CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

WATER RESOURCES DEPARTMENT

4.1.1 Fraudulent issue of subsidised rice to contractors

Subsidised rice of 4185.57 MT was issued to contractors without sanctioned estimates, agreements and work orders resulting in misappropriation of Rs 4.94 crore.

As per the norms of the Food for Work (FFW) programme, rice supplied by Government of India (GoI) was to be distributed directly to the labourers at subsidised rates as part of wages and was not to be used for non-wage purposes. To ensure that the benefit of subsidy reached the beneficiaries, the rice was to be supplied to the labourers at the work site along with cash component on nominal muster rolls (NMR) in the presence of a local representative. Further, codal provisions for execution of works under Public Works Department (PWD) stipulated that no work should commence or liability incurred unless the estimates were sanctioned, agreements drawn and work orders issued to contractors for commencement of works.

During the year 2003-04, the Chief Engineer & Basin Manager (CE &BM), Lower Mahanadi Basin allotted 15,020 MT of rice to Puri district under FFW programme for taking up works in drought/flood affected areas of the district. The Executive Engineer (EE), Puri Irrigation Division was to monitor the progress of works and utilisation of the rice allotted and send a certificate of utilisation. The EE lifted the entire quantity of rice in three phases during 2003-04 and the utilisation certificate (UC) was submitted (April 2004) reporting utilisation of the full quantity of rice for the purpose for which it was allotted. He further certified that the UCs were issued after verification of the stock registers and being satisfied that the physical and financial performances were as per the parameters prescribed under the norms of the programme.

A test check of the records of Puri Irrigation Division showed (June 2004) that 4185.575 MT of rice was shown as issued to 165 contractors without a sanctioned estimate, agreement or work order. The utilisation of the rice not

[*] Abbreviations used in this Chapter have been expanded in the Glossary of abbreviations at pages 243-248.

being substantiated with such documentary proof, the issue of the UC could be fraudulent. The matter was reported to the Government and Engineer-in-Chief (EIC) in August 2004. The EE executed, post facto, 384 agreements during 2004-05 with 59 contractors towards utilisation of 1935.309 MT of rice leaving a quantity of 2250.266 MT valuing Rs 2.66 crore (Rs 1.27 crore at the subsidised rate) still unaccounted for (April 2007). Audit checks in respect of the quantity adjusted post facto, further revealed (December 2006) that neither NMR form was issued in support of engagement of labourers and distribution of rice to them nor was there any record of presence of any local representative as required under the norms of the programme. Moreover, out of 2.63 lakh cum of earth work reported to have been executed under these 384 agreements, 0.89 lakh cum was, in fact, measured as executed by mechanical means under 92 agreements without deployment of manual labourers in these works.

Thus, the issue of the UCs by the Superintending Engineer and EE in the absence of estimates, agreements and work orders and without verification of actual execution of work through deployment of daily labourers and distribution of the rice to them was potentially fraudulent and led to misappropriation of 4185.575 MT of rice valuing Rs 4.94 crore.

Government stated (July 2007) that departmental proceeding had been drawn up against the EE with regard to misutilisation of rice as well as non-execution of works and the case was still to be finalised.

4.1.2 Misappropriation of subsidy and excess payment

Misappropriation of subsidised rice for Rs 1.39 crore and excess payment of Rs 21.20 lakh due to non-deduction of settlement allowance from earthwork and non-recovery of cost of empty rice bags.

Construction of Gobkund cut double embankment from RD 7 to 11.66 km including excavation of pilot channel was awarded (June 2002) to three contractors under three reaches at a total cost of Rs 2.40 crore with stipulation for completion by July 2002. The contractors had completed the works and were paid Rs 2.15 crore as of March 2007.

The work was sanctioned under Food for Work (FFW) programme. As per the provisions of the scheme, rice supplied by Government of India (GoI) was to be distributed directly to labourers at subsidised rates as part of wages and not to be used for non-wage purposes. To ensure that the benefit of subsidy reached the labourers, the rice was to be supplied to the labourers at the work site along with cash component on nominal muster rolls (NMR) in presence of a local representative.

The contracts provided for execution of 7.44 lakh cum of earthwork by manual/mechanical means. Neither the estimates nor the agreements stipulated the quantity of rice required for execution of the work. The Executive Engineer (EE) reportedly got executed 3.40 lakh cum of earthwork by mechanical means and another 3.40 lakh cum by manual means working out to total 6.80 lakh cum with payment of Rs 2.15 crore to the contractors. The method of execution

either manual or mechanical was however, not separately specified in the measurement book. Against the requirement of 1426.99 MT of rice for the quantity reportedly executed by manual means, the EE issued 2256.70 MT of rice worth Rs 1.27 crore at the subsidised rate of Rs 5650 per MT to the contractors. The same amount was recovered from the bills of the contractors. Test check of the records of Puri Irrigation Division showed (October 2006) that no labourers were deployed in the work. Neither any NMR form was issued as evidence of distribution of rice to any labourer nor was there any record of presence of any local representative, though required under the norms of the programme. There was, therefore, no evidence of distribution of rice to any labourer. Thus, the issue of rice to contractors at a subsidised price led to misappropriation of Rs 1.39 crore towards subsidy inbuilt in 2256.70 MT of rice.

Further, as per the technical specifications, the quantity of earthwork payable to the contractors was to be measured after providing settlement allowance at the rate of 12 per cent if measured after one full monsoon and at 30 per cent for short duration works. Against 0.84 lakh cum deductible towards settlement allowance (at 12 per cent) from the overall measured quantity of earth fill for 7.02 lakh cum, only 0.22 lakh cum was deducted towards settlement allowance and 6.80 lakh cum was allowed for payment. This resulted in excess payment of Rs 19.49 lakh to the contractors towards non-recovery (0.62 lakh cum) of required quantity of settlement allowance.

Besides, as against Rs 2.26 lakh recoverable towards the cost of 0.45 lakh empty rice bags at Rs 5.00 per bag, only Rs 0.54 lakh was realised for 0.11 lakh bags. This resulted in short recovery of Rs 1.71 lakh.

Thus, there was misappropriation of Rs 1.39 crore on account of subsidy on rice provided by Government. In addition, there had been excess payment and short recovery of Rs 21.20 lakh on account of non-deduction of settlement allowance and non-recovery of cost of empty rice bags.

Government stated (June 2007) that rice was distributed to labourers through the contractors. This was factually incorrect, since rice was to be supplied to the labourers at the work site along with cash component on NMRs in the presence of a local representative, but as admitted by the EE, no NMR forms were issued and the records available with him did not also indicate presence of any local representative during distribution of rice to the labourers. This evidently showed non-distribution of rice to the labourers. Government further stated that the settlement allowance would be deducted from the contractors.

PANCHAYATI RAJ DEPARTMENT

4.1.3 Misuse of Special IAY Funds

Deficiencies and lapses in implementation of Special IAY scheme by the BDO, Barachana resulted in misuse of funds and other irregularities to the tune of Rs 2.37 crore.

Government of India (GOI) sanctioned (2001-02) special grants for construction of four lakh houses under the Indira Awas Yojana (IAY) for the people of the 14 districts affected by the super cyclone (October 1999) in the State. Accordingly, the State Government issued (October 2001) guidelines, which envisaged that the Below Poverty Line (BPL) beneficiaries whose houses had fully collapsed (FC) and completely washed away (CW) would be covered under the scheme. Further BPL beneficiaries who were not covered earlier under IAY or any other scheme of Government were to be covered on a selective basis through drawal of lottery. The number of such allotment should be limited to the balance left out of four lakh houses after providing for fully collapsed and completely washed away houses. The Block Development Officer (BDO) was to ascertain the eligibility of the beneficiaries for the assistance through inquiry and physical verification. The assistance for such house would be of Rs 22000 per beneficiary (cash: Rs 18260 and 34 bags of cement) and the amount was to be paid through account payee cheques in four phases[1]. BDO of Barchana Block in Jajpur district received Rs 22.68 crore during 2001-03 towards construction of houses for the 11702 selected beneficiaries of the block and work orders were issued to all of them during January 2002 to January 2003.

Check of records (March – July 2007) of the BDO revealed that in the special IAY main cash book of the Block, the closing balance as on 22 November 2002 was shown as Rs 1,97,09,915. Opening balance on 23 November 2002 was however taken as Rs 1,41,41,616 which was taken from the bank pass books and included interest of Rs 5,02,899 earned earlier but not accounted for in the cash book. Details of expenditure incurred were also not recorded in the cash book for the difference in amount. Thus there was non accountal of Rs 61[2] lakh of the special IAY funds in the block.

The records on implementation of the programme, physical verification of the sites of the houses along with personal interview of the beneficiaries made by audit in respect of 231 cases (out of 11702) showed several deficiencies and lapses as discussed below:

- **Seventy five beneficiaries during interview by Audit stated that they had received only Rs 12.12 lakh (cash Rs 11.05 lakh and cement Rs 1.07 lakh). Rupees 14.77 lakh (cash Rs 12.31 lakh and cement Rs 2.46 lakh) was, however, exhibited in the records as payment to such beneficiaries. Short receipt of Rs 2.65 lakh by the beneficiaries requires detailed investigation.**

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1 1st stage upto plinth level: Rs 5000 and 10 bags of cement; 2nd stage upto lintel level: Rs 5000 and 10 bags of cement; 3rd stage upto roof level: Rs 5000 and 14 bags of cement; 4th stage after roof casting: Rs 3260.

2 Rs 1,97,09,915 *minus* Rs 1,41,41,616 *plus* interest Rs 5,02,889.

Further payments were made through bearers' cheques instead of account payee cheques, in contravention of the scheme guidelines.

- **In 98 cases, the BDO released Rs 7.84 lakh to the beneficiaries on the basis of false construction certificates furnished by Block officials.[3] The certifying officials issued completion certificates showing different stages of completion. On physical verification of sites by audit in the presence of Block officials and beneficiaries, it was found that construction particulars given in the certificates were false. The beneficiaries thus availed undue benefit and became eligible for further assistance. Seventeen beneficiaries who had not started construction of their houses at all were found to have availed of 3.18 lakh on the basis of such certification.**
- **An amount of Rs 4.76 lakh was released by the BDO to 23 beneficiaries, who had buildings even up to two stories. This was confirmed during physical verification by audit in the presence of Block officials.**
- **Twenty-four beneficiaries reported that they had to sacrifice a portion of their assistance to different intermediaries for ensuring the receipt of assistance in cash.**
- **454 selected beneficiaries to whom first stage assistance of Rs 30.71 lakh was paid (2001-03) failed to undertake further construction.**
- **The BDO did not conduct inquiry and physically verify the households and as a result, 1341 ineligible beneficiaries availed assistance of Rs 1.27 crore for construction of houses. Later, on enquiry by the Government, their allotted houses were cancelled and Rs 17.10 lakh were realised by instituting legal action against 223 beneficiaries. The BDO agreed (March 2007) to take action in respect of others.**

Thus, there was misuse of assistance of Rs 1.76 crore and non accountal of Rs 61 lakh of special IAY funds and despite earmarking of huge funds, essential and durable benefit in the form of dwelling units to distressed cyclone hit poor people could not be ensured.

The Commissioner-cum-Secretary during discussion, assured (September 2007) to take appropriate follow up action on the audit observations after ascertaining facts from the concerned units/offices.

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.1.4 Loss due to non-enforcement of contract conditions

Failure to enforce the conditions of the contracts led to loss of Rs 1.91 crore and non-realisation of penalty of Rs 77.74 lakh from the contractors.

Orissa State Disaster Mitigation Authority (OSDMA) was created in December 1999 with the objective of providing expeditious relief, restoration and reconstruction in respect of damages caused or likely to be caused by natural calamities/disasters in the State. The EE, Jagatsinghpur, Roads and Buildings (R&B) Division, on behalf of

[3] Village Level Worker /Junior Engineer / Village Agricultural Worker / Progress Assistant.

OSDMA, awarded (November 2000) repair and reconstruction (under World Bank assistance) of the Purijena-Kothi-Ersama-Naubelari road damaged by the super cyclone of October 1999 to two contractors at a cost of Rs 2.78 crore under three agreements stipulating completion by August 2001. As per conditions 24 and 25 of the contracts, if a dispute arises between the parties, it would be referred to an adjudicator and either party may refer the decision of the adjudicator to an arbitrator within 28 days of the adjudicator's written decision, failing which, the adjudicator's decision would be final and binding.

Check of records of OSDMA and EE, Jagatsinghpur, R&B Division disclosed (October 2006) that although the contractors did not achieve proportionate progress as per the milestones, the EE did not take penal action against the contractors. The contractors after executing work worth Rs 1.07 crore abandoned the works (January-June 2001) and did not resume execution despite issue of notices by the EE. OSDMA rescinded (March 2002) the contracts after lapse of one year with penalty and instructed the Chief Engineer (Bridges) to initiate action to black list the defaulting contractors. Neither the OSDMA nor the EE initiated any action to realise the penalty of Rs 77.74[4] lakh leviable on the defaulting contractors and no action was taken to black list them. The EE completed the left over works of Rs 1.71 crore departmentally at a cost of Rs 2.60 crore involving extra expenditure of Rs 89 lakh. The contractors, however, preferred claims towards non-payment of their dues and non-refund of performance securities before the adjudicator who after hearing both the parties awarded (June 2002) Rs 84.95 lakh in favour of the contractors with interest payable at the rate of 12 *per cent* per annum in case the payment was not made by July 2002.

