

Chapter III Compliance Audit

Planning and Convergence Department

3.1 Implementation of Biju Kandhamal O Gajapati Yojana

Government of Odisha launched a Special Area Development initiative called 'Biju Kandhamal O Gajapati Yojana' (BKGY) in 2009-10 for Kandhamal and Gajapati districts. The scheme is implemented by the Planning and Convergence (P&C) Department through the District Collectors with the assistance of Block Development Officers (BDOs) and other executing agencies. During 2011-15, the Government released ₹ 114 crore¹ to both districts and 2,289 projects² were approved.

Audit was conducted during November 2015 to January 2016 covering the period 2011-15 with test check of records of District Planning and Monitoring Units (DPMU) and District Rural Development Agencies (DRDAs) of both districts, six sampled Blocks³ and five other executing agencies⁴ (EAs). The audit findings are as follows:

Audit Findings

3.1.1 Planning and identification of projects

Guidelines (November 2009) of the BKGY required preparation of a comprehensive district plan by the District Collectors incorporating projects under five core sectors (*bijli, sadak, pani*, livelihood initiatives and social safety net). Annual Action Plans (AAP) were to be prepared by District Collector and the same were to be approved by District Planning Committee. Number of projects approved, outlay and status of completion of projects under various sectors is given in the **Table 3.1.1**.

Table 3.1.1: Annual Action Plan and execution of projects during 2011-15

(₹ in lakh)

Sector	Approved in Action Plan		Taken up during 2011-15		Completed as of March 2015
	Number	Outlay	Number	Expenditure	Number
Bijli	110	329.53	80	199.98	52
Sadak	1,176	6,271.55	1,092	3,444.12	645
Pani	497	3,157.10	459	1,910.12	311
Livelihood initiative	99	748.27	89	218.27	38

¹ At a rate of ₹ 1.50 crore per block per year. Kandhamal (12 Blocks): ₹ 18 crore and Gajapati (7 Blocks): ₹ 10.50 crore per annum

² Kandhamal: 1,569 and Gajapati: 720

³ Kandhamal: Phulbani, Khajuripada and Phiringia; Gajapati: Gumma, Gosani and Mohana

⁴ Kandhamal: Project Administrator, Integrated Tribal Development Agency, Balliguda; Rural Water Supply and Sanitation Division, Phulbani and Rural Works Division, Phulbani; Gajapati: Rural Water Supply and Sanitation Division, Paralakhemundi and Project Officer, Orissa Tribal Empowerment and Livelihood Programme, Paralakhemundi

Sector	Approved in Action Plan		Taken up during 2011-15		Completed as of March 2015
	Number	Outlay	Number	Expenditure	Number
Social safety net	0	0	0	0	0
Others	407	893.55	399	564.67	364
Total	2,289	11,400.00	2,119	6,337.16	1,410

(Source: Records of DPMU/ DRDAs and audit analysis)

The deficiencies in planning are discussed below:

3.1.1.1 Non-Preparation of Comprehensive Plan

Comprehensive District Plan was not formulated in both the districts using the baseline data and gap analysis, though required as per the BKG Y guidelines. As a result, approved projects failed to meet the requirements of different sectors as given below:

- **Electricity (Bijli):** Out of 3,870 villages of these two districts, 732 villages (Gajapati: 201 and Kandhamal: 531) were not totally electrified as of August 2013 as they were not covered under Biju Gram Jyoti Yojana and Rajiv Gandhi Grameen Vidyutikaran Yojana. But, no project for village electrification was sanctioned during 2011-15 in both districts under BKG Y. On the other hand, 110 low value projects like internal wiring of schools, Gram Panchayat offices, street lighting, purchase of air conditioners for Seva Kendra, etc., were approved. Thus, 732 villages are yet to be electrified due to non-prioritisation of projects for electricity.
- **Road (Sadak):** In both the districts, 63 villages⁵, left out from Pradhan Mantri Gram Sadak Yojana, were not having any all-weather road connectivity by March 2015. No project to provide road connectivity to these unconnected villages was approved in AAPs for 2011-15 under BKG Y. On the other hand, works estimated at ₹ 62.71 crore like construction of cross drainage and improvement of roads within villages/ habitations already provided with all-weather connectivity were taken up under the scheme without prioritising road connectivity to 63 villages.
- **Livelihood initiatives:** No initiative was taken up under livelihood initiative in Kandhamal district. In Gajapati district, projects worth ₹ 7.48 crore were included in AAPs for 2011-15 under livelihood sector. Out of this, an amount of ₹ 4.16 crore was released to one sample executing agency⁶ for capacity building, community empowerment⁷, commercial vegetable cultivation⁸, etc., during 2013-15.

⁵ Between 250 and 499 population: 57, between 500 and 999: 5 and 1,000 or more population: 1

⁶ Programme Officer, Odisha Tribal Empowerment and Livelihood Programme

⁷ Community empowerment and management, beneficiary skill upgradation and entry point activities under capacity building

⁸ Drip kit, Zero energy cool chamber, Cool chamber, Mother Chick Unit, Shelter and capacity building

The executing agency, however, utilised only ₹ 51.20 lakh⁹ (12 per cent) as of December 2015. The reason for low utilisation was indecisiveness of the District Collector in selecting works to be undertaken under the sector. This is evident from the fact that while the District Collector released (January 2014) ₹ 29.67 lakh for capacity building activities, he subsequently (May 2014) instructed for installation of solar photo voltaic based street light system. This was again changed (April 2015) to horticultural activities¹⁰ and further changed (September 2015) to other activities¹¹. Moreover, such change in selection of projects was contrary to the provisions of the guidelines regarding procedure to be adopted for selection of projects leading to non-execution of activities approved under AAPs. Thus, identification of projects could not be done properly before approval.

- **Social Safety Net:** Scheme guidelines, *inter alia*, emphasised on utilising BKGY fund to support programmes that address the need of vulnerable group of people. No project was initiated for vulnerable sections like physically challenged, orphans, destitute, *etc.*, under the Social Safety Net.
- **Water (Pani):** Information furnished by the Engineer-in-Chief, Rural Water Supply and Sanitation (RWSS) revealed that there were 1,570 partially covered habitations for drinking water as of March 2011, which increased to 3,827 as of March 2015, due to non-functioning of tube wells. Thus, intervention under this scheme was found to be inadequate.

The Department while accepting the above facts, stated (May 2016) that both the districts would prepare long term Comprehensive District Plans which would include programme for vulnerable sections and increase outlay to bridge critical gaps for electricity and livelihood sector. The Department assured that plans would be prepared after considering baseline data from various line Departments.

3.1.1.2 Deficiencies in preparation of Annual Action Plan

As per BKGY Guidelines, the projects in the approved AAP were to be completed within the same financial year. However, Audit noticed the following:

- **Delay in preparation of AAP:** AAPs of both the districts for 2011-15 were submitted to P&C Department after 17 to 288 days¹² of commencement of the financial year. As a result, none of the 204 test checked projects in 11 sample implementing agencies could be

⁹ ₹ 29.67 lakh for capacity building and empowerment, ₹ 9.65 lakh for solar street light system and ₹ 11.88 lakh for procurement of turmeric and onion seed

¹⁰ Drip kit installation, poly house installation and Banana, Turmeric, Potato, Onion, Ginger, Pointed gourd cultivation

¹¹ Lift irrigation, refrigerated van, drinking water projects, *etc.*

¹² Kandhamal: 2011-12: 214, 2012-13: 288, 2013-14: 17 and 2014-15: 157 days; Gajapati: 2011-12: 146, 2012-13: 135, 2013-14: 143 and 2014-15: 261 days

completed within the same financial year. The Department while attributing such delay to non-receipt of project proposals from specific quarters, assured (May 2016) that the AAPs would be prepared in a timely manner.

- ***Non-substitution of already existing projects:*** In Gajapati district, 19 drinking water supply projects with estimated cost of ₹ 63.89 lakh included in AAPs of 2010-13¹³ were found to have been executed earlier under other schemes. However, no new projects were identified in the district to utilise the unutilised fund.
- ***Inadmissible projects approved:*** Out of 1,420 projects sanctioned in Kandhamal district, 316 projects¹⁴ (₹ 3.24 crore) were not related to scheme objectives and were thus inadmissible. The Department assured (May 2016) that the projects would be included in the AAPs as per the guidelines of the scheme.
- ***Non-preparation of sub-plan for SC and ST population:*** It was mandatory that the funds for SC communities under the Scheduled Castes Sub-Plan (SCSP) and ST communities under Tribal Area Sub-Plan (TASP) were allocated in the District Plan, based on the proportions of their populations in the district. However, Annual Action Plan did not contain any component-wise plan. Audit noticed that there were only 11 SC dominated villages in Gajapati district as per 2011 census but no project was executed in these villages under the scheme during 2011-15.
- ***Transparency in selection of projects:*** As per BKG Y Guidelines, the list of projects indicating reason for taking up and basis of selection were to be uploaded in the official website to ensure transparency. Projects were to be identified in consultation with people's representatives and concerned District Level Officers as well as Panchayati Raj Institutions (PRIs), Non-Government Organisations (NGOs), Village Education Committees (VECs), Pani Panchayats, Self Help Groups (SHGs) and other community based organisations. However, involvement of these functionaries and groups in selection of projects was not ensured. The Department noted (May 2016) the observations of Audit for future guidance.

