservoir and the sanctuary.

The Government did not furnish any reply for not discounting the project cost at appraisal stage of the projects for sanction and stated that the Ministry of Environment and Forest (MoEF) has been requested to consider the cost of the Deo project excluding ₹ 113 crore since inclusion thereof is to adversely affect the BCR. This is not acceptable since the BCR is to be calculated taking into account all the estimated expenditure.

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[4] BCR=Annual Benefit/Annual Cost. Annual benefits are computed by taking into account the agricultural production in the area to be irrigated under pre-project condition and that after irrigation. Annual cost includes interest on the estimated cost of the project, operation & maintenance cost, depreciation of the project and other charges.

Flood control projects

As per the National and State Water Policies, perspective plans and Flood Management Manual, investments in flood control measures is to be guided by a master plan for flood control and management. Out of 92 flood control projects sanctioned under tranches XIII to XVII, we examined 22 projects and noticed that no Master Plan for flood control and management was prepared (December 2012). The projects were proposed and sanctioned under RIDF on individual need basis.

2.1.3.5 Identification of vulnerable points in river embankment

As per the Odisha Flood Management Manual 2008, the vulnerable points on the river embankment which are prone to damage by floods are to be identified taking into account available free board (difference between the top bank level and the high flood level), top width/side slope of the embankment, river bend affecting the embankment, wave action and narrowness of the berms etc. Minimum free board of 1.20 metre (3.937 feet) is required to be provided above the known highest flood peak.

- We noticed that out of 14 divisions, the EEs of two Divisions (Kendrapra and Boudh irrigation Divisions) identified the vulnerable points of the river embankments following the criteria prescribed in the Odisha Flood Management Manual 2008 and EEs of four other Divisions[5] identified the vulnerable points in the absence of the required data.
- We also noticed that the DPRs of two projects (i) Raising and strengthening to Damarpur ghery and protection to the scoured bank of river Brahmani right at Palapatana/Kadamdandi and (ii) Construction of Right Flood Bank along the river Mahanadi to protect Boudh town were sanctioned (November 2008/March 2011) under tranche XIII/XVI for ₹ 21.75 crore providing free board of 0.60 metre against 1.20 metre required as per the Odisha Flood Management Manual 2008. The projects were stipulated for completion by January 2010/December 2013. The raising and strengthening to Damarpur ghery was completed in July 2010 with payment of ₹ 3.07 crore to the contractor and the other work was still under progress (July 2012) and an amount of ₹ 0.45 crore was paid to the contractor. The flood water overtopped (September 2011) the Damarpur ghery and damaged it for 1.50 km. Damage restoration was assessed at ₹ 0.90 crore.

  Thus, the execution of river embankment strengthening works providing less free board (0.60 metre against the requirement of 1.20 metre) in deviation from the provisions of Odisha Flood Management Manual posed threat for damage in the flood. Due to such under designed work, one of the embankment breached resulting in the expenditure of ₹ 3.07 crore incurred on its construction not yielding the desired result as well as entailing extra cost of ₹ 0.90 crore for restoration of the damages.

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[5] Aul Embankment Division and Chikiti, Jagatsinghpur and Nimapara Irrigation Divisions

- The vulnerability of the Kushabhadra left embankment at RD 47.235 to 47.370 km was not identified and no flood control measures were taken up in that reach. The portion of the embankment was breached (September 2011) and ₹ 1.09 crore was required for restoration work.
- The EE Chikiti Irrigation Division identified 32 vulnerable points in Ganjam district of which execution of works on 11 points were taken up under tranches XV and XVI for ₹ 18.41 crore leaving 21 points which remained prone to flood action.

The Government stated (December 2012) that every year the vulnerability is decided on site inspection where there is maximum possibility of failure of embankment and free board of 0.60 metre was provided to avoid land acquisition in one case and in the other case it was provided as per the decision of the Committee constituted to study the necessity of the embankment on the right side of the Mahanadi river. The DPRs of the 21 vulnerable points pending for strengthening are under process for inclusion in next tranche.

This reply is not acceptable since providing lower free board is in violation of the Flood Management Manual 2008 due to which the embankments were damaged entailing extra expenditure of ₹ 1.99 crore on flood damage repairs. The reply is also silent on the types of parameters adopted for identification of the vulnerability of the embankments and fixing accountability on the identification of the vulnerable points without required data and non implementation of identified vulnerable points.

2.1.3.6 Breach in Brahmani Left Embankment at Gopaljewpatna

Non-prioritisation of vulnerable points led to flood damages requiring restoration at extra cost

There has been lower free board in different vulnerable points of river embankments[6] in the stretches of 36.50 km under Aul Embankment Division.

Overtopped Brahmani Left Embankment

The High Flood Level (HFL) during 2006/2008 flood was 17.60 feet/17.70 feet against the danger level of 16.00 feet at Patrapur of Aul Guage Station. Thus, height of embankment at that reach was required to be raised to RL 21.637 feet (including 1.20 metre or 3.937 feet free board).

Breach at Gopaljewpatna

We noticed that due to non-raising of the embankment up to a required height including necessary free board together with non selection and inclusion of the projects of weak

[6] Brahmani left embankment, Double embankment (Left wing) and Double embankment (Right wing)

zones at the planning stage for loan assistance from NABARD, though vulnerability persisted since 2004, the embankment breached for 20 metre (from RD 17.50 to 17.520 km) near village Gopaljewpatna during September 2011 requiring restoration at a cost of ₹ 25.27 lakh against which an expenditure of ₹ eight lakh was incurred (June 2012).

The Government stated (December 2012) that the embankment being an earthen bund is susceptible to breach during high flood condition and that it has been decided to raise and strengthen the embankment to design top bank level.

The reply is not acceptable since due to non-raising of the embankment up to a required height providing necessary free board, the embankment was damaged.

Drainage projects

A Master Plan for drainage development in coastal area was prepared (August 2002) for ₹ 570.77 crore (which was revised and further re-cast to ₹ 1521.49 crore in November 2011) with the objective of retrieving 1.90 lakh ha of water logged area. The project cost increased by ₹ 950.72 crore (167 *per cent*) in 10 years. The Master Plan was submitted to Central Water Commission (CWC) in November 2003.

We noticed that the plan was not approved (December 2012) by the CWC as the DPR was not prepared as per the guidelines of CWC and did not contain the details of existing irrigation projects serving the command.

2.1.3.7 Incomplete execution of the drainage projects

The mouth portions of the drainage systems in the coastal area being flat and bed not in proper slope due to sand casting and silt deposits were resulting in poor drainage. Therefore, as per the Master Plan, mouth clearance was prioritised for execution in the first phase of drainage development.

Out of the 68 drainage projects, we examined the DPRs of 27 projects and noticed that in four projects[7] NABARD sanctioned (January 2008-November 2010) ₹ 33.94 crore for retrieval of 3500 ha of agricultural land and clearance of drainage congestion.

- Two projects (Rananadi and Gobari drainage systems) sanctioned for ₹ 19.21 crore were left incomplete with expenditure of ₹ 5.09 crore (March 2012) midway without clearing their mouth portions for five km/1.5 km pending finalisation of the design of Rananadi Sluice[8] by the CE (Drainage) and on the ground that the mouth of Gobari system has become a saucer near the river and water can easily be drained out at the time of receding.

  The Government stated (December 2012) that additional data relating to flood sought by the CE (Designs) would be submitted for finalisation of

[7] Rananadi drainage system, Gobari drainage system, Brudhanadi drainage system and Drainage cum Creek system from Maharampur to Kankamara

[8] A Water Channel controlled at its head by a gate.

the designs of Rananadi system and the actual length of the Gobari system is 33.5 km, renovation of which has been completed. The length was inadvertently mentioned as 35 km in the DPR.

The reply is not acceptable since the Rananadi project though sanctioned in June 2010 the design of the sluice has not been finalised till December 2012. Further, as per the report of the EE, the actual length of the Gobari system is 35 km and the mouth portion of 1.5 km was not excavated on the ground that it has become a saucer near the river and water can easily be drained out at the time of receding. This is factually not correct since as per the DPR the drainage cut being flat and the bed not in proper slope, the mouth is deposited with sand resulting poor drainage.

- Drainage cum Creek System from Maharampur to Kankamara sanctioned for ₹ 1.73 crore was closed with expenditure of ₹ 2.07 crore leaving 820 metre at the origin of the drainage system unexecuted due to encroachment by the public.

  The Government confirmed (December 2012) that 820 metre could not be executed due to encroachment by the public.

  However, the fact remains that the DPR did not indicate the encroachment of 820 metre by the public. Further, the reply did not indicate the measures initiated to vacate the encroachments to take full advantage of the drainage system.

- The plan approved for renovating 70 km link drains and construction of two bridges in Brudhanadi drainage system sanctioned for ₹ 13 crore was deviated by the EE during execution in excavating the Brudhanadi cut with expenditure of ₹ 5.64 crore instead of the link drains on the ground of non-finalisation of their designs/longitudinal section (LS).

  The Government stated (December 2012) that to avoid delay in the approval of the LS of the link drains, the Brudhanadi cut was renovated which retrieved 430 ha of agricultural land. However, the fact remains that there was deviation in the approved plan during execution.

Thus, due to failure of the EEs to complete the projects as per the approved plan, the projects sanctioned for retrieval of 3500 ha of agricultural land and clearance of the drainage congestion could not be achieved in three systems due to non-opening of the mouth portions and thus, had limited utility in the other system as the head region was yet to be excavated. This resulted in the expenditure of ₹ 12.80 crore incurred on them being largely not useful.

2.1.3.8 Delay in commencement of project

Delay in commencement of works on a project despite sanction of loan resulted in the area waterlogged for more than a month in a year

NABARD sanctioned (October 2009) the renovation of Sagadia drainage system out falling into river Badagenguti of Jajpur District for ₹ 3.51 crore under tranche XV for retrieval of 2000 ha of water logged area. The scope included providing additional vent in existing sluice at Putunia since it was inadequate to discharge accumulated rain water.

We noticed that at the post sanction stage, the EIC (P&D), CE, Drainage and CEBM, Lower Mahanadi Basin (LMB) inspecting the project site on 20 April

2010 decided to dismantle the old structure and construct a new sluice cum-village road bridge (VRB) with carriage width of 7.5 metre. This indicated that the design was approved at the planning stage without adequate pre-construction survey and investigation. The design was approved in June 2010 and the project cost was revised (April 2011) to ₹ 6.86 crore. However, the sluice work was not commenced (December 2012) due to want of permission from CE & BM, LMB on flood management issues. As a result, NABARD loan of ₹ 3.51 crore could not be utilised and the area was water logged for more than a month in a year.

The Government stated (December 2012) that all possible steps were being taken to start the work.

The reply is silent on the inadequacy of the pre-construction survey and investigation for which the design was modified on post sanction stage delaying in the commencement of the work and accrual of the benefit.

2.1.4 Project implementation and Contract Management

2.1.4.1 Physical status of the projects sanctioned upto tranche XII (2006-07)

Out of 355 projects sanctioned for ₹ 1279.50 crore from tranche I to XII and stipulated for completion by March 2009, 271 projects were completed (76 *per cent*) with expenditure of ₹ 948.10 crore. However, project completion reports (PCR) are yet (March 2012) to be submitted for 61 projects, though required to be submitted within one month after completion of the projects.

Projects stipulated for completion by March 2009 still remained incomplete rendering the investment of ₹ 141.61 crore unproductive

We examined six projects sanctioned for ₹ 192.02 crore under tranches VIII to XII. These projects were stipulated for completion between 2004 and 2010 to provide irrigation potential for 17772 ha. All these six projects remained incomplete due to delay in land acquisition/finalisation of rehabilitation and resettlement issues, modifications in the designs/change of alignment, default in execution by the contractors etc on which an expenditure of ₹ 141.61 crore was incurred as discussed in the subsequent paragraphs.

2.1.4.2 Baghalati Irrigation project

Phase II of the project sanctioned (2003-04) under tranche IX for ₹ 33.75 crore for providing irrigation potential to 3077 ha kharif and 1750 ha rabi was stipulated for completion in three years (March 2007). The project was incomplete due to modifications in the designs of the spillway and change of alignment of canal/design of structures during execution and non- acquisition of land for the distribution system, with expenditure (March 2012) of ₹ 48.81 crore unfruitful. Further, revised sanction for the increase in the cost of the project was not obtained (December 2012).

Incomplete Head Works

The Government stated (December 2012) that the project has been delayed due to non-completion of spillway gate works by M/s Odisha Construction Corporation (OCC) and irrigation has been provided to 600 ha under stage II.


Incomplete Distribution System

The reply is not acceptable since the project has been delayed due to various reasons mentioned above rendering the expenditure of ₹ 48.81 crore unfruitful. Further, the gate works were entrusted to OCC a PSU of the Department by the Government and no action was taken against them for the delay in completion of gate works. The ayacut created has also not been certified and assessed for collection of compulsory basic water rate.

2.1.4.3 Deo Irrigation Project

The Planning Commission (PC) accorded investment clearance to the project in June 1992 for ₹ 52.23 crore for irrigating 9900 ha of CCA with the stipulation that the project be completed by June 1995. NABARD sanctioned loan assistances of ₹ 121.82 crore (tranche III-1997-98 for ₹ 40 crore and tranche X-2004-05 for ₹ 81.82 crore) for execution of the project.


Incomplete Head Works


Non evacuation of PAPs from Dam base

We noticed that the Ministry of Environment and Forest (MoEF) suggested (November 1990) that rehabilitation plan of project affected families of 21 villages be concurrently implemented and completed before six months of the target date for impounding the reservoir. However, 469 families of six villages only were rehabilitated. Subsequently, Odisha University of Agriculture and Technology, Bhubaneswar conducted socio economic and cultural survey of the affected villages and assessed (2006) that 1220 families were eligible for the R&R assistance. The rehabilitation issue was not solved and the sanction under tranche X lapsed in March 2010. The project was not completed despite an expenditure of ₹ 113.04 crore (April 2012) and no tender for execution of head works was in force (April 2012). The head works was partially completed as shown in the photographs.

Thus, the project stipulated for completion by June 1995 remained incomplete at haphazard stage due to wrong assessment/enumeration of the displaced families. This rendered the investment of ₹ 113.04 crore unproductive (April

2012) made on the project of which the expenditure during 2007-12 was ₹ 51.38 crore.

The Government stated (December 2012) that due to funding and rehabilitation problem the completion of the project has been delayed.

This is not acceptable since the project authorities did not conduct proper survey for identification of the project affected families for timely completion of the rehabilitation issues as suggested by the MoEF.

2.1.4.4 Kathilagotha creek Irrigation project

NABARD sanctioned (2002-03) loan assistance for ₹ 3.61 crore (tranche VIII) for execution of the project for providing irrigation to 1070 ha of CCA by 2005-06. The works were divided into three packages. Packages two and three involving construction of a Drainage sluice, Left/Right refugee nullah and construction of a Village Road Bridge were completed (February 2009/March 2011) at ₹ 1.31 crore. Construction of Drainage Channel of Kathigotha and Refugee nullah (Package one) under execution by M/s National Project Construction Corporation (NPCC) for completion at ₹ 2.45 crore by May 2006 was abandoned (June 2007) midway due to default in execution by the agency after execution of works for ₹ 1.37 crore. The contract was closed (January 2009) with levy of penalty for ₹ 0.23 crore. The balance of works awarded (January 2010) to another contractor for completion by March 2010 with a revised scope for ₹ 0.27 crore were also left incomplete (May 2010) after its execution for ₹ 0.12 crore. No action was initiated for recovery of penalty from NPCC and levy penalty against the second contractor despite default in execution.

Thus, due to inadequate monitoring of the works, the project scheduled for completion by 2005-06 remained incomplete (December 2012) without accrual of the targeted benefits and resulted the expenditure of ₹ 1.49 crore incurred for the works of package one unfruitful. The Department has also not realised the penalty from NPCC and did not levy penalty on the contractor executing balance of the works despite default in execution.

The Government stated (December 2012) that though there was provision to provide irrigation to 1070 ha of land, irrigation was provided to 800 ha. Further, penalty would be realised and action would be taken to complete the balance of the works for achievement of the full irrigation potential.

The reply is not acceptable since the project is yet to be completed as per the design and the irrigation potential claimed to have been created was not verified and certified for collection of the compulsory basic water rate.

2.1.4.5 Flood control in Birupa Genguti Island

Birupa Genguti Island Irrigation project involving execution of Jaipur minor and its system with designed irrigation potential of 369 ha, flood control and construction of drainage sluices was sanctioned (2006-07) by NABARD under tranche XII for ₹ 8.57 crore with the objective of providing flood protection and enhancing the economic condition of the people of Mahanga and Badachana Blocks of Jajpur district by increasing crop production. The project was to be completed by 2009-10. The flood control portion of the project was split into six sub packages for total value of ₹ 3.07 crore by the EE without sanction of the CE. Works in four packages were completed in 2008-09 and another two packages remained incomplete (May 2012) due to default in execution of work by the contractors. The total expenditure on the project was ₹ 2.86 crore (May 2012). No work was executed on the irrigation and drainage systems since land for 26.72 acres required was not acquired and the land acquisition proposal was at the initial notification stage. Besides, 50 *per cent* of the Socio economic survey of the displaced persons was only complete and the report thereof was pending to be submitted (December 2012).

Thus, due to the works being split up for execution, delay in completion of land acquisition and socio economic survey of the displaced persons, the project scheduled for completion by 2009-10 remained incomplete (December 2012) and the benefit envisaged to accrue was not achieved rendering the expenditure of ₹ 2.86 crore unfruitful. As a result, the villagers of Mahanga and Badachana Blocks continued to suffer damage of crop/assets year after year in the flood.

The Government stated (December 2012) that the tender process for the remaining works would be started after completion of the land acquisition process.

This is not acceptable since the EE has taken up the project on split up packages without ensuring the preparedness with acquisition of the land. Further, 50 *per cent* of the socio economic survey of the displaced persons of the project was not yet completed and even the report for the completed portion was not submitted.

2.1.4.6 Flood control in Aul Block

NABARD sanctioned ₹ 8.08 crore under tranche XII to protect 94 villages of Aul Block from floods, saline ingress and disposal of rain water and to provide creek irrigation. The project envisaged construction of control sluices, creeks/ sub creeks, renovation and raising strengthening works[9].

We noticed that the EE divided the project into three packages without approval of the CE and completed the renovation work of two packages (11 creeks and sub-creeks) with ₹ 3.54 crore by March 2009. Renovation to 15 sluices, one control sluice and 15 other creeks and raising/strengthening of double embankment for 6.30 km were not executed. Construction of Rambhila control sluice including three creeks and sub creeks in package-III was awarded (October 2011) to OCC at ₹ 4.53 crore for completion by September 2012 and OCC was paid advance of ₹ 3.36 crore for the work as of May 2012. The work, however, was not commenced (May 2012) due to delay in finalisation of design and sanction of estimate by the CE.

Thus, due to the failure of the CE in finalisation of the design of the control sluice, the work could not be completed and the envisaged benefit of

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[9] Construction of two control sluices (Rambhila and mouth of Sunamunhi creek), renovation of 29 creeks and sub-creeks, renovation approaches of 18 creeks, raising strengthening for 6.30 km of embankment, re-construction of five sluices and minor repair to 10 sluices.


Breach in Double Embankment (right wing)

protecting 94 villages of Aul Block from floods, saline ingress and disposal of rain water and creek irrigation could not be achieved. On the other hand, the flood water of Brahmani river entered in to Double Embankment of the Aul block through the existing 90 metre gap at Rambhila and breached the right wing in two[10] locations for 80 metre in September 2011 causing severe damage in the area requiring restoration with expenditure of ₹ 0.24 crore.

The Government stated (December 2012) that the Rambhila control sluice on completion shall protect the double embankment.

The reply is not acceptable in view of the fact that the work had not commenced (May 2012) due to delay in finalisation of design and sanction of estimate which led to the breaches in the embankment. The reply is also silent on the accountability for the delay in finalisation of the design and sanction of the estimate.

2.1.4.7 Construction of Hadua Irrigation Project

NABARD sanctioned (2005-06) ₹ 56.19 crore under tranche XI for construction of phase I of the project to provide irrigation to 1250 ha CCA. The project was proposed to be completed by 2008-09 on turnkey basis. The EE deposited (May 2006-March 2009) an amount of ₹ 24.18 crore with the Land Acquisition Officer (LAO)/Divisional Forest Officer for diversion of 202.155 ha of forest land, for catchment treatment plan and for land and rehabilitation cost. Besides, the ayacut of the Kharod MIP for 2145 ha intercepting in the ayacut of the project was stabilised (October 2009) with expenditure of ₹ 5.99 crore. The total expenditure on the project was ₹ 30.17 crore. However, the project works were not started due to delay in land acquisition/forest clearance and on grounds of funds constraint. The sanction for the project lapsed (March 2009) resulting in the expenditure of ₹ 30.17 crore unfruitful.

The Government stated (December 2012) that the works were not taken up due to constraint of funds and an immediate benefit of 2145 ha of CCA of Kharod MIP has been stabilised.

The reply is not acceptable as the EE had proposed and got sanction for the project without ensuring the preparedness for its execution and Government has not indicated any action plan for its completion. As regards stabilisation of the ayacut, the MIP was in existence and its ayacut was only stabilised. The ayacut targeted to be created from the Hadua project remained unachieved.

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[10] Village Singri (20 metre) and at RD 3.20 km (60 metre)

2.1.4.8 *Physical status of the projects sanctioned from tranches XIII (2007-08) to XVII (2011-12)*

Unplanned execution of works rendered projects incomplete

Out of 469 projects taken up under tranches XIII to XVII for ₹ 1437.83 crore (details in **Appendix-2.1.1**), 45 projects (10 *per cent*) for ₹ 69.83 crore were completed as of March 2012. Of the 265 projects sanctioned under tranches XIII and XIV for completion by March 2012 for creating irrigation potential of 45167 ha CCA, 41 projects (15 *per cent*) were completed by March 2012 creating irrigation potential for 1106 ha (two *per cent*) CCA, 83 projects were dropped and not commenced. The remaining 141 projects were in progress with expenditure of ₹ 241.32 crore. This included delay in completion of 108 irrigation projects due to following:

Table No. 2.3 Reasons for delay in execution of projects

Reasons for delay	Number of projects	Sanctioned cost (₹ crore)	Expenditure (₹ crore)
Land acquisition	63	106.86	64.73
Finalisation of ayacut planning	37	60.44	30.23
Forest clearance	1	28.23	6.74
Design/drawing	2	28.49	7.08
Finalisation of tender	5	19.21	12.40
Total	**108**	**243.23**	**121.18**

Source: Information provided by the Controlling Offices.

Due to commencement of the projects without identifying and mitigating the risk factors like land acquisition, forest clearances and finalisation of the drawings/ designs/ayacut planning at the proposal stage itself, completion of the projects was either delayed, stopped midway or even if completed partially could not provide assured irrigation as discussed in succeeding paragraphs.

We noticed that HPC constituted (December 2003) with the Development Commissioner-cum-Additional Chief Secretary as Chairman for scrutinising/ monitoring project proposals focused mainly on financial arrangements, submission of DPRs/PCRs and new proposals. The Monitoring Cell constituted (April 2006) under the EIC also did not evaluate and address the technical deficiencies, poor progress in execution and financial discipline. The Department has also not coordinated with the Revenue Department for timely acquisition of land for completion of the projects as targetted.

The Government stated (December 2012) that after Finance Department has issued the guideline in January 2010 land, forest clearance and other issues are being initiated prior to posing projects for NABARD loan assistance.

This is not acceptable since the reply is silent on the action initiated for completion of the projects already languishing for land/forest problems.

Major/Medium Irrigation Projects

Of the 38 Major and Medium irrigation projects sanctioned under the tranches XIII to XVII and targeted to provide assured irrigation to 17168 ha and stabilisation of 35087 ha of CCA, only two projects (five *per cent*) were completed (March 2012) and 2200 ha of CCA reported as created which works out to 13 *per cent* of the target. The PCRs for the completed projects have not been submitted (March 2012).

We examined nine projects and noticed lack of economy, efficiency and effectiveness in implementation of five such projects as discussed below.

2.1.4.9 Deviation in approved plan of improvement of Rampur and Barkarley distributaries of the Hirakud system

NABARD sanctioned ₹ 26.42 crore for improvement of 13.385 km out of 60.550 km of the Rampur and Barkarley distributaries under tranche XII for stabilisation of 4760 ha of CCA.

Renovated portion of Hirakud Distribution System

Eroded and unlined portion of Hirakud Distribution System not covered under RIDF

We noticed that the approved plan was deviated during execution. Drainage siphons (25 numbers) and village road bridges (23 numbers) approved for construction were not executed and of the 13.385 km, the Department improved 6.255 km leaving 7.130 km unexecuted and covered other unapproved portion for 17.702 km. In execution of protection wall, of the 15.163 km approved, 9.022 km was executed leaving 6.141 km unexecuted and unapproved portion of 27.488 km was executed. The works were executed in disintegrated manner in patches. The photographs indicate lack of continuous improvement to the canal.

Due to the deviation, the cost of the projects was revised to ₹ 32.74 crore increasing it by ₹ 6.32 crore. The revised cost was approved (January 2011) by the Administrative Department, but the revised sanction of the NABARD was not obtained (December 2012).

Further, improvement of canal works of six[11] other projects sanctioned under tranches XIII to XVII for ₹ 182.18 crore were taken up by the EEs in split up tenders in patches, civil works entrusted to contractors on split up tenders while gates/shutters procured departmentally from open market deviating Government instructions dispensing with departmental procurement of materials.

Thus, execution of the improvement works in patches in deviation from the approved plan together with the split up execution of the work without approval of the NABARD/CE resulted in extra cost of ₹ 6.32 crore.

The Government stated (December 2012) that the approved plan was deviated to lead the water to the tail end. The estimates were split up as per jurisdiction

[11] Retamunda branch canal, Attabira branch canal, Attabira Tail, Godabhaga, Behera, Baimon and Sambalpur distributaries.

of each Junior Engineer and execution of the work on larger package was not feasible considering the short period available during closure of the canal.

This is not acceptable since the plan was approved based on the actual site condition and the work was sanctioned for execution as a comprehensive package. The split up execution was not approved by the NABARD/CE.

2.1.4.10 Wasteful expenditure on Daya West Branch Canal

The canal (28.850 km) running within the Bhubaneswar city with irrigation potential of 2906 ha was in distressed stage with varying bed width, scoured banks, development of weeds, inlet of city waste water/garbage inside the canal and unauthorised constructions/ occupation in the alignment. NABARD sanctioned (March 2008) loan for ₹ 10.50 crore under tranche XIII for renovation of the canal.

Channel filled with debris and waste water

Unauthorised encroachment

Before commencement of work 7.800 km (Palasuni to Garage Chhak) was transferred (September 2010) to Works Department for renovation and development of a four lane road involving ₹ 28.71 crore. Only, 813 metre of the canal was improved (March 2012) with expenditure of ₹ 1.38 crore (Out of ₹ 10.50 crore) under DoWR. The remaining 20.837 km of the canal was still in distressed stage as shown in the photographs. The canal was not providing any assured irrigation and no action plan was prepared for restoration of the canal for stabilisation of its ayacut (March 2012). The non-plan budget for ₹ 1.78 crore provided by the DoWR during 2008-12 was spent on piece meal maintenance/repairs which served no purpose.

Thus, non execution of the improvement works in continuous stretch and lack of action plan for eviction of the unauthorised encroachments resulted in NABARD loan of ₹ 1.38 crore wasteful.

The Government stated (December 2012) that without normal maintenance and repair works it is not possible to provide irrigation through the canal system.

The reply is not acceptable since no assured irrigation is being provided through the canal and the canal has been in a distressed condition. The reply is, however, silent on initiation of any action plan for restoration of the canal for stabilisation of its ayacut.

2.1.4.11 Unfruitful expenditure on Gobardhanpur Barrage Project

In order to create additional irrigation potential/ stabilisation of 7876 ha, canalisation and improvement to the command area of Gobardhanpur Barrage, NABARD sanctioned (2008-09) ₹ 25.14 crore under tranche XIV.

The EE split up the project to 20 parts without approval of the CE. One package for ₹ 0.23 crore was completed, eight packages were not started and other 11 packages for ₹ 12.42 crore was in progress with payment of ₹ 6.10 crore. The total expenditure on the project was ₹ 6.33 crore (March 2012).

We noticed that completion dates of 11 packages had expired (February 2011 and June 2012), but liquidated damages (LD) for ₹ 1.24 crore (10 *per cent* of the agreement value of ₹ 12.42 crore) was not recovered from the contractors to ensure completion of the works. The NABARD loan assistance lapses in March 2013, but 50 *per cent* of the work was not taken up rendering delay in creation/stabilisation of irrigation potential.

