



CHAPTER V
Compliance Audit

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COMMERCE & TRANSPORT (COMMERCE) DEPARTMENT

5.1 Non-realisation of interest on delayed payment of lease rent

Non-adherence to provisions of the Concession Agreement for collection of Government revenue resulted in non-realisation of interest of ₹23.97 lakh

Government of Odisha (GoO) executed a Concession Agreement (CA) with a company¹¹⁸ on 14 September 2006 and a Lease Agreement (LA) on 12 June 2013, for expansion, development and operation of Gopalpur Port in the Ganjam district on Build, Own, Operate, Share and Transfer (BOOST) mode. Accordingly, Government land measuring 393.670 acre was leased out to the company on 30 October 2006, for a term of 30 years or up to end date, whichever was earlier. Further, as per Clause 9.2(A) of the CA, lease charges¹¹⁹ were to be paid half-yearly within seven days following the relevant half-year. Further, Clause 9.4 of the CA stipulated that failure to pay these lease charges within the stipulated time would render the company liable to pay interest on the amount due at the rate of one *per cent* per month, for delay of every month or part thereof. It was also provided in the CA that if the State Bank of India Prime Lending Rate (SBIPLR)¹²⁰ is increased by more than 12 *per cent* the applicable interest rate shall be equal to one-twelfth of the SBIPLR.

Scrutiny of lease records (August 2022) of the Executive Engineer (Civil), Port and Inland Water Transport (P&IWT), South Division, Berhampur revealed that the Company had deposited arrear lease charges of ₹159.44 lakh on 26 February 2018, relating to half-yearly periods from 30 October 2015 to 29 October 2017, as per the enhanced rate of land premium after introduction (August 2015) of the Industrial Policy Resolution (IPR), 2015. The arrear lease charges were deposited with delays ranging from four to 22 months as detailed in *Appendix-XXII* However, penal interest of ₹23.97 lakh for the belated payment had neither been levied by the Executive Engineer, nor had it been deposited by the Company.

The matter was intimated to the Government in August 2023. Their reply was awaited (March 2025).

¹¹⁸ M/s Gopalpur Ports Private Limited

¹¹⁹ Lease rent, ground rent and cess as per Lease Agreement of 2013

¹²⁰ SBIPLR is the interest rate that State Bank India charge to its most creditworthy customers, generally large corporations

COMMERCE & TRANSPORT (TRANSPORT) DEPARTMENT

5.2. Short levy of motor vehicle tax

Regional Transport Officers did not realise Motor Vehicle tax of ₹26.74 lakh and penalty of ₹5.35 lakh, from owners of Tractor-Trailer combinations

Rule 8 of the Odisha Motor Vehicle Taxation (OMVT) Rules, 1976, prescribes that the Taxing Officer, after satisfying himself that: (i) every declaration delivered to him under Rule 6 is complete in every respect and (ii) the amount tendered towards the tax/additional tax/one-time tax (OTT) due is equal to the amount of tax/additional tax/OTT which appears, from such declaration, to be payable, shall accept payment and grant a receipt thereof.

As per Section 4-C of the OMVT Amendment Act, 2017, with effect from 21 November 2017, OTT was to be levied and collected at the rate equal to three *per cent* of the cost of the vehicle, in respect of every Tractor-Trailer combination, the laden weight (LW) of which did not exceed 9,500 kgs.

Vehicles which had already been on road in the State prior to the commencement of OMVT Amendment Act, 2017 (in which OTT was introduced), were, however, required to pay usual OTT¹²¹ at three *per cent* of the cost of vehicle after deducting one-fifteenth for each completed year for which MV tax had been paid, but in no case, shall such payable amount of tax be less than one-tenth of such usual OTT.

In this regard the Transport Commissioner (TC) issued (October 2019) a Circular, with specific instructions that OTT of trailer was to be calculated and realised as balance OTT against tractor in which trailer is to be attached. Further, under Section 13 of the OMVT Act, 1975, read with rule 9 of the OMVT Rules, 1976, a penalty of OTT shall be levied at the rate of ten *per cent* of the OTT due in respect of the vehicle for every month or part thereof after expiry of the grace period of one month during which the delay would continue subject to the maximum of twice the annual rate of tax, *i.e.*, 20 *per cent* of the tax due, for failure to pay the tax.

Audit test checked (December 2022 to January 2023) records of four¹²² out of 35 Regional Transport Offices (RTOs) and the VAHAN¹²³ database, relating to payment of OTT for Tractor-Trailer combinations, with LW not exceeding 9,500 Kgs. The test check revealed that out of 1,174 registered owners who had paid MV Tax between December 2017 and April 2022, in 830 cases, OTT had been paid for the tractors by excluding the cost/sale value of trailer for tractor-trailer combination. This had resulted in short realisation of MV tax of

¹²¹ Usual OTT means such amount of tax payable in respect of such vehicle, calculated on the basis of three per centum of the cost of such vehicle prevalent on the date of its first registration

¹²² Regional Transport Offices: Ganjam at Chhatrapur; Deogarh; Bargarh; and Bhubaneswar-II

¹²³ VAHAN is an application software, intended to cater to the requirements for registration of vehicles and collection of taxes by the Transport Department

₹26.74 lakh and penalty of ₹5.35 lakh, totalling to ₹32.09 lakh, as detailed in the **Table 5.1**.

Table 5.1: Short payment of OTT and penalty leviable thereon

(₹in lakh)								
Sl. No.	RTO	Total No. of Vehicles	No. of Vehicles that paid less tax	Tax due	Tax paid	Differential tax	Penalty (at 20 per cent)	Total
A.	B.	C.	D.	E.	F.	G.	H.	I.
01	Ganjam at Chhatrapur	559	477	110.48	97.14	13.34	2.67	16.01
02	Deogarh	261	123	26.79	22.54	4.25	0.85	5.10
03	Bargarh	279	185	41.25	34.00	7.25	1.45	8.70
04	Bhubaneswar -II	75	45	10.56	8.66	1.90	0.38	2.28
Total		1,174	830	189.08	162.34	26.74	5.35	32.09

Source: Records at the RTOs, along with data from the VAHAN database

The concerned Tax Authorities had not taken any action against the vehicle owners, for realisation of differential tax and imposition of penalty thereon.

On this being pointed out in audit, three RTOs¹²⁴ replied (December 2022 and January 2023) that necessary steps would be taken to realise the differential MV tax. RTO, Bhubaneswar-II, replied that the cost of tractor included the sale value of the trailer. The reply was not tenable, as the Circular of the TC (October 2019) had stipulated that OTT of the trailer is to be calculated and realised as balance OTT against the tractor in which the trailer is to be attached.

The matter was brought to the notice (May 2023) of the Government of Odisha; reply was awaited (March 2025).

5.3. Short-realisation of revenue, due to misclassification of stage carriage permits

There was short-realisation of tax¹²⁵/ additional tax¹²⁶ of ₹7.10 lakh and penalty thereon of ₹14.21 lakh, due to misclassification of stage carriage¹²⁷ permits

As per Rule 2(d) of the Odisha Motor Vehicle Rules (OMVR), 1993, an 'Express Stage Carriage' means a stage carriage with a permit authorising the same to stop, pick up and set down passengers once in an average distance of 25 kilometers (kms), covered by its route, with the exception of District, Sub-division, Tehsil, Block Headquarters *en-route* and the place of its starting and terminus point, which is not required to be counted to arrive at the average stoppage of 25 kms.

¹²⁴ Regional Transport Offices Ganjam at Chhatrapur, Deogarh and Bargarh

¹²⁵ The tax leviable under Odisha Motor Vehicle Taxation Act, 1975

¹²⁶ Levied on every Public Service Vehicle and Goods carriage used or kept of use within the State, an additional tax at a rate specified in Schedule-I

¹²⁷ A motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of journey

As per Rule 2 (f-i) of OMVR, 1993, an ‘Ordinary service Carriage’ means a Stage Carriage with a permit authorising the same to stop, to pick up and set down passengers once in an average distance of five kms covered by its route, with the exception of District, Sub-division, Tehsil, Block Headquarters en-route and the place of its starting and terminus.

The rates of tax/additional tax, for Ordinary and Express services are prescribed in item 4A of the Taxation Schedule-I, appended to the Odisha Motor Vehicle Taxation (OMVT) Act, 1975, as amended in November 2017 and July 2018, respectively. Moreover, in the event of non-payment of tax dues, Section 13(1) of OMVT Act, 1975 prescribes charging a penalty, up to twice the tax due.

During test-check of records relating to stage carriage permits and review of the VAHAN¹²⁸ database for the period August 2018 to November 2022, of 35 RTOs, Audit observed (December 2022) that two¹²⁹ RTOs had classified six stage carriages as Ordinary Service Carriages, instead of Express Service Carriages and, accordingly, issued them Ordinary class service permits, instead of Express class service permits, resulting in short-realisation of revenue. It was noted that the average distance, between the activities of stopping and picking up passengers, for these six stage carriages, was more than 25 kms in each case. Therefore, these six stage carriages should have been classified as Express Service Carriages, and accordingly issued express class service permits. This misclassification had resulted in short-realisation of tax and penalty of ₹21.31 lakh, for the period from August 2018 to November 2022, as detailed in *Appendix-XXIII*.

The matter was brought to the notice of the Government during May 2023; reply was awaited (March 2025).

5.4 Non-realisation of motor vehicles tax and additional tax from Goods Carriages

Regional Transport Officers did not realise Motor Vehicles tax of ₹1.87 crore and penalty of up to ₹3.73 crore, from 1,109 defaulting vehicle owners

As per Sections 3, 3A, 4(1) and 10 of the Odisha Motor Vehicles Taxation (OMVT) Act, 1975, motor vehicles tax and additional tax due on every motor vehicle, used or kept for use, has to be paid in advance, at the rates prescribed for different classes of vehicles, as per taxation Schedule I of the Act, as amended (21 November 2017), unless exemption from payment of such tax has been allowed, for the period covered, under ‘off-road undertaking’¹³⁰. As per Section 13(1) of the Act, read with Rule 9(2) of the OMVT Rules, 1976, if

¹²⁸ VAHAN is an application software intended to cater to the requirements for registration of vehicles and collection of taxes by the Transport Department

¹²⁹ Ganjam at Chatrapur and Deogarh

¹³⁰ An undertaking given by the owner of the vehicle, to the RTO, under Section 10(1) of the OMVT Act, 1975 and prior permission obtained from him for not plying the vehicle for a temporary period and for not paying tax for the said period

the tax is not paid within two months after expiry of the grace period of 15 days from the due date of payment, the registered owner, or the person having possession or control thereof, shall, in addition to payment of tax due, be liable to pay penalty, at the rate double the tax/additional tax. Further, as per the instructions of State Transport Authority (February 1966), the Regional Transport Officers (RTOs) are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax. In case of default, Tax Recovery Certificate (TRC) cases are to be instituted, within a period not exceeding 30 days from the date of service of the demand notice, to pay the amount.

Audit analysed (April 2022 to February 2023) the VAHAN¹³¹ database, with the taxation records of all 35 RTOs, relating to the financial year 2022-23. It was observed that the owners of 1,109, out of 1,36,341 Goods Carriages¹³² pertaining to 25 RTOs¹³³ had not paid Motor Vehicles (MV) Tax and Additional Tax, amounting to ₹1.87 crore, during FY 2022-23. On verification of the off-road registers maintained at the concerned RTOs it was observed that these vehicles had not been exempted through off-road undertakings under Section 10(1) of the Act. Since the period of delay in payment of MV tax and additional tax in all these cases was more than two months, penalty at the rate of twice the tax due, *i.e.*, ₹3.73 crore, was also leviable.