3.1.2 Project implementation

Review of execution of projects and their utilisation revealed the following deficiencies:

- ***Slow pace of execution:*** Year-wise receipt, total availability of funds, release of funds to executing agencies and expenditure reported to

¹³ 2010-11: 11, 2011-12: 4 and 2012-13: 4

¹⁴ 290 repair works of Anganwadi Centres, schools, Livestock aid Centre buildings (₹ 258.25 lakh); one work at religious place (₹ 10 lakh); three projects on construction of Government/ PRI office building (₹ 20.50 lakh); five works of water supply to Government offices (₹ 11 lakh) and 17 electrical projects like electrical wiring including purchase of air conditioners, etc. (₹ 23.88 lakh)

Government by both districts during 2011-15 are indicated in the **Table 3.1.2**.

Table 3.1.2: Availability vis-à-vis utilisation of funds as reported by the executing agencies

(₹ in crore)

Year	Opening balance	Receipt	Interest & other receipts	Total availability	Fund released to Executing Agencies	Unspent balance with the District authority	Expenditure as reported by the EAs
2011-12	28.17	28.50	0.43	57.10	35.87	21.23	31.97
2012-13	21.23	28.50	0.57	50.30	15.37	34.93	14.11
2013-14	34.93	28.50	0.84	64.27	31.49	32.78	23.94
2014-15	32.78	28.50	0.73	62.01	29.31	32.70	2.58
Total		114.00	2.57		112.04		72.60

(Source: Information furnished by the District Authorities)

As of March 2015, utilisation of funds under the scheme as reported to Government by both districts during 2011-15 was 50 per cent of the available funds¹⁵ (Kandhamal: 51 per cent and Gajapati: 48 per cent). Further, 730 out of 2,119 projects taken up during 2011-15 remained incomplete and ₹ 32.70 crore (23 per cent) was not even released by district authorities to implementing agencies.

As of December 2015, in six test checked blocks and five executing agencies, only 910 projects were completed utilising ₹ 43.75 crore out of 1,429 projects, with an outlay of ₹ 72.79 crore approved during 2011-15. Utilisation of funds in four¹⁶ out of 11 sampled units during 2011-15 was within 49 per cent. The reasons for low utilisation were non-approval of AAPs in time, delay in sanctioning of projects by district authorities, delay in release of funds and non-imposition of penalty for delays in execution and lack of monitoring by district authorities.

The Project Director, DRDA, Kandhamal stated (December 2015) that the spending efficiency remained low due to work load and implementation of number of schemes by the executing agencies. The reply is not acceptable as the District Administration did not assess these constraints before getting the approval of proposals. Further, the allocation of funds was spread thinly and large number of low value projects were proposed instead of focusing on bridging critical gaps in major sectors.

- **Non-sanction of projects by District authorities:** In Kandhamal district, 149 projects¹⁷ with estimated cost of ₹ 11.35 crore included in AAP 2011-15 were not sanctioned by the district authorities due to non-submission of plan and estimates by the EAs, land dispute, etc. The Department stated (May 2016) that the EAs were instructed to submit fresh proposals. The reply is not convincing as the projects already

¹⁵ Unspent fund of ₹ 28.17 crore as on 1 April 2011 plus grants received during 2011-15 ₹ 114 crore plus interest and other receipts received ₹ 2.57 crore

¹⁶ BDOs: Khajuripada: 40 per cent, Phulbani: 44 per cent, Gumma: 49 per cent and OTELP: 9 per cent

¹⁷ 2011-12 (52 projects of ₹ 2.93 crore), 2012-13 (35 projects of ₹ 2.56 crore), 2013-14 (53 projects of ₹ 5.07 crore), 2014-15 (9 projects of ₹ 0.79 crore)

included in AAPs could have been executed with timely sanction and release of funds.

- **Delay in sanction of projects:** After approval of AAP, the Collector, Kandhamal again called for plan and estimates of projects from the EAs for sanction and administrative approval, even though the BDOs are competent to accord approval up to ₹ 10 lakh. As a result, 844 out of 1,420 projects with total estimated cost of ₹ 44.29 crore were sanctioned with delays ranging between 38 to 1,191 days¹⁸, consequently delaying the award of work. The Department stated (May 2016) that delay in sanction of projects and release of funds had since been avoided.
- **Non-execution of projects by executing agencies:** In Kandhamal district, six projects with estimated cost of ₹ 2.17 crore approved in AAP 2009-10 were not taken up as of October 2015 by the Executive Engineer (EE), Rural Works Division, Phulbani without any recorded reason. Similarly, in Gajapati district, out of 261 water supply projects sanctioned during 2009-15, EE, RWSS Division, Paralakhemundi had not commenced execution of 31 projects¹⁹ with approved cost of ₹ 2.06 crore for one to five years as of December 2015 on the grounds of delay in submission of revised project proposal (23), delay in finalisation of tender (4), project completed under other scheme (1), not feasible (2) and no recorded reason (1). The Department stated (May 2016) that proposals for substitution of these projects were under consideration. The reply does not address the reason for non-execution of projects already sanctioned.
- **Deficiencies in water supply projects:** In two sample units²⁰, 33 water supply works²¹ executed at a cost of ₹ 2.06 crore were incomplete and delay ranged between one to six years after commencement. The deficiencies noticed in execution of water supply projects are discussed below:
 - In five out of 33 water supply projects left incomplete by EE, RWSS Division, Phulbani and Paralakhemundi as of March 2015, major components of the projects were completed at an expenditure of ₹ 46 lakh, but the same remained non-functional due to non-availability of water source, non-installation of pump set, non-laying of pipeline, non-installation of transformer, etc., rendering the entire expenditure unfruitful. Joint physical inspection of one such project (Gerupada) in Kandhamal district revealed that works on raw water pipeline and distribution pipeline were completed in November 2014 at a cost of ₹ 13.25 lakh. But the same remained non-functional due to non-availability of water source. The Department stated

¹⁸ 38 to 90 days: 372; 91 to 180 days: 227 ; 181 to 365 days: 193; 366 to 730 days:30; 731 to 1,000 days: 19 and 1,001 to 1,191 days: 3

¹⁹ 2009-10:8; 2010-11:1; 2011-12:4; 2012-13:16; 2014-15:2

²⁰ Executive Engineers of Rural Water Supply and Sanitation Divisions, Phulbani and Paralakhemundi

²¹ 2009-10:6; 2010-11:1, 2011-12: 14; 2012-13:7, 2013-14:4 and 2014-15:1

(May 2016) that appropriate action has been initiated for completion of these water supply projects.

- Joint physical inspection of five out of 91 piped water supply projects executed under BKGY in both the districts revealed that in three²² projects, the under-ground reservoir/ storage tank was not constructed for treatment of water and provision for the same was also not provided in the estimates. As a result, untreated water was supplied to the villagers. The Department stated (May 2016) that appropriate instructions had been issued to the EE concerned to ensure treatment of water before supply.
- The EE, RWSS, Phulbani awarded (June 2013 to December 2015) work of sinking of 144 tube wells to contractors without conducting any feasibility study. Fifteen tube wells were not sunk due to the reasons like sites were not approachable, projects not feasible, etc. During execution, 25 (19 per cent) out of 129 tube wells sunk were found dry rendering expenditure of ₹ 8.05 lakh²³ unfruitful. The Department stated (May 2016) that as sites were selected based on demand of villagers, there was limited scope for feasibility study. It assured that feasibility study would be conducted while selecting the projects in future.
- Agreements for sinking of tube wells with the contractors provided for submission of water quality test reports from Government approved laboratories and Global Positioning System (GPS) details of project locations before the Department took over the projects. However, in all test checked 104 cases, tube wells were taken over and bills of contractors were paid without insisting for submission of such test reports and GPS details. The Department stated (May 2016) that GPS of all tube wells were completed in Kandhamal while the same was pending with the EE in Gajapati.

- **Unfruitful expenditure:** The construction of culvert on minor irrigation canal near Hatapada was completed (September 2015) at a cost of ₹ 10 lakh. As the construction of approach road was not taken up (January 2016) to link the culvert, the entire expenditure became unfruitful. Similarly, in the absence of any provision for an approach road for



Photograph of incomplete culvert on road from Dimapur to Kujuni of Gosani Block under Gajapati District

²² Jajpur and Patikota under Paralakhemundi Block and Dhobajayapur under Kashinagar Block

²³ Calculated at ₹ 32,187 per tube well paid for failure of tube well dug in Habitation-Uppar Sahi, Village: Mungia under Tikabali Block (Digging cost for 125 mm dia 19.70 metre at ₹ 425 per metre, 100 mm dia 55.30 metre at ₹ 410 per metre and withdrawing of casing pipe 19.70 metre at ₹ 60 per metre)

a culvert on the road from Damapur to Kujuni under test checked block (Gosani), expenditure of ₹ 8 lakh incurred for construction of culvert became unfruitful. One work of additional class room²⁴ commenced in November 2011 was left incomplete after spending ₹ 9 lakh due to want of funds. The Department assured (May 2016) that the issues relating to projects not put to use due to want of funds, would be addressed in future.

