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 Misappropriation of subsidy on rice

Subsidised rice of 2250 MT was shown as issued to labourers through contractors without documentary evidence of distribution to the labourers resulting in misappropriation of subsidy of Rs 1.38 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 local Gram Panchayat representatives. For the works executed under the Public Works Department, the Executive Engineer (EE) was to monitor the progress of works ensuring proper utilisation of the rice allotted and furnish a utilisation certificate (UC).

A test check of the records of the Drainage Division, Chandikhol showed (June 2006) that the EE reportedly commenced and completed in June 2005 renovation of 18 drainages in Jajpur, Kendrapara and Cuttack districts involving execution of 6.90 lakh cum of earth work for Rs 2.20 crore under 412 split up agreements through 35 contractors, limiting each within Rs 50,000 finalised locally at his level without obtaining competitive bids. The Chief Engineer, Drainage, Gandarpur, Cuttack subsequently allotted (August 2005) 2250 MT of rice under FFW programme for taking up the drainage works in the above flood affected areas. The EE lifted 2250 MT of rice in eight phases between August and September 2005 and showed (August/September 2005) this as issued to the contractors engaged for the renovation of drainages reportedly completed in June 2005. Neither was any NMR form issued in evidence of engagement of daily labourers nor was there any record of presence of any local representative at the time of distribution of rice as required under the norms of the programme. There was, therefore, no evidence of distribution of rice to any labourer. The EE, however, submitted (October 2005) UC reporting utilisation of the full quantity of rice in distributing to the labourers deployed for 3.76 lakh mandays in 21 days

[*] Abbreviations used in this Chapter have been expanded in the Glossary of abbreviations at pages 234-238.

during June 2005. 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.

Thus, the rice issued to the contractors being not supported by documentary proof of issue to any labourer could be fraudulent and led to misappropriation of the Government subsidy of Rs 1.38 crore on 2250 MT of rice.

The EE stated (May 2008) that the contractors had maintained the NMRs which were ensured by the engineers. This was not tenable in view of the fact that the works were completed prior to receipt of the rice and such large numbers of labourers were not supposed to be available at site for distribution of the rice two to three months after completion of the works. Further, neither was any NMR form issued by the EE in support of engagement of labourers nor was there any record of presence of any local representative at the time of distribution of rice as required under the norms of the programme.

The matter was reported to the Government in June 2008; their reply had not been received (July 2008).

PANCHAYATI RAJ DEPARTMENT

4.1.2 Misuse of special IAY assistance

Lack of proper inquiry, physical verification of households, supervision and monitoring by the authorities resulted in misuse of special IAY assistance while allotting special IAY houses in six blocks of Bhadrak and Jajpur districts.

Government of India (GOI) allotted (2001-02) four lakh special Indira Awaas Yojana (IAY) houses for allotment to the below poverty line (BPL) families of 14 super cyclone (October 1999) affected districts of the State. The guidelines issued (October 2001) by the State Government envisaged that before issue of the work order, the BDOs or any other authorised officers had to conduct inquiry and physical verification to ascertain the eligibility of the beneficiaries. The beneficiaries were to start construction of their houses within 15 days from receipt of the work order failing which the allotment of their houses would be cancelled. Apart from regular visit by the officers of the state headquarters dealing with IAY, officers of district, sub-division and block level were to closely monitor all aspects of IAY through visit to work sites. The assistance for such house was Rs 22,000 (cash Rs 18,260 and 34 bags of cement) payable in four[1] stages for construction of houses. Scrutiny of records (March-July 2007) of six Block Development Officers (BDOs)[2] of Bhadrak and Jajpur districts showed several irregularities in allotment of IAY houses as discussed below.

1 1st stage (after plinth level)-Rs 5000 and 10 bags of cement, 2nd stage (after lintel level)-Rs 5000 and 10 bags of cement, 3rd stage (works completed up to roof level) Rs 5000 and 14 bags of cement and 4th stage (after roofing) Rs 3260.

2 Dasarathpur, Basudevpur, Bonth, Chandbali, Tihidi and Bhandaripokhari

Scrutiny of records of 24576 beneficiaries in four blocks[3], the BDOs extended benefit to 401 ineligible beneficiaries involving assistance of Rs 86.49 lakh for construction of their houses. Of these, 382 beneficiaries managed to avail assistance of Rs 83.22 lakh by quoting false BPL numbers, 12 availed assistance of Rs 1.86 lakh without having BPL numbers and seven government employees received assistance of Rs 1.41 lakh. Thus, the selection through enquiry and physical verification adopted by the authorities became doubtful and the benefit of the scheme was passed on to the ineligible beneficiaries leading to mis-utilisation of scheme funds amounting to Rs 86.49 lakh. The BDOs stated that action would be taken against such ineligible beneficiaries after inquiry and certificate cases would be instituted against them for recovery.

Further scrutiny showed that in six Blocks, the BDOs disregarding IAY guidelines paid assistance of Rs 7.49 lakh to 106 beneficiaries who had not even started initial construction up to plinth level. In case of 1404 beneficiaries who had constructed their houses up to plinth level and were paid Rs 82.91 lakh did not turn up for further assistance and 188 beneficiaries availing assistance of Rs 13.89 lakh left their houses incomplete. In all the above 1698 cases the construction of IAY houses remained incomplete. Though it was required to prepare schedules of inspection to work sites prescribing minimum number of field visits by the supervisory officers, no such schedules were drawn up and field visits conducted. Thus, due to lack of monitoring and supervision on progress of works, neither the buildings were constructed nor the work orders of the defaulting beneficiaries cancelled even after a lapse of four years. As a result, the expenditure on payment of Rs 1.04 crore to the beneficiaries proved wasteful. The BDO, Bhandaripokhari stated that work orders of 62 beneficiaries had been cancelled and certificate cases were instituted against the defaulting beneficiaries for recovery of the amount. Other BDOs stated that action would be taken against such ineligible beneficiaries after inquiry and recovery would be effected by initiating certificate cases.

The matter was reported to the Government (May 2008); their reply had not been received (August 2008).

4.1.3 Misappropriation of government money

Exhibition of Rupees three lakh as advance by tampering with closing balance figures in cash book of BDO, Nuapada from 14 to 30 September 2005 against the employee who expired subsequently resulted in suspected misappropriation of government money.

Orissa Treasury Rules provided that the cash book should be closed regularly and checked completely. The head of the office should verify the totaling of the cash book or get it done by some responsible subordinate other than the writer of the cash book and initial it as correct. At the end of the month, the head of the office should verify the cash book and record a signed and dated certificate to that effect. Erasing or overwriting of any

[3] Basudevpur, Bonth, Chandbali and Tihidi

entry once made in the cash book is strictly prohibited. If a mistake is discovered, it should be corrected by drawing the pen through the incorrect entry and inserting the correct one in red ink between the lines. The head of the office should initial every such correction and invariably date his initials.

Scrutiny of records (November 2007) of the Block Development Officer (BDO), Nuapada and subsequent information collected (June 2008) revealed that the BDO on 10 September 2005 sanctioned advance of Rupees three lakh in favour of late Sri A. C Majhi, cashier for disbursement of Old Age Pension (OAP)/Orissa Disability Pension (ODP)/ National Old Age Pension (NOAP) and booked in the cash book meant for OAP/ODP/ NODP transactions on 14 September 2005 as a lateral entry though the cash book had already been closed up to 30 September 2005. Consequently the advance positions from 14 to 30 September were increased by Rupees three lakh and correspondingly cash balances were reduced keeping the total closing balances intact. These entries were tampered by erasing, cuttings and over writings in the cash book without any attestation by the BDO. The genuineness of this transaction on advance payment was doubtful for the following reasons:

- **The BDO sanctioned the advance amount for payment of arrear dues of OAP/ODP/NAOP, but as of 10 September 2005, the date on which the advance was sanctioned, no dues were outstanding for payment to the pensioners.**
- **The field staff (VLW/VAW) were generally paid advance every month with OAP/ ODP/NOAP amounts for disbursement to the pensioners. Accordingly, the BDO, on 12 September 2005 sanctioned advances of Rs 8.36 lakh in favour of 28 field staffs for payment of pensions to the beneficiaries for the month of September 2005. But the payment of Rupees three lakh was made on 14 September 2005 to the ex-cashier at Block headquarters.**
- **Though advance was stated to have been paid to Sri Majhi, he was found absent from duties from 20 August 2005 and expired on 3rd October 2005. The payment of advance was not exhibited in the Advance ledger.**
- **The signature of Sri Majhi on the voucher in support of advance payment appeared different from those made on other three occasions in the cash book between 30 August and 15 September 2005 and the attendance registers.**

Thus, the advance payment entry in the cash book was a fraudulent one leading to suspected misappropriation of government money for an amount of Rupees three lakh which needed investigation. On being pointed out, the present BDO stated that the position would be ascertained from the concerned BDO and audit would be intimated accordingly.

The Government stated (October 2008) that the amount would be recovered from the concerned BDO (advance sanctioning authority) through surcharge proceedings.

AGRICULTURE DEPARTMENT

4.1.4 Loss due to non-sale of vegetable minikits

The Director of Horticulture, Orissa supplied vegetable minikits in excess of actual requirement which left 27989 minikits unsold with the Horticulturists/ AHOs of Puri district resulting in a loss of Rs 20.99 lakh to Government.

The Directorate of Horticulture, Orissa carries out various activities for promoting crops like fruits, vegetables, spices and flowers in the State under different plans and programmes. The Director of Horticulture (DH) decided (September 2006) to supply four lakh vegetable minikits through Orissa State Seeds Corporation (OSSC) to the small and marginal farmers of the State affected by the flood of July-August 2006 for taking up vegetable cultivation over 25600 hectares of land during Rabi-2006. Each minikits was to cover 0.064 hectares of area. The minikits costing Rs 75 each was supplied to the farmers at Rs 10. The input subsidy of Rs 65 per kit was to be met out of the Calamity Relief Fund (CRF). Similar variety of vegetable minikits was also supplied to the farmers during the same Rabi season under National Horticulture Mission (NHM) programme.

Scrutiny (May 2007) of records of the Director of Horticulture (DH), Orissa revealed that the OSSC supplied (November-December 2006) 46000 minikits to four Horticulturists/ AHOs of Puri district who could sell only 18011 minikits leaving 27989[4] kits unsold. The Horticulturists of Puri and Sakhigopal advised (December 2006) the DH to divert the seeds received under CRF since they had earlier received and sold the same variety of seeds supplied under NHM. But no action was taken thereon and these unsold minikits became unusable and unfit for sale resulting in a loss of Rs 20.99 lakh[5] to the Government. This included 4145 minikits unusable for sale, sold to the farmers after one year of Rabi-2006 by AHO, Brahmagiri. It was further noticed that the sale proceeds of the minikits for Rs 1.93 lakh[6] was lying with the Horticulturists /AHOs without being deposited to government account (May 2008).

