CHAPTER-IV

WORKS EXPENDITURE

SECTION - A

RURAL DEVELOPMENT DEPARTMENT

4.1 Rural Drinking Water Supply Program

In 1972-73, Government of India (GOI) launched the Accelerated Rural Water Supply Program (ARWSP) to supplement the efforts of the State Governments in providing access to safe drinking water to all rural habitations in the country during the 8th Plan Period by providing 100 *per cent* grants. The Scheme was discontinued from 1974-75 with the introduction of the Minimum Needs Program (MNP) and again re-introduced in 1977-78 when progress of supply of drinking water to identified problem villages was found to be unsatisfactory. Audit review revealed mismanagement in implementation of the programme involving significant cases of extra/unfruitful expenditure and injudicious procurement of materials having financial involvement of Rs.99.27 crore which constituted 25 *per cent* of the total expenditure of Rs.396.01 crore. There was no advance planning with identification of priority areas and expenditure was incurred without Estimate/Administrative Approval. Piped Water Supply Schemes were taken up without finalisation of source resulting in delay in completion of the projects and tube wells were dug without ascertaining underground water strata resulting in failure of tube wells. Though the scheme was being implemented continuously since 1977-78, 13,797 habitations out of 1,14,099 problem habitations identified in the State had not been provided with safe drinking water as of March 2001.

Highlights

- **Funds of Rs.4.45 crore provided for 8 piped water supply schemes targeted to benefit 0.69 lakh population in 45 villages could not be utilised due to non-finalisation of water source.**

{Paragraph 4.1.9(i)}

- **Rs.2.34 crore spent on 12 piped water supply schemes for providing safe drinking water to 0.29 lakh population in 19 villages could not be commissioned due to failure of production well arising from improper investigation and lack of co-ordination between the implementing agency and the power supply authorities which resulted in non-energisation of pump houses though required funds were deposited with the electricity supply company.**

{Paragraph 4.1.9(ii)}

- **1,755 bores drilled at a cost of Rs.3.86 crore without any investigation resulted in the expenditure being rendered largely wasteful.**

{Paragraph 4.1.10(i)}

- **Non-retrieval of salvage materials from 13,560 defunct tubewells resulted in loss of Rs.18.98 crore.**

{Paragraph 4.1.10 (ii)}

- **Against 73 piped water supply schemes taken up in KBK districts during 1992-2001, 59 schemes were incomplete thereby denying benefit to 1.31 lakh population. Further, 9,601 tube wells required in these districts for 14.40 lakh population were not provided as of March 2001.**

(Paragraph 4.1.12)

- **Underutilisation of departmental rigs resulted in extra cost of Rs.4.06 crore**

{Paragraph 4.1.13 (i)}

- **Procurement of PVC pipes at EPM rate contract instead of at DGS&D rate contract resulted in extra expenditure of Rs.1.82 crore.**

{Paragraph 4.1.14(i)}

- **Lack of synchronisation of purchase, installation and utilisation of computers required for MIS resulted in idle expenditure of Rs.1.11 crore.**

{Paragraph 4.1.14(ii)}

4.1.1 Introduction

To provide safe drinking water to rural people, Government of India (GOI) introduced (1972-73) the "Accelerated Rural Water Supply Program" (ARWSP) to be implemented in problem villages. A total of 1,14,099 habitations were identified (1993-94) to provide at least one source of safe drinking water for every 250 population.

4.1.2 Organizational set up

Commissioner-cum-Secretary to Government of Orissa, Rural Development (RD) Department, was in overall charge of the Rural Water Supply Scheme. Chief Engineer, Rural Water Supply and Sanitation (CE, RWSS) was the head of department and was assisted by 5 Superintending Engineers (SE) and 24 Executive Engineers (EE) at field level.

4.1.3 Scope of Programme

The programme envisaged provision of safe and sustainable drinking water to all rural habitations. Problem habitations were to be identified where (i) drinking water source/point was not existing within 1.6 km of the habitations in plains and 100 meter elevation in hilly areas; (ii) where the water source is affected with quality problems; and (iii) where the quantum of availability of safe water from any source was not enough to meet the drinking and cooking needs. The habitations were planned to be covered under Tube Wells/Sanitary Wells. However, piped water supply schemes were to be executed in the areas where water source was affected with quality problems and where the Tube Wells did not yield adequate quantity of water. Priority was to be accorded, *inter alia*, to cover ' No Safe Source (NSS)' habitations particularly those inhabited exclusively or largely by SC/ST population and of quality affected habitations with acute toxicity. The programme envisaged preservation of quality of water by institutionalising water quality monitoring and surveillance.

4.1.4. Audit Coverage

Test check of records of CE, RWSS and 12 EEs[4] for the period from 1997-98 to 2000-2001 was conducted during December 2000 to May 2001 and the audit findings were as follows:

4.1.5. Budget and Expenditure

(a) Allotment & Expenditure

Funds released by the GOI under the programme vis-a-vis budget allocation made by the State Government and expenditure thereagainst for drinking water schemes were as follows:

Year	Funds released by GOI	Budget Allotment by State Government			Expenditure
		CSP (ARWSP)	SP (MNP)	Total	
	(Rupees in crore)				
1997-98	50.34	38.83	62.18	101.01	100.21
1998-99	47.94	43.53	53.57	97.10	98.93
1999-2000	48.48	34.25	70.90	105.15	105.37
2000-2001	31.07	51.16	52.43	103.59	91.50
Total	**177.83**	**167.77**	**239.08**	**406.85**	**396.01**

NB: CSP- Centrally Sponsored Plan , SP-State Plan

It would be seen from the above table that against release of Rs.177.83 crore by the GOI, the State Government provided only Rs.167.77 crore in the budget under CSP.