Thus, due to spilt up execution of the work and internal control failure for levy of LD (₹ 1.24 crore) for default in execution by the contractors, 50 *per cent* of the work remained incomplete resulting in unfruitful expenditure of ₹ 6.33 crore with delay in achievement of the objective.

The Government stated (December 2012) that for greater interest of the project; the project was taken up in 20 sub-projects. LD was not realised since extension of time was granted in two sub projects and applied up to March 2013 in other four sub projects. This reply is not acceptable since the project was sanctioned as one package by NABARD and extension of time was valid only in one case up to September 2012.

2.1.4.12 Unfruitful expenditure on Rajua Medium Irrigation Project

The project initially sanctioned (1999-2000) under tranche V for providing irrigation to 2665 ha of land in rabi crop was left incomplete from January/May 2004. The balance of the works were reposed under tranche XIV and NABARD sanctioned (January 2009) ₹ 17.75 crore for their completion by 2011-12.

We noticed that the project was taken up in split up manner. Head works were completed in November 2009, left and right main canals were abandoned mid way (August 2010/January 2011) by the contractors and another reach of right main canal was under execution. The project remained incomplete with expenditure of ₹ 9.13 crore (July 2012). The contracts were not closed and the balance of the works not taken up (December 2012).

Incomplete Head Works

Thus due to non closure of the contracts and commencement of the balance of the works, the project approved to provide irrigation to 2665 ha rabi crop by

2002-03 remained incomplete rendering the expenditure of ₹ 9.13 crore unfruitful and non achievement of the targeted objective.

The Government stated (December 2012) that after closure of the contracts the balance of the works would be taken up. This is not acceptable since the project remained incomplete for the last nine years due to piece-meal execution and responsibility has not been fixed for the non closure of the contracts.

2.1.4.13 Unproductive expenditure on Ghatekeswar Multipurpose Project

With a view to providing Irrigation of 500 ha in Rangeilunda block and supply of drinking water to about 75000 population of Gosaninuagaon and nearby areas of Ganjam district construction of Ghatekeswar Multipurpose Project was sanctioned (January 2008) for ₹ 29.15 crore under tranche XIII for completion in March 2010.

The EE deposited (March 2012) ₹ 4.82 crore with the LAO for the acquisition of 105.909 ha land. Besides, 65.211 ha of forest land were to be acquired for the project and 39 families coming under the submergence area were to be rehabilitated. We noticed that neither land has been alienated in the name of the Department nor has the order for diversion of the forest land has been obtained (December 2012).

Thus, due to failure in acquiring the required land and the forest clearance, the project has not been commenced even after four years rendering the sanction to lapse resulting in the investment of ₹ 6.45 crore on the project unproductive.

The Government stated (December 2012) that delay in forest clearance was due to repeated change in the rules for environmental and forest clearances. This is not acceptable since the project was implemented without ensuring the prerequisites of availability of land and forest clearance rendering the expenditure unproductive.

Minor irrigation projects

Out of 271 projects taken up during 2007-12 (tranche XIII to XVII) for ₹ 335.15 crore for providing irrigation to 45772 ha of CCA, 16 projects were completed (6 *per cent*) creating irrigation potential for 1106 ha and PCR for only one project submitted. We noticed the following:

2.1.4.14 Execution of the projects in fragmented manner

Haphazard execution rendered projects in-complete and involved unproductive expen-diture of ₹ 88.50 crore

Out of 271 minor irrigation projects sanctioned by NABARD for ₹ 335.15 crore, we noticed that in 51 projects sanctioned (tranche XIII-2007-08 and XIV-2008-09) for ₹ 73.90 crore and targeted to provide irrigation to 11783 ha of CCA by 2011-12 only the head

Completed Head Works of Chakramal MIP

works were completed with expenditure of ₹ 50.04 crore and the distribution systems were not taken up as of March 2012 due to non-acquisition of land (30 projects), non-finalisation of the ayacut planning of the distribution system (15 projects), delay in finalisation of tender (3 projects) and delay in award of work (3 projects) resulting in the investment of ₹ 50.04 crore not yielding any results.

Completed Head Works of Saldihi MIP

The Government stated (December 2012) that the distribution systems have not been completed due to non-acquisition of land/forest clearance and non-finalisation of drawings/ designs.

This is not acceptable since the Government has not indicated actions initiated to mitigate the factors of delay due to finalisation of drawings/designs which are within control for completion of the distribution system.

2.1.4.15 Incomplete projects

Projects (47) sanctioned (tranche XIII and XIV) for ₹ 70.97 crore were taken up between 2007 and 2009 with the target for completion and creation of irrigation potential for 9474 ha by March 2012 without finalisation of the land acquisition and ayacut planning of the distribution system. These projects remained incomplete with expenditure of ₹ 37.17 crore due to non-acquisition of land and non-finalisation of ayacut planning.

2.1.4.16 Non-levy of penalty

Of the above 47 projects, 12 projects with award cost of ₹ 12.86 crore were delayed due to default in execution by the contractors and despite that no action has been initiated for levy of liquidated damages (LD) of ₹ 1.29 crore on the defaulting contractors to ensure completion of the projects.

2.1.4.17 Excess payment for forest land acquistion

Gandanalla project was approved (October 1987) for a reservoir scheme and the EE deposited (March 1998) ₹ 2.94 crore with the Divisional Forest Officer, Cuttack for acquisition of 50.66 ha of forest land required for the project. The designs were modified (October 1999) to diversion weir[12] scheme due to presence of highly pervious laterite zone which was not suitable for a reservoir. The project was sanctioned (March 2008) by NABARD under tranche XIII for ₹ 6.30 crore. The works were awarded (September 2008) to a contractor for ₹ 0.89 crore for completion by August 2009 which was progressed for ₹ 0.71 crore as of June 2011. Only 14.15 ha (₹ 0.82 crore) of forest land were required for the project as per the revised scope. The EE has

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12 A low dam built across a stream to raise its level or divert its flow.

not initiated (June 2012) any action for obtaining refund of the excess amount of ₹ 2.12 crore already deposited with the DFO.

The Government did not furnish any specific reply and the EE Cuttack MI Division stated (June 2012) that action would be taken for adjustment of the excess amount paid to the DFO. However, no action was taken in the matter (December 2012).

Flood control projects

2.1.4.18 Implementation of Flood control projects on sample drawing/tentative design

Implementation of projects on sample drawing/ tentative design delayed their completion and accrual of benefits

Para 3.7.1 of OPWD Code provide that no work shall be commenced unless properly detailed design and estimate have been technically sanctioned.

Two[13] projects targeted to discharge flood water, to prevent saline ingress into the agricultural land in Rajnagar area and to retrieve 1060 ha of agricultural land were taken up (February 2010/January 2011/February 2011) by the EEs for ₹ 5.78 crore under tranches XIII and XIV on the basis of the sample drawings without finalisation of detailed drawing by the CE (Designs).

During execution it was noticed in one work that the foundation soil was black cotton/ocean clay and was unsuitable to support the structure. The drawing was revised (May 2010) and the time of completion of the work was rescheduled to February 2012. The work progressed for 55 *per cent* in financial terms (March 2012). The drawing of the other work was also revised (March 2011) to suit to the site condition resulting in large scale excess deviations (67 to 86 *per cent)*. The Government formed (April/June 2012) a Committee to enquire the reasons for excess deviation, the report of which was not submitted and the work was suspended (July 2012).

Thus, the works scheduled for completion by October 2010/August 2011 were not completed due to taking up of works on sample drawings and the desired objective of retrieving 1060 ha of agricultural land was not achieved despite investment of ₹ 5.52 crore.

The Government stated (December 2012) that since the foundation soil was not suitable to support the structure, the design was modified for execution providing under reamed piles. The enquiry report on the other case was awaited.

The reply confirms that the EEs commenced the works without proper preconstruction survey and on sample drawings deviating from the codal provisions. However, the reply is silent on accountability fixed for the commencement of work on sample drawing.

2.1.4.19 Strengthening Rushikulya river embankment

The bank of Rushikulya River was scoured and at places washed away during flood posing threat to life and property of the people of the nearby locality. NABARD sanctioned (January 2009) ₹ 7.54 crore under tranche XIV for

13 Construction of 26 sluices in different locations under Rajnagar and Modernisation of Kathanalla

strengthening the river embankment from Chanduli to Purusottampur (12.350 km). The EE strengthened it for 11.088 km for ₹ 7.34 crore splitting into four packages without approval of CE. The embankment for 1.707 km (9.450 to 11.157 km) was not strengthened on the ground of protest by the local people. As a result of the missing link the objective of protecting the life and property of the people of the nearby locality during flood was not achieved despite expenditure of ₹ 7.34 crore.

The Government stated (December 2012) that the land owners are being pursued for sparing the land for construction of a protection wall. This is not acceptable as this issue was controllable and should have been resolved to take full benefit of the strengthening.

2.1.4.20 Construction of a river embankment

New construction, raising and strengthening to Mahanadi right embankment from Manibhadra to Paturia was sanctioned under tranche XIII for ₹ 12.71 crore with the objective to protect 1250 ha of agricultural land. The EE commenced works on the project by splitting the work into six packages without obtaining approval of the CE.

We noticed that three packages were completed with expenditure of ₹ 3.97 crore as of July 2012 and works for two packages were not taken up due to non-acquisition of land and for the remaining one package drawings and designs are awaited (July 2012).

Thus split up execution of the work and the delay in acquisition of land resulted in expenditure of ₹ 4.56 crore unproductive and the objective to protect 1250 ha of agricultural land remained unachieved.

The Government stated (December 2012) that the work could not be completed due to the resistance of the local villagers to donate their land and non-finalisation of the drawing/design. The reply is not acceptable since preparation of any revised action plan for completion of the work was not indicated.

Drainage projects

2.1.4.21 Uneconomical/inflated estimation

OPWD Code stipulates that estimates should be prepared in the most economical manner. The rate for excavation of earth work through mechanical means as per SoR was between ₹ 23.67 and ₹ 25.20 per cum.

We noticed in 13 (three Drainage Divisions[14]) out of 68 projects sanctioned for ₹ 53.37 crore under tranche XIII to XVII that the EE/SE/CE chose to adopt manual excavation of earth work in drains/

Kusumi Nallah excavation by excavator

[14] Cuttack, Chandikhole and Berhampur

drainage channels in the DPRs (estimates) at rates between ₹ 35.80 and ₹ 68.41 per cum. The works with the inflated costs (excavation by manual means) were put to tender. However, as per the notice inviting tenders, availability of machinery (excavator) required for execution of the work was one of the criteria to qualify for the tender. The works were executed during 2008-12 deploying machinery (lower rate) as shown in the photographs resulting in extra payment of ₹ 6.96 crore of which ₹ 5.80 crore has already been passed on to the contractors.

Agula Nallah excavation by excavator

The Government stated (December 2012) that excavation of drainage channels (more than eight metre width) to design section cannot be achieved only by using machinery in all condition and thus, executed both manually and mechanically. Further, the rate of mechanical excavation is more with involvement of re-handling of earth by excavator.

The reply is not acceptable since the estimates for the works were sanctioned providing excavation manually (higher rate) but the agencies executed them using excavator (lower rate) resulting in excess payment. Even in cases where mechanical carriage is provided in the estimate in addition to item involving carriage through manual means, no provision was made for re-handling of earth. Further, in case of requirement of mechanical excavation, the DPRs should have been sanctioned providing excavation mechanically to avoid extra benefits to contractors.

2.1.4.22 Overloading the project cost

OPWD Code stipulates that estimates should be prepared in the most economical manner. Government approved one SoR under Works Department by providing item rates fixed by the Rate Board for adherence by all Engineering Departments. This SoR provided separate chapter for execution of irrigation works and overhead charges payable was 12.5 *per cent* on labour component and 2 *per cent* towards tools and plant charges which was revised to 10 *per cent* (2006) on the total value of the item. DoWR, however, adopted their SoR from 1994 (revised in 1998) providing 15 *per cent* overhead charges on the value of the item and further 10 *per cent* on account of hidden labour cost.

We noticed that under Deo Irrigation project, excavation of right main canal in three reaches was sanctioned (2005-06) for ₹ 11.08 crore, adopting excess overheads as per SoR of the DoWR. This inflated the estimates by ₹ 1.27 crore resulting in undue benefit to contractors. As of March 2012 the undue payment of ₹ 1.06 crore on account of excess overheads was passed on to the contractors for the value of works executed for ₹ 9.22 crore.

The Government stated (December 2012) that the SoR of DoWR was adopted as these were canal works. The reply is not acceptable since the SoR of Works

Department provided a separate chapter for canal works which should have been adopted to avoid the undue payment.

2.1.4.23 Award of work to OCC without tender at higher cost

Award of works to OCC led to extra cost of ₹ 1.66 crore to the department. Also advance for ₹ 13.42 crore was not recovered from them

As per the guidelines issued by Central Vigilance Commission (CVC) in July 2007, tendering process for the award of contract is a basic requirement and award of contract on nomination basis is a breach of constitutional provisions.

We noticed that four works[15]were awarded to OCC at higher rates without tender. The offered rates (₹ 12.26 crore) of OCC were more than the departmental estimated rates (₹ 10.77 crore) ranging between 13 *per cent* and 19 *per cent* excluding the overhead charges. As the estimates were prepared on current SoR and enhanced labour rate there was no justification of award of work at higher costs to OCC with further 10 *per cent*/15 *per cent* overhead charges involving extra cost of ₹ 1.66 crore.

The Government stated (December 2012) that due to inclusion of costs of ancillary jobs as dewatering, diversion of water and re-handling of materials, the offer rates of OCC are higher than the SoR. This is not acceptable since estimates are prepared as per the SoR including all necessary items for execution of the works and as such OCC should have been allowed the overheads over the prime cost.

2.1.4.24 Irregular provision of overhead charges

As per the procedure prescribed by Government for execution of works through OCC (State PSU), the Corporation was entitled to 10 *per cent* overhead charges on the value of works taken up by them on or after 01 April 2011.

We noticed that on two works[16], the EEs executed agreements (June 2011) with OCC for payment of 15 *per cent* overhead charges. This resulted in excess overhead charges of ₹ 0.14 crore.

2.1.4.25 Non-recovery of advances

As per the procedure prescribed (June 2002) by Government for execution of works through OCC (State PSU), interest free advance can be issued to them for execution of the work. The second advance required for the work would be released after adjustment upto 75 *per cent* of the earlier advance.

We noticed in four projects[17] that interest free advance of ₹ 23.56 crore was issued by the EEs to OCC without ensuring adjustment of 75 *per cent* of the earlier advances. Of the above, ₹ 10.14 crore was adjusted on the running accounts bills leaving ₹ 13.42 crore unadjusted as of July 2012. Despite the issue of interest free advance, none of the projects was completed (July 2012)

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15 Imp to Kakatpur branch canal, Kundhei distributary and Angapada, Sureswari, MIP

16 Angapada and Sureswari MIPs.

17 Improvement to Kakatpur branch canal, Kundhei distributary, Katrapal MIP and construction of four high level spurs (RD 77.570 km, 77.800 km, 77.900 km and 78.00 km of Devi Right embankment near Bauriakana)-RIDFXIV.

although Government was paying interest to NABARD on the loan amount. LD has not been imposed on the Corporation for non-completion of the works.

The Government stated (December 2012) that advances were issued as per the decisions of Government and LD has not been levied since responsibility for delay has not been fixed on OCC. This is not acceptable since responsibilities have not been fixed despite default in execution and LD has not been realised with recovery of outstanding advances to ensure completion of the works.

2.1.4.26 Unwarranted procurement of shutters

Shutters though not immediately required for the works were procured utilising RIDF funds for ₹ 1.30 crore

Government in Finance Department ordered for dispensing with the procurement of materials for works from April 1996 stipulating that the works be allotted to the contractors on finished item rates inclusive of supply of materials at their cost and risk. The CE, Minor Irrigation, however, instructed (January/July 2000) that shutters required for the MIPs should be manufactured in the Stores and Mechanical Division and in case of exigency can be procured by calling open tenders with wide publication.

Out of the 11 MI Divisions, we noticed that the EE MI Division, Dhenkanal, procured 26 sets of shutters for ₹ 1.30 crore during 2008-10 from three private agencies for five[18] MI projects deviating from the executive instructions and without synchronising with the progress of work of these projects which did not start due to non-acquisition of land/forest clearance.

Thus, procurement of shutters by the EE in violation of the instructions and without definite requirement led to idle investment of fund for ₹ 1.30 crore for more than two years with interest liability of ₹ 0.18 crore (September 2012).

The Government stated (December 2012) that the possibility of utilising the shutters in other projects would be explored but whether there would be a need for these shutters in other projects is not ascertained for the last two years. No responsibility has been fixed for the procurement of shutters without definite requirement.

2.1.4.27 Tendering of projects

As per the OPWD code, no Officer can accept any tender after a period of 90 days from the date of opening the tender, unless the period of validity has been extended by the parties concerned. The notice inviting tenders stipulate that the bids for the works shall remain open for acceptance for a period of 90 days from the last date of receipt of bids.

We noticed that generally the bids were not accepted and agreements drawn within 90 days from the last date of receipt of the bids. Out of 55 cases put to tenders for ₹ 66.43 crore and examined by us, bids for 14 works for ₹ 4.47 crore were finalised within the codified validity period of 90 days and the remaining 41 bids for ₹ 61.96 crore were finalised with delays ranging between 31 and 353 days over the prescribed 90 days. Agreements were executed obtaining extension to the bid validity, rendering delay in completion and accrual of benefits from the projects.

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[18] Darh, Sureswari, Kanja, Khandahata and Ghuruda MIPs funded under tranches X to XVI.

The Government stated (December 2012) that factors like evaluation and negotiation require period beyond 90 days. This is not acceptable since as per the provisions in the OPWD Code, all these are to be completed within the 90 days period. The reply is, however, silent on action taken for strengthening the internal control system to ensure acceptance of bids within the codified validity period.

2.1.4.28 Non acceptance of tender within the validity period

Non finalisation of a tender within the validity period led to extra cost of ₹ 0.84 crore on re-tender

In response to the tender notice (April 2010) for strengthening of Rushikulya river embankment from Chanduli to Purusottampur (RD 4.850 to 9.000 km) sanctioned under tranche XIV for ₹ 2.27 crore, three bids valid up to 16 August 2010 (90 days from the last submission of bid) were received. The CE approved the technical bids on 07 August 2010 and the financial bids were opened on 16 August 2010 (last day of validity). The lowest bidder quoting ₹ 1.93 crore refused (28 August 2010) to extend the validity in view of rise in cost of fuel, materials and labour. The bid was cancelled (November 2011) by the CE and the work was awarded (November 2011) to another bidder on re-tender for ₹ 2.77 crore which was in progress with payment of ₹ 0.59 crore as of March 2012. The failure to accept the original bid within the validity period involved extra cost of ₹ 0.84 crore on retender.

The Government stated (December 2012) that the validity of the tender lapsed in the process and since the tenderer did not extend its validity, the tender was cancelled and retendering was done. However, the reply is silent on the non-finalisation of the tender within the validity period and accountability for the lapse and monitoring failure at the level of the CE to ensure acceptance of the bid before expiry.

2.1.4.29 Acceptance of bid of an unqualified bidder

To qualify for award of work, each bidder is required to produce documentary evidence regarding availability of required machinery and equipment as prescribed in the notice inviting tender for execution of the work.

Out of 22 tender cases examined, we noticed that in response to the NIT of February 2010 for improvement of Solapata Bahabalpur saline embankment sanctioned for ₹ 6.50 crore under tranche XIV, three bids were received. The financial bids could not be opened till September 2010 due to delay in finalisation (12 March 2010) of technical bid at the level of the CE and blockage of pass word on retirement (September 2010) of the CE. Government cancelled the bids in February 2011. The work was re-tendered in May 2011 and awarded (December 2011) for ₹ 6.16 crore to an ineligible bidder who did not satisfy the criteria of possession of required truck/tippers for completion (November 2012) which had progressed only 16 *per cent* (May 2012).

The Government stated (December 2012) that all three bidders satisfied the eligibility criteria. This is factually not correct since bidder awarded with the work did not satisfy the criteria of possession of required truck/tippers and hence was not eligible for the work.

2.1.4.30 Split up of execution of works

Works were split up to avoid the combined evaluation of bid capacity

As per paragraph 3.5.24 of OPWD Code, split up of work to facilitate execution is permissible with the approval of the authority competent to sanction the value of whole work only with justification by circumstances and interest of the work.

As per amendment (May 2006) to note VII below paragraph 3.5.9 of OPWD Code, in case of invitation of bids for different works each more than ₹ three crore in a common notice, the bidder must demonstrate experience and resources sufficient to meet the aggregate of qualifying criteria for the individual contracts, to the extent of his bidding.

We examined 87 out of 461 projects and noticed in 10 projects sanctioned under RIDF for ₹ 77.79 crore as single package, were divided between two and 20 packages without justifying the necessity for split up. Bid criteria i.e. annual turnover, execution of similar works, financial capability and bidding period were relaxed for facilitating finalisation of the bids at lower level avoiding combined evaluation of bid capacity of the bidders. Bidders were selected on independent evaluation of their capacity specific for the package. The details are given in **Appendix-2.1.2.**

The Government stated (December 2012) that in order to achieve progress and complete the works on time, works were split up into reaches. Moreover, following of provisions of bid criteria would have delayed the works.

This is not acceptable since the projects sanctioned as comprehensive package were split up without approval of the authority competent to sanction the composite project, combined evaluation of bid capacity of the bidders were avoided and despite split up execution the works were not completed on time. The delay ranged between nine and 40 months.

2.1.5 Contract Management

2.1.5.1 Undue benefit/excess payment and extra/excess expenditure

Poor management of contract led to undue benefit/ excess payment of ₹ 29.97 crore to contractors

The management of the contracts was the responsibility of the engineers in charge and the officers supervising the works.

Out of the 87 projects examined, we noticed in 10 projects that the terms and conditions of the agreements were violated on several issues leading to excess payment and undue benefits to the contractors, besides extra and excess expenditure totalling to ₹ 29.97 crore as detailed below.

2.1.5.2 Undue benefit to OCC

As per the agreement executed with OCC for the construction of the spillway of Baghalati Irrigation Project, the Department has the right to make increase/ decrease in the quantity of work as may be necessary during execution which would not in any way invalidate the contract/rate.

We noticed that the designs for the spillway were modified during the construction period resulting in increase/decrease in the quantity of items. However, in deviation from the terms of the agreement, item rates were enhanced on post contract stage resulting in extra financial benefit of ₹ 1.89 crore to OCC.

Further, portion of the reinforced cement concrete already executed in the spillway was dismantled to adjust the half constructed structure with the revised design resulting in the expenditure of ₹ 0.44 crore incurred on the dismantled concrete wasteful.

The Government stated (December 2012) that due to change of quarry and labour charges, supplementary agreement was executed with revised rates. This is not acceptable as per the conditions of the agreement, revision of rates at post tender stage is not permissible.

2.1.5.3 Non-recovery of VAT and performance security at prescribed rates

The works of the earth dam and spillway of Baghalati Irrigation Project were allotted (May 2004/February 2005) to OCC at their offered rates of ₹ 34.20 crore. The works were stipulated for completion by February 2005/February 2007. As per the provisions of the contract, VAT at four *per cent* and performance security at five *per cent* of the value of work executed is recoverable.

We noticed short recovery on account of VAT for ₹ 0.59 crore and performance security for ₹ 0.69 crore on the value of work executed up to March 2012.

The Government stated (December 2012) that the differential amount of VAT and performance security would be recovered.

2.1.5.4 Irregular computation of the item rates

As per the provisions of the paragraph 3.4.2 of the OPWD Code, the item rates are to be computed as per the provisions in the SoR.

We noticed that the offered rates of OCC for the construction of the earth dam of Baghalati Irrigation Project were computed adopting "contract tax" which is not admissible as per the departmental SoR. This led to over payment of ₹ 0.35 crore.

The Government confirmed (December 2012) that the Tender Committee approved the offer of OCC inclusive of contract tax. However, the fact remains that contract tax is not admissible as per the SoR and the Department should have initiated measures for recovery of the over payment.

2.1.5.5 Undue benefit to OCC for burrowing earth

In the sanctioned estimate/offered rate of OCC for construction of the earth dam of Baghalati Irrigation Project, the earth was provided to be obtained from burrow area involving lead for four km. We noticed that the OCC obtained earth from burrow area between one and five km averaging 2.75 km (three km). The offered rate for earth work was not scaled down resulting in undue benefit of ₹ 0.66 crore to OCC for execution of 6.48 lakh cum of earth work.

2.1.5.6 *Non-recovery of advances*

- For construction of the earth dam, spillway and design/fabrication/ transportation/erection of radial gates of Baghalati Irrigation Project, advances for ₹ 37.89 crore were issued up to March 2010 to OCC of which ₹ 24.86 crore was adjusted on running account bills. We noticed that neither the works have been completed nor gates installed nor were the balance of the advance for ₹ 13.03 crore adjusted facilitating accrual of interest at bank rate to OCC.
- Further, reach I and II of earth dam of Deo Irrigation Project awarded (June 1998) to two contractors for ₹ 17.60 crore for completion by September 2000 were abandoned (April 2006) after their execution for ₹ 2.10 crore. Both the contracts have not been closed and works advance for ₹ 0.82 crore and secured advance for ₹ 0.46 crore have not been recovered/adjusted (July 2012).

The Government did not furnish any specific reply for non-recovery of advance from OCC and for Deo project stated (December 2012) that action would be taken to close the contract and for recovery of the advances.

2.1.5.7 *Unwarranted repairs to machinery*

As per the conditions of the contract, the contractor was to arrange his own machinery for the work. The available departmental machinery can be utilised with payment of hire charges. We noticed that in the absence of any work plan, the EE of Deo Irrigation Project got four Dozers, Tractors, Air Compressors, Tanker and welding transformer repaired with expenditure of ₹ 0.81 crore for utilisation in the project work. The expenditure was met out of NABARD loan assistance for the project. As there was no work at hand, the machinery remained idle.

The Government stated (December 2012) that the machinery were repaired in anticipation of utilisation. The reply is not acceptable since the machinery were repaired without synchronising with the work plan and prospect of utilisation rendering them idle.

2.1.5.8 *Undue benefit and extra expenditure*

As per the terms and conditions of the agreements executed in two[19] projects/works implemented under tranches XIV and XVI, separate payments were not admissible to the contractors for the construction of the diversion roads and coffer dam. However, in deviation from the terms and conditions of the agreements, the BoQ for the works provided items for payment of cost of construction of diversion roads and coffer dam leading to undue benefits to the contractors and extra expenditure of ₹ 0.07 crore.

The Government stated (December 2012) that the observations of audit have been noted by the concerned officers not to pay the above unless it is sufficiently established from the agreement point of view.

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[19] Renovation of Kani Drain cum Creek (Tranche-XIV) and Renovation of Nuamahara Drain (Tranche-XVI)

2.1.5.9 *Irregular payments*

Agreement/specification of the flood control projects provided that payment for earth work is to be made on measurement taken on finished compacted level section. We noticed that in deviation from the contract conditions, the EEs measured 27.18 lakh cum of earth work in six[20] RIDF projects without following level section measurement and allowed payments for ₹ 9.25 crore to the contractors.

Thus, due to the internal control failure led to irregular payment to the contractors.

The Government stated (December 2012) that the final bill shall be paid on level section measurement. This is not acceptable since as per the agreement conditions each bill is to be paid on level section measurement.

2.1.5.10 *Non-recovery of royalty*

The irrigation projects comprise construction of the head works (dam or diversion weir) and canal for supply of irrigation to agricultural land. As per the clarification issued by the Revenue Department in July 2003, earth used in the construction of canal for agricultural production is exempt from recovery of royalty. The order did not exempt recovery of royalty for the earth used in the construction of dam. Royalty on earth used in construction of earth dam of Bagahalati Irrigation Project was not recovered resulting in loss of ₹ 0.91 crore.

The Government stated (December 2012) that royalty not being included in the estimate was not recovered.

This is not acceptable since as per clarification of Revenue Department royalty on earth used on dam is not exempt from recovery. Therefore, royalty should have been included in the estimate and recovered. The internal control failure at the level of the EE resulted in loss of ₹ 0.91 crore.

2.1.6 *Financial management of the sanctioned projects*

Approved project cost, loan assistance sanctioned by NABARD and the loan disbursed against the claim of Government as of March 2012 are as under.

Table No: 2.6 Details of reimbursement claimed and disbursement by NABARD during 2007-12

(₹ in crore)

Tranche/ Year	Sanctioned projects (in number)	NABARD share	State share	Total	Expenditure incurred	Reimbursement claim submitted to NABARD	Reimbursement by NABARD
XIII 2007-08	56	166.20	14.18	180.38	96.89	81.44	76.13
XIV 2008-09	209	352.87	19.96	372.83	214.69	171.33	173.56
XV 2009-10	37	138.39	10.44	148.83	55.85	53.96	54.17

[20] Alaka Drainage, Renovation of Kani Drain cum Creek, Renovation of Nuamahara Drain, Improvement to Gahagapata Drainage System, Gobori Drainage System and Improvement to Salapata Bahabalpur Saline embankment.