- **Non-handing over of completed projects:** In Kandhamal district, 27 street lighting and solar lighting projects constructed at ₹ 83.70 lakh were not handed over to the Gram Panchayats for operation and maintenance. Joint physical inspection of “Installation of the high mast light posts in Gumagarh GP of Phulbani Block” at a cost of ₹ 3 lakh revealed that electricity was provided unauthorisedly from nearby electric pole without metering. The Department stated (May 2016) that concerned Gram Panchayat was being instructed to take appropriate action in the matter.
- **Non-imposition of penalty for delayed completion:** In 43 test checked works with contract value of ₹ 4.36 crore, although the works were completed (41)/ remained incomplete (2) with delays ranging from 11 to 591 days²⁵, for which penalty of ₹ 32.08 lakh was not levied on the contractors in violation of the provisions of the OPWD Code. Further, in 93 projects with contract value of ₹ 3.47 crore, though the projects were completed after delays of 3 to 1,171 days²⁶, no compensation was levied, as the agreements with the executants did not contain any penal provision for delay. The Department stated (May 2016) that instructions were issued to impose penalty/ compensation on the defaulting agencies.
- **Absence of quality control:** In respect of all test checked cases executed by the concerned BDOs during 2011-15, the work orders and agreement envisaged approval of materials by the BDOs. But pre-measurement of materials shown as purchased by Village Level Leaders (VLL) and brought to site was not mentioned in the Measurement Books. Further, no quality test of materials purchased was conducted in any of the test checked cases. In CC/ RCC works, no quality test was conducted to ascertain the quantity of cement utilised in the work and the comprehensive strength achieved. The Department stated (May 2016) that BDOs and Additional Project Director (Technical) had since been instructed to ensure quality of works executed.

3.1.3 Fund Management

Audit noticed the following deficiencies in management of funds:

- **Delay in release of funds:** As per guidelines, funds were to be released by district authorities to the implementing agencies within 15 days of

²⁴ For Maa Baral Devi High School, Kaladi

²⁵ 11 to 100 days (6); 101 to 500 days (36); 501 to 591 (1)

²⁶ 3 to 100 days (25); 101 to 500 (54); 501 to 1,171 (14)

receipt. However, in 501 out of 1,420 projects in Kandhamal district, funds were released with delays ranging from 3 to 53 days²⁷. In Gajapati district, the entire provision of ₹ 42 crore for 720 projects were released with delays ranging between 48 and 158 days²⁸. Further, funds for 42 projects amounting to ₹ 2.53 crore approved during 2009-11 were not released without any recorded reason in Gajapati district.

- **Irregular parking of scheme fund in bank account:** Contrary to conditions in sanction order, funds amounting to ₹ 12.12 crore (Gajapati: ₹ 2.59 crore and Kandhamal: ₹ 9.53 crore) were parked in the Savings Bank Accounts maintained at commercial banks during April 2010 to March 2015 instead of Personal Ledger (PL) account. The Department accepted (May 2016) the audit observation and assured that the funds would be kept in PL account.
- **Diversion of fund:** Contrary to the provisions of the sanction order, DRDA, Kandhamal as well as BDOs, Khajuripada and Phiringia unauthorisedly diverted ₹ 22.61 crore²⁹ during 2011-15 for other purposes like implementation of MGNREGS, IAY, DRDA Administration, etc. Out of this, ₹ 2.28 crore was not recouped as of November 2015. The Department assured (May 2016) that the diverted amount would be recouped soon.
- **Non-submission of Utilisation Certificates:** Utilisation Certificates (UCs) are to be submitted to the Administrative Department by 1st June of the succeeding year. Against utilisation of ₹ 88.42 crore, the executing agencies submitted UC for only ₹ 61.96 crore (Kandhamal: ₹ 48.74 crore and Gajapati: ₹ 13.22 crore) to the concerned Collectors. However, Collector, Gajapati submitted UC for only ₹ 6.82 crore to the Department and Collector, Kandhamal did not submit any UC. The Department did not take any action against the implementing agencies and it continued to release the funds without receipt of UC. The Department stated (May 2016) that Collectors had been instructed to submit the UCs.
- **Non-refund of savings and unauthorised utilisation:** Funds amounting to ₹ 7.36 crore were released by Collectors of both districts during 2011-15 to nine³⁰ executing agencies for execution of 124 projects. These projects were completed at a cost of ₹ 6.15 crore. The balance of ₹ 1.21 crore was not refunded by these executing agencies to the Collectors. Besides, one executing agency (EE, RWSS Division, Paralakhemundi), irregularly utilised ₹ 21.65 lakh, out of savings of ₹ 0.97 crore pertaining to 2009-11, on execution of nine projects not included in AAP and had not refunded the unspent fund of ₹ 75.35 lakh till the date of Audit. The Department assured (May 2016) that the concerned executing agency would be instructed to refund the savings.

²⁷ 3 to 30 days: 499 works; 31 to 53 days: 2 works

²⁸ 2011-12 (158 days); 2012-13 (143 days); 2013-14 (125 days); 2014-15 (48 days)

²⁹ 2011-12: ₹ 19.54 crore, 2012-13: ₹ 1.23 crore, 2013-14: ₹ 1.21 crore and 2014-15: ₹ 0.63 crore

³⁰ EE, RWSS Division, Paralakhemundi; BDOs of Gosani, Gumma, Khajuripada, Mohana, Phiringia & Phulbani; PA, ITDA, Balliguda and EE, RW Division, Phulbani

3.1.4 Inspection, monitoring and evaluation

Audit noticed the following deficiencies in inspection, monitoring and evaluation:

- ***Non-preparation of schedule for inspection:*** As per the Guidelines, schedule of inspection was to be prepared by the Collectors of both the districts and minimum site visits by supervisory level officers was to be fixed. But these were not done.
- ***Absence of monitoring by P&C Department:*** The Hon'ble Chief Minister instructed (June 2011) the Department to review the performance of the scheme on monthly basis. The Development Commissioner (DC) was to ensure the same through video conference. However, neither the DC nor the Department conducted any such review during 2012-15.
- ***Absence of Community Monitoring:*** Despite requirement under the guidelines, PRIs, NGOs, Pani Panchayats, VECs and other community based organisations were not involved in monitoring the execution of the projects and implementation of the programme during 2011-15.
- ***Non-evaluation of outcome:*** Though required under Guidelines, evaluation of the outcome of the programme was neither conducted by the District Planning Committee nor by the P&C Department as of December 2015.

The Department stated (May 2016) that implementation of the programme was being monitored through monthly progress reports.

3.1.5 Conclusion

Comprehensive district plan was not formulated based on the gap analysis and three crucial sectors of electricity, livelihood and social safety net under the scheme were not given the requisite priority. The objectives of the scheme to provide *bijli, pani and sadak* to the deficient villages were not fully achieved. Annual Action Plans were formulated with delays and without considering inputs from line Departments. People's participation in formulation, implementation and monitoring of program was not ensured. Utilisation of funds under the scheme during 2011-15 was only 50 *per cent* of the available funds because of delay in sanctioning of projects by district authorities, delay in release of funds and lack of monitoring by district authorities, *etc.* There were several deficiencies in project implementation which led to wasteful expenditure, as projects were not put to use. Funds were managed in contravention to codal provisions. Inspection and monitoring was found inadequate at all levels.

General Administration Department

3.2 Improper management of shopping halls

The General Administration Department leased 153 shops/ shop *cum* residences with 66,610.703 square feet (sft.) area in Bhubaneswar as of March

2015. During 2011-15, the Department collected ₹ 4.92 crore towards rent³¹. Rules for allotment of shops in Bhubaneswar regulate allotment, renewal/cancellation of lease, manner of use of shopping halls, etc.

Examination of records of 15³² sample Shopping Halls (SH) with total area of 42,030 sft.³³ located in Western and Eastern market buildings of Unit-II, Bhubaneswar, revealed cases of subletting, unauthorised alteration/ addition to the leased premises and occupation beyond the lease period as discussed below:

3.2.1 Subletting of shopping halls

Rule 15 (a) stipulated that no allottee shall sublet a shop allotted to him or any portion without the written permission of the Director of Estates. In case an allottee sublets a shop, the allotment shall be cancelled from the date of detection and he shall have to pay a penalty ten times the rent for each day of continuance beyond the date of cancellation of allotment. Rule 2 (b) defined subletting as permitting any other persons to run a business either on behalf of the allottee or independently, with or without pecuniary benefit accruing to him, without permission.

Audit noticed that inspection of SHs by the Department for identifying cases of subletting was ineffective as in 4³⁴ out of 15 SHs inspected during 1986 to February 2015, no violations were reported, despite unauthorised constructions. The remaining 11 SHs were inspected only one to eight times during the same period. Despite reports by inspecting officials (January 1997 to 2013) about functioning of five SHs³⁵ in different names (**Appendix 3.2.1**), no further enquiry was made to confirm subletting.