The OSDMA or the EE neither referred the decision of the adjudicator to an arbitrator within the stipulated period nor made payment to the contractors. Due to non-payment of the awarded amount, the contractors filed execution cases before the District Court, Cuttack who upheld (March 2005) the award passed by the adjudicator on the ground that no arbitration petition had been filed. Thereafter the EE filed application under Section 34 of the Arbitration and Conciliation Act 1996 in the District Court challenging the decision of the adjudicator. The said petition was dismissed on consideration of the merit of the case. Then the Government and OSDMA filed petitions challenging the decision of the District Court before the Hon'ble High Court, Orissa who also upheld (November 2005) the decision of the District Court. Consequently the decretal dues of Rs 1.02 crore along with interest was paid to the contractors as per the Government order (September 2006). Thus, failure of EE in not initiating penal action against the defaulting contractors and not referring the dispute to an arbitrator led to loss of Rs 1.91[5] crore and non-realisation of penalty of Rs 77.74 lakh from the contractors.

The EE stated (October 2006) that application for appointment of an arbitrator could not be filed in time due to protracted correspondences between the Government and OSDMA to decide who would file such application. The reply was not tenable. With better co-ordination and resolve, the situation leading to colossal loss could have been prevented.

[4] Rs 35.79 lakh (extra cost of balance work @ 20% of balance work) + Rs 20.95 lakh (liquidated damage) + Rs 21.00 lakh (repair of works during suspended period and rectification of works).

[5] Decretal dues Rs 1.02 crore + Extra expenditure of Rs 89 lakh in completing the balance work.

The Commissioner-cum-Secretary stated (September 2007) that the award given by the adjudicator could not be referred to an arbitrator within the stipulated time due to non-cooperation of the contractor for appointment of the arbitrator and non-existence of a clear stipulation in the contract to address such a situation. However, during discussion, he stated that the implementing agencies were advised to revise the format of contracts for avoiding such misdeeds of the contractors in future.

AGRICULTURE DEPARTMENT

4.1.5 Loss due to unsold onion seeds rendered unfit for further use

Due to over assessment of requirement, high yielding variety of onion seeds procured for distribution among farmers, remained unsold and became unfit for use, causing a loss of Rs 32.49 lakh

The work plan under the Macro Management of Agriculture-supplementation of States, a Centrally Sponsored Scheme, targeted supply of 300 quintals of high yielding variety of (AFLR) onion seeds to the SC, ST and BPL farmers[6] at subsidised rate. The Director of Horticulture, Orissa (DH) was the nodal agency for implementation of the programme through the Vegetable Specialist, Orissa (VS). The State Government sanctioned and released (March 2005), the subsidy of Rs 75 lakh (Rs 250 per kilogram) in favour of the DH for procurement of 300 quintals of onion seeds. The amount was placed (March 2005) with the Orissa State Seeds Corporation Ltd. (OSSC) for procurement of the seeds for sale during Rabi-2005.

Scrutiny of records (December 2006) of the VS showed that the OSSC procured (November 2005) 300 quintals of Truthful Labeled[7] (TL) onion seeds at the rate of Rs 330.55 per kilogram and supplied to 19 Horticulturists for Rabi-2005 at a cost of Rs 385 per Kg including incidental charges. The Horticulturists were asked to charge the farmers at the subsidised rate of Rs 135 per kilogram after adjustment of subsidy of Rs 250 and remit the same to the OSSC'. However, six Horticulturists returned to the VS (March 2006) 105.53[8] quintals of seeds, as they could not sell these to the farmers.

Further the DH's distribution programme sent (October 2005) to OSSC stipulated supply of seeds from freshly harvested stock qualifying seed certification standard having moisture content below six *per cent* and germination capacity of 80 *per cent* and above. Quality testing, however, was not conducted before sale of seeds to the farmers for Rabi-2005 on the plea that the supplier furnished certificate on purity and germination on each lot with viability period up to May 2006. It was, however, observed that 21.13 quintals of balance seeds were issued (June / October 2006) to Horticulturist, Bhawanipatna for sale during khariff and Rabi-2006 after the expiry of viability period. The germination capacity of 11.54 quintals of these seeds was below 80 *per cent* as per the tests conducted in June and September 2006 indicating sale of sub standard seeds to the farmers. Further, tests conducted in November 2006 showed that the germination capacity of the remaining 84.40 quintals of unsold seeds

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6 SC (Scheduled Caste), ST (Scheduled Tribe) and BPL (below poverty line).

7 TL (Truthful labeled): Truthful labeled means that the quality of seed is guaranteed by the seller for the prescribed minimum standard; but the purity and quality of such seeds are not certified by any seed certification agency under the provisions of the Seed Act 1966.

8 (i) Horticulturists, Bhawanipatna: Q.25.13, (ii) Khariar:Q 51.84, (iii) Patnagarh:Q 9.00, (iv) Dhenkanal: Q 2.07, (v) Angul : Q15.00, (vi) Athamallik: Q 2.49.

ranged from nil to 16 *per cent* rendering the seeds unfit for further use. This led to loss of Rs 32.49 lakh in the form of non-viable seeds remaining unsold (April 2007). The loss was attributable to unrealistic assessment of requirement by the DH as the same was made over telephonic discussion with the field formations instead of ascertaining though field survey despite availability of over six month time.

Besides, the SLPC's[9] cost structure included excess interest of Rs 13.10[10] per kilogram towards cost of investment of funds by the OSSC, as the OSSC was advanced Rs 75 lakh in March 2005. This resulted in an undue benefit of Rs 3.93 lakh to the OSSC and burdened the poor farmers to that extent.

The Government stated (July 2007) that the assessment was based on the consent of the farmers who later changed their intention not to cultivate onion in their fields and the high cost structure contributed to the seeds remaining unsold. The reply was not convincing as despite availability of sufficient time with the department, no field survey was conducted before and after finalisation of the work plan for assessing the actual requirement and the cost factor should have been taken into account before undertaking procurement and distribution.

4.2 Infructuous/ wasteful expenditure and overpayment

WORKS DEPARTMENT

4.2.1 Wasteful expenditure on a road

Non-completion of the restoration works of a road led to extra cost of Rs 12.51 crore and avoidable maintenance cost of Rs 53.55 lakh.

Government approved (January 2003) the repair and restoration of the Kandarpur Machhagaon road (51 km), a State Highway, damaged in the super cyclone of 1999 out of NABARD loan assistance at a cost of Rs 16.47 crore of which the value of work proper and the cross drainage works were Rs 13.92 crore. The Executive Engineer (EE) Jagatsinghpur (R&B) Division allotted (March 2003) the works to M/s Orissa Bridge &Construction Corporation (OBCC) on an interim Job contract (valid for four months) at estimated rates without specifying the date for completion of the works. The rates of the corporation were also not finalised. Although the interim job contract lapsed in July 2003, the corporation continued with the work without a regular agreement. The EE made running payments to the OBCC in the form of advances. However, after receiving Rs 14.41 crore, the corporation abandoned the work in May 2005. The work remained incomplete as of March 2007. OBCC was reported (August 2005) to have executed work worth Rs 17.46 crore which was, however, not supported by measurement of work by the Engineer-in-charge.

Test check of the records showed (June 2006) that due to abnormal delay in completion of the work, NABARD closed funding to the project in July 2005.The work remained at a standstill in the absence of a further loan agreement, with only 37.5 km out of the 51 km completed as per design specification; 5.5 km of road

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[9] State Level Pricing Committee.

[10] Interest of Rs 17.35 calculated at the rate of 10.5 *per cent* per annum for 6 months on investment of fund of Rs 330.55 per Kg. (Procurement price). The above per K.G rate included Rs 250.00 given as advance by Government against each K.G of procurement. The OSSC could therefore charge interest on Rs 80.55 on each K.G of onion instead of on Rs 330.55 per K.G. The excess interest thus charged by OSSC by taking the per K.G rate of Rs 330.55 per K.G comes to Rs 13.10 per K.G.

stretch was executed in a haphazard manner while no work was executed in the remaining 8 km. This led to maintenance and repairs of the road stretches through other agencies with expenditure of Rs 53.55 lakh during 2003-04 to 2005-06. Since there was no formal agreement with the corporation, the division could not make it liable for the maintenance works. The balance of work was approved (July 2007) for entrustment to another agency at a cost of Rs 8.97 crore. This involved extra cost of Rs 1.83 crore compared to the rates of OBCC which was recoverable from the corporation. The overall increase in cost of the work was Rs 12.51 crore compared to originally sanctioned value of the work. In the absence of execution of regular agreement, Government could not legally enforce completion of the work at cost and risk of the corporation.

Thus, allotment of the work to OBCC without execution of an agreement resulted in the highway remaining in damaged condition since 1999 causing hardship to the public. Further, this led to extra cost of Rs 12.51 crore in completion of the balance work and avoidable expenditure of Rs 53.55 lakh on maintenance of the road.

Government stated (May 2007) that the interim K2 agreement was drawn up with OBCC to facilitate payment and that to keep the road to minimum grade of trafficable state, maintenance expenditure was inevitable. The reply was not tenable since the interim agreement should have been replaced by a regular agreement within the four month period after commencement of work to ensure the legal enforceability of the contract conditions and to avoid extra expenditure on maintenance of the incomplete road portion.

WATER RESOURCES DEPARTMENT

4.2.2 Wasteful expenditure on a canal

Execution of agreements with a contractor on fake and forged registration licence and securities led to abandonment of works midway resulting in wasteful expenditure of Rs 1.53 crore.

Excavation of Gondia Branch Canal for 7.22 km (four reaches) was awarded (January/December 2004) to a contractor at a cost of Rs 6.16 crore stipulating completion by November 2004/October 2005. The contractors did not achieve the desired progress and abandoned the works from May 2005/May 2006/October 2006 after executing works worth Rs 1.53 crore.

Test check of the records of Right Canal Division No. II, Dhenkanal disclosed (December 2006) that the works executed were not in accordance with the specifications and lacking good workmanship. The contractor was directed to dismantle the structure which he did not do carry out. Further, as per the conditions of the notice inviting tender (NIT), the contractor was to deposit one *per cent* of the estimated amounts towards earnest money deposit (EMD) and in case the bid values were less by more than 10 *per cent* of the estimated amount, further additional performance securities for the differential cost of the bid amounts and 90 *per cent* of the cost of the estimates were to be deposited duly pledging the securities in favour of the Executive Engineer (EE).

The contractor furnished such securities for Rs 98.58 lakh in eight, one year time deposit pass books issued by General Post Office (GPO) Bhubaneswar. The EE executed the agreements on 24 January/27 December 2004 with the contractor and thereafter referred to the GPO on 31 December 2004 for confirmation of the securities. Instead of waiting for the confirmation, the EE paid the contractor Rs 63.57 lakh on running bills for the value of work done till December 2005 when the Senior Superintendent of Post Offices, Bhubaneswar reported that the time deposit pass books were fake and forged. Even after receipt of information on forged securities, the EE continued to make the payments and released a further amount of Rs 75.77 lakh till the contractor abandoned the work in October 2006. No action was taken against the EE for such payments. It was also noticed that the contractor was not even registered under the Contract Licence Act and had secured the works on the basis of forged licence. The contracts were neither closed nor were the balance of the works executed as of July 2007. Thus, due to execution of agreements with an unregistered contractor on the basis of fake and forged securities, the department failed to penalise the contractor for substandard execution of work and default in execution. Besides, the work remained incomplete rendering the expenditure of Rs 1.53 crore unfruitful.

Government stated (July 2007) that after closure of the contracts and approval of balance work estimates, steps would be taken to process tenders to complete the left over works. It was further stated that the differential cost that would be incurred for completing the works would be recovered from the contractor as per the agreement. This was not tenable as recovering the amount from an unregistered contractor who had forged securities and forged licensed is doubtful.

4.3 Violation of contractual obligation/ undue favour to contractors

WORKS DEPARTMENT

4.3.1 Higher overheads in the estimates leading to undue benefit to contractors

Adoption of unwarranted higher overheads in estimates resulted in undue benefit of Rs 4.96 crore to contractors.

Works of improvement to three State highways and one link road in four districts[11] were awarded between January 2005 and February 2006 to six contractors at a cost of Rs 35.44 crore for completion between May 2005 and April 2008. The works were in progress with payment of Rs 11.52 crore to the contractors as of March 2007.

As per the Public Works Department Code, the works were to be estimated adopting the State Schedule of Rates (SoR). The SoR stipulated for providing 12.5 *per cent* on labour component towards overheads.