Tranche/ Year	Sanctioned projects (in number)	NABARD share	State share	Total	Expenditure incurred	Reimbursement claim submitted to NABARD	Reimbursement by NABARD
XVI 2010-11	108	314.55	18.72	333.27	48.54	45.06	47.95
XVII 2011-12	59	382.39	20.13	402.52	33.32	28.96	29.82
Total	**469**	**1354.40**	**83.43**	**1437.83**	**449.29**	**380.75**	**381.63**

***Source:** Progress report of the department on NABARD assisted irrigation and flood control projects*

The CEs could spend 33 *per cent* of the sanctioned loan due to poor progress on projects

As per the implementation schedule approved in the loan agreement, 265 projects sanctioned under tranches XIII and XIV were to be completed by March 2012 availing loan for ₹ 519.07 crore. There has been significantly low level of utilisation of the sanctioned RIDF loan. Government could spend only ₹ 311.58 crore (60 *per cent*) up to March 2012 even after passing of three years due to slow progress of projects. These delays were mainly due to the delay in acquisition of land and finalisation of the ayacut planning of the distribution system. Overall, the Department could spend only ₹ 449.29 crore (33 *per cent*) of the sanctioned loan on the projects approved up to tranche XVII evidencing poor expenditure efficiency.

2.1.6.1 Monitoring of project wise reimbursement of loan

Finance Department did not monitor the repayment of Principal and Interest project wise. Only tranche wise information of bulk loans sanctioned by NABARD and utilised are available with them.

Against ₹ 380.75 crore claimed (85 *per cent*) for reimbursement under tranches XIII to XVII as of March 2012, reimbursement received from NABARD was reported as ₹ 381.63 crore disclosing excess reimbursement of ₹ 0.88 crore over the amount claimed evidencing poor monitoring and reconciliation of the expenditure on the sanctioned projects. This indicated ineffective internal control.

Therefore, it was essential at the level of the Controlling Officer to put in place a mechanism for monitoring the project wise information of loan sanctioned, expenditure incurred and reimbursement by NABARD.

The Government stated (December 2012) that the excess reimbursement is the unadjusted mobilisation advance. However, as per the details provided to audit, excess reimbursement has been shown against projects.

2.1.6.2 Utilisation of budget grant

The CEs surrendered ₹ 142.76 crore due to poor progress on works and there were diversion of funds for ₹ 33.07 crore

According to the Government budget Rules, the Department is expected to prepare the budget based on actual requirement of funds for execution of various approved projects. Surrenders/savings are to be intimated in advance to enable re-appropriation of funds. Further, as per the general terms and conditions of the RIDF loan, the Government has to make adequate provisions in the budget for smooth implementation of the sanctioned projects. The Controlling Officer (CE) is responsible for maximising utilisation of the budget grant for RIDF projects to ensure achievement of the physical and financial targets. However, the provisions made in the budget were not synchronised with the sanction cost for the projects tranche wise/year wise.

The original budget provisions, re-appropriations and surrenders during 2007-2012 were as under.

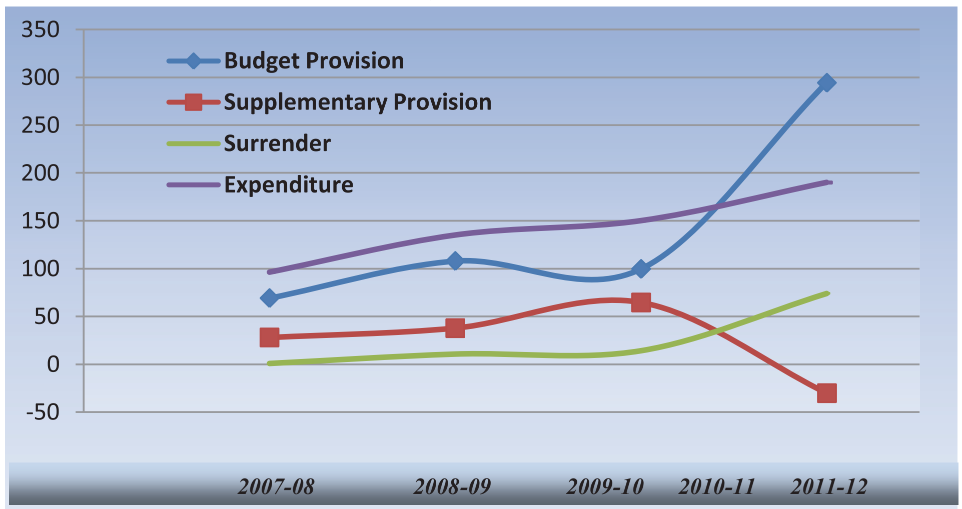
Table No: 2.7 ***Year wise budget / re-appropriation and surrender***

(₹ in crore)

Year	Budget Provision	Supplementary Provision through re-appropriation	Total	Surrender	Expenditure
2007-08	69.21	27.98	97.19	0.85	96.34
2008-09	108.02	37.84	145.86	10.69	135.17
2009-10	99.74	64.63	164.37	14.16	150.21
2010-11	294.53	-30.18	264.35	74.14	190.21
2011-12	207.89	-10.29	197.60	42.92	154.68
Total	**779.39**		**869.37**		**726.61**

Source: Information provided by the Controlling Offices

Chart 2.1



Out of available grant of ₹ 869.37 crore the CEs surrendered ₹ 142.76 crore of which the surrenders during 2010-11 and 2011-12 alone was ₹ 117.06 crore due to delay in completion of the projects.

The Government stated (December 2012) that land acquisition, forest clearance and ayacut planning attribute to surrender of funds.

2.1.6.3 Expenditure without/in excess of administrative approval.

The OPWD Code stipulated that no work is to be executed or liability created in the absence or in excess of 15 *per cent* over the cost approved by the Administrative Department.

We noticed in 10 projects[21] approved for ₹ 33.13 crore, the expenditure incurred by the EEs exceeded more than 15 *per cent* and up to 250 *per cent* of

[21] Tranche X: Construction of left distributary and renovation of Daha Irrigation Project, Bridge on Taladanda extension canal, Galiajore creek irrigation, Rajakanika creek irrigation, Tranche XII: R/S of flood embankment of river Sapua to protect the command of Galua distributary & Hantuda distributary of Salia irrigation project, Tranche XIV: Modernisation to Posala Machapada minor drain, Chandi Baunsamula to Gupti Drainage cum creek project, Improvement & strengthening of right flood embankment of river Baghua (RD 12.20 to 24.255 km), Tranche XIII: Atharnalla and Tranche XIV: Bada Kenduguda.

the approved cost by ₹ 17.29 crore without revised approvals having been obtained. Further, four projects[22] sanctioned under tranches XIII to XVI were implemented at a total cost of ₹ 12.31 crore in absence of administrative approval against which the EE disbursed ₹ 7.11 crore to the contractors as of May 2012 which was violative of the provisions in the OPWD Code.

The Government stated (December 2012) that the administrative approvals are expected to be accorded by DoWR soon.

2.1.6.4 Expenditure on land acquisition/rehabilitation.

As per paragraph 10.5.21 of CPWA Code, amount advanced to the Land Acquisition Officer (LAO) for payment of land compensation and rehabilitation/resettlement assistance is required to be debited to land acquisition suspense accounts. After disbursement to the land owners/displaced persons, the LAO is required to submit land acquisition statements along with vouchers to the project authority for adjustment of the suspense accounts.

We noticed that eight EEs[23]issued (2008-2012) advance for ₹ 79.74 crore to LAOs for 25 projects for payment of land acquisition charges and rehabilitation assistance. This included excess issue of advance for ₹ 0.92 crore by EE Deo Irrigation Project over the estimate submitted by the LAO. The advances were debited to the project accounts as final expenditure by the EEs without any vouchers of the actual payment made to the land owners/displaced persons. The LAOs submitted accounts and vouchers for ₹ 8.22 crore and did not furnish any accounts and vouchers for ₹ 71.52 crore (March 2012) whereby audit scrutiny could not be exercised. This indicated weak internal control and lack of streamlined system to monitor timely disbursement of land compensation and rehabilitation assistance by LAO and submission of accounts and vouchers for adjustment in the project accounts.

The Government stated (December 2012) that the EEs have been instructed to pursue the LAOs for submission of paid vouchers and excess issue of advance would be adjusted. However, reasons for non submission of the vouchers by the LAOs upto eight years and action on the part of the EEs in coordinating with LAOs for submission of the vouchers/accounts is not forthcoming.

2.1.6.5 Extra payment on rehabilitation compensation.

Project affected persons (PAP) of the Deo Irrigation Project were initially identified as 469 and provided (1998-2003) with the rehabilitation assistance as per prevailing 1994 policy. The PAPs were, however, not evicted from the project area. The rehabilitation policy was revised in 2006 enabling them for additional compensation. Government sanctioned (August 2008) ₹ 9.38 crore for payment of ex-gratia of ₹ 2 lakh each considering their representation. The

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[22] Namtikiri to Amrutia drainage channel in Korei tranche XIV, Renovation of Nuamahara drainage from RD 00 to10.56 km in Brahani- Baitarani Doab XIV-tranche XVI, Tikarpara Creek Irrigation Project and Renovation of Sapanapat drainage channel from Mahakalapada to Sherpur under Brahmani Baitarani Doab XIV-tranche XIII

[23] Berhampur, Khurda, Hadua Irrigation Divisions, Deo Head Works Division, and Padampur, Dhenkanal, Sambalpur, Sundargarh Minor Irrigation Divisions.

project works did not commence due to non-completion of the rehabilitation measures. Fresh survey was, thereafter, conducted by the Revenue Department in 2009 by which time 317 minors attained 18 years and became eligible for Rehabilitation and Resettlement (R&R) assistance for ₹ 17.21 crore. The internal control failure in monitoring the timely eviction of the PAPs led to extra expenditure of ₹ 26.59 crore and delay in commencement of project works.

The Government stated (December 2012) that to facilitate execution and provide livelihood to the displaced families ex-gratia was disbursed. The reply is not acceptable since the delay in completion of the rehabilitation measures of the PAPs resulted in the extra payments.

Diversion of funds

2.1.6.6 Irregular booking of expenditure against NABARD loan

As per the terms and conditions of the loan agreement, no part of the administrative expenditure was to be included for reimbursement from NABARD. We noticed that establishment expenditure (part of administrative expenditure) for ₹ 18.45 crore incurred between 1999 and 2012 on Deo irrigation project was debited to the NABARD fund by the EE though not admissible. Besides the above, employees share of EPF for ₹ 0.36 crore was also booked by him to the RIDF loan account, which was recoverable from the employees. This indicated lack of internal control.

The Government stated (December 2012) that since staff were engaged for the project work, their salary and other entitlements were met out of the project head. The argument is not acceptable since administrative expenditure is not to be debited to NABARD fund.

2.1.6.7 Irregular expenditure

Sanction for loan assistance for the Deo Irrigation project approved under tranche X lapsed in March 2010 by which time the expenditure on the project was ₹ 99.23 crore. Despite lapse of the sanction, the CE & BM, provided funds for the project unauthorisedly diverting from other projects/works and the EE incurred ₹ 13.65 crore on the project between 2010 and 2012 though ineligible for reimbursement under RIDF.

The Government stated (December 2012) that to complete the works, expenditure were met out of other sources of funds.

The reply is not acceptable since as per the rules the funds appropriated in the budget should not be diverted for unauthorised works.

2.1.6.8 Expenditure on unapproved works

We also noticed that during 2011-12, the EE, Bargarh Canal Division spent ₹ 0.61 crore from RIDF funds for execution works of Bargarh main canal not covered under RIDF.

The Government stated (December 2012) that the incomplete works of 2010-11 were spilled over to 2011-12. The reply is not acceptable since the works were not approved by NABARD and no action has been taken to strengthen the internal control system.

2.1.7 *Creation of irrigation potential*

Irrigation potential created was only 19 *per cent* and its utilisation was not assured due to lack of joint verification

The objective of availing loan assistance from NABARD was to complete the incomplete/new projects and to create irrigation potential of 62940 ha CCA and stabilisation of existing potential for 35087 ha totalling to 98027 ha (Major/Medium: 38 projects for 17168 ha new and stabilisation of 35087 ha and Minor: 271 projects for 45772 ha) under tranches XIII to XVII.

The status of the designed irrigation potential and potential created as of March 2012 is as shown below in the table.

Table No: 2.8 Tranche wise irrigation potential (designed and created)

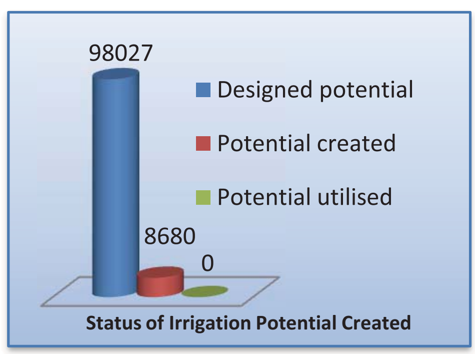
(*In ha*)

Sl. No	Tranche	Target				Achievement			
		Designed ayacut (New creation)			Stabilisation of existing ayacut	Ayacut created			Ayacut stabilised
		Minor	Major/ Medium	Total	Major/ Medium	Minor	Major/ Medium	Total	
1	XIII (2007-08)	11036	1250	12286	2450	2289	200	2489	0
2	XIV (2008-09)	23637	9244	32881	5137	4191	2000	6191	0
3	XV (2009-10)	826	124	950	8474	0	0	0	0
4	XVI (2010-11)	8472	6550	15022	4232	0	0	0	0
5	XVII (2011-12)	1801	0	1801	14794	0	0	0	0
	Total	**45772**	**17168**	**62940**	**35087**	**6480**	**2200**	**8680**	**0**[24]

Source: Progress reports on creation of irrigation potential on NABARD assisted irrigation projects

We noticed that 203 projects (Major/Medium: 11 and Minor: 192) were stipulated for completion by March 2012 with target to create irrigation potential of 45167 ha (Major/Medium: 10494 new creation and 7587 ha stabilisation and Minor: 34673 ha). The irrigation potential created as of March 2012 was 8680 ha (Major/Medium: new creation for 2200 ha and Minor: 6480 ha) which was only 19 *per cent* of the target set.

Chart 2.2



2.1.7.1 *Non-verification of ayacut*

As per the terms and conditions of the loan agreement, the Government was to devise a suitable system to monitor the major gap on the irrigation potential created vs utilised. On completion of the irrigation projects, joint verification of ayacut was required to be done by the project authorities with revenue

[24] Excludes 2145 ha of CCA stabilised in Kharod Minor irrigation project under tranche XI.

authorities for certification of the ayacut and collection of compulsory basic water rate. During 2008-12, out of 56 EEs, 19 EEs have certified the creation of irrigation potential for 8680 ha. However, the potential created was not assessed by the revenue authorities for collection of the compulsory basic water rate for ₹ 17.68 lakh per year.

The Government stated (December 2012) that project authorities have been instructed to conduct joint verification for certification of ayacut. This is not acceptable since the reply is silent on the accountability for the non-completion of the joint verification of the ayacut.

2.1.8 Internal control, monitoring and evaluation

2.1.8.1 Non submission of inspection reports on supervision of works by the Engineering Officers

Supervision of work by Technical Officers was inadequate

The OPWD Code laid down the norms for the Engineering Officers (CE, SE and EE) to undertake inspection of the important works and invariably record observations in the register of inspections maintained at the site of the works so as to achieve the objective of quality assurance and completion of the works as per the prescribed specifications.

We noticed that regular and periodical inspection reports of the higher officers inspecting the works were not issued disclosing that the inspections to monitor the works to ensure the quality parameters not adhered to.

2.1.8.2 Inadequate monitoring of the progress in projects/ implementation

Monitoring the implementation of the projects was ineffective

Periodical monitoring and evaluation of projects were essential to ensure timely completion of the projects for accrual of targeted benefits. A High Power Committee was constituted in December 2003 with the Development Commissioner-cum-Additional Chief Secretary as Chairman for scrutinising project proposals for funding under RIDF and monitoring their implementation.

- Though the Committee met periodically to review the projects taken up under RIDF, the discussions focused mainly on financial arrangements, submission of DPRs/ PCRs and new proposals for funding under RIDF. The Committee did not look into technical deficiencies or the reasons for poor progress in the execution of projects.
- A monitoring cell was constituted under the EIC (WR) in April 2006 for monitoring RIDF projects. However, monitoring the technical deficiencies, poor progress in the execution of the projects due to inordinate delays in acquisition of land/obtaining of forest clearance/completion of rehabilitation measures for the PAPs and lack of financial discipline and control were also not evaluated by the cell. There were also delays in submission of PCRs. Even nine projects[25] sanctioned for ₹ 16.73 crore under tranche XVII lapsed (March 2012) for lack of administrative approval.

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[25] Bantaloi, Khedapada, Bhoka, Dangapani, Ambubandha, Jodabadi, Jhalakani, Nandirajore and Khandeswari Minor irrigation projects

- There has been lack of reconciliation of the project wise expenditure at the level of the Controlling Officer.
- No evaluation studies of any of the completed projects have been done for assessment of the benefit actually accrued and facilitate completion of the joint verification of the potential created.

The CE Minor Irrigation stated (August 2012) that the impact of execution of the projects would be taken up engaging reputed agencies. However, the fact remains that in none of the projects the impact evaluation has been done.

2.1.8.3 Non-holding of contract management meetings

As per contract, either the Engineer or the Contractor may require the other to attend a management meeting. The business of the management meeting shall be to review the plans for remaining work and to deal with matters raised in accordance with the early warning procedure. However, no management meetings were held to sort out the bottlenecks in completion of the projects evidencing poor monitoring of the RIDF projects.

The Government stated (December 2012) that steps have been initiated for comprehensive monitoring of the projects through MIS. However, monitoring through MIS has not yet been put in place.

2.1.9 Quality assurances

The department did not have arrangements for independent assessment of the quality of work by third party

As per the terms and conditions of NABARD loan assistance, Government is to design/provide an appropriate mechanism to ensure that quality control measures are strictly adhered to at field level. The DoWR introduced two tier quality monitoring of the works. It was mandatory to test the quality of materials utilised before execution/during execution to ascertain the quality/ standard of materials used. State Quality Monitor (SQM) is to inspect the projects at least twice during the execution period.

We noticed that the Government did not have any procedure for independent assessment of the quality of work by third party. There has been inadequate inspection of three projects sanctioned for ₹ 11.27 crore under RIDF tranche XII to XVI and audit noticed that of the three projects, two projects were breached during flood 2011 just after completion/during the progress of work as discussed below.

2.1.9.1 Damage to river embankment due to use of poor quality soil.

As per conditions of the contract, soil was to be tested before use in the work and compacted to 100 *per cent* proctor density at optimum moisture contents (OMC) condition. NABARD sanctioned (October 2008) ₹ 4.33 crore under tranche XIV for improvement to embankment on Mandaghai, Alisapatana, Rahapada, Mohanpur to Kelua left, Bramhani left and Kharsuan right. The project was completed in February 2011 with expenditure of ₹ five crore.

We noticed that the embankment was originally constructed using available ordinary soil. The SQM inspected the road once and observed that tests were conducted but the quality control test results could not be made available to audit for verification.

The Rahapada-Mohanpur Other Agricultural Embankment (OAE) completed with expenditure of ₹ 1.49 crore was breached during 2011 flood for 180 metre at Raydharapur which was restored with expenditure of ₹ 1.06 crore. The damage restoration works was executed using hard soil and compacted to 95 *per cent*/97 *per cent* proctor density at OMC.

The Government stated (December 2012) that the breach was caused due to historic high flood in Brahmani system.

This is not acceptable since as per the reply furnished (June 2012) to audit by EE, the embankment was initially constructed with earth available nearby which was likely to breach during heavy flood. No responsibility has been fixed for execution of the work using locally available ordinary soil due to which the embankment breached.

2.1.9.2 Payment to contractor without check of quality by SQM

State Quality Monitor (SQM) is to inspect the projects at least twice during the execution period. Flood protection works of two embankments[26] sanctioned under tranche XII/XVI for ₹ 6.94 crore were under execution through the contractors with payment of ₹ 5.67 crore as of July 2012.

We noticed that the SQM had not visited any of these projects. In September 2011 flood; two spurs (at RD 60.330 km and 60.500 km) were damaged requiring restoration with expenditure of ₹ 0.70 crore met out of Flood Damage Repair (FDR) grant. Reasons for the damages have not been detected (September 2012).

2.1.9.3 Sub-standard execution of works

The head works of Patilo MIP (sanctioned for ₹ 0.48 crore under tranche X) under execution (February 2007) by a contractor for completion by August 2007 at ₹ 0.22 crore for providing irrigation to 81 ha of CCA in Kharif in Ghasipura block of Keonjhar district was abandoned midway (December 2008) after its execution for ₹ 0.15 crore. The SQM inspecting the work along with the EE noticed (December 2008) that the works executed were substandard.

We noticed that the EE has not initiated action for rectifying the defective works, close the contract with penalty and for execution of the balance of works (June 2012). This rendered the expenditure of ₹ 0.15 crore already invested on the project wasteful and the objective of providing irrigation to 81 ha of CCA in Kharif remained unachieved for the last four years (June 2012).

The Government stated (December 2012) that action would be taken to resume the balance of the works after closure of the contract.

This is not acceptable since neither the defective works were rectified nor was the contract terminated with penalty even after lapse of four years.

[26] Protection to Kuakhia left embankment from RD 6.50 to 8.50 km near Petaghai and protection to scoured bank on Devi Left embankment near village Bhandisahi

2.1.10 Operation and maintenance of completed projects

WUAs have not taken over the O&M upto the distributaries level and not associated in collection of CBWR

As per the terms and conditions of NABARD loan agreement, the State Government has to make provisions for the maintenance and repairs of the assets created and handover the irrigation management to water users associations (WUA) before the last installment of the loan is drawn.

Government brought out the Pani Panchayat Act/Rule 2002/2003 for formation of water users associations (WUA) for adequate maintenance of the irrigation system, efficient and economical utilisation of the water to optimise agricultural production, ensure ecological balance and inculcate a sense of ownership of the irrigation system. The functions of the WUAs were to prepare a cropping programme suitable for the soil, plan for maintenance of the irrigation system, regulate and promote economy in the use of water, involve in the process of demand and collection of the water rates.

Though irrigation potential for 8680 ha has been created, WUAs have been formed for 2411 ha in Baghalati Irrigation Project under RIDF tranche II. WUAs have not taken over the operation and management of irrigation systems and they were not associated with the process of demand and collection of the compulsory basic water rate.

Therefore, the objective of creation of the WUA for economical and efficient use of the water resources along with effective collection of water rate has not been achieved (March 2012).

The Government stated (December 2012) that in some cases the WUAs are associated for the process of demand and collection of the basic water rate.

This is not acceptable since the details of the system in which the WUAs have been associated for collection of water rate have not been provided.

2.1.11 Conclusion

- DoWR does not have any streamlined procedure for prioritisation and selection of projects for loan assistance under RIDF. Department did not prepare any master plan for flood control and management. The projects were selected and sanctioned on an *ad hoc* basis.
- Out of the 469 projects sanctioned under tranches XIII to XVII for completion with investment of ₹ 1437.83 crore, 265 under tranche XIII and XIV were scheduled for completion by March 2012 with a target of providing irrigation to 45167 ha of agricultural land. Due to selection of the projects without comprehensive study of technical, economic, financial, organisational aspects and preparedness for their implementation, only 41 projects (15 *per cent*) were completed creating irrigation potential for 1106 ha (two *per cent*) and 83 projects were dropped midway or have not commenced due to various reasons like non-acquisition of land/forest clearance, non-fianalisation of the designs/DPRs/tenders/ ayacut planning and absence of administrative approval. The remaining 141 projects were still in progress at various stages of execution with expenditure of ₹ 241.32 crore.

- As regards implementation of the projects, tenders were finalised with delays ranging between 31 and 353 days over the prescribed codified validity period of 90 days of the bids.
- Though projects were sanctioned by NABARD as single package, the EEs of 10 projects implemented them unauthorisedly splitting up between two and 20 sub-packages for facilitating finalisation of the tenders at lower level and to avoid combined evaluation of bid capacity of the bidders.
- The contract management was deficient involving undue benefit/extra expenditure of ₹ 29.97 crore.
- Budgetary and financial controls were lacking as several instances of irregular booking of funds to NABARD loan account and diversions of funds were noticed. Expenditure efficiency of the Department was poor as the CEs surrendered ₹ 142.76 crore and could spend only 33 *per cent* of the sanctioned loan amount for non-completion of the projects due to delay in acquisition of land and finalisation of the ayacut planning.
- Only 19 *per cent* of the envisaged irrigation potential was created, utilisation thereof and collection of compulsory basic water rate were not assured due to lack of joint verification and certification of the ayacut.
- The internal control and monitoring of the projects were poor and the department did not have procedure for independent assessment of quality of work by third party.
- No evaluation studies of any of the completed projects have been done for assessment of the benefit actually accrued.
- The total unfruitful expenditure, extra expenditure and excess payment/undue benefit to contractors on implementation of the NABARD assisted projects was ₹ 374.94 crore.

2.1.12 Recommendations

It is, therefore, recommended that

- Prioritisation and selection of projects be made on the basis of integrated analysis of all projects taking into account quantifiable criteria for completion and accrual of targetted benefits on time.
- Master plan for flood control with identification of vulnerable points needs to be prepared for systematic flood management.
- Monitoring of land acquisition and rehabilitation measures for the projects may be revamped for acquisition of land/completion of the rehabilitation issues expeditiously for timely completion of the projects.
- Expenditure monitoring on the sanctioned projects be strengthened for achieving better expenditure efficiency/reporting and avoid diversion of funds.

- Independent evaluation of the completed projects be done and joint verification of ayacut completed with priority for facilitating collection of compulsory basic water rate and avoid loss to Government.

- Systems on finalisation of the bid within the prescribed time limit, execution of the project as a comprehensive package and contract management be strengthened and monitoring of quality/specification be entrusted to third party to ensure independent assessment of quality/quantity of work.

FOREST AND ENVIRONMENT DEPARTMENT

2.2 Chief Controlling Officer based audit of Forest Wing

Executive Summary

The Chief Controlling Officer based audit of the Forest and Environment Department revealed that the State is yet to prepare its Forest Policy even after five years of recommendation (March 2006) by the National Forest Commission.

Six working plans relating to seven Divisions were approved after a delay of more than five years. One working plan relating to two Divisions was pending with Principal Chief Conservator of Forest, Odisha and another plan for one Division was not prepared. Out of 19 Sanctuaries and two National Parks in the State only one Sanctuary (Gahiramatha Marine) and one National Park (Bhitarakanika) were finally notified (May 2012).

NPV of ₹ 32.49 crore in respect of six User Agencies relating to three Divisions was either non-levied or short levied. ₹ 13.61 crore received as on 31 March 2011 towards Compensatory Afforestation from user agencies could not be utilised. In three Divisions, cost of wild life management fund of ₹ 4.06 crore was not demanded/less demanded from four User Agencies.

Due to injudicious decision of Government, there was loss of Forest Development Tax of ₹ 197.66 crore deducted from sale value of Kendu Leaves (2006-07 to 2010-11).

Less marking of trees in coupes resulted in loss of estimated royalty of ₹ 8.04 crore. 387 timber coupes and 356 bamboo coupes were not made operational during 2006-11 which deprived the Government of realisation of revenue. There was short levy of royalty of ₹ 3.10 crore on timber due to improper fixation of unit value and short realisation of royalty of ₹ 1.05 crore on bamboo due to non-revision of royalty and silvicultural charges for 2009-11.

Offenders prosecuted in forest offence cases in 15 Divisions ranged between one and 13 per cent.

14 corridors for elephants were identified by the State Government covering length of 420.8 km and area of 870.61 sq km were not executed due to non-finalisation of Elephant Corridor Management Plan. Relocation package amounting to ₹ 10.90 crore was released during 1997-2011 for Silmilipal Tiger Reserve (STR), Baripada. However, only 133 families out of 194 families were relocated leaving 61 families as of 31 March 2011 and ₹ 578.46 lakh was still pending with the Collector, Mayurbhanj without any utilisation.

Kerries (25.60 crore) consumed in Process Divisions in excess of the norm fixed and as a result an expenditure of ₹ 6.23 crore was avoidable. Sales were finalised below the cost in respect of 1046 Lots during the KL crop year 2006 to 2010 resulting in realisation of less sale value of ₹ 7.82 crore. Department sustained loss of production of 0.84 lakh quintals calculated at minimum five per cent of production of 16.86 lakh quintals during crop year 2006 to 2010 resulting in loss of revenue by ₹ 64.30 crore. Due to non-use of waste leaves

as cover leaves 71.82 crore additional kerries purchased at the cost of ₹ 19.62 crore during the crop year 2006 to 2010 could not be used to increase the revenue. Loss of revenue was ₹ 8.25 crore due to shortfall in achievement of revised target on purchase of KL.