4 EEs, RWSS Division, Baripada, Bhawanipatna, Bolangir, Bhanjanagar, Bhubaneswar, Cuttack-I, II, Nabarangpur, Phulbani, Rayagada and RWSS Mechanical Division, Bhubaneswar and Sambalpur.

(b) Rush of expenditure

Issue of LoC at the fag end of the year affected the progress of work and led to unnecessary expenditure/diversion of funds.

Test check of records of 11 RWSS Divisions[5] revealed that expenditure of Rs.255.01 crore was incurred during 1997-2001 of which Rs.141.73 crore was incurred during April to December and balance Rs.113.28 crore (44 *per cent*) was incurred during last quarter of the financial year. In March alone, Rs.70.56 crore being 28 *per cent* of total expenditure was incurred by these divisions due to release of bulk LoC at the fag end of the financial year. Such uneven flow of funds during the year hampered the progress of works and resulted in the amounts being spent on procurement of materials without immediate requirement, booking of materials and diversion of funds for other works to achieve financial targets.

(c) Diversion of funds

Irregular diversion of Rs.2.95 crore.

(i) 6 RWSS divisions[6] had saving of Rs.2.95 crore under ARWSP during 1997-2001. The unutilised funds were not surrendered; instead Rs.0.77 crore was debited to ARWSP works by over valuation of material and balance Rs.2.18 crore was adjusted through Transfer Entry in March 1998/1999 to regularise the excess expenditure over allotment in other works.

Excess expenditure of Rs.16.56 crore over allotment was irregularly debited to MWA/other works.

(ii) RWSS divisions[7] incurred excess expenditure of Rs.12.10 crore over allotments under ARWSP for sinking of tube wells during 1997-98 to 2000-2001. The excess expenditure was debited to MWA (Rs.4.18 crore) and to other works (Rs.7.92 crore) where there were savings through transfer entry at the end of each financial year due to receipt of excess LoC over allotment.

Similarly, against allotment of Rs.90.52 lakh received during 1998-99 in Balasore RWSS Division for digging of tube wells in upper primary schools and primary schools, materials such as PVC pipes, hand pumps, riser pipes, etc. valuing Rs.5.37 crore were procured in March 1999. The excess expenditure of Rs.4.46 crore was irregularly charged to MWA which was not cleared as of March 2001.

4.1.6 Action Plan

As against 1.14 lakh habitations identified (1993-94) for providing atleast one source of safe drinking water for every 250 population, 22,521 habitations (12,892 fully and 9,629 partially) involving 33.41 lakh population were reported to have remained uncovered as of April 1997. No action plan for coverage of the problem habitations with identification of priority areas was available though the guideline specifically stipulated that 25 *per cent* and 10 *per cent* of total ARWSP funds were to be allocated for water supply to SCs and STs respectively.

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5 Cuttack-I and II, Bhubaneswar, Bhanjanagar, Bhawanipatna, Baripada, Bolangir, Rayagada, Nabarangpur, Phulbani and Mechanical Division, Bhubaneswar,

6 Bhanjanagar, Bhawanipatna, Nabarangpur, Baripada, Bolangir and Cuttack-I

7 Cuttack-II, Bhanjanagar, Phulbani, Baripada, Bolangir and Cuttack-I

In reply to an audit query, the CE RWSS stated (September 2001) that only 31,786 population (including Scheduled Castes (SC) 3,321 and Scheduled Tribe (ST) 6,506) remained uncovered as of March 2001 which was not factually correct since the uncovered population, as per the progress report submitted by CE RWSS to Government (March 2001) was 10.74 lakh (including S.C : 3.18 lakh, S.T : 1.21 lakh)

No systematic planning has been done to provide safe drinking water on priority basis to quality affected habitations viz. those with excess iron, fluoride, chloride, etc. contents. Eighteen new district level laboratories approved by the Government of India during 1997-98 with release of Rs.36 lakh for the purpose could not be established as of August 2001 due to lack of proper planning. Twelve Piped Water Supply (PWS) schemes were approved without proper survey and finalisation of source which delayed the projects. Similarly, no report was available nor any expenditure incurred on information, education and communication. Though pilot projects for community participation in rural water supply programme were stated to have been started in 3 out of 30 districts, no information was available about the performance of these projects.

4.1.7 Excess Establishment Expenditure

There was excess expenditure of Rs.4.88 crore on establishment.

As per extant norms, establishment expenditure was not to exceed 10.5 *per cent* of total expenditure of a Department. Audit observed that total establishment expenditure of Rs.46.46 crore was incurred during 1997-98 to 2000-01 which constituted 11.73 *per cent* of the total expenditure of Rs.396.01 crore. There was thus excess expenditure on establishment of Rs.4.88 crore thereby reducing the funds available for actual implementation of the scheme.

4.1.8 Targets and Achievements

As against 22,521 problem habitations to be covered as of April 1997, the reported achievements during 1997-98 to 2000-2001 were 20,139 habitations (fully-10,791 and partially -9,348). It was however, observed in audit that the tube wells in 11,415 habitations were not suitable for drinking water due to excessive content of iron (10,771 habitations), fluoride (310 habitations) and chloride (334 habitations). These habitations were to be covered under PWS but there was no systematic planning and survey in this regard and only 15 PWS were taken up during 1997-99 for covering 285 villages. However, these PWS were not complete as of September 2001. Thus, 13,797 habitations remained uncovered as of March 2001 which constituted 12.09 *per cent* of the total identified (1993-94) problem habitations and 61.26 *per cent* of the uncovered habitations identified 4 years back.