Though the VAHAN software allows the RTOs to generate tax defaulter lists at any point of time, the concerned RTOs had neither issued demand notices, nor taken any action against the defaulting vehicle owners for realisation of tax and penalty thereon. This had resulted in non-realisation of MV tax and additional tax of ₹1.87 crore. Penalty up to ₹3.73 crore should also have been levied on the defaulters, as detailed in *Appendix-XXIV*.

In reply, the RTOs stated (May 2022 to February 2023) that steps would be taken to issue demand Notices/TRCs for realisation of MV tax and penalty from the defaulters.

The matter was intimated to the Government (June 2023); reply was awaited (March 2025).

¹³¹ VAHAN is an application software intended to cater to requirements for registration of vehicles and collection of taxes by the Transport Department

¹³² 'Goods Carriage' means any motor vehicle constructed or adapted for use, solely for the carriage of goods, or any motor vehicle not so constructed or adapted, when used for the carriage of goods

¹³³ Bargarh, Balasore, Balangir, Bhadrak, Bhubaneswar-I, Bhubaneswar-II, Chandikhole, Cuttack, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Kendrapada, Koraput, Nawarangpur, Nuapada, Puri, Rayagada, Rourkela, Sambalpur, Sundargarh and Talcher

FOREST, ENVIRONMENT & CLIMATE CHANGE DEPARTMENT

5.5 Non-ralisation of Net Present Value and interest

Non-ralisation of Net Present Value (NPV) of ₹6.71 crore and interest of ₹2.87 crore, on delayed payment of NPV

As per Section 2 of the Forest (Conservation) Act, 1980, read with the orders of the Hon'ble Supreme Court of India issued in October 2002, the NPV¹³⁴ of forest land diverted for non-forest purposes is to be recovered from the user agencies (UAs) as compensation to undertake forest protection, other conservation measures and related activities. As per Rules 8(1)(a) and (b) of Forest Conservation Rules, 2003, the Nodal Officer¹³⁵ shall, within five days of receipt of the in-principle approval (Stage-I) from Ministry of Environment, Forests and Climate Change (MoEF & CC), endorse a copy of the same to the concerned Divisional Forest Officer (DFO) and the Conservator of Forests. On receipt of the copy of in-principle approval, the DFO shall prepare a demand note, containing the item-wise amount of compensatory levies¹³⁶, including the NPV, to be paid, and communicate the same to the UA within ten days of the receipt of a copy of the approval.

Further, the Central Empowered Committee (CEC), constituted by the Hon'ble Supreme Court, had ordered (May 2010) that holders of mining leases, who do not pay the NPV within a period of 30 days from the date of raising of the demands by the concerned DFOs, will not be allowed to continue mining, till the payment of NPV along with applicable interest has been made. The Forest and Environment Department, Government of Odisha (GoO), in May 2013, prescribed the rate of interest for delayed payment of NPV as nine *per cent* per annum.

(a) Non-ralisation of NPV

Scrutiny of forest land diversion records at DFO, Angul, revealed (February 2023) that Stage-I (in-principle) approval, for diversion of 91.929 ha of forest land, in favour of M/s Vedanta Limited, was accorded on 06 January 2022 by MoEF&CC. The DFO had, however, not raised the demand note to the UA, for payment of NPV of ₹6.71 crore¹³⁷ by the due date (20 January 2022). As such, the NPV had remained unrealised despite a lapse of more than a year due to non-raising of demand by the DFO.

¹³⁴ The rates of NPV are different depending upon the Eco-Value class, *viz.*, very dense forest, dense forest and open forest. There are two rates of NPV per ha. *i.e.*, ₹7,30,000 and ₹7,50,000 in respect of all the five UAs, as per their Eco-Value class

¹³⁵ "Nodal Officer" means any officer not below the rank of Conservator of Forests, authorised by the State Government to deal with the forest conservation matters under the Forest (Conservation) Act, 1980

¹³⁶ Compensatory levies include funds received towards Compensatory Afforestation, Catchment Area Treatment Plan, Wildlife Conservation Plan, Soil and Moisture conservation activities, Safety Zone Management *etc.*

¹³⁷ NPV at the rate of ₹7,30,000 per ha x 91.929 ha = ₹6,71,08,170 as per evaluation made by the DFO, Angul Division

In reply the Government stated (August 2023) that demand for payment of NPV amounting to ₹6.71 crore had been made in respect of M/s Vedanta Limited, on 24 February 2023, but the UA has not deposited the amount as on date.

The reply of the Government is not tenable as the demand for NPV was made with a delay of 399 days (20 January 2022 to 24 February 2023) after the due date. Moreover, as there was lapse of more than 30 days from the date of demand, the UA (M/s Vedanta Limited) was also liable to pay the interest component at the rate of nine *per cent* beyond the 30 days limit till the date of actual payment.

(b) Non-realisation of interest on belated payment of NPV

Scrutiny of forest land diversion records at DFO, Cuttack, revealed (February 2023) that forest land of 922.63 ha, had been diverted, in favour of two UAs, *i.e.*, M/s T.S. Alloys Limited (Kamarda, Sukinda and Sarubali Chromite mines) and M/s Odisha Mining Corporation (OMC) Limited (Sukrangi Chromite mine), in four diversion cases. The DFO had issued (between January and April 2020) demand notices to the UAs, for payment of NPV at the prescribed rate, amounting to ₹68.75 crore.

Audit noticed that against the time limit of 30 days for payment of NPV, the UAs had deposited the NPV amounts, with delays ranging from 41 to 696 days, from the due dates of payment. However, interest of ₹2.87 crore, at the prescribed rate of nine *per cent*, for the delayed payment of NPV, had neither been demanded by the concerned DFO, nor had it been deposited by these UAs, as detailed in *Appendix-XXV*. As a result, the said amount, towards interest on NPV, remained unrealised from the UAs, as of February 2023.

The Government in its reply stated (August 2023) that for the three cases in respect of M/s. T.S. Alloys Limited, of belated payment of interest, as per the guidelines dated 31 March 2020 of MoEF&CC, on the date of issuance of the Letter of Intent (LoI), the State shall realise a lump sum amount of ₹7,50,000 per ha (for the total forest area within the mining lease) from the new LoI holder. Owing to the above guidelines, the amount that was realised from the new lessee was not the NPV amount. Thus, the interest on the belated payment of NPV is not applicable for these three cases. For the fourth case in respect of OMC, of belated payment of NPV, it was stated that the State Government's order to levy interest at nine *per cent* relates to leases covered under IA No. 2746-2748 of 2009. The instant proposal is not a mining proposal and does not come under the above IA.

The reply of the Government is not correct, as for the first three cases of belated payment of NPV, the lump sum amount under reference was meant for NPV and other statutory levies for obtaining approval for diversion of forest land, under the Forest Conservation Act. Moreover, the demand notice made to the UAs had clearly indicated the amount demanded was towards payment of NPV. In addition, the fourth case of diversion relates to mining activities and as the order of the Supreme Court is applicable to all cases, wherein the NPV for diversion of forest land has been deposited belatedly.

5.6. Irregular diversion of seedlings raised from State CAMPA fund

Divisional Forest Officers diverted 18 months seedlings¹³⁸ raised at the cost of ₹3.63 crore from the CAMPA fund to various State and Centrally sponsored schemes

As per Section 2 of the Forest (Conservation) Act, 1980, read with the orders of the Hon'ble Supreme Court of India (October 2002), in Writ Petition (Civil) No. 202/95, forest land could be diverted for non-forest activities, with the approval of Government of India (GoI) and on payment of the NPV¹³⁹ of forest land and other allied charges. As per Rule 5(2) and (3) read with the Explanation 2 therein, of the Compensatory Afforestation Fund (CAF) Rules, 2018, the monies received towards NPV and deposited with the State Compensatory Afforestation Fund Management Authority (CAMPA), shall be used in the manner provided in sub-rule (2) and (3). Further, in the aforesaid explanation, it was stipulated that mixing of the monies received towards NPV shall not be allowed with any other State Schemes under implementation from any other budget.

Scrutiny of records (January to April 2023), relating to State CAMPA, for the financial years 2020-21 to 2022-23 of seven Divisional Forest Officers¹⁴⁰ (DFOs), revealed that 28.50 lakh seedlings were raised between 2020-21 and 2022-23 at a cost of ₹10.49 crore for use in compensatory afforestation (CAMPA plantations). Out of the above, 11.46 lakh seedlings were distributed/utilised in other plantation schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Increasing Green Cover (IGC), Green Mahanadi Mission (GMM), Odisha Forestry Sector Development Project (OFSDP) and Corporate Social Responsibility (CSR), resulting in diversion of CAMPA funds of ₹3.63 crore in the form of seedlings, as detailed in the *Appendix-XXVI*.

In reply, the Government stated (August 2023) that the production and distribution of seedlings/quality planting material is taken up under 20 *per cent* components of CAMPA funds, as per Rule 5(3) (j), of the CAF Rules, 2018. It was further stated that during 2020-21 to 2022-23 18 months old seedlings were raised under NPV and interest money for afforestation activities under CAMPA. After meeting the requirement of seedlings in plantations under CAMPA, the surplus 18 months old seedlings were used by the Implementing Offices in plantation activities in other Government Schemes taken up in Government land due to scarcity of quality planting materials.

The replies were not tenable as the explanation 2 of the Rule 5 of CAF Rules, 2018, states that, “the mixing of the monies received towards NPV shall not be

¹³⁸ Plants raised and maintained up to 18 months in nurseries for subsequent plantation

¹³⁹ NPV is a scientific method of calculating the environmental cost and other losses caused due to diversion of forest land for non-forestry purpose. NPV represents the net value of various eco-system services and other environmental services in monetary terms which the forest would have provided if it would not have been diverted

¹⁴⁰ Angul, Baripada, Cuttack, Dhenkanal, Ghumsur North, Jharsuguda and Rairangpur

allowed with any other State schemes under implementation from any other budget either for capital or spill over works and the works undertaken under sub-rule (2) and sub-rule (3) shall be on standalone basis and there shall not be any duplication of permitted works under different components". The monies earmarked to compensate for the forest loss were diverted to other schemes in the form of seedlings. Moreover, as there is separate funding provision in these other plantation schemes, duplication/misutilisation of the CAMPA funds could not be ruled out.

Further Sub-rule 3(j) of Rule 5 of CAF Rules provides that quality planting material can be produced and distributed at subsidised price for promotion of trees outside the forests on Government lands. In reply the Government has stated that the surplus seedlings were distributed. While the seedlings were required to be raised as per the targets of plantation in the subsequent years, huge surplus of seedlings indicated poor planning and erroneous provisioning. Further, these surplus seedlings were not distributed at subsidised price as required under Rule 5(3)(j) of CAF Rules and were provided free of cost for use in plantations under other schemes in places that included different types of forest land¹⁴¹.