Audit conducted joint physical inspections (JPI) of SHs (September and October 2015) along with the concerned departmental Assistant Engineer and also cross examined business details of the allottees with records of Commercial Tax authority, which revealed that eight³⁶ SHs were sublet by the allottees including five which were fully sublet as indicated in **Appendix 3.2.2**. Two such cases, where Audit could gather the rent agreements between original allottee and tenant are discussed below:

- The allottee of SH No. WMB-7 (The Z) entered into tenancy agreements (August 2001 and April 2014) with Vishal Retail Private Limited for a minimum guarantee of ₹ 1.13 lakh per month together with two *per cent* of sales turnover (September 2001 to August 2012) which was increased thereafter to ₹ 2 lakh and three *per cent* respectively. Rent and commission received by the allottee for 34

³¹ Rent charged per sft. was ₹ 2 during January 1988 to 14 October 2002, ₹ 4 from 15 October 2002 to February 2011 and ₹ 15 thereafter

³² Shopping halls at Eastern Market Building from 1 to 7 and at Western Market Building from 1 to 8

³³ 63 *per cent* of total floor area of 153 shops

³⁴ EMB-1, WMB-1, WMB-2 and WMB-5

³⁵ EMB-3, EMB-7, WMB-4, WMB-7 and WMB-8

³⁶ Five SHs: fully and three SHs: partially

months³⁷ was ₹ 1.47 crore as intimated by the allottee to the Rent Officer. For the same period, the allottee paid only ₹ 29.31 lakh to the Department towards rent. Further, even though the Department had a copy of the sublet rent agreement, it did not cancel the allotment as mandated under the Rules.

- Similarly, the allottee of WMB-8 (Bhubaneswar Wholesale Cooperative Stores Limited) sublet a portion of the allotted SH to four different business establishments. The agreed rate of rent with one tenant was ₹ 2.80 lakh per month (May 2012) with provision for 15 *per cent* increase in every three years. On the other hand, the allottee paid only ₹ 42,030 per month to the Department towards rent. The latest Audit Report of the allottee for 2007-08, furnished by the Auditor General of Cooperative Societies to Audit, also indicated receipt of rent towards subletting, by the allottee.

3.2.2 Non-cancellation of allotment for unauthorised constructions

Rule 15 (a) provides that in case an allottee makes improper use of the shop, the allotment shall be cancelled from the date of detection and he shall have to pay a penalty at 10 times the rent for each day of continuance beyond the date of cancellation. Improper use, as defined in the Rules, included erection of unauthorised structure.

Fifteen SHs with floor area of 42,030 sft. were allotted to 15 allottees. However, measurement of floor area of these SHs by the concerned Assistant Engineer in the presence of Audit revealed that the actual floor space under occupation by these 15 SHs was 1,13,356.73 sft. *i.e.* 71,326.73 sft. in excess of allotted space as of October 2015 (**Appendix 3.2.3**).

All 15 SHs had unauthorisedly created extra space ranging from 1,182.20 sft. (WMB-5) to 9,472.18 sft. (EMB-6) through construction of mezzanine floor, additional floor over roof, *etc.* Out of these, in six³⁸ cases the Department detected (May 2000 to February 2014) 18,397 sft. of irregular construction. Instead of cancelling the lease, the Director of Estates allowed utilisation of 6,249 sft. space (four³⁹ cases) and did not take any action in respect of remaining 12,148 sft.⁴⁰ after issuing show cause notices⁴¹. On the contrary, these allottees further increased the space by 24,283.59 sft. as noticed during JPI.

Some instances are discussed below:

- In case of WMB-4 with allotted floor space of 2,802 sft., additions and alterations in the shop was reported (March 2012 and February 2014) by the inspecting officials of the Department. However, despite issue of show cause notice (May 2014) and confirmation by the allottee, the

³⁷ From September 2012 to September 2013 and March 2014 to November 2015

³⁸ EMB-2, EMB-3, EMB-6, WMB-3, WMB-4 and WMB-7

³⁹ EMB-2, EMB-3, WMB-3 and WMB-7. In respect of WMB-3, out of unauthorised construction of 2,458 sft. detected, 1,860 sft. was regularised

⁴⁰ WMB-3: 598 sft. (August 2001), WMB-4: 5,604 sft. (March 2013/ February 2014) and EMB-6: 5,946 sft. (October 2013/ February 2014)

⁴¹ Show cause notices were issued for WMB-3 during February 2002 to June 2008, WMB-4 in May 2014 and EMB-6 in March 2014

Director of Estates did not cancel the allotment. The JPI (September 2015) revealed that the floor space was unauthorisedly increased to 10,649.40 sft. *i.e.* 280 *per cent* excess of the allotted space.

- Similarly, in case of EMB-6, unauthorised extension of floor space was detected (October 2013) by the Department. The measurement (February 2014) of the floor space by the Department revealed unauthorised construction of additional 5,946 sft. Instead of cancelling the allotment and charging penalty, the Director of Estates took no action after issuing show cause notice in March 2014. Besides, the allottee made further additions (3,556.18 sft), in addition to extensions detected earlier, thus increasing the floor space to 12,274.18 sft. (338 *per cent* excess), as revealed in JPI (September 2015).

3.2.3 Irregular renewal of lease and unauthorised occupation of SHs

Rule 11 required allotment of shops in the capital city either through auction process or through selection from amongst the applications received. Rule 12 (b) envisages that agreement can be renewed for a maximum period of three years (at a time) after the expiry of the first term. Rule 18 stipulates that a person in unauthorised occupation of a shop shall be liable for a penalty ten times of the monthly rent fixed for the shop. Rule 2 (e) defines unauthorised occupation as occupation by a person in whose favour allotment has not been made and occupation by the allottee beyond the period for which the agreement has been registered. Clause 5 of lease agreement requires the lessee to handover the SH on expiry of the lease period failing which, the occupier would be treated as a trespasser being liable for eviction under the provisions of the Orissa Public Premises (Eviction of Unauthorised Occupants) Act, 1972 and penalty at a rate of 10 times the monthly rate for each day of unauthorised continuation shall be imposed.

Audit noticed that instead of verifying the eligibility of allottees at the time of renewal of SHs, the lease period in respect of all the 15 SHs were repeatedly renewed 3 to 11 times in favour of the allottees/ their legal heirs/ partners/ managing partners as indicated in **Appendix 3.2.4**. However, none of the allottees of these 15 SHs were eligible for renewal of lease period as they had either sublet or done unauthorised constructions in violation of the Rules, as discussed in the preceding paragraphs.

Further, lease period of nine⁴² SHs were not renewed though they had lapsed for periods between 1 and 25 years⁴³ as of October 2015. However, neither had the allottees surrendered the allotted space nor had the Department evicted them as of October 2015. The Department also did not impose penalty amounting to ₹ 73.08 crore⁴⁴ up to October 2015, as per the terms of agreements.

⁴² EMB-1, EMB-3, EMB-5, EMB-6, EMB-7, WMB-2, WMB-3, WMB-4 and WMB-8

⁴³ EMB-1: one year, EMB-3: 4 years six months, EMB-5: four years, EMB-6: two years six months, EMB-7: 17 years, WMB-2: one year, WMB-3: six years six months, WMB-4: five years and WMB-8: 25 years

⁴⁴ Calculated 10 times of monthly rent of allotted space at prevalent rent for each day of unauthorised continuance

Thus, due to non-renewal, original allottees not only continued to occupy SHs unauthorisedly but also sublet SH in violation of the Rule. Two such instances are discussed below:

- The WMB-7 was allotted to an individual who died in 1988, after which it was reallocated (November 2001) in favour of his son. Prior to this allotment, the son had entered (July 2000) into a partnership agreement with M/s Z Engineers Construction Private Limited (the Z) and two others to run a business in WMB-7 with a share of only 10 *per cent*. The allottee also authorised (November 2001) the managing partner through an irrevocable power of attorney to sign and admit the lease deed or any other document/ paper necessary before the appropriate authority. The Department approved the partnership firm to run business from SH No. WMB-7 and subsequently renewed (July 2005) the lease in favour of the Z for the period from August 2004 to October 2007. The lease was repeatedly renewed up to December 2016. Since, there is no provision in the Rules to renew lease in favour of the legal heir or the power of attorney holder, renewal of lease in favour of the son of the deceased allottee was irregular. Further, the Z sublet the SH to another business house as already discussed at ***Paragraph 3.2.1***.
- The lease period of SH No. WMB-3 was valid up to June 2009. The allottee was doing garment business with two others in the name of 'Kalamandir'. The allottee retired from the business in April 2004, but the other partners continued business from the shop. The Department was neither informed nor was aware of running of business by non-allottees. These non-allottees, as late as November 2009, requested the Department to renew the lease in favour of the shop in their names. Despite the Department being informed of cessation of the allottee from conducting business from the allotted shop, it did not cancel the allotment. After almost five years, the Officer on Special Duty and Rent Officer of the Department opined (May 2014) against renewal of lease. But, till February 2016, the unauthorised occupants had not been evicted.

Thus, non-renewal of lease period facilitated the violators in continuing occupation of shops unauthorisedly.