Test check of the records of three Roads and Buildings (R&B) divisions and one National Highway (NH) division showed (November 2005 - November 2006) that the Executive Engineers (EE) had worked out the item rates for these works providing between 35 *per cent* and 20 *per cent* margin (10-25 *per cent* overheads and 10 *per cent* contractor's profit) over the prime cost consisting of cost of materials, labour and machinery, as against 12.5 *per cent* admissible only on the labour

[11] 1. Bisoi-Rairangpur-Tiring Tata (35 KMs) in Mayurbhanj District under R&B division, Rairangpur (SH 50).
2. Chroda-Duburi (15 KMs) in Jajpur district under R&B division, Panikoili.
3. Umerkote-Raighar-Kundai-Likima (14 KMa) in Nowrangpur district under R&B division, Jeypore (SH 39).
4 Bolangir-Kantabanji-Bangomunda-Chandutora (23 KMs) in Bolangir district under NH division, Kantabanji.(SH 42).

component on the ground that the data book of Ministry of Road Transport and Highways (MORT&H) provided such charges at 20 *per cent*. The adoption of excessive overheads was reported to Government in November 2005/November 2006. Government revised (February 2007) the SoR prescribing admissibility of only 10 *per cent* overheads on the value of the work. However, the unwarranted excessive overheads already adopted in the above works inflated the estimates by Rs 4.70 crore. The notices inviting tenders for these works were floated providing inflated estimated costs and the bids were approved on the basis of these estimated costs resulting in undue benefit of Rs 4.96 crore to the contractors taking into account the excess/less premia quoted by them over the estimates.

Government stated (July 2007) that the items of work were adopted from the data book of MORT & H. This was not tenable in view of the fact that the works related to improvement to the state highways and link roads, the estimates of which were to be prepared adopting overheads admissible as per the State SoR.

4.3.2 Undue benefit to a contractor

Water Bound Macadam (WBM) was executed with hand broken metal but payment was made to the contractor for crusher broken metal leading to undue benefit of Rs 1.17 crore.

The work of improvement to Khuntuni-Kamaladiha road via Narasinghpur was awarded (February 2004) to a contractor at a cost of Rs 19.29 crore with stipulation for completion by August 2006. The contractor had completed the work and was paid Rs 18.91 crore as of December 2006. The agreement, *inter-alia*, provided for execution of 7.07 lakh sqm of Water Bound Macadam (WBM) comprising of WBM Grade-II at Rs 106 per sqm and Grade-III at Rs 108 per sqm. The contractor executed the above quantity with payment of Rs 7.55 crore.

Test check of the records of Charbatia (R & B) Division, Choudwar showed (January 2006) that the WBM was to be executed using hand broken granite (HBG) metal. As per the approved quarry chart of the department, such HBG metal was available in the quarry (Kankadahad) located at a distance of 35 km from the work site. The unit rates for both WBM Grade-II and Grade-III items were, however, computed with crusher broken granite metal involving 70 km lead (Badalo quarry). In actual execution, however, the contractor completed the items with HBG metal obtained from Kankadahad quarry. Despite this, the item rates were not scaled down as per the actual lead involved and quality of metal used in the work.

This led to undue benefit of Rs 1.17 crore to the contractor for the quantity of WBM executed up to March 2007.

Government stated (May 2007) that the lead from Badalo was provided keeping in view the requirement of large quantity of metal conforming to the MORT&H specification. This was factually not correct since HBG metal was sufficiently available at Kankadahad quarry as evident from the subsequently sanctioned estimate (November 2004) for the work of improvement to Nidhipur road providing for HBG metal to be obtained from Kankadahad quarry.

4.3.3 Undue benefit to a contractor due to inclusion of unwarranted items in the cement concrete rates

Inclusion of unwarranted items in the cement concrete rates of a bridge led to undue benefit to a contractor for Rs 1.12 crore.

Construction of a High Level Bridge over river Chitrotpala at Nemalo near Cuttack was awarded (January 2005) to a contractor for Rs 10.54 crore at 13.98 *per cent* excess over the estimated cost for completion by January 2007. The contract provided for execution of different cement concrete (CC) items for 8096 cum at rates between Rs 3000 and Rs 9350 per cum with the stipulation that the contractor should supply all materials, plant, tools, appliances, ladders etc. at his own cost for proper execution of the work. The work was taken up and the contractor was paid Rs 9.83 crore for the works executed up to March 2007.

Test check of the records of Cuttack (R&B) Division in June 2006 disclosed that as per codal provisions, estimates for works should be prepared adopting State Schedule of Rates (SoR) providing a fixed percentage varying between two and five for all incidental and unforeseen contingencies. The rates for the CC items were computed as per the SoR providing for three *per cent* for form work and seven *per cent* towards sundries and Tools & Plants. The rates were further over loaded with cost of additional items such as islanding, foot bridge, derrick stand, winch stand, pillion base, service road and centering & shuttering (form work) which were not separately admissible as per the SoR and also not provided in execution of other bridge works in the State. The unwarranted inclusion of the inadmissible items led to undue benefit of Rs 1.12 crore to the contractor.

Government stated (November 2006) that the tender was invited on item rate basis and not on percentage basis so that the estimate could have direct impact on the tenders. This was not correct since the item rates in the estimate were inflated by overloading with the unwarranted items and the work was put to tender based on such inflated estimate cost which influenced acceptance of high bid value and led to undue benefit to the contractor.

4.3.4 Non-recovery of liquidated damage/extra cost

Non recovery of Rs 1.05 crore on account of extra expenditure/liquidated damage from defaulting contractors in respect of non completion of High Level Bridge.

The Government had rescinded (December 2001) the contract for construction of a High Level Bridge over river Rana at 35 km on Cuttack Govindpur Banki Simor Road (MDR-77), due to non-completion of the work by the contractor under clause 3(c) of the F_2 agreement which stipulated recovery of extra expenditure in completion of the left over works through another agency. The contractor had executed work valuing Rs 1.11 crore. The balance of the work with additional items of approach roads was awarded (December 2002) to M/s Orissa Bridge & Construction Corporation (OBCC) at a cost of Rs 1.22 crore for completion by November 2003. OBCC completed the superstructure of the bridge and was paid Rs 71.47 lakh as of March 2007. Despite default in execution, liquidated damages for Rs 12.20 lakh was not realised from OBCC due to lack of penal clause in the agreement. Recovery of extra cost of Rs 31.96 lakh from the original contractor towards the left over works was also not made as of May 2007.

Rules provided that the water way of a bridge must be adequate to allow free discharge of water under the bridge to avoid scouring of river bed. Check of records of Cuttack (R&B) Division, Cuttack, however, showed (June 2006) that the bridge was located 120 metres away from the Mahanadi in its tributary (River Rana) and the back water of the Mahanadi was continuously scouring both the sides. This aspect was not considered during the pre-construction survey and the bridge was designed for the existing river width. Thus, the water way provided at the site was insufficient for which the flood water of August 2003/July 2005 scoured both the side approaches of the bridge. The Engineer-in-Chief (EIC)-cum-Secretary to Government, while inspecting the site in August 2005, instructed to add one more span to the newly constructed bridge to accommodate the flood discharge at site. The additional span was under execution through another agency for completion by June 2007 at a cost of Rs 1.12 crore. The execution of the additional span at the belated stage through other agency involved extra cost of Rs 45.99 lakh to Government. The contractor had executed work worth Rs 19.55 lakh on the additional span as of July 2007. Neither any extension of time was granted nor were the liquidated damages of Rs 14.40 lakh recovered (July 2007).

Thus, commencement of the bridge works without providing adequate water way, caused abnormal delay in completion of the work and resulted in extra cost of Rs 77.95 lakh. Besides, liquidated damages of Rs 26.60 lakh recoverable from the defaulting contractor and OBCC were not recovered. The total non-recovery/extra cost amounted to Rs 1.05 crore.

Government stated (May 2007) that the behaviour of the river stood as a barrier in completion of the work. The reply was not tenable since as per rules, the design of the bridge was to be finalised after detailed study of the behaviour of the river and its discharge at site during the peak flood periods. Further, no reply was furnished as to non-recovery of the extra cost.

4.3.5 Undue benefit to contractors

Adoption of cost of packed bitumen instead of bulk bitumen of similar quality available at cheaper rate for execution of road works led to undue benefit of Rs 1.10 crore to the contractors.

Codal provision for bituminous items required for road works provide for use of bitumen without making any distinction as to use of packed or bulk bitumen. The price of bulk bitumen being cheaper and also because of its massive requirement in the road work, financial prudence demands that provision of bulk bitumen is made in the estimates.

Test check of records of two R&B divisions disclosed (January 2006-May 2007) that instead of adopting the price of bulk bitumen, the Executive Engineers (EE) considered (August 2003-August 2005) the price of packed bitumen in the cost estimates of six[12] of the road improvement works. This inflated the cost of the works by Rs 1.10 crore involving consumption of 4018.81 MTs of bitumen. The works were, however, awarded (January 2004-September 2005) to six contractors at a total cost of Rs 33.13 crore with stipulation for completion between August 2004 and August 2006 on finished item rate basis providing no scope for checking the inflated rate. All the works were completed with payment of Rs 34.87 crore to the contractors at the agreed rates inclusive of cost of packed bitumen as of March 2007. This led to undue benefit of Rs 1.10 crore to the contractors.

The EEs stated (April – May 2007) that the price of packed bitumen was considered instead of that of bulk bitumen to avoid adulteration in quality of bitumen and that the quoted rates had nothing to do with the estimated rates. This was not correct since as per the conditions of the contracts, providing required quantity/quality of materials was the responsibility of the contractors and to observe economy, bulk bitumen of the similar grade which was available at cheaper cost should have been provided in the estimates. Further, the notice inviting tenders for these works were floated providing inflated estimated costs and the bids were approved on the basis of these inflated costs.

The matter was reported to Government (May 2007); their reply had not been received (August 2007).

4.3.6 Undue benefit to a contractor

Payment to a contractor for earth work by mechanical transportation of earth as against the provisions of contract for payment at manual carriage rate led to undue benefit of Rs one crore to contractors.

Improvement works of Puri-Brahmagiri-Satapada (two reaches) and Pipili-Nimapara-Gop-Konark-Puri (two reaches) roads were awarded (February 2004) to three contractors at a total cost of Rs 29.90 crore for completion by January 2005. The works were completed in March 2006 and the contractors were paid Rs 29.84 crore as of March 2007.

Test check of records of Puri (R&B) Division showed (August 2006) that as per the agreements, the contractors were to execute 2.10 lakh cum of earth work by manual carriage at rates between Rs 17.81 and Rs 28.75 per cum and 1.40 lakh cum of earth work by mechanical transportation at rates between Rs 87.34 and Rs 100 per cum. The tender documents had provided that the tenderers should inspect the sites of the works and satisfy themselves about availability of all materials before quoting the rates. They were further required to arrange land for burrowing earth at their cost and risk. Complaint at a subsequent date about non-availability of required materials was not to be entertained and no extra payment was to be made. The contracts, thus, did not provide any scope for change in the method of execution of the work.

Despite these specific conditions, the Executive Engineer (EE) measured and paid for 2.82 lakh cum of earth work at the rates meant for mechanical transportation

[12] (i)Khuntuni-Kamaladiha (ii)NH 5A at Krushnadaspur to Udayagiri Ratnagiri (iii) Nidhipur road from NH 42 at Khuntuni to Ghantikhal (iv) Radhakishorepur to Gurudjhatia Chhagoan Balipur, (v) Athagard Megha Katakiasahi of Charbatia R&B Division and (vi) Fulnakhara-Niali-Madhab-Gop-Konark-Puri of Jagatsinghpur R&B Division.

involving increase of 1.42 lakh cum in quantity of mechanically transported earth. He further measured and paid for execution of only 0.40 lakh cum of earth work by manual means (decrease in agreement provisions by 1.70 lakh cum).

Thus, 1.42 lakh cum of earth work stipulated for payment at lesser rates for manual carriage was paid at higher rates meant for mechanical carriage resulting in undue benefit of Rs 1.00 crore to the contractors.

Government stated (June 2007) that as required quality of earth was not available within manual lead, the contractors carried suitable earth by mechanical means. This was not tenable since the contractors inspected the site before tendering for the works and after being satisfied with the availability of suitable earth within manual lead had quoted their rates for the works.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.7 Defective procurement of medicines

Ineffective drug management by the SDMU led to consumption of NSQ medicines worth Rs 20.47 lakh by the patients in the State, while there was loss of Rs 8.79 lakh as medicines became unfit for consumption due to expiry of their life.

According to Government's Drug Management Policy (November 2003) centralised procurement of medicines are made by the State Drug Management Unit (SDMU) for delivery of the same by the supplier direct to the medical institutions of the State. After obtaining samples of each batch of the medicines so supplied, the SDMU was to send the same to laboratories outside the State for quality testing. If the drugs were found to be Non-Standard Quality (NSQ), the supplier was to replace the entire quantity of the batch declared NSQ or the cost of the medicines deposited. If the supplier challenges the test report then it would be sent to the Central Drug Laboratory (CDL) whose report would be final.