Targets and achievements during 1997-98 to 2000-2001 as furnished by the Chief Engineer under main items of the scheme were as follows.

Sl. No.	Name of Program	Target (Numbers)	Achievement (Numbers)	Percentage of achievement
1.	Piped water supply(PWS)	344	32	9
2.	Tube wells	39,590	35,762	90
3.	Sanitary wells	1,756	1,650	94

Audit observed that shortfall in completion of piped water supply schemes was due to inadequate pre-construction survey, non-finalisation of water source, and delay in energisation of pump houses, though funds was not a constraint. Further, the achievement of 90 *per cent* under tube wells did not reflect the true picture since 12,267 tube wells were unsafe for drinking water. Hence, the actual achievement was only 23,495 tube wells viz. 59 *per cent*.

The shortcomings noticed in execution of the programme are described in the following paragraphs.

4.1.9 Piped Water Supply

(i) Sanction of works without finalisation of water source led to fictitious booking of expenditure

Funds of Rs.4.45 crore received for 8 piped water supply schemes could not be utilised for non-finalisation of water source.

Check of records of 5 RWSS Divisions[8] revealed that estimates for 8 piped water supply (PWS) schemes were sanctioned for Rs.6.23 crore during 1991-92 to 2000-2001 for providing safe drinking water to 69,279 population covering 45 villages without finalising the source of water. Subsequently, allotment of Rs.4.45 crore was received for the works. But the works could not be started due to non-finalisation of source of water. The allotment was ultimately shown as utilised by fictitious booking of material against different works. Government stated (August 2001) that sources of 4 PWS had since been finalised but the reply was not tenable since sources were finalised (February/March 2001) only for 3 PWS and the fictitious bookings were not withdrawn.

(ii) Idle investment

Investment of Rs.2.34 crore on water supply schemes remained idle due to non-energisation/ improper investigation of water source.

In 5 RWSS divisions[9] 12 PWS schemes commenced between 1991-92 and 1999-2000, were either fully (10) or partly (2) completed at a cost of Rs.2.34 crore during 1994-95 to 1999-2000. The fully completed projects (Rs.2.19 crore) were not commissioned as of August 2001 due to non-energisation of pump houses though the amounts were deposited (March-July 2000) with the electricity distribution companies. In two cases, water supply could not be given despite spending Rs.0.15 crore since the production wells failed due to improper investigation. Thus, even though expenditure of Rs.2.34 crore had been incurred, benefit of water supply could not be provided to 29,193 population in 19 villages.

(iii) Expenditure without Administrative Approval and non-prioritisation of works

(a) As per extant codal provisions, no work should be commenced without administrative approval and technical sanction by the competent authority. It was revealed in audit that 142 numbers of PWS schemes were taken up in 16 divisions[10] at an expenditure of Rs.13.96 crore during 1997-98 to 2000-2001

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[8] Bhawanipatna, Bolangir, Cuttack I and II, Nabarangpur

[9] Bolangir, Bhanjanagar, Berhampur, Rayagada and Nabarangpur

[10] Dhenkanal, Cuttack-I,II, Balasore, Bolangir, Kalahandi, Puri, Berhampur, Phulbani, Koraput, Rayagada, Keonjhar, Baragarh, Nawarangpur, Sambalpur and Jajpur.

without requisite Administrative Approval (AA) and Technical Sanction (TS). These schemes were under progress.

160 works were executed with expenditure of Rs.18.29 crore without administrative approval/technical sanction.

Further, 18 PWS schemes started between 1991-92 and 1997-98 in 3 RWSS Divisions, Cuttack-II, Nabarangpur and Phulbani were completed and commissioned at a cost of Rs.4.33 crore without AA.

Government stated that works were taken up without AA to avoid lapse of central assistance. The reply was not tenable since AA/TS were pre-requisites for commencement of any work to ensure technical feasibility of the scheme.

(b) In 13 districts[11], 338 habitations were affected by excess fluoride content (more than 1.5 ppm) and were to be accorded high priority under PWS. It was observed in audit that only 28 out of the 338 habitations were covered under PWS as of March 2001 leaving the balance 310 habitations without safe drinking water.

(iv) Delay in completion of scheme resulted in cost overrun

Delay in execution resulted in cost overrun of Rs.0.76 crore.

Check of records of RWSS Divisions, Baripada, Bhawanipatna, Phulbani and Nabarangpur, revealed that 5 water supply schemes were taken up between 1991-92 and 1994-95 at an estimated cost of Rs.116.33 lakh for completion within 2 years. The work could not be completed despite expenditure of Rs.192.30 lakh. The excess expenditure of Rs.75.97 lakh was not yet regularised. Non-completion of the schemes within the stipulated time not only resulted in cost overrun but also denied safe drinking water to 17,619 beneficiaries in 5 villages for 5 to 8 years.

Government attributed the delay to inadequate provision of funds and stated (August 2001) that steps were being taken for revised AA. The reply was not tenable since the expenditure had already exceeded the sanctioned estimate and revised estimate were not prepared as of March 2001 except in one case which was pending at Government level since December 2000.