3.2.4 Non-revision of rent leading to loss of revenue

Based on the recommendations of a Committee constituted for fixation of rent of shops, the rent of SH was last revised in March 2011 and was fixed at ₹ 15 per sft. The above rate was fixed based on the prevailing rate of license fee, increase in cost of annual repair and maintenance of the buildings as well as rent charged by organisations such as Bhubaneswar Development Authority, Bhubaneswar Municipal Corporation, Orissa State Housing Board, *etc*. The Department had not fixed any timeframe for revision of rent at regular intervals.

Audit noticed that in two SHs (WMB-7 and WMB-8), allottees received annual consideration of ₹ 49.43 lakh and ₹ 33.60 lakh⁴⁵ respectively during 2015. Rent paid to the Government for the same period was only ₹ 10.34 lakh (WMB-7) and ₹ 5.04 lakh (WMB-8). Considering these rates, annual undue benefit extended to the allottees of 15 SHs is estimated at ₹ 8.20 crore⁴⁶ to ₹ 8.88 crore⁴⁷.

3.2.5 Conclusion

Audit noticed various deficiencies like subletting, unauthorised construction, irregular renewal of lease without following a transparent system, unauthorised occupation beyond the lease period and non-revision of rent. Though the Rule provided for initiating penal action against the allottees, no effective action was taken to check these violations.

The matter was reported (March 2016) to the Government; their reply is awaited (May 2016).

3.3 Avoidable extra expenditure of ₹ 1.28 crore on procurement of computers

Delay in procurement of 1,511 desktops under Human Resources Management System (HRMS) resulted in avoidable extra expenditure of ₹ 1.28 crore

Guidelines issued (13 February 2012) by the Finance Department require every authority delegated with the financial powers of procuring goods in public interest to bring in efficiency, economy and transparency in matters relating to public procurement and ensure fair and equitable treatment to suppliers and promote competition. The specifications in terms of quality, type, etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out, should also meet the basic needs of the organisation, without including superfluous and non-essential features, which may result in unwarranted expenditure.

Centre for Modernising Government Initiatives (CMGI) is a registered society functioning under the General Administration (GA) Department. It is the implementing agency for Human Resources Management System (HRMS) being developed by Government for deployment in all Drawing and Disbursing Offices (DDOs). The Department released (February 2012) ₹ 6.79 crore to CMGI for purchase of 1,529 Desktop computers and their distribution to DDOs for regular updating of HRMS data and to facilitate online submission of pay bills to Treasury. Fund requirement was, *inter alia*, assessed

⁴⁵ WMB-7: ₹ 49,43,032 for 7,984.59 sft. and WMB-8: ₹ 33,60,000 at ₹ 2.80 lakh per month for 4,200 sft.

⁴⁶ {(Annual consideration of ₹ 33.60 lakh paid by the tenant to allottee of WMB-8 divided by 4,200 sft. let out)X1,13,356.73 sft. less ₹ 86.90 lakh paid by the allottees of 15 SHs to GA department} = ₹ 819.95 lakh

⁴⁷ {(Annual consideration of ₹ 49.43 lakh paid by the tenant to allottee of WMB-7 divided by 5,747 sft. let out)X1,13,356.73 sft less ₹ 86.90 lakh paid by the allottees of 15 SHs to GA department} = ₹ 888.09 lakh

considering the rate⁴⁸ finalised by Odisha Computer Application Centre (OCAC) for purchase of 1,990 such desktops during January-February 2012. The terms of sanction required full utilisation of the fund by the year end (31 March 2012) and adherence to the guidelines prescribed by Finance Department from time to time.

CMGI released the entire fund for procuring desktops to OCAC in March 2012. However, OCAC returned the same to CMGI in the same month on the ground of shortage of manpower, its pre-occupation in many major IT projects and its negligible presence at district level. It, however, provided the technical specifications as well as name of four vendors who agreed to supply the desktops at ₹ 31,200 each. CMGI purchased 65 computers at this specification from one of the suppliers recommended by OCAC at ₹ 31,500⁴⁹ during April-May 2012 for another purpose. After 11 months (in March 2013), it decided to decentralise their purchase through District Collectors at DGS&D rate of ₹ 31,850 plus Value added tax (VAT) at 5 *per cent*. Funds for the purpose were released⁵⁰ to the District Collectors with the instruction to purchase the same at ₹ 35,003 each⁵¹ (inclusive of tax), without specifying a time schedule for procurement. Consequently, the Collectors purchased the computers at higher rates ranging from ₹ 40,405 to ₹ 44,733 during June 2013 to January 2016 except for 372 computers purchased by Collectors of six districts at the prescribed rate of ₹ 35,003 each.

Thus, inordinate delay in decision making by CMGI and failure to ensure purchase of computers in time by District Collectors, led to avoidable extra expenditure of ₹ 1.28 crore⁵² on purchase of 1,511 computers. Achievement of the objective of submission of pay-bills by DDOs to treasury was also delayed in two⁵³ out of four districts test checked, where concerned DDOs (175) sent pay bills to treasury through online only after receipt of these computers *i.e.* with delay of 3 to 34 months.

The Department attributed (May 2016) the delay in procurement to the District Collectors and stated that there was no additional outflow from the State exchequer as the interest earned from the unspent fund was utilised for meeting the extra cost. The reply is not acceptable as the CMGI took almost one year to decide the *modus operandi* of procurement resulting in purchase of computers at higher cost. Besides, utilisation of accrued interest for meeting extra cost is not correct as interest accrued on the unutilised fund has not yet been assessed and the District Collectors utilised the unspent funds with them for meeting the extra cost.

⁴⁸ ₹ 31,200 per a desktop computer

⁴⁹ ₹ 30,000 plus 5 *per cent* VAT (as VAT rate increased from 4 to 5 *per cent* from 1 April 2012)

⁵⁰ March 2013: ₹ 4.63 crore and February 2014 : ₹ 2.16 crore

⁵¹ DGS&D Rate contract price of ₹ 31,850 each plus VAT and excise duty

⁵² 1,511 computers purchased at ₹ 6,04,01,569 less 1,511 X ₹ 31,500 = ₹ 1,28,05,069

⁵³ Jharsuguda and Sundargarh

Rural Development Department

3.4 Construction and maintenance of rural roads

The Rural Development (RD) Department constructs rural roads from funds received under Pradhan Mantri Gram Sadak Yojana (PMGSY) from the Government of India (GoI) as well as funds provided under various State schemes⁵⁴. Maintenance cost of roads is borne by the State Government. During 2012-15, an amount of ₹ 2,926.76 crore was available under PMGSY. Against this, the Department utilised ₹ 4,128.26⁵⁵ crore, including security deposits of contractors and other receipts like interest and available funds of State Government. Under State Plan, the Department utilised ₹ 1,549.03 crore out of the available funds of ₹ 1,675.81 crore. The allotment and expenditure on construction and maintenance of rural roads under PMGSY and State Plan during the period 2012-15 are detailed in the *Table 3.4.1*.

Table 3.4.1: Allotment and expenditure of construction and maintenance of roads
(₹ in crore)

Year	Construction				Maintenance			
	Fund received		Expenditure incurred		Fund received		Expenditure incurred	
	PMGSY	State Plan	PMGSY	State Plan	PMGSY	State Plan	PMGSY	State Plan
2012-13	1,179.79	402.70	1,203.80	346.39	40.00	454.34	35.48	453.16
2013-14	1,155.52	487.65	1,615.57	463.63	41.40	519.69	37.15	501.52
2014-15	591.45	785.46	1,308.89	739.01	48.00	566.95	23.68	558.24
Total	2,926.76	1,675.81	4,128.26	1,549.03	129.40	1,540.98	96.31	1,512.92

(Source: Information furnished by EIC, RW, Odisha)

Audit was conducted in eight⁵⁶ out of 65 Rural Works (RW) Divisions covering the period 2012-15 between November 2015 and February 2016. Audit noticed various irregularities like award of work without ensuring availability of land/ forest clearance, abandonment of work, etc., as discussed in the subsequent paragraphs.

3.4.1 Construction of roads

3.4.1.1 Award of work without ensuring availability of land

As per PMGSY guidelines, the State Government is responsible to ensure that lands are available before taking up the proposed road works. Further, as per Paragraph 3.7.4 of Odisha Public Works Department (OPWD) Code, work should be commenced only after the land is duly made over by a responsible Civil Officer.

⁵⁴ Additional Central Assistance (ACA), Rural Infrastructure Development Fund (RIDF), Constituency-wise Allotment (CWA), Revised Long Term Action Plan (RLTAP) for Kalahandi-Bolangir-Koraput districts, etc.

⁵⁵ 2012-13 OB: ₹ 1,097.54 crore + GoI grant 2012-15: ₹ 2,313.29 crore + State contribution: ₹ 91.71 crore + Security Deposit: ₹ 369.21 crore + Interest: ₹ 98.08 crore + Other receipts: ₹ 158.43 crore

⁵⁶ Angul, Anandapur, Bhadrak-II, Ganjam-II, Nayagarh-I, Padampur, Nabarangpur, Kendrapara-II, which were selected through stratified random sampling without replacement method

Audit noticed that in four out of eight test checked Divisions, construction of four road works were taken up during January 2010 to October 2013 without ascertaining availability of land. As a result, the works scheduled for completion between January 2011 and September 2014 remained incomplete as of December 2015 as detailed in **Table 3.4.2**.

