

CHAPTER - II
FINANCIAL
MANAGEMENT

Chapter II

Financial Management

2.1 Budget provision and expenditure

The details of budget provision *vis-à-vis* expenditure incurred by DoWR during the period from 2014-15 to 2019-20 are given below:

Table 2.1: Statement showing the budget provision and utilization of funds by DoWR during 2014-2020

(₹ in crore)

Year	Budget provision of DoWR	Expenditure of DoWR	Expenditure as percentage of budget provision
2014-15	4,566.88	4,278.70	94
2015-16	6,236.36	6,043.53	97
2016-17	7,986.20	7,749.65	97
2017-18	9,224.88	8,814.73	96
2018-19	10,221.33	9,305.46	91
2019-20	9,738.42	6,112.26	63
Total	47,974.07	42,304.33	88

(Source: Odisha Budget)

Table-2.2: Statement showing the budget provision and utilization of funds by DoWR in respect of Surface irrigation during 2014-2020

(₹ in crore)

Year	Budget provision for Surface Irrigation	Expenditure on Surface Irrigation	Expenditure as percentage of budget provision
2014-15	2,557.81	2,423.67	95
2015-16	3,695.68	3,541.84	96
2016-17	5,025.20	4,842.14	96
2017-18	6,617.71	5,884.58	89
2018-19	7,470.63	4,682.27	63
2019-20	4,999.48	3,778.85	76
Total	30,366.51	25,153.35	83

(Source: Data collected from EIC office)

The details of budget provision and its utilization in respect of five test-checked projects during 2014-2020 are given below:

Table 2.3: Statement showing the budget provision and utilization of funds in test checked projects

(₹ in crore)

Year	Budget provision	Re-appropriation	Revised provision	Expenditure incurred (percentage)	Surrendered amount
2014-15	780.09	-47.12	732.97	668.19(91.16)	64.78
2015-16	722.01	30.45	752.46	735.57(97.76)	16.89
2016-17	1,123.09	-186.95	936.14	929.37(99.28)	6.77
2017-18	1,202.91	-132.21	1,070.70	984.46(91.95)	86.24
2018-19	1,428.00	-41.35	1,386.65	1,026.39(74.02)	360.26
2019-20	1,357.22	-122.69	1,234.53	926.49 (75.05)	308.04
Total	6,613.32	-499.87	6,113.45	5,270.47	842.98

(Source: Data collected from five CE/(CE&BM)/CCE)

During last six years 2014-20, the DoWR surrendered an amount of ₹842.98 crore which was 14 per cent of the revised budget provision. The surrender of funds was mainly due to delay in handing over of clear sites for execution of projects by the Department, delay in obtaining mandatory clearances, non-execution of work taken up under third phase with loan assistance from Japan International Cooperation Agency (JICA) etc. The reasons for re-appropriation of ₹499.87 crore was mainly due to the delay in award of work for laying Under Ground Pipe Lines (UGPL) of LIIP (March 2018) though proposed during December 2016. Similarly, the work could not be executed in RRBC/RLBC due to non-acquisition of land.

Accepting the facts, Government stated (July 2021) that shortfall in utilisation of funds were due to delay in Land acquisition (LA) and forest land clearances, as well as pending bills and other issues. Government further assured that all out efforts were being made to utilise the entire budget provision in each financial year.

2.2 Project wise sanctioned cost and expenditure on test checked projects

Project wise sanctioned cost and expenditure on test checked projects as on March 2020 is given in the table below:

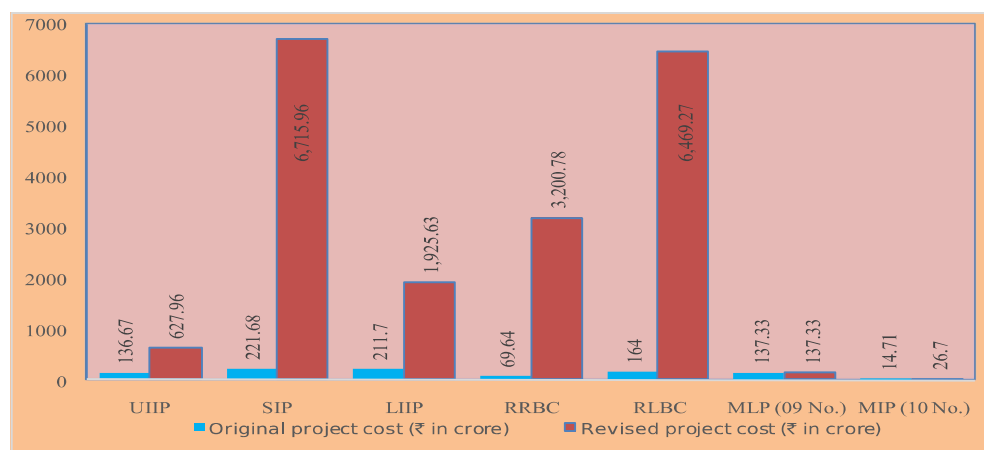
Table 2.4: Statement showing project wise sanctioned cost and expenditure on test-checked projects