Vacancy in forester and forest guards was 39 and 36 per cent of the sanctioned strength, the coverage of forest area by a forest guard varied from below one hectare (Cuttack and Bhubaneswar) to 11993 hectares (Keonjhar).

No evaluation of the plantation programmes was undertaken by the PCCF, Odisha as well as DFOs during 2006-11. Also there was no inspection by higher authorities starting from PCCF (Odisha) to DFOs during 2006-11.

Internal control was weak, total number of units due for audit could not be planned and even those planned during 2006-11 could not be audited.

2.2.1 Introduction

National Forest Policy, 1988 was framed to increase area under forest and tree cover of the country by need based and time bound programme of afforestation and tree planting. The policy aimed at maintenance of environmental stability and restoration of ecological balance through conservation, upgradation and increase in forest cover. Odisha State has a geographical area of 155707 sq km, out of which the forest area is 58136 sq km (37.34 *per cent*).

The Forest Wing of Forest and Environment Department is responsible for conservation and sustainable management of forests, wildlife, afforestation and regeneration of degraded forest lands, administration of forest laws and promotion and awareness among the public for conservation of forests. Revenue from forests is also collected on sale of forest produces like Kendu leaves, timber, Bamboo, etc. through Odisha Forest Development Corporation (OFDC) Ltd. which acts as its commercial wing. All forests are managed as per working plan/scheme approved by the Ministry of Environment & Forests (MoEF), Government of India for a period of ten years.

2.2.1.1 Organisation structure

The Department is headed by the Principal Secretary, Forest and Environment (FE) Department who is the Chief Controlling Officer (CCO). The field formations are organised under the Forest, Wild Life (WL) and Kendu Leaf (KL) wings headed by Principal Chief Conservator of Forest (PCCF), Odisha as Controlling Officer (CO), PCCF (Wild Life)-cum-Chief Wild Life Warden (CWLW) and PCCF (Kendu Leave) respectively. There are nine forest Circles and 37 Forest Divisions, eight working plan Divisions, one Forest Resource Survey Division, two Silviculture Divisions, six Training Institutions under the PCCF, Odisha, 13 Wild Life Divisions and one Zoological Park under the control of PCCF (WL)-cum-CWLW and three Circles and 19 KL Divisions under the supervision of PCCF (KL).

2.2.1.2 Audit Objective

Audit was carried out with the objective of assessing whether:

1. Planning, programme management, supervision and monitoring of implementation of developmental schemes/programmes were efficient and effective for sustainable management of forest;
2. Financial administration and Human Resources Management was efficient for optimum utilisation of resources in terms of recruitment, deployment and training for skill up-gradation;
3. There exists robustness of management of stores/materials;
4. Effective internal controls exist to provide internal oversight for the above.

2.2.1.3 Audit criteria

Audit criteria were adopted from the following sources:

- The Indian Forest Act, 1927 and Rules
- The Orissa Forest Act, 1972 and Rules
- The Wild Life (Protection) Act, 1972
- The Orissa Kendu Leaves (Control of Trade) Act, 1961
- The Orissa Forests Contract (OFC) Rules, 1966
- The Orissa Kendu Leaves Manual, 1973
- The Orissa Forest Department Code, 1979
- The Forest Conservation (FC) Act, 1980
- The Orissa Forest Produce (Control of Trade) Act, 1981
- The Orissa Forest Development (Tax on Sale of Forest Produce by Government or Orissa Forest Development Corporation) Act, 2003
- Orissa Budget Manual, 1963
- Orissa General Financial Rules (OGFR)
- Orissa Treasury Code (OTC)
- Orissa Public Works Department Code
- Instructions/orders issued by Government/ PCCFs from time to time

2.2.1.4 Scope, methodology and coverage of audit

Under CCO based audit, all important aspects of the functioning of the Department like planning and programme management, budgetary controls, financial management, human resource management, inventory management, effectiveness of internal controls along with management of forest including revenue aspects were examined. Audit was conducted during the period October 2011 to June 2012 covering the period 2006-07 to 2010-11. We examined 46 out of 96 Drawing and Disbursing Officer (DDOs) comprising

19 Territorial Divisions out of 37, nine WL Divisions out of 14 and 10 KL Divisions out of 19 selected by way of Stratified Random Sampling without Replacement method and six related Circles, one Silviculture Division and one Training institution. Apart from this, records at the Secretariat, Offices of the PCCFs were also examined. We discussed the audit objective, methodology and criteria with the Principal Secretary to Government, FE Department and Senior Management in an Entry Conference held on 28 September 2011. Audit findings were reported to the CCO and CO during September and October 2012 respectively. The Department was requested to hold Exit Conference to discuss the audit findings but is yet to respond (December 2012).

Audit Findings

2.2.2 Policy and Planning

2.2.2.1 Non-framing of the State Forest Policy

The National Forest Commission recommended (March 2006) that each State should have its own Forest Policy for sustainable management of the forest and wildlife resources of the State. The policy, *inter alia,* was to address issues pertaining to conserving the remaining natural forests, increasing sustainability of forest/tree cover through massive afforestation and social forestry programmes and creation of people's movement for the objectives etc. It was, however, observed that even after five years of the above mentioned recommendation, the State Government is yet to prepare (December 2012) its Forest Policy.

Very Dense Forest

The National Forest Policy envisaged that the forest and tree cover in the country should be brought to 25 *per cent* in 2007 and to 33 *per cent* in 2012. The forest and tree cover of State was 53204 sq km (34.17 *per cent* of the State's geographical area) as per India State of Forest Report 2011 published by the Forest Survey of India (FSI). Though it was more than the percentage laid out in the National Forest policy, there was decrease in Very Dense Forest (VDF) by 13 sq km and Moderately Dense Forest (MDF) by 28 sq km with increase only in Open Forest (OF) by 89 sq km as per FSI report of 2009 and

Moderately Dense Forest

Open Forest

2011 based on data collected between December 2006 to January 2009, thereby indicating depletion of forest in terms of volume with reference to the density. Reasons for such decrease in VDF and MDF was not furnished.

2.2.2.2 Delay in preparation of working plans

Working plans are required for sustainable management of forests. Under Code of Management Plan Procedure 1990, the working plan is to be prepared by the Working Plan Officer, which is finally approved by GoI. Further, the preparation/revision of the working plan of a Division should be taken up three years prior to the expiry of the current plan and completed about one year before its due date of implementation. The working plans are to be prepared / revised in ten years.

Audit scrutiny revealed that eight working plans relating to nine[27] Divisions for the period 2007-17 and one Division (Nawarangpur) for the period 2009-19 was required to be finalised during 2006-07 and 2008-09 respectively. However, six working plans relating to seven Divisions[28] could be finalised and approved after a delay of more than five years (September 2011). One working plan relating to two Divisions (Sundargarh and Rourkela) was pending with PCCF, Odisha and another plan relating to Nawarangpur Division is yet to be prepared (November 2011). In the absence of approved working plans sustainable management of forest including coupe working, silvicultural operation could not be done resulting in poor growth of forest and also loss of royalty.

PCCF, Odisha stated (February 2012) that due to acute shortage of staff the working plans could not be prepared in time. The reply indicated that the most important area on management of forest was not attended to.

2.2.2.3 Non-finalisation of Wildlife Management Plan

As per National Wild Life Action Plan, each Protected Area (PA) should have its own management plan approved by CWLW based on sound scientific and ecological data. The Annual Plan of Operation (APO) should be prepared for each PA basing on Management Plans and submitted to GoI for approval and release of funds.

Audit scrutiny revealed that the Wildlife Management Plans for 20 PAs[29] (National Parks and Sanctuaries), were prepared during 2006-11 for a period of ten years. Out of this, only nine Management Plans were approved (March 2011) by the CWLW and were under implementation. Management Plans in respect of important sanctuaries/National Parks like Similipal, Bhitarkanika

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[27] Jeypore, Malkangiri, Sundargarh, Kalahandi (N), Kalahandi(S), Keonjhar (T), Keonjhar (WL), Bamra (WL) and Rourkela.

[28] Bamra (WL), Jeypore, Kalanahdi (N), Kalahandi (S), Keonjhar, Keonjhar (WL) and Malkhangiri.

[29] Bhitarkanika, Similipal National Parks, Badrama, Baisipalli, Balukhand Konark, Bhitarkanika, Chandaka Dampara, Chilika (Nalabana), Debrigarh, Gahiramatha, Hadagarh, Karlapat, Khalasuni, Kotagarh, Kuldiha, Lakhari, Nandankanan, Satkosia, Similipal and Sunabeda Sanctuaries

and Gahirmatha were not approved due to discrepancies in the plans submitted.

We also noticed that the amount approved/released by GoI was less than the amount proposed in the APOs during 2006-2011. Thus, targets envisaged in the Management Plans were not achieved due to inadequate funds as discussed in subsequent paras.

2.2.2.4 Inadequacy in functioning of State Board for Wildlife

As per Section 7 of the Wildlife (Protection) Act, 1972 the State Board for Wildlife (SBWL) shall meet at least twice a year and advise the State Government on the selection and management of PAs, formulation of policy for protection and conservation of wild life and specified plants and measures to be taken for harmonising the needs of the tribals and other dwellers of forest.

The SBWL headed by the Chief Minister, Odisha, was constituted (September 2003) for a period of two years. Though the tenure of the Board expired on 29 September 2005 it was reconstituted on 16 October 2007. Thus there was no Board functioning during the above period. The Board met only twice during the period of eight years (2003-11) as against the required sixteen meetings during the said period as stipulated in the Act.

As per National Wildlife Action Plan (2002-2016), the national goal is to set apart 10 *per cent* of geographical area as protected areas. As against this the State had only 4.35 *per cent* covered by Sanctuaries/National Parks. Though the first Board endorsed the proposals for declaration of (five) new sanctuaries no effective steps were taken in this regard. Also other important decisions taken in the meeting were not reviewed and followed up.

Thus non formation of SBWL for two years and non-convening of meetings regularly, action taken by the implementing units or the status of the proposals submitted to GoI could not be followed up by the Department and the Board's monitoring was, thus, ineffective.

2.2.2.5 Delay in final notification of Sanctuaries/National Parks

As per Section 18 and 35 of Wildlife (Protection) Act, 1972 the State Government may, by notification declare its intention to constitute any area other than an area within any reserve forest or the territorial waters as a Sanctuary and National Park, for the purpose of protecting, propagating or developing wildlife or its environment. The final notification shall be issued under section 26A or 38 of the Act after completion of the process of land acquisition proceedings by the Collector under Sections 19 to 25 of the Act within a period of two years from the date of notification of declaration of Sanctuary or National Park.

Audit scrutiny revealed that out of 19 Sanctuaries and two National Parks in the State only one Sanctuary (Gahiramatha Marine) and one National Park (Bhitarakanika) were finally notified (May 2012). Thus, despite the provisions in the Act, major Sanctuaries have not been finally notified to ensure full legal status. In the absence of the final notification, adequate protection measures (strengthening anti-poaching initiatives, addressing man animal conflicts, restoration of habitats, determination of inviolate spaces and relocation of villages from crucial wild life habitats etc.) could not be implemented, as a result man animal conflicts and WL offence cases increased. During 2006-11 poaching of 56 elephants[30] and hunting of 372 other animals[31] were reported and Government failed to provide inviolate spaces and critical habitats for wildlife free from human impact. Offence cases could not be sustained in the trial courts as discussed in para 2.2.4.18.

The delay in final notification was due to lack of sustained efforts and coordination between Forest and Revenue authorities.

2.2.3 Financial management

2.2.3.1 Budget provision and expenditure

The original budget provisions, supplementary provisions, expenditure incurred, surrenders made by the Department during 2006-11 were as follows.

Table No: 2.9 Year wise budget and surrenders

(₹ in crore)

Year	Budget Provision	Supplementary Provision	Total	Actual Expenditure	Surrender
2006-07	285.52	17.63	303.15	291.11	20.96
2007-08	387.14	8.78	395.92	372.78	16.23
2008-09	498.29	62.10	560.39	428.13	41.94
2009-10	587.99	6.28	594.27	443.46	53.70
2010-11	607.93	11.27	619.20	580.52	44.60
Total	**2366.87**	**106.06**	**2472.93**	**2116.00**	**177.43**

Source: Budget document and surrender orders

Against a total budgetary provision of ₹ 2472.93 crore, the Department could incur expenditure of ₹ 2116 crore and surrendered ₹ 177.43 crore. The actual expenditure during 2007-11 was less than the original budget provision. Thus, the supplementary provision was unwarranted indicating that the budget was not realistically estimated.

- As per Rule 46 of Odisha Budget Manual (OBM) 1963, the Budget Estimates are prepared based on the Departmental estimates submitted by the Controlling officers. These estimates are to be based on the information submitted by the District offices.

  We noticed that PCCF, Odisha submitted budget estimate without receipt of estimates from Circles. Two Circles (Sambalpur and Rourkella) did not submit the estimate due to non receipt of the same from Divisions. In 20 Forest/WL Divisions the estimates were submitted to Circles with a delay ranging from 21 to 183 days. Thus the budget estimates were submitted by the CO without any inputs from the District Offices.

- As per the National Wildlife Action Plan 2002-16, a minimum of 15 *per cent* of total forest budget should be allocated for conservation of wildlife.

[30] 2006-07 :- 15, 2007-08 :- seven, 2008-09 :- 11, 2009-10 :- seven and 2010-11 :- 16
[31] 2006-07 :- 79, 2007-08 :- 75, 2008-09 :- 63, 2009-10 :- 59 and 2010-11 :- 96

We noticed that budget for conservation of WL during 2006-11 ranged between five to nine *per cent* which was below the norm for all the years.

- PCCF, Odisha released funds to field offices with a delay ranging from 21 to 54 days after sanction of funds by the Department which affected the project implementation.
- As per Rule 147 of OBM rush of expenditure in the closing month of a financial year will be regarded as breach of financial regularity. Further, no money should be drawn unless it is required for immediate disbursement.

  In 18 Territorial Divisions, expenditure incurred during last quarter was more than 50 *per cent* (except in 2008-09 and 2009-10 under State Plan) and the expenditure during the month of March was between 30 and 87 *per cent*. In Wild life Wing expenditure was between 57 and 84 *per cent* during last quarter of 2009-11 whereas expenditure incurred during March was 37 to 83 *per cent*.
- In ten units ₹ 15.01 lakh was drawn during 2010-11 towards advance payment of electric, telephone and fuel charges to avoid lapse of budget grant violating provision of OTC.

Thus, an effective control over preparation of budget, allocation/release of funds in time and expenditure was not in place.

The Government stated (July 2012) that surrender was not practically possible by 10 of March of every financial year since by that time, the actual expenditure could not be foreseen. Surrender of funds by 31 March of a financial year was not considered as surrender at belated stage since some funds were sanctioned by Government of India at the fag end of the year.

The reply is not acceptable since the surrender of funds on the last day of the financial year indicates lack of financial planning and monitoring at appropriate levels.

Revenue budget

The budget estimates and actual collection of revenue by the Department during 2006-11 was as follows.

Table No: 2.10 Details of revenue budget/revised estimate

(₹ in crore)

Year	Budget estimate	Revenue realised	Variation amount Increase (+) / Short fall (-)	Variation percentage
2006-07	80.00	130.63	(+) 50.63	63.29
2007-08	62.26	82.66	(+) 20.40	32.77
2008-09	127.52	139.29	(+) 11.77	9.23
2009-10	120.00	109.03	(-) 10.97	9.14
2010-11	90.00	157.68	(+) 67.68	75.20
Total	**479.78**	**619.29**		

The revenue budget of the Department was under-estimated in each year except 2009-10 though there was increase in collection of revenue.

The Government stated (July 2012) that budget estimates were not assessed accurately due to non-assessment of quantum of production of Kendu Leaves on which 90 *per cent* of revenue is earned. After budget session of a particular year is over, the Chief Secretary fixes target for collection of revenue for the Department. The Finance Department shows a tentative figure under revenue receipt.

The reply itself indicates that figures under revenue receipt were tentative and estimates were not realistic as these were not based on reliable data/ information and further the increasing trend of revenue of previous years was not reviewed by the CCO in formulating the budget.

2.2.3.2 Surrender of funds due to under-utilisation

Funds received under different schemes are required to be utilised to achieve the desired objective under the scheme. We noticed that the funds provided under different schemes for a particular financial year could not be utilised during that financial year. Details are given in the following table.

Table No: 2.11 Surrender of funds

(₹in lakh)

Year	Name of the scheme	Amount received	Actual expenditure	Amount surrendered	% of funds surrendered
2006-07	Special development of KBK Districts	2188.35	1965.70	222.65	10
2008-09	Urban tree plantation in Bhubaneswar City	237.00	186.63	50.37	21
2009-10	Infrastructure Development of Eco tourism	120.00	82.30	37.70	31
2010-11	13th FC grant	3617.00	2706.88	910.12	25
	Special Development of KBK Districts	1210.00	1178.98	31.02	2.5
Total		**7372.35**	**6120.49**	**1251.86**	

Source: Information collected from the PCCF, Odisha

Surrender of funds ranged from 2.5 to 31 *per cent* of the total amount received in respect of four schemes during 2006-07 and 2008-11. Due to surrender of funds under infrastructure development of ecotourism, ecotourism destination as per annual plan of action could not be achieved. Similarly, by non-establishment of State Forest Academy under 13th Finance Commission (FC) grant the intended goal of research and training could not be achieved.

PCCF, Odisha stated (January 2012) that the reasons for surrender was non-disbursement of arrear salary by the DFOs, non-finalisation of site for Eco-tourism/Bamboo development, non-availability of land for State Forest Academy, shortage of staff in Working Plan Offices/monitoring and Evaluation Wing.

The reply indicated that CO and CCO did not initiate timely action for full utilisation of funds.

2.2.3.3 Loss of GoI grants

GoI released grants in installments on the basis of Annual Plan of Operation submitted by the State Government. After release of first installment subsequent installments are released on utilisation of funds. As per terms and conditions of the sanction order, the amount should be utilised by 31 March or treated as lapsed unless revalidated by GoI. Audit scrutiny revealed the following:

- GoI approved ₹ 73.66 crore (GoI share ₹ 66.77 crore and State share ₹ 6.89 crore) and released grants of ₹ 60.69 crore during 2006-11. Out of this ₹ 2.34 crore was not released by GoO to the Divisions in five[32] Central Plan (CP) and four[33] Centrally Sponsored Plan (CSP) schemes for which no reasons was furnished by the Government. The balance grant of ₹ 58.35 crore was released along with a state share of ₹ 5.59 crore out of which ₹ 5.88 crore remained unspent ranging from ₹ 0.32 crore to ₹ 3.46 crore during 2006-11. GoI while sanctioning grant adjusted the unspent amounts against the allotment for subsequent years. Thus GoI share of ₹ 8.22 crore (₹ 5.88 crore + ₹ 2.34 crore) could not be availed. Reasons for unspent balances were delay in release of funds by the GoO and inadequate Departmental monitoring and supervision.
- GoI approved 19 projects for ₹ 11.49 crore during 2007-11 out of which ₹ 7.83 crore only was released by GoI. The GoI share of ₹ 3.66 crore could not be released due to delayed/non- submission of UC.

2.2.3.4 Diversion of scheme funds

As per stipulations made in the sanction order of the schemes, the amount sanctioned shall be utilised for the purpose for which it is sanctioned.

In Dhenkanal and Bonai Division an amount ₹ 1.42 crore was received under 12th/13th FC grants towards maintenance of plantation and Subsidiary Silviculture Operation (SSO) of timber coupes during 2008-11, but ₹ 0.38 crore was utilised for contingent expenditures and SSO of bamboo coupes.

DFOs stated that due to receipt of insufficient allotment under contingent head and due to non-acceptance of surrender of allotment by the PCCF, Odisha the diversion was made. Surrender of allotment proposal by the DFOs indicated improper planning at their level and also improper allocation of fund by the CO.

2.2.3.5 Management of CAMPA Fund

In terms of orders of September 2003 of GoI, MoEF, in case of forest land being diverted for non-forest purposes under the Forest (Conservation) Act, 1980, Net Present Value (NPV) shall be charged in all those cases which have been granted in principle approval after 30 October 2002 and it shall be realised before final (Stage-2) approval. Central Government by an order (2004) constituted an authority known as Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for the purpose of

32 Integrated development of Wild Life Habitat, Relocation of villages from sanctuaries and national parks, Conservation and management of mangroves, Elephant management project and Similipal biosphere reserve.

33 Integrated development of Wild Life Habitat, Similipal Tiger Reserve, Satkosia Tiger Reserve and Nature conservation.

management of money towards compensatory afforestation, NPV etc. Further, State Government instructed (June 2006) all concerned to deposit the funds received from User Agencies under FC Act 1980 in CAMPA.

We observed the following deficiencies:

- Against demand of NPV amounting to ₹ 2476.26 crore in 320 cases relating to 23 Divisions, ₹ 1567.08 crore only could be realised as of March 2011 leaving balance of ₹ 909.18 crore. No follow up action was taken by the Divisional Officers, CO and CCO to realise the balance amount.

- NPV of ₹ 32.49 crore in respect of six user agencies relating to three Divisions (Balangir, Bonai and Keonjhar) was either not levied or short levied. After we pointed this out, the DFO, Bonai raised the demand and other DFOs, agreed to raise demand.

- In Bonai Forest Division we noticed (January 2011) that 1021.2241 hectare (ha) of forest land were leased out in favour of two[34] user agencies for non-forestry purposes for which ₹ 83.09 crore towards NPV is due for realisation at revised rates. As against the above, ₹ 43.54 crore was realised from the user agencies resulting in short realisation of ₹ 39.55 crore.

  Government stated (May 2012) that the Divisional Forest Officer, Bonai has raised demand for the entire area of forest land. The user agencies have proposed to surrender 361.784 ha and 140 ha of forest land respectively and added that as per the recommendation (August 2010) of the Central Empowered Committee (CEC) the lessees are required to pay 50 *per cent* of NPV of the forest area surrendered and an undertaking to pay balance 50 *per cent* if so decided by Hon'ble Supreme Court. The reply is not acceptable since the surrender proposal is not accepted by the Government and the recommendation of CEC was in case of M/s NALCO only and it was only a view taken by CEC.

- In two Divisions[35] an amount of ₹ 1.71 crore was spent during 2006-11 out of amounts received from user agencies which should have been transferred to CAMPA fund.

- In seven Divisions an amount of ₹ 13.61 crore (31 March 2011) remained under forest deposit account since 1993 relating to Compensatory Afforestation and could not be utilised for afforestation purpose.

- We also noticed from the records of PCCF, Odisha that cost of Compensatory Afforestation of ₹ 3.86 crore demanded during 2006-2008 against pre 1980 encroachers of forest land in six[36] Districts could not be realised.

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[34] (i) M/s OMM Pvt. Ltd.- 612.351 ha - ₹ 26.41 crore (ii) M/s OMC Ltd. – 408.8731 ha - ₹ 13.14 crore

[35] Sambalpur and Keonjhar

[36] Bargarh, Cuttack, Dhenkanal, Jajpur, Kandhamal &Khordha

2.2.3.6 *Wild Life Management Fund*

To improve the quality of wild life habitat Government decided (2005) for implementation of the comprehensive Wild Life Management Plan for mining affected areas in Keonjhar and Bonai Forest Divisions which was extended to all other Districts of the State with effect from 23 March 2008. As per the instructions, the Mine Owners shall deposit ₹ 15,000/20,000 per hectare on lease hold area basis.

Audit scrutiny revealed the following:

- In four Divisions[37] the cost of Wild Life Management Fund (WLMF) of ₹ 16.73 crore was not realised. No follow up action was taken by the Divisional Officers, CO and CCO to realise the outstanding amount.
- In three Divisions[38] though ₹ 36.72 crore was realised under the scheme from 84 mine owners as on 31 March 2011, the amount was transferred to CAMPA fund without depositing in Government receipt head. This indicated lack of internal control and supervision by the CO and monitoring by CCO.
- In two Divisions, (Rairangpur and Bonai) demand of ₹ 3.81 crore towards WLMF was not raised against two User Agencies and in one Division (Sambalpur) ₹ 0.25 crore was short demanded. After we pointed this out DFO, Bonai raised the demand and DFO, Rairangpur agreed to raise demand. Failure at the DFO level and lack of monitoring by CO and CCO resulted non/short realisation of revenue.

Irregular payment of incentives

2.2.3.7 *Irregular payment of Special Incentive*

In terms of Finance Department Resolution (2009), Forest personnel working in Naxalite affected areas are to be paid special incentive of 15 *per cent* of the basic pay as was available to Police personnel from the year 2001. The guidelines framed by Odisha Police State Headquarters in August 2010 stipulated that such incentives are applicable to areas coming under certain specified Police Stations and not the District as a whole.

We noticed in eight Divisions and two Circles that special incentive was paid to all the Forest Personnel of the District as a whole (excluding ministerial staff).

After we pointed this out, Government clarified (2012) that special incentive should be admissible only to the forest personnel working in the Naxalite affected block areas and police station areas listed out by the Home Department and a Division as a whole may not be treated as Naxal affected areas. However, no specific guidelines applicable to the Department were issued.

[37] Cuttack, Dhenkanal, Keonjhar and Rourkela
[38] Keonjhar, Bonai and Cuttack

2.2.3.8 Irregular payment of Project Allowance

GoI sanctioned (March 1999) Project Allowance to the officers and staff working in Tiger Reserves from 1999-2000 onwards, to attract the best talent and dedicated staff to work in the remote rough terrain in the Tiger Reserves**.** The Government clarified (January 2012) that the project allowance would be allowed to the personnel working in Tiger Reserve area and as such those working in the project headquarters (Baripada and Angul Town) which were located outside the project area are not entitled to the allowance. However, it was noticed that the officers and staff working in the project headquarters and territorial Divisions (Baripada, Karanjia and Rairangpur) had also drawn project allowance though they are stationed outside the Tiger project area. In Satkosia Wildlife Division, project allowance of ₹ 4.41 lakh was paid to staff posted at Division Office in Angul Township. In respect of Similipal Tiger Reserve the position of payment of project allowance though called for, was not furnished.

2.2.3.9 Non-realisation of outstanding royalty and non levy of interest

Royalty on forest produce is realised at prescribed rates from forest contractors including OFDC on demand by DFOs. We noticed that royalty of ₹ 77.80 crore on timber, bamboo etc (except KL) remained outstanding as on 31 March 2011 including ₹ 65.70 crore as arrear demand out of which 29.88 crore pertains to the period prior to 2006-07. No follow up action was taken by the PCCF, Odisha to realise the outstanding royalty. Further, we observed that reconciliation of KL royalty due was not made by the Department from 1995 KL crop year. As per the audit report of special audit conducted by the Finance Department (2009), the arrear royalty of ₹ 52.85 crore pertaining to the period 1996 to 2000 remained un-realised out of total outstanding royalty of ₹ 76.23 crore (Provisional) by October 2011. Further as per provision of OFC Rules, interest (6.25 *per cent*[39]) of ₹ 45.16 crore on the above un-realised amount as of March 2011 was not demanded by the Department. Thus, inaction by the Department resulted in blockage of revenue.

2.2.3.10 Forest Development Tax

Forest Development Tax (FDT) Act 2003 was introduced (July 2003) by the Government for levy of 16 *per cent* FDT on sale value of KL.

The Hon'ble High Court of Odisha while disposing of the writ petition of some of the KL buyers, in their interim order (October 2003) directed that the FDT shall be collected from the purchasers by the OFDC and kept in fixed deposit and further directed (October 2004) that the amount of tax lying with OFDC in fixed deposit would be deposited with the Government Treasury.

We noticed that ₹ 49.52 crore collected from 2003-04 to 2007-08 from the purchasers was not deposited by OFDC with the Government in violation of specific direction of the Hon'ble Court.

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[39] Rule-42 of the Orissa Forest Contract Rules, 1966

Subsequently Government decided (August/December 2006) that FDT would not be collected from the purchasers and OFDC would deposit the same as deemed purchaser. Accordingly OFDC deposited the FDT of ₹ 197.66 crore from 2006-07 to 2010-11 from sale proceeds of KL. Government order without any notification/amendment of the provisions of the Act to exempt the ultimate buyers from payment of FDT contravened the provisions of the Act which led to extension of undue favour to the KL buyers.

Test check of upset price and sale results of 764 lots of eight KL Divisions[40] for the years 2007 to 2010 revealed that sales realisation fell short of ₹ 3.36 crore due to non-inclusion of FDT component for fixing upset price, which was a loss to Government. Payment of FDT out of KL sale proceeds by OFDC in contravention of provisions of FDT Act was not only irregular but also caused loss of revenue to Government Exchequer.