Check of the records (June 2006) of the SDMU and information collected subsequently (February 2007) showed that the SDMU procured (September-October 2004) a life saving drug Cefadroxil tablets in two batches at a cost of Rs 20.47 lakh[13] from a manufacturer and supplied (September-November 2004) them to eight[14] consignees. As per the prescribed procedure, random samples of both the batches of the medicine were sent twice (3-31 December 2004 and 21 March-21 May 2005) to different Government approved laboratories outside the State and in both the occasions the laboratory test results (9 December 2004-18 February 2005 and 13 June-12 September 2005) disclosed the medicine as NSQ. In the meanwhile, the Drug Controller's office also drew samples of all the batches of the medicine and sent (24 May-11 August 2005) the same to the CDL for testing. The CDL's test report stated that no opinion could be offered on the standard and quality of the drug as complete test could not be carried out due to certain technical difficulties. Despite

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[13] (i) Roxithromycin tablets 150 mg : 1039100 in two batches – TJ 034 (982100 tablets) and TJ 039 (57000 tablets) costing Rs 15.72 lakh, (ii) Cefadroxil 500 mg tablets : 714300 tablets in two batches – TJ 012 (505100 tablets and TJ 040 (209200 tablets) costing Rs 20.47 lakh.

[14] CDMOs : Malkangiri, Koraput, Nowrangpur, Rayagada, Kalahandi (Bhawanipatna), Bolangir, Sonepur, and Central Drug Store at Bhubaneswar (for CDMO, Nuapara).

this, the tablets were considered as standard quality. As stated by the SDMU, no stock of Cefadroxil tablets was left with the consignees as these were already issued for consumption by the patients by the time the first test report was received. The first test report, however, showed the tablets as NSQ.

Similarly, samples of Roxithromycin tablets, supplied by the same supplier along with above medicine, were drawn and sent to laboratories outside the State, the test results of which were NSQ. The sample of same batch of medicine was, however, found to be of standard quality by the CDL. But, 6.38 lakh Roxithromycin tablets costing Rs 8.79 lakh were lying unused with the consignees and became unfit for consumption due to expiry of their life by the time the CDL's test report was received. Thus, the ineffective drug management by the SDMU led to consumption of NSQ medicines worth Rs 20.47 lakh by the patients during 2004-05 in the State, besides wasteful expenditure on medicines worth Rs 8.79 lakh becoming unfit for use due to expiry of their life.

The Principal Secretary, during discussion stated (August 2007) that the Cefadroxil tablets were consumed during 2004-05 and as per the CDL's test report, the same were of standard quality. As regards the time expired Roxithromycin tablets, he stated that the amount was yet to be released to the supplier. The reply was not tenable since the CDL did not certify the standards of quality of Cefadroxil tablets, which were NSQ as per two other tests made by the SDMU. Further, as per the reply of the SDMU (June 2006 and July 2007), the cost of the Roxithromycin tablets was already paid to the firm between November 2004 and March 2005 and five demand drafts drawn (March - December 2006) in favour of the firm for Rs 8.79 lakh had been withheld from issuing to the firm indicating blockage of funds in the bank.

4.4 Avoidable/excess/unfruitful expenditure

COOPERATION DEPARTMENT

4.4.1 Favour to a cooperative bank

Due to continuation of Orissa State Cooperative Bank as an intermediate agency handling NABARD finance notwithstanding Parliament's amendment authorising such abolition, the farmers in the State had to bear avoidable interest burden of Rs 4.06 crore and the state had to provide subvention of Rs 2.85 crore to its apex co-operative bank with no value addition to the banking services.

The total short term agriculture credit requirement meant for the farmers in the State is being financed up to 40 *per cent* by the National Bank for Agriculture and Rural Development (NABARD) and the balance by the State's short term cooperative credit structure (STCCS). However, the share of NABARD finance pass through three[15] stages of the STCCS. Accordingly, NABARD finances OSCB, which transfers the funds to District Central Cooperative Banks (DCCBs). From DCCBs the funds flow to Primary Agricultural Cooperative Societies (PACS) for eventual

[15] (i) Orissa State Cooperative Bank Ltd (OSCB), (ii) District Cooperative Central Banks (DCCBs) and (iii) Primary Agriculture Cooperative Societies (PACs).

lending to the farmers. In the process, at each of the above stages the financing cooperative banks/ institutions add their margin of interest before making payment of loans to the farmers. In order to ease the interest burden of the farmers on such loans, the NABARD Act 1981 was amended (August 2003) by the Parliament, which enabled NABARD to finance direct to the DCCBs. Based on the above, the NABARD sent (November 2003) a proposal to the State Government for making arrangement of financing direct to the DCCBs against the guarantee given by the State Government in order to eliminate OSCB in the process of routing the funds. But the State Government has not taken action to comply with the amended provision of the Act by restructuring the stages and the NABARD continues to route the loans through the OSCB.

Check of the records of the Registrar of Cooperative Societies (July 2006) disclosed that during 2004-06 the NABARD released short term credit meant for the farmers amounting to Rs 811.75 crore at the rates of 5.25 to 5.5 *per cent* per annum. However, the interest rates shot up to 11 *per cent* per annum by the time the funds reached the farmers from the PACS due to retention of interest margins (OSCB: 0.5 *per cent*, DCCB: 2.25 *per cent*, PACS: three *per cent*) by the three-tier cooperative credit institutions.

As a result, the farmers of the State, who availed loans for agricultural purposes from the PACS had to bear additional 0.5 *per cent* interest burden of Rs 4.06 crore representing the margin of OSCB on a total amount of Rs 811.75 crore disbursed to them during 2004-06.

During 2006-07, in compliance to the GOI's instruction, the farmers were extended credit at seven *per cent* per annum due to which the NABARD financed the STCCS at 2.5 *per cent*. Keeping in view the total required disbursement of crop loan of about Rs 1500 crore (NABARD: 37 *per cent*, OSCB : 33 *per cent* and DCCBs : 30 *per cent*) in the State during 2006-07, the OSCB on behalf of the STCCS represented (July 2006) to the State Government that the break even interest rate works out to 9.2 *per cent* for lending the amount to the farmers at seven *per cent* and requested to provide them the differential 2.2 *per cent* as subvention to finance the cost of their operation. The State Government agreed to their requests and sanctioned (September 2006) interest subvention of Rs 33 crore. However, on eliminating the OSCB as an intermediary for handling NABARD financed loan, the break even interest rate works out to 9.01 *per cent* and the 2.2 *per cent* sanctioned subvention included 0.19 *per cent* as OSCB's margin on disbursement of NABARD financed loan during the year and amounted to Rs 2.85 crore. The break up of interest calculation indicating this amount is given at the ***Appendix-4.1***.

Thus, while NABARD sought and achieved the objective of reducing interest burden on farmers in respect of its finances, the continuation of the OSCB as intermediary led to avoidable interest burden of Rs 4.06 crore on farmers of Orissa up to 2005-06 and on subsequent years the State Government had to bear the avoidable cost of supporting OSCB by releasing its finances amounting to Rs 2.85 crore till March 2007. Besides, the procedure added to clumsiness of operation by creating an additional layer and consequent avoidable administrative and procedural delay.

The Government stated (August 2007) that the NABARD's proposal was not implemented as the DCCBs were not complying with the required conditions under Banking Regulation Act 1949 for NABARD finance directly. The reply was not convincing as 13 out of the 17 DCCBs in the State complied with the required conditions basing on which the NABARD financed the STCCS during the period.

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.4.2 Avoidable expenditure

Expenditure of Rs 2.30 crore towards printing cost and vendors' commission was incurred despite installation of Franking Machines.

Government of Orissa introduced (June 1998) use of franking machine in Registration offices for making impression of non-judicial stamps on all kinds of instruments on which stamp duty is payable under the provisions of Orissa Stamp Rules 1952. The objectives of introducing franking machine were to reduce expenditure on printing cost of non-judicial stamp papers and payment of commission to stamp vendors. It was also intended to check supply of fake stamp papers and prevent endemic scarcity and black marketing etc created by unscrupulous stamp vendors in sale of stamp papers. Accordingly, the Inspector General of Registration (IGR), Orissa issued (August 1999) instructions to Registration Offices authorising the District-Sub-Registrars (DSR) and Sub-Registrars (SR) to use franking machines supplied to them for franking impression of stamps on instruments. The DSRs and SRs were directed to encourage and familiarise the user public in the use of stamped papers processed through franking machines by means of wide publicity. Out of 176 registration offices in the State, 85 offices were supplied with franking machines worth Rs 74.30 lakh during 1998-2003.

Check of records (May 2007) of IGR, Orissa and information collected from Director of Treasuries and Inspection, Bhubaneswar and DSR and SR offices disclosed that out of the total stamp duty of Rs 93.65 crore collected in 42 Registration offices during 2004-07, Rs 79.28 crore was realised from sale of stamp papers through vendors and only Rs 14.37 crore (15 *per cent*) through franking machine. Due to such under utilisation of franking machines, the government had to incur an avoidable expenditure of Rs 2.30 crore towards printing cost (Rs 0.92 crore) and vendors commission (Rs 1.38 crore) in preparation of stamp papers.

The Government stated (August 2007) that the DSRs and SRs were trying their best to create general awareness of registrant public for purchase of stamps through franking machine. The reply was not convincing, as there was nothing on record to show that adequate steps had been taken for creating general awareness among the registrant public.

4.4.3 Unfruitful expenditure

Rupees 1.02 crore incurred on construction of flood protection embankment with sluice on river Baitarani near Nuagarh was rendered wasteful as the objective of providing communication facilities and assured irrigation were not achieved due to abandonment of work.

With a view to creating an all weather communication and providing an assured source of irrigation, the work 'cyclone damage repair to the embankment from Tukuna to Nuagargh (RD 0/0 to 3/73 kilometre) with sluice at Nuagarh' was administratively approved (January 2003) by the Orissa State Disaster Mitigation Authority (OSDMA) for Rs 1.29 crore under the World Bank funded Water Resources Consolidation Project. The work included completion of the incomplete sluice and strengthening of the flood protection embankment by repair and partial construction of 0.22 kilometre on the right side and 2.29 kilometres on the left side of the sluice.

Scrutiny of records of the OSDMA (December 2006) showed that the work was awarded to a contractor (September 2003) for execution at a cost of Rs 1.40 crore under the supervision of the Executive Engineer, Baitarani Irrigation Division, (EE), Salapada stipulating completion by June 2004. The contractor after executing only earth work stopped further execution and was paid (September 2004) Rs 1.02 crore for the value of work done. Despite repeated persuasion, the contractor did not take up the balance work i.e., completion of the sluice and stone packing in the embankment as provided in the agreement. The Superintending Engineer, Northern Irrigation Circle submitted (January 2006) a proposal for closure of the contract which was pending with the Chief Engineer (December 2006). It was noticed that although there was no response from the contractor for further execution, security deposit of Rs 6.10 lakh realised from him was released (November 2005) after obtaining a bank guarantee, the validity of which expired in March 2006. Besides, as per the agreed construction programme, liquidated damages[16] up to a maximum of 20 *per cent* of the value of work not executed, was leviable on the contractor. However, no such liquidated damages were levied on the contractor for his non-adherence to the work programme. Thus, non-completion of balance work defeated the objectives of creating an all weather communication and providing assured source of irrigation, thus rendering the expenditure of Rs 1.02 crore unfruitful.

The Commissioner-cum-Secretary, during discussion stated (September 2007) that the OSDMA was advised to realise the security money from the dues of the contractor and compliance on the matter would be furnished in due course.

[16] Mile stone 1 : Rs 1536 per day, Mile stone 2 : Rs 3054 per day, Mile stone 3 : Rs 6392 upto a maximum of 20 *per cent* of value of work not done.

4.4.4 Unfruitful expenditure on incomplete works due to non-acquisition of required land

Commencement of work without acquiring the required land by the OSDMA for construction of embankments of Gangua nalla led to unfruitful expenditure of Rs 1.32 crore.

As per provision in the Orissa Public Works Department code, before commencement of works, acquisition of required land for the purpose should be ensured. Orissa State Disaster Mitigation Authority (OSDMA) accorded (April 2003) administrative approval for construction of flood embankments on both sides of the Gangua nalla in two packages estimated to cost Rs 2.30 crore. The estimate was technically sanctioned (May 2003) by the Chief Engineer (CE), Drainage, Cuttack and the OSDMA entrusted the execution of the work to the Executive Engineer (EE), Drainage Division, Bhubaneswar.

Scrutiny of records of the OSDMA and the EE (November 2006) however, showed that ignoring the codal provision, the above works were awarded (October/ December 2003) to two Contractors for Rs 2.22 crore stipulating completion by March 2004 without acquisition of the required land. The proposal for acquisition of the required land was submitted in March 2004 after one year of administrative approval and technical sanction and 3-4 months after award of the work. The contractors, after executing works valuing Rs 1.47 crore, stopped further construction (June 2004) as the landowners did not allow the contractors to construct the embankments on 37.45 acres and the contracts were closed (September 2004).