5.7 Non-realisation of compensatory dues for diversion of forest land

Non-realisation of compensatory dues of ₹20.86 crore from the new User Agency on transfer of forest land

As per Section 2 of the Forest (Conservation) Act, 1980, notwithstanding anything contained in any other law for the time being in force, no State Government or other authority shall make, except with the prior approval of the Central Government, any order directing that any forest land or any portion thereof may be used for any non-forest purpose. Further, Para 5.1(c) of the Handbook of Forest (Conservation) Act, 1980 and Forest Conservation Rules, 2003, issued by MoEF&CC, GoI in March 2019, specifies that transfer of the diverted land to other User Agency (UA) can be considered by the Central Government (MoEF&CC) for same use and on same conditions as applicable to earlier UA.

Scrutiny of records (June 2022 and May 2023) of Divisional Forest Officer (DFO), Mangrove Forest Division (Wildlife), Rajnagar revealed that the Ministry of Environment, Forests and Climate Change (MoEF&CC) had accorded in-principle (Stage-I¹⁴²) (September 2008) and final (Stage-II¹⁴³) (May 2011) approval for diversion of 1,253.225 ha of forest land in favour of POSCO-India Private Limited for the establishment of an Integrated Steel Plant and Captive Port in Jagatsinghpur district. POSCO-India Private Limited deposited (November 2009) a sum of ₹105.40 crore in the CAMPA Fund

¹⁴¹ Khesra Forest (KF), Protected Reserve Forest (PRF), Reserve Forest (RF) and Village Forest (VF)

¹⁴² In Stage-I, the proposal shall be agreed to in-principle, in which the conditions relating to transfer, mutation and declaration of equivalent non-forestland as RF or PF under the Indian Forest Act for CA thereon are usually stipulated.

¹⁴³ After receipt of the compliance report from the State Government in respect of the stipulated conditions, formal approval (Stage-II) under the Act shall be issued.

towards various compensatory levies¹⁴⁴. However, the stipulated cost of ₹10.33 crore towards afforestation programme in the blanks (unused space) within the lease area, as well as along the roads outside the lease area, and cost towards regeneration of degraded Mangrove Forest had not been deposited by the UA. As the project was a non-starter, the MoEF&CC approved (16 October 2019) the proposal for transfer of final forest clearance for 1,083.691 ha forest area (out of 1,253.225 ha) in favour of M/s JSW Utkal Steel Limited, in accordance with provisions prescribed in para 5.1 of the Handbook of Forest (Conservation) Act. The proposal was approved with the condition that the new UA shall be liable to inherit and pay all liabilities of the erstwhile agency. In addition, it was also stipulated that 169.534 ha¹⁴⁵ of balance forest land shall be returned to the Forest Department, and this land shall be adequately afforested with native forestry species and shall be protected at the cost of the new UA.

Further, scrutiny of records revealed that an amount of ₹20.86 crore, comprising of compensatory afforestation programme in the blanks within the lease area as well as along the roads outside the lease area, cost of plantation over balance area of 169.534 ha and cost of Regeneration of Degraded Mangroves Forest (RDF) had not been realised from the new UA till date (May 2024) as detailed in *Appendix-XXVII*.

In reply, the Government accepted the audit observation and stated (May 2024) that, an undertaking has been submitted by the new UA regarding afforestation worth ₹10.33 crore in the blanks within the lease area as well as along the roads outside the lease area. It was also stated that the cost for plantation over the area of 169.534 ha to be borne by the new UA has been revised to ₹4.18 crore based on the current wage rate of ₹352 along with 10 years maintenance and six months old seedlings which sums up to an amount of ₹8.04 crore. Moreover, the new UA has submitted an undertaking to bear the cost of RDF Scheme worth ₹6.35 crore over the degraded forest land of 1,254 ha when approved by the Competent Authority.

However, the reply is futuristic and subject to actual implementation and realisation.

5.8 Non-disposal of Timber, Poles and sandal wood

The Divisional Forest Officers did not take timely action for disposal of timber, poles and firewood, which resulted in blocking of revenue of ₹2.49 crore

The Government of Odisha (GoO), Forest, Environment and Climate Change (FE&CC) Department, had instructed (August 2005) the Principal Chief Conservator of Forests (PCCF) and Head of Forest Force (HoFF) that timber and other forest produce, seized in undetected (UD) forest offence cases, be

¹⁴⁴ ₹9,61,78,070 towards cost of Compensatory Afforestation, ₹5,09,23,744 towards cost of massive social forestry programme, ₹72,68,70,500 towards cost of Net Present Value and ₹18,00,00,000 towards cost of action plan of conservation of marine fauna

¹⁴⁵ 1,253.225 ha – 1,083.691 ha = 169.534 ha

disposed of, either by public auction or by delivery to the Odisha Forest Development Corporation Limited (OFDC), within two months from the date of seizure, in order to avoid loss of revenue and deterioration in quality and consequent value reduction on account of prolonged storage. The Department recommended sale price of sandal wood during December 2004 and the rates of royalty¹⁴⁶ on timber for the year 2021-22 were fixed in October 2021. In order to ascertain the value of sandalwood, Audit referred to a quarterly journal on sandalwood 'Wood is Good' (September 2021) published by the Institute of Wood Science and Technology (IWST)¹⁴⁷, Bengaluru, wherein the current price of sandal wood logs in India was stated to be ranging from ₹2,850 per kg to ₹13,700 per kg, based on their class.

Test check of records (2022-23) pertaining to 15 forest divisions¹⁴⁸ revealed that 14,475.03 Cubic feet (cft.) of timber (logs and sized), 1,093 poles and 398.65 quintals of firewood seized during 2018-23 against 456 Undetected (UD) forest offence cases were lying un-disposed in forest divisions. Audit observed that as per the rates fixed by the Government, the value of the above materials (other than sandal wood) worked out to ₹52.99 lakh as detailed in *Appendix-XXVIII*.

Further, it was revealed that in three forest divisions¹⁴⁹ 1,962.87 kg of white sandal wood seized during 1989-22 against 24 forest offence cases, were lying un-disposed. The value of 1,962.87 kg of white sandal wood worked out to ₹1.96 crore based on the token rate of ₹10,000 per kilogram as detailed in *Appendix-XXIX*. Thus, non-disposal of timber and white sandalwood resulted in blockage of Government revenue of ₹2.49 crore and avoidable deterioration of quality of forest produce due to prolonged storage.

On this being pointed out, the DFOs replied that steps were being taken to dispose of forest produce early. Further, with regard to disposal of white sandal wood, the DFOs¹⁵⁰ stated that action would be taken after receipt of instructions/orders from Government/ PCCF.

The issue of non-disposal of timber pertaining to UD forest offence cases has been brought out repeatedly in earlier Audit Reports¹⁵¹ of the CAG, but the

¹⁴⁶ Price of wooden logs other than sandal wood

¹⁴⁷ IWST is run by the Indian Council of Forestry Research and Education, an Autonomous body under Ministry of Environment, Forest and Climate Change

¹⁴⁸ Malkanagir, Nayagarh, Jeypore, Jharsuguda, Bhawanipatna, Angul, Bhanjanagar, Balangir, Baripada, Phulbani, koraput, Athamallik, Cuttack, Rairangpur and Sambalpur

¹⁴⁹ Dhenkanal, Cuttack, and Baripada

¹⁵⁰ Baripada, Cuttack, and Dhenkanal

¹⁵¹ Report of CAG (Revenue Receipt) for the year ended 31 March 2008 (para 6.2), Report of CAG (Revenue Receipt) for the year ended 31 March 2009 (para 6.3.1), Report of CAG (Revenue Receipt) for the year ended 31 March 2010 (para 6.3.2), Report of CAG (Revenue Receipt) for the year ended 31 March 2011 (para 6.3.2), Report of CAG (Revenue Receipt) for the year ended 31 March 2012 (para 6.3.2), Report of CAG (Economic Sector) for the year ended 31 March 2014 (para 3.7), Report of CAG (Economic Sector) for the year ended 31 March 2015 (para 3.4), Report of CAG (Economic Sector) for the year ended 31 March 2016 (para 3.4), Report of CAG (Economic Sector) for the year ended 31 March 2017 (para 3.2), Report of CAG (Revenue Sector and Economic Sector) for the year ended 31 March 2019 (para 8.2), and Report of CAG (Compliance Audit) for the year ended March 2022 (para 7.5)

Government did not issue necessary instructions or develop a system for timely disposal of the timber/sandal wood, to avoid risk of decaying/theft. Audit observed that no action other than issuing instructions in August 2005 has been taken by the Government to monitor compliance. Timber disposal policy/SoP should be devised by the Government to avoid recurrence of such losses to the State exchequer.

The matter was brought to the notice of the Government during September 2023; reply was awaited (May 2024).

HANDLOOM, TEXTILE & HANDICRAFTS (HT&H) DEPARTMENT

5.9 Idle expenditure due to non-allotment of newly constructed market building

Inadequate survey and assessment of requirements, preparation of faulty DPR, non-provision of accommodation for all existing weavers etc., resulted in infructuous expenditure of ₹9.38 crore

The Handloom Industry in Odisha is the largest cottage industry providing employment and sustenance to around four *per cent* of the population of the State. The handloom sector in the State works under the Directorate of Textiles (DoT), of the Handloom, Textile & Handicrafts (HT&H) Department, Government of Odisha (GoO).

The Balijuri Handloom Market in Bargarh district of Odisha had been operating since the last two decades but was suffering from infrastructural challenges such as unavailability of permanent structure, lack of sufficient space to accommodate weavers, irregular electricity supply *etc.* Therefore, the Deputy Director Textiles (DDT), Bargarh proposed (May 2015) the setting up of a Bunkar Bazar at Balijuri. Subsequently, the DDT submitted (July 2016) a Detailed Project Report (DPR) to DoT for the construction of 200 stalls and requested the Tahasildar, Bargarh for allotment of five acres of Government land. This land measuring 1.15 acres was, however, handed over by the Tahasildar to the DDT, only in January 2019 *i.e.*, after a gap of around three years. The GoO accorded (October 2018) administrative approval of ₹9.38 crore to set up the said market. The construction of the market building at Balijuri was completed in August 2021 at an expenditure of ₹9.38 crore.

After completion of construction work, the DDT invited (November 2021) applications from weavers for the allotment of stalls. It was noted that the allotment was to be made through a lottery system for an initial period of three months only, and no system of permanent allocation of space in the new building was worked out. Further, the Bunkar Sangha (weavers' association) of the market did not agree to move to the new market building as there were around 2,500 weavers in the Balijuri Handloom market and the new building had provision for 600 weavers only. As a result, only four applications for stall allotment were received by the DDT and stalls could not be allotted as of December 2023.

During a joint physical verification of the site by Audit along with zonal officials of Bargarh, DDT (September 2023), it was noticed that the existing bazaar was functioning in approximately five acres of open land with *pindis*¹⁵² maintained by a State-owned agency *i.e.*, Regulated Marketing Committee (RMC) of Bargarh. In contrast, the new building was a three-storied one without elevator facilities, causing challenges for traders and weavers in transporting their goods. Also, against 200 stalls to be constructed as per DPR, only 134 stalls had actually been constructed.

Thus, inadequate survey and assessment of the requirements of beneficiaries, preparation of faulty DPR, non-provision of accommodation for all existing weavers/traders and short-term system of allocation resulted not only in non-allotment of stalls but ultimately in infructuous expenditure of ₹9.38 crore.