On it being pointed out, the Horticulturists and AHOs replied that the farmers were not interested in purchase the kits received under CRF as they had already received the same variety of seeds under the NHM programme. They further stated that the minikits were supplied to them without indents. Thus, excess supply of vegetable minikits without assessing the actual requirement and inaction by the DH to divert these seeds to needy areas resulted in a loss of Rs 20.99 lakh to Government.

The matter was referred to the government (May 2008); the reply had not been received (August 2008).

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4 Horticulturists:,Puri - 14850 minikits; Sakhigopal - 4500 minikits, Brahmagiri-4145 minikits and Konark-4494 minikits

5 Rs 20.99 lakh = 27989 minikits X Rs 75

6 Horticulturist, Puri : Rs 0.62 lakh ***plus*** Brahmagiri: Rs0.71 lakh ***plus*** Sakhigopal: Rs 0.05 lakh ***plus*** Konark : Rs 0.55 lakh

4.2 Infructuous / wasteful expenditure and overpayment

WATER RESOURCES DEPARTMENT

4.2.1 Wasteful expenditure and non-recovery of works advance

Injudicious selection of site for construction of spillway of Telengiri Irrigation Project led to wasteful expenditure of Rs 0.99 crore. Besides, there was non recovery of works advance of Rs 9.07 crore.

Construction of spillway of Telengiri Irrigation Project was awarded (February 2004) to M/s Orissa Construction Corporation (OCC) Ltd. at a cost of Rs 55.26 crore plus 15 *per cent* over head charges for completion by February 2006.

Test check of the records of Telengiri Irrigation Division disclosed (April 2008) that the spillway was the major hydraulic structure of the project intended to discharge the surplus water of the reservoir. Based on the exposed outcrop of hard rock in the river bed, the Chief Engineer (CE), suggested (1997) for construction of the spillway on the river bed (centre of the dam) without investigating the underground strata. The CE (Designs & Research) while inspecting the site in July 2003 suggested that left dyke saddle would be ideal and economical for construction of the spillway. The CE, Upper Indravati Irrigation Project, however, did not agree (November 2003) to the proposal on the ground that it would delay the implementation of the project at that stage and allotted (February 2004) the work of construction of the spillway in the centre of the dam to OCC.

Abandoned site of the spillway of Telengiri Irrigation Project

After excavation of the foundation, it was noticed that the exposed hard rock on the river bed, based on which the location of the spillway had been decided, was dipping down all the sides and the graded rock required for foundation of the spillway was available at a much lower level. The work valuing Rs 99.20 lakh was, therefore, abandoned in September 2005. The expert panel headed by the Engineer-in-Chief (EiC) visiting the site in March 2008 ordered (April 2008) shifting of the spillway to the left dyke for construction of a saddle spillway as suggested by the CE (Design and Research). The finalisation of drawings and designs for construction of the saddle spillway was in progress (June 2008). No responsibility was fixed for the injudicious decision to locate the spillway on the river bed (August 2008).

Further, the contract provided for payment of interest free works advance to the corporation based on a payment schedule to be drawn up considering the period of completion of work. OCC was, however, paid (March 2004) interest free works advance of Rs 9.92 crore without drawing up a payment schedule. Of this, Rs

84.69 lakh was recovered till abandonment (September 2005) of the work leaving Rs 9.07 crore still to be recovered (June 2008). No action was taken for realisation of the un-utilised advance from the OCC in the last four years. This led to loss of interest of Rs 4.08 crore on the unutilised advance as of March 2008.

Thus, the injudicious decision of the CE to locate the spillway on the river bed without ascertaining the strength of the underground rock strata led to abandonment of the site rendering the expenditure of Rs 99.20 lakh incurred wasteful. Besides, the work advance of Rs 9.07 crore remained unrecovered from the Corporation.

The Executive Engineer stated (May 2008) that the work was allotted and taken up after preliminary survey and geological investigation. The matter was reported to Government in June 2008, their reply had not been received (July 2008).

4.2.2 Wasteful expenditure on a Minor Irrigation Project

Commencement of head works of a Minor Irrigation Project on an alignment finalised on wrong data before technical sanction to the estimate and delay in acquisition of land resulted in abandonment of the project with expenditure of Rs. 1.02 crore besides interest liability of Rs 60.28 lakh.

The head works of Kankubadi Minor Irrigation Project comprising earth dam, head regulator and spillway were awarded (October 2003) to a contractor at a cost of Rs 1.68 crore for completion by July 2005. The project was to be executed with loan assistance of NABARD under Rural Infrastructure Development Fund carrying interest at the rate of 12 *per cent* per annum.

Test check of the records of the Executive Engineer (EE), Rayagada Minor Irrigation Division disclosed (October 2007) that Government approved (February 2002) the construction of Kankubadi Minor Irrigation Project at a cost of Rs 3.88 crore for providing irrigation to 445 ha of cultivable land in the drought prone villages of Rayagada district. Government specifically ordered (February 2002/ October 2002) that works on the project should not be taken up unless technical sanction to the estimate was accorded and land acquisition completed. The EE, however, entrusted (October 2003) the work without obtaining technical sanction to the estimate and acquisition of the 40 hectare land required for the project. The EE had reported at the estimate stage that the proposed dam base along the alignment approved contained gravel, stony earth and kankars. During actual excavation, however, the dam base was found to be sandy and not suitable for dam construction. Thereafter the construction of the head works was abandoned by the contractor in April 2005 due to unsuitability of the approved alignment for the earth dam and delay in acquisition of land. The

Abandoned Kankubadi Minor Irrigation Project expenditure on the project as of March 2008 was Rs 1.02 crore[7]. Besides, the interest liability as of September 2008 on the loan amount was about Rs 60.28 lakh. Government approved (August 2006) the closure of the works with orders to fix responsibility for compiling wrong data which led to wasteful expenditure. No action was, however, taken against the officers held responsible (March 2008).

Physical inspection of the site by Audit in February 2008 along with the EE disclosed that the portions excavated were refilled with silt and boulders and bushes had grown over the executed earth work with erosion of the embankment at some points.

Thus, commencement of the works without technical sanction on an alignment finalised on the incomplete and wrong data and non acquisition of required land led to abandonment of the project mid way rendering the expenditure of Rs 1.02 crore on the project wasteful. Besides, there was an interest liability Rs 60.28 lakh thereon. Further, the objective of providing irrigation to the drought prone villages remained unfulfilled.

The EE stated that works on the project were commenced in anticipation of technical sanction and acquisition of land. Expenditure on the project was also incurred as per financial authorisation, but Government closed the work considering all aspects to avoid complications. No reply was, however, furnished for non initiation of action against the erring officers for the wasteful expenditure. The reply was not tenable in view of irregular commencement of project works on a wrong alignment and without land acquisition.

The matter was reported to Government (March 2008), their reply was not received (July 2008).

RURAL DEVELOPMENT DEPARTMENT

4.2.3 Excess payment to contractors

Failure to adhere to standard data provided in the MORT&H specifications while sanctioning the estimates resulted in excess payment of Rs 3.99 crore to the contractors.

Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), improvement to 2127 road and cross drainage (CD) works were awarded (2001-2005) to various contractors under 761 packages (Phase I to IV) for Rs 1347.64 crore for completion between 2002 and 2006. The agreements, inter-alia, provided for execution of cement concrete (CC) items of strength M-10, M-15, M-20 and M-25 stipulating execution of the items as per the specifications contained in the Indian Road Congress (IRC) code/ Ministry of Road Transport & Highways (Previously known as MoST).

According to the MoRT&H specifications, 275 kg, 344 kg and 399 kg of cement per cum was required for execution of CC items of strength M-15, M-20 and M-25 respectively. Further, labour of different categories for 1.49 man days and

7 Expenditure on Survey and Investigation : Rs 1.08 lakh, Land cost : Rs 48.61 lakh, Work proper : Rs 40.02 lakh and Miscellaneous expenditure : Rs 11.83 lakh

machinery for 0.80 hour were required for execution of one cum of CC of all the above categories.

Test check of records of 355 roads (161 packages) executed under 10 Rural Works divisions[8] at a cost of Rs 327.19 crore disclosed (January 2008) that the estimated rates for execution of the CC works were computed providing requirement of cement as 323 kg for M-15, 429 kg for M-20 and 571 kg for M-25 grade with labour for 4.88 mandays and machinery as one hour for one cum of CC items. The works were floated to tender inbuilt with the above higher proportions of cement, labour and machinery components and the works were awarded to the contractors stipulating execution as per the IRC/MoRT&H specifications. The agreements did not provide any clause for adjustment of the rates as per the actual consumption. The items were measured and payments made to the contractors recording execution of CC works as per IRC/MoRT&H specifications. Despite execution of the items as per the IRC specifications, with lower rates of cement, labour and machinery hour, the item rates in the agreements were not correspondingly scaled down based on the actual cement, labour and machinery hour used for the works. The provisions of higher quantity of cement, labour and machinery in the estimates compared to the MoRT&H stipulations led to excess payment of Rs 3.99 crore to the contractors for the cement concrete works (M-10:0.46 lakh cum, M-15: 0.28 lakh cum, M-20: 0.60 lakh cum and M-25: 0.03 lakh cum) executed under the 10 divisions.

The Executive Engineers (EEs) stated that the estimates were checked by the State Technical Agency (STA) and approved by the Chief Engineer (CE). This was not tenable in view of the fact that the materials, labour and machinery components were provided in excess of the requirement for the works which inflated the estimates involving excess payment to the contractors.

The matter was reported to Government (May 2008); their reply had not been received (July 2008).

WORKS DEPARTMENT

4.2.4 Wasteful expenditure on a road

Execution of a road improvement work with lower specification resulted in failure of the road rendering expenditure of Rs 1.18 crore wasteful. Besides, there was an extra/avoidable expenditure of Rs 46.05 lakh on maintenance.