Thus, expenditure of Rs 1.32 crore incurred on the embankment formation was rendered unfruitful, as the objective of checking the inflow of water did not materialise due to non-acquisition of land at construction site.

The Government, in their reply held (June 2007) the view of the OSDMA that the provision would be made in budget of Water Resources Department after receipt of cost estimate for acquisition of land from the Revenue Department. The reply was not acceptable since the work had commenced without acquisition of the required land, which actually delayed the completion of the work.

RURAL DEVELOPMENT DEPARTMENT

4.4.5 Roads constructed did not provide connectivity to the targeted habitations

Roads constructed at a cost of Rs 42.47 crore under Pradhan Mantri Gram Sadak Yojana did not provide all weather connectivity to the targeted habitations due to non-construction of bridges.

Government of India (GoI) launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) in December 2000 with the objective of providing all weather connectivity to the unconnected habitations with population of 1000 and above by the year 2003 and 500 and above by the end of Tenth Plan period (2007) so that the educational, health and marketing facilities are available to the residents of such habitations. As per guidelines of the programme, minor bridges were to be constructed and in case, a bridge span exceeded 15 metre, a separate Detailed Project Report (DPR) was to be prepared after site inspection jointly by the Superintending Engineer (SE) and the State Technical Agency (STA) for execution with the PMGSY funds. The bridges exceeding 25 metre span length were to be executed separately by the Government of Orissa (GoO). The *pro rata* cost beyond 25 metre and agency charges if any, were to be borne by the GoO. Accordingly, the Executive Engineers (EE) were to plan, design and prioritise the selection of the roads from the District Rural Roads Plan (DRRP) for execution in such a manner that, on completion, the roads provided all weather connectivity to the targeted habitations.

Test check conducted in 15 Rural Works[17] divisions during April-May 2007 disclosed that out of 967 roads constructed by these divisions at a cost of Rs 545.91 crore, 39 roads completed with expenditure of Rs 42.47 crore did not provide all weather connectivity to the targeted habitations due to un-bridged crossings exceeding 25 metre span length, one each on these roads. As per the DRRPs, the roads required construction of bridges to establish the connectivity. The DPRs were, however, sanctioned without providing such requirement. Even preliminary survey for construction of these bridges was not done (May 2007). The Chief Engineer (CE), Rural Works had also not finalised (May 2007) any action plan to complete the unbridged portions to establish the connectivity in these roads.

Thus, the execution of these 39 roads for which Rs 42.47 crore were spent under PMGSY was not fruitful as the objective of all weather connectivity to the targeted habitations remained unfulfilled.

Government stated (August 2007) that all such bridges would be taken up in phases.

WATER RESOURCES DEPARTMENT

4.4.6 Non-recovery of works advance and excess payment

Unauthorised issue and non-recovery of works advance and payment at higher rates for cement concrete items led to advance/excess payment of Rs 10.46 crore to OCC.

Construction of Cross Drainage structure across river Tel was allotted (December 2001) to M/s Orissa Construction Corporation (OCC) Limited at their offer of Rs 12.44 crore for completion by December 2003. The Corporation was paid Rs 7.27 crore for the value of work executed within the extension period up to December 2005. Further extension of time sought up to March 2007 was not granted.

Test check of the records showed the following:

- The agreement provided for payment of interest free works advance up to a maximum of 10 *per cent* of the agreement value (Rs 1.24 crore). The Executive Engineer (EE) had, however, paid (March 2002 - March 2006) works advance of Rs 14.15 crore resulting in unauthorised payment of Rs 12.91 crore to the

[17] 1. Koraput, 2. Sundergarh, 3. Dhenkanal, 4. Ganjam No.I, 5. Bhubaneswar, 6. Rayagada, 7. Bhawanipatna, 8. Baripada, 9. Puri, 10. Nowrangpur, 11. Bolangir, 12. Baragarh, 13.Ganjam No II, 14. Jaleswar, and 15.Cuttack.

Corporation. Interest of Rs 1.64 crore on the excess works advance was not levied. Out of Rs 14.15 crore, Rs 6.24 crore was adjusted from the Running Account bills leaving Rs 7.91 crore still to be recovered (April 2007).

- During execution, the design was changed from siphon to aqueduct due to difficulties in construction of the siphon at the site. Consequently, the agreement item rates for cement concrete (CC) M-15 (Rs 2000/- per cum), M-20 (Rs 2300/- per cum) and M-25 (Rs 3250/-per cum) and labour for steel reinforcement (Rs 2050 per quintal) were revised and paid at the rates of Rs 2866/-, Rs 4063/-, Rs 8348/- and Rs 2993/- respectively. According to the contract, the modified quantities were to be executed at the same rates, terms and conditions. Payment at revised rates, thus, involved excess payment of Rs 2.79 crore to OCC. The EE stated (November 2006) that the original item rates did not include the extra lift charges necessary as per the modified design. Even after taking into account the extra lift charges of Rs 100 per cum claimed by OCC, the excess payment would work out to Rs 2.55 crore of which Rs 81.05 lakh was already paid to the Corporation as of March 2007.

Thus, apart from unauthorised excess payment and non-recovery of works advance of Rs 7.91 crore, payment at higher rates for CC works led to further excess payment of Rs 2.55 crore to OCC.

Government stated (July 2007) that advances were released keeping in view the value of work executed by OCC. Due to change in design, drawing and methodology of construction, the rates of CC items were substituted. The reply was not tenable since works advance was to be limited to 10 *per cent* of value of contract and items of concrete necessitated due to change in design and drawing already existed in the agreement. Further, change in methodology of execution warranted extra lift charges of Rs 100 per cum which could have been allowed to OCC instead of revising the item rates.

4.4.7 Inadmissible payment of overheads

Inadmissible payment of Rs 8.69 crore towards 15 percent overhead charges though OCC did not execute works directly

As per the accounting procedure prescribed (June 2002) by Water Resources (WR) Department, 15 *per cent* overhead charges were payable to M/s Orissa Construction Corporation (OCC) on the value of the allotted works executed by them directly. The Corporation was not to sub contract the works except for piece works.

The work of construction of Right Bank Canal of Rengali Irrigation Project and Earth Dam, Spillway and Dyke of Lower Indra Irrigation Project were allotted to OCC between November 2001 and January 2006 at a cost of Rs 99.18 crore including 15 *per cent* over head charges for completion between January 2004 and December 2006. The corporation had executed works worth Rs 57.95 crore as of March 2007 and was paid overhead charges of Rs 8.69 crore.

Test check of the records of five Irrigation Divisions[18] disclosed (November 2006-January 2007) that OCC had not executed the works directly, but engaged special class contractors/other contractors for execution of these allotted works on job basis. Since the corporation did not execute the works directly, 15 *per cent* overhead charges were not admissible to them. Thus, the payment of Rs 8.69 crore towards the overhead charges constituted an inadmissible payment to OCC.

Government stated (July 2007) that materials required for the works were procured by OCC and supply of labour for the works was done on piece work basis. The fact, however, remained that the works were sub contracted by OCC to different agencies on regular contracts and stock materials were supplied to them from their stores.

4.4.8 Excess payment to contractors on earth work

Non-deduction of quantity of cutting earth utilised in filling reaches, settlement allowance from the overall earth fill and adoption of excess lead led to excess payment of Rs 3.33 crore to the contractors.

Construction of Golamunda distributary (15.87 km) of Upper Indravati Irrigation Project was awarded (May 2004-June 2006) to 11 contractors under 17 agreements at a total cost of Rs 26.37 crore for completion between March 2005 and November 2007. The works were under execution (March 2007) with payment of Rs 15.90 crore to the contractors.

The contracts provided for excavation of earth in cutting reaches and transportation of the excavated earth to filling reaches mechanically/manually for formation of canal bank at rates varying between Rs 27 and Rs 55 per cum. The contracts also provided for obtaining earth from the burrow area at rates varying between Rs 38 and Rs 90 per cum for the canal bank formation in filling reaches in case of excess requirement after utilisation of the excavated earth from the cutting reaches. The differential quantity of total earth filled (excluding 16 *per cent* settlement allowance) and the quantity utilised from the cutting reaches was payable to the contractors for the burrowed earth.

Test check of the records of Left Canal Division No. III, Dharmagarh disclosed (November 2006) that in 10[19] reaches, total quantity of earth fill after 16 *per cent* settlement allowance was 7.63 lakh cum and the quantity excavated from cutting reaches was 1.21 lakh cum. The differential quantity payable to the contractor for burrowing of earth was thus 6.42 lakh cum. The contractors, however, were paid for 7.18 lakh cum resulting in excess payment of Rs 42.14 lakh for 0.76 lakh cum. In reaches from RD 4 to 10 km and Village Road Bridge/Cross Drainage at RD 3.86/3.76 km, as against deductible settlement allowance of 0.26 lakh cum, only 0.05 lakh cum was deducted which led to excess payment of Rs 14.35 lakh to the contractors.

Besides, the EE worked out the rates for the earth fill from RD 00 to 6.95 km providing five km lead for obtaining earth from burrow areas whereas he allowed such lead for two km in the remaining reaches from RD 6.95 to 15.87 km. The EE

[18] Rengali Right Canal Division No. I, II, III, IV and Lower Indra Dam Division.
[19] RD 00 to 2.33 km and RD 6.95 to 15.17 km.

had not made a realistic assessment of lead involved for allowing different distances for different reaches of work. In the absence of recorded reasons, excess lead of three km allowed in case of former reaches was unwarranted and unjustified resulting in excess payment of Rs 2.77 crore for 10.29 lakh cum of earth work.

Thus, the total excess payment worked out to Rs 3.33 crore.

Government stated (June 2007) that the earth made available from cutting reaches was unsuitable for construction of embankment. This was not acceptable since no quality control report in support of unsuitability of earth was made available. Government further stated that the five km lead for burrowing earth was provided considering the high filling portions of the canal. This was factually not correct since the EE was neither aware of the source for obtaining the earth and lead involved nor made any recorded measurement of the distance before allowing the excess lead. Further, in other reaches having high filling portions, the lead allowed was two km.

4.4.9 Avoidable expenditure

Construction of irrigation embankment in deviation from approved design led to avoidable expenditure of Rs 2.44 crore.

To protect 68,000 acres of agricultural land in 100 revenue villages from flood inundation of river Bhargavi, Executive Engineer (EE), Puri Irrigation Division constructed (between 2000 and 2003) guide banks on both sides of the river and excavated a central pilot channel with an expenditure of Rs 1.61 crore. This, however, did not mitigate the flood problem. The constructed embankments got eroded each year and ultimately breached in 2005. Thereafter, re-excavation of the pilot channel was taken up (May 2006) at a cost of Rs 2.24 crore. The work was under execution with payment of Rs 1.03 crore to the contractors as of March 2007.

Test-check of the records disclosed (October 2006) that as per the design, the guide banks were to be constructed with clear width of 290 metres and a central pilot channel in the middle. However, the guide banks were completed (2002-03) leaving gaps for sluices and the pilot channel was excavated from RD 7 km up to the sea. No work was done in the head reach from RD 00 to 7 km. The executed works were also not protected with turfing. As a result, the guide banks were subjected to erosion each year. This resulted in avoidable expenditure of Rs 2.44 crore on the maintenance of the guide banks between 2002 and 2006. Ultimately, the guide banks were breached in 2005. Despite that, full flood protection as per design requirement was not completed with only excavation of pilot channel from RD 3.88 to 7.00 km being taken up (June 2006) at a cost of Rs 2.24 crore. No work was done from RD 00 to 3.88 km leaving the embankments still in a vulnerable condition.

Thus, non-observance of the approved design of the irrigation embankment led to avoidable expenditure of Rs 2.44 crore.

Government stated (June 2007) that during 2002-03 the pilot channel was excavated up to 7 km and guide banks were constructed with intervening gaps for sluices due to scanty provision of funds. Further since the works had gaps and incomplete portions, they required maintenance.

4.4.10 Excess payment

Adoption of a lead of 28 km as against actual lead of 9 km involved in obtaining stone products to work site resulted in excess payment of Rs 1.91 crore to OCC.

Government allotted (November 2001) the work of construction of spillway of Lower Indra Irrigation Project to M/s Orissa Construction Corporation Ltd. (OCC) at their offered rates for Rs 53.25 crore for completion by November 2004. The work was in progress (June 2007) with extension of time applied up to November 2007. The corporation received payment of Rs 35.91 crore as of March 2007.

Audit scrutiny of the records of Executive Engineer (EE), Lower Indra Dam Division, Tikhali revealed (January 2007) that the estimate for the work was sanctioned (April 2001) by the Chief Engineer & Basin Manager, Rushikulya, Vansadhara, Nagabali Basin, Berhampur providing lead for stone products from Rishigaon quarry, situated at a distance of 28 km from the work site though there was another stone quarry available at Haripur at a distance of 9 km. The offered rates of OCC for the cement concrete items included transportation charges of Rs 166.95 per cum of stone products from Rishigaon quarry. OCC, however, executed the works obtaining 1.77 lakh cum of stone products from Haripur quarry, the transportation charges from where worked out to Rs 58.61 per cum.