In reply, the Government stated (July 2024) that steps would be taken to make the Bunkar Bazar functional. However, the fact remained that even after almost three years of completion of the market (August 2021), the Government did not ensure fruitful utilisation of space and meet the needs of weavers.

5.10 Non-adherence to handloom policy scheme guidelines

Improper verification of land records by field functionaries of the Directorate of Textiles, led to incorrect selection of 348 beneficiaries and extension of undue benefit to them of ₹2.94 crore

The 'Promotion of Handloom Industries (PoHI)' Scheme was initially started in 1996-97 by the Government of Odisha (GoO) for the economic development of weavers. This Scheme was subsequently expanded to incorporate market development, training, modernisation of looms, focus on production condition *etc.*, through revised guidelines issued in September 2020.

In order to provide a better work environment and safeguard weavers from natural hazards like rain and fire *etc.*, the Handloom, Textile & Handicrafts (HT&H) Department, GoO, issued (September 2020) guidelines to provide Work shed-cum-Housing (WCH) to weavers under the PoHI Scheme. As per Para 4 of the Scheme, financial assistance of ₹1,30,000 was to be provided to beneficiaries in areas coming under Integrated Action Plan (IAP) districts¹⁵³ and ₹1,20,000 for non-IAP districts. Further, as a special incentive, additional amount of ₹10,000 or ₹20,000 was to be provided to the beneficiaries in cases where construction of the work shed-cum-house was completed in all respect within four to six months respectively, from the date of first release of funds. Thus there was no specific timeline set for the completion of the WCH by the

¹⁵² An elevated platform where the weavers sell their products in the market

¹⁵³ Integrated Action Plan (IAP) districts refer to the backward and tribal-dominated districts identified to accelerate development through focused funding for infrastructure and basic services. Out of four test-checked textile zones, DDT Subarnapur falls under IAP district category. As a result, a financial assistance of ₹1,30,000 was allocated to the beneficiaries of DDT Subarnapur.

beneficiary and only an incentive provided for completion within four-six months.

The beneficiary weavers were to submit their applications to the Zonal Textile Officer (ADT/DDT)¹⁵⁴ to avail the WCH. These applications would then be verified by the respective ADT/DDT, before submission to a District Level Monitoring Committee (DLMC)¹⁵⁵ for finalisation of the list of beneficiaries.

Additionally, as per the criteria prescribed in Para 3(d) of the WCH Guidelines (September 2020), to be considered for the WCH Scheme, the weaver should have minimum required space of land in his/her name for construction of the work shed/building. In order to check this, the Record of Rights (RoRs) related to land were to be verified at the zonal level by the respective ADT/DDT.

Records of four¹⁵⁶ test-checked textile zones revealed that during FYs 2020-23, 2,813 applications were received under the WCH Scheme, and ₹5.50 crore was sanctioned for construction of 455 WCHs by the Department. As of March 2023, an expenditure of ₹3.23 crore had been incurred on this Scheme and of the 455 WCHs, 221 (48.57 *per cent*) had been completed and 234 remained incomplete, due to various reasons such as delay in release of funds, lack of monitoring by field functionaries and non-fixation of time limit for completion of the WCH.

Further examination of records of four test-checked textile zones (*i.e.*, Athagarh, Bargarh, Subarnapur and Balasore) revealed that during the period 2020-23, out of 455 beneficiaries for whom WCHs had been sanctioned, 348 had no land in their name as per the RoRs. However, they had been selected by the DLMC of the concerned districts and ₹2.94 crore was released to these ineligible beneficiaries for construction of WCHs including special incentive as given in *Appendix-XXX*. This indicated improper verification of land records at zonal level by the concerned ADT/DDT and DLMC and extension of undue benefit to ineligible beneficiaries.

Accepting the observation, the Government stated (August 2024) that the Guidelines have been revised (in November 2023) for WCH to state that the weavers should possess adequate land record in his/her own/spouse/parents name for construction of the work shed. However, the fact remained that prior to revision of these guidelines between September 2020 and October 2023, the Government did not correctly select beneficiaries due to which ₹2.94 crore was released to 348 ineligible beneficiaries.

¹⁵⁴ Assistant Director of Textile/ Deputy Director of Textile

¹⁵⁵ Headed by the District Collector

¹⁵⁶ ADT: Athagarh and Balasore; DDT: Bargarh and Subarnapur

INDUSTRIES DEPARTMENT

5.11 Short payment of compensation of land owners

Non-consideration of period between the date of notification for land acquisition and date of award of compensation resulted in short payment of ₹7.93 crore to the land owners

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (LARR) Act, 2013 provides for land acquisition for industrialisation, development of essential infrastructural facilities and urbanisation with the least disturbance to owners of land. It also provides just and fair compensation to the affected families whose land has been acquired and makes adequate provisions for such affected persons for their rehabilitation and resettlement.

Section 23(1) of the Land Acquisition (LA) Act, 1894 provides that while determining the amount of compensation to be awarded for land acquired under this Act, the Court shall take into consideration the market value of the land at the date of publication of the notification under Section 4(1) of this Act. As per Section 23(2), in addition to the market value of the land, the Court shall in every case award a sum of thirty per centum on the market value, in consideration of the compulsory nature of the acquisition. Further, Section 23 (1A) provides that the Court shall, also in every case, award an amount calculated at the rate of 12 *per cent* per annum on the market value for the period commencing on and from the date of the publication of the notification under Section 4(1), in respect of such land, to the date of the award by the Collector or the date of taking possession of the land, whichever was earlier.

Scrutiny of records (May 2022) of the Special Land Acquisition Officer (SLAO), Major Industrial Projects (MIP), Jagatsinghpur, showed that 325.401 acres of land was acquired in two villages¹⁵⁷ for the project 'Establishment of Industrial Township' at Paradeep. The market value of the land along with 30 *per cent* of the market value of the land was paid to 1,105 landowners¹⁵⁸. However, the landowners, had been paid an amount calculated at the rate of 12 *per cent* only (instead of 12 *per cent* per annum), on the market value of the land, without considering the period between the date of the publication of the notification and the date of award by the Collector or the date of taking possession of the land, whichever was earlier. This period ranged between 826 to 2,904 days as detailed in *Appendix-XXXI* and *XXXII*. This resulted in short payment of compensation money of ₹7.93 crore to the landowners in these two villages.

In reply, the LAO, Jagatsinghpur stated (May 2022) that steps would be taken to disburse the amount after verification of records. The matter was intimated to the Government in May 2023. Their reply was awaited (September 2023).

¹⁵⁷ Fatepur: 65.308 acre and Siju: 260.093 acre

¹⁵⁸ Fatepur: 346 and Siju: 759

DEPARTMENT OF STEEL & MINES

5.12. Unlawful extraction of minerals

Non-collection of price of minerals extracted in excess of the quantity permitted as per the environmental clearance, resulted in undue benefit to the lessee, amounting to ₹40.67 crore

As per the Environment Impact Assessment (EIA) notifications issued by Ministry of Environment and Forests, GoI (January 1994 and September 2006), mining operations should not commence unless environmental clearance (EC) has been accorded by the Central Government or by the State Level Environment Impact Assessment Authority, duly constituted by the Central Government, in consultation with the State Government, as the case may be. The Hon'ble Supreme Court, vide its judgement¹⁵⁹ (August 2017) clarified that where a mining lease had been granted a revised EC for a higher level of production after the 15th day of a month, the annual production limit specified therein would be considered valid from the subsequent month. Further, minerals can be extracted only up to the annual production limit specified in the EC, regardless of the quantum of extraction shown in the approved mining plan.

Under Section 21(5) of the Mines Minerals (Development and Regulation) Act, 1957, whenever any person raises, without any lawful authority, any mineral, from any land, the State Government may recover from such person the minerals so raised, or where such mineral has been disposed of, the price thereof.

Scrutiny of the assessment records, production and dispatch statements and approved ECs of the Deputy Director of Mines (DDM), Baripada, revealed that, in respect of the Badampahar Iron ore mines at Badampahar, the limit for extraction in EC had been enhanced, from 0.72 Million Tonne Per Annum (MTPA), to 1.5 MTPA, with effect from 26 June 2019. As per the judgement quoted above, the revised limit for production was to be applicable from the month of July 2019 and the production limit, for the financial year 2019-20, should have been 13,05,000 Metric Tonne (MT)¹⁶⁰. However, as noted from the production and dispatch statements, the lessee¹⁶¹ had extracted 14,94,230 MT of minerals, during the financial year 2019-20, thereby exceeding the limit specified in the EC by 1,89,230 MT (14,94,230 MT - 13,05,000 MT). Therefore the lessee was liable to pay the price of the mineral extracted unlawfully, amounting to ₹40.67 crore, as detailed in *Appendix-XXXIII*. However, the DDM, Baripada, had not raised demand for realisation of the price of the minerals extracted unlawfully.

The matter was brought to the notice of the Government during June 2023; reply was awaited (September 2023).

¹⁵⁹ Writ petition (Civil) No. 194 of 2014

¹⁶⁰ $13,05,000 \text{ MT} = 7,20,000 \text{ MT}/12 \times 3 + 15,00,000 \text{ MT}/12 \times 9$

¹⁶¹ M/s Lal Traders (P) Ltd.

5.13. Non-levy of Dead Rent and Surface Rent

Deputy Directors of Mines did not raise demands towards Dead Rent of ₹2.55 crore and Surface Rent of ₹93.71 lakh, resulting in non-realisation of revenue

As per Section 9A of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the holder of a mining lease shall pay to the State Government every year, Dead Rent (DR)¹⁶², at such rate as may be specified in the Third Schedule appended to the Act, for all areas included in the instrument of lease. As per Notification (September 2014) of the Ministry of Mines, DR payable was ₹2,000 per hectare per annum for low-value minerals¹⁶³ from the fifth year onwards of the lease. DR for medium-value¹⁶⁴ minerals; high-value¹⁶⁵ minerals; and precious metals and stones¹⁶⁶, was to be levied at two times, three times and four times of the said rate, respectively.

As per Rule 27 of the Mineral Concession Rules, 1960, a lessee shall also pay Surface Rent (SR)¹⁶⁷ for the surface area used by him for the purpose of mining operations. As per Steel and Mines (S&M) Department Notification (November 2013), SR is payable at the rate equivalent to one *per cent* of the market value of land per annum, subject to a minimum of ₹1,000 to ₹10,000 per annum per hectare, for leases granted for different categories of minerals. DR/SR was to be paid in two half-yearly instalments, from January to June (on or before 15 January) and from July to December (on or before 15 July) of each year.

Scrutiny of assessment records (October/December 2022) of two Mining Circles¹⁶⁸ showed that the concerned Deputy Directors of Mines (DDsM) had not levied DR, amounting to ₹2.55 crore, in respect of 10 lessees, for the period from July 2020 to December 2022, as detailed in *Appendix-XXXIV*. Similarly, nine lessees had not paid SR, amounting to ₹93.71 lakh for the surface area used by them for mining operations for the same period, as detailed in *Appendix-XXXV*. This had resulted in non-realisation of Government revenue, amounting to ₹3.49 crore, towards DR and SR. This also indicated lack of action by the concerned authorities in raising demand for DR and SR.

¹⁶² 'Dead Rent' means the minimum amount payable to the Government every year, for the surface area allotted to a quarry permit holder or a lessee, at rates not exceeding the land tax assessable on the land by the Government from time to time.