Work of Improvement of the Riding Quality Programme (IRQP) from RD 178 km to 200 km point of National Highway (NH) 215 was awarded (November 2006) by the Executive Engineer (EE), NH Division, Keonjhar to two contractors under two agreements at a total cost of Rs 1.90 crore with stipulation for completion by March/May 2007. This was extended up to May/June 2007. The contractors could not complete the works by the stipulated dates but executed works worth Rs 1.18 crore as of September 2007. The Ministry of Road Transport and Highways

[8] RW Division, Jajpur, Kendrapara, Rayagada, Karanjia, Keonjhar, Malkangiri, Baragarh, Jaleswar, Sambalpur and Koraput

(MoRT&H) foreclosed (January/March 2008) the contracts to get the work redone with higher specification.

Test check of the records disclosed (January 2008) that NH 215 being the life line for transportation of iron ore and coal, there was immense density of traffic of mining trucks which led to failure of the road portion from RD 178 km to 200 km with no trace of crust and sub-grade. MoRT&H accorded (March 2005) technical approval and financial sanction for improvement of the road stretch under IRQP at Rs 1.83 crore with Wet Mix Macadam (WMM) and 20 mm thick Premix carpeting (PC) followed by seal coat (SC). Tenders received on two occasions were cancelled as the premia quoted (between 15.90 *per cent* and 18.20 *per cent* excess over the estimated cost of Rs 1.85 crore) were considered high.

The Chief Engineer (CE), NH, proposed (April 2006) lowering the specifications with provision of Water Bound Macadam (WBM) and two coat surface dressing for execution by manual means in place of WMM and 20 mm thick PC with SC on the ground of non-availability of machinery for execution of WMM/PC/SC. He also proposed to get the works executed through local contractors by splitting up the work on the justification that suitable contractors with adequate resources were not available for undertaking the works. The MoRT&H approved (June 2006) execution of the works with lower specification at Rs 2.13 crore without, however, studying the sustainability of these specifications vis-à-vis the traffic density and load on the road. The work commenced from November 2006 by the above two contractors.

Inspecting the road during execution, the CE, NH observed (September 2007) that the work completed in nine km stretch was severely damaged and the adopted specification was not suitable for the road. He, therefore, suggested foreclosure of the works. By this time, the contractors had received payment of Rs 1.18 crore towards the works executed. On the advice of CE, the SE, MoRT&H modified (January 2008) specifications for improvement and strengthening the road providing Granular Sub Base (GSB), WMM and other higher class bituminous items at an estimated cost of Rs 21.49 crore. The existing contracts were thus closed in March 2008 and the road remained in a damaged condition without any further execution of works with the modified specifications as of April 2008. This led to wasteful expenditure of Rs 1.18 crore. The EE had, in the meanwhile, incurred Rs 46.05 lakh on maintenance of the road (between 2006 and 2008) to ensure traffic movement.

Thus, execution of IRQP works with lower specification without study of traffic density on the road, led to wasteful expenditure of Rs 1.18 crore. Besides, there was extra expenditure of Rs 46.05 lakh on maintenance of the damaged road.

The EE stated (April 2008) that the scope of the work was changed with a view to maintaining the road in a usable condition for two to three years before commencement of four lane works. Since four lane works were delayed, MoRT&H approved execution of the works with higher specification to withstand the overloaded traffic. This was not tenable in view of the fact that the specifications were lowered without requisite study of traffic density on the road to facilitate execution of works through the local contractors, which led to damage of the road.

The matter was reported (May 2008) to Government; their reply had not been received (July 2008).

FOREST AND ENVIRONMENT DEPARTMENT

4.2.5 Loss due to non-investment of compensatory afforestation fund

Non-investment of compensatory afforestation fund as per orders of Government of India led to loss of interest of Rs 44.09 lakh. Besides, 971.659 hectares of land was left uncovered under compensatory afforestation despite receipt of funds from user agencies.

Forest (conservation) Act 1980 prohibited utilisation of forestland for non-forest purposes unless approved by the Government of India (GOI). If it is essential to transfer forest land for non-forest use, compensatory afforestation shall be done over equivalent area of non-forest land or twice over the degraded forest land nearby the site of diversion so as to minimise the adverse impact on the micro-ecology of the area. As per provisions of the Act, the diversion of forest land could be effected after receipt of monies as approved by the GOI from the user agencies. In compliance with the orders (October 2002) of the Supreme Court, the GOI constituted (April 2004) an authority called Compensatory Afforestation fund Management and Planning Authority (CAMPA) for the management of compensatory afforstation funds. The CAMPA would receive funds from the State with the proposal for diversion of forest land and shall release monies to the concerned State in installments fixed as per the Annual Plan of Operation finalised by the concerned State. The GOI issued guidelines (March 2004) to the State Government for receipt of funds from the user agencies and to keep them in fixed deposit in the name of the concerned Divisional Forest Officer (DFO) or the nodal officer (Forest Conservation) of the State in a nationalised bank till the CAMPA is constituted.

Scrutiny of records (December 2007) of the Principal Chief Conservator of Forests, Orissa showed that an amount of Rs 4.30 crore was collected from 26 non-government user agencies during March 2004 to June 2006 for compensatory afforestion over 2010.212 hectares of land. Of the above, Rs 1.61 crore was utilised (March 2004 - December 2007) for afforestation purposes and the balance amount of Rs 2.69 crore was kept in government account as revenue receipts instead of investing the amount in fixed deposit with the nationalised banks leading to loss of interest of Rs 44.09 lakh for the period from April 2004 to December 2007 calculated at the rate of 5.25 *per cent* per annum.

Besides, compensatory afforestation could be made only over 1038.553 hectares of land against the approved area of 2010.212 hectares and 971.659 hectares was left uncovered. Despite availability of funds for two to three years with the Government, the projects under compensatory afforestation could not be completed.

On being pointed out, the Government stated (April 2008) that it was not possible to transfer the receipts since no special fund under CAMPA was created and the receipts were credited to Government account as per the instructions of the

Government. It further added that efforts were being made to achieve the balance compensatory afforestation. The reply is not tenable since the government did not invest the fund in fixed deposits inspite of specific orders of the GOI and transferring funds to State receipt head without approval of Legislature was irregular. Moreover, compensatory afforestation over the approved area is yet to be completed (April 2008).

4.3 Violation of contractual obligation/ undue favour to contractors

WORKS DEPARTMENT

4.3.1 Non recovery of penalty and works advance from a Corporation

Non-construction of approach roads to a bridge resulted in unfruitful expenditure of Rs 5.57 crore and extra cost of Rs 75 lakh. Besides, there was non recovery of Rs 1.64 crore from a Corporation.

The Executive Engineer (EE) R&B Division-I, Bhubaneswar allotted (December 2002) the work of construction of a High Level (HL) bridge over river Kusabhadra and Prachi Drainage at Phirphira Ghat on Prataprudrapur-Kakarudrapur alongwith the approach roads and two minor bridges to M/s Orissa Bridge & Construction Corporation Limited (Corporation) at a cost of Rs 8.34 crore[9] with stipulation for completion by December 2005. The work was financed by NABARD under Rural Infrastructure Development Fund carrying interest at the rate of 12 *per cent* per annum.

Test check of the records disclosed (June 2007) that the work comprised construction of the HL bridge with 30 metres short approach roads on either side of the bridge for allowing traffic over the bridge immediately after its completion and 600 metres long approach roads with two minor bridges. The Corporation could complete only the HL bridge by March 2006 with payment of Rs 5.57 crore which included reimbursement of taxes of Rs 22.32 lakh and corporation charges of Rs 69.75 lakh.

The EE did not issue any notice for the slow progress by the Corporation nor initiated any action for realisation of the liquidated damages of Rs 1.43 crore for the delay in completion of the work, but instead proposed (April 2007) for withdrawal of the balance of the works of minor bridges and short/long approach roads for completion through other agency.

HL Bridge without approach road

9 HL bridge: Rs 5.09 crore, short approach roads: Rs 0.18 crore, long approach road: Rs.70 lakh, two minor bridges: Rs 0.60 crore, ancillary works : Rs 0.28 crore and contingency/quality control/sales tax/corporation charges: Rs 1.49 crore

Government withdrew the balance of the works of construction of the short/long approach roads from the Corporation in May 2007 and awarded (December 2007) this for Rs 88.18 lakh as per the rates of the Corporation to a contractor at a cost of Rs 1.63 crore involving extra cost of Rs 75 lakh. Construction of the two minor bridges on the long approach roads still remained with the Corporation.

The EE had issued (March 2007) interest free work advance of Rs 38.85 lakh to the Corporation of which Rs 17.33 lakh was recovered from the on account bills leaving the balance of Rs 21.12 lakh unrecovered. No action was taken to recover the outstanding works advance as of March 2008.

Thus, non-construction of the approach roads to the HL bridge and non-completion of the minor bridges resulted in the bridge remaining unused rendering the expenditure of Rs 5.57 crore incurred on its construction unfruitful. The idle investment led to creation of interest liability of Rs 74.45 lakh per year. Besides, the re-tender of the approach roads resulted in extra cost of Rs 75 lakh. There was also non-recovery of liquidated damage and outstanding work advance of Rs 1.64 crore from the Corporation.

The Government stated (May 2008) that the works were withdrawn from the Corporation with a view to completing the works as soon as possible for opening the bridge for public use. The liquidated damages were not recovered from OBCC since the delay in completion was not attributable to them. The outstanding works advance would be recovered. This was not tenable since the completion of the work was delayed due to slow progress of work by OBCC for which the work was withdrawn from them. No action was also taken for recovery of work advance outstanding since March 2007.

4.3.2 Non recovery of penalty from a defaulting contractor

Abandonment of road works by a contractor resulted in dislocation in the movement of traffic, wasteful expenditure of Rs 61.79 lakh, extra liability/non recovery for Rs 3.22 crore and avoidable maintenance of the road for Rs 45.62 lakh.

Two improvement works of Umerkote-Raighar-Kundei-Likima road from RD 41.085 to 54.700 km (State Highway) and Rayagada-Kerada road from RD 2.200 to 25.200 km (Major District Road) financed from NABARD (Rural Infrastructure Development Fund-RIDF-X) were awarded (August 2005/February 2006) on tender to a contractor at a total cost of Rs.12.06 crore with stipulation for completion by July 2006/January 2007.