(₹ in crore)

Name of the Project	Original project cost	Revised project cost (Percentage of excess)	Total expenditure up to March 2020	Year of commencement	Revised date of completion	Remarks
UIIP	136.67	627.96 (459)	761.63	2003	March 2016	Completed
SIP	221.68	6,715.96 (3030)	4,872.64	1982	March 2019	In progress
LIIP	211.70	1,925.63 (910)	1,811.73	1999	March 2021	In progress
RRBC	69.64	3,200.78 (4596)	2,267.19	1978	March 2022	In progress
RLBC	164.00	6,469.27 (3945)	2,871.25	1978	March 2023	In progress
MLP (09 No.)	137.33	137.33 (Nil)	137.33	2013-15	March 2018 March 2019	Completed
MIP (10 No.)	14.71	26.70 (182)	20.34	2006-08	2010-2014	Completed
Total	955.73	19,103.63	12,742.11			

(Source: The data provided by CE/CCE)

Chart: 2.1 Project wise original cost and revised cost on test-checked projects



As could be inferred from the table/chart above, the projects which commenced as early as 1978 were still ongoing with revisions of their completion date. This was mainly due to delay in land acquisition, forest clearance for canal alignment, delay in finalisation of design, *etc.* In respect of projects other than MLPs, the increase in cost of the projects ranged from 182 to 4,596 *per cent.* Despite cost escalations, only one major project *i.e.* UIIP (extension) had been completed and other four major projects were still in progress as of March 2021 for which further escalation of cost could not be ruled out. The cost escalation was attributable to various reasons such as delay in execution of works, increase in cost of land, increase in payment of Rehabilitation and Resettlement(R&R) assistance due to revision of R&R policy and revision of SoR, *etc.*, which are elucidated in the succeeding paragraphs.

Audit observed significant issues on financial mis-management in the test-checked projects which are given in the Table below.

Table 2.5: Statement showing irregularities noticed in the financial management

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
1	Non receipt of central assistance(CA)	311.60	SIP, UIIP and LIIP	Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) stipulates that the GoI would provide grants for the first instalment at the beginning of the year and after receipt of Utilisation Certificate (UC) for the 1 st instalment, the 2 nd instalment would be released. Audit noticed that the DoWR had submitted claim of ₹986.96 crore (2015-19) in respect of three projects (SIP, UIIP and LIIP) for assistance under PMKSY during 2015-19. Against the above claimed amount, the GoI had released CA of ₹675.36 crore due to non-submission of UCs by DoWR on time and the balance amount for ₹311.60 crore was not released by the centre, thus depriving the State of CA.
		592.34	RRBC	GoI stopped funding under AIBP (2010-11) for want of forest clearance for the branch canal construction of RRBC. The project was also not included in PMKSY thereby losing central assistance of ₹592.34 crore. Government stated (July 2021) that UCs were being submitted and proposals were being sent for receipt of CA. However, fact remained that the State lost CA of ₹592.34 crore.
2	Parking of funds in various bank accounts	334.64	SIP, LIIP and RRBC	OTC Rule 242 stipulates that no money shall be drawn from the treasury unless required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. Audit