Table 3.4.2: Table showing execution of work without availability of land

Name of the Work/ Division	Award Cost (₹ in lakh)	Scheduled period of completion	Date of closure of work	Cost of left-over work (₹ in lakh)	Date of award of balance work	Award value of balance work (₹ in lakh)	Remarks
Dandisahi to Krushnadas-pur Road/ Kendrapara II (PMGSY)	369.59	October 2011	August 2012	345.07	May 2015	504.73	Land acquisition process was initiated only in January 2016 and balance work was awarded with extra cost of ₹ 159.66 lakh.
Bhapur-Sagargaon Road/ Nayagarh I (PMGSY)	316.19	January 2011	September 2014	98.29	September 2015	147.86	The work was closed due to land dispute and after settling the dispute, the work was awarded with extra cost of ₹ 49.57 lakh.
Ganiapali Kundakhai road Padampur (State Plan)	123.09	July 2013	April 2014	29.80	Not awarded	0	Land dispute was not resolved till the date of audit.
Kuskilla Kosala Road/ Angul (State Plan)	260.62	September 2014	February 2015	18.53	Not awarded	0	Though the bridge was completed (February 2015), land acquisition process for approach road was initiated only in October 2015. In absence of approach road, expenditure incurred on the bridge remained unfruitful.

(Source: Records of test checked RW Divisions)

While EE, Angul stated that the land acquisition was under progress and traffic would be opened soon after acquisition of private land, EE, Nayagarh-I replied that land problem could not be resolved earlier inspite of several

efforts. After resolving the land issue, balance work was awarded to another agency, which was in progress. The EE, Padampur replied that there was no detailed plan to complete the remaining work and the EE, Kendrapara-II stated that the land owners who had initially given their consent had protested during execution. The reply is not acceptable as the works were awarded without ensuring the availability of land and the process of land acquisition was initiated much after the award of work.

3.4.1.2 Award of work without forest clearance

As per Paragraph 3.2.3 of OPWD Code Vol.-I, administrative approval for a work shall be given after preparation of Detailed Project Report (DPR), forest clearance, etc.

Audit noticed that in case of four works as mentioned in **Table 3.4.3** under Rural Works Division, Ganjam-II, the EE did not mention the necessity for obtaining forest clearance while submitting DPR to the Department. The Department also granted administrative approval without ascertaining the same. The EE, subsequently, awarded (December 2004 to April 2010) the works. It was observed that three works could not be commenced due to non-availability of forest clearance. In case of the remaining work, the same was stopped after commencement but was subsequently completed after receipt of forest clearance.

Table 3.4.3: Table showing execution of work without forest clearance

Name of the work Package No.	Date of Administrative Approval	Awarded Cost (₹ in lakh)	Stipulated date of completion	Cost of work executed (₹ in lakh)	Date of re-award	Re-award cost (₹ in lakh)	Remarks
OR-11-85	November 2007	154.79	9 October 2008	0	February 2014	269.95	Works remained incomplete even after four to seven years from stipulated date of completion. The re-award involved extra cost of ₹ 2.84 crore.
OR-11-135	February 2009	270.02	25 August 2010	0	December 2015	316.20	
OR-11-134		390.16	14 April 2011	0	December 2015	512.71	
OR-11-32	October 2003	318.49	23 September 2005	231.43	April 2012	144.09 (completed at a cost of ₹ 142.28 lakh)	Work completed in March 2015 with extra cost of ₹ 0.55 crore.

(Source: Records of test checked RW Divisions)

The EE replied that the works were taken up in anticipation of obtaining forest clearance. However, award of work without forest clearance is not permissible as per OPWD code.

3.4.1.3 Non-completion of work due to deficient survey

As per Paragraph 3.2.3 of OPWD Code Vol. I, administrative approval for a work shall be given after preparation of DPR. Audit noticed that DPR for the road Gayalmunda (Santoshpur) to Signali prepared by the EE, RW Division, Anandapur included construction of 19 culverts and two box cell bridges. Accordingly, the EE awarded (December 2012) the work for ₹ 3.24 crore for completion by December 2013. However, during execution, existence of two more *nallahs* were noticed requiring construction of two additional culverts to protect the road. The EE submitted (August 2014) revised estimate to the SE for approval which was not approved, till December 2015. The work was also stopped since March 2015 after incurring expenditure of ₹ 1.76 crore.

3.4.1.4 Non/ short levy of penalty for delayed execution

As per the terms of agreements with the contractors, if the work is not executed as per the time schedule, the contractor is liable to pay liquidated damages (LD) at the rate of one *per cent* of the awarded value per week subject to maximum of 10 *per cent*, in case of delay beyond 10 weeks. In case of rescission of contract, apart from penalty, cost of 20 *per cent* of value of balance work is to be recovered from the contractor.

On test check of 27 works in six out of eight test checked Divisions, Audit noticed that these road works scheduled for completion between February 2007 and February 2015, remained incomplete as of December 2015 due to slow progress of work by the contractors. Audit, however, noticed that the EEs had not levied the LD as per the provisions of the contract, as discussed below:

- In case of 18 works, the stipulated period of completion was between December 2013 and February 2015. However, these works were not completed (December 2015) even after expiry of 10 to 24 months from the stipulated period of completion. The contractors had also not applied for extension of time. Despite this, the EEs had not imposed LD amounting to ₹ 5.77 crore as per condition of contract as detailed in **Appendix 3.4.1**. The EE, Anandapur replied (January 2016) that delay in execution was due to land dispute as well as shifting of public utilities such as electric poles, *etc.*, for which penalty was not recovered. However, as revealed from the records, the EEs had issued show cause notices to the contractors which indicated that the delay was attributable to the contractors and as such, penalty was leviable.
- In respect of nine works, due to failure of the contractors in completing the works within the stipulated period, the EEs rescinded the agreements during July 2009 to May 2015. However, the EEs recovered only ₹ 0.63 crore as against recoverable amount of ₹ 5.88 crore, resulting in short recovery of ₹ 5.25 crore (**Appendix 3.4.2**).

The EEs assured (November 2015-February 2016) that the balance amount would be recovered from the contractors.

3.4.2 Maintenance of roads

RD Department received ₹ 1,670.38⁵⁷ crore during 2012-15 for maintenance of 85,198 km⁵⁸ rural roads (excluding PMGSY roads which are under maintenance liability of contractors). As against this, the Department utilised ₹ 1,609.23 crore (96 *per cent*) and maintained 68,900 km⁵⁹ (81 *per cent*) of rural roads. Repair and maintenance work of the remaining roads were not taken up despite availability of funds. Audit noticed the following deficiencies in maintenance of rural roads.

3.4.2.1 Non-conduct of mandatory maintenance of PMGSY roads

PMGSY guidelines provide that all PMGSY roads will be covered by five year maintenance contracts along with the construction contract with the same contractor. If the routine maintenance work is not carried out by the contractor, the employer will be free to carry out routine maintenance work and recover the amount from the performance security of the contractor.

In seven⁶⁰ test checked Divisions, 452 PMGSY roads were under mandatory maintenance period during 2012-15 and the concerned contractors were responsible for maintenance as per terms and condition of the contract. However, in case of 116 roads, the concerned contractors had neither executed maintenance work nor did the EEs execute the same by invoking the performance guarantees of the contractors. Joint physical inspection of two PMGSY roads in presence of audit revealed poor condition of roads as evident from the following photographs.



The EEs stated that the routine maintenance was not conducted by some contractors despite repeated reminders and the cost of maintenance of these roads would be recovered from the performance security of the contractors.

3.4.2.2 Award of works to defaulting contractors

As per Clause 33.1 and 43.4 of Section 4 and Clause 4.7 (ii) of Section 2 of Standard Bidding Document, the agencies, who failed to take up routine maintenance of completed PMGSY roads, are debarred from participating in future PMGSY tender for a period of three years.

Audit noticed that three contractors had executed PMGSY roads for ₹ 5.48 crore under RW Division, Anandapur, but did not undertake routine

⁵⁷ State Plan: ₹ 1,540.98 crore and PMGSY: ₹ 129.40 crore

⁵⁸ 2012-13: 28,159 km; 2013-14: 28,159 km and 2014-15: 28,880 km

⁵⁹ 2012-13: 18,400 km; 2013-14: 22,000 km and 2014-15: 28,500 km

⁶⁰ Angul, Anandapur, Ganjam-II, Nayagarh-I, Padampur, Kendrapara-II and Nabarangpur

maintenance works despite issue of several⁶¹ notices during December 2008 to June 2015. However, the EE subsequently awarded four PMGSY works for ₹ 10.66 crore to these contractors during October 2009 to October 2013. It was further noticed that two⁶² works had remained incomplete as of December 2015, even after two years from the stipulated period of completion.

The EE stated (January 2016) that the roads were in good condition and did not require any maintenance. However, the EEs had issued show cause notices to the contractors for their failure to undertake the maintenance work.

The matter was reported (March 2016) to the Government; their reply is awaited (May 2016).