Test check of records of the Jeypore (R & B) Division disclosed (April 2007) that first the Umerkote-Likima road (contract value Rs 4.91 crore) was awarded to the contractor in August 2005 and after excavation and back filling of the trench for a width of 2.5 metres on both sides of the road valuing Rs 19.14 lakh by February 2006, the contractor abandoned the work. Despite default in execution, the same contactor was awarded (February 2006) the other work on tender basis in Rayagada (R & B) Division (under the same Circle - contract value Rs 7.15 crore) for completion by January 2007. In this case also, after executing works worth Rs 42.65 lakh comprising construction of five culverts without approaches, excavation, filling of trench and collection of materials for sub-base for 11 km out of the requirement of 23 km, the contractor abandoned the work in June 2006. The contracts were closed (November 2006/January 2007) with penalty stipulating recovery of 20 *per cent* of the value of the balance of the works. The incomplete works were not taken up on either road as of May 2008. The balance of work in Umerkote-Likima road was estimated (March 2008) to involve extra liability of Rs 1.48 crore at the tender stage.

Due to leaving the roads incomplete, it created dislocation in the movement of traffic and the Executive Engineer (EE) spent Rs 45.62 lakh (Rayagada-Kerada road : Rs 33.01 lakh and Umerkote-Likima road: Rs 12.61 lakh) on repairs and maintenance of the roads for traffic movement which was avoidable.

Out of the penalty amount of Rs 2.29 crore recoverable from the defaulting contractor for both the works, the EEs had forfeited security deposits of Rs 55.20 lakh available with them. No action, legal or otherwise, was initiated to realise the balance outstanding Government dues of Rs 1.74 crore (May 2008).

Incomplete Umerkote-Likima road

Physical inspection of Umerkote-Likima road by Audit along with the Engineer- in-charge further disclosed (February 2008) that the works executed by the contractor were sub-standard. As per specifications, the trench was to be filled in with crusher dust and six mm chips. The contractor filled the trench with sand and moorum which were washed out in the rains and the trench was subsequently filled with silt. This created dislocation in the movement of traffic. The substandard works for Rs 19.14 lakh were not rejected by the Engineers-in-charge during execution indicating poor supervision of the works. No responsibility was fixed for the sub-standard execution of works (March 2008).

Thus, sub-standard execution and subsequent abandonment of the works by the contractor resulted in the roads remaining incomplete causing dislocation in movement of traffic apart from wasteful expenditure of Rs 61.79 lakh already spent on the roads with avoidable expenditure on maintenance of the roads for Rs 45.62 lakh and additional liability of Rs 1.48 crore for completion of the balance of work of one road. No attempt was also made for realising the outstanding Government dues of Rs 1.74 crore from the defaulting contractor.

The Government stated (May 2008) that the EEs had been instructed to file a money suit against the contractor for realisation of the penalty. No action was, however, taken on this (July 2008).

4.3.3 Undue benefit to a contractor

Upward revision of an offer for a bridge work during negotiation and non recovery of liquidated damage despite default in execution led to undue benefit of Rs 3.20 crore to the contractor.

Construction of a High Level (HL) Bridge over river Subarnarekha at 13 km on Kamarda-Baliapal road was awarded (November 2001) to a contractor at a cost of Rs 12.70 crore for completion by November 2004, which was extended up to June 2006. The work was in progress with expenditure of Rs 11.86 crore as of March 2008.

Test check of the records of Balasore (R&B) Division in June 2007 disclosed that although the Notice Inviting Tender (NIT) did not permit release of the Security Deposit before expiry of defects liability period of 180 days from the date of completion of the work and further stipulated that the cost of electricity and fair weather wooden bridge were to be borne by the contractor, the original offer of the contractor for Rs 10.88 crore included three special conditions viz. (i) the Security Deposit (SD) recovered from the different on account bills would be released on furnishing Bank Guarantee (BG), (ii) electricity would be supplied to the work site free of cost and (iii) expenditure on construction of fair weather wooden bridge for one season would be reimbursed by the department. The cost of the service bridge was already included in the offer of the contractor.

The State Public Works Department Code provides that the officer inviting the tender can negotiate with the tenderer with a view to reducing the rates quoted or to withdraw special conditions imposed by the contractor. Conditions of unusual character were not to be accepted without the prior consent of the Finance Department.

On negotiations with the Engineer-in-Chief (EIC), the contractor withdrew (July 2001) all the special conditions, but added Rs 1.82 crore to his offer without furnishing details for the increase. Although the special conditions not tenable as per the NIT were withdrawn by the contractor and the cost of wooden bridge had already been included in the contractor's item rates, the EIC accepted (October 2001) the unusual demand of the contractor at the post tender stage for increasing the value of the offer to Rs 12.70 crore by distributing the extra amount proportionately among all the items except the item for steel work. The contractor was paid Rs 1.98 crore on this account as of March 2008. The consent of the Finance Department was, however, not obtained for accommodating such unusual request.

The contract provided that in case of delay in completion of the work, liquidated damages up to 10 *per cent* of the estimated value of the work were recoverable from the defaulting contractor. However, neither was any extension of time granted beyond June 2006 to the contractor nor was the liquidated compensation of Rs 1.22 crore (10 *per cent* of Rs 12.22 crore) realised from the contractor although the work remained incomplete (March 2008).

Thus, upward revision of the contractor's offer by accommodating his request at the post tender stage and non-recovery of liquidated damages despite default in execution led to undue benefit of Rs 3.20 crore to the contractor.

The Government stated (May 2008) that the tender was approved after due examination and recommendation of the Tender Committee. The completion of the work was delayed due to heavy flood in the river, delayed finalisation of designs and land acquisition and addition to the work for which liquidated damage was not recovered. This was not tenable since a fixed amount claimed at post tender stage should not have been added to the offer in absence of supporting data and that too, without obtaining the consent of the Finance Department. The completion period for the work was fixed taking into account the cyclic change in weather including floods and the designs were finalised between August 2002 and October 2004 i.e. within the original currency period of the agreement. The delay in land acquisition was involved only for approach roads. As such, slippage in progress of completion of the bridge for more than four years was not justified and so liquidated damages were leviable.

4.3.4 Higher overheads in the estimates leading to undue benefit to ontractors

Adoption of unwarranted higher overheads in estimates resulted in undue benefit of Rs 1.95 crore to contractors

Works of Improvement to a State Highway (SH) and two Major District Roads (MDR) in two districts[10] were awarded (October/November 2006) to three contractors at a cost of Rs 21.43 crore for completion by October 2007 / October 2008. The works were in progress with payment of Rs 6.62 crore to the contractors as of March 2008.

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. This was revised to 10 *per cent* over the prime cost from 1 June 2006.

Test check of the records of two Roads and Buildings (R&B) divisions in charge of the execution showed (August/October 2007) that the Executive Engineers (EE) had worked out the item rates for these works providing 20 *per cent* margin (10 *per cent* overheads and 10 *per cent* contractor's profit) over the prime cost consisting of cost of materials, labour and machinery, as against 10 *per cent* admissible. The unwarranted excessive overheads adopted in the above works inflated the estimates by Rs 1.89 crore. The notices inviting tenders for these works were floated (2006-07) providing inflated estimated costs for Rs 20.78 crore and the bids for Rs 21.43 crore were approved on the basis of these estimated costs. The adoption of higher overheads in the estimates resulted in

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[10] (1) Cuttack (R&B) Division:- Cuttack- Govindapur- Banki- Siman road (MDR 77) 0/3 to 5/0 km, 10/0 to 15/0 km and 17/5 to 20/0 km
(2) Baragarh (R&B) Division:- Baragarh- Bhai- Ambabhana road MDR 33, Sohela-Nuapada (SH 3) 5/20 to 7 km, 7.5 to 15 km and 71 to 78 km

undue benefit of Rs 1.95 crore to the contractors taking into account the excess/less premia quoted by them over the estimates.

The EEs stated (October 2007/May 2008) that the items of work were adopted from the data book of MoRT&H which provided for 20 *per cent* margin. This was not tenable in view of the fact that the works related to improvement to the SH and MDRs and as per State Public Works Department Code, the estimates of these works were to be prepared adopting overheads admissible as per the State SoR.

The matter was referred to Government in June 2008; their reply had not been received (July 2008).

4.4 Avoidable/excess/unfruitful expenditure

WATER RESOURCES DEPARTMENT

4.4.1 Unfruitful expenditure on an Irrigation Project

Commencement of works of an irrigation project without assessment of water potential and non-completion of rehabilitation measures of the project affected families resulted in suspension of the project works midway rendering Rs 65.82 crore spent on the project unfruitful.

The Planning Commission and the State Government had cleared the construction of Titilagarh Irrigation Project as far back as in October 1993 / May 1995 as an integrated scheme planned for utilising the water resources of Kankadajore and Jamunajore nullahs, the tributaries of river Tel. The project was, however, taken up for execution in two stages. Construction of a barrage over Jamunajore nullah (Stage-I) stipulated for irrigating 600 ha of Culturable Command Area (CCA) out of the water resources of its own catchments and to cater to the drinking water needs of Titilagarh town. Construction of dam over Kankadajore nullah (Stage-II) stipulated for irrigating 2000 ha of CCA out of its water resources.

Completed Barrage (Stage-I)

Test check of the records of Titilagarh Irrigation Division disclosed (September 2007) that the construction of the barrage over Jamunajore nullah and its distribution system were taken up (May 1995) with NABARD loan assistance at an estimated cost of Rs 4.60 crore. The works were completed in March 2000 at a cost of Rs 6.92 crore. The objective of providing irrigation and supply of drinking water to Titilagarh town, however, could not be fulfilled due to non availability of water at the barrage site. Even during the peak demand period of September and October each year, there was no flow of water in the Jamunajore nullah across which the barrage was constructed, indicating that the water potential of Stage I was not assessed correctly (1995). This resulted in the project remaining idle without any utility rendering Rs 6.92 crore spent on the project wasteful (July 2008).

Stage II of the project comprising construction of earth dam, spillway, head regulator and distribution system over Kankadajore nullah in the up-stream of stage I was targeted for completion by 2001-02 at a cost of Rs 26.70 crore for providing further irrigation to 2000 ha of land. This also included construction of Satighat distributary for feeding water to the barrage for augmenting water for stage I. All these works were, however, suspended mid-way from December 2005 with river gap of earth dam, spillway and approach channel to head regulator remaining unexecuted due to agitation of the Project Affected Families (PAF) for non-settlement of their rehabilitation assistance. Out of 657 families affected/displaced, none of the families was rehabilitated as of March 2008. The expenditure on stage II of the project as of January 2008 was Rs 58.90 crore without accrual of the intended benefit from the project (March 2008).

The Benefit Cost Ratio (BCR) of the project was projected to the Planning Commission as 1.51 in 1995 and accordingly the project was considered viable. As assessed in audit, due to delay in execution and cost overrun, the BCR (calculated as per the expenditure on the project as of January 2008) declined to 0.48 rendering the project unviable. This would further decline with the delay in completion of the works and the consequent increase in the cost of the project.