Thus, adoption of 28 km lead for the stone products in the offered rates of OCC against the actual lead of 9 km led to excess payment of Rs 1.91 crore to the corporation.

Government stated (August 2007) that the stone products of Rishigaon quarry were used for construction of the spillway. This was factually not correct since as per records, OCC executed the spillway works obtaining stone products from Haripur quarry.

4.4.11 Unfruitful expenditure

Non-completion of a bridge resulted in unfruitful expenditure and extra liability of Rs 1.44 crore.

Due to construction of Upper Indravati Irrigation Project (UIIP), the road from Dhansuli village was submerged in water of river Hati and the villagers on the left side were deprived of health, education and medical facilities available on the other side.

In order to provide all weather communication to the villagers, the Executive Engineer (EE), Upper Indravati Left Canal Division No.I, Kusumkhunti awarded (October 2001) the work of construction of a high level bridge across the river to a contractor at a cost of Rs 1.24 crore with stipulation for completion by October 2003. The Chief Engineer (CE) allowed him extension of time upto June 2005. After executing work worth Rs 92.88 lakh and receiving payment for Rs 95.31 lakh (including cost escalation of Rs 2.43 lakh), the contractor stopped further execution from May 2005. The contract was, however, neither closed nor even the balance of works executed as of July 2007. This resulted in unfruitful expenditure of Rs 95.31 lakh already incurred on the work. Besides, the contractor was paid excess amount of

Rs 1.72 lakh which was not recovered as of July 2007. Further, computed with the rates of the defaulting contractor, the execution of the left over works as estimated (January 2007) by the Superintending Engineer would involve extra liability of Rs 48.30 lakh to the department.

Thus, failure of the department to close the contract with penalty for default in execution and non-initiation of any action for the last two years for completion of the balance of works resulted in unfruitful expenditure of Rs 95.31 lakh and extra liability/payment of Rs 50.02 lakh.

Government stated (July 2007) that the balance of the work was not tendered due to non-closure of the original contract and that the excess payment would be recovered from the security deposits (SD) of the contractor. However, the SD of Rs 0.48 lakh available with the division was not forfeited and no action taken to realise the balance amount.

4.4.12 Extra expenditure on unwarranted closure of a contract

Extra expenditure of Rs 1.20 crore due to unwarranted closure of a contract and award of the left over works to the same agency at higher rates.

Construction of spillway of Manjore Irrigation Project up to RL 108.50 metre was awarded (August 2001) to M/s. Orissa Construction Corporation (OCC) at a cost of Rs 7.24 crore for completion by July 2002. The scope of the work was increased to Rs 9.88 crore in January 2002 extending the gallery portion. The Corporation was granted extension of time up to June 2003 for completion of the modified work. The Corporation, however, left the work from June 2004 after executing work worth Rs 8.01 crore on the ground of non clearance of site in the working season of 2002-03, during which period the prices of steel and cement went up and the lead of stone products increased due to submergence of the stone quarry inside the impounded reservoir. In the meanwhile, the department decided (October 2004) to raise the spillway height further up to RL 124 metre. Government closed (February 2006) the contract of OCC without levy of penalty and realloted the balance of the works of the first phase and further works necessary up to RL 124 metre (2nd phase) to OCC at their revised negotiated offer of Rs 5.55 crore inclusive of 15 *per cent* over head charges for completion by September 2007. The work was under execution with payment of Rs 1.27 crore to OCC (July 2007).

Test check of the records of Manjore Irrigation Division showed (March 2007) that as per the conditions of the agreement, the contractor was bound to carry out the modified works on the same conditions on which he had agreed to execute the main work. Further, if during any stage of construction, quarries became unapproachable or unsuitable, the materials were to be obtained by the corporation from other suitable quarries at their cost and risk. Instead of invoking the above conditions for getting the work completed at the agreed rates, the Government unwarrantedly closed the contract and re-allotted the balance of the works at higher rates resulting in extra expenditure of Rs 1.20 crore (including over head charges of Rs 16 lakh payable to OCC) which was avoidable.

Government stated (July 2007) that heavy rain, closure of river gap, involvement of additional works and agitation by displaced persons did not allow OCC to go ahead with the work. This was not tenable since the completion period was fixed considering the cyclical change in weather and programme for closure of the river gap. As per the terms of the contract, OCC was to carry out the additional works on the same conditions on which they had agreed to execute the original work. As regards agitation by displaced persons, OCC required only three months extension of time on this account which was not granted and instead the work was closed.

4.4.13 Extra avoidable payment

Inclusion of element of income tax in the offered rate of OCC led to extra avoidable payment of Rs 1.20 crore.

The work of construction of spillway of Lower Indra Irrigation Project was allotted (November 2001) to M/s Orissa Construction Corporation (OCC) for Rs 53.25 crore for completion by November 2004. The work could not be completed in time and the OCC applied for extension of time up to November 2007 on the grounds of non-availability of land and untimely rain etc., which was pending for sanction (June 2007). The agency executed work worth Rs 35.91 crore as of June 2007.

Audit scrutiny of the records of the Executive Engineer (EE) of Lower Indra Dam Division, Tikhali, however, revealed (January 2007) that extra provision of 2.3 *per cent* was included in the offered rates of OCC for the above work to compensate for the income tax payment. This unwarranted inclusion of the element of the income tax resulted in extra avoidable payment of Rs 1.20 crore to the corporation.

Government stated (July 2007) that since the corporation had to show the tax component in the offer separately, there was no unfairness involved in finalising its rates with the income tax component shown in the estimates. The reply was not acceptable since the income tax was to be paid out of profit earned on the turnover of works executed by OCC and not to be included in the work estimates.

WORKS DEPARTMENT

4.4.14 Extra expenditure on improvement of a road

Improper planning in improvement of a road led to re-tendering of works and additional cost of Rs 1.85 crore to Government.

To meet the transportation needs of the growing number of tourists to Chilika lake, Government administratively approved during (2003-04) improvement of Puri-Brahmagiri-Satapada road (48 km) at an estimated cost of Rs 16.17 crore in two reaches *viz*: RD 00 to 20/100 km and 20/100 to 48 km. The works were awarded (February 2004) to two contractors at a cost of Rs 12.32 crore with stipulation for completion by January 2005. The improvement works pertaining to the second reach were under execution with payment of Rs 9.46 crore to the contractor as of March 2007. The works in the first reach were, however, executed up to 12/700 km and the portion from RD 12/700 to 20/100 km was subsequently awarded (March 2005) to another contractor on retender at a cost of Rs 3.13 crore for completion by February 2006. The work was under execution with payment of Rs 2.48 crore to the contractor.

Test check of the records of Puri (R&B) Division disclosed (July 2006) that the Executive Engineer (EE) designed the second reach from RD 20/100 to 48 Km for double lane with carriage way width of 7 metres while he designed the head reach for a carriage way width of 5.5 metres. This inconsistency was noticed by the Engineer-in Chief, cum- Secretary to Government during inspection of the site in June 2004 when he instructed to increase the width of the carriage way of the first reach also to 7 metres to have uniform design for the entire road. As the work was financed under the NABARD assistance and there was no scope at that stage to increase the loan amount, the department had to limit the execution of the head reach up to 12/700 km providing a carriage way width of 7 metres with the available funds under the scope of the existing agreement and subsequently retender the balance portion. Thus the improper planning of the EE in the improvement works of the road led to additional cost of Rs 1.85 crore when the rates on re-tender of balance portion of the road were compared with the item rates of the original agreement.

Government stated (August 2007) that the execution was limited to 12/700 km at the first stage keeping in view the fund position of NABARD. The extra expenditure was avoidable had the work been planned by the EE providing uniform width of the road.

4.4.15 Unfruitful expenditure on a road

Due to non-completion of nine crossed drainage work and a bridge, all weather road communication could not be provided to 94 villages in three blocks resulting in unfruitful expenditure of Rs 1.69 crore.

Government administratively approved (March 2000) improvement to Belpara – Baijalsagar – Bhanpur – Pithapathar road (40 km) at a cost of Rs 3.24 crore for providing all weather road communication to 94 villages in three blocks in Bolangir district. The improvement of the road was targeted for completion by March 2003 with NABARD loan assistance carrying interest at the rate of nine *per cent* per annum. The Executive Engineer (EE) National Highway Division, Kantabanji commenced the works in an unplanned manner completing 35 km (out of 40 km) in reaches with gaps through 255 split up agreements during 2001-2003 at a cost of Rs 1.54 crore which included a bridge over Dandamunda Nullah at 29th km at a cost of Rs 41.75 lakh. The road, however, could not be made motorable due to non-completion of cross drainages (CDs) at nine locations and another bridge at 32nd km over Putulamahal.

The works on nine CD[20]s and the bridge over Putulamahal were awarded (August 2003) to a contractor at a cost of Rs 1.36 crore with stipulation for completion by February 2005. Despite issue of notices, the contractor did not execute the work as per the programme and could only execute work worth Rs 15.37 lakh as of June 2004. The Chief Engineer (CE) closed (May 2005) the contract stipulating recovery of extra cost to be involved in completion of the balance of the works from the defaulting contractor. The EE did not, however, initiate any action for completion of the balance of the works as of April 2007 with the result that the road remained incomplete for 5 km with gaps for the CDs and the bridge. The all weather road communication for the 94 villages had, thus, not been established (July 2007) rendering the expenditure of Rs 1.69 crore unfruitful. Besides, there was an interest liability of Rs 1.07 crore on the capital expenditure.

[20] At RD 7km,12km,13 km,15 km,16 km and 17 km.

Government stated (May 2007) that the CE was instructed to take up the balance work on fresh tender and that the extra expenditure for the balance work would be recovered from the defaulting contractor.

4.4.16 Unfruitful expenditure on a bridge

Non-construction of approach roads to a bridge resulted unfruitful expenditure of Rs 1.10 crore.

The Executive Engineer (EE) Rairangpur (R&B) Division awarded (October 2001) the work of construction of a submersible bridge to a contractor at a cost of Rs 75.45 lakh with stipulation for completion by April 2003 to replace the old and weak vented causeway over river Bankabal at 1st km on Banki-Badamtalia road in the district of Mayurbhanj. The contractor completed the bridge proper in June 2006 with payment of Rs 75.95 lakh and the overall expenditure for the work was Rs 1.10 crore as of March 2007. The bridge, however, could not be opened to traffic due to non-construction of the approach roads.

Test check of the records disclosed (January 2007) that Government approved the work in January 2000 with instructions to complete it within the stipulated time. The survey conducted prior to commencement of the work indicated the necessity for acquisition of land for the right approach road. The EE, however, allotted the work of construction of the bridge proper to the contractor but did not initiate any action until September 2005 i.e. more than two years after the stipulated date of completion of the work for acquisition of 0.30 acres of private land required for the right approach road.

Bridge over river Bankal at 1st km on Banki-Badamtalia road completed without construction of approach road

Verification of the site by Audit on 17 April 2007 along with the Assistant Engineer in charge of the work disclosed that the left approach road was still under execution and work on the right had not been taken up due to non-approach road had not been taken up due to non-acquisition of the land, as a result of which the bridge could not be opened to traffic. This rendered the expenditure of Rs 1.10 crore spent on the work unfruitful.

Government stated (July 2007) that the land was not acquired for construction of the right approach road but traffic was being allowed through short approaches on PWD land.

WORKS / WATER RESOURCE / INDUSTRIES DEPARTMENTS

4.4.17 Excess payment to contractors

Failure to adhere to the Indian Road Congress Code/mix design in execution of cement concrete items resulted in excess payment of Rs 1.67 crore to the contractors.

Cement Concrete (CC) items of different specifications were to be executed using minimum quantity of cement prescribed in the Indian Road Congress (IRC) Code subject to mix-design proportion worked out in conformity with the gradation and proportion of materials. According to the IRC Code, 250 kg, 310 kg, 360 kg and 380 kg of cement per cum was required for execution of CC items of strength M-15, M-20, M-25 and M-30 respectively. The item rates were to be adjusted as per actual consumption of cement based on the design mix.

Test check of records of the following works disclosed (August/ November/ December 2006) that during execution the provisions of the IRC code/design mix were not followed resulting in excess payment of Rs 1.67 crore to the contractors as discussed below:

WORKS DEPARTMENT

The Executive Engineers (EEs) of five[21] R&B Divisions awarded construction of seven high level bridges to seven contractors at a cost of Rs 52.63 crore for completion between October 1997 and January 2007. The works were under execution and Rs 48.18 crore were paid to the contractors as of March 2007.