2.2.3.11 Outstanding Forest Advance

As per Rule 322 of OFD code, advances are given by the DFO to the officer in charge of range or in charge of particular works for meeting petty expenditure of the office. Such payments are booked as forest advance in the Divisional office. As per Rule 346 of the OFD Code if any voucher submitted by the disburser is disallowed the amount should be recovered from the person disbursing the vouchers. If a voucher is withheld due to inaccuracies or owing to suspicion of fraud etc, decisions on withheld vouchers should be taken within three months after obtaining necessary clarifications from the Range Officers, failing which all withheld vouchers are to be incorporated in the accounts.

We noticed that the disallowed/withheld vouchers of ₹ 12.02 lakh in 40 cases of six WL Divisions[41] pertaining to the period 1985-2006 were pending for recovery/adjustment (March 2011). Similarly, in ten KL Divisions[42] an amount of ₹ 91.26 lakh remained outstanding which consisted of disallowed vouchers ₹ 46.66 lakh, withheld vouchers ₹ 28.65 lakh and undisbursed cash of ₹ 15.95 lakh. These amounts were pending from the year 1975-76 to 2010-11 for adjustment/recovery from the Ex-Range Officers.

Thus, no action was taken by the concerned DFOs during the tenure of the concerned officials in their respective Divisions and non monitoring by the CO and CCO led to non-recovery/non-adjustment of ₹1.03 crore.

2.2.3.12 Release of Forest advance in excess of norm

As per Rule 324 (3) of OFD code as amended during 2007 the maximum limit of release of Forest advance to a disburser (Range Officer/Head Clerk) was ₹ one lakh at a time. On review of cash book and Forest Advance ledger it was noticed that Forest advance in five Divisions[43] was released to the Range

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[40] Angul, Rourkela, Titlagarh, Sambalpur, Rairakhol, Padampur, Phulbani and Keonjhar KL Divisions

[41] Rajnagar, Bamra, Chandaka, Chilika, STR Baraipada and Satkosia

[42] Anugul, Athamallik, Padampur, Jharsuguda, Rourkela, Titlagarh, Patnagarh, Phulbani, Jeypore and Keonjhar.

[43] Koraput, Sunabeda, Bamra, Chandaka and Mahanadi.

Officer and Head clerks in excess of the prescribed limit and even up to ₹ 22.35 lakh at a time.

On being pointed out, DFOs stated that due to receipt of funds at the last part of the year excess advance was released to execute the works within the prescribed time. The reply is not tenable as the advance could have been released in a phased manner adhering to the prescribed limit.

Similarly, in KL Wing, working fund advances ranging from ₹ 10.78 lakh to ₹ 82.98 lakh was disbursed to Range Officers per day by splitting up the advance into number of vouchers limiting to ₹ one lakh during 2007-2010. There was also instance of payment of advance up to ₹ 31.87 lakh through a single voucher.

On being pointed out DFOs stated that KL operation was a time bound programme and for making timely payment to labourers the limit of ₹ one lakh was not practicable. The reply is not acceptable as it violated the codal provisions and fraught with the risk of misappropriation/misutilisation of funds as discussed in the para 2.2.3.17.

2.2.3.13 Blockage of Government Revenue

Funds in shape of advance for KL operation should be released monthly (fixed by KLCC) to DFOs by the OFDC for payment to KL pluckers and workers for each crop year. The DFOs kept the amount in Personal Ledger (PL) Account. The advance was to be deducted from the KL sale proceeds by OFDC. The amount unspent is required to be deposited into Government account.

It was seen that there was unspent amount of ₹ 5.51 crore as of March 2011 in respect of ten Divisions and office of the ACCF (KL). No steps were taken to deposit the unspent amount into Government Account. OFDC recovered the advance amount from the KL sale proceeds by the end of the each KL crop year. Thus non deposit of unspent amount in Government Account resulted in blockage of Government revenue of ₹ 5.51 crore due to lack of monitoring and supervision by the CO for assessment of requirement of funds.

2.2.3.14 Delay in utilisation of fund for bush cutting

As per the established procedure the Division had to submit a daily bush cutting return on area covered and man days utilised up to the completion of bush cutting operation and a weekly return incorporating the daily payment made till that date, is to be sent to the PCCF (KL).

Test check of records in seven Divisions revealed that there was delay of four to 31 days on actual payment released to the workers after receipt of cash. Thus ₹ 4.19 crore on bush cutting is held up with Range Officers for the delayed period (February to April of each KL crop year from 2007-10) in form of hard cash. This indicated that the advance under bush cutting was released to ROs without analysing the actual requirement resulting in delay in utilisation of funds.

DFOs stated that the delay was due to non-tracing of payee and delay in encashment of cheques. However, the reply is not convincing as the labourers would not normally leave without taking payments.

2.2.3.15 Non-reimbursement of losses from Insurance Reserve Fund

Insurance Reserve Fund (IRF) was created with minimum contribution of ₹ one lakh. The contribution of the Forest Department (KL Wing) and OFDC to the fund during a year shall be ₹ 0.50 paise per quintal of estimated quantity of production of KL. As of March 1990 the contribution to the IRF Funds was ₹ 70 lakh and thereafter the contribution was stopped. The balance of the IRF Fund (including interest) was ₹ 3.19 crore (March 2011). The modality of settling of IRF claims was finalised in 2002. OFDC constituted (March 2003) a committee under the Chairmanship of the Director Finance, OFDC to settle old claims to avoid future complications.

Audit scrutiny revealed that out of 427 claims valuing ₹ 2.78 crore submitted by PCCF (KL) to OFDC as of March 2011, 149 claims (₹ 64.81 lakh) were settled during the period from 2004 to 2009, 53 cases involving ₹ 24.05 lakh were rejected and 194 cases involving ₹ 149.03 lakhs relating to the period 1993-2010 were returned (December 2008 to September 2010) for resubmission. The balance 31 cases (₹ 39.96 lakh) pending since 1982 were not settled (March 2011). However returned claims were not resubmitted (June 2012).

2.2.3.16 Management of corpus fund

Scrutiny of records revealed that as per the conditions imposed by the MoEF during approval of diversion of 36.5 Ha of Forest land the user agency (M/s Eastern India Refinery Project at Paradip) would transfer ₹ one crore to the State Government for depositing the same in the Corpus Fund which would be available with the CWLW for better management of Marine Turtle population. Accordingly, the user agency deposited during 2000-01 ₹ one crore for the said purpose and State Government constituted a Society (April 2000) named "The Wildlife Odisha".

The details of financial transactions since inception till 2010-11 along with connected records though called for, was not made available by the PCCF (WL) & CWLW with whom the funds were placed as Chairman of the Society. However, the audited statement of accounts of the Chartered Accountants for the year ended 31 March 2011 revealed that there was unspent balance of ₹ 2.14 crore. In the absence of detailed transactions for all the years and connected records, the financial transactions and functioning of the Society could not be verified in audit.

2.2.3.17 Misappropriation of Government money

The Conservator of Forests (CF), Balangir (KL) while inspecting (September 2010) the Loisinga Range Office found shortage of cash for ₹ 33.72 lakh. The Range Officer (RO), admitted cash shortage of ₹ 16.71 lakh. On the basis of enquiry report of Assistant Conservator of Forest (ACF), RO was suspended (March 2011) and charges were framed against him for misappropriation of Government money meant for payment of binding and transportation charges. The enquiry is in progress.

We further noticed that in Balliguda Division two cheques amounting to ₹ 7.20 lakh were drawn (November 2010) from the bank by the Data Entry Operator (DEO) by forging the signature of the RO. The cheques were not accounted for in the cash book. The DEO attached to the Range had encashed the above cheques. Special audit conducted (March 2011) by the Department confirmed the fact. DFO stated that the matter was in court of law.

Lack of internal control in conducting periodical inspection and reconciliation of bank statement gave scope for such misappropriation of scheme fund.

Fund/Cash Management

2.2.3.18 Arrear in compilation of accounts

Proforma accounts of the State KL Organisation was compiled and audited up to the year 2005-06. Compilation of accounts from 2006-07 is in arrears as appointment of Chartered Accountant firm was not finalised. A proposal for approval of the outsourcing of the work of compilation of accounts was submitted to the Government which was approved in May 2011. However even after one year the selection process of the agency was not completed (May 2012).

2.2.3.19 Cash book and management of cash

In course of verification of the cash books of field units for the year 2010-11 the following deficiencies were noticed in violation of the provisions made in Orissa Treasury Code.

- Cash book was not maintained in proper form in 14 units
- Attestation of entries in the cash book was not done in 18 units.
- Cash book has not been closed daily or monthly in 15 units.
- Physical verification of cash was not conducted at the end of each month in 17 units.

2.2.3.20 Execution of works

Under OFD Code, 1979 and OGFR, no work requiring sanction shall commence before the sanction order is received. For the purpose of approval and sanctions, a group of works which forms one project should be considered as one work and the necessity for obtaining the approval or sanction of higher authority is not to be avoided. Further, a detailed record of sanction relating to each work and the expenditure incurred thereon from time to time should be kept in a Register.

In 15 Divisions we noticed the following irregularities in execution of works pertaining to the years 2008-11.

- In seven out of 15 Divisions, the Register of sanction of works was not maintained.
- In 15 Divisions, expenditure of ₹ 5.22 crore was incurred without prior sanction of estimate.

- In five Divisions an expenditure of ₹ 1.10 crore was incurred on repair of forest roads departmentally for which no estimate was sanctioned and the works were executed in split up manner to avoid sanction of higher authority.
- In 13 Divisions, expenditure of ₹ 2.81crore was made by executing works on lump sum basis through private parties without executing them departmentally.

In reply it was stated that the works were undertaken after submission of plan and estimate in anticipation of approval from competent authorities. The reply is not acceptable since the works were undertaken in contravention of the codal provisions.

Operational Management

2.2.4 Scheme Management

2.2.4.1 Implementation of Odisha Forestry Sector Development Project

The Odisha Forestry Sector Development Project (OFSDP) funded by the Japan Bank for International Cooperation for seven years starting from the year 2006-07 to 2012-13 was implemented by Project Management Unit (PMU) headed by Project Director, OFSDP, Bhubaneswar . The project was implemented over 11 Territorial Divisions and three WL Divisions designated as Divisional Management Unit (DMU). Under the scheme afforestation activities like restoration of degraded forests through Assisted Natural Regeneration (ANR), Block plantation etc through Joint Forest Management (JFM) involving Vana Samrakshayan Samities (VSSs) formed by local people and non-JFM mode through DMUs was to be undertaken.

Details of funds for the years 2006-11 was as under:

Table No: 2.12 Details of funds

(₹ in crore)

Year	Funds received	Available funds including previous balance	Expenditure incurred	Unspent amount	Percentage of expenditure
2006-07	12.00	12.00	5.73	6.27	48
2007-08	75.90	82.17	46.12	36.05	56
2008-09	106.12	142.17	78.04	64.13	55
2009-10	96.23	160.36	118.51	41.85	74
2010-11	90.06	131.91	81.07	50.84	61
Total	**380.31**		**329.47**		

Source: Data furnished by PD, OFSDP

Expenditure ranged from 48 to 74 *per cent* of available funds during 2006-11, resulting in non utilisation of funds for ₹ 50.84 crore as of March 2011.

Further, we noticed, in six Divisions test checked, that the unspent fund at the level of Vana Samrakshayan Samities (VSSs) was ₹ 44.46 crore as on 31 March 2011 which was shown as final expenditure by the DMUs. Thus the actual expenditure incurred was much less than the figure reported by the

PMU. Reasons for such low expenditure though called for was not furnished by the PD, OFSDP and the Government.

CCO failed to monitor the timely expenditure of funds in implementation of the project as the UC against the expenditure incurred during 2006-10 was submitted to Government in August 2010.

2.2.4.2 Overstating of plantation area

The total area of plantation reported by the DMUs during the period 2008-09 to 2010-11 was 161251 hectares. We noticed that out of this total area, 75845.19 hectare was treated with silvicultural cleaning only without any plantation. Thus, though actual area covered under plantation was 85405.81 hectare (161251-75845.19), achievement in area of plantation reported to PMU/Government was overstated by 89 *per cent*. PMU did not monitor the afforestation activities undertaken by the DMUs and CCO also did not review the report submitted by the PMU, thus affecting subsequent planning process of afforestation under the scheme.

The reply of the PD, OFSDP (September 2012) was not specific to the audit point.

2.2.4.3 Intensification of Forest Management

As per Action Plan of Intensification of Forest Management a Centrally Sponsored Plan, construction of Barracks was to be made in the most vulnerable pockets in interior locations. Further, for control and management of forest fire, deployment of additional manpower in vulnerable sites as fire control squads with ten members for five months during the year is to be made. Incentive amount ranging from ₹ 5000 to ₹ 10000 is to be paid to VSSs to motivate them to render their services to counter forest fire. Front line staff (Forest guards and Foresters) will be provided with Cell Phones. Vehicles, Boats and Camp Equipment were to be purchased under the scheme. The expenditure incurred under this scheme, during 2006-11 was ₹ 10.99 crore.

Audit scrutiny for 2008-11 revealed the following deficiencies:

- In 10 Divisions, construction of barracks was made at locations near the Division Office and Range Office/Section Office Campus instead of interior locations incurring expenditure of ₹ 73 lakh. In reply the DFO, Dhenkanal stated that as per instruction of RCCF, Angul the barrack was made for multipurpose and effective accommodation of higher authorities.
- Fire protection squads formed consisted of one to five members only and was not deployed for five months during the year. During the months of April and June, when the chances of occurrence of forest fire was more, there was no engagement of squads. In two Divisions (Baliguda and Cuttack) the squad was also deployed in the months of July, August and September (rainy season).

- Incentive ranging from ₹ 400 to ₹ 3,000 only per VSS was paid in 10 Divisions. In three Divisions[44] no incentive was paid but Almirahs, equipment were purchased.
- As per the Action Plan of 2008-09, for strengthening forest protection vehicle of Maruti Gypsy make and fiber glass boats were to be purchased. We noticed that one vehicle (Tata 407) was purchased in place of Maruti Gypsy (Bhubaneswar) and four fiber glass boats purchased during 2009-10 remained idle without any use (Cuttack).
- In some cases camp equipment purchased were not issued to front line staff but kept with Range Office or issued to Forest Rest Houses. Mobile phones were issued to ACFs, Range Officers, Drivers, Ministerial staff and some are still lying with Division/Range Offices without issue.
- Contingent expenditure of ₹ 2.14 lakh was made in 2010-11 by six Divisions without any specific provision under the scheme.

Thus, in the absence of desired infrastructure/equipments, without creation of effective fire protection squads and deployed during the fire prone season as well as the paltry payment made to VSSs, affected forest protection. DFOs failed to effectively carry out required activities under the scheme. CO and CCO did not monitor to ensure implementation of the scheme as per Action Plan designed by them.

2.2.4.4 12^th^/13^th^ Finance Commission Grant for management and preservation of forest wealth

Under the Action Plan of the 12th/13th Finance Commission grant for management and preservation of forest wealth, the objectives were to increase the tree cover outside the designated forest area by way of raising saplings, building of cadre of community youth and encouraging stall feeding and controlled grazing for protection of forest, carrying out SSO work in coupes where main felling was carried out etc. Expenditure incurred under this scheme during 2006-11 was ₹ 82.81 crore. We noticed following deficiencies:

- As per action plan of the scheme advance work like preparation of beds, collection of seeds, pitting fencing etc was to be done during 2010-11 after which saplings were to be raised. We noticed in seven Divisions that raising of saplings was shown to have been done during 2010-11 itself without any advance work.
- Under the conditions of the scheme a cadre of community with 10 members was to be formed by engagement of youth nominated and paid through the VSS at ₹ 3000 per month to provide support to forest personnel for planning, monitoring and protection of forest.

  We noticed that funds were paid to individuals as protection squad without being nominated by VSSs in nine Divisions. In five Divisions ₹ 13.97 lakh earmarked for wages of 10 members was deposited in VSSs accounts without formation of such cadre. In nine Divisions, the cadre was not engaged for the whole year.

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[44] Bhubaneswar, Dhenkanal & Phulbani

- Similarly, for encouraging stall feeding and control grazing, ₹ 5.10 lakh was deposited in VSSs accounts in respect of four Divisions without undertaking activities like pasture development, encouraging cultivation of grass etc.
- In five[45] Divisions SSO work was done in coupes where felling was not done in the previous year on which expenditure of ₹ 2.04 crore was incurred during 2006-11 which was unfruitful.

Thus, increasing of tree cover, formation of cadre community of youth for protection of forest could not be ensured and expenditure for SSO work was, thus, unfruitful. DFOs did not monitor the activities undertaken under the scheme. CO and CCO also did not review the activities undertaken as per the provisions of the scheme.

2.2.4.5 Intensive Protection of Critically Endangered Areas

The objective of the scheme Intensive Protection of Critically Endangered Areas was to strengthen the protection measures against organised timber smugglers and illicit removal of firewood. The critically vulnerable belts of forest were to be identified in one belt in a Division and a squad of 10 local youth was to be engaged. Incentive to squad members and informers was to be paid. Expenditure under this scheme incurred during the year 2008-09 to 2010-11 was ₹ four crore.

Audit scrutiny for 2008-11 revealed the following deficiencies:

- In 15 Divisions the basis on which the areas were selected as critically vulnerable belts was not on record. The squad was not deployed for the whole year in 10 Divisions and in six[46] Divisions, the squad members deployed were less than 10 members. In 13 Divisions[47] an amount of ₹ 16.08 lakh earmarked for wages were diverted towards construction of barracks/sheds, purchase of fuel etc. In Baripada Division ₹ 1.38 lakh was deposited in VSS account without engagement of squads. In Bhubaneswar Division wages of squad members of ₹ 0.67 lakh was surrendered without paying incentive and wages of squad members during 2009-10.
- In six Divisions[48] incentive was paid to forest guards or diverted towards contingent expenditure without paying to squad members and informers.

Thus, DFOs failed to comply with the scheme guidelines. Also CO and CCO did not monitor the activities undertaken under the scheme.

2.2.4.6 Livelihood Options Creation

Under the scheme raising of saplings in decentralised nurseries by selected VSSs/Self Help Groups/individuals in their own land was to be done for their

[45] Rourkela, Raygada, Khordha, Koraput and Bolangir
[46] Bhubaneswar, Baliguda, Balangir , Cuttack, Deogarh and Kalahandi (S)
[47] Bhubaneswar, Baliguda, Balangir, Dhenkanal, Kalahandi (S), Khordha, Bonnai, Rayagada, Rourkella, Rairangpur, Deogarh, Phulbani and Khariar.
[48] Bonai, Rayagada, Balliguda, Deogarh, Balangir and Khariar

employment round the year and rotating funds in subsequent years to earn their livelihood. An amount of ₹ 15000 per individual were to be provided in three phases on visualising the progress of work. Expenditure incurred under this scheme, during 2008-11 was ₹ 6.15 crore.

Audit scrutiny revealed the following deficiencies:

- In seven[49] Divisions, the amount was paid in one installment instead of making payment in phased manner after visualising the progress of achievement. Further, no site inspection was conducted to ascertain the progress and achievement of the nurseries and no record was in place regarding raising of seedlings and selling of the same by the beneficiaries for earning their livelihood by rotating the funds in subsequent years.
- On strengthening of VSSs, an amount of ₹ 13.40 lakh was deposited during 2010-11 in VSSs accounts in three[50] Divisions without taking steps to resolve inter and intra conflicts among community groups by demarcating forest areas by construction of stone pillars, providing training for processing, value addition and preparation of micro plans for VSSs etc.

2.2.4.7 National Bamboo Mission

National Bamboo Mission is implemented by Odisha Bamboo Development Agency (OBDA) headed by the Project Director, WFP-Cum-State Mission Director. State Bamboo Steering Committee is headed by the Principal Secretary, Government of Odisha, Forest & Environment Department.

As per the operational guidelines and supplementary guidelines framed by OBDA during 2008, central nurseries are to be created both in public and private sector. The surplus seedlings after plantation may be sold to farmers, institutions on cost basis and the sale proceeds shall be utilised as revolving fund for Nursery. Each Nursery shall produce 50,000 rhizomes on allotment of funds of ₹ 2.73 lakh.

Plantation is to be done both in forest area through DFOs and non-forest area involving beneficiaries, farmers. Further training of farmers/entrepreneurs, field functionaries are to be made and workshop, seminars etc. are to be organised. Unutilised fund was to be kept in fixed deposit in bank.

The funds position for the years 2006-11 under the scheme was as under:

Table No: 2.13 Details of fund position

(₹in crore)

AAP Year	Target Set (Financial)	Target Achieved (Financial)	Balance	Percentage of un spent amount
2006-07	3.30	2.27	1.03	31
2007-08	7.37	6.26	1.11	15
2008-09	1.41	1.15	0.26	18
2009-10	1.85	1.47	0.38	21
2010-11	3.26	1.64	1.63	50

Source: Data collected from field units

[49] Baripada, Rairangpur, Dhenkanal, Sambalpur, Khurda, Cuttack and Khariar
[50] Baripada, Khurda, Cuttack

The unspent amount varied between 15 and 50 *per cent* during 2006-11.

Further scrutiny in 14 Divisions revealed the following:

- In 14 Divisions against target of 7.40 lakh seedlings, 4.26 lakh could be raised resulting in short fall of 3.14 lakh. Out of 4.26 lakh seedlings raised, 3 lakh could be utilised/sold leaving a balance of 1.26 lakh valued at ₹ 6.88 lakh remained unutilised and was wasted.
- The sale proceeds of ₹ 5.28 lakh out of seedlings sold to Ranges and private parties were not realised and deposited for subsequent use in the revolving nursery thereby defeating objective of formation of revolving nursery.
- In nine Divisions, range-wise local nurseries were created by diverting funds from plantation components.
- In 12 Divisions unutilised funds of ₹ 1.03 crore during 2006-11 was kept in savings bank account instead of fixed deposit resulting in loss of interest.
- In eight Divisions out of ₹ 6.67 lakh, ₹ 3.18 lakh only could be spent during 2006-11 in organising training and workshop programmes limiting the utility of the scheme.

Thus, target of raising of seedling was not achieved and seedlings were wasted without utilisation or sale.

2.2.4.8 Non-achievement of target in compensatory afforestation

Under FC Act 1980, against diversion of forest land compensatory afforestation of equivalent area was to be done along with other conditions imposed by GoI**.**

Audit scrutiny revealed that diversion of forest lands measuring 2107.36 hectares relating to four Divisions[51] was approved by MoEF, for Rengali Irrigation project in favour of Water Resources Department, GoO, during the year 1996 (stage-I) out of which final approval, granted was 812 hectare (2003). As per conditions of approval equivalent area of 2107 hectares was alienated in favour of Deogarh Forest Division for Compensatory Afforestation. We noticed that plantation work over 741.42 ha only was completed (May 2012) which indicated lack of monitoring by the DFO and providing required fund by CO and CCO to complete the target of afforestation programme as per conditions of stage-I approval. Reasons for non-achievement though called for was not furnished.

We also noticed that the canal bank plantation scheme approved (September 2007) for Dhenkanal Division for an area of 579.07 hectares at a cost of ₹ 2.31 crore is yet to be started and the funds have been surrendered during 2007. It was stated that the plantation could not be raised as the Rengali Irrigation Authority had not identified the area for raising canal bank plantation.

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[51] Angul, Dhenkanal, Athagarh and Keonjhar

The reply indicated lack of coordination between two Government Departments by which afforestation work could not be completed in time despite availability of funds.

2.2.4.9 Excess expenditure in Urban Tree Plantation

Cost norm prescribed for Block plantation was per hectare whereas for Urban tree plantation it was per sapling per Running Kilometer (RKM). Audit scrutiny in City Forest Division, Bhubaneswar revealed that Urban tree plantation was carried out in 46 locations in and around the city in 2010-11. Out of this, in two locations (Shankarpur and Marichia) Block plantation was carried out over 24 hectares adopting the expenditure norm applicable to Urban tree plantation. This resulted in excess expenditure of ₹ 41.48 lakh as detailed in table below.

Table No:2.14 Excess expenditure in urban tree plantation

(₹ in lakh)

Name of plantation	Area in Hects.	Cost norm for Block plantation per Hect. (upto one year)	Admissible expenditure	Expenditure incurred	Excess expenditure
Shankarpur	19	0.26	4.94	36.52	31.58
Marichia	5	0.26	1.30	11.20	9.90
Total	**24**		**6.24**	**47.72**	**41.48**

Source: Audit analysis of records

On this being pointed out it was stated that city plantation included peripheral compact area plantation and norm prescribed for Block plantation was not applicable to City/Urban plantation. However, the fact remained that the cost norm prescribed for Urban plantation was for Running Kilometer (RKM) and per sapling and not for Block (compact area) plantation.

Thus plantation work done deviating the approved norm resulted in excess expenditure of ₹ 41.48 lakh.

Implementation of Schemes under Wild Life Sector

In wildlife sector there were eight State Plan (SP) schemes five Central Plan (CP) schemes and four Centrally Sponsored Plan (CSP) schemes in operation during 2006-11.

The broad objective of different schemes were for improvement of habitat, protection of habitat and Wildlife, checking of Wildlife depredation with addressing of man animal conflict, eco development activities, communication and infrastructure development, deciding inviolate spaces and relocation of villages from crucial habitats (core areas) and research and monitoring.

We noticed that the objectives were not achieved since there was increase in man animal conflict, rise in Wildlife offence cases, poaching of animals etc. as discussed in following paragraphs.

2.2.4.10 Project Tiger Scheme (Similipal and Satkosia Tiger Reserve)

Project Tiger a Wildlife Conservation Project was launched (April 1973) by GoI as a Centrally Sponsored Plan Scheme (CSPS) with the objective to ensure maintenance of a viable population of Tigers. Project Tiger was converted into a statutory authority as National Tiger Conservation Authority (NTCA) through an amendment (2006) in the Wildlife (Protection) Act, 1972 to ensure Tiger conservation with legal backing. In Odisha, the Project Tiger is implemented in Similipal Tiger Reserve (TR) (1973-74) and in Satkosia TR (2008-09).

We noticed that during 2006-11, ₹ 103.43 crore was proposed to GoI by the Field Directors (FD) of both the Tiger Reserves in their APOs for five years (2006-11) for Similipal and for three years (2008-11) for Satkosia. GoI approved ₹ 31.62 crore (GoI share ₹ 25.77 crore and State share ₹ 5.85 crore) against which ₹ 27.23 crore was released (GoI share ₹ 22.44 crore and State share ₹ 4.79 crore) during the above period for protection measures, habitat improvement, strengthening of infrastructure, relocation of villages and redressing man animal conflict etc. However, only ₹ 23.37 crore was utilised by the FDs and ₹ 3.86 crore remained unutilised. This indicated that there was lack of proper planning and deficiencies in financial management. As a result full benefits out of Central assistance for development of Tiger projects could not be availed.

As per tiger census (2004 and 2010) the tiger population in Odisha came down from 192 in 2004 to a mere 32 in 2010. Similipal and Satkosia TR were ranked as POOR in the assessment report of MoEF, GoI. The tiger population declined drastically due to inadequate protection measures and deficiency in project management not providing inviolate space, low pace of expenditure and delay in relocation of villages from core area.

2.2.4.11 Lack of unified command and control system

As per the guidelines of Project Tiger there should be a Field Director exclusively for each Tiger Reserve. Although the core area of Similipal sanctuary and the Tiger reserve is under the Wildlife organisation, the entire buffer zone of the Sanctuary which constitutes 60 *per cent* of the Similipal Sanctuary as well as the transition zone of Similipal Biosphere Reserve is under three[52] Territorial Divisions. Similarly, in Satkosia Tiger Reserve there was no full time Field Director for the entire Tiger Reserve. It was under the supervision of Satkosia Wildlife Division and Mahanadi Wildlife Division reporting to the Conservator of Forests, Angul Circle and Conservator of Forest Bhubaneswar Circle respectively.

Thus the Tiger Reserves did not function under one single line of command and control and the dual administration in supervision of the Tiger Reserves in contravention of the Project Tiger guidelines affected the project implementation and protection inside the Tiger Reserve which has also been specifically mentioned in the assessment report of NTCA for Similipal Tiger Reserve.

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[52] Baripada, Karanjia and Rairangpur

2.2.4.12 Non-deployment of Special Tiger Protection Force

The NTCA considering the endangered status of tigers and the need for urgently stepping up protection in sensitive areas formulated a set of guidelines (May 2009) for deployment of Special Tiger Protection Force (STPF) at Similipal Tiger Reserve with 100 *per cent* central assistance under the scheme Project Tiger. But no initiative was taken by GoO for raising of STPF during the period 2009-11. In May 2012 the GoO passed a resolution for establishment of the STPF as per NTCA guidelines after passage of three years. Thus the Tiger Reserve was deprived of central assistance for protection measures. This indicated lack of sincerity and seriousness of the CCO and CO in taking timely action for a vital protection measure with 100 *per cent* central assistance. Thus, poaching of elephants, illegal tree felling and mass animal hunting like Akhanda Shikar in the STR could not be controlled.