¹⁶³ Minerals other than precious metals and stones, high-value minerals and medium-value minerals.

¹⁶⁴ Chromite, Manganese ore, Kyanite, Sillimanite, Vermiculite, Magnesite, Wollastonite, Perlite, Diaspore, Apatite, Rock phosphate, Fluorite, Barytes and Iron ore.

¹⁶⁵ Semi-precious stones (agate, gem garnet), Corundum, Copper, Lead, Zinc and Asbestos (chrysotile variety)

¹⁶⁶ Gold, Silver, Diamond, Ruby, Sapphire and Emerald.

¹⁶⁷ 'Surface Rent' is the compensation paid by the lessee for occupying the surface of land.

¹⁶⁸ DDsM, Joda and Kalahandi

In reply, the DDsM, Kalahandi and Joda, stated (October/December 2022) that demand notices would be issued for realisation of DR and SR. However, no reasons for non-levy and non-realisation of DR and SR, were furnished.

The matter was brought to the notice (July 2023) of the Government of Odisha; reply was awaited (September 2023).

5.14 Non-levy of interest on belated payments of royalty and other mining dues

Interest amount of ₹90.61 crore, on delayed payment of royalty, premium, DMF, NMET and Dead Rent had not been realised

Rule 64A of the Mineral Concession (MC) Rules, 1960, stipulates that the State Government may charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty, fee or other sum due to the Government, from the sixtieth day of the expiry of the date fixed by the Government for payment of such dues until the payment is made. The rate of interest was subsequently modified to 12 *per cent*, as per Notification (November 2021) of the Ministry of Mines, Government of India (GoI). As per notification (August 1974) of the Government of Odisha (GoO), the due date for payment of royalty was 15th of each month for minerals removed during the previous month. Further, Dead Rent (DR)¹⁶⁹ was to be paid in two half-yearly instalments, from January to June (on or before 15 January) and from July to December (on or before 15 July) of each year.

Scrutiny of the assessment records (December 2022/January 2023) of two Deputy Directors of Mines¹⁷⁰ (DDsM), for the financial years 2020-21 and 2021-22 showed that five lease holders had paid mining revenues [Premium¹⁷¹, Royalty, District Mineral Foundation Fund (DMF), National Mineral Exploration Trust (NMET) and DR], amounting to ₹1,854.77 crore, between June 2020 and August 2022, for the due period, from September 2014 to March 2022. Hence, there were delays in payment ranging between 44 days and 2,367 days (6 years and 177 days), as detailed in *Appendix-XXXVI* and *XXXVII*. It was noted that the concerned DDsM had not levied interest, amounting to ₹90.61 crore for these belated payments of mineral revenue against the five defaulting concessionaires. No reasons for non-levy of interest were found on records.

The matter was intimated (June 2023) to the Government of Odisha; reply was awaited (March 2025).

¹⁶⁹ 'Dead Rent' means the minimum amount payable to the Government, every year, for the surface area allotted to a quarry permit holder or a lessee, at such rates not exceeding the land tax assessable on the land, by the Government, from time to time.

¹⁷⁰ DDsM, Joda and Baripada

¹⁷¹ 'Premium' is a percentage of the price of the ore that is set by the Indian Bureau of Mines (IBM) each month for different States and grades and is collected by the State as its tax

5.15 Short levy of Stamp duty and Registration fee

Deputy Director of Mines, Joda had not amended the lease deed after enhancement of production limit in the Mining Plan which resulted in non-levy of stamp duty and registration fee amounting to ₹122 crore

As per the Notification (January 2012) of Steel and Mines Department, Government of Odisha (GoO), Stamp duty for execution of mining leases was to be assessed by taking four items into account *i.e.*, (1) preliminary expenses (2) security deposit (3) surface rent (SR) (for the entire mining lease area) and (4) dead rent or royalty whichever was higher. Further, for item number (4) *i.e.*, royalty, the highest annual production planned in the approved mining plan was to form the basis for assessment of stamp duty, taking into account the amount of royalty that would accrue out of the highest level of production. In case the production level was enhanced through the modification of mining plan in future, the stamp duty was to be reassessed on the differential production level and the lessee had to deposit the differential stamp duty before such enhancement was actually carried out. A condition to this effect was to be introduced as part of the terms and conditions of the mining lease. As per the order (August 2008) of GoO, the rate of stamp duty for lease agreements was five *per cent* of the consideration price and as per notification (January 2001) of Revenue Department, GoO, fee for Registration was two *per cent* of the consideration price. Moreover, as per the Second Schedule to Mines and Minerals (Development and Regulation) Act, 1957, the rate of Royalty in respect of iron ore is 15 *per cent* of the Average Sale Price (ASP) on *ad-valorem* basis, as published by the Indian Bureau of Mines for the relevant State, for the period of twelve months immediately preceding the month of computation.

Scrutiny of the auction files (December 2022) of Deputy Director of Mines (DDM), Joda showed that a lease agreement for the Guali Iron ore Block, covering an area of 358.258 hectares was executed (12 January 2021) in favour of the Odisha Mining Corporation Limited (OMC) for a period of 10 years. The consideration price for the purpose of registration of the lease agreement was ₹435.65 crore by taking into account the highest production quantity of 7.39 million MT per annum specified in the Mining Plan for the period 2013-18 of the previous lessee. Stamp duty of the consideration price, amounting to ₹21.78 crore was also collected. In the meantime, the Mining Plan of the mines was modified and approved (19 March 2021) by Ministry of Mines, GoI wherein the production quantity was enhanced to 30 Million MT per annum. However, the lease deed was not amended and payment of differential stamp duty and registration fees had also not been levied, though it was stipulated in Clause 2.4 of the lease deed.

Moreover, Audit observed that for the calculation of stamp duty and registration fee, annual surface rent had been calculated as ₹10.75 lakh by the Joint Director of Mines, Joda considering the rate of ₹3,000 per hectare which was applicable for land not assessable to land revenue at the time of registration. However, the Tahasildar, Barbil calculated (January 2021) the

annual surface rent as ₹83.08 lakh, as the lease area included land assessable to land revenue also, which was to be charged at market rate.

Therefore the differential amount of royalty and SR of ₹1,742.84 crore, on which the stamp duty and registration fees were to be levied and demanded from the lessee. However, no such action had been taken by DDM, Joda (August 2022). As a result, there was a short levy of stamp duty and registration fees amounting to ₹122 crore, as detailed in *Appendix-XXXVIII*.

The matter was intimated to the Government in August 2023. Their reply was awaited (September 2023).

DEPARTMENT OF WATER RESOURCES

5.16. Extra cost and wasteful expenditure

Injudicious decision and inadequate survey and investigation in construction of a bridge led to change of design warranting foreclosure of contract. This led to wasteful expenditure of ₹2.39 crore

Paragraph 3.2.7 of the OPWD Code Vol. I stipulates that detailed estimates of work proposed for sanction should be structurally sound and the estimates should be accurately calculated based on adequate data. Further, Appendix IV of OPWD Code Vol. II states that as many trial pits or borings as are considered necessary should be taken before detailed estimates of a bridge are prepared. A careful preliminary investigation of the subsoil should also be made in order to ascertain exact nature of the strata and determine accurately the stability of the site for a bridge and depth to which foundation should be taken.

The construction work of four Lane Bridge over spill channel¹⁷² of Kanupur Irrigation Project¹⁷³ at 173.325 km of Rimuli-Roxy-Rajamunda Section of NH-215 (New NH-520)¹⁷⁴ was awarded to a contractor at ₹40.68 crore in March 2018, for completion by March 2020, on a cost sharing¹⁷⁵ basis between GoO and NHAI. As per the Memorandum of Understanding (MoU) GoO had to bear 20 *per cent* of the project cost *i.e.*, ₹8.13 crore. Further NHAI in July 2018 while approving the cost sharing agreement, had included a condition that any escalation beyond the L1 bid price or claim on account of any delay shall have to be borne by the GoO. It was noted that the work was stopped in July 2018 due to change of design, as discussed in the succeeding paragraphs. As on the date of stoppage of work the contractor had executed and been paid for work valuing at ₹ one crore.

¹⁷² Channel excavated on the downstream of spillway which joins the main river course in Irrigation project.

¹⁷³ A Major Irrigation Project across river Baitarani near village Basudevpur of Keonjhar district

¹⁷⁴ This NH passes parallel to the Earth Dam of Kanupur Irrigation Project and Spill channel of the project passes 100 meter below the downstream.

¹⁷⁵ The National Highway Authority of India (NHAI) had to bear 80 *per cent* of the bid price (₹ 32.55 crore) and balance 20 *per cent* (₹ 8.13 crore) was to be borne by Government of Odisha.

Check of records at the Office of the Additional Chief Secretary, Department of Water Resources (DoWR) (February 2023) revealed that the bridge was to be constructed by NHAI as it was a part of the four lane work of Rimuli Roxy Rajamunda Section of National Highway No. 215 (New NH-520). The construction of the bridge was important to close the gap (in the river portion) of the Earth Dam of the Kanupur Irrigation Project which was to divert surplus water of the reservoir. As NHAI did not commence the work, the DoWR, GoO requested (February 2016) NHAI to transfer the work, since progress of the Kanupur irrigation project depended upon the early completion of the bridge. Accordingly, the work was transferred (February 2016) to DoWR with a request to prepare detailed design, drawings and cost estimates of the bridge and submit the same to NHAI.

However, before transfer of work, NHAI had got the design and drawing of the work from an EPC contractor. Audit noticed that the Department had neither conducted any survey and geo-technical investigation, nor did it prepare its own detailed drawings and designs. The work was awarded in March 2018, based on the design of NHAI. During execution of the work when drilling was conducted, the rock level was encountered at 1.58 meters to 12.66 meters below the level shown in the approved drawings. This variation in rock strata warranted a change in design and revision of estimates for the work.

These revised estimates, as per the revised design were prepared (December 2018) for ₹100.53 crore¹⁷⁶ by the DoWR. However, NHAI did not agree (December 2018) to share the revised cost which had increased by 147.12 per cent on the grounds of increased length of piles. It also stated that such a huge increase is not justified and needs to be looked into by the Department. Thereafter, the Department decided to foreclose the contract and requested (March 2019) NHAI to take up the construction work of the bridge since the associated road work was being executed by NHAI, and agreed (February 2021) to bear 25 per cent of the agreement cost. NHAI worked out the Department's share as ₹15.80 crore¹⁷⁷ (February 2022) which resulted in extra cost of ₹ 7.67 crore¹⁷⁸, as claimed (February 2022) by NHAI.



Photo No. 13. Incomplete bridge work over Spill Channel at Chainage 173.325 km of Rimuli-Roxy-Rajamunda section of NH-215 (New NH 520)

¹⁷⁶ Revised cost was 247 per cent of the original agreement value

¹⁷⁷ 25 per cent of ₹63,18,08,496 {Preparation of design/ drawings, cost estimates etc. (₹57,99,700) + cost of EPC agreement (₹62,00,00,000) + Supervision of Works by Authority's Engineer (₹60,08,796)}

¹⁷⁸ GoO share as per revised cost calculated by NHAI : ₹15.80 crore less GoO share as per earlier cost of tender awarded : ₹8.13 crore = ₹7.67 crore

The NHAI while accepting the proposal had clarified (March 2019) that the claims, if any, arising due to cancellation of the earlier contract shall be borne by the GoO, and this had been agreed to by the Department. The bridge work was in progress as of November 2023.