The estimated rates were, however, computed providing requirement of cement as 323 kg for M-15, between 410 kg and 430 kg for M-20, 571 kg for M-25 and between 530 kg and 631 kg for M-30 per cum of the above CC items. The provision of higher quantity of cement in the estimates compared to the IRC provisions led to extra cost of Rs 1.84 crore. The Notice Inviting Tender (NIT), however, stipulated that the CC items were to be executed as per mix design proportions assessed during execution, but did not stipulate any condition for adjustment of the item rates in case the material proportions varied. Although the mix design tests conducted during execution confirmed that actual cement consumed in the works was substantially less viz between 289 kg and 292 kg for M-15, between 347 kg and 400 kg for M-20, between 392 kg and 442 kg for M-25 and between 435 kg and 503 kg for M-30, the item rates in the agreements were not correspondingly scaled down based on the actual cement consumed in the work. This led to excess payment of Rs 1.04 crore to the contractors for the works executed as of March 2007.

The matter was reported to Government (May 2007); the reply has not been received (August 2007).

[21] 1.Jagatsinghpur, 2. Kantabanjhi, 3. Panikoili, 4. Cuttack and 5. Bhadrak.

WATER RESOURCES DEPARTMENT

Construction of Cross Drainage structure across river Tel was allotted (December 2001) to M/s Orissa Construction Corporation (OCC) Limited at their offer of Rs 12.44 crore for completion by December 2003. The Corporation was paid Rs 7.27 crore for the value of work executed up to March 2007. The rates for CC items M-15, M-20 and M-25 in the agreement were inbuilt considering cost of cement between 288 kg and 571 kg per cum subject to adoption of quantities as per design mix to achieve the designed strength. The design mix was, however, not followed during execution. The strength and composition of concrete were also not tested and the achievement of design strength was, thus, not ensured. Computed with the requirement as per IRC code, the execution of the items with volume mix would result in excess payment of Rs 32.99 lakh to the Corporation of which Rs 10.81 lakh was already passed on to the Corporation as of March 2007.

Government stated (July 2007) that due to difficulty in installing weigh batching plant, concrete was executed adopting volumetric proportions.

INDUSTRIES DEPARTMENT

The Managing Director, Orissa Industrial Infrastructure Development Corporation (IDCO), Bhubaneswar awarded (July 1999/November 2004) the works (i) Construction of Software Complex at Chandrasekharpur, Bhubaneswar (ii) Construction of Banijyakar Bhawan at Cuttack to two contractors at a cost of Rs 29.22 crore for completion by January 2001/May 2006. The software complex was completed during September 2002 with payment (September 2004) of Rs 24.84 crore to the contractor. The work of Banijyakar Bhawan was under execution and the contractor was paid Rs 3.34 crore as of June 2006. The works, *inter alia*, provided for execution of RCC M20 in foundation, column/beam and superstructure using between 400 kg and 430 kg of cement per cum subject to mix design proportion assessed during execution. The mix design test conducted during execution of the works confirmed that cement between 357.70 kg and 360 kg was used per cum of RCC M20. Despite less consumption, the item rates were not scaled down on the actual cement utilised in the works. This led to undue benefit of Rs 30.30 lakh.

The Government stated (August 2007) that scaling down the rates as per the actual consumption would be against the provision of the contracts and there was no such provision in the approved tender formats of contracts executed in Government departments. The reply was not tenable since provision of scaling down the rates as per actual consumption was not incorporated in the contracts and such variation clauses existed in the contracts executed by the Rural Development and Water Resources departments of the Government.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.18 Tardy implementation of the National Mental Health Programme

Poor implementation of National Mental Health Programme led to short receipt of Rs 3.81 crore in GOI grants and consequent neglect of mental patients in the State during the period from 2004 to 2007.

The Government of India (GOI) launched National Mental Health Programme (NMHP) during Tenth Plan covering eight districts[22] of the State as well as the Mental Health Institute (MHI) of SCB Medical College, Cuttack. The objectives of the progamme *inter alia* were to provide sustainable basic mental health services and early detection and treatment of patients, strengthening and modernisation of mental hospitals; upgradation of psychiatric wings in the general hospitals/medical colleges; Information, Education and Communication (IEC) activities as well as research and training. According to the programme, grants-in-aid of Rs 89.40 lakh[23] was to be released to each district in four instalments spread over four years[24] for utilisation in five specific areas. The GOI released first instalment of Rs 2.10 crore (Rs 52.40 lakh in 2003-04 for Puri and Mayurbhanj and Rs 1.57 crore in 2004-05 for other six districts) to the Principals of the three Medical Colleges[25] of the State who were designated as nodal officers for implementation of NMHP. The GOI also released (October 2005) one time grant of Rs 1.51 crore to the Medical Superintendent of MHI Cuttack for upgradation of MHI building and other infrastructure within September 2006 with the condition that in the event of non-utilisation of the grant within stipulated period, the amount should be refunded to GOI.

Test check of records of the Chief District Medical Officers (CDMO) of the above eight districts and Medical Superintendent, MHI Cuttack revealed (October 2006 and May 2007) that the Principals of the three Medical Colleges released the grants-in-aid of Rs 2.10 crore to the concerned CDMOs under their jurisdiction during July 2005 and February 2007 i.e. after 1-2 years of receipt of the first instalment from the GOI. Of the above, the CDMOs utilised only Rs 16.16 lakh and the remaining Rs 1.93 crore was kept in the bank accounts without utilisation as of May 2007. The Superintendent, MHI, Cuttack also did not utilise any money out of the grant of Rs 1.51 crore. Due to non-utilisation of funds, the State failed to submit utilisation certificates in respect of the grants already released. As a result, the GOI after observing that the NMHP did not get the required impetus from the implementing agencies of the State, decided (December 2006) not to release further grants amounting to Rs 3.81 crore during 2004-07.

Thus, due to failure of the eight CDMOs and the Superintendent, MHI, Cuttack to utilise the GOI grant of Rs 3.44 crore in time keeping in view the objectives of the

[22] Bolangir, Dhenkanal, Kandhamal, Keonjhar, Khurda, Koraput, Mayurbhanj and Puri.
[23] (i) Establishment: Rs 39.40 lakh, (ii) Medicine and contingencies: Rs 24 lakh, (iii) Equipment: Rs 6 lakh, (iv) Training: Rs 12 lakh and (v) IEC: Rs 8 lakh.
[24] First year: Rs 26.20 lakh, Second Year: Rs 21.80 lakh, Third year: Rs 20.70 lakh and Fourth year: Rs 20.70 lakh.
[25] (i) SCB Medical College, Cuttack, (ii) MKCG Medical College, Berhampur and (ii) VSS Medical College, Burla.

programme, the State was deprived of further grants of Rs 3.81 crore[26] during 2004-07. Besides, the mental patients of the State were deprived of the benefits intended under the programme.

The CDMOs stated that grants were not utilised due to late receipt of grants and non-availability of the required psychiatric staff while the Medical Superintendent, MHI Cuttack attributed the reasons to non-receipt of administrative approval from the State Government for works to be undertaken. The replies were however, not convincing since the Principals of the medical colleges delayed the release of funds and no sincere efforts were also made by the CDMOs to utilise the funds in time to avail further central assistance. With better inter-departmental coordination the MHI building could have been handed over to CPWD in time and a mere fact of non-handing over of a building can hardly be construed as sufficient and valid reason in forestalling progress in an important area such as health care to mental patients.

The Principal Secretary, during discussion stated (August 2007) that steps were being taken to spend the entire grant-in-aid amount received from the GOI.

4.4.19 Unfruitful expenditure

Expenditure of Rs 1.15 crore incurred in construction of 33 health sub centres and other buildings under RCH programme in Kalahandi district became unfruitful as the buildings remained unused for over three years due to lack of coordination between CDMO, Kalahandi and the IDCO.

Reproductive and Child Health (RCH) programme, funded by the World Bank was taken up for implementation in 1997-98 in Kalahandi district to bring down prevailing high infant mortality and maternal mortality rates as well as to control the fertility while achieving overall health care for women and children. The programme was designed for a five-year period but extended up to 31 July 2004. The scheme envisaged construction of new health sub center (SC) buildings, training halls, operation theatres, labour rooms and repair of existing SC buildings. The construction works were entrusted to the Industrial Infrastructure Development Corporation (IDCO), Orissa. As per the instruction of the Director of Family Welfare (Director), the sites for the new SC buildings should be within the village habitation to provide people need based, client centered, demand driven, high quality and integrated RCH services.

Check of records of Chief District Medical Officer (CDMO), Kalahandi (March-May 2007) showed that the IDCO had undertaken construction of 103 buildings (71 SCs, 12 training centres, 10 operation theatres, 10 labour rooms) and repair of 72 existing SCs in the district for which Rs 4.50 crore was paid to it during 2000-04. The IDCO completed the work at Rs 4.43 crore and handed over all the buildings to the medical officers (MOs) concerned except 17 buildings[27]. The buildings, which were taken

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	2004-05	**2005-06**	**2006-07**	**Total**
Puri and Mayurbhanj	**43.60**	**41.40**	**41.40**	**126.40**
Other districts	**--**	**130.80**	**124.20**	**255.00**
Total	**43.60**	**172.20**	**165.60**	**381.40**

27 ANM sub centres : 11, Training centres:3; labour room : 1; Operation theatre: 2.

over included 16 sub centres built at a cost of Rs 59.16 lakh remained unused due to damaged condition (four), built at village outskirts (seven) and refusal by the health workers to take occupation (five). The CDMO reported the damaged condition of the buildings to the IDCO and the Director for remedial action. The IDCO authorities claimed that the buildings were handed over only after completion. However, the medical officers concerned were not using the buildings on the ground that the buildings were unsafe for habitation due to damages.

Further, the 17 buildings completed at a cost of Rs 56.39 lakh during 2002-04 were not taken over by the MOs concerned (July 2007) as the newly constructed buildings were not provided with external electrical and water supply connections etc and many of them were in damaged condition.

Thus, there was lack of coordination between the departmental authorities and the IDCO in bringing the buildings to habitable condition. As a result, expenditure of Rs 1.15 crore incurred in the construction of 33 buildings proved unfruitful.

The CDMO stated (July 2007), that the IDCO had been moved to hand over the completed buildings and the status of all the damaged buildings was being reviewed by a consultant to assess requirement of funds for necessary repairs. The reply was not acceptable, as the defects could have been pointed out before taking over possession of the buildings and necessary repair could have been done to make them habitable.

The Principal Secretary, during discussion stated (September 2007) that necessary measures were already taken for occupation of the taken over buildings and it was decided to have a joint verification by the CDMO, representatives of IDCO etc of other buildings for taking necessary remedial measures in the matter.

4.5 Idle investment/idle establishment/blockage of funds

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.1 Blockage of funds

Machines and equipment worth Rs 5.02 crore procured by the Director of Health Services remained idle due to non-enforcement of purchase conditions and absence of appropriate manpower and accessories.

The Eleventh Finance Commission awarded Rs 24 crore for establishment of eight Regional Diagnostic Centres (RDCs) in the State with the objective of providing medical diagnostic facilities to the people. Accordingly, the State Government selected three[28] medical college hospitals and five[29] district headquarters hospitals for establishment of RDCs and released (March 2001-March-2004) Rs 24 crore in favour of the Director of Health Services (DHS), Orissa for construction of RDC buildings and procurement of required equipment.

[28] SCB Medical College Hospital (MCH), Cuttack, MKCG MCH, Berhampur, VSS MCH, Burla,

[29] Capital Hospital, Bhubaneswar, District Headquarters Hospitals Baripada, Bhawanipatna, Koraput, and Sundergarh.

Check of records (October 2006-January 2007) of three RDCs (Koraput, Sundergarh and Cuttack), DHS, Orissa and subsequent information collected from other RDCs disclosed that all the RDC buildings were completed and handed over to the respective centres during August 2005 to January 2006. The State Drug Management Unit (SDMU) of the DHS, Bhubaneswar procured and supplied (March-July 2005) 1377 diagnostic equipment worth Rs 18.85 crore to the RDCs. However, 209 of these equipment valued Rs 5.02 crore were not put to use (May 2007). Of the above, equipment worth Rs1.49 crore were not installed on the ground of non availability of technical manpower/expertise, required infrastructure and failure on the part of the supplying firms to install the equipment. The non-installed equipment included ten Haemodialysis machines valued Rs 83.54 lakh supplied to RDCs without parallel provision of Reverse Osmosis Water Treatment Plants essential for making them operational. The warranty /guarantee period of the above equipment having expired there is very little scope for free replacement or repair if defects are noticed during installation. Besides, equipment worth Rs 2.28 crore though installed remained non-functional for want of trained manpower/accessories. Equipment worth Rs 1.35 crore stopped functioning during the guarantee period due to mechanical failure. Steps were not taken by the RDCs to get them operational at the supplying firms' expense despite provisions in the agreements that the equipment would be repaired within the guarantee period by the supplier free of cost. Thus, deficiency in procurement planning and maintenance of the equipment led to blockage of funds of Rs 5.02 crore.

The Deputy Director, SDMU stated (May 2007) that the authorities of the RDCs had been instructed to contact the firms directly for any defect, repair / maintenance as per the agreements. The reply is not acceptable, as due to delayed action, the conditions in the purchase agreement cannot be enforced.

The Principal Secretary, during discussion stated (August 2007) the status of the machines and equipment and indicated that steps were being taken for ensuring their installation and use.