Deputy Director, STR stated (May 2012) that the recruitment of STPF was in progress. The reply is not acceptable since the GoO passed a resolution for establishment of STPF after two years of the guidelines issued by NTCA.

2.2.4.13 In-adequate deployment of protection squads

Under the scheme, one of the major components was deployment of squads in buffer areas of the Reserve wherein 10 persons in each squad to be deployed throughout the year for protection of wildlife. Further, hired vehicles and communication equipment shall be provided to the squad. In Baripada Division ₹ 47.05 lakh and ₹ 10.46 lakh was provided for protection squad and for hiring of vehicle during 2008-11. Out of this, an amount of ₹ 13.85 lakh was transferred to VSS account without utilisation and expenditure was also incurred for purchase of fuel for departmental vehicles, payment of watchers engaged in Central nurseries of Range Offices, Check gates etc. Further, we also noticed that the squad members were deployed for part of the year instead of the whole year.

After we pointed this out while accepting the audit observations, DFO, Baripada stated that funds were released by the Government at the end of the financial years 2008-11. Surplus fund of ₹ 13.85 lakh was kept in VSS account for payment of wages during 2011-12. Non utilisation of funds by DFO meant for specific purpose indicated lack of planning for engagement of protection squads in the Tiger Reserve.

2.2.4.14(A) Relocation of families from the core area

As per guidelines of Project Tiger, the long term survival of tiger depended upon the availability of secure and inviolate areas free from human impact. A time bound programme for relocation of families living in the core area was necessary. As per the minutes of the meeting of Rehabilitation and Periphery Development Advisory Committee (RPDAC) held on 11 August 2009, four villages situated inside the critical tiger habitat of Similipal TR was to be relocated. Out of 149 families, 72 families only were relocated during the period from 1994 to 2003 with a balance of 77 families to be relocated. A fresh survey during September 2009 jointly conducted by Revenue and Forest officials reported an increase of 45 families taking the total to 122 out of which 61 families of Jenabil village were relocated in March 2010 leaving balance of 61 families yet to be relocated (March 2012).

The NTCA declared (February 2008) package amount at the rate of ₹ 10 lakh per family to be relocated. It was also noticed that the GoI released an amount of ₹ 9.03 crore (CSP) and GoO released ₹ 1.87 crore (SP) between 1977-78 and 2010-11. Out of this ₹ 10.40 crore was deposited with Collector, Mayurbhanj who utilised only ₹ 4.62 crore for relocation of families and balance ₹ 5.78 crore is still lying in civil deposit.

We observed that delay in relocation of families led to burden of additional liability (₹ 4.50 crore) on account of addition of new families in fresh survey.

Thus despite availability of funds, final notification of 'Similipal National Park' under 35(4) (b) Wildlife (Protection) Act, 1972 could not be issued due to inordinate delay in relocation of families from the core area. This was possible by sustained efforts and coordination between Forest and Revenue authorities.

On being pointed out the Deputy Director, STR did not furnish any specific reply.

(B) Delay in completion of relocation of families inside Chandaka-Damapara Sanctuary

A rehabilitation scheme was prepared by DFO, Chandaka WL Division during 1993 for relocation of 455 families and 131 encroachers based on the Rehabilitation Policy of the Government at estimated cost of ₹ 5.16 crore to be spent from 1994-95 to 1998-99 against which ₹ 5.75 crore was made available (1985-86 to 2010-11). The number of families increased to 460 as per enumeration conducted in 2006.

Of the above, 117 families were shifted in two phases up to 2008 and remaining 343 families were to be rehabilitated. ₹ 5.75 crore was provided for land acquisition compensation and construction of houses etc.

It was, however, noticed that out of 57 houses constructed in 2007-08, 25 houses with an expenditure of ₹ 25.25 lakh constructed out of Government grants by the Eco Development Committee of Bhuasuni village remained vacant as the villagers were not willing to shift due to non-finalisation of lease of agricultural land in their favour though initially they had expressed their willingness to shift with proper rehabilitation package. This resulted in unfruitful expenditure of ₹ 25.25 lakh.

Thus, due to lack of persuasion and coordination between forest and revenue authorities, the relocation process could not be finalised.

On being pointed out, DFO accepted (January 2012) the audit findings.

Implementation of Project Elephant in Odisha

2.2.4.15 Basic objective and achievement

Project elephant, a Central plan scheme, was launched by Government of India during 2001-02 for Odisha which aimed primarily at conservation and protection of viable population of wild elephants in their natural habitats and restoration of natural habitats and traditional corridors used by the elephants and thereby reducing human elephant conflict. GoO also started a scheme Elephant Management Plan from the year 2009-10.

It was however noticed that during preceding five years (2006-11), 237 Elephants died either by poaching, accidents or diseases, other than natural death (**Appendix 2.2.1**). The unnatural death toll of elephants increased from 41 in 2006-07 to 72 in 2010-11.

2.2.4.16 Human Elephant conflict and compassionate payment

One of the major reasons for increasing Human-Elephant Conflict (HEC) was the straying of elephants into human habitations due to loss of their habitat caused by illegal felling of trees and illegal collection and trade in non-timber forest produce which deprived the elephants of food and non-relocation of families from the core areas.

We noticed that 310 people were killed, 82 were injured and 25 cattle killed during 2006-11 which shows increase in human-elephant conflict and ₹ 9.17 crore was paid towards compassionate payment to the victims for elephant depredation. During the five years 2006-11, total expenditure of ₹ 15.06 crore (SP+CP) was incurred under the scheme.

Thus, despite expenditure of ₹ 15.06 crore during 2006-11 the incidence of elephant depredation went unabated and the compassionate payment increased from ₹ 1.35 crore in 2006-07 to ₹ 2.44 crore in 2010-11.

This indicated failure in protection and conservation of natural habitats and traditional corridors used by the elephants.

On this being pointed out PCCF, Wildlife did not furnish any reply.

2.2.4.17 Increase in number of wild life offences

Audit noticed that there were 56 cases of elephant poaching and 372 cases of poaching of other wild animals registered during the period from 2006-07 to 2010-11. Though 816 persons were arrested, none of them was convicted till date (May 2012). This was due to non issue of final notification of sanctuaries and provision of special lawyer for filing the prosecution cases in trial courts as evident from the report submitted to NTCA during June 2010. Further it was observed that no special strike force had been created under the scheme on a permanent basis to combat forest offences.

On this being pointed out PCCF, Wildlife did not furnish any reply.

2.2.4.18 Identification and development of elephant corridors

Under National Forest policy, 1988 forest management should take special care of the needs of wildlife conservation and it is essential to provide for ‘corridor’ linking the protected areas in order to maintain genetic continuity between artificially separated sub sections of migrant wildlife.

It was noticed that 14 critical elephant corridors were identified between 2007-08 to 2010-11 by the State Government with proposal for covering length of

420.8 km and area of 870.61 sq km, for which the department prepared a five year Corridor Management Plan in 2010-11 with an estimated cost of ₹ 51.22 crore having interface in terms of mining, Railway lines, roads and irrigation canal etc. However, the plan is not yet approved by Government (May 2011).

We noticed that out of the total expenditure of ₹ 7.35 crore made under "Project Elephant" ₹ 0.98 crore was utilised towards protection of elephant habitat and corridors which accounted for only 13.33 *per cent* of the total expenditure. Thus the very purpose of preparing the corridor management plan for linking the protected areas for free movement of elephants was not effective.

On this being pointed out PCCF, Wildlife did not furnish any reply.

2.2.4.19 Solar power fencing under the Elephant Management Project

In Dhenkanal Division solar fencing work was undertaken with a view to minimise the crop damage, safeguard life, property of villagers and elephant population of the area, reduce the liability of Government towards payment of compassionate grant and involve the Communities in anti-depredation measures.

We noticed that during 2007-09 solar fencing was done at three locations for 31.145 km for ₹ 17.50 lakh using the low cost wooden poles instead of metal posts which was required for longevity of the system. Working of the project was never evaluated or reviewed in wake of increasing payment of compassionate grant due to elephant depredation.

On this being pointed out DFO, Dhenkanal did not furnish any specific reply.

2.2.4.20 Nandankanan Sanctuary

Nandankanan Sanctuary includes Nandankanan Zoological Park (NZP), State Botanical Garden and Kanjia Lake. During 2006-11, an expenditure of ₹ 38.51 crore was incurred for management and development of the sanctuary against allotment of ₹ 43.53 crore.

Scrutiny of records of the Deputy Director (DD), Nandankanan Zoological Park revealed the following points.

- No Annual Plan of Operation was prepared for State Plan Schemes. The funds were released by Government on *ad hoc* basis and there was surrender of ₹ 1.14 crore out of funds of ₹ 1.15 crore under 13th FC grant during 2010-11. DD, Nandankanan stated that at the time of the receipt of allotment neither the concept nor the design was finalised, hence the fund could not be utilised. This indicated lack of proper planning before incurring expenditure.

- During 2010-11, Government released ₹ 52 lakh under Additional Central Assistance for construction of building (₹ 15 lakh) and for installation of exhibits, models, equipment and furniture etc (₹ 37 lakh). No building was constructed and expenditure of ₹ 46.25 lakh was incurred for installation of exhibits, models, equipment and furniture etc, which exceeded the estimated provision by ₹ 9.25 lakh and balance amount of

₹ 5.75 lakh was surrendered. Thus we observed that due to lack of proper planning, the available funds could not be utilised and the objective was not achieved.

DD, NZP stated that excess expenditure was incurred as per the estimate of CEE, Ahmedabad.

The reply is not tenable since excess expenditure has not been regularised.

- Pursuant to a decision of the Government, a society was formed in the name of "Society for Management and Development of Nandankanan Zoological Park" (SMDNKZP) and registered (August 2005) under the Societies Act, 1860. We noticed that there was no approved accounting procedure of the society for operating the Fund/Account. As per the Audit report of Chartered Accountant, there was unspent balance (March 2011) of ₹ 2.47 crore which included unutilised grant of Central Zoo Authority (CZA) received from 2005-06 onwards and share of receipts from entry ticket. Thus the objective of the society for augmenting the activities were defeated as the available funds were not spent.

- A residential staff colony was located inside the zoo in contravention of Recognition of Zoo Rules. Similarly, as per recommendation of CZA in September 2009, the Director's office should be located within the Zoo premises to make daily attendance of the Director more visible and beneficial. But the Director's office is located 16 km away from the Zoo.

Implementation of Integrated development of Wildlife Habitats scheme

2.2.4.21 Gahiramatha (Marine) Wildlife Sanctuary

Gahiramatha is the largest rookery of the world for Olive Ridley Sea Turtle (ORST). Government in the erstwhile Fisheries and Animal Resources Development (FARD) Department in their Notification (September 1997), declared Gahiramatha, one of the world's largest nesting beaches and its waters as "Gahiramatha (Marine) Sanctuary". We noticed the followings;

- Check of the census report revealed that the immigration of Olive Ridley turtles fluctuated and also the mortality during 2005-11 as given below. From the table it would be seen that there was a drastic fall in nesting turtles during 2007-08 and there was rise in mortality compared to other years. No study was conducted to find out the reason for less nesting and high mortality.

Table No: 2.15 Details of nesting/death of turtles

Year	*No of nesting turtles*	*No. of turtles found dead*
2005-06	274793	1571
2006-07	147726	2036
2007-08	3121	2656
2008-09	167222	1983
2009-10	356894	1898
2010-11	361573	533

Source: Data collected from field units

DFO, Mangrove Forest Division (WL) Rajnagar stated that studies in the past had revealed that mortality was due to mechanised fishing during congregation and added that effective measures were taken by deployment of coast guard ship and hired vessel.

The reply is not acceptable since mortality rates during 2006-07 and 2007-08 was high despite deployment of coast guard and hired vessels.

- Check of the Deposit Register of the DFO, Mangrove Forest Division (WL) Rajnagar revealed that a sum of ₹ 30 lakh was released by GoI during 2001-02 for purchase of sea worthy vessels under central plan which was lying unutilised under civil deposit. As per the Finance Department instruction (July 2010) the unutilised amount kept in civil deposit lapsed and was no longer available to the DDO for drawal. This indicated failure of DFO and lack of monitoring of CO to utilise GoI grant for purchase of sea vessel for patrolling purpose.

  Further it was seen from the monthly accounts that there was expenditure of ₹ 17.59 lakh during 2008-09 to 2010-11 towards hire charges of boats and trawlers for patrolling purpose which could have been avoided had the vessels been purchased. Reasons for non utilisation of funds were not furnished.

2.2.4.22 Implementation of Scheme "Protection and Conservation of Olive Ridley Sea Turtle"

Chilika mouth is one of the nesting beaches of the ORST. Sporadic nesting of ORST takes place from Arakhakuda to Prayagi over a length of 65 kms. Annual Plan of Operation (APOs) were prepared and submitted to Government by DFO, Chilika WL Division every year and ₹ 28.06 lakh was provided under Central Plan and State Plan scheme during 2006-2011 for implementation of scheme for Protection and Conservation of ORST.

Scrutiny of records and information available to audit revealed that despite expenditure of ₹ 28.06 lakhs during the year 2006-2011 the number of death of turtle increased from 106 in 2006-07 to 1047 in 2010-11.Thus it was observed that expenditure incurred on Protection of Sea Turtle did not yield the desired result.

DFO, Chilika WL Division stated (February 2012) that mortality was in Rushikulya and Devi rookery. The carcasses moved through tidal movement and got deposited in coast line of their Division. However, no evidence in support of the same could be produced.

Implementation of working plans

2.2.4.23 Non-achievement of target for plantation in implementation of approved working plans

Permission for coupe operation as per the working plan is given by the GoI with stipulation for undertaking plantation work, SSO work in working plan area. As on 31 March 2011, there were 25 GoI approved working plans covering 34 Divisions over the state.

We noticed that in implementation of approved working plans from 2008-09 to 2010-11, there was shortfall in achievement of plantation as fixed by GoI in according permission for coupe operation as detailed below.

Table No: 2.16 Details of plantation as per working plan

(Area in ha)

Year	Plantation in Rehabilitation Working Circle				Plantation in Plantation Working Circle			
	Target	Achiev-ement	Shortfall	Percentage of shortfall	Target	Achiev-ement	Shortfall	Percentage of shortfall
2008-09	133612	9433	124179	93	7164	1375	5789	81
2009-10	117538	49003	68535	58	4920	2347	2573	52
2010-11	124994	49609	75385	60	5500	4282	1218	22
Total	**376144**	**108045**	**268099**	**71**	**17584**	**11004**	**9580**	**54**

Source: Data collected from PCCF

The shortfall in plantation ranged from 58 to 93 *per cent* under Rehabilitation Working Circle (RWC) and 22 to 81 *per cent* under Plantation Working Circle (PWC). Further, during 2010-11 achievement of plantation in RWC of 49608.67 ha included an area of 18140 ha beyond working plan. Thus the actual plantation under approved working plan was 31468 ha. Taking into account the working plan area the actual shortfall worked out to 93526.32 ha (74 *per cent*). No reasons were recorded for such low achievement in plantation inside working plan area. Though every year it was assured to recoup the shortfall during the subsequent year, the same was not achieved upto 2010-11.

This indicated failure of DFOs in achieving the target of plantation in working plan areas. CO and CCO did not monitor activities to achieve the target. Thus sustainable management of forests as per stipulations made in the working plans approved by GoI could not be achieved.

2.2.4.24 Inadequate silvicultural operations in timber/bamboo coupes

Subsidiary Silviculture Operations are required for regeneration of forest. While according permission for coupe operation, GoI fixes target for carrying out SSO operation during a particular year over the area in which coupe work was carried out in the previous year as provided under working plans..

We noticed in 16 Divisions that the area covered under SSO of bamboo coupes was five to 36 *per cent* of the areas due to be covered during 2006-11 whereas the area covered under SSO of timber coupes was 54 to 72 *per cent* in 14 Divisions. Inadequate SSO operation affects the regeneration of forest in those areas.

DFOs stated (November 2011 to May 2012) that due to receipt of insufficient allotment and Maoist activities the area due for SSO could not be taken up. The reply is not acceptable as in the previous year coupe work was done and the CO and CCO should have taken measures for carrying out SSO operation.

2.2.4.25 Marking of trees in coupe operation

The Working Plan approved by the MoEF provides details of coupes to be worked out annually with coupe-wise trees to be marked for felling.

Test check of records revealed that in three Divisions[53] less number of trees was marked for felling during the period 2006-11 in comparison to the number of trees to be marked coupe-wise as per approved working plans. This resulted in blockage of revenue of ₹ 8.04 crore in the form of royalty realisable against 192 coupes besides not making a scarce resource available.

On this being pointed out, DFO, Rayagada stated that all the timber coupes were marked as per guidelines. However, field visit report of the CF, Koraput during the year 2006-07 confirmed marking of less trees in all the coupes. DFO, Balliguda/Khordha stated that the reason was non-availability of required girth of trees. This indicated that either the working plan was prepared without adequate survey or trees were removed illegally due to lack of enforcement measures.

2.2.4.26 Loss of revenue due to non-working/delayed working of gregarious flowering of bamboo coupes

In the case of gregarious flowering of bamboo, all the culms of a clump die and are required to be felled after shedding of seeds.

Audit scrutiny in two Divisions[54] revealed that OFDC was requested by the DFO (Dhenkanal and Khordha) during 2009 to take delivery of 11 gregarious flowering bamboo coupes which were due for felling during 2005-14 along with bamboo areas not covered in the working circle. In Dhenkanal Division the coupes were taken delivery by the OFDC in April 2010 and only 36.89 SU[55] (30 MT) extracted against estimated production of 2450 MT. Similarly, in Khordha Division, the coupes were not taken delivery by the OFDC and an estimated production of 26691 MT of bamboo could not be harvested. All the flowered coupes were also not worked departmentally during 2010-11 in spite of instructions from PCCF, Odisha.

Thus, due to non-working of flowered bamboo coupe by OFDC and also not carrying out operation departmentally resulted in loss of revenue of ₹ 1.46 crore from royalty. This indicated inaction on the part of OFDC and failure of CO and CCO in monitoring.

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[53] Rayagada, Khordha and Deogarh

[54] Khordha and Dhenkanal

[55] SU-Sale Unit of bamboo, which is approximately 0.81 MT

2.2.4.27 *Delay in delivery of timber and bamboo coupes*

Working of coupes is confined to nine working months (October to June) in a year and should be delivered to OFDC accordingly to enable smooth and timely working of coupes. We noticed that there was delay upto 268 days in 15 Divisions in delivery of timber coupes and there was delay upto 169 days in delivery of bamboo coupes in respect of 17 Divisions. This resulted in less production and affected silvicultural operations which was confirmed from the communication made by the Raw Materials Procurer (RMP) during 2010.

After we pointed this out, DFOs stated that delay was due to delay in communication of permission by the PCCF, Odisha for coupe working. The reply indicated lapses at the level of CO in communicating the permission and lack of follow up on the part of DFOs.

2.2.4.28 *Non-working of timber/bamboo coupes*

Timber/bamboo coupe operation is carried out in accordance with approved working plans. All the coupe operations of the State is carried out by OFDC on payment of prescribed royalty.

Audit scrutiny revealed that, in 13 Divisions out of 652 timber coupes due for working as per working plans during 2006-11, 387 timber coupes could not be made operational on the plea of non-availability of trees and Maoist activities. The coupes not worked by OFDC were also not operated departmentally. Non-working of the timber coupes deprived the Government of realisation of estimated royalty of ₹ 2.83 crore worked out in respect of three[56] Divisions against 43 timber coupes.

Similarly, in 15 Divisions out of 780 bamboo coupes due for working as per working plans during 2006-11, 356 bamboo coupes were not made operational on the plea of being unproductive from commercial point of view. The coupes not worked by OFDC were also not made operational departmentally. Non-working of bamboo coupes resulted in loss of estimated royalty of ₹ 55.16 lakh worked out in respect of 48 bamboo coupes in three Divisions.[57]

Further, in Deogarh Division, coupe work was restricted while according approval of working plan by GoI in 1997. On the lifting of the restriction in 2005, no steps were taken to propose revision of the working plan so as to allow working of coupes. This resulted in loss of revenue in the form of royalty of ₹ 1.28 crore during 2006-11 in respect of 41 coupes.

2.2.4.29 *Loss of royalty in coupe timber due to improper fixation of Unit value*

The Government in May 2006 prescribed the procedure for assessment of royalty on timber coupes delivered to OFDC at uniform State wide rate of ₹ 880 per sale unit (notionally taken as eight cft) 2005-06 as the base year. From subsequent years the unit value was to be worked out by the PCCF, Odisha and Chairman-cum-Managing Director, OFDC taking into consideration the sale result of the previous year and market condition.

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56 Bonai, Cuttack, Phulbani

57 Balliguda, Dhenkanal and Phulbani

Audit scrutiny of fixation of royalty for the years 2007-09 revealed that in a meeting held in September 2008 it was mutually agreed by PCCF, Odisha and CMD, OFDC that the unit value for those years was to be ₹ 1099 and ₹ 1187 respectively. However, the CMD, OFDC while signing the proceedings already signed by the PCCF, Odisha reduced it by altering the rates. Consequently, another meeting was held in October 2008 and the unit value for both the years was fixed at ₹ 1040.

As a result of fixing the unit value at ₹ 1040 instead of the unit value approved in the first proceeding, there was short levy of royalty of ₹ 3.10 crore during the years 2007-11.

PCCF, Odisha stated that no procedure was violated in calculation of unit price. However, the fact remained that PCCF, Odisha did not object to the unilateral alteration of unit value by CMD, OFDC and agreed to reduce it without recording any specific reasons. CCO also approved it without scrutinising details to ensure that the prescribed procedure was adhered to in fixation of unit value.

2.2.4.30 Non-revision of royalty on bamboo

Royalty on bamboo is fixed by the Empowered Committee with Chief Secretary as its Chairman.

Audit scrutiny of records of fixation of royalty for 2009-10 made in September 2009 revealed that the royalty and silvicultural charges on bamboo was revised to ₹ 550 and ₹ 90 per MT respectively by the Empowered Committee. The increase was withdrawn by Government in November 2009 on demand from RMP on the plea that it was decided by the previous Empowered Committee to continue the existing rate of ₹ 500 and ₹ 70 per MT respectively upto 2011-12. It was noticed that the decision of the Empowered Committee was modified by the Department by withdrawing the revised rate without concurrence of the Empowered Committee for such modification. This resulted in short realisation of royalty and silvicultural charges of ₹ 1.05 crore for the years 2009-11.

2.2.4.31 Loss of royalty on felled trees

For strengthening of Cuttack-Paradeep Road from 0/000 to 24/000 km, road side standing trees were enumerated (May 2007) by the Executive Engineer, (R&B) Jagatsinghpur, Tahsildar Sadar, Cuttack and RO, Cuttack. As per the report, there were 1068 different species of trees which were to be felled and taken delivery by the OFDC after passing and issuing permit by the Forest Department.

We noticed that the felling and passing of trees started during May 2010 and was completed in January 2011 and only 386 trees in 11 phases were delivered. However, the status of balance 682 (1068-386) trees was yet to be ascertained. The royalty estimated against these trees worked out to ₹ 19.52 lakh. Thus, lack of monitoring at DFO level resulted in loss of revenue.

2.2.4.32 Offence cases

Under Orissa Forest Act, 1972, when a forest offence is committed in respect of any forest produce, such produce together with all tools, vehicles etc. may be seized by any Forest Officer. On seizure, such property shall be produced before the authorised officer not below the rank of Assistant Conservator of Forest who can order for confiscation after observing prescribed procedure or make a report of such seizure to the Magistrate having jurisdiction except where the offender agrees in writing to get the offence compounded. When an order of confiscation of any property passed under above section has become final such property shall vest in the State Government free from all encumbrances. As instructed (1995) by the Government, the confiscated vehicle, if it is in good condition, may be registered in favour of Forest Department and put to use at the discretion of the PCCF. Government (2005) instructed disposal of the seized produce in Undetected (UD) cases, within two months from the date of seizure and Offence Report (OR) cases are to be submitted before the authorised officer of the Division for confiscation proceeding. If final orders of the authorised officer are not passed within two months of seizure, interim orders of the authorised officer is to be obtained for disposal.

2.2.4.33 Prosecution in offence cases

Audit scrutiny revealed that during the period 2006-11, prosecution in offence cases varied from less than one *per cent* to 13 *per cent* in respect of 15 Divisions. It was also noticed that Offence Report (OR) cases were dropped on compounding and realising nominal fees in most of the cases. In Undetected (UD) cases which involved timber, minerals or other forest produces and in which vehicles and other tools seized, no further action was taken to trace the offenders except disposal of the seized produce.

2.2.4.34 Non-disposal of UD/OR cases

- In eight Divisions UD cases during 2010-11 were not disposed of till date. Due to non-delivery/auction of forest produces, there was blockage of revenue of ₹ 14.78 lakh in form of royalty despite being pointed out year after year in the Audit Reports.
- In 18 Divisions, forest produce like timber, poles, firewood, minerals etc. seized during 2006-11 were not disposed of by way of obtaining interim order from the Authorised Officer or the Magistrate, wherever applicable. This resulted in blockage of revenue of ₹ 2.38 crore.

2.2.4.35 Non disposal of vehicles

We noticed that 455 vehicles seized in 11 Divisions were pending for disposal. Out of this, 165 vehicles were confiscated during 2006-07 to 2010-11 to the State during the above period but were neither sold through public auction nor registered in favour of Government for their further use. DFOs stated that confiscated vehicles in offence cases could not be auctioned due to delay in fixation of upset price by the Motor Vehicle Inspector (MVI) or want of required permission from PCCF.

Vehicles seized under forest offence cases lying inside the Range Office campus of Range Officer, Dhenkanal under DFO, Dhenkanal

Thus lack of initiative for timely disposal of vehicles by the departmental authorities led to further deterioration of those vehicles.

2.2.4.36 Non-maintenance of records

In violation of Rule 261 to 266 of the OFD Code, the offence report book was not maintained in three Divisions[58] and in five Divisions[59] there was inordinate delay in submission of case records by the Ranges. No follow up action was taken at the Divisional level against the defaulting officials in dealing with such cases.

KL Operations

Kendu Leaves, the green gold of Odisha, are used to wrap tobacco in manufacture of Bidi. Rights to pluck and use of KL are governed by Orissa Kendu Leaves (Control of Trade) Act 1961 and Rules made there under. Trade in KL was nationalised in January 1973. Forest Department looks after the production of KL with OFDC as the sole selling agent. Coordination between the Forest Department and the OFDC is done by the Kendu Leaf Co-ordination Committee (KLCC) headed by the Chief Secretary as Chairman. Kendu Leaf Advisory Committee under the chairmanship of the Chief Minister fixes the purchase price of KL.

2.2.4.37 Target and Achievement of production

The KLCC fixed production target of 21.88 lakh quintals for the crop years 2006 to 2010 against which the achievement was 21.33 lakh quintals. This resulted in shortfall in achievement of 0.55 lakh quintals. The target of production for six KL Divisions was 4.25 lakh quintals which was revised (May/June) to 4.14 lakh quintals. The achievement against the revised production target was 4.01 lakh quintals resulting in shortfall in achievement of the revised target by 0.13 lakh quintals during 2006 to 2010. This resulted in non earning of revenue of ₹ 8.25 crore. The PCCF (KL) did not analyse reasons of shortfall in achievement of revised target so as to take appropriate remedial steps for increasing the KL revenue.

2.2.4.38 Purchase of Growers leaves from unregistered growers

As laid down in the Kendu Leaves (Controls of Trade) Act, 1961, Grower Leaves (GL) are leaves collected from any person who owns land on which

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58 Baripada, Cuttack and Keonjhar

59 Balliguda, Bhubaneswar, Khariar, Khordha and Phulbani

Kendu plants are grown or who is in possession of such lands under a lease. The grower shall get himself registered with the DFO to sell the Kendu leaves. None of KL Growers registered themselves during 2006-2010 crop years as stated (July 2008) by DFO (KL) Athamalik. Three KL Divisions purchased GL from unregistered growers during 2007-10. Further 3107.40 quintals of GL was purchased during 2006 against which KLCC did not fixed any target. Thus purchase of KL from unregistered growers in violation of the Act was irregular. The PCCF (KL) did not analyse the source of procurement of GL and the impact thereof on collection of KL from departmental bush cutting area.