The earlier contract was closed (July 2019). It was noted that for a period of 15 months after the start of the work, the contractor had not been provided detailed design and drawings by DoWR. After closure of the contract, the contractor claimed (July 2019) payment for idle charges for a period of 15 months (from April 2018 to June 2019) for men and machinery. However, a Technical Committee set up by the Department, recommended (May 2020) the payment of idle men and machinery for 12 months (July 2018 to July 2019). Accordingly, the Chief Construction Engineer, Kanupur Irrigation Project recommended payment of ₹1.39 crore in May 2020 towards idle charges for men and machinery and the payment was made in August 2020. The contractor was also paid ₹1.00 crore for the work executed till closure of the contract.

Thus, inadequate survey and non-conduct of geo-technical investigation by the Department before construction of the bridge, led to redesigning of the bridge. As a result, not only the bridge remained incomplete for seven years and the earth dam of the Kanupur Irrigation Project also could not progress, but also there was an unplanned increase in the cost of the project by ₹7.67 crore. Initiation of execution of work without proper survey and investigation and delay in providing drawings and design resulted in wasteful expenditure of ₹2.39 crore towards payment to the contractor for the idle period of deployed man and machinery.

In reply, the Government, while admitting the fact, stated (May 2024) that the project was likely to be completed within a year with no cost and time overrun. The Government has not given any justification for non-conducting of survey/investigation before initiating the work. Further the Government's claim of no cost/time overrun cannot be accepted and it is not supported by any technical or financial analysis.

WORKS DEPARTMENT

5.17. Undue financial benefit to contractor

Inclusion of extra lead charges from the mixing plant to the work site for transportation of stone products inflated the estimated cost by ₹1.52 crore

As per note-4 below Chapter XIII on road works of State Analysis of Rates (AoR), 2006, in case of items where wet mix plant and hot mix plant are used, the total distance for transportation of material from quarry to plant site plus distance from plant to work site, should not exceed the distance from quarry to work site.

Scrutiny of records of the Superintending Engineer, Bhadrak (R&B) Division, revealed that the work of "Widening and Strengthening of existing Carriageway to 2-lane Road with Paved Shoulder from Jamujhadi-

Basudevpur-Dhamra Road (Km. 0/0 to Km. 18/800 and Km. 22/750 to Km. 60/470) under State Highways Development Programme (SHDP)” was administratively approved (May 2018) for ₹192.04 crore and awarded (March 2019) to a contractor for ₹210.86 crore (9.80 per cent in excess of the estimated cost put to tender), for completion by August 2021. Due to change in quantities with new additional items, the estimated cost of the above work was revised to ₹262.78 crore and, accordingly, supplementary agreement was entered into, in May 2022 for ₹262.78 crore. The work was in progress with an expenditure of ₹297.06 crore as of March 2023. The work, *inter alia*, had provided for execution of 1,22,944.67 cubic mt. of WMM¹⁷⁹, 25,110.92 cubic mt. of DBM¹⁸⁰ and 16,165.81 cubic mt. of BC¹⁸¹, for which the contractor had to transport 2.22 lakh cubic mt. of stone products.

Further, it was revealed that the total lead, from the quarry at Bagudi to the work site was 55 kms, as per the lead statement attached to the estimates. However, the division had provided lead of 65 km in the lead statement for plant site, *i.e.*, from quarry to plant site as 15 kms and from plant site to work site as 50 kms, which exceeded the allowed lead by 10 kms, in violation of the AoR, 2006. Accordingly, lead charges for 65 kms were paid, instead of 55 kms, resulting in excess lead of 10 kms and extra cost of ₹62.20 per cubic mt. Thus, for transportation of 2.22 lakh cubic mt. of stone products, the extra cost of ₹1.52 crore (including tender premium) led to undue benefit to the contractor, as detailed in **Table 5.2** below:

Table 5.2 Extra cost on excess lead of WMM, DBM and BC

Item	Quantity (in cubic mt.)	Multiplicati on factor	Total quantity (in cubic mt.)	Extra lead (kms)	Lead cost (in ₹)	Extra cost (in ₹)	Including Tender Premium (in ₹) at the rate of 9.8 per cent
WMM	1,22,944.67	1.32	1,62,286.96	10	62.20	1,00,94,248.91	1,10,83,485.30
DBM	25,110.92	1.44	36,159.72	10	62.20	22,49,134.91	24,69,550.13
BC	16,165.81	1.46	23,602.08	10	62.20	14,68,049.38	16,11,918.22
	Total		2,22,048.76			1,38,11,433.20	1,51,64,953.65

On this being pointed out, SE, Bhadrak (R&B) Division stated (August 2022) that as the length of road was 60 kms, the plant had been installed at the middle of the road, for which 10 kms excess lead had been provided. The reply was not tenable, since as per provisions, the distance from quarry to work site is derived by taking into consideration the average distance of road. Further, as per the State Schedule of Rates, the total lead distance for transportation of material should not be more than the distance from quarry to worksite.

¹⁷⁹ Wet Mix Macadam

¹⁸⁰ Dense graded Bituminous Macadam

¹⁸¹ Bituminous Concrete

5.18 Wasteful expenditure

Due to violation of conditions of the inter-state agreement, contract for construction of a check dam had to be closed midway, rendering expenditure of ₹1.14 crore wasteful

Paragraph 3.4.9 of the Odisha Public Works Department (OPWD) Code Volume-I, stipulates that when a public works officer prepares plans and estimates for a work, the execution of which is likely to affect or interfere with the works of other Departments, the latter should be consulted well in advance with necessary plans and drawings, so that their views are obtained before proceeding with the execution of work.

Scrutiny of records revealed that to reserve water for irrigation of adjacent cultivated land and thus, improve the socio-economic status of farmers, Chief Construction Engineer (CCE), Southern Circle (R&B), Works Department, Berhampur, accorded (November 2021) technical sanction for the work “Construction of check dam under submersible bridge over Bahuda River at 30/200 km of Berhampur-Tamana-Chikiti-Surangi-Mandarada (BTCSM) Road in the District of Ganjam”, for an amount of ₹2.55 crore. The work was awarded (March 2022) for ₹2.16 crore, with September 2022 as the due date of completion.

The proposed check dam was located in the Bahuda River, downstream of the Kalingadola Diversion Weir. River Bahuda is an inter-state river, flowing between the States of Odisha and Andhra Pradesh. As per the inter-state agreement, Odisha had to release 1.5 TMC¹⁸² water (including lake losses¹⁸³) every year and no structure could be built on the downstream reach of Kalingadola Diversion Weir¹⁸⁴, without permission of the Department of Water Resources (DoWR), GoO. Hence, the Superintending Engineer (SE), Chikiti Irrigation Division, Berhampur, instructed (May 2022) the Executive Engineer (EE), Ganjam (R&B) Division-1, Berhampur, to stop the ongoing work of in-stream Storage Structure (Check dam) in the Bahuda River, to avoid any dispute between States of Odisha and Andhra Pradesh, in future. Accordingly, the EE instructed (May 2022) the contractor to stop the work of construction of the check dam immediately and to take up floor protection and apron work,¹⁸⁵ without affecting the water flow area.

The SE, Ganjam (R&B) Division-I, submitted (November 2022) a closure proposal of the contract, which was approved (December 2022) by the CCE, Southern Circle (R&B), Berhampur. The work was closed and a sum of ₹1.14 crore was paid (September 2022) to the contractor, for the value of the work executed.

¹⁸² Thousand Million Cubic Feet

¹⁸³ Normal percolation of water from the water body of the lake

¹⁸⁴ Down-stream flow area of Kalinga Diversion Weir

¹⁸⁵ Stone pitching provided after floor apron for the protection of culvert and minor bridge

In this regard, Audit observed that the check dam work had commenced on an inter-state river and had been stopped midway due to non-obtaining of prior permission from the DoWR, which had led to wasteful expenditure of ₹1.14 crore.

On this being pointed out, the SE, Ganjam (R&B) Division-I, replied (March 2023) that: (i) the work was stopped to avoid dispute between the States (ii) the expenditure incurred had strengthened the existing old bridge and (iii) it should not be treated as wasteful.

The reply was, however, not tenable, as it was silent about commencement of work in the inter-state river without obtaining the required permission. Further, the original objective behind taking up the construction of the check dam, *i.e.*, to boost the socio-economic status of the farmers, had remained unachieved. Strengthening of the old bridge was incidental as the Government had neither planned the strengthening of the bridge nor had made any estimates for this work. Hence in the absence of any plan/estimates it could not be checked whether the expenditure incurred was actually required for strengthening of the bridge. Therefore, the reply is only an afterthought to justify the expenditure already incurred.

5.19 Avoidable extra expenditure

Construction of a double lane road with paved shoulders, in deviation of IRC provisions, led to avoidable extra expenditure of ₹5.03 crore

Paragraph 3.4.10 of the Odisha Public Works Department Code (OPWD) stipulates that estimates should be prepared in the most economical manner. Paragraph 7.2 of IRC-73-1980 stipulates that two-lane roads, having a seven meter wide carriageway, with normal earthen shoulders, can cater to traffic upto 10,000 Passenger Car Units (PCUs) per day and roads of intermediate width, *i.e.*, having a carriageway of 5.5 meters, with normal earthen shoulders, can cater to traffic upto 5,000 PCU per day. Paragraph 1.14(b) of IRC-SP-73-2007 recommended that the carriageway may be widened, by providing 1.5 meter wide paved shoulders on either side, when the average daily traffic exceeds 10,000 PCU in plain terrain¹⁸⁶ or 8,000 PCUs in rolling terrain¹⁸⁶, on the basis of the twelve months' average in an accounting year.

Scrutiny of records of the Boudh (R&B) and Bhanjanagar (R&B) Divisions, revealed that the Chief Engineer (CE) (DPI & Roads) had technically sanctioned two road works¹⁸⁷ (February and June 2019) for ₹82.29 crore. These works had been awarded (December 2019) to contractors for ₹69.28 crore, for completion between February 2021 and August 2021. The estimates provided for execution of double lane (seven-meter) carriageways, with paved

¹⁸⁶ 10-25 *per cent* cross slope of the road

¹⁸⁷ 1) Improvement & widening to Puruna Kataka-Dhalpur Road (ODR) from 0/000 km to 12/500 km (Boudh R&B Division) 2) Widening and strengthening of Khallikote-Boirani-Aska-Balipadar-Belguntha road (SH-30) from RD 27/650 to RD 38/900 and from 42/425 to 64/750 km (Bhanjanagar R&B Division)

shoulders¹⁸⁸. The works were in progress, with payment of ₹68.65 crore having been made, as of June 2022.