SCHOOL AND MASS EDUCATION DEPARTMENT

4.5.2 Blockage of funds due to tardy progress in execution of building works

The Director, TESCERT failed to coordinate the construction of building works of 10 DIETs leading to blockage of Rs 3.64 crore from GOI assistance on incomplete works and idle structures for over five to 12 years.

The State Government was to set up the District Institute of Education and Training (DIET) wholly assisted by the GOI either by upgrading an existing elementary teacher education institution in a district or establish a new project if a district did not have such institution. Based on the State Government's proposal (January, August 1992 and April 2001), the GOI sanctioned non-recurring civil work assistance for upgradation of six[30] existing institutes and establishment of four[31] new projects in the State comprising 66 buildings (institution: 10, hostel: 15 and staff quarters: 41) at the estimated cost of Rs 8.63 crore. According to GOI's stipulation, the assistance would be provided in two equal instalments; the release of second instalment would be only after submission of utilisation certificates (UCs) in respect of 75 *per cent* of the first instalment released for a project. The execution of the works was entrusted to the Chief Engineer (Buildings).

Test check (May 2006 and August 2007) of records of the Director, Teacher Education and State Council of Education, Research and Training (TESCERT) indicated that the GOI released Rs 4.83 crore (January 1993-April 2001) which included first instalment for eight projects[32] and both the instalments in respect of two projects[33] with the stipulation that the balance amount (Rs 3.80 crore) would be released on receipt of utilisation certificates for the amount released in the first instalment. As per the records of the EEs, only Rs 4.43 crore out of Rs 4.83 crore received was spent and 20 out of 66 building works were completed (July 2007). Of the completed buildings, eight buildings could not be put to use due to non-functioning of DIET at Rayagada (five buildings), unwillingness of staffs to stay in quarters at Bhanjanagar (two buildings) and non-completion of the institution building at Balasore. From the remaining 46 works, 18 works remained incomplete for want of further funds and 28 works were yet to commence (July 2007) due to non approval of revised estimate, want of further funds / administrative approval and non availability of sites etc.

The first instalment of funds for the six up-gradation projects were received by the State Government in January 1993, yet the administrative approval for construction of the projects were accorded by the department between September 1997 and February 1999 with delays ranging from 57 to 74 months. The works were commenced between February 1996 and November 2001. As against the receipt of Rs 1.83 crore from the GOI, the expenditure incurred on such projects was Rs 1.63 crore as of July 2007. The utilisation certificates for these projects were sent to GOI in April 2001 and the State Government's request (October 2004) for release of further funds was yet to be acceded to by the GOI (January 2007). Similarly, in respect of the four new projects as against the receipt of Rs 3.30 crore (GOI: Rs 3 crore in April 2001 and State: Rs 30 lakh in 2006-07), the expenditure incurred was only Rs 2.80 crore (July 2007) and the remaining Rs 50 lakh was yet to be utilised (July 2007). In these cases also the administrative approval were accorded in February and March 2002 with delay of about nine months. The works were commenced in respect of some of these buildings between May 2002 and March 2007 with delays ranging from three to 58 months.

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[30] **January 1993 (upgradation projects):-** (i) Balasore: Rs 64 lakh (Buildings:- Institution: 1, hostels:2, staff quarters :9) (ii) Bhanjanagar: Rs 38 lakh (Buildings:- Institution: 1, hostels:2, staff quarters :5) (iii) Bhubaneswar: Rs 38 lakh (Buildings:- Institution: 1, hostels 1, staff quarters :2), (iv) Berhampur: Rs 45 lakh (Buildings for:- Institution: 1, hostels :1, staff quarters :2), (v) Khallikote: Rs 40 lakh (Buildings for:- Institution: 1, hostel :1, staff quarters:2), and (vi) Koraput: Rs 38 lakh (Buildings for:- Institution: 1, hostels :1, staff quarters: 6).

[31] **April 2001 (New Projects)**:- Bargarh (Institution: 1, hostel: 2, quarters: 3), Paralakhemundi (Institution: 1, hostel: 1, quarters: 4), Puri (Institution 1, hostel: 2, quarters: 5) and Rayagada (Institution: 1, hostel: 2, quarter: 3) at the estimated cost of Rs 150 lakh each.

[32] **Upgradation (January 1993):** (i) Koraput: 19 lakh, Bhanjanagar: Rs 19 lakh, Bhubaneswar: Rs 19 lakh, Berhampur: Rs 22.50 lakh, (ii) **New Projects (April 2001):** Paralakhemundi, Bargarh, Rayagada and Puri at the rate of Rs 75 lakh each.

[33] Upgradation projects (January 1993 and March 1998): (i) Balasore: Rs 64 lakh and Khallikote: Rs 40 lakh.

Thus, due to lack of detailed planning, preparatory work and monitoring by the departmental authorities, the progress of work got delayed. As a result, there was blockage of Rs 3.64 crore[34] spent on the above works for over five to 12 years. This apart, due to tardy progress of the works, further flow of committed funds of Rs 3.80 crore from the GOI had become extremely doubtful. Besides, Rs 50.60 lakh received (1992-93) from the GOI for purchase of equipment for the up-graded projects was lying in the Civil Deposit as of July 2007.

The Commissioner-cum-Secretary, during discussion admitted the fact and stated (August 2007) that all efforts were being made for completion of the building works and put to use as soon as possible. The reply was not convincing since the proposal for commencement of a project should have been considered based on ready availability of adequate land and the projects executed in a time bound manner.

AGRICULUTE DEPARTMENT

4.5.3 Excess procurement of stores leading to idling of inventory

Procurement of agricultural implements by the DAFP without assessing actual requirement led to idle inventory worth Rs 1.81 crore of which implements costing Rs 54 lakh became unserviceable and stores of Rs 19.11 lakh were lost.

The Director of Agriculture and Food Production (DAFP), Bhubaneswar procures manually operated / bullock drawn agricultural implements for sale at subsidised rate to the farmers under different centrally sponsored schemes to reduce their work load as well as cost in agricultural operations, while improving the productivity.

Check of records (April 2007) in the office of the DAFP revealed that 20753 items of manually operated / bullock drawn agricultural implements procured during 1994-2007 at a cost of Rs 1.81 crore were lying unsold with the AAEs as of March 2007. Up to 2000-01, the implements were procured utilising the total fund allotted for the purpose with out making any assessment of requirement and supplied to the AAEs. From 2001-02, the procurement of stores were made as per the annual action plans prepared based on the requirement furnished by the AAEs. However, the trend of sale during past years, the balance stores lying in the stock etc. were not taken into consideration while projecting the requirement. As a result, the unsold stocks continued to pile up. Analysis of the unsold stock showed that of the 12259 items worth Rs 2.80 crore procured during 2004-07, 9289 items (76 *per cent*) could be sold and 2970 items worth Rs 57.81 lakh remained unsold as of March 2007. But of the total unsold stock of 24549 items relating to previous years accumulated as of 31 March 2004, only 6766 items (28 *per cent*) could be sold during 2004-07 leaving a balance of 17783 items worth Rs 1.23 crore unsold as of March 2007. Of the above, 5840 items worth Rs 54 lakh became unserviceable and 4200 items worth Rs 19.11 lakh were found short. Unnecessary purchase thus led to avoidable depletion of resources amounting Rs 1.81 crore in idling stores and further loss of Rs 73 lakh[35].

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[34]: Balasore: Rs 56.80 lakh, Koraput: Rs 19 lakh, Bhubaneswar: Rs 18.89 lakh, Paralakhemundi: Rs 29.80 lakh, Bargarh: Rs 105.03 lakh, Rayagada: Rs 111.36 lakh, Puri: Rs 0.79 lakh, Berhampur: Rs 16.25 lakh, Bhanjanagar: Rs 6.44 lakh.

[35] Rs 54 lakh + Rs 19.11 lakh = Rs 73.11 lakh or Rs 73 lakh.

The Government stated (July 2007) that unserviceable implements worth Rs 8.75 lakh had been sold after repair and Rs 0.39 lakh was recovered against the shortage items. The Government had also instructed the field functionaries to reduce the stock and imposed restrictions on procurement of implements for which stock was available.

GENERAL

FINANCE DEPARTMENT

4.6.1 Lack of response to audit

Principal Accountant General (Civil Audit) and Accountant General (Commercial, Works and Receipt Audit), Orissa arrange to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the heads of offices and the next higher authorities. The defects and omissions are expected to be attended promptly and compliance reported to the Principal Accountant General. A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of the IRs issued up to March 2007 pertaining to 4776 offices of 34 departments showed that 51527 paragraphs relating to 15777 IRs were outstanding at the end of June 2007. Of these, 5113 IRs containing 13502 paragraphs had not been settled for more than 10 years (***Appendix-4.2***). Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix-4.3***. Even the initial replies which were required to be received from the Heads of Offices within six weeks were not received in respect of 2131 IRs (***Appendix-4.2***) issued up to March 2007. As a result, many serious irregularities commented upon in these IRs had not been settled as of June 2007(***Appendix-4.4***). Failure to comply with the issues raised by Audit facilitated the continuance of serious financial irregularities and loss to the Government.

It is recommended that Government should look into this matter and ensure that procedure exists for (a) action against the officials who fail to send replies to IRs/ Paras as per the prescribed time schedule, (b) revamping the system of proper response to the audit observations in the Departments and (c) action to recover loss/outstanding advances/overpayments pointed out in audit in a time bound manner.

4.6.2 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Reports of the Comptroller and Auditor General (Audit Reports) that are presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Orissa in December 1993, the Administrative Departments are required to furnish explanatory notes on the paragraphs/reviews included in the Audit Reports within three months of their presentation to the legislature.

It was noticed that in respect of Audit Reports from the years 1997-98 to 2005-06 as indicated below, 20 departments out of 37 departments, which were commented upon, did not submit explanatory notes on 68 paragraphs and 20 reviews as of July 2007.

Year of Report	Total Paragraphs	Total individual paragraphs/reviews /others			Number of individual paragraphs/reviews for which explanatory notes were not submitted	
		Individual paragraphs	Reviews	Others	Individual paragraphs	Reviews
1997-98	97	58	06	33	05	02
1998-99	92	58	06	28	07	--
1999-00	83	48	06	29	10	--
2000-01	83	47	07	29	12	03
2001-02	61	29	04	28	07	02
2002-03	59	33	06	20	04	05
2003-04	60	31	06	23	10	03
2004-05	49	21	06	22	03	01
2005-06	61	29	07	25	10	04
Total	**645**	**354**	**54**	**237**	**68**	**20**

The department wise analysis is given in the ***Appendix-4.5***, which shows that the departments largely responsible for non-submission of explanatory notes were Finance, Agriculture, Health & Family Welfare, Revenue, Water Resources, Fisheries and ARD, Women & Child Development and School & Mass Education Department.

Response of the departments to the recommendations of the Public Accounts Committee

The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all departments of the State Government to submit Action Taken Notes (ATN) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within six months after presentation of PAC Reports to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. However, the time limit for submission of ATNs had been revised to four months in place of six months in OLA Notification No.5940-LA dated the 6th April 2005, Orissa Gazette Extraordinary No.573 dated the 6th April 2005. The PAC Reports / Recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).

However, out of 2154 recommendations of PAC (***Appendix-4.6***) relating to 1st Report of 9th Assembly (1985-90) to 19th Report of 13th Assembly (2004-06) pending for settlement as of July 2007, the decrease and increase in number of recommendations for the years 2005-06 and 2006-07 respectively with reference to the year 2004-05 has been explained in ***Appendix-4.7***. Of the total recommendations, the Departments largely responsible for non-submission of ATNs (***Appendix-4.8***) were Water Resources, Works, Agriculture, Housing and Urban Development, Panchayati Raj, Health and Family Welfare, Finance, School & Mass Education, Fisheries & Animal Resources Development Department.

Monitoring

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

Departmental Monitoring Committee

Departmental Monitoring Committees (DMC) have been formed (between May 2000 and February 2002) by all departments of the Government under the Chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations. The Departments are required to hold the meetings in each quarter. The departments submit the proceedings of the meetings to audit. Out of 37 departments of the State Government, no proceedings have been received from 24, 26 and 12 departments for the years 2004-05, 2005-06 and 2006-07 respectively. Department-wise details are indicated in ***Appendix-4.9***.

Apex Committee

An Apex Committee has been formed (December 2000) at the State level under the Chairmanship of the Chief Secretary to review the action taken by the DMCs. Till July 2007, Apex Committee met only twice in February 2002 and March 2007.

Review Committee

A Review Committee has been formed (December 1992) comprising Principal Secretary, Finance Department, Principal Accountant General (Civil Audit) / Accountant General (Commercial, Works and Receipt Audit) and Secretary to Government of concerned departments to review the progress as well as adequacy of action taken on the Audit Reports and PAC recommendations in order to facilitate the examination of such Reports / recommendations by the Public Accounts Committee.

The Review Committee met on six occasions between June 2003 and December 2003 and on first August 2007.