2.2.4.39 Shortfall in achievement of quality leaves production

KLCC fixed yearly target for production of quality leaves at five *per cent* of the total production. Scrutiny of production records of nine KL Divisions revealed that the actual quality production was 0.20 quintals and shortfall was 0.28 quintals against the target of 0.48 quintals (five *per cent* of total production of 9.69 lakh quintals) during 2006-10. KL lots in form of mixed lots (a quantity of normal KL mixed with quality KL) and normal lots are put to sale. Test check of sale results of 64 lots revealed that maximum sale price per quintal obtained from sale of mixed KL lots and normal KL lots was ₹ 16200 and ₹ 11090 respectively. Thus shortfall in production of quality KL affected the KL revenue as quality lots fetch higher sale price.

Scrutiny of sale results of 209 lots consisting of 25 mixed lots and 184 normal lots revealed that the average sale price per quintal of mixed lots was ₹ 9919 as against average sale price of ₹ 7734 per quintal of normal lots which indicated that mixed lots fetched better sale price than that of normal lots. Thus because of shortfall in achievement 738 quintals of quality leaves in Phulbani Division during 2010 the possibility of earning more revenue was lost. The PCCF (KL) did not take any action to improve the production of quality KL for augmenting revenue.

2.2.4.40 Bush Cutting operation

In sixteen KL Divisions bush cutting operation was taken up over an area of 24.05 lakh hectares during 2006 to 2010 crop years. KLCC approved ₹ 42.25 crore for utilisation of man days for bush cutting operation to meet the production target of 1184.24 crore kerries (21.52 lakh quintals). But the Divisions utilised 45.30 lakh man days for actual production of 870.51 crore kerries against the KLCC norm of 39.48 lakh man days. Thereby 5.82 lakh man days were excess utilised for which ₹ 4.57 crore was incurred as avoidable payment of wages. The PCCF (KL) did not analyse the impact to take corrective measures nor brought the facts to the knowledge of KLCC for taking appropriate decision on the matter.

2.2.4.41 Delayed plucking

Plucking of KL is started after 45 days of bush cutting. The requirement of total days from the day 46 to complete the plucking is not stipulated to avoid over maturity of KL. In 27 KL Ranges of six Divisions test checked it was noticed that plucking of KL commenced and was completed with delay ranging from six to 20 days and five to 36 days after 45 days of bush cutting respectively from the first and last day of bush cutting. Production of KL out of purchase of 57.69 crore kerries during the delayed period was not analysed.

Test check of test grading results of 1198 phadies of nine KL Divisions revealed that the percentage of loss due to rejection ranged from five to 50 *per cent* with an average loss of 11 *per cent* over and above the normal loss. Taking into account the minimum loss of five *per cent* of total quantity of kerries purchased, the Department sustained loss of production of 0.84 lakh quintals during the KL crop year 2006 to 2010 which resulted in loss of revenue by ₹ 64.35 crore.

No analysis was made by any authority to ascertain the reasons/ circumstances under which such high percentage of loss of KL occurred due to rejection of leaves. However, audit analysis revealed that high percentage of loss was due to delayed plucking of KL and deficiency in supervision of binding work. The PCCF (KL) did not take any steps to control the excess loss of KL to avoid loss of production.

Extra cost on excess kerry consumption

2.2.4.42 Processed Kendu Leaves

The PCCF (KL)/CCF(KL) fixed the number of kerries required for production of a quintal of KL for each crop year. Scrutiny of records of nine Divisions revealed that there was 4.21 crore kerries consumed during processing in excess over the norm fixed, for which avoidable purchase cost of ₹ 1.14 crore was incurred and for the entire State it was 25.60 crore kerries with avoidable purchase cost of ₹ 6.23 crore.

No analysis was made to ascertain the reasons for excess kerry consumption. The PCCF (KL) instructed (September 2006) that the DFOs were to corroborate the shortfall in production with the damages and to furnish a self contained report, which was not complied with. Thus, non analysis of reasons for excess kerry consumption and damages resulted increase in rejection of leaves and contributed to consequential loss of production.

2.2.4.43 Non fixation of norm for transport of KL bags

In six Divisions test checked it was noticed that quantity transported was more than the quantity produced by 3210.67 quintals and was less than the quantity produced by 3721.82 quintals during the KL crop years 2006 to 2010. On test check of records of 106 phadies (Binding Centres) of 2012 crop it was noticed that 6814 KL bags were transported from Phadi to Central Godown (CG) and the rate of transportation charges was between ₹ 27 and ₹ 49 per km/bag and distance was between 25 km and 72 km. Hence fixation of transport rate per quintal without considering the distance involved was not susceptible to measurement whereby proper check cannot be exercised. Neither the PCCF (KL) nor the DFOs (KL) analysed the reasons of above discrepancies for taking suitable measure to check loss of revenue. The system management and internal control mechanism is deficient to that extent.

2.2.4.44 Undue benefit to buyers due to delivery of lots instead of bags

As per decision taken in the conference of Conservators held in 1988 extra weight of 3.6 kg, 2.4 kg and 3 kg per KL bag upto June, July to October and November onwards respectively was allowed with reduction of average weight of 0.9 kg per bag during the above period to compensate loss in driage. We noticed that processed KL bags with gross weight of 64/63 kg are handed over to OFDC without adopting the above reduction irrespective of period of storage. Thus OFDC delivered 28.09 lakh KL bags to buyers and allowed 0.25 lakh quintals of KL in excess (0.9 kg per bag) without realising any value.

It was also decided (September 1988) that based on joint experiment in specified number of KL Divisions, Government would be moved to frame Rules in the matter. Although 24 years have been passed no action was taken to move to Government to frame Rules but delivery of KL bags with extra weight of three to four kg per bag was continued. Further, KL was purchased in kerries but was sold in quintals without formulating any conversion formula and no action was taken by the CO/CCO on the matter.

2.2.4.45 Loss of revenue due to non-use of waste KL

ACCF (KL) instructed (May 2003) that instead of good cover leaves, waste leaves might be used in kerries as cover leaves. During 2006-10 crop years, 886.74 crore kerries (17734.17 crore kendu leaves) were purchased. Out of which 1773.47 crore leaves were rejected as wastage of cover leaves and 337.07 crore leaves were utilised as per norm for padding KL bundles fixed by the CCF (May 2001), thereby the balance of 1436.40 crore waste cover leaves (71.82 crore kerries) purchased at a cost of ₹ 19.62 crore could not be utilised for production of processed kendu leaves and became unfruitful. The DFO KL and PCCF (KL) did not take any steps to implement the proposal of ACCF (KL) so as to avoid production loss with consequential loss of revenue.

2.2.4.46 Fixation of upset price of KL lots

Sale policy of KL 2005 of Government must ensure that the revenue from KL improves from year to year. Mini auction sale price would be a guide for fixing upset price for subsequent auction sales. Upset price is to be jointly proposed by the Divisional Manager, OFDC and DFO (KL) as per provision of revised KL policy and approved by the Managing Director, OFDC in consultation with the APCCF (KL). Test check of 196 upset price fixation statements revealed that upset price fixed for a KL lot did not confirm to any of the criteria stipulated in the sale policy resulting in fetching of low sale price of KL.

2.2.4.47 Sale of KL lots below the cost of production

KL are sold in lots through auction/tender. Upset price is to be fixed taking into consideration the actual prices obtained during previous three years, at previous sale price of current year and the current market rate. We noticed that the basis of fixation of upset price was not on record.

On scrutiny sale of 1046 lots it was noticed that the sale was finalised at below the cost of production per quintal ranging from ₹ 3659 to ₹ 5726. This resulted in short realisation of sale value of ₹ 7.82 crore as compared to cost of production fixed by KLCC which was loss of revenue to Government exchequer. Further, the DFOs (KL)/PCCF (KL)/Managing Director, OFDC did not attach any importance for fixing the upset price and to analyse the sale results of KL lots for taking up corrective measures.

2.2.4.48 Repair and maintenance of phadies

Test check of records of nine KL Divisions revealed that forest materials required for repairing the phadies were purchased from outsider and not from Forest Divisions by paying single royalty in contravention of provision of KL Manual. Further an amount of ₹ 24.76 lakh was incurred in excess of the approved norm of 2010 in respect of five KL Divisions for taking repair work of 987 phadies. Thus the scope of repair of phadies was not properly assessed and the Manual Provision was not complied with so as to avoid any irregularity in repair and maintenance of phadies and the Government was deprived of getting royalty due to non purchase of forest materials from Forest Divisions.

2.2.5 Silvicultural Research

The Silviculture Division Rayagada started functioning with effect from 01 October 2003 having jurisdiction over Rayagada, Koraput, Malkangiri, Nabarangpur, Kalahandi, Nuapada, Balangir and Subarnapur District. Audit scrutiny of records revealed the following:

2.2.5.1 Delay in preparation of Annual Research Report

As per Rule 211 of OFD Code the Annual Research Report (ARR) should be prepared every year. The ARR of the Division was not prepared regularly. The ARR for the year 2006-07, 2007-08 and 2008-09 prepared and submitted in 2010. No information on ARR for the year 2009-10 and 2010-11 was available.

2.2.5.2 Activities on Research

During 2006-11 the Division carried out the Silvicultural research programme like study of sample plots, preservation plot, Trial of exotics and other indigenous species, seed collection, assessment of production of Non Timber Forest Produce (NTFP), Dashamoola Plantation and production of quality planting materials (QPM) etc. with expenditure of ₹ 3.30 crore.

The quality of collected seeds was not tested with respect to percentage of germination, vigor, plant percentage immunity against disease, seed count, size etc. No records were maintained to determine the yield per tree or yield per ha to ascertain the impact of silvicultural treatment.

2.2.5.3 *Wasteful expenditure of ₹1.25 crore*

GoI in MoEF accorded in principle (stage-I) clearance in October 1996 for diversion of 48.25 ha of forest land for construction of Lanjigarh-Junagarh B.G Rail line in favour of South Eastern Railway. As per conditions stipulated in stage-I approval, the user agency deposited cost of compensatory afforestation (CA) in April 1997 and transferred (November 2002) after mutation of equivalent non-forest land in favour of Forest Department. GoI accorded final approval (stage-II) in November 2009.

It was, however, noticed that a Silviculture Research Station-cum-Hitech Nursery was established at the same site (over diverted forest land) by the Silviculturist, Rayagada in 2005 with expenditure of ₹ 1.25 crore (May 2011) though the department was well aware of the diversion proposal in favour of the Railways approved by GoI, and the train line would pass through the said Hi-tech Nursery.

Thus due to lack of coordination and injudicious decision of Forest Officials (DFO, Kalahandi South Division and Conservator of Forests, Bhawanipatna), expenditure of ₹ 1.25 crore on establishment of Hi-Tech Nursery was rendered wasteful.

2.2.5.4 *Under-utilisation of infrastructure capacity of Training Institute*

The Odisha Forest Rangers' College (OFRC) Angul was established to provide mainly induction training to Range Forest Officers (RFOs) with capacity of 40 trainees in each batch of two years duration, Foresters for 40 to 120 trainees of one year duration.

We noticed that during 2006-11 no regular induction course training for RFOs was conducted. Against 1,12,000 trainee days in five years (2006-11) for induction training of RFOs and Foresters there was utilisation of 24264 trainee days resulting in shortfall of 87736 trainee days. Thus the infrastructure capacity of the Training Institute remained underutilised.

Director, OFRC, Angul stated that the capacity could not be fully utilised as Government did not sponsor candidates for undergoing RFOs training.

The reply is not tenable as the infrastructure could have been utilised in special training for wildlife when there was deficiency in wildlife trained personnel.

2.2.6 *Human Resource Management*

The sanctioned strength and men-in-position in different cadres of the Department as on 31March2011 was as follows:

Table No: 2.17 Details of sanctioned strength and men in position

(in numbers)

Name of the post	Sanctioned strength	Men in position	Shortage	Percentage of shortage
Forest Ranger	643	478	165	26
Deputy Ranger	171	18	153	89

Name of the post	Sanctioned strength	Men in position	Shortage	Percentage of shortage
Forester	2433	1476	957	39
Forest Guard	5292	3406	1886	36
All cadres	12156	8226	3930	32

Source: Data collected from PCCF Offices

The vacancy position ranged between 26 and 89 *per cent* for different cadres in field duty like Forest Ranger, Deputy Ranger, Forester and Forest Guard who play a key role in protection and management of forest.

- In 19 forest Divisions test checked vacancy ranged from seven to 49 *per cent* in the cadre of forester (18 Divisions), 20 to 42 *per cent* in the cadre of forest guard. Similarly, in nine WL Divisions test checked the vacancy of forester and forest guard was 14 to 52 and 28 to 45 *per cent* respectively and in 10 KL Divisions test checked the vacancy was 39 to 74 and 30 to 93 *per cent* respectively.

  We noticed that the Government approved (July 2009) filing up of vacancies of 300 foresters of which 108 foresters were for KL wing. The process of recruitment continued from January 2010 to September 2010 in respect of KL wing, but the selected candidates were not appointed till March 2011 as a result ₹ 1.65 crore was surrendered (April 2011) by PCCF (KL). Further, recruitment of forester by PCCF, Odisha was also delayed as confirmed from the fact that the first batch training of foresters was started in October 2010 only. Thus filling up the vacancies in key post like forester is not receiving due attention.

  On this being pointed out as regards recruitment of Forester/Forest guards, PCCF failed to provide such vital information which indicates lack of effective control in management of human resources.

- In check gates the vacancy position in respect of Deputy Ranger and Forest Guard was more than 60 *per cent* which affected the functioning of check gates.

- Forest area coverage by a forest guard in nine Divisions varied from below one hectare (Cuttack and Bhubaneswar) to 11993 hectares (Keonjhar). Similarly, forest area coverage by a forester varied from below two hectares (Cuttack and Bhubaneswar) to 0.57 lakh hectares (Keonjhar mining area) which indicated irrational deployment of field staff.

- Distribution of forest area within a Division was also not rational as seen in Cuttack Division that the forest area of six Ranges varied from nil to 0.22 lakh hectares, in Khariar 0.18 to 0.53 lakh hectares. Thus there was no rationality in terms of forest area while creating Divisions/Ranges.

- As per OFD Code, jurisdiction of a WL forest guard should be approximately 10 sq km or even smaller. In four Divisions out of eight Divisions test checked the area covered by one forest guard was between 19 to 72 sq km.

- Average age recommended by the Wild life Institute of India for front line forest staff was 18-35 years. We noticed that in nine WL Divisions there were very few WL trained personnel and nil in some Divisions and the age group was higher as revealed from the records. Deployment of aged and untrained frontline staff undermined conservation and protection efforts.

In spite of acute shortage of staff, prompt action was not taken to fill up the vacancies. The deployment of forester and forest guard was not rational and shortage of frontline staff adversely affected operational capacities which led to low prosecution, increase in WL offence and wastage/rejection of huge quantity of KL due to inadequate supervision as revealed from test grading results.

2.2.7 Stores management

2.2.7.1 Purchase of stores

Under OGFR, authority competent to sanction contingent expenditure may sanction purchase of stores as per powers delegated under the Delegation of Financial Powers Rules, 1978 and as modified during 2006. Further, purchases must be made in the most economical manner against the definite requirements and the purchase order should not be split up to avoid the necessity for obtaining the sanction of higher authority. Also, sealed tenders should be invited by giving wide publicity for the purchase of articles exceeding ₹ 50 thousand and inviting quotation, for articles, the value of which does not exceed ₹ 50 thousand.

Test check of records revealed that during 2008-11 materials worth ₹ 2.33 crore were purchased by 14 Divisions. No prior assessment was made for actual requirement. In some cases, stores were purchased by splitting of purchase orders to avoid the sanction of higher authority, also stores were purchased without inviting quotations/tenders, which included teak stumps and seeds worth ₹ 49.96 lakh.

DFOs stated that purchases were made from reputed firms with lowest rate. However, in the absence of quotations/tenders it could not be confirmed.

Similarly, in Cuttack Division three fiber boats were purchased for ₹ 10.61 lakh during 2009-10 by quotation call notice in place of open tender. Further, out of three quotations received two were invalid. However, the purchase order was issued in favour of the single valid quotation.

2.2.7.2 Physical verification of stores

Under OGFR, physical verification of all stores should be made at least once in a year by the Head of Office or by any authorised officer and a certificate of verification of stores with its results should be recorded.

Audit scrutiny of the store and stock register revealed that physical verification of stores were not conducted during 2006-11 in three Circles and 19 Divisions as well as the Ranges under the Divisions as a result actual availability and condition of stores could not be ascertained in audit. Reasons attributed by four Divisions were the shortage of staff and work load.

2.2.8 Internal control

2.2.8.1 Monitoring and evaluation of schemes implemented

It was noticed that there was no evaluation of the schemes implemented during 2006-11 by the monitoring and evaluation cell of the PCCF, Odisha. Scrutiny of one evaluation report of the plantation under Revised Long Term Action Plan (RLTAP) scheme made over five[60] Divisions during 2008-09 revealed that the survival percentage of those plantations of 2002-03 to 2004-05 was from 17 to 69 *per cent*. As the survival percentage for a successful plantation should be 60 *per cent* on fifth year these plantation cannot be taken as successful. In spite of such poor performance of plantation programmes, no evaluation was undertaken during 2006-11.

In the field level, we noticed that in 17 Divisions and three Circles there was no evaluation of the schemes implemented during 2006-11. Reasons cited were shortage of man power, and non availability of funds.

This indicated lack of monitoring and evaluation at the level of DFOs and CCO.

2.2.8.2 Non-inspection of field units

Under Rule 442 to 446 of OFD Code, PCCF shall inspect all Circle Offices including six Divisional Offices once a year. Similarly, Conservator of Forests shall inspect all Divisional Offices along with seven Range Offices and also DFOs shall inspect all Range Offices under them at least once in a year.

Information obtained from 19 Divisions revealed that during 2006-11 no inspection of Ranges was conducted by 13 DFOs, in other six Divisions, inspection was not conducted each year and also all the Ranges were not inspected.

We also noticed that in three Circles, no inspection of Ranges was done by the RCCFs and no Circle/Division office was inspected by the PCCF,Odisha during 2006-11.

DFOs stated that due to shortage of staff and extra work load the inspection could not be made. The reply reflects poorly on the internal control mechanism.

2.2.8.3 Internal Audit

Internal audit wing of the Department came into existence during 1988. We noticed the following deficiencies:

- Standards/codes/manuals have not been prepared for guidance of the internal auditors till date.
- No training programme was conducted to improve the auditing standard of the audit personnel of the department.

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[60] Nawarangpur, Koraput, Jeypore, Khariar and Kalahandi (N)

- Risk analysis of the units based on allotment of funds, importance of activities and other factors were not taken into account while planning audit of the units.
- Number of units due for audit was not planned for taking up audit and even those planned during 2006-11 could not be audited.
- Though 400 audit reports involving 9133 para with money value of ₹ 669.38 crore and with recoverable amount of ₹ 570.11 crore was pending for settlement (31 March 2011), required number of Joint Verification Committee for disposal of paras were not held.

2.2.9 Limitations of audit

Information/data to audit relating to Prospective Plans, Annual Plans, Court Cases, Vigilance cases, Disciplinary Proceedings, Compensatory Afforestation against diversion of Forest Land, Demarcation of Reserve Forests and working of timber and bamboo coupes and confirmation of factual position thereof are vital for smooth and timely completion of the audit work. This information was not furnished by Government/ PCCF, Odisha, despite issue of reminders. In absence of the above, audit comments on the above issues could not be concluded.

2.2.10 Conclusion

The Department did not have State specific Forest Policy of its own. Although there was a marginal increase in forest cover as per FSI report (2011), there was decrease of VDF and MDF during 2006-2009. Delay in approval of working plans of 10 forest Divisions affected sustainable development of forests. Final notifications of Sanctuaries and one National park were yet to be issued although initially notified between 1976 and 1998.There was under utilisation of budget allocations, loss of GoI grant due to delayed submission of UC. There was wide gap between the outlays proposed in the APOs and amount sanctioned in APOs in respect of Central Plans which indicated that the APOs were not prepared realistically. Funds collected from WLMF created by the State Government were transferred to CAMPA fund without formulating any guidelines for its utilisation in management of wild life within the State.

There were shortfalls in realisation of revenue due to improper fixation of royalty on timber, non-revision of royalty on bamboo. Coupes due for working as per working plans could not be worked out. Marking of trees by field staff was not reviewed to ensure appropriate and accurate marking of trees.

There was shortfall in achievement of plantation area. Coupes due for working as per approved working plans could not be worked out. There was significant unspent balance under OFSDP scheme and also over reporting of plantation areas.

Despite availability of funds, relocation of families from core area of Tiger Reserves/Wild Life Sanctuaries could not be completed.

The working of KL procurement and sale needs to be streamlined to maximise revenue for the State.

Deployment of field staff across the Divisions was not commensurate with the forest area. Vacancies of field staff like forester, forest guard had adverse effect on their performance as was evident from the prosecution in offence cases and seizure at check gates. There was shortfall in inspection whereby an effective control could be exercised. There was no monitoring and evaluation of the schemes including plantation schemes implemented as a result actual achievement under those schemes could not be measured.

2.2.11 Recommendation

- Working plans for Divisions may be prepared timely so that the same are ready before expiry of the current plan for sustainable management of forest wealth.
- Appropriate steps may be taken for expeditious issue of final notification on National Parks and Sanctuaries. Relocation of families from core areas of Tiger Reserves should be completed by utilising funds provided. Work on identified corridors for elephants may be completed at the earliest for safety of elephants.
- Proper and timely utilisation of scheme fund should be ensured to achieve the desired objectives of the schemes.
- OFDC should take delivery of all coupes due for working irrespective of profit margin. Royalty on timber may be fixed at a reasonable percentage of value of trees standing to avoid improper fixation of royalty.
- Appropriate steps may be taken to expedite finalisation/disposal of offence cases so as to trace out offenders where seized materials included valuable forest produce.
- Appropriate monitoring and supervision may be enforced in areas of bush cutting, timely plucking and binding of KL to minimise wastages and rejections. Fixation of upset price may be rationalised and transparency in bidding process ensured.
- Steps may be taken to fill up the vacancy in field level post to ensure effective supervision of protection of forest areas.

The matter was reported to Government in September 2012; their reply has not been received.

Chapter 3

Compliance Audit

Chapter 3
Compliance Audit

Compliance audit of Departments of Government, their field formation 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.

DEPARTMENT OF WATER RESOURCES

3.1 Parking of compensation money outside Government Account

Advance compensation money of ₹ 19.79 crore was parked outside Government Account (savings bank account) instead of civil deposits

As per rule 16A of Appendix-VII of Odisha Treasury Code (OTC) Vol-II where land is acquired for the Public Works (PW) Department by the Land Acquisition Officer (LAO) amount can be advanced by the PW Divisional Officer to the LAO directly. A written demand for the amount required for immediate disbursement on the basis of awards approved should be placed on the Divisional Officer by the LAO. On receipt of Advance payment the LAO arranges for disbursement of the award, render detailed account of adjustment and refund the unadjusted amount within one month. Further, as per the accounting procedure of March 1998 and instructions issued (September 1998) by Government 10 *per cent* of the compensation amount is to be realised from the land requisitioning authorities towards establishment contingencies of which five *per cent* can be deposited by the Special LAOs in the Nationalised Banks. The remaining five *per cent* is to be deposited under the deposit receipt head. Government further instructed that advance compensation amount received from Government Departments be deposited under Civil Deposits.

Check of records of Special LA & Rehabilitation Resettlement Officer (SLARRO) revealed (June 2011) that for construction of Telengiri Medium Irrigation Projects (TMIP) the Executive Engineers placed (July 2002 upto April 2012) requisitions in 45 cases for acquisition of 1711.86 acres of land for which ₹ 54.29 crore was paid. Out of the above, 978.83 acres of land in 11 cases were acquired as of April 2012 and the remaining 733.03 acres involving 34 cases[1] were in different stages of processing (June 2012).

The SLARRO disbursed ₹ 35.83 crore as of April 2012 out of ₹ 54.29 crore to the land owners and the unspent balance of ₹ 20.25 crore (including interest) was lying in saving bank account. This is in violation of the accounting procedure which allows retention of 5 *per cent* (₹ 46.40 lakh of LA compensation) in Bank Account to meet the contingent expenditure.

[1] Pending with Revenue Department for 4(1) notification-12 cases, with SLA&RRO for submission of 6 (1) proposals to Government- 4 cases, for award of enquiry - 14 cases and for handing over possession- 4 cases.

Thus ₹ 19.79 crore parked outside Government Account (Saving Bank Account) violating provisions of Treasury code and Government instructions is irregular.

The matter was reported to Government (September 2012); their reply has not been received (December 2012).

3.2 Extra cost due to departmental lapse

Failure of the Department to finalise the tender within the validity period and non-acceptance of next lowest tender led to re-tendering the work resulting in extra cost of ₹ 4.63 crore.

As per Para 3.5.18 (iv) of Odisha Public Works Department Code (OPWD) the currency period of any tender should not be more than 3 months from the last date of receipt. If delay in deciding the tender is inevitable, the consent of the tenderers for a further period required should be obtained. Further, as per para 3.5.20 (ii) the earnest money given by the other two parties except the one whose tender is accepted should be refunded within 15 days of the acceptance of the tender.

The Chief Engineer & Basin Manager (CEBM), Lower Mahanadi Basin invited (February 2009) bid for the work "Rehabilitation, Extension and Modernisation of Taladanda Branch and Distributary Canals" at an estimated cost of ₹ 16.40 crore put to tender to be executed under loan assistance from Asian Development Bank (ADB) with 23 March 2009 as last date for receipt of bids. Of the three bids received, quoted rate of L_1 was ₹ 17.12 crore (4.35 *per cent* excess over the estimated cost put to tender) and the offer was valid up to 21 June 2009. On the request of the Department the bidder extended the validity up to 23 September 2009/31 December 2009 unconditionally and up to 15 February 2010 with a condition that price adjustment shall apply for the work done from the start date and the quarter in which the technical bid was opened as the base period.

Check of records of Executive Engineer (EE), Taladanda Canal Division, Jaipur revealed (September 2011) that the Government approved (October 2009) the technical bid and financial bids were opened (November 2009) by the CEBM. The Project Level Technical Committee recommended (December 2009) L_1 bid to the Government. The earnest money deposited by the third lowest bidder was refunded (10 December 2009) by the EE at the request of the bidder before the Tender Committee's decision (30 December 2009) and approval (February 2010) of the Government to award the work in favour of the L_1 bidder at ₹ 17.12 crore.

The EE requested (03 February 2010) the bidder to extend the validity up to 31 March 2010 as the validity expired on 15 February 2010. The action of the EE was not justified since the extension of validity up to 15 February 2010 was conditional and when the same was communicated (30 March 2010) to the ADB, though ADB accepted (08 April 2010) the condition observed that the Department of Water Resources (DoWR) released the Bank Guarantee for the bid securities of L_2 and L_3 bidders before finalisation of the bid process. As it is not the accepted procedure, ADB instructed the Department to ensure that the bid securities are to be released only after winning bidder has signed the contract and delivered the performance security. The lowest bidder finally expressed (April 2010) his unwillingness to extend the validity further.

In the meantime the L_3 bidder submitted his willingness (26 April 2010) to the CEBM with a request to give an opportunity to extend the validity and furnish the bid security which was refunded to him. The matter was placed before the Tender Committee meeting of DoWR on 15 May 2010 which was deferred to the next meeting. The third lowest bidder again on 31 May 2010 requested Commissioner-cum-Secretary to allow him to execute the work at the rate offered by lowest bidder. However, the Tender Committee (June 2010) did not consider the request and recommended inviting fresh tender after splitting the work in three packages in order to make the bid competitive which was approved by Government on 29 July 2010.

The work was split up into three packages and sanctioned (August 2010) by the CE at an estimated cost of ₹ 19.32 crore and were awarded (June/July 2011) at a cost of ₹ 22.66 crore (including additional quantity of compaction of earth work for ₹ 0.91 crore) to two contractors. One of the contractors who was awarded two packages was also the L_3 bidder in the previous occasion. The works are in progress and contractors were paid ₹ 2.22 crore (June 2012).

Thus, non-finalisation of tender within the validity period and non-acceptance of offer of the third lowest bidder led to retendering the work resulting in extra cost of ₹ 4.63 crore. No action was taken against the officer who refunded the bid security.

The matter was reported to Government (April 2012); their reply has not been received (December 2012).

3.3 Undue benefit to contractors

Execution of extra item of work by change of classification of soil during excavation of Jambhira Left Main Canal led to extension of undue benefit of ₹ 8.50 crore to contractors.

The construction of Jambhira Left Main Canal from RD 37,500 to 82,646 metre (two reaches) was awarded (January 2009) to two contractors at a total cost of ₹ 198.98 crore for completion by January 2011. The works were in progress with expenditure of ₹154.59 crore incurred (May 2012).