(v) Unfruitful expenditure due to taking up of works without identification of viable water source

Taking up of work without finalisation of source resulted in unfruitful expenditure of Rs.0.41 crore.

Piped water supply to village Tumudibandh was approved (January 1992) by Government for Rs.7.32 lakh. The river Roul was taken as the water source with estimated requirement of 2.53 lakh litre per day. During execution, EE RWSS, Phulbani, found that due to rocky nature of the river bed and release of graphite waste by a processing plant situated in upstream, tapping of the river water was not feasible. Alternatively, the tube well of the Central Ground Water Board (CGWB) was taken as a source and water supply scheme was commissioned (August 1993) with expenditure of Rs.12.19 lakh. The tube well however collapsed and the discharge of water reduced to 43,200 ltr per day against the requirement of 2.53 lakh litre per day. To improve the water

[11] Puri, Dhenkanal, Angul, Khurda, Nayagarh, Boudh, Phulbani, Rayagada, Nuapada, Bolangir, Deogarh, Jharsuguda and Bargarh.

supply, a revised Administrative Approval for Rs.37.14 lakh was accorded (1995-96) by the Government taking the reservoir in Dhobijharnalla as the source to benefit 5,069 population. Allotment of Rs.24 lakh received during 1995-97 was utilised only for laying the pipeline. No further work could be taken up due to opposition by the villagers who were using water of the reservoir for agriculture purposes. As a result, expenditure of Rs.36.19 lakh remained unfruitful (March 2001).

Government accepted the position and stated (August 2001) that water supply was presently effected from the CGWB tube well and another new tube well would be installed to augment the present system. The fact remains that the benefit of water supply could not reach the targeted population due to failure to identify adequate water source.

Similarly, Rs.8.28 lakh was deposited (January 1992) by Water Technology Mission, GOI, with EE Rayagada RWSS Division for augmentation of water supply scheme at Jimidipeta for covering 1,265 population. Rs.4.46 lakh was spent towards laying of pipeline and overhead tank. The source of water for the scheme was ground water. But the tube well was not dug as there was no ground water at the selected site. Subsequently, the CE ordered (July 2000) to dig well in the bank of the river Nagavali. However, no tube well was dug (March 2001). Thus, the expenditure of Rs.4.46 lakh remained unfruitful.

Government stated (August 2001) that the overhead tank would be utilised by pumping water from two tube wells including the one yet to be taken up.

Thus, taking up of works without proper investigation and finalisation of water source resulted in unfruitful expenditure of Rs.40.65 lakh.

4.1.10 Tube Wells

(i) Wasteful expenditure

Tube well bores drilled without investigation resulted in low yield rendering the expenditure of Rs.3.86 crore wasteful.

GOI guidelines stipulated periodical reassessment on a scientific basis of groundwater potential taking into consideration the quality of water available and economic viability. CGWB had drilled bores in the State to ascertain the underground water level in all districts. Check of records of RWSS Divisions Bhanjanagar, Bhawanipatna, Rayagada, Nabarangpur, Phulbani, Bolangir, Bhubaneswar and RWSS Mechanical Divisions Sambalpur/Bhubaneswar revealed that the department had not utilised the CGWB data for selection of sites. Consequently, 1,755 out of 24,722 bores drilled during 1997-2001 for installation of tube wells failed due to less or no yield of water. Expenditure of Rs.3.86 crore incurred on drilling 1,755 bores was thus rendered wasteful.

On this being pointed out in audit, the EEs stated (December 2000 to May 2001) that the sites were selected by local people without any hydro-geological survey. Government stated (August 2001) that the failure was only 7 *per cent* as against all India rate of 14 *per cent*. The reply was not tenable even though a certain amount of failure is inherent in sinking of tube wells, selection of site should have been backed by scientific data as per guidelines of GOI.

(ii) Non-salvage of materials of defunct tube wells

Non-retrieval of materials of Rs.18.98 crore from defunct tube wells resulted in loss to Government.

Check of records of 10 RWSS Divisions[12] revealed that 13,560 tube wells were defunct as of March 2001. The materials such as hand pump with complete set and riser pipes valued at Rs.18.98 crore were not retrieved from the defunct tube wells. Government stated (August 2001) that the materials could not be salvaged due to resistance of villagers against removal of the materials before providing alternative sources of water. Hence, not only material valued at Rs.18.98 crore remained un-recovered causing loss to Government but the department also failed to provide alternate sources of water thereby depriving 33.90 lakh population of potable drinking water.

4.1.11 Quality of Water

The scheme envisaged a system of quality monitoring and surveillance to ensure the potability of water. GOI approved (1997-98) the establishment of 18 district level laboratories in addition to the existing 12 and released Rs.36 lakh for the purpose, for analytical test of water samples. These 18 laboratories were not functional as of August 2001. While 8 laboratories could not function due to non-posting of laboratory staff/want of equipment, work of 10 laboratories had not started even after 3 years of GOI approval/release of funds.

Check of records of CE RWSS revealed (March 2001) that analytical test of water samples of only 32,498 number of tube wells (16.75 *per cent*) out of 1.94 lakh tube wells had been conducted. The test results indicated that the water discharged from 12,267 tube wells intended for 30.67 lakh population was not safe for drinking due to excessive iron content (11,297 no.), excess fluoride content (634 no) and excess chloride content (336 no.). These population were to be provided with safe drinking water under 'Sub-mission Project' for providing safe drinking water to rural habitations facing water quality problems. It was, however, observed in audit that only 15 PWS were taken up (1997-99) under 'Sub-mission Project' covering only 3.03 lakh population and these PWS were incomplete as of September 2001. Thus, 12,267 tube wells constructed at a cost of Rs.49.07 crore could not provide safe drinking water to the targeted 30.67 lakh people.