Incomplete Stage II works

Physical inspection of the site on 25 March 2008 by Audit along with the Assistant Engineer in charge of the work disclosed that though Stage I of the project was completed, there was no water in the reservoir. Out of the components under Stage II the earth dam was completed without river gap closing and the spillway remained partly executed without further work being executed (May 2008).

Thus, execution of the Stage I of the project without correct assessment of the water potential at the site and the commencement of the works of Stage II of the project without settlement of the rehabilitation assistance for the PAF resulted in the expenditure of Rs 65.82 crore incurred on the project unfruitful.

The Executive Engineer (EE) stated (August 2007/January 2008) that after the new rehabilitation policy was framed, the works were started from December 2007 and the outcome of the project would be available after its completion. This was not tenable since the physical inspection of the site in March 2008 showed that no further works were being executed. Stage I works were completed without correct assessment of the water potential resulting in non availability of water at site while the stage II works were commenced without rehabilitating the PAF.

The matter was referred to Government in April 2008; their reply had not been received (July 2008).

4.4.2 Unfruitful expenditure on an Irrigation Project

Commencement of works of extension of a Medium Irrigation Project without acquisition of land led to abandonment of the scheme midway rendering the expenditure of Rs 3.85 crore unfruitful, besides interest burden of Rs 1.34 crore on the loan amount.

Government approved (February 2002) extension of Dumurbahal Medium Irrigation Project (Stage II) at a cost of Rs 3.79 crore with NABARD loan assistance[11] for providing additional ayacut to 770 ha of land in kharif and 245 ha in rabi in Bargarh district. As per codal provisions, work should not be commenced before land acquisition and technical sanction.

Test check of the records of Nuapara Irrigation Division disclosed (August 2007) that the extension scheme envisaged fixing of five central gates in the spillway of the project to provide additional storage of 1420 ham of water in the reservoir and improvement/remodeling of the existing distribution system along with construction of new distribution system. This required 162.84 ac of additional private land in the submergence area of the reservoir for storing the additional water. Work on the extension scheme was, however, commenced without land acquisition and technical sanction to the estimate.

The gates were installed in the spillway by December 2002, but could not be closed to store the extra water due to non acquisition of the additional land for the reservoir. Further, the works of the distribution system were abandoned midway in March 2005 leaving 100 metres stretches each in three sub minors unexecuted. The scheme was abandoned midway in March 2005 after incurring expenditure of Rs 3.85 crore due to non availability of land to store the water in the reservoir. Estimate for execution of the balance of the works for the incomplete portions of the distribution system was not prepared as of March 2008, nor funds provided for acquisition of the land. Even the preliminary establishment cost of 20 *per cent* of land acquisition cost was not deposited with the Land Acquisition Officer (LAO) as of March 2008 to enable processing of the land acquisition proposal.

Thus, commencement of the works of extension of the project without land acquisition and technical sanction to the estimate led to abandonment of the scheme midway for the last three years rendering the expenditure of Rs 3.85 crore on the scheme unfruitful, besides involving interest liability of Rs 1.34 crore on the loan amount.

The Executive Engineer stated (March 2008) that after acquisition of the land the additional storage would be available for irrigation. This was not tenable in view of the fact that contemplated additional irrigation could not be derived for non-acquisition of the land essential for storing the extra water and the distribution system also remains incomplete.

[11] at 12 *per cent* rate of interest per annum

The matter was reported to Government in March 2008; their reply had not been received (July 2008).

4.4.3 Unfruitful expenditure and non recovery of Government dues

Non completion of a Minor Irrigation Project resulted in unfruitful expenditure of Rs 2.24 crore besides non recovery of works advance of Rs 54 lakh from the Corporation.

Doraguda Minor Irrigation Project was accorded administrative approval in May 2000 at a cost of Rs 2.06 crore for providing irrigation to Kudumulugumma block of Malkangiri district. The head works of the project were completed in February 2005 at a cost of Rs 1.47 crore. The main canal and the branch canals, however, remained incomplete as of March 2008. As per rules, no work should commence without acquisition of land required for the work.

Scrutiny of the records of Minor Irrigation Division, Jeypore disclosed (May 2007) that the main canal was designed for 6630 metres, out of which the head reach for 1920 metres was of idle length[12]. While the land was yet to be acquired, the work of the main canal was allotted (February 2004) to M/s Orissa Construction Corporation (OCC) for completion by June 2005 at a cost of Rs 86.46 lakh. The contract stipulated that land for the project would be acquired in due course. In the event of non-availability of land no claim was to be entertained and extension of time if considered necessary was to be granted. The Corporation executed the works up to the first berm level valuing Rs 21.33 lakh for 1250 metres in the idle length and abandoned the work in July 2006. No work was executed in the portion covering the cultivable area due to non-acquisition of land. Out of 18.013 ha of land required for the project, only 3.650 ha (20 *per cent*) was acquired as of June 2008. Similarly, out of 12 structures involved, six were completed leaving the remaining six unexecuted. The branch canals awarded (December 2006) to another contractor at a cost of Rs 55.35 lakh was under execution with payment of Rs 11.19 lakh as of March 2008. The expenditure on the project as of August 2008 was Rs 2.24 crore[13].


Head reach canal from RD 00 metre to 1250 metres upto 1st berm

The Corporation was issued interest free works advance of Rs 69 lakh between March 2004 and March 2006, of which Rs 15 lakh was adjusted leaving a balance of Rs 54 lakh with the Corporation. No action was taken to complete the balance of the work abandoned for nearly two years due to the failure of the departmental

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12 Idle length – The portion of the canal constructed in non-cultivable area.

13 Work proper : Rs 1.79 crore, Land cost : Rs 0.10 crore and Miscellaneous: Rs 0.35 crore.

officers to acquire and hand over the land to the Corporation for completion of the main canal.

Thus, non-completion of the canal works for two years resulted in non accrual of the benefits of the project rendering the expenditure of Rs 2.24 crore spent on it unfruitful. Further, the works advance of Rs 54 lakh was lying blocked with the Corporation for two years and three months as of June 2008.

The matter was reported to Government in March 2008; their reply was awaited (July 2008).

PANCHAYATI RAJ DEPARTMENT

4.4.4 Unfruitful expenditure due to non completion/use of market complex

Due to inadequate action of the BDOs, 319 shopping units could not be completed under SGSY/ SGRY and 452 units even though completed were not allotted to the beneficiaries which resulted in an unfruitful expenditure of Rs 3.42 crore.

The Government of India (GOI) encouraged construction of market complexes (shopping units) through Swarnajayanti Gram Swarozgar Yojana (SGSY) and Sampoorna Grameen Rozgar Yojana (SGRY) by earmarking funds for creation of infrastructural assets which would also be a source of income for Gram Panchayats (GPs) in the form of rental income. The Government of Orissa instructed (April 2005) Collectors and Project Directors of District Rural Development Agencies (DRDAs) not to keep the shopping units unallotted. For effective implementation of the schemes, officers from the level of State headquarters to Panchayat Samitis (PS) were to closely monitor the programmes and visit work sites to ensure timely completion of the projects.

Scrutiny (April 2008) of records of 13 Blocks[14] under three DRDAs showed that an amount of Rs.4.27 crore was sanctioned from SGSY (Rs 1.21 crore) and SGRY (Rs 3.06 crore) funds for construction of 857 shopping units during 2002-05 as approved by the selection committee(s) comprising members from DRDA level to GP level. It was noticed that 538 (63 *per cent*) units were completed at a cost of Rs 2.96 crore and 319 (37 *per cent*) remained incomplete after an expenditure of Rs 1.31 crore thereon for over a period of two to five years. Of the 538 units[15] completed, 86 (16 *per cent*) were allotted to the beneficiaries and 452 units involving an expenditure of Rs 2.11 crore had remained (May 2008) without allotment for over a period of one to five years. The shopping units could not be allotted due to non-finalisation of allotment process (331), dispute in selection of beneficiaries (10), non-convening of selection committee for identification of beneficiaries (61) and non-availability of eligible beneficiaries (10) and lack of interest among beneficiaries (40). This indicated that the PS had undertaken construction of market complexes without assessing demand for the shopping units at selected sites.

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[14] DRDA Jajpur (Jajpur, Dasarathpur, Sukinda, Dharmasala, Bari) DRDA Jagatsingpur (Balikuda, Jagatsinghpur,Tirtol, Naugaon, Raghunathpur, Kujanga) and DRDA Nayagarh (Dasapalla, Ranpur)

[15] Completed units:- 45 (2003-04),106 (2004-05),165 (2005-06), 202 (2006-07) and 20 (2007-08)

Besides, lack of monitoring and supervision in execution of programmes resulted in an unfruitful expenditure of Rs.3.42[16] crore due to non-completion and non-allotment of shopping units.

On being pointed out, three BDOs attributed the reasons for non-completion of market complexes to non-availability of funds. The replies were not tenable, as funds were provided as per the estimated value. Besides, the BDOs being the convener of the selection committee were apathetic in allotting the units even after lapse of three to five years of their completion.

The matter was reported to Government (May 2008); the reply had not been received (August 2008.).

4.4.5 Unfruitful expenditure on construction of check-dams

The expenditure of Rs 46.09 lakh incurred by BDO, Chandahandi for construction of ten check dams without installing sluice gates proved unfruitful since the beneficiaries could not avail irrigation facilities due to non-conservation of water.

National Food For Work Programme (NFFWP), a centrally sponsored scheme launched in November 2004 for providing additional resources apart from that available under the Sampoorna Gramin Rojagar Yojana (SGRY) scheme for generation of wage employment and providing food security for the rural poor through taking up works relating to water conservation, drought proofing, flood control/ protection in addition to other specified works.

Check dam of Banamouli without sluice gate

Scrutiny of records (January 2007) of Chandahandi Block and information collected subsequently (April 2008) showed that the Block Development Officer (BDO) on approval (2004-06) of the Collector, Nabarangapur had taken up construction of ten check dams[17] over available water sources (nalla) at an estimated value of Rs 49 lakh out of NFFWP and SGRY funds. As per the estimates and designs of the individual work, one to three MS sluice gates were required to be installed in the dams for storage of rain water to provide irrigation facilities to the beneficiaries. The BDO did not conduct basic feasibility studies like the capacity of the reservoir, ayacut area for irrigation, number of beneficiaries to be benefited before constructions of the dams were undertaken. The dams were completed (May-June 2006) with an expenditure of Rs 46.09 lakh without installing sluice gates. As a result the check dams were unable to store water needed for irrigation.