Test check of records of Executive Engineer (EE) Jambhira Canal Division No.II revealed (September 2010) that the bill of quantities (BoQ) of agreements with the two contractors *inter alia* included “Earth work in excavation of canal by mechanical means in all kinds of soil (AKS), disintegrated rock (DI) and sheet laterite and soft rock etc.” at the rates of ₹ 54/₹ 52 per cum respectively against the estimated rate of ₹ 62.60 per cum. During execution of work, supplementary agreements, however, were executed for excavation of laterite sheet rock of all toughness by rock breaker as an extra item at the rates of ₹ 159.90/ ₹ 160 per cum. The contractors executed 794372 cum of extra item and were paid ₹ 12.71 crore up to May 2012.

We noticed that classification of soil for excavation was adopted in the estimate on percentage basis (AKS 20 *per cent*, DI 71 *per cent* and sheet laterite rock nine *per cent*) based on data of trial pit and mechanical mode of excavation adopted. Accordingly the contractors quoted their rates for mechanical excavation. The execution of extra item (794372 cum) at higher rate ₹ 159.90 instead of ₹ 54 for 400760 cum and ₹ 160 instead of ₹ 52 for 393612 cum differentiating laterite sheet rock of all toughness from sheet laterite rock as adopted in the BoQ was not warranted as the methodology of execution was not changed. This resulted in undue benefit of ₹ 8.50 crore to the contractors.

The Government stated (September 2012) that the laterite sheet rock of all toughness was a specific type of laterite sheet rock as distinct from normal laterite sheet rock usually excavated by excavator. Since the resistance offered in digging this unique type of laterite sheet rock is much greater than what is normally faced while digging usual type of laterite rock of soft conglomeration, allowing separate rate of ₹ 160/₹ 159.90 per cum for excavation by rock breaker was justified.

The reply is not tenable since excavation by mechanical means was mentioned in BoQ and the contractors had to adopt any mechanical means. Thus, using specific machinery like rock breaker neither changed the methodology of excavation (i.e excavations by mechanical means) nor did it warrant change of classification of soil entailing payment of higher rate.

3.4 Undue benefit to contractor

Computation of item rates providing five km distance for transportation of earth against the actual distance of three km resulted in extension of undue benefit of ₹ 1.60 crore to contractor.

The work "Excavation and Construction of Left Main Canal (LMC) from 40 to 44 km with its structures (including four structures at RD 36.355 km, 37.010 km, 38.035 km and 39.055 km) and Aqueduct at RD 32.202 km of Lower Indra Irrigation Project was awarded (October 2008) to a contractor (single tenderer) at a cost of ₹ 15.47 crore (2.30 *per cent* less than the estimated cost put to tender) for completion by October 2010. The contractor completed the work and was paid (September 2011) an amount of ₹ 17.94 crore. Item six of the contract provided for transportation of 3.45 lakh cum of approved type of soil by mechanical means at a rate of ₹ 108 per cum from a distance of three km to be utilised for construction of embankment. The contractor transported 5.74 lakh cum of earth (an increase of 2.29 lakh cum over and above the original bill of quantity) and ₹ 6.19 crore was paid at the same rate of ₹ 108 per cum in the agreement.

Test check of records of Executive Engineer, Lower Indra Canal Division, Bongamunda revealed (December 2011) that while preparing estimate, cost for five km was provided for transportation of earth against the availability of the same at three km as per the contract. The item rate was derived at ₹ 107.70 per cum taking into account transportation from a distance of five km. Actual rate for transporting the earth from a distance of three km as worked out by audit was ₹ 79.10 per cum taking into account the rate as per State Analysis of

Rate. Thus there was excess provision of ₹ 28.60 per cum for computation of item rates. This inflated the estimated cost and the tender was floated with the inflated cost. The contractor quoted the rate taking into account the inflated rate resulting in extension of undue benefit of ₹ 1.64 crore (5,73,541 cum x ₹ 28.60 per cum). Taking into account the tender premium (2.30 *per cent* less) the actual undue benefit worked out to ₹ 1.60 crore.

The Executive Engineer stated (December 2011) that the agreement has no bearing upon the estimate.

The reply is not acceptable since five km lead was provided against the actual distance of three km. Further, the notice inviting tender floated providing inflated estimated cost and the contractor has quoted ₹ 108 per cum which was 37 *per cent* excess compared with the computed rate of ₹ 79.10 for a lead distance of three km. The item rate could have been negotiated had the estimate been prepared taking into account three km distance.

The matter was reported (June 2012) to Government; their reply has not been received (December 2012).

3.5 Extra cost due to adoption of a non-schedule item.

Inclusion of a non-scheduled item with higher cost led to extra cost of ₹ 1.01 crore.

As per Para 3.4.2 of Odisha Public Works Department (OPWD) Code-Vol.I, the estimate should be prepared adopting the State Schedule of Rates approved by the Rate Board. A detailed statement should be given in the preface of the report of the estimate showing the manner in which the rates used in the estimate are arrived at. The Divisional Officer while submitting the estimate for sanction to the concerned authorities has to furnish a certificate prescribed under Para 3.4.10 of OPWD Code stating that "the estimate has been prepared using the sanction schedule of rates and providing for the most economical and safe way of executing the work."

As per the Technical Specification appended to the tender schedule forming part of the contract, in case of execution of cement concrete lining works the earthen surface on which concrete is to be laid shall be moistened adequately. As per Schedule of Rate (SoR) 2006 (Item 43 of Special items for irrigation works) polythene film is to be used in cement concrete lining works.

The Department awarded 11 works between November 2007 and October 2011 pertaining to two divisions[2] at a cost of ₹ 58.30 crore for completion between May 2009 and September 2012. The agreement *inter-alia* provided for placing of 6.84 lakh sqm of Hessian cloth below the concrete lining at a cost of ₹ 1.48 crore. The contractors executed (September 2012) the work valuing ₹ 39.09 crore which included ₹ 1.15 crore for execution of 5.11 lakh sqm of Hessian cloth in cement concrete lining works.

Check of records revealed that the estimates were sanctioned between December 2006 and December 2010 for ₹ 55.64 crore. The technical

[2] Betanati Canal Division, Laxmiposi (10 works) and Jambhira Canal Division, Laxmiposi (one work)

specification as well as SoR did not provide utilisation of Hessian cloth in lining works. The SoR provided use of polythene film and the rate was ₹ 1.65 per sqm (SoR 2006). The estimate for the work "Cement concrete lining to Subarnarekha Main Canal (SMC[3]) from RD 10000 to 15000 metre was also prepared (December 2006) with provision of use of polythene at the rate of ₹ three per sqm in bed of the canal.

Thus, inclusion of such non-schedule items at rates varying between ₹ eight and 27 per sqm which was not in conformity with technical specification of SoR 2006 and award of works to contractors at rates of ₹ 17 and ₹ 25 per sqm resulted in extra cost of ₹ 1.01 crore compared with the cost of polythene (₹ 3 per sqm) of which ₹ 0.78 crore was paid to the contractors.

The Executive Engineer (EE), Betanati Canal Division stated (September 2012) that as the cement concrete lining is executed with transit mixer, paver machine and surface vibrator, the polythene film below the concrete may rupture during concreting. The EE, Jambhira Canal Division, Laxmiposi stated (November 2011) that Hessian cloth being a non-scheduled item was provided to prevent seepages, the CE sanctioned the estimates with difference in rates in that particular item.

The reply is not acceptable since the item for cement concrete lining as per the SoR provided for using only polythene film. Further, analysis of the item in the estimate/agreement did not provide use of transit mixer and paver. Adoption of a non-schedule item which deviates from the specification for cement concrete lining without fixation of rate at project level and change in specification was not approved by the Rate Board.

The matter was reported to Government (September 2012), their reply has not been received (December 2012).

WORKS DEPARTMENT

3.6 Avoidable extra cost

Inclusion of unwarranted item in the estimate/agreement led to avoidable extra cost of ₹ 3.06 crore.

As per the State Schedule of Rate (SoR), epoxy coating should be adopted only for the structures within a distance of 15 km from seashore as per orders of Government in the respective Department.

Further, specification prescribed in Bureau of Indian Standards (BIS) provided use of epoxy coating to protect corrosion of reinforcing bars in RCC construction by electrostatic spraying of fusion bonded epoxy powder, particularly those located in the saline corrosion prone and industrially polluted area. The use of such bars is not recommended as a substitute for good construction practices including adequate cover and other durability requirements specified in the relevant standard.

[3] Jambira Canal Division, laxmiposi- Cement concrete lining to SMC from RD 10000M to 15000M excluding structure gap (Sanctioned Estimate no.418 dated 22.12.2006

The work "Improvement to roads of Capital such as construction of fly over from Kalpana square to AG square at Rajmahal and service road (Underpass, Rotary and roads at grade)" was awarded (February 2009) to a contractor for ₹ 53.27 crore for completion by February 2011. The work is in progress and contractor was paid (August 2012) ₹ 32.15 crore.

Check of records of Executive Engineer (EE), Bhubaneswar R&B Division No II revealed (October 2011) that the contract, *inter alia*, provided supplying High Yield Strength Deformed (HYSD) bars with fusion bonded epoxy coating to be used in foundation, substructure and superstructure for 3540.88 MT at the rate of ₹ 68,660 per MT for ₹ 24.31 crore. ₹ 14.54 crore was paid (August 2012) to the contractor for utilisation of 2117.94 MT.

The site of the work is neither within 15 km from seashore nor is an industrially polluted area. Despite these facts and in violation of the specific stipulations in the SoR as well as provisions of BIS, the Department provided for epoxy coating to the bars used in the re-inforced cement concrete of the flyover. This resulted in extra cost of ₹ 3.06 crore and an expenditure of ₹ 1.83 crore was incurred (August 2012) for the quantity executed and paid to the contractor.

The EE stated that epoxy coated bars are used in major RCC structures to reduce the possibility of corrosion in areas susceptible to salinity as well as environmental imbalance due to excessive vehicular pollution. Since, the flyover consists of a segment of Underpass approximately 9.5 metre below ground level, the Fusion Bonded Epoxy Coated Steel Bars were used to avoid corrosion. The item was incorporated in the estimate after discussion with Railway authorities since they are also using such bars in the Railway over bridge at Punama Gate, Bhubaneswar under their jurisdiction.

The reply is not acceptable since as per the SoR and BIS Fusion Bonded Epoxy Coated Steel Bars is to be used in structures constructed within 15 km from seashore and in industrially polluted area. The site of work is neither within 15 km from seashore nor is an industrially polluted area.

The matter was reported to Government (September 2012); their reply has not been received (December 2012).

3.7 Undue favour to Odisha Bridge and Construction Corporation (OBCC)

Payment of 15 *per cent* towards collection of Toll charges led to undue favour of ₹ 22.72 crore to OBCC. There was also unauthorised retention of revenue of ₹ 2.90 crore.

Mention was made in para 3.6.5 of Audit Report of CAG for the year ended 31 March 2003 regarding unauthorised retention of revenue (Toll charges) of ₹ 3.01 crore by Odisha Bridge & Construction Corporation (OBCC) on account of toll collected by the corporation.

Government assigned (April 1983) the responsibility of collection of toll to OBCC. The Corporation was to retain with them 12 *per cent* of the collected amount towards agency charges and deposit the balance amount into the

Government account. OBCC continued to retain 12 *per cent* of the toll collected by them up to March 1997. Thereafter the Board of Directors of OBCC in their Board meeting decided (March 1998) that 35 *per cent* of the toll collection will be retained from 1997-98 onwards towards operation and maintenance of toll gates allotted to them until a decision is taken by Government on grounds that the expenditure on collection was high. OBCC continued to retain 35 *per cent* of the amount of toll charges till June 2004 without approval of Government.

(i) Government ordered (June 2004) that OBCC will retain 15 *per cent* of the amount of toll collected and deposit the balance amount in Government Treasury every month. But no decision was taken as regards retention of toll charges prior to June 2004. The toll charges retained by OBCC prior to June 2004 was ₹ 2.54 crore. OBCC deposited (June 2006) an amount of ₹ 5.40 lakh and agreed to clear the balance dues of ₹ 2.49 crore in 30 equal (annual) instalments (₹ 8.29 lakh each) commencing from the year 2010-11. Taking into account further deposit of ₹ 24.87 lakh, the total amount remained outstanding (August 2012) was ₹ 2.24 crore to be paid in 27 years.

(ii) Government decided (2005-06) to auction the toll gates and thereafter collection was increased and Corporation share was ₹ 2.12 crore during 2006-07 which was 7.43 times of toll gate expenses (₹ 28.53 lakh). During 2009-10 Corporation share was ₹ 4.11 crore which was 15 times of toll gate expenses of ₹ 27.39 lakh.

Audit further observed that during 2004-12, ₹ 161.46 crore was collected of which the corporation retained ₹ 24.33 crore. The expenditure incurred on operation and maintenance of these toll gates was ₹ 1.61 crore (between ₹ 19.48 lakh and ₹ 34.93 lakh annually) during 2004-10 which was only 1.63 *per cent* of the toll collection (₹ 98.31 crore) during the same period. Thus increase of collection charges to 15 *per cent* of the toll collection to OBCC was not proportionate to the expenditure incurred on operation and maintenance. The work of auction can be entrusted to the Divisions under whose jurisdiction the toll gates are located. This process could have saved ₹ 24.33 crore with the entire amount getting credited to Government Revenue.

(iii) Government ordered (July 2005) that OBCC shall retain 100 *per cent* of the toll collected for maintenance of the Balasore Mitrapur Baincha road including their own share. For maintenance of this road OBCC retained ₹ 3.72 crore during 2005-12 (out of collected amount of ₹ 4.38 crore). OBCC deposited ₹ 0.34 crore with the Roads and Building Division, Balasore and taken up repair of roads for ₹ 2.72 crore. The balance amount of ₹ 0.66 crore was left with the Corporation.

Thus, entrustment of collection of toll to OBCC with payment of 15 *per cent* of the toll charges resulted in extension of undue favour of ₹ 22.72 crore since expenditure incurred on operation and maintenance was only 1.63 *per cent*. Thus, total retention (August 2012) was worked out to ₹ 25.62 crore without any tangible benefit to the Government and Public. This arrangement needs to be reviewed immediately.

The matter was reported (September 2012) to Government; their reply has not been received (December 2012).

3.8 Extra cost due to non-finalisation of tender within the validity period.

Failure of the department to accept the tender within the validity period of the offer led to extra cost of ₹ 1.83 crore.

As per para 3.5.18 (iv) of Odisha Public Works Department Code, tenders should be finalised within 90 days from the last date of receipt of the tender. If delay in deciding the tender is inevitable, the consent of the tenderer to keep the offer open for a further period absolutely required should be obtained from the bidder.

The Chief Engineer (CE), Design, Planning, Investigation and Roads invited (June 2008) bids for the work "Improvement to Delang-Kanas road from 0/0 to 13/0 km" in the district of Puri under RIDF-XIII at an estimated cost of ₹ 8.87 crore at Schedule of Rate (SoR) 2007. In response, two bids were received (24 July 2008). The L_1 bid was for ₹ 7.97 crore being 10.10 *per cent* less than the estimated cost and was valid up to 21 October 2008.

Check of records in Roads & Buildings Division No.II, Bhubaneswar revealed (November 2011) that the CE recommended (9 September 2008) the L_1 bid for approval of Government. The Tender Committee in their meeting decided (24 September 2008) to request CE to call for the details of past records of the L_1 bidder and litigation, if any. Accordingly, detailed report was called for on 27 September and 20 October 2008 from the field units. Since the validity of the bid was up to 21 October 2008, the CE asked (29 October 2008) the bidder to extend the validity. The bidder expressed (05 November 2008) his inability (received by CE on 14 January 2009) to extend the validity on the ground of price hike of materials. Government cancelled the bid on 23 January 2009.

Prior to cancellation of bid the CE invited (November 2008) fresh bid at an estimated cost of ₹ 9.36 crore at SoR 2008 and in response two bids were received (December 2008) from the same bidders. The bidder who was second lowest in the first occasion became lowest and his bid value was ₹ 9.81 crore being 4.9 *per cent* excess. The CE/Tender Committee recommended (07 March 2009/28 May 2009) the negotiated L_1 bid for ₹ 9.80 crore being 4.70 *per cent* excess to Government for acceptance was approved by Government on 03 July 2009. The work is in progress with payment of ₹ 8.69 crore (December 2012). Thus, failure of the CE to obtain the information from the field units within the validity period led to cancellation of the first tender. The work on retender resulted in extra cost of ₹ 1.83 crore.

On this being pointed out, the Executive Engineer stated (November 2011) that the delay was at higher level.

The matter was reported (April 2012) to Government; their reply has not been received (December 2012).

3.9 Excess expenditure due to adoption of higher lead charges in estimates

Adoption of higher lead charges in estimates led to excess expenditure of ₹ 1.48 crore.

As per clause 4.2.1.1 of Indian Road Congress (IRC) Code, sub-base materials comprise natural sand, moorum, gravel, laterite, kankar, brick metal, crushed stone, crushed slag, crushed concrete or combination thereof meeting the prescribed grading and physical requirements. Further, as per Section 8.4 of the manual of Specification and Standard prescribed by Planning Commission at least three samples shall be taken for each quarry source to ascertain the quality, suitability and fitness of the available material for use in the work.

Improvement, Renovation and Reconstruction to five Roads[4] were awarded between October 2010 and September 2011 to three contractors at a cost of ₹ 28.38 crore for completion between September 2011 and November 2012. The contracts provided execution of 0.46 lakh cum of Granular Sub Base (GSB) with LD[5] slag. The contractors have executed 0.37 lakh cum of GSB as of June 2012.

Test check of the records of Executive Engineer (EE), Rourkela (R&B) Division revealed (February 2012) that the EE adopted a lead distance between 65 and 114 km in the estimates for carriage of slag from Rourkela Steel Plant. As per the Schedule of Rates (SoR) the actual cost for carriage (5.5 cum per truck load) should have been between ₹ 454.50 and ₹ 665.20 per cum, against which the EE worked out rates between ₹ 624 and ₹ 913.85 per cum on the ground that 5.5 cum of slag cannot be carried in a 10 MT truck since weight of slag is 2.38 MT per cum. The higher cost was adopted basing on the test results (two bags) of one sample and the works were floated to tender adopting the higher rates. Since the SoR did not prescribe transportation charges of slag, a rate adopted was also not approved by the Rate Board/Government. Thus the excess provision of lead charges between ₹ 169.50 and ₹ 248.65 per cum inflated the project cost by ₹ 1.23 crore[6].

Besides, LD slag being a waste product no basic cost is payable. But the basic cost of ₹ 40 per cum (₹ 25.39 lakh) was included in the estimate. The notice inviting percentage rate tenders were floated with these inflated cost and works were awarded to the contractors leading to extra cost of ₹ 1.48 crore including tender premium of which ₹ 1.17 crore was paid to the contractors (June 2012).

On being pointed out, the EE accepting the audit findings as regards basic cost of slag stated (February/June 2012) that the basic cost of slag is not payable since it is a waste product. Further the EE stated that the weight of slag is more than the hard granite stone products. While carrying slag of 5.5cum, the agencies were troubled for over loading of truck by Transport Authorities. As

4 Improvement to Koira-Dengula Road from 0/0 to 7/0 km, Renovation and Reconstruction of Road from Barsuan to Kalaiposh from 27/350 to 30/0 km, from 30/0 to 34/ 2 km, from 34/20 to 37/50 km and from 37/5 to 41/2 km.

5 LD Slag: Linz-Donawitz (LD) slag is a by-product of the iron and steel making industry.

6 For utilisation of 0.59 lakh cum of slag required for execution 0.46 lakh cum of GSB

such the lead cost was enhanced considering lesser volume (about four cum) to be carried in a 10 MT truck as per the complaints of agencies. This has been approved by the Superintending Engineer and Chief Engineer since the rate was adopted in the estimates.

The reply is not acceptable since the transportation charges were raised basing on one sample, violating the provisions of manual of specification and standard. The deviation from the SoR was not approved by the competent authority (Rate Board/Government). Further, the weight of slag to be used as GSB material in dump condition was not adequately assessed by taking reasonable number of samples. Thus, inclusion of basic cost and excess provision of transportation charges of slag is unwarranted.

The matter was reported (July 2012) to Government; the reply has not been received (December 2012).

Bhubaneswar **(S.R. Dhall)**
The **Accountant General (E&RSA)**
Odisha

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

Appendices

Appendix -2.1.1

(Refer paragraph 2.1.4.8 at page 23)

Status of projects sanctioned under NABARD

(₹in crore)

Tranche/ Year		Projects taken up		Projects completed		Projects dropped/ Non-starter/ Not commenced		Expenditure on projects in progress	
		No	Cost	No	Cost	No	Cost	No	Expr
XIII 2007-08	Major/Medium	3	40.76	0	0	0	0	3	9.07
	Minor	32	80.46	3	2.94	3	11.37	26	36.47
	Flood Control/ Drainage	21	59.16	12	33.11	3	4.57	6	14.97
XIV 2008-09	Major/Medium	8	67.94	0	0	1	10.34	7	24.92
	Minor	160	168.55	13	7.07	75	83.96	72	50.74
	Flood Control/ Drainage	41	136.34	13	23.64	1	1.81	27	105.15
XV 2009-10	Major/Medium	9	55.67	2	1.65	0	0	7	29.04
	Minor	3	7.99	0	0	3	7.99	0	0
	Flood Control/ Drainage	25	85.17	1	0.75	3	37.41	21	24.41
XVI 2010-11	Major/Medium	7	77.39	0	0	1	4.53	6	12.19
	Minor	63	64.77	0	0	63	64.77	0	0
	Flood Control/ Drainage	38	191.12	1	0.67	1	4.94	36	35.61
XVII 2011-12	Major/Medium	11	160.09	0	0	4	12.45	7	13.72
	Minor	13	13.38	0	0	13	13.38	0	0
	Flood Control/ Drainage	35	229.04	0	0	25	161.61	10	19.60
Total	**Major/Medium**	**38**	**401.85**	**2**	**1.65**	**6**	**27.32**	**30**	**88.94**
	Minor	**271**	**335.15**	**16**	**10.01**	**157**	**181.46**	**98**	**87.21**
	Flood Control/ Drainage	**160**	**700.83**	**27**	**58.17**	**33**	**210.34**	**100**	**199.74**
Grand Total		**469**	**1437.83**	**45**	**69.83**	**196**	**419.12**	**228**	**375.89**

Source: Progress Report **of the DoWR on NABARD assisted irrigation and flood control projects**

Appendix-2.1.2

(Refer paragraph 2.1.4.30 at page 35)

Details of split up execution of works

Sl No	Name of the project	Cost of the project (₹ in crore)	Number of split up packages	Date of commencement	Stipulated date for completion	Status of the work Delay in months
1	Strengthening Rushikulya river embankment	7.30	4	February 2010 to December 2011	January 2011 to October 2012	In progress
2	Flood control in Birupa Genguti Island	3.35	6	March 2007 to January 2008	June 2007 to November 2008	In progress (40 months)
3	Flood control in Aul Block	7.58	3	September 2007 to October 2011	July 2008 to September 2012	In progress
4	Daya west branch canal	10.51	5	February 2009 to November 2010	September 2009 to March 2011	In progress (12 months)
5	Construction of Gobardhanpur Barrage Project	12.67	20	March 2010 to March 2012	February 2011 to June 2012	In progress
6	Raising and strengthening to Mahanadi right embankment	3.97	3	December 2008 to November 2009	November 2009 to October 2010	In progress (17 months)
7	Improvement to communication facilities on CE 5A,OAE 6B, OAE 7B of Budha Kharsuan left from Budhaghat to Singhpur	12.26	7	July 2008 to January 2009	June 2009 to November 2009	In progress (28 months)
8	Improvement to Chhatisapat drainage system	9.69	2	June 2011 to November 2011	May 2012 to October 2012	In progress
9	Renovation to Kendua drain cum creek	7.87	5	October 2009 to March 2010	September 2010 to March 2012	Completed
10	Renovation to Nembu nullah	2.59	2	September 2009 to November 2010	July 2010 to October 2011	In progress (9 months)
	Total	**77.79**				

Appendix – 2.2.1

(Refer paragraph 2.2.4.15 at page 77)

Death of Elephants

Year	Natural	Unnatural					Grand Total
		Poaching	Accident	Disease	Reasons not known	Total	
2006-07	10	16	10	9	6	41	51
2007-08	11	7	16	10	10	43	54
2008-09	12	5	16	6	8	35	47
2009-10	5	3	14	15	14	46	51
2010-11	11	17	26	14	15	72	83
Total	**49**	**48**	**82**	**54**	**53**	**237**	**286**

Glossary of Abbreviations

ACF	Assistant Conservator of Forest
ADB	Asian Development Bank
ANR	Assisted Natural Regeneration
APO	Annual Plan of Operation
ARR	Annual Research Report
BCR	Benefit Cost Ratio
BIS	Bureau of Indian Standards
BoQ	Bill of Quantity
CAMPA	Compensatory Afforestation Fund Management and Planning Authority
CCA	Culturable Command Area
CCO	Chief Controlling Officer
CEC	Central Empowered Committee
CE	Chief Engineer
CEBM	Chief Engineer and Basin Manager
CF	Conservator of Forests
CG	Central Godown
CO	Controlling Officer
CP	Central Plans
CSP	Centrally Sponsored Plans
CSS	Centrally Sponsored Scheme
CVC	Central Vigilance Commission
CWC	Central Water Commission
CWLW	Chief Wild Life Warden
DD	Deputy Director
DDO	Drawing and Disbursing Officer
DEO	Data Entry Operator
DI	Disintegrated Rock
DMU	Divisional Management Unit
DoWR	Department of Water Resources
DPR	Detailed Project Reports
EE	Executive Engineer
EIC	Engineer in Chief
FARD	Fisheries and Animal Resources Development
FC	Forest Conservation
FDT	Forest Development Tax
FDR	Flood Damage Repair
FE	Forest and Environment
FSI	Forest Survey of India
GL	Grower Leaves
GSB	Granular Sub Base
HEC	Human-Elephant Conflict
Ha	Hectares
HPC	High Power Committee
HYSD	High Yield Strength Deformed

IF	Indian Forest
IRC	Indian Road Congress
IRF	Insurance Reserve Fund
JFM	Joint Forest Management
KL	Kendu Leaf
KLCC	Kendu Leaf Co-ordination Committee
LAO	Land Acquisition Officer
LMB	Lower Mahanadi Basin
LMC	Left Main Canal
MDF	Moderately Dense Forest
MI	Minor Irrigation
MoEF	Ministry of Environment and Forest
MVI	Motor Vehicle Inspector
NIT	Notice Inviting Tender
NPCC	National Project Construction Corporation
NPV	Net Present Value
NTFP	Non Timber Forest Produce
OAE	Other Agricultural Embankment
OAIC	Odisha Agro Industries Corporation
OBCC	Odisha Bridge and Construction Corporation
OBDA	Odisha Bamboo Development Agency
OBM	Odisha Budget Manual
OCC	Odisha Construction Corporation
OF	Open Forest
OFC Rules	Orissa Forest Contract Rules
OFDC	Odisha Forest Development Corporation
OFRC	Odisha Forest Rangers College
OFSDP	Odisha Forestry Sector Development Project
OGFR	Orissa General Financial Rules
OLIC	Odisha Lift Irrigation Corporation
OMC	Optimum Moisture Contents
OPWD Code	Odisha Public Works Department Code
OR	Offence Report
ORST	Olive Ridley Sea Turtles
OTC	Odisha Treasury Code
PAP	Project Affected Persons
PC	Planning Commission
PCCF	Principal Chief Conservator of Forest
PCR	Project Completion Reports
PMU	Project Management Unit
PLTC	Project Level Technical Committee
PW	Public Works
QPM	Quality Planting Materials
QPR	Quarterly Progress Report
R&R	Rehabilitation and Resettlement
RFO	Range Forest Officers
RIDF	Rural Infrastructure Development Fund
RMPs	Raw Material Procurers

RoB	Railway Over Bridge
RPDAC	Rehabilitation and Periphery Development Advisory Committee
SU	Sale Unit
SB	Standard Bag
SBSC	State Bamboo Steering Committee
SBWL	State Board for Wildlife
SE	Superintending Engineer
SLA&RRO	Special Land Acquisition & Rehabilitation Resettlement Officer
SMC	Subarnarekha Main Canal
SMDNKZP	Society for Management and Development of Nandankanan Zoological Park
SoR	Schedule of Rates
SPA	Seeds Production Area
SQM	State Quality Monitor
SRC	Special Relief Commissioner
SRSWOR	Stratified Random Sampling Without Replacement
SSO	Subsidiary Silviculture Operation
STR	Silmilipal Tiger Reserve
STPF	Special Tiger Protection Force
TMIP	Telengiri Medium Irrigation Projects
UC	Utilisation Certificate
VDF	Very Dense Forest
VSS	Vana Samrakshayan Samiti
WL	Wild Life
WLMF	Wild Life Management Fund
WR	Water Resources
WUA	Water Users Association