4.1.12 Coverage in KBK districts

Safe drinking water was not provided to the needy villages in KBK districts.

Undivided Koraput, Bolangir and Kalahandi (KBK) districts (presently 8 districts) are traditionally drought prone areas with acute problem of safe drinking water. The Rajiv Gandhi Drinking Water Mission directed (July 1997) for installation of tube wells in KBK districts with relaxed norms and accordingly the State Government relaxed (March 1998) norm to one source for every 150 population instead of 250 population. Accordingly, 13,757 spot sources (tube wells) were required as of April 1998 to achieve the objective. Check of records revealed that only 4,156 spot sources (30 *per cent*) could be provided over a period of 3 years from 1998-99 to 2000-2001.

[12] Cuttack-II, Bhubaneswar, Bhanjanagar, Bhawanipatna, Rayagada, Nabarangpur, Phulbani, Baripada, Bolangir and Cuttack-I

Similarly, during 1997-98 to 2000-2001, 57 PWS schemes were taken up in KBK districts at an estimated cost of Rs.11.71 crore covering 1.21 lakh population. Though funds of Rs.9.66 crore (82.49 *per cent*) were provided only 14 PWS (24.56 *per cent*) were completed as of August 2001 covering only 0.25 lakh population (21 *per cent*). Besides, 16 PWS taken up during 1992-97 at an estimated cost of Rs.2.95 crore to benefit 0.35 lakh population were incomplete as of March 2001 despite expenditure of Rs.3.15 crore. The time overrun was due to administrative delay in execution of the schemes and lack of co-ordination with power supply authorities for energisation of the pumps. It is evident that effective action was not taken for arresting drinking water problems in KBK districts.

4.1.13 Rigs management

Underutilisation of departmental rigs resulted in extra cost of Rs.4.06 crore due to execution through contractor.

(i) Out of 49 rigs available in the department, only 29 rigs were in working condition in RWSS Mechanical Division, Sambalpur/Bhubaneswar. Test check revealed that against 34,321 Rig days available from these 29 rigs, only 8,516 rig days (24.81 *per cent*) were utilised (Appendix-XXXVI) during 1997-2001. It was observed that the department had drilled 35,762 tube wells of which only 3029 tube wells were drilled through departmental rigs and balance 32,733 through contractors. Had the total rig days been utilised, another 9,179 tube wells could have been drilled at a cost of Rs.10.87 crore towards cost of consumables as against Rs.14.93 crore paid to contractors.

Excess expenditure of Rs.7.51 crore on departmental execution due to idle manpower.

(ii) RWSS Mechanical divisions, Sambalpur/Bhubaneswar drilled 3,029 tube wells and developed 5,799 tube wells during 1997-2001 departmentally at an expenditure of Rs.15.85 crore whereas admissible cost of the above works as per the rates approved (March 1999) by the CE for execution through contractors or departmentally worked out to Rs.8.34 crore. This resulted in excess expenditure of Rs.7.51 crore with reference to the approved norm.

Government attributed the extra cost on departmental execution to working of departmental rigs at difficult sites for which the contractors do not come forward. The reply was not tenable since there was no different approved rates for difficult and non-difficult locations and extra cost was due to idle man power on account of non-allotment of sufficient work for departmental execution.

Purchase of rigs without actual requirement resulted in blockage of Rs.1.59 crore.

(iii) Even though the department had 27 rigs in working condition as of May 1999 without sufficient work load, two more rigs were purchased in May 1999 at a cost of Rs.1.59 crore. Government stated (August 2001) that these 2 rigs were mud rotary rigs meant for construction of large diametre production wells in coastal alluvium. The reply was not tenable since three rigs of same type were already available with the department and only 21-30 *per cent* of their capacity in terms of rigs days had been utilised. The new rigs were also utilised for 378 rig days out of 990 rig days available as of November 2000. Hence, there was no justification for purchasing two more rigs at a cost of Rs.1.59 crore.

(iv) Department had 20 nos. of rigs in unserviceable condition of which 13 rigs in Mechanical division, Sambalpur, were condemned between 1987 and 1994 for which sanction of Government was not accorded as of March 2001. Position of 7 unserviceable rigs in RWSS Mechanical Division, Bhubaneswar, was not available. Government stated (August 2001) that 20 rigs were condemned and were being disposed of.

Purchase of spare parts in excess of requirement resulted in loss of Rs.0.25 crore.

(v) Spares of rigs composed of 556 items valued at Rs.41.56 lakh purchased during 1981-1996 by EE Mechanical Division, Sambalpur, remained unutilised of which 424 items valuing Rs.24.80 lakh were declared (February 2001) obsolete/damaged due to long storage. Evidently, the purchases had been made without any assessment of requirements.

Government stated (August 2001) that bulk quantities of spares were purchased for specific rigs that subsequently became obsolete. The reply was not tenable since the purchases were made much in excess of requirement.

4.1.14 Material Management

(i) Extra expenditure

Government approved (January/March 2001) purchase of 2207 MT (11.04 lakh metre) of PVC pipes of different diameters at rate contracts fixed by the Director, Export Promotion and Marketing, Government of Orissa (EPM rate). The purchase was based on the requirements projected by CE RWSS (August/October 2000 and February 2001) for different piped water supply schemes of the State for the year 2000-2001. Accordingly, supply orders valued at Rs.11.52 crore were placed (January/March 2001) on 8 firms at EPM rate contract valid upto 31 December 2001.