Home Department

3.5 Curtailment of Central assistance due to delay in setting up of Police Training Schools

Non-identification of land in time for setting up of Police Training Schools and delay in completion of construction works on the available land led to curtailment of Central assistance of ₹17.50 crore and diversion of training equipment, etc., valuing ₹2.06 crore

The capacity of Police Training Schools (PTSS) of the State was only 2,000 against requirement of 5,800 as per the norm⁶³ prescribed by the Bureau of Police Research and Development (BPRD). Besides, the State had no specialised formal training institute for armed police. The anti-extremist training centre at Chandaka was considered by the Department to be inadequate in view of growing Naxal menace in the State. To bridge this gap in police training infrastructure, Government of Odisha (GoO) approached (October 2009) the 13th Finance Commission (FC) for sanctioning grants of ₹ 70 crore for setting up of three new PTSS⁶⁴ at Byree, Burla and Koraput. The 13th FC recommended ₹ 70 crore under State-Specific Grants to be released to GoO during 2011-15 at ₹ 17.50 crore per annum.

The Guidelines envisaged submission of UCs and physical progress report to Government of India (GoI) as pre-conditions for release of yearly instalments. GoO entrusted (May 2011) the work of construction of these training schools to the Odisha State Police Housing and Welfare Corporation Limited (OSPHWC) and procurement of equipment to the Director General of Police (DGP), Odisha.

Audit noticed the following deficiencies:

- ***Deficient Planning and delay in finalisation of land:*** GoI Guidelines (April 2011) required the State Government to constitute a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to

⁶¹ Four notices each to two contractors and one notice to one contractor

⁶² PMGSY Package Nos.- OR-17-285 and OR-17-302

⁶³ Norm of three *per cent* of sanctioned strength of the Police Force as new recruit against retirement vacancy plus provision for in-service training of two weeks duration, once in three years

⁶⁴ Basic training school for civil police at Byree (Jajpur district): ₹ 20 crore; Basic training school for armed police at Burla (Sambalpur district): ₹ 30 crore and Anti-extremist training school at Koraput (Koraput district): ₹ 20 crore

approve and monitor Action Plan for utilisation of 13th FC grant. HLMC approved (June 2011) Action Plan prepared by the Department for allocating ₹ 5 crore, ₹ 7.50 crore and ₹ 5 crore each year during 2011-12 to 2014-15 for setting up PTSs at Byree, Burla and Koraput respectively. However, the Action Plan was repeatedly revised in December 2011, May 2012 and November 2013 as land/ sites for two PTSs (Burla and Koraput) were finalised only in September 2012 (Koraput) and June 2013 (Burla). Even after taking possession of land, there were delays in according administrative approval, commencement and execution of work as indicated in *Table 3.5.1*.

Table 3.5.1: Delay in finalisation of land, handing over possession and status of construction works in three PTIs

Name of Training School	Period of			Amount of funds (up to November 2015) (₹ in crore)		Status of Work as of November 2015
	Possession of land	Administrative Approval	Commencement of work	Released	Utilised	
Basic training school for civil police at Byree	January 2009	January - November 2012	January - November 2012	18.56	11.43	Only seven out of 19 works were completed.
Basic training school for armed police at Burla	June 2013	January 2014	October 2014	28.12	7.54	None of 13 approved works were completed.
Anti-extremist training school at Koraput	September 2012	February 2014	November 2014	18.56	3.56	None of 15 approved works were completed.

(Source: Records of DGP and information furnished by OSPHWC)

As a result, only one PTS (Byree) became functional in partially completed infrastructure since December 2012 while remaining two PTSs were not functional as of March 2016.

- **Curtailment of Central assistance:** GoI released ₹ 52.50 crore at ₹ 17.50 crore per year during 2011-14 while the State Government in anticipation of receipt of Central assistance released the remaining funds of ₹ 17.50 crore for 2014-15 out of its own resources. The DGP drew ₹ 69.39 crore during 2011-15, while sanction for remaining ₹ 61.36 lakh lapsed. Out of ₹ 69.39 crore, ₹ 4.15 crore was utilised on purchase of equipment, cots and utensils for training schools/ hostels (barracks) while ₹ 65.24 crore was released in favour of OSPHWC for construction of the three PTSs. As of November 2015, only ₹ 26.67 crore⁶⁵ was utilised. As the Department could not furnish physical progress and completion certificates by 31 March 2015, GoI did not release the balance amount of ₹ 17.50 crore due for 2014-15. Thus, the State was deprived of Central assistance of ₹ 17.50 crore.

⁶⁵ Equipment, etc.: ₹ 4.15 crore and construction by OSPHWC: ₹ 22.52 crore

- **Submission of inflated UC despite non-utilisation of funds:** Out of ₹ 65.24 crore released to OSPHWC, it could utilise only ₹ 12.48 crore up to March 2015. However, the Department furnished (July 2015) UC for ₹ 69.39 crore to GoI including entire amount of ₹ 65.24 crore advanced to OSPHWC. Even as on November 2015, ₹ 42.72 crore remained unspent with OSPHWC in the shape of fixed deposits. Thus, UC was inflated by ₹ 42.72 crore.
- **Diversion of training equipment:** As per the provisions of Orissa Treasury Code, no fund should be drawn from the treasury unless the same is required for immediate disbursement. Even though training schools at Burla and Koraput were not functional, the DGP drew and purchased training equipment, cots and utensils utilising ₹ 2.06 crore for these training schools to avoid lapse of budgetary provision. As these schools were not set up, some of these equipment, cots and utensils were diverted to other training schools and Superintendent of Police offices (₹ 1.97 crore) and the remaining were kept idle (₹ 0.09 crore) in Biju Patnaik State Police Training Academy. Equipment meant for the school at Byree (₹ 2.09 crore) were, however, being utilised.

Thus, deficient planning, delay in finalisation of land and frequent revision of Action Plan and slow pace of execution of work resulted in incomplete facilities in these police training institutes even after lapse of four years of commencement, thereby denying the much needed training infrastructure for State Police. The State Government also lost the Central assistance of ₹ 17.50 crore.

The matter was reported (March 2016) to the Government; their reply had not been received (May 2016).

School and Mass Education Department

3.6 Non-recovery and remittance of Employees' Provident Fund contribution

As per the Employees' Provident Fund and Miscellaneous Provisions (EPF & MP) Act 1952, every employer should contribute to the fund at the rate of 12 *per cent* of the pay of the eligible employee and administrative charges at 1.61 *per cent* up to December 2014 and 1.36 *per cent* from January 2015. The contribution of the employee shall be equal to the contribution of the employer. As per Paragraph 30 of EPF Scheme, 1952, the employer shall in the first instance remit both his contribution and employees' share without any delay. Paragraph 32A of the above Scheme states that if the employer commits any default in depositing the contribution with the Employees' Provident Fund Organisation (EPFO), he is liable to pay damages by way of penalty at the rate ranging from 17 to 37 *per cent* of arrears per annum for period of default ranging from less than two months to six months and above.

Audit noticed that the District Education Officers (DEOs) appointed 3,672⁶⁶ (teaching: 3,637 and non-teaching: 35) contractual staff in different categories⁶⁷ of high schools eligible to be covered under EPF Scheme in eight test checked districts⁶⁸. Though they were paid ₹ 71.64 crore towards their remuneration between January 2011 and December 2015, the DEOs had neither recovered employees' contribution of ₹ 8.60 crore (at 12 *per cent*) from these contractual staffs nor remitted the same along with employers' share including administrative charges to the extent of ₹ 9.62 crore⁶⁹ totalling ₹18.22 crore with the EPFO Commissioner since their appointment (*Appendix 3.6.1*). The Department did not instruct the DEOs to deduct the EPF contribution in respect of these eligible contractual employees in compliance with the provisions of the Act. However, the Odisha Primary Education Programme Authority, implementing the Sarva Shiksha Abhiyan functioning under the same administrative Department had already issued instructions to its field offices (July 2007) in the districts to deduct and remit the EPF dues in respect of contractual staff of Primary and Upper Primary Schools.

Thus, failure of the DEOs to adhere to the provisions of the EPF&MP Act, 1952 had resulted in non-remittance of EPF contribution of ₹ 18.22 crore. Besides, penalty of ₹ 3.10 crore (at 17 *per cent* per annum) was also payable.

DEOs of test checked districts assured that necessary deduction towards EPF contribution would be made soon after receipt of instruction from the Department.

The matter was reported (March 2016) to the Government; their reply is awaited (May 2016).