From the records, it was also revealed that both the Boudh and Bhanjanagar Divisions had taken weekly traffic census (May and June 2018) for the above two roads, for determination of PCU. Accordingly, the PCU of the roads had been worked out as 3,214¹⁸⁹ and 3,255.50¹⁹⁰ per day. As per specification of IRC 64-1990 vide Paragraph 10.2, recommended design service volume in PCUs per day for two lane roads for plain, rolling and hilly terrain, was as follows:

Table 5.3 Specification of IRC for different landforms

Sl. No.	Terrain	Designed service volume in PCUs per day
1.	Plain	12,500-15,000
2.	Rolling	10,000-11,000
3.	Hilly	5,000-7,000

Since the PCUs were less than the IRC specifications, the roads were not qualified for widening and strengthening to double-lane roads of seven meter width with paved shoulders. As such, the technical sanctions accorded by CE, (DPI & Roads) were not correct and execution of the two-lane carriageway with paved shoulders, in deviation from the IRC guidelines, was unwarranted. Due to provision of paved shoulders, there had been unwarranted excess provision of 13,316.04 cubic mt. of Wet Mix Macadam, Dense Graded Bituminous Macadam and Bituminous Concrete, resulting in extra expenditure of ₹5.03 crore, as detailed in *Appendix-XXXIX*.

In reply the Government stated (August 2023) that those two roads were important ones which connected mostly thickly populated areas. Besides, it was also stated that in order to provide extra space for cyclists, breakdown vehicles, adjust driver errors, better visibility of pedestrians to motorist to reduce the accidents, provision of paved shoulder was made. Further, in respect of road Puruna Kataka-Dhalpur, a survey of Passenger Car Units on December 2022 was provided which was 5,545 PCU as compared to 3,214 exhibited during 2018-19, which is a 42 *per cent* increase during a three years period.

The replies were not tenable as the reasons given for taking up the roads with excess specifications were not found to be in line with the records relating to planning/designing of these roads. The Puruna Kataka-Dhalpur road was sanctioned in February 2019 with scheduled completion in February 2021, hence the increase in PCUs noticed in December 2022 had no bearing on the design of the road. During calculation of msa ¹⁹¹ for designing the

¹⁸⁸ It is a kind of pavement strip on the outside of an outer lane. The paved shoulders shall be constructed in layers, each matching the thickness of the adjoining pavement layer

¹⁸⁹ Puruna Kataka-Dhalpur Road (ODR) from 0/000 km to 12/500 km

¹⁹⁰ Khallikote-Boirani-Aska-Balipadar-Belguntha road (SH-30) from RD 27/650 to RD 38/900 and from 42/425 to 64/750 km

¹⁹¹ Million Standard Axle (MSA) issued for the designing of the pavement. It describes the number of commercial vehicles that would be occupying the road at the end of the design life of road.

crust¹⁹² future traffic growth for the design life of 15 years of the road had already been taken into consideration. Hence, provision of two-lanes with paved shoulders, for the aforesaid roads despite less vehicular traffic, was unwarranted and led to avoidable expenditure of ₹5.03 crore.

5.20. Avoidable extra cost

Adoption of high cost method for construction of GSB led to undue benefit of ₹1.49 crore to the contractor

Paragraph 3.4.10 of the Odisha Public Works Department (OPWD) Code stipulates that the estimates should be prepared using the sanctioned Schedule of Rates (SoR) and providing for the most economical manner and safe way of executing the work. Therefore while preparing the estimates the rate analysis for the items included in the estimates should be carried out on the basis of the most economical method for executing the work.

The estimates for the work ‘Improvement of Duduka-Gopalpur-Toparia Road (MDR) to two-lane road with paved shoulders from 6/206 km to 28/564 km in the district of Sundargarh (Phase-I)’, were technically sanctioned (January 2021) for ₹118.34 crore, by the Chief Engineer, DPI & Roads. The work was awarded (January 2022) to a contractor for ₹102.65 crore (which was 13.26 *per cent* less than the estimated cost), for completion by January 2024. The work was in progress and the contractor had executed works valuing ₹89.46 crore, as of July 2023. The work *inter alia* included construction of 86,850 cum of Granular Sub-base (GSB) with grading VI (close graded)¹⁹³.

Scrutiny of records of the above work in R&B Division, Sundargarh revealed that while preparing the estimates, the rate for GSB with grading VI (close graded) was calculated at ₹1,666.93 per cubic mt., by adopting the mix in place¹⁹⁴ method. However, during joint physical inspection (JPI) of the work conducted in December 2022, Audit noticed that the contractor had adopted the plant mix¹⁹⁵ method for construction of GSB with close graded material and the rate, as calculated by Audit, was ₹1,468.88 per cubic mt., which was cheaper than the rate taken under the estimates.

Thus, due to adoption of the ‘mix in place method’ in the estimates, instead of the ‘plant mix method’ by which the work was actually being executed and which was the cheaper method, the cost of GSB was inflated by ₹198.05 per cubic mt. For execution of 86,850 cubic mt. of GSB, the estimated cost of the

¹⁹² ‘Crust’ means the surface of the road

¹⁹³ Basing on the *per cent* of different size of stone products, grading of various types of GSB are categorised.

¹⁹⁴ Construction of GSB by mix in place method was by providing close graded material spreading in uniform layers with motor grader on prepared surface and compacting with vibratory roller to achieve the desired density, as per Clause 401 of MoRT&H specifications.

¹⁹⁵ In Plant mix GSB, the materials were mixed in a mechanical mix plant at OMC, thereafter the mixed materials were transported to work site for spreading in uniform layers with motor grader on prepared surface and compacting with vibratory power roller to achieve the desired density, as per Clause 401 of MoRT&H specifications.

work was inflated by ₹1.72 crore (₹198.05 x 86,850) leading to an increase in the awarded cost and undue benefit of ₹1.49 crore to the contractor (after deduction of tender premium of 13.26 per cent). Out of 22.358 km of work, 22.293 km had been executed, with a payment of ₹9.74 crore (July 2023) towards GSB.

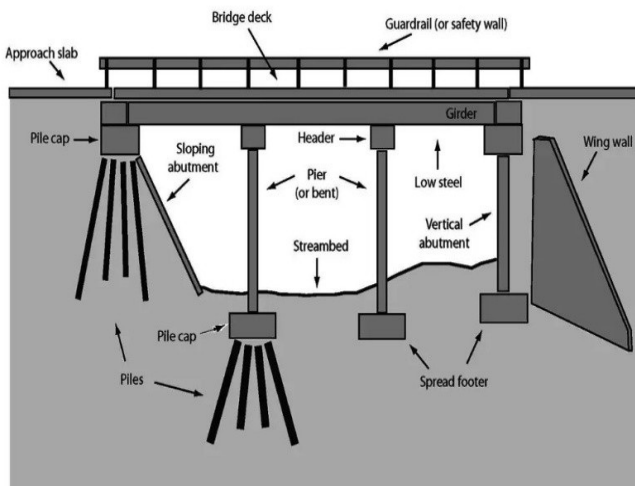
In reply, the Government stated (September 2023) that in order to ensure proper moisture as well as density of GSB as per technical requirement, ‘mix in place method’ was adopted. It was further stated that the said project was being executed under EPC mode of contract in which the analysis of rates, reference schedule of rates, estimated cost of each item are never disclosed to the intending bidders. Except the total estimated cost of the project assessed on the basis of feasibility study, bidders have got nothing to do with the estimated cost of each item and had to quote their rates based on their detailed study of the project.

The reply was not tenable as it was confirmed during JPI that the contractor had actually used the plant mix method for execution of the work but the Department neither took any action against the contractor for not fulfilling the technical requirement nor deducted the differential cost of GSB. Further, while estimating the total cost of the project even for the EPC mode, the most economical method should have been considered. Considering the higher GSB rate in the estimates and paying the contractor this rate despite execution of a more economical method led to undue benefit of ₹1.49 crore to the contractor.

5.21 Idle expenditure

Inordinate delay in acquisition of land for approach roads resulted in idle expenditure of ₹4.51 crore

Paragraph 3.7.4 of the Odisha Public Works Department (OPWD) Code stipulates that no work should commence on a land which has not been duly made over by a responsible Civil Officer to the implementing agency. Further, Para 123 (a) of the contract agreement finalised with the contractor stipulated that the defect liability period was 36 months from the actual date of completion of work in all respects.



Representative image showing the components of a bridge

The project “Construction of High-Level Bridge (HLB) along with approach road over Nandini Nallah at 4th KM of PWD Road to Takarada-B. Brahmapur Extension to Dengadi Road (ODR)”, in the district of Ganjam, under NABARD assistance, was proposed (November 2014) at an estimated cost of ₹6.22 crore. The HLB, on completion, was to benefit

32,478 people of six Gram Panchayats by way of socio-economic upliftment and promotion of tourism. Administrative approval for the work was accorded in April 2015 by the Engineer-In-Chief (Civil), Odisha, as per General Arrangement Drawings (GAD) No. D1-27/16. However, based on the findings of confirmatory boring at different points of abutment¹⁹⁶ and the pier of the proposed HLB, the original GAD was revised twice, first in January 2016 and then again in May 2016. Accordingly, revised administrative approval for ₹8.76 crore, including the cost of land acquisition, was accorded in September 2016.

The work was awarded (June 2015) to the Odisha Bridge and Construction Corporation Limited (OBCC), with the condition that OBCC would execute the work as an executing agency of the Government of Odisha and would be accountable for technical or any other items related to the work. OBCC, on the basis of competitive bid, awarded (December 2016) the work to another contractor at a cost of ₹6.17 crore with November 2017 as the stipulated date of completion.

Construction of the bridge proper¹⁹⁷ was completed in September 2019 and the contractor was paid ₹4.51 crore for the bridge construction work. However, the approach road on both sides of the bridge could not be made due to non-acquisition of land. As there was no progress towards acquisition of the required land for the approach road the contract was closed on the request of the contractor (July 2022), without any compensation to either side.

In this regard, Audit observed that the field survey and investigation carried out by the Department had not been proper, as it had failed to recognise non-availability of encumbrance-free land for constructing the approach road before preparing estimates and submitting the proposal to the Government. OBCC requested the Executive Engineer (EE), Ganjam (R&B) Division-I, Berhampur, to carry out land acquisition only on 26 October 2018, *i.e.*, after 42 months from the date when first administrative approval was granted and 21 months from the commencement of the work. Further, the land acquisition proposal was submitted to the Land Acquisition Officer, Chatrapur, in November 2019 by the EE *i.e.*, 34 months after commencement of work in complete disregard of the above codal provision.

Thus, although the construction of the bridge was completed in September 2019, the same could not be put to use due to want of approach roads, resulting in idle expenditure of ₹4.51 crore and lapse of the defect liability period. Besides, the objective of providing connectivity to surrounding villages remained unachieved for more than three years.

¹⁹⁶ A structure built to support the lateral pressure of an arch or span. *e.g.*, at the ends of a bridge

¹⁹⁷ Only the bridge portion excepting approach roads on both sides

Status of incomplete bridge



Photo No. 14: Source: Photos taken during Joint Inspection (February 2023) showing the completion of HL Bridge and non-construction of approach road.

In reply (August 2023), the Government while admitting the facts stated that all the required lands, as ascertained, had been acquired by the Tahasildar for construction of approach roads. However, the reply is silent on the latest status and the action taken for completion of the approach road.

5.22 Avoidable extra expenditure

Provision of dry lean concrete in road works without adhering to the State Analysis of Rates inflated the estimated cost, leading to avoidable extra expenditure of ₹1.98 crore

Paragraph 3.4.10 of Odisha Public Works Department (OPWD) Code stipulates that the estimates should be prepared in the most economical manner. The State Analysis of Rates (AoR) provides for the analysis of rates of dry lean cement concrete (DLC) sub-base over a prepared sub-grade with coarse and fine aggregate conforming to IS:383, and is required to be followed by the Department to arrive at the item rate for the same.