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
				<p>scrutiny revealed that:</p> <p>(i)The competent authority of SIP project had drawn an amount of ₹75 crore between December 2011 and June 2015 and kept with the Project Director, R&R, towards payment of R&R assistance. However, the amount was not utilised for the intended purpose and instead was kept in savings bank accounts from December 2011 till Audit during September 2019. This indicates that the amount had been withdrawn without immediate requirement in violation of OTC Rule 242.</p> <p>(ii)Similarly, in violation to circular (September 2012) of Revenue and Disaster Management Department which stipulated for depositing advances in civil deposits, advance drawn on account of compensation for LA and R&R assistance of ₹334.64 crore were kept in various bank accounts (2011 to 2019) instead of depositing under the Head of Account 8443 Civil Deposits by Project Director (PD) (R&R and LAO) of three projects (SIP, LIIP, & RRBC).</p> <p>Government stated (July 2021) that in order to avoid the process of drawing from Civil Deposits for immediate disbursement of R&R assistance, funds were kept in bank accounts. The reply is not acceptable as it happened over eight years and also in violation to the circular instructions.</p>
3	Non-remittance of revenue	66.94	SIP, RRBC and LIIP	<p>As per rule 25 of chapter 3 of Odisha GFR, the controlling officer shall remit all sums collected which are due to the Government regularly and promptly into Government account. Audit noticed that the Project authorities (SIP, RRBC and LIIP) failed to deposit the interest earned on funds kept in various bank accounts amounting to ₹66.94 crore in violation to the above rules.</p> <p>Government stated (July 2021) that ₹30.71 crore had been deposited and the balance amount of interest would be deposited on receipt of interest confirmation from banks.</p>
4	Outstanding advance	64.94	SIP and RRBC	<p>As per Resolution No.9133 dated 6 September 2012 of Works Department, GoO, one third of the award amount was to be paid as 1st advance to Odisha Construction Corporation (OCC). After adjustment of 75 per cent of the 1st advance, the 2nd advance was to be sanctioned and so on. Audit noticed that the EEs of two projects (SIP and RRBC) paid an amount of ₹381.55 crore to OCC</p>

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
				(June 2016 to May 2017) in respect of four works ⁷ without adjustment of 75 per cent of the first advance, of which ₹316.61 crore had been subsequently adjusted as of April 2021. The balance advance of ₹64.94 crore remained outstanding and the works remained incomplete beyond stipulated date as of September, 2021. No specific reply was furnished by Government for non-adjustment of advance.
5	Inadmissible payment Of GST	10.23	SIP, LIIP, MLP	GoI introduced Goods and Service Tax (GST) with effect from 1 July 2017 but no GST was paid on work bills up to September 2018. From October 2018, 12 per cent GST was paid on work bills. Three works ⁸ of three projects (SIP, LIIP, MLP) were awarded to agencies for completion between May 2017 and November 2017 but extended beyond October 2018. Agencies could not complete the works within the stipulated period for which unwarranted GST of ₹10.23 crore was paid. Government stated (July 2021) that payment of GST was inevitable for contracts wherein extension of time had been granted. However, it also stated that the audit observation had been noted for future guidance. Had the department monitored and completed the works on time which were executed on Engineering, Procurement and Construction (EPC) mode, payment of GST could have been avoided.
6	Inadmissible payment of service taxes	3.99	UIIP & MLP	As per para 12 (d) of Service Tax Notification No.25/2012 dated 20 June 2012, the Service Tax had been exempted from construction of a structure meant for use as canal, dam or other irrigation works. But it was noticed that in violation to aforesaid authority, the EEs of two test checked projects (UIIP & MLP) had paid (December 2016 to February 2018) Service Tax of ₹3.99 crore to OCC which was inadmissible and needed to be recovered. Government stated (July 2021) that service tax for consultancy service for irrigation was not exempted and if exempted, refund would be claimed. The reply is not acceptable since consultancy service

⁷ (i) Construction of spillway of Haldia Dam, (ii) Construction of feeder canal of Baisinga branch canal, (iii) Restoration of Subernarekha Main Canal (SMC) and (iv) Construction of protection wall of RRBC from Reduced Distance (RD) 88.70 km to RD 91.50 km.

⁸ (i) Construction of damaged portion of SMC from RD 45.32 km to 45.52 km, and from 45.56 km to 45.64 km, (ii) Construction of balance work of Bagomunda branch canal, and (iii) Goimundi distributaries of LIIP

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
				charges are part of the project cost and hence exempted.
7	Non-realisation of cost of repair of canal	11.17	RRBC	Bhushan Steel Plant exists on the right side of the RRBC. The DoWR had accorded permission of Right of Way for transportation of raw materials/finished product to Bhushan Steel Plant through construction of double track road adjacent to the left side of canal at RD 39.570 km. Due to plying of heavy vehicles to the Steel Plant in the track, the RRBC at RD 39.275 to 39.959 km had been damaged. For restoration of the canal and other damages, the department assessed and demanded (December 2018) ₹11.67 crore. Against the total demand, Bhushan Steel had deposited in advance (May 2014) ₹50 lakh before assessment and balance ₹11.17 crore remained unrealised (August 2019). No follow up by the Department had been done in the matter. Government accepted (July 2021) that after completion of work the entire expenditure would be recovered from the industry without mentioning loss of revenue by way of interest.
8	Non recovery of cost of compensatory irrigation	159.46	RRBC	GoO vide No.4538 dated 24 February 2016 notified that industries using the irrigation ayacut area were liable to pay the cost of construction of the project per ha and 25 per cent of the above cost towards delay for construction of three years. Audit noticed that seven industries used 5498.49 ha ayacut of RRBC. As such, an amount of ₹159.46 crore at ₹2.32 lakh ⁹ per ha plus 25 per cent for delay was to be recovered from such industries which had not been recovered (September 2019). On this being pointed out, the Government stated (July 2021) that ₹6.53 crore had been deposited by two industries and the balance amount would be recovered from the industries as per Government guidelines.
9	Inadmissible payment of contingency charges	2.84	SIP	GoO in their Resolution No.9133 dated 6 September 2012 devised the guidelines for award of work to PSUs. As per the guidelines the work was to be awarded to PSUs at the estimated rate plus corporation charges at 10 per cent. There was no provision for payment of contingency charges. In violation to the above order, contingency charges of ₹2.84 crore at one per cent was paid to OCC in respect of four works of SIP.