Revenue and Disaster Management Department

3.7 Erroneous computation of additional compensation

Failure of the LAO to compute compensation till the date of award as prescribed in Land Acquisition Act, 1894 led to non-payment of compensation amounting to ₹ 6.41 crore to 2,410 land losers

Acquisition of private land for public purpose is governed by the Land Acquisition Act, 1894⁷⁰. The Government issues 'Notification' under Section 4 (1) of the Act giving details of land to be acquired. As per Section 23 of the Act, the value of compensation to be paid for the land acquired under Section 4 (1) is determined on the basis of market value of the land prevailing on the date of publication of the 'Notification'. Government issues a 'Declaration' for acquisition with details of land and amount of compensation under Section 6 (1) of the Act, after detailed verification of land and hearing of objections

⁶⁶ 2007:4; 2008:118; 2009:56; 2010:428; 2011:818; 2012:122; 2013:1,259; 2014:44 and 2015: 823

⁶⁷ Upgraded High Schools, Government High Schools, Government Girls' High School, Aided High Schools and High Schools run by local bodies

⁶⁸ Koraput (539), Rayagada (460), Kendrapara (708), Balasore (366), Dhenkanal (258), Jajpur (613), Sonapur (157) and Sundargarh (571)

⁶⁹ Employers' contribution at 12 *per cent* and administrative charges at 1.61 *per cent* up to December 2014 and 1.36 *per cent* of remuneration paid thereafter

⁷⁰ A Central Act

from interested persons. Thereafter, Government issues an ‘order’⁷¹ authorising the District Collector to acquire the land and hand it over to requisitioning departments. Besides, additional compensation⁷² is to be paid at 12 *per cent per annum* of the market value of land⁷³ for the intervening period between the date of publication of the ‘Notification’ and date of award of compensation or date of taking over possession of land, whichever is earlier.

For expeditious disposal of land acquisition cases and minimising additional compensation, the erstwhile Revenue Department fixed (July 1989) time limit for issue of the ‘order’⁷⁴ within 10 days from the date of publication of the ‘Declaration’ and instructed the Collectors to pass award of compensation within 45 days from the date of receipt of ‘order’.

During audit of the Collectorate, Puri for the period 2010-15, it was noticed that in 6 out of 26 cases, Land Acquisition Officer (LAO), Puri passed award for compensation during January 2011 to August 2012 for acquisition of 306.248 acre of private land valued at ₹ 44.31 crore in six villages⁷⁵ for Government projects like construction of road, diversion weir and drinking water project. Thereafter, the possession of land was taken by the Collector and handed over to the concerned requisitioning departments⁷⁶ during November 2011 to November 2013. However, the LAO calculated and paid additional compensation as ₹ 5.54 crore considering the time gap of 12 to 20 months (365 to 608 days) included in the sanctioned estimate as against the actual time gap of 24 to 36 months (738 to 1,085 days) between the date of publication of ‘Notification’ and date of award. This resulted in short payment of compensation of ₹ 6.41 crore to 2,410 land losers as detailed at **Appendix 3.7.1**.

Audit further noticed that the reason for increase in the amount of additional compensation than the estimated amount was excess time taken for disposing of the land acquisition cases. The R&DM Department took 8 to 429 days to issue ‘order’⁷⁷ from date of publication of ‘Declaration’ against prescribed 10 days. Similarly, Collector also took further 53 to 339 days for passing award instead of prescribed 45 days. Thus, there were delays ranging from 8 to 429 days at R&DM Department level and 53 to 339 days at Collector/ LAO level.

Thus, non-consideration of additional time taken up for passing the award of compensation including additional compensation, resulted in short payment of ₹ 6.41 crore to 2,410 land losers.

⁷¹ Under Section 7 of the LA Act

⁷² Under Section 23 (1A) of the LA Act

⁷³ Includes all other immovable property like house, trees, *etc.*, attached to it as per Section 3 of the Act

⁷⁴ Order for authorisation under Section 7 of the LA Act to acquire land after payment of compensation

⁷⁵ Samanga: 215.65 acre; Samangara: 32.59 acre; Balukhanda: 14.828 acre; Gadsanaput: 23.20 acre; Uttarakona: 16.27 acre; Batagaon: 3.71 acre

⁷⁶ Works Department and Water Resources Department

⁷⁷ Authorisation under Section 7 of the LA Act

Confirming the facts Collector, Puri assured (December 2015) that further assessment would be made and sent to the requisitioning departments for further action.

The matter was reported (March 2016) to the Government; their reply is awaited (May 2016).

3.8 Loss due to irregular parking of State Disaster Relief Fund in current account

Provisions⁷⁸ of the Orissa Treasury Code (OTC) read with instructions (October 2012 and November 2014) of Finance Department prohibits parking of Government funds in current account with banks, as it affects the ways and means position of State Government. It also prescribes that no money should be drawn from the Treasury unless it is required for immediate disbursement.

Audit noticed that during the period from October 2011 to September 2015, Collector, Puri retained State Disaster Relief (SDR) Funds⁷⁹ ranging from ₹ 1.96 crore to ₹ 46.97 crore⁸⁰ in current accounts with the State Bank of India, contrary to the codal provision. Similarly, Collector Ganjam had also retained SDR funds ranging from ₹ 44.73 lakh to ₹ 19.96 crore⁸¹ in current account during 2013-15. During these periods, the State Government borrowed funds from open market at the rates ranging between 5.60 to 12 *per cent* per annum.

Had the funds not been drawn from the Treasury and utilised for ways and means of the Government, the interest burden on the State Government towards borrowing from open market could have been reduced by ₹ 2.33 crore, calculated at the minimum borrowing rate of 5.60 *per cent* per annum on minimum unspent balance.

Thus, drawal of Government money from treasury without immediate requirement for disbursement and parking the same in current account resulted in avoidable interest burden of ₹ 2.33 crore⁸² (*Appendix 3.8.1*).

The Collector, Puri stated (December 2015) that funds were drawn and credited to current account to avoid delay in disbursement. Instructions had been issued to the Deputy Collector (Emergency) for not drawing funds further, in absence of requirement for immediate disbursement.

⁷⁸ SR-242 of OTC-Vol. 1

⁷⁹ Schemes on Disaster Relief like agriculture input subsidy, crop loss, *ex gratia*, etc.

⁸⁰ Minimum balance: October 2011-September 2012: ₹ 1.96 crore; September 2012-August 2013: ₹ 9.55 crore; October 2013-September 2014: ₹ 7.03 crore; October 2014-September 2015: ₹ 5.49 crore; Maximum balance: October 2011-September 2012: ₹ 46.97 crore; October 2012-September 2013: ₹ 16.93 crore; October 2013-September 2014: ₹ 15.86 crore; October 2014-September 2015: ₹ 23.07 crore

⁸¹ Minimum balance: April 2013-March 2014: ₹ 44.73 lakh; April 2014 - March 2015: ₹ 17.22 crore; Maximum balance: April 2013-March 2014: ₹ 19.96 crore; April 2014 - March 2015: ₹ 19.44 crore

⁸² Collectorate, Puri: ₹ 1.34 crore and Collectorate, Ganjam: ₹ 0.99 crore

The matter was reported (March 2016) to the Government; their reply is awaited (May 2016).

Finance Department

3.9 Lack of response to Audit

Regulation 197 of Regulations on Audit and Accounts, 2007 requires that the officer-in-charge of the audited entity should send the reply to Inspection Report (IR) paragraphs to the respective Audit Offices within four weeks of their receipt.

A review of IRs issued up to March 2015 pertaining to 24 departments revealed that 40,919 paragraphs relating to 10,092 IRs were outstanding at the end of June 2015. Year-wise position of outstanding IRs and paragraphs are detailed in *Appendix 3.9.1*. Of these, 3,918 IRs containing 12,112 paragraphs were outstanding for more than 10 years (*Appendix 3.9.2*). Of the above outstanding IRs, even the first reply from the Heads of offices was not received in respect of 1,790 IRs. The departments from which majority of replies were awaited were Revenue and Disaster Management (R&DM), Women and Child Development (W&CD), School and Mass Education (S&ME), Housing and Urban Development (H&UD) and Health and Family Welfare (H&FW).

3.9.1 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Audit Reports of the Comptroller and Auditor General of India that are presented to the State Legislature. According to the instructions (December 1993) of the Finance Department (FD), the Administrative Departments are required to furnish the explanatory notes on the transaction paragraphs, Performance Audits (PA), *etc.*, included in the Audit Reports within three months of their presentation to the State Legislature.

As of September 2015, 13 out of 24 departments did not submit explanatory notes in respect of 38 paragraphs (28 individual and 10 PAs/Reviews) featured in the C&AG's Audit Reports from the years 2003-04 to 2013-14 (*Appendix 3.9.3*).

3.9.2 Response to the recommendations of the Public Accounts Committee (PAC)

The Odisha Legislative Assembly constitutes PAC every year to examine the Reports of C&AG and the Reports of such examination are presented to the Assembly. On the basis of recommendation of a High Powered Committee headed by Sri S.L. Shakhder, Finance Department instructed (December 1993) all the departments to submit Action Taken on the recommendations of PAC/COPU within four⁸³ months after presentation of the reports to the Legislature.

⁸³ Reduced from six to four months in April 2005 by OLA under Rule 213-B (1) of Rules of Procedure and Conduct of Business in the Odisha Legislative Assembly

It was noticed that out of 624 recommendations (*Appendix 3.9.4*) made by the PAC from the 3rd Report of tenth Assembly (1990-95) to 10th Report of fourteenth Assembly (2009-14), final actions taken on 21 recommendations from five⁸⁴ departments were awaited (September 2015).

Bhubaneswar
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Accountant General (G&SSA)
Odisha

Countersigned

New Delhi
The

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Comptroller and Auditor General of India

⁸⁴ Higher Education (1), Health & Family Welfare (3), Revenue & Disaster Management (1), Law (6) and Rural Development (10)