Purchase of PVC pipes at EPM rate contract instead of at DGSD rate contract resulted in extra expenditure of Rs.1.82 crore.

Check of records revealed (March 2001) that one of the above firms was a DGSD rate contract holder valid upto 31 December 2000 and the rate of DGSD rate contract was Rs.21.60 to Rs.198.59 per metre for 63 mm dia to 200 mm dia PVC pipes whereas EPM rate was Rs.24.48 to Rs.332.68 per metre of PVC pipes. The CE could have assessed the total requirement of materials well in advance and made purchases at DGSD rate contract at a lower cost. Procurement of PVC pipes at higher EPM rate contract led to extra expenditure of Rs.1.82 crore.

Government stated (August 2001) that as per the Industrial policy, purchases were to be made at EPM rate contract in order to promote local industry and issue of procurement at DGSD vis-a-vis EPM rates took some time to resolve and orders could be placed at EPM rate only in January 2001 when there was no DGSD rate contract. The reply was not tenable since the DGS&D rate contract holder was a State based firm and had the requirements been finalised well in advance, the materials could have been procured at a lower rate.

(ii) Idle outlay on Computerisation

Lack of synchronisation in purchase and installation of computer network resulted in idle investment of Rs.1.11 crore.

The Union Ministry of Rural Areas and Employment, sanctioned (March 1997) Rs.1.61 crore for computerisation of various activities under the Rural Water Supply and Sanitation for Management Information System (MIS) for effective planning and implementation of water supply schemes. The CE RWSS placed (March 1999) two purchase orders with a firm nominated by the GOI for Rs.1.17 crore for supply of 76 computers, 33 servers and other computer peripherals for 32 site offices (hardware items Rs.90.18 lakh + operational items Rs.27.09 lakh) to be delivered within 8 to 12 weeks at site offices. The firm supplied (April 1999) computers and operational items valued at Rs.90.18 lakh without computer peripherals like laser printers, plotter digitizers and modems. The firm was paid (June 1999) Rs.81.16 lakh (90 *per cent*). Another order for supply of Uninterrupted Power Supply (UPS) was placed for Rs.27.12 lakh with another firm and the stores were received in August 1999.

Check of records of CE RWSS Bhubaneswar revealed (March 2001) that against 32 site offices where the computers were to be installed, computers could be installed (January 2001) in only 12 site offices without any networking among the sites. Balance 20 sites were not even ready for installation. Further, against requirement of 96 skilled operators, the Department could train (October 2000) 75 staff members at a cost of Rs.2.24 lakh. Training of even these 75 personnel could not be utilised.

Thus, the expenditure incurred on computerisation could not be optimally utilised due to non-synchronization of purchase and installation of computers, accessories/peripherals and training of personnel resulting in idle outlay of Rs.1.11 crore.

Government accepted the delay in implementing the project and stated (August 2001) that the major difficulty in the process of implementing the computerized MIS was in the field of co-ordination among various suppliers of the equipment and their installation, functioning of office in hired building, insufficient space availability etc. Purchase of computers without ensuring requisite infrastructural facilities and without any linkage to the actual implementation of the schemes indicated lack of prioritisation resulting in idle expenditure.

(iii) Blockage of Government fund

Payment of Rs.8.26 lakh without supply of full quantity against purchase order resulted in blockage of Government money.

Purchase orders for supply, installation, testing and commissioning of two sets of water filtration plants (Rs.8.52 lakh) and a water treatment plant (Rs.7.05 lakh) were placed (March 1996/1995) on two firms by SE RWSS Circle Berhampur for supply within 3 months. Though the firms supplied the water filter (June 1996) and some components of the water treatment plant (September 1995) and received payments of Rs.8.26 lakh in September 1995 and October 1996 towards 80 *per cent* of cost of materials, the plants were not installed, tested and commissioned as of March 2001 resulting in blockage of Government money. The guarantee period of one year had also since expired.

4.1.15 Other Points of Interest

(i) Shortage of stores

Store materials valuing Rs.30.50 lakh were not handed over (June 1998) by a JE of RWSS Division, Baripada to his successor on transfer to another division. Though charges were framed as late as in August 2000 against the delinquent JE, the case was neither finalised nor was the cost recovered as of August 2001.

(ii) Theft of stores

Store materials valuing Rs.7.95 lakh were stolen in 6 RWSS divisions, Bhubaneswar, Bolangir, Baripada, Rayagada, Cuttack-II and Berhampur during 1999-2001. The cases were under investigation by police/departmental officers.

(iii) In violation of codal provisions, 10 RWSS divisions test checked in audit had incurred expenditure of Rs.8.98 crore towards operation and maintenance of tube wells without preparation/sanction of estimates.

Government stated (August 2001) that action was being taken for sanction of estimates.

WATER RESOURCES DEPARTMENT

4.2 Integrated Audit of Water Resources Department

The Water Resources Department is entrusted with the development and maintenance of the irrigation network in the State. Audit review of the working of the Department revealed serious failure of expenditure control and widespread mismanagement of funds involving significant excess payment and undue payments to contractors as well as short-recovery/non-recovery from contractors and extra expenditure/unproductive expenditure having a financial involvement of Rs.1,115.21 crore which constituted 36.24 *per cent* of the total expenditure of the department during 1997-2001. The expenditure on establishment far exceeded the prescribed norms. There was significant cost overrun (26 *per cent*) in execution of capital projects which rendered the projects economically unviable. Despite increase in assured irrigation potential from 17 *per cent* to 43 *per cent* during 1993-94 to 1999-2000, the food grain production dropped by 28 *per cent* during the above period due to lack of maintenance of irrigation facilities.