16 Rs 1.31 crore (incomplete units) + Rs 2.11 crore (unallotted units) = Rs 3.42 crore

17 Check dams under NFFW at Kukaranadi, Khadakhali, Dalabeda, Luhabahali, Malpada, Koilimunda, Ghantaguda,Banamouli, Dhupkote and Check dam at Koradengri under SGRY

The BDO stated (April 2008) that the MS sluice gates were not installed since the beneficiaries did not take the responsibility for the security and maintenance of the sluice gates and they were utilising the available water through conventional method. The reply is not tenable since water was not conserved in absence of sluice gates as found in joint physical verification with designated officials of the block.

The matter was reported (February 2008) to Government through the Annual Technical Inspection Report (ATIR) for the year ended March 2006 and was proposed (May 2008) for inclusion in the Audit Report (Civil) for the year ended 31 March 2008; their reply had not been received (August 2008).

WORKS DEPARTMENT

4.4.6 Extra cost due to delay in finalising a contract

Repeated failure of the departmental officers to finalise lump sum bid of a contractor within validity period for construction of a high level bridge resulted in extra cost of Rs 7.72 crore.

The Chief Engineer (CE) invited (April 2005) lump sum bids for construction of a two lane high level bridge over river Gurupriya near Janbai on Chitrakonda-Papermatia road in Malkangiri district on a turnkey basis involving survey, investigation, design and execution at an estimated cost of Rs 40 crore. Out of the two bids received, value of the lower bid was Rs 39.70 crore with validity up to 16 November 2005. The Engineer-in-Chief (EIC) recommended (28 November 2005) the bid to Government for acceptance after expiry of its validity. As the contractor expressed (December 2005) inability to extend the validity of the offer, the Government cancelled (January 2006) the bids with instruction to re-tender the work. In response to the re-tender notice (February 2006) single tender of the same contractor with increased value of Rs.46.95 crore (17.37 *per cent* excess over the estimated cost of Rs 40 crore) was received (21 April 2006) with validity up to 19 August 2006. The EIC, however, took 78 days for evaluation and submission of the bid in July 2006 to the Government for approval. The Tender Committee which discussed the bid in July 2006 recommended for acceptance of the same. The Government, however, returned the case on 19 August 2006 to recalculate the estimate as per Schedule of Rates 2006. On the CE's request (August 2006) to extend the validity of the tender for two more months, the contractor extended the validity from 19 August 2006 to 19 October 2006 increasing the offer value by one *per cent* which worked out to Rs 47.42 crore. This was approved by the Government in August 2006. The work was awarded (October 2006) to the contractor at a cost of Rs 47.42 crore with stipulation for completion by February 2009.

Thus, repeated failure of the departmental officers in finalising the bids within the validity period resulted in extra cost of Rs 7.72 crore to the Government at the tender stage.

The matter was reported to Government in April 2008; their reply had not been received (July 2008).

RURAL DEVELOPMENT DEPARTMENT

4.4.7 Unfruitful expenditure on roads

Non completion of three road works taken up under Pradhan Mantri Gram Sadak Yojana led to unfruitful expenditure of Rs. 1.13 crore

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 were available to the residents of such habitations. The guidelines issued for the implementation of the programme stipulated that the works were to be completed within nine months of their commencement.

Test check of the records of Rural Works Division, Jajpur disclosed (December 2007) the following aberrations in execution of three road works under PMGSY rendering the expenditure of Rs 1.13 crore incurred on these roads unfruitful.

- On the demise (January 2003) of a contractor executing (May 2002) improvement to Areikana-Banamalipur road targeted for providing all weather connectivity to the habitants of three villages, the balance of the work was awarded (February 2004) to another contractor for Rs 1.55 crore for completion by November 2004. The deceased contractor had executed the work for Rs 19.59 lakh. The contractor entrusted with the balance of the work abandoned the work site in January 2007 after executing work valuing Rs 81.10 lakh and did not resume work despite issue of notices. On the orders (June 2007) of the Government, the contract was closed (August 2007) with penalty for realisation of the extra cost in execution of the balance of the work through other agency. Despite lapse of six years from the date of commencement of the work it remained incomplete with an expenditure of Rs 1.01 crore as of May 2008. Of the 6.80 km of road involved for execution, earth work was executed for three km with formation of the sub base only for 500 metres. No black topping work was executed and the road was exposed to deterioration due to seasonal wear and tear. Thus, the objective of providing all weather connectivity to the habitants of the three villages was not achieved rendering the expenditure of Rs 1.01 crore on the road unfruitful.

- Improvement of two other roads viz. (i) Narasinghpur-Pipalidiha and (ii) RD road-Padmanavapur was awarded (December 2005) to a contractor for Rs 85.37 lakh under package No. OR-13-32-PMGSY for completion by September 2006. The roads were targeted for providing all weather connectivity to the habitants of three villages. Of the road length of 3.217 km with eight Cross Drainages (CD) in between, after executing earth work for 3.1 km and base formation for 800 metres with payment of Rs 12.49 lakh, the contractor abandoned the work (April 2006). Neither was any black topping work executed nor were any of the CDs completed and the incomplete work remained exposed to normal wear and tear. The Government terminated (July

2007) the contract with imposition of penalty for realisation of extra cost in completion of the balance of the work through other agency. The Executive Engineer (EE), however, did not initiate any action till date for completion of the balance of the work and realisation of the extra cost. This led to unfruitful expenditure of Rs 12.49 lakh.

Thus, non-completion of three roads taken up under PMGSY deprived the six targeted villages of all weather connectivity even after spending Rs 1.13 crore.

The Executive Engineer stated (January 2008) that the balance of the works would be completed. This was not tenable since no action was taken to complete the works and the roads were left incomplete without black topping exposing them to deterioration.

The matter was reported to the Government in May 2008, their reply had not been received (July 2008).

4.4.8 Extra expenditure due to departmental lapse

Non acceptance of tender for a bridge work within the validity period of the tender led to extra expenditure of Rs 1.31 crore. Besides, wrong assessment of the flood discharge at the site of the bridge involved wasteful/ extra expenditure of Rs 2.33 lakh.

The Executive Engineer (EE), Rural Works (RW) Division, Koraput invited tenders in March 2003 for construction of a high level bridge over river Kolab at 9th km point on Jeypore-Balia-Boipariguda road at an estimated cost of Rs 2.35 crore. The lowest valid tender received from M/s Orissa Construction Corporation (OCC) was Rs 2.51 crore.

As per rules, the validity of a tender was for 90 days from the date of receipt unless extended. The processing and finalisatiion of the tender was to be completed by the EE, Superintending Engineer (SE), Chief Engineer (CE) and Government within the allotted 20, 15, 20 and 20 days respectively. The remaining 15 days were to be utilised by the EE for execution of the agreement.

The tender of OCC, received on 8 April 2003, was valid up to 7 July 2003. The EE recommended the tender on 30 April 2003 taking 23 days while the SE recommended it on 5 July 2003, just two days prior to the expiry of the validity of the tender. No action was taken by the CE for acceptance of the tender before its expiry. However, OCC extended (December 2003) the validity up to 1 April 2004. The Government approved the tender as late as on 27 February 2004. The CE retained the approved tender for a further 19 days and forwarded the same to the SE on 16 March 2004 for execution of the agreement by which time the model code of conduct for the General Election had come into force. After expiry of the validity of the tender and completion of enforcement period of the code of conduct on 13 May 2004, the EE notified OCC for execution of the agreement. OCC expressed their inability to execute the work at the quoted rate in view of expiry of the validity of their tender and rise in the cost of steel and rock products. The Government thereafter, cancelled (August 2004) the tender and the work was awarded (September 2005) to another contractor on re-tender for completion by April 2007 at a cost of Rs 3.23 crore. The work was under execution with payment of Rs 3.13 crore to the contractor as of March 2008. Computed with the item rates, the cancellation of the original tender and award of the work to another contractor on re-tender involved extra expenditure of Rs 1.31 crore.

Test check of the records further revealed that based on the information provided (April 2002) by the EE, the CE, RW had approved (December 2002) the designs for construction of the bridge with the provision for discharge of 1140 cusecs of water on bridge site in peak flood conditions. However during execution of the work, the discharge was found (August 2006) to be 3290 cusecs. The design was modified in January 2007 increasing the height of the abutment and the piers by 4.65 metres to facilitate the required discharge. The estimate was thereafter revised (September 2007) to Rs 3.99 crore. As a result of the revision of the designs, cement concrete works of 37.26 cum already constructed with an expenditure of Rs 2.25 lakh on the top portion of one abutment and two piers, required dismantling with payment of labour charges for Rs 0.08 lakh for overlap and anchorage of the reinforcement.

Thus, failure of the EE to execute the agreement with the Corporation within the validity period of the tender led to re-tender of the case involving extra expenditure of Rs 1.31 crore. Besides, wrong assessment of the flood discharge at the site of the bridge involved wasteful/extra expenditure of Rs 2.33 lakh.

The EE stated (February 2008) that as there was no budgetary provision during the year 2004-05 for the work, the tender of OCC was cancelled by the Government. The designs necessitated revision due to high flood level noticed during execution. This was not tenable in view of the fact that the work was administratively approved by the Government and the budget provisions were to be periodically augmented keeping in view the progress of the work. In fact, Rs 40 lakh each was provided during 2002-03 and 2003-04 for the work but no work was executed due to cancellation of the tender. Further, the discharge of flood water at the site was not assessed on a realistic basis.

The matter was referred to the Government; their reply had not been received (July 2008).

SCHOOL AND MASS EDUCATION DEPARTMENT

4.4.9 Avoidable expenditure on hiring of storage space

Non completion of additional godown building in the premises of the Director, Text Book Production and Marketing resulted in an avoidable expenditure of Rs 75.52 lakh on rent.

The Director, Text Book Production and Marketing, Orissa (TBPM) arranges printing of National Text Books for the students of Class-I to Class -VII for the entire State and ensures supplies to the students through the Block Authorities. For this purpose, the TBPM needed godowns for storage of printing materials and finished stock.