The estimates for the work, “Improvement to Barbil-Kiriburu Road from RD 0/0 to 14/800 km” was technically sanctioned by Chief Engineer (CE), Development, Planning and Investigation & Roads (DPI & Roads) Wing, OPWD, Odisha for ₹62.86 crore in January 2019. The work was awarded in September 2019 to a contractor at a cost of ₹55.33 crore for completion by September 2021. As of March 2023, the work was in progress and a payment of ₹65.84 crore had been made to the contractor. The estimates for construction of road, *inter alia*, provided for execution of 13,653.29 cubic mt. of DLC below the concrete pavement. However, during execution of work, the quantity of DLC increased to 21,195.44 cubic mt. (July 2021) out of which contractor had already executed 21,092 cubic mt. as of March 2023.

Scrutiny of estimates of the work in the office of the Superintending Engineer (SE), Keonjhar (R&B) Division disclosed that while preparing estimates for the item “providing DLC below the pavement”, the Department derived the rate of ₹4,080.17 per cubic mt. without adopting the rates as provided for in the State AoR. Audit, however, by adopting the State AoR for 2006¹⁹⁸ arrived at a rate of ₹3,139.64 per cubic mt. for the DLC. As such the item rate was inflated by ₹940.53 per cubic mt. due to which, for execution of 21,092 cum

¹⁹⁸ State AoR provides less manpower compared to man-power provision in MoRTH.

of DLC, the estimate was inflated by ₹1.98 crore¹⁹⁹, leading to extra cost for the Government, as detailed in the *Appendix-XL*.

In reply, Government stated (April 2024) that the road was an important road passing through hilly terrain and use of very sophisticated machines was much difficult and accordingly semi mechanised method was adopted while framing the estimates. It was further stated that tenders of the above work was invited on percentage rate basis and the lowest qualified bidder had quoted the rate 11.98 *per cent* less than the amount put to tender, thereby leading to a saving of ₹ 7.53 crore for the Government.

The reply of the Government was not acceptable in view of the codal provision which stipulates that the estimates should be prepared in the most economical manner, contrary to which the analysis adopted for the item did not match with the State AoR, leading to excess expenditure of ₹1.98 crore.

5.23. Inflated estimate led to undue benefit to contractors

Adoption of incorrect transportation cost on conveyance of GSB materials inflated the estimates of road works resulting in undue financial benefit of ₹8.06 crore to the contractors

Paragraph 3.4.10 of Odisha Public Works Department (OPWD) Code stipulates that estimates should be prepared in the most economical manner. For this purpose, the Divisional Officer must certify that he has personally visited the site and prepare the estimates using the sanctioned Schedule of Rates (SoR). Chapter III of the SoR provides rates for conveyance of material²⁰⁰ in volumetric basis including loading and unloading charges. Further, Chapter IV of SoR provides the usage rates of service contract for plants and machinery and for transportation of soil, Granular Sub-base (GSB), Wet Mix Macadam (WMM), Hotmix *etc.*, vis-à-vis volume, weight and per hour basis. Accordingly, the rate for transportation of GSB in volumetric basis was fixed as ₹20.87 per km for a tipper, with output of 5.5 cubic mt. *i.e.*, at the rate of ₹3.79 per km for one cubic mt. Adding 10 *per cent* towards loading and unloading charges the cost worked out to ₹4.17 per km for transport of one cubic mt. of GSB.

Scrutiny of estimates of 15 works for improvement, widening and strengthening of roads under nine²⁰¹ R&B Divisions revealed that those works were sanctioned by Chief Engineer (DPI & Roads) for ₹410.55 crore. The works were awarded between May 2018 and August 2022 to the contractors for ₹339.21 crore for completion between August 2019 and February 2024. Three works were completed and 12 were in progress with payment of ₹285.23 crore (December 2022) to the contractors. The contractors *inter alia*

¹⁹⁹ 21,092 cum x 940.53 = ₹1,98,37,649

²⁰⁰ Rough stone, metal, khoa, chips, sand, surki, quarry rubbish, moorum laterite stone, washed gravel, flyash and earth

²⁰¹ 1. Angul (R&B) Division, 2. Bargarh (R&B) Division, 3. Bhubaneswar (R&B) Division No.-V, 4. Ganjam (R&B) Division No.-II, 5. Keonjhar (R&B) Division, 6. Khariar (R&B) Division, 7. Koraput (R&B) Division, 8. Mayurbhanj (R&B) Division, 9. Sambalpur (R&B) Division-I

executed 2.03 lakh cubic mt. of compacted GSB in these 15 works for which 2.60 lakh cubic mt. of loose GSB was required.

As per Chapter IV of the SoR, for GSB materials, transportation cost should be based on volumetric basis. Based on this, the transportation cost for GSB for these 15 works should have ranged between ₹54.21 to ₹408.66 per cubic mt. going by the lead distance ranging between 13 to 98 kms. Hence, the total cost of transportation of 2.60 lakh cubic mt. of stone material for GSB used in all 15 works should have been ₹6.59 crore. Audit, however, found that the concerned divisions had wrongly adopted the transportation cost of materials (GSB, stone) on volumetric basis as per Chapter-III of SoR, instead of Chapter IV. The Divisions had therefore taken into consideration, rates ranging from ₹220.07 to ₹844.23 per cubic mt., for the same lead distance. Thus, incorrect adoption of transportation charges of higher rates inflated the estimates by ₹9.06 crore leading to undue benefit of ₹8.06 crore to the contractors including tender premium, as detailed in *Appendix-XLI*.

In reply the Government stated (April 2024) that mix in place method was adopted by the divisions, as the transportation of GSB materials from plant to site (Plant mix method) cannot be assured within scheduled period due to various factor like traffic, weather and proper road connectivity *etc.* which may affect the quality of GSB material.

The reply of the Government is not acceptable as the factors like traffic, weather and road connectivity *etc.* would not have uniformly affected all the 15 works which led to opting for expensive options. No such considerations were found on records hence, it appears to be an afterthought to justify the excess cost. It also was in contravention to the codal provision (Paragraph 3.4.10 of OPWD code) that estimates should be prepared in most economical manner. Thus, adoption of higher transportation charges on conveyance of materials as per Chapter-III instead of service contract for plants and machinery as per Chapter-IV of SoR, inflated the estimates and led to undue benefit to the contractors.

5.24. Avoidable extra cost

Incorrect assessment of the requirement of steel for construction of six bridges led to foreclosure of contract, and retendering of balance works resulted in an extra cost of ₹5.89 crore

Paragraph 3.2.7 of the Odisha Public Works Department (OPWD) Code stipulates that detailed estimates must be prepared for issue of technical sanction by the competent authority. This technical sanction amounts to a guarantee that the proposal is structurally sound, and that the estimates have been accurately calculated, based on adequate data.

The work of construction of six high-level bridges over local nallah in different reaches of the Kuchinda-Bamara Road, was awarded (January 2018) by the Executive Engineer (EE), Sambalpur (R&B) Division No. II to a contractor for ₹20.89 crore with June 2019 as the date of completion. The agreement *inter-alia* provided for utilisation of 5,505.29 quintals of steel at

₹5,746.95 per quintal in reinforced cement concrete. During execution of work there was a variation in actual required quantity of steel, hence the EE prepared (August 2018) a deviation statement for the work with excess deviation for ₹ 4.91 crore where required steel quantity was re-assessed as 15,881.37 quintal *i.e.*, deviation of 288 *per cent*. It was recorded in the deviation statement that there was an arithmetical error in the sanctioned estimates. The contractor, however, did not agree to execute the work at agreement rate of ₹5,746.95 per quintal and offered (November 2018) a rate of ₹9,129.12 per quintal for the entire deviated quantity. The offer of the contractor was not accepted by the Department and the contract was closed (August 2021), with the stipulation that the agency will not be entitled to any compensation from the Government. As of July, 2023, the contractor had completed three bridges at an expenditure of ₹8.52 crore, with utilisation of 5,409.409 quintal of steel.

The revised estimates for the balance of the works of remaining three bridges was technically sanctioned (June 2021) by the Chief Engineer for ₹20.35 crore and awarded (May 2022) to a contractor for ₹18.32 crore for completion by May 2024. As of September 2023, the work was in progress and the contractor had been paid ₹10.73 crore.

Check of sanctioned estimates for the original work of six HL bridges revealed that against the requirement of 15,881.37 quintals of steel, provision was made for of only 5,505.29 quintals (34.67 *per cent*) by SE, Sambalpur (R&B) Division-II. Audit noticed that the reason for less provisions of steel was attributed to an arithmetical error in the estimates, which was also overlooked during scrutiny and preparation of the Bill of Quantity (BoQ). Thus, laxity on the part of the CE in (i) according technical sanction without proper assessment and scrutiny and (ii) inviting tender on such inaccurate estimates, led to foreclosure of the contract. This in turn entailed extra cost of ₹5.89 crore for execution of balance works through fresh tender, besides delay in completion of bridges for more than four years. Based on the item-wise comparison of costs of both the contracts, the extra cost was worked out to ₹5.89 crore as detailed in the *Appendix-XLII*. Thus, had the quantity been assessed correctly in the original contract and the work completed as per the rates/terms of the original contract, cost overrun could have been avoided. It was noted by Audit that as of April 2024, no responsibility had been fixed for this lapse.

In reply, the Government stated (April 2024) that there was an arithmetical error in calculation of steel in the estimates which was overlooked during scrutiny of estimates and preparation of BoQ. Further, the contractor's request for execution of excess quantity as extra item as per the prevailing market rate was not allowed by the Department since the item was already in the agreement. However, a decision has been taken by the Works Department to fix responsibility on erring engineers responsible for inadequate survey and investigation, preparation of wrong estimates *etc.*, and incorrect accordance of technical sanction.

FINANCE DEPARTMENT

5.25 Response to Audit

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

On behalf of the CAG, the Accountant General conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices / Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2023 were reviewed and found that 21,397 paragraphs relating to 4,433 IRs remained outstanding at the end of June 2023 as detailed in *Appendix-I*. Of these, 2,025 IRs containing 6,802 paragraphs are outstanding for more than 10 years. Even first replies from the Heads of Offices, which was to be furnished within one month, have not been received in respect of 447 IRs issued up to March 2023, though it was pursued through Apex Committee meetings and the Departmental Monitoring Committee meetings.

Serious irregularities commented upon in these IRs have not been settled as of June 2023 (*Appendix-XLIII*). Number of paragraphs and amount involved in these irregularities is categorised in **Table 5.4**.

Table 5.4: Category of irregularities, number of paragraphs and amount

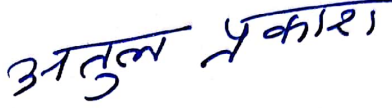
(₹in crore)

Sl. No.	Category of irregularities	Number of paragraphs	Amount
1	Non-compliance with rules and regulations	174	1,691.98
2	Audit against propriety / expenditure without justification	29	426.78
3	Persistent / pervasive irregularities	68	431.82
4	Failure of oversight / governance	2	39.72

(Source: Information collected by Audit)

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, were indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.

Bhubaneswar
The 21 JAN 2026


(ATUL PRAKASH)
Accountant General (Audit-II), Odisha

Countersigned

New Delhi
The 27 JAN 2026


(K. SANJAY MURTHY)
Comptroller and Auditor General of India