4.2.1 Highlights

- **Budget formulation, control and monitoring were grossly inadequate. There were unjustified supplementary demands amounting to Rs.133.59 crore during 1997-2001. Revenue Expenditure ranged between 24 to 34 *per cent* of the capital expenditure which limited the resources available for developmental activities.**

(Paragraph 4.2.5.1,4.2.5.2,4.2.5.3)

- **Establishment expenditure was 19.7 *per cent* against 10.5 *per cent* admissible resulting in excess expenditure of Rs.110.67 crore.**

(Paragraph 4.2.5.4)

- **Full irrigation potential of 25.16 lakh ha. created could not be utilised due to poor maintenance. The gap between irrigation potential created and utilised was 47 *per cent.***

(Paragraph 4.2.6.1)

- **Rejection of lowest tenders on unsustainable grounds led to extra liability of Rs.10.91 crore.**

(Paragraph 4.2.7.2)

- **Undue benefit amounting to Rs.13.04 crore was extended to contractors at the cost of the State Exchequer by non-adherence and non-enforcement of contractual terms and payments at higher rates.**

(Paragraph 4.2.7.4)

- **Excess payments amounting to Rs.25.83 crore were made to contractors by Executive Engineers in violation of contractual terms or codal provisions. No action was taken against the erring officers.**

(Paragraph 4.2.7.5.)

- **Drawal of agreements with faulty clauses and execution of works in deviation from approved specifications along with non-levy of penalty where due led to extra expenditure/liability of Rs.15.60 crore in 48 works.**

(Paragraph 4.2.7.6.)

- **There was fraudulent payment of Rs.2.01 crore made to contractors in 2 cases.**

(Paragraph 4.2.7.7)

- **Lack of proper planning and consequent abandonment or non-completion of works resulted in unfruitful expenditure of Rs.212.84 crore.**

(Paragraph 4.2.7.8.)

- **PSUs under the administrative control of the Department viz. Orissa Construction Corporation and Orissa Lift Irrigation Corporation failed to achieve their objectives due to operational inefficiencies. OCC sustained a loss of Rs.2.72 crore in execution of 4 works test-checked in audit while OLIC incurred an infructuous expenditure of Rs.1.25 crore in construction of office building.**

(Paragraph 4.2.8.1,4.2.8.3)

- **Inventory management was extremely poor. Despite Government instructions discontinuing procurement of stores from April 1996 and for disposal of existing stores, no action was taken and the Department incurred unproductive expenditure of Rs.18.34 crore during 1997-2001 on stock account. There was also loss of Rs.4.01 crore on unwarranted procurement of stores.**

(Paragraph 4.2.11, 4.2.11.1)

4.2.2 Introduction

The primary function of the Water Resources (WR) Department is to develop a sustainable irrigation network in the State for increasing agricultural productivity by providing assurance of water supply against the vagaries of rainfall by way of appropriate planning, execution and operation of irrigation works. It is also entrusted with river basin management, water planning and flood control.

4.2.3 Organisational Set up

The Commissioner-cum-Secretary to Government is the overall in-charge of the Department assisted by 3 Engineers-in-Chief (EIC) and 15 Chief Engineers and Basin Managers (CE & BM). At the field level, there were 171 Executive Engineers (EE) under supervision of 26 Superintending Engineers (SE). There were also two Government Corporations viz. Orissa Construction Corporation (OCC) and Orissa Lift Irrigation Corporation (OLIC) along with the Command Area Development Authority (CADA) under the administrative control of the Department. Monitoring and evaluation of the projects was to be done by the Director, Monitoring and Evaluation and by the Planning & Co-ordination (P&C) Department of the Government.

4.2.4 Audit Coverage

An integrated audit of the Department was conducted (October 2000 to May 2001) by test check of records of the administrative Department, 5 EIC/CEs, 4 SEs and 52 EEs for the period 1997-98 to 2000-01. The scope of audit included an examination of the financial management procedures in the Department, the utilisation of available resources, the execution of various contracts and implementation of works.

4.2.5 Financial Management and Control

4.2.5.1 Budgetary Allocation and Expenditure

The Budget, Plan provisions and expenditure of the Department from 1997-98 to 2000-2001 were as follows:

(Rupees in crore)

Year	Revenue (Budget Provi-sion)	Capital			Total Revenue and Capital Budget	Revenue	Capital	*Total*	Percent-age of revenue expendi-ture. over capital	Excess (+) Savings (-)	
		Approved plan outlay	Revised plan outlay	Budget provision							
	Provisions					Actual of expenditure				Reve-nue	Capital
1997-98	170.11	666.00	579.81	748.83	918.94	156.13	604.13	760.26	26	(-)13.98	(-)144.70
1998-99	192.83	715.77	571.27	706.27	899.10	179.74	619.54	799.28	29	(-)13.09	(-)86.73
1999-00	180.19	652.52	611.81	624.98	805.17	181.24	537.97	719.21	34	(+) 1.05	(-) 87.01
2000-01	127.00	723.37	447.52	850.33	977.33	131.71	560.21	691.92	24	(+) 4.71	(-) 290.12
Total	**670.13**			**2930.41**	**3600.54**	**648.82**	**2321.85**	**2970.67**			

Revenue expenditure ranged between 24 to 34 *per cent* of capital expenditure.