Scrutiny (May 2007) of records of the Director, TBPM and information collected later revealed that based on the proposal (July 1995) of the Director for construction of the second godown building inside the premises of the Directorate, the Chief Engineer (Building), Orissa (CE) allotted (June 2000) Rupees six lakh out of Calamity Relief Fund to the Executive Engineer (EE), R & B Division No IV, Bhubaneswar against the original estimate of Rs 21.87 lakh. The EE, after constructing the building up to roof level with an expenditure of Rs 3.72 lakh stopped the work and requested (November 2001) the Director for additional fund of Rs 13.86 lakh who in turn requested the Government several times (November 2001 to May 2007) for sanction of Rs 12.48 lakh (excluding cost of electrical installations) for completion of the building. The Director stated (May 2005), the building on completion would cater 90 *per cent* of the storage space needed by the TBPM. But no funds were received from the Government and the building remained incomplete (January 2008), as a result the Director, TBPM was required to hire storage space from Orissa State Ware Housing Corporation and Orissa State Marketing Federation Ltd. for godown purposes and an expenditure of Rs 75.52 lakh had to be incurred towards godown rent for the period from April 2001 to January 2008. Thereafter, the EE received (February 2008) Rs 15 lakh from the CE against the revised estimate (January 2008) of Rs 23.16 lakh and spent Rs 11.29 lakh for construction of building up to roof slab. The building is yet to be completed (June 2008).

The Government's failure to provide the required funds of Rs 12.48 lakh in 2001-02 for completion of the building resulted in an avoidable expenditure of Rs 75.52 lakhs on godown rent.

The matter was reported to Government in March 2008; the reply had not been received (August 2008).

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.4.10 Unfruitful expenditure on resectioning Nalla slopes at outfall

Resectioning of Khaira nalla by the OSDMA without construction of gated sluice at it's outfall in the river Rushikulya led to unfruitful expenditure of Rs 47.45 lakh as the objective of preventing saline intrusion and improving drainage congestion remained unfulfilled.

To improve the drainage facility and arresting salination of command area, the Orissa State Disaster Mitigation Authority (OSDMA) administratively approved (February 2003) the work "Renovation and resectioning of Khaira nalla from 00 to 5.5 KM and construction of a sluice at its outfall into river Rushikulya" at an estimated cost of Rs 90 lakh. The Executive Engineer (EE), Drainage Division, Berhampur was to execute the work out of World Bank aided funds.

Scrutiny of records of EE (November 2006) and information collected subsequently (March 2008) revealed that the work was awarded (June 2003) to a contractor for Rs 81.94 lakh for completion by April 2004. The contractor, after execution of resectioning work worth Rs 47.45 lakh stopped (August 2004) construction of sluice as there was protest from the residents of nearby village because commissioning of sluice gate would deprive them of their earning which they would get by constructing the cross bundhs across the nalla every year. The EE reported the matter to the Police and the District Collector (January-March 2004) and on the orders of Chief Engineer (July 2004) abandoned the work. Due to non-construction of the gated sluice, flow of saline back water into the nalla remained unabated and the objective of utilising the nalla water along with the surplus water of Jayamangal Irrigation Project, for irrigation, remained unfulfilled. Besides, the Executive Engineer stated (August 2008) that the villagers continued to construct cross bundhs across the nalla during summer every year in order to catch fish or to create a pool to lift the same for irrigation purposes. Thus, the expenditure of Rs 47.45 lakh incurred on resectioning without sluice gate did not serve the intended purpose.

The Government stated (August 2007) that although the purpose of checking the saline intrusion was not achieved, the objective of resectioning of drain to increase the water way and relieve drainage congestion had been achieved. The reply is not tenable as the villagers continue to construct bundhs, as such the drain water congestion was not eliminated totally defeating the very purpose of investment of Rs 47.45 lakh.

4.5 Idle investment/idle establishment/blockage of funds

HOME DEPARTMENT

4.5.1 Injudicious decision for purchase of staff quarters

The Principal Resident Commissioner, New Delhi purchased 56 residential quarters of which 49 quarters were lying unallotted even after two years of purchase leading to idle investment of Rs 2.52 crore.

Principal Resident Commissioner (PRC), New Delhi proposed (August 2003) to purchase 100 single-room flats from Delhi Development Authority (DDA) for providing residential accommodation to the employees of Orissa Bhawan/ Niwas and other offices under his jurisdiction in New Delhi. The Government provided (February 2004) Rs 2.25 crore and the PRC paid (March 2004) the amount to the DDA for purchase of 104 flats converted into 52 dwelling units at sector 16B and 18B, Dwaraka, New Delhi. The PRC took possession of the units in February 2006. The PRC also purchased (December 2006) four middle income group (MIG) quarters from the DDA at a cost Rs 0.70 crore to house senior/middle level officers. Of the above 56 quarters/dwelling units, only six units and one MIG quarter were allotted and the remaining quarters have been lying unallotted.

Scrutiny (February 2008) of records of the PRC, showed that, although PRC projected the demand for 200 employees before going for purchase of these quarters at Dwaraka, these employees were not interested in occupying these quarters and the flats had been lying un-occupied even after two years of purchase.

Thus injudicious decision of the PRC to purchase the quarters without assessing actual demand of the employees led to idle investment of Rs 2.52 crore[18].

The Government stated (July 2008) that less demand for the quarters at Dwaraka was due to lack of infrastructure which are gradually coming up. It further added that steps were being taken to start staff bus services for convenience of the employees and the quarters would be occupied by the staff in future and hence should be treated as futuristic step. The reply is not tenable since the Government, before investing a huge fund did not consider the immediate demand and convenience of the employees for stay at Dwaraka. Besides, Dwaraka has the basic infrastructure and is well populated.

INDUSTRIES DEPARTMENT

4.5.2 Blockage of funds due to delay in establishment of ITI, Malkangiri

Despite availability of funds, the department had failed to provide infrastructural facilities for establishment of the new ITI at Malkangiri and the objective of providing vocational training to the tribal youths remained unfulfilled.

With a view to establishing a new Industrial Training Institute (ITI) at Malkangiri in KBK (Koraput, Bolangir, Kalahandi) region under RLTAP[19] during 2006-07, Government of Orissa in Industries Department released (January 2006) Rs 5.12 crore[20] to the Director of Technical Education and Training (DTET), Orissa, Cuttack. The DTET placed (March 2006) Rs 3.37 crore with the Executive Engineer (EE), R&B Division, Malkangiri for construction of civil works[21] to be completed by April 2007 and Rs 1.75 crore with the Managing Director, Orissa Small Industries Corporation (OSIC) Ltd, Cuttack for supply of tools and equipment by March 2006. Pending completion of the civil works and supply of tools and equipment, the DTET admitted (October 2006) 37 students in two trades (Fitter and Wiremen) only for the academic session 2006-07 and who were temporarily attached to the ITI, Ambaguda in Koraput district.

Scrutiny of records (March 2007 and February 2008) of the DTET, Cuttack revealed that as of April 2008, construction of only staff quarters was completed at a cost of Rs 20.43 lakh and the other components of civil works including the administrative and workshop buildings remained incomplete even after incurring expenditure of Rs 1.52 crore (87 *per cent*) though funds for entire project were provided by March 2006. Further, out of Rs 1.75 crore paid to the OSIC for supply of 868 items of tools and equipment, 264 items worth Rs 34.80 lakh were supplied (February-August 2007) and were lying unused with the Principal, ITI, Ambaguda. The balance amount of Rs 1.40 crore remained blocked with the corporation for over two years.

[18] Cost of 46 DUs: Rs1.99 crore [Rs2.25 crore x (46/52)] ***plus*** Cost of 3 MIG quarters: Rs 0.53 crore [Rs0.70 crore x (3/4)].

[19] RLTAP: Revised Long Term Action Plan for KBK districts

[20] (i) Civil construction: Rs 3.37 crore and (ii) Tools, equipment, furniture, library books: Rs 1.75 crore

[21] Administrative building, Workshop building, two hostels, 5 staff quarters and compound wall

Thus, due to delay in completion of the construction work and non supply of tools and equipment, the objective of providing vocational training to the youths for their wage and self employment remained unfulfilled and the admission of students from the session 2007-08 remained suspended.

DTET stated (February 2008) that steps had been taken for completion of the work in consultation with the Chief Engineer (buildings) and procurement of materials was deferred due to high price, non matching of specification of certain items which would be procured soon.

The matter was reported to the Government in June 2008; their reply had not been received (August 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.3 Idle investment on procurement of ultrasound machines

Due to non-registration of institutions under the PNDT Act and non-imparting of clinical training to user doctors by the Director ISMH, seven ultrasound machines purchased at a cost Rs 41.03 lakh for Ayurvedic and Homoeopathy colleges remained idle after two years of procurement.

In order to facilitate detection and diagnosis of various diseases the Director, Indian System of Medicine and Homoeopathy (ISMH) procured (April 2006) seven ultrasound (Sonalisa 32) machines at a cost of Rs 41.03 lakh and supplied them to Government owned four Ayurvedic[22] and three Homoeopathy[23] colleges. As per Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Amendment (PNDT) Act, 2002 the institutions/centers/hospitals having ultrasound machines capable of determination of sex of foetus and sex selection are required to be duly registered and the person authorised to use ultrasound machines should be a gynecologist or a pediatrician having six months experience or four weeks training in genetic counseling.

Scrutiny of records (June 2007) of the Directorate, ISMH and information collected later showed that the institution supplied with the ultrasound machines were not registered as required under the PNDT Act and no action had been taken by the institutions/Directorate, ISMH for such registration. The institutions also did not have qualified operators and doctors for use of the machines as of May 2008. The Director, ISMH requested (September 2007 and January 2008) to the Director, Medical Education and Training (DMET) for instructions to Chief District Medical Officers/ Chief Medical Officers/Superintendents/Principals of Medical Colleges concerned for arranging training at different medical colleges and hospitals for operation of ultrasound machines. The machines as such were not put to use since their procurement and the two years warranty period allowed by the supplier had already expired leaving little room for free repair/ replacement of the machines/spares resulting in idle investment of Rs 41.03 lakh and denial of facility to patients at large.

[22] (i) GAM Puri, (ii) KATS Ayurvedic College, Berhampur, (iii).GAC, Bolangir, (iv) GAH, Bhubaneswar
[23] (i).BPHMC&H, Berhampur (ii).OMCH&R, Sambalpur (iii).UHMC&H, Rourkela

The Government stated (May 2008) that qualified doctors available for teaching would be deputed for training in genetic counseling and after completion of training, the concerned colleges and hospitals would obtain registration under the PNDT Act. The reply was not acceptable since clinical training for the user doctors and registration of institutions was a pre requisite for making the facility available which was not arranged by Director, ISMH even after lapse of two years of procurement of machines. As such existing doctors could not make use of the machine in detection and diagnosis of the diseases.