⁹ Cost per ha = Cost of the project/CCA i.e. 1,96,233 lakh/84,406 = ₹2.32 lakh per ha

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
				The Government stated (July 2021) that any payment towards contingency charges would be reimbursed by the agency at the time of final payment.
10	Non-recovery of royalty	4.26	LIIP	As per rule pertaining to minor minerals, royalty at prescribed rate was to be recovered from the bills of the contractors for the construction materials <i>i.e.</i> soil, sand, stone <i>etc.</i> , in case the contractor had not deposited the same. Ten works ¹⁰ were awarded for ₹88.07 crore for completion between November 2014 and July 2018. The contractors transported 14.31 lakh cum of burrow earth for execution of canal embankment. The royalty on earth at ₹27.44/₹35 per cum amounting to ₹4.26 crore had not been recovered from the bills of the contractors leading to loss of revenue. Government stated (July 2021) that royalty amounting to ₹1.17 crore had been recovered and the balance would be collected.
11	Loss of revenue due to non-certification of ayacut	23.99	SIP, UIIP and RLBC	As per GoO, Finance Department's Report of Expert Committee on Revenue enhancement measures, the EEs were responsible for preparation and certification of irrigated ayacut for the purpose of assessment of revenue. A joint verification is to be conducted by Revenue Department and DoWR. The assessment of revenue is finalised after joint verification. Audit noticed that 83,082 ha irrigation provided during 1987 to 2012 were not certified through joint verification. As a result, water rate could not be recovered from farmers resulting in loss of revenue of ₹23.99 crore ¹¹ . Government stated (July 2021) that in SIP projects steps were being taken to get the irrigated ayacuts certified from Tahasildars soon.
12	Unauthorised expenditure for want of revised administrative approval	617.44	UIIP & MIPs	Para 3.2.4 of OPWD code stipulates that if the expenditure on a project exceeds 10 per cent of the administratively approved cost, a revised administrative approval of the competent authority must be obtained for the excess expenditure without delay. Audit noticed that though the expenditure

¹⁰ (i) Construction of Mamiyan distributaries of LIIP, (ii) Diaton Branch canal from RD.0/0 to 6.50 km, (iii) Construction of Chuliphunka Sub-minor, (iv) Construction of Nagaljore Sub-minor, (v) Construction of Alanda distributaries, (vi) Construction of Jampada distributaries, (vii) Construction of balance work of Palaskhanda distributary, (viii) Construction of Diaton branch canal from 6.50 to 9.50 km, (ix) Construction of Manigaon Minor, and (x) Construction of Bangomunda branch canal

¹¹ Ayacut area irrigated X Number of years X Annual water rate

Sl. No	Nature of irregularities	Amount (₹ in crore)	Projects involved	Irregularities in brief
				of UIIP and seven MI projects exceeded the revised sanctioned cost by more than 10 per cent, the revised Administrative Approval had not yet been obtained as of March 2021.
Total		2,203.84		

(Source: Compiled by Audit)

As summarized above, the financial management of the test checked projects was marred due to non-incurring of expenditure to complete the projects despite availability of funds. Since the authorities of five test checked projects could not spend the funds for which it was sanctioned due to delay in mandatory clearances, handing over of site *etc.*, a sum of ₹842.98 crore was surrendered during 2014-20. Issues like non receipt of CA, parking of funds in various banks without its utilization for which it was drawn, non-depositing of advances in civil deposit accounts, non-realisation of government revenue, non-adjustment of advances and inadmissible payment of tax aggregating ₹2,203.84 crore *etc.* were noticed.

During Exit Conference (August 2021) the Principal Secretary, DoWR concurred with the financial observations mentioned above and promised to initiate action. Some of the actions already taken have been mentioned in the above table.

Recommendations:

- **Department needs to closely monitor financial management of the irrigation projects and fix responsibility on the executives for financial irregularities.**