4.5.4 Inaction in implementation of CSP scheme

Failure to provide required infrastructure for creating post graduation facilities in Government Ayurvedic College, Bolangir led to non-utilisation of central assistance of Rs 62.99 lakh

The Government Ayurvedic College, Bolangir (GAC) offers Bachelor of Medicine and Surgery (BAMS) courses of five and half years duration with intake capacity of 30 students. As per standards prescribed by the Central Council of Indian Medicine, an Ayurvedic college should have 150-bedded hospital. The GAC had a hospital with 50 beds as of April 2007.

Check of the records (June 2007) of Director, Indian System of Medicine and Homoeopathy (ISMH), Orissa and further information collected (February-March 2008) from the Health and Family Welfare Department and the Principal, GAC showed that the GOI provided (December 2003) grants in aid of Rs 62.99 lakh under the Centrally Sponsored Scheme (CSP) "Assistance to P.G Medical Education" for introduction of PG Courses in four Ayurvedic Subjects[24]. The Government did not take immediate steps to fulfill the requirement of having 150 bedded hospitals and conveyed sanction for enhanced capacity of 100 beds only in April 2007. The Department of Ayurveda Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH), however, refused (May 2007) to grant permission to run PG courses as the GAC had only 100 bedded hospital against the minimum requirement of 150 beds. The State Government sanctioned (November 2007) additional 50 beds and again requested (December 2007) AYUSH for necessary permission, which had not been received as of August 2008.

Failure on the part of the Government to create required infrastructure for opening PG courses in GAC inspite of availability of central assistance of Rs 62.99 lakh since December 2003 denied 64 students[25] in availing post graduate education in Ayurveda in the college located in KBK (Kalahandi, Bolangir, Koraput) area. The Government stated (August 2008) that after necessary approval of the AYUSH, the P.G courses in GAC, Bolangir would be started.

24 Rasasastra, Dravyaguna, Rog Nidan and Samhita & Sidhanta.

25 Four courses with four students in each year for four years from 2003-04 to 2007-08 (4x4x4=64).

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.5.5 Idle investment on construction of Livestock Aid Centers

Lack of monitoring by the authorities resulted in non-completion of 15 LAC buildings and non-use of seven completed buildings after construction in the KBK region led to an idle investment of Rs 71.50 lakh.

The Fisheries and Animal Resources Development Department (F&ARD) of the State provides health care services of livestock through veterinary institutions like dispensaries and Livestock Aid Centers (LACs). There are 130 veterinary dispensaries and 621 LACs functioning in KBK (Kalahandi, Bolangir and Koraput districts) region of which 76 units (LACs: 66 and dispensaries: 10) were running in hired accommodation. To strengthen the veterinary service infrastructure for better livestock treatment and growth of livestock resources for securing higher returns of livestock products to the farmers, the Planning Commission provided (November 2004) Rs 1.10 crore as special central assistance (SCA) under Revised Long Term Action Plan (RLTAP) for construction of 34 LACs in eight districts of KBK region. The programmes being monitored by the F&ARD were to be implemented by the Directorate of Animal Husbandry and Veterinary Services (AH&VS), Orissa, and the Chief District Veterinary Officers (CDVOs) of the eight districts concerned.

Scrutiny of records (July 2007) of the Directorate, AH&VS, Orissa, Cuttack and subsequent information collected from the concerned CDVOs showed that the Government sanctioned (March 2005) Rs 1.10 crore in favour of the Director, AH&VS for construction of 34 LACs (unit cost Rs 3.25 lakh each) and the Director placed (March 2005) the said funds to the executing agencies[26] through the Collectors of KBK districts. Out of above, 15 buildings[27] were not yet (January 2008) completed despite availability of funds and seven buildings[28] though completed between March and December 2007 were not handed over to the Department. Due to non completion of the buildings, the Department incurred Rs 0.56[29] lakh towards rent on hiring accommodation for LACs during 2002-05. The Directorate and the concerned CDVOs had no information regarding physical and financial status of work and the reasons of non completion/use of the LACs. This indicated that monitoring was not provided at any level of the Department. In absence of close monitoring and timely action by the concerned authorities, 15 LACs could not be completed and seven complete units not put to use resulting in idle investment of Rs 71.50 lakh.

On being pointed out, the Director, AH&VS stated (May 2008) that the construction was delayed due to delay in alienation and allotment of land and the work would be completed soon. Thus, inspite of availability of funds, the

26 Project Directors, District Rural Development Agencies (DRDAs), Integrated Tribal Development Agencies (ITDAs) and Block Development Officers (BDOs)

27 Koraput (4), Malkangiri (3), Nawarangpur (1), Bolangir (7)

28 Rayagada (3), Kalahandi (3), Nuapada (1)

29 Rs 0.56 lakh= 65 LACs on hire @ Rs 1542 pm x 36 months (2002-05)

provision for qualitative health care facilities to the livestock owners of the KBK region through veterinary institutions could not be ensured.

The matter was reported to Government (February 2008); their reply had not been received (August 2008).

4.6 Regularity issues and other points

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.6.1 Retention of funds outside Government Account

Non-observance of codal provisions in management of government money by the Directorate, AH&VS, resulted in unadjusted advances of Rs 72.39 lakh and parking of government money of Rs 5.13 crore outside government account.

As per Orissa Treasury Rules, advances granted to government officers/ officials for departmental and allied purposes are required to be adjusted within the month of drawal of advance by submitting detailed accounts with supporting documents and refunding balance, if any. Sanction of subsequent advance is permitted only after adjustment of earlier advance. The DDOs were required to review the Advance Register frequently to ensure timely adjustment of advances. The rules also provide that no money shall be drawn from the treasury unless it is required for immediate disbursement. The Government in Finance Department has also issued instructions from time to time prohibiting retention of government money outside government account in shape of Deposits at Call Receipts ((DCR)/ Bankers Cheque / Bank Draft/ Bank Account etc.

Scrutiny of records (July 2007) of the Director of Animal Husbandry and Veterinary Services (AH&VS) Orissa, Cuttack and information collected subsequently disclosed that as of 30 June 2008, an amount Rs 72.39 lakh was lying as advance which included Rs 12.07 lakh outstanding for more than five years. The advances were paid to 100 government officials (Rs 41.36 lakh) and 19 other offices (Rs 31.03 lakh) between November 1999 and June 2008 for purposes like repair of vehicle, transportation charges, purchase of stationeries and service postage stamps etc was lying unadjusted as of June 2008. In 12 cases, subsequent advances were paid without adjusting earlier ones. An amount of Rs 0.27 lakh was outstanding against six officials who retired from service and Rs 0.17 lakh against one official transferred. The chances of recovery / adjustment of these amounts were remote as no specific steps were taken by the DDO at the time of their retirement/transfer.

Further, 47 number of Bank Drafts (BDs) valued Rs 18.18 lakh purchased between March 1997 and December 2007 in favour of suppliers, establishment officers of the Directorate, CDVOs, Utkal Gomangal Samitee etc. were found lying undisbursed. Of these, 46 BDs worth Rs 18.14 lakh pertaining to the period 1997-2006 became time barred providing undue benefits to the bank. Besides, the

Director, AH&VS also kept (June 2008) Rs 5.13 crore in banks in current account.

The Director, AH&VS stated that letters were issued to persons concerned and steps were being taken to recover outstanding advances. The reply is not tenable as the scheme and contingent funds were to be necessarily paid through the account payee cheques.

The matter was reported to the Government in April 2008; the reply had not been received (August 2008).

GENERAL

FINANCE DEPARTMENT

4.7.1 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 (Civil Audit). 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 2008 pertaining to 4970 offices of 34 departments showed that 48803 paragraphs relating to 15212 IRs were outstanding at the end of June 2008. Of these, 5241 IRs containing 13759 paragraphs had not been settled for more than 10 years (***Appendix-4.1***). Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix-4.2***. Even the initial replies which were required to be received from the Heads of Offices within six weeks were not received in respect of 1265 IRs (***Appendix-4.1***) issued up to March 2008. As a result, many serious irregularities commented upon in these IRs had not been settled as of June 2008 (***Appendix-4.3***) facilitating 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 / Paragraphs within 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.

The matter was reported to Government (September 2008); reply was not received.

4.7.2 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 2006-07 as indicated below, 19 out of 38 departments which were commented upon, did not submit explanatory notes on 60 paragraphs and 20 reviews as of July 2008.

Year of Report	Individual paragraphs / reviews in Audit Reports				Number of individual paragraphs / reviews for which explanatory notes were not submitted	
	Individual paragraphs	Reviews	Others	Total paragraphs	Individual paragraphs	Reviews
1997-98	58	06	33	97	01	02
1998-99	58	06	28	92	03	Nil
1999-00	48	06	29	83	03	01
2000-01	47	07	29	83	04	01
2001-02	29	04	28	61	06	02
2002-03	33	06	20	59	03	03
2003-04	31	06	23	60	08	02
2004-05	21	06	22	49	00	01
2005-06	29	07	25	61	04	03
2006-07	36	06	23	65	28	05
Total	**390**	**60**	**260**	**710**	**60**	**20**

The department-wise analysis as in ***Appendix-4.7*** shows that the departments largely responsible for non-submission of explanatory notes were Water Resources, Works, Health and Family Welfare, Finance, Women and Child Development, Fisheries and Animal Resources Development and School and Mass Education departments.

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, it was noticed that final action on compliance of 1322 recommendations made by PAC in 1st Report of 10th Assembly (1990-95) to 27th Report of 13th Assembly (2004-08) was awaited as of July 2008. Department-wise details are indicated in ***Appendix-4.4***. The Public Accounts Committee in their meeting held on 15 May 2008 decided not to take up the recommendations of 9th Assembly for discussion. The departments largely responsible for non-submission of ATNs were Water Resources, Works, Housing and Urban Development, Health and Family Welfare and Rural Development departments as indicated in ***Appendix-4.5***.

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 have been formed (between May 2000 and February 2002) by all departments of the Government under the Chairmanship of 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 and submit the proceedings of such meetings to audit. Out of 38 departments of the State Government, no proceedings have been received from 26 departments for the year 2007-08. Department-wise details are indicated in ***Appendix-4.6***.

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 Departmental Monitoring Committees. The meetings of the Apex Committee were held in February 2002, March 2007 and May 2008.

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 last meeting of the Review Committee was held on 1 August 2007.

The matter was reported to Government (September 2008); reply was not received.

Bhubaneswar **(B R Khairnar)**
The **Principal Accountant General (Civil Audit)**
Orissa

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**