It was observed in audit that there was a reduction in the revised plan outlay ranging from 6 to 20 *per cent* from the approved plan outlay which was indicative of failure to correctly assess and marshal resources. However, the budget provisions were more than even the original plan outlay. There were also savings under both revenue and capital heads which were again indicative of poor budgetary practices. The Department had not analyzed the reasons for the considerable savings. The revenue expenditure also ranged between 24 and 34 *per cent* of the capital expenditure. Such high percentage of revenue expenditure limited the resources available for developmental activities.

4.2.5.2 Delay in submission of Budget Proposals

The Budget Manual stipulates that the Controlling Officer should submit his budget proposal to the administrative department by 1 September which would then consolidate and submit the proposal to the Finance Department. However, due to gross delay upto 6 months in receipt of proposals from the Controlling Officers, the WR Department could not submit its Budget proposals to the Finance Department in time and the latter had to finalise the budget without necessary input from the WR Department thus making the provisions unrealistic and presumptive. No effort was made to streamline the procedures so as to ensure timely preparation of realistic budget proposals.

4.2.5.3 Unjustified Supplementary Demands

There were unjustified supplementary demands amounting to Rs.133.59 crore.

During 1997-2001, savings ranged between Rs.13.09 crore and Rs.13.98 crore under Revenue heads and between Rs.86.73 crore and Rs.290.12 crore under Capital heads. The expenditure of the department was less than even the original provisions indicating that the supplementary provisions of Rs.133.59 crore obtained during these years were unjustified and unnecessary.

4.2.5.4 Excess Expenditure on Establishment

There was excess expenditure of Rs.110.67 crore on establishment.

Of the total expenditure of Rs.2,321.85 crore under capital section during the years 1997-98 to 2000-2001, the expenditure on establishment amounted to Rs.458.94 crore which was 19.7 *per cent* against the prescribed norm of 10.5 *per cent* which resulted in excess expenditure of Rs.110.67 crore.

It was noticed in audit that establishments/offices created specifically to serve certain projects were continued long after the projects were completed and the offices had become defunct; viz. the Land Acquisition, Rehabilitation and Re-settlement offices and the Financial Advisor and Chief Accounts Offices of Rengali, Hirakud and Upper Kolab projects. The staffs were continuing in these offices without any workload and the total wasteful expenditure on this count was Rs.4.36 crore during 1997-98 to 2000-2001. Similarly, after procurement of stores was discontinued from April 1996 and execution of works by contractors providing the required machinery, the establishment of CE (Mechanical) along with its 5 Divisions and one circle were rendered idle. But no effort was made to either wind up the office or re-deploy the manpower elsewhere. Their establishment expenditure amounting to Rs.9.73 crore during 1997-2001 was, therefore, nugatory.

4.2.5.5 Funds irregularly retained in Deposit Call Receipts (DCR)

Rs.6.62 crore was drawn by 4 DDOs without immediate necessity and parked in DCR.

In disregard of the directives of the Finance Department, the EE Balasore Irrigation, Salandi Canal, Berhampur Irrigation and Dam safety (Medium Project) Divisions parked Rs.6.62 crore in DCR on as many as 9 occasions during 1997-2001 indicating that funds were drawn without any immediate necessity. No action was taken against the erring officers for this financial impropriety.

4.2.5.6 Diversion of Funds

Rs.72.16 lakh was spent towards energy bills, telephone bills, stationery purchases and printing by irregularly debiting this expenditure to works instead of office contingency during 1997-2001 by 15 Divisions[13]. The expenditure remained unregularised as of March 2001.

4.2.5.7 Inadequate Control over Letter of Credit (LoC)

Government introduced (April 1968) system of Letter of Credit (LoC) to ensure even flow of expenditure for various works and to guard against excess expenditure over budget allotment.

It was observed in audit that the LoC released ranged between Rs.544.22 crore and Rs.644.07 crore as against Rs.655.65 crore and Rs.744.55 crore respectively due during 1997-98 to 2000-01. The less release ranged between 12 and 24 *per cent*. LoC was authorised without assessment of actual requirements resulting in 4 Controlling officers surrendering Rs.9.13 crore earmarked for capital projects during 1998-2001. On the other hand, 5 EEs unauthorisedly got works worth Rs.9.81 crore executed during 1990-2001 through contractors and the liability remained undischarged (March 2001) for want of LoC. The department had not prioritised the works for investment of resources in projects. The contract executed (August 1996) by the EE, Naraj Division-I for construction of Naraj Barrage Project provided for payment of interest by the department if the amounts due to the contractor under interim payment was not paid within 60 days after submission of the monthly statement to the Engineer. Due to non-payment of dues of the contractor in time, during May 1998 to March 2000 for want of funds, the department had to sustain loss of Rs.48.90 lakh towards interest for delayed payment. It was evident that management of available resources was poor which resulted in both unauthorised liabilities as well as avoidable extra payment.

4.2.5.8 Overcapitalisation of Projects

There was over-capitalisation of projects by Rs.138.24 crore due to non-closure of capital accounts.

The Capital Accounts relating to 14 major/medium irrigation projects and the Administrative building of Water Resources Department continued to be operated even after completion of the projects resulting in overcapitalisation of the projects by Rs.138.24 crore during 1997-01. Such overcapitalisation reduces the funds actually available for new projects as revenue expenditure is being met from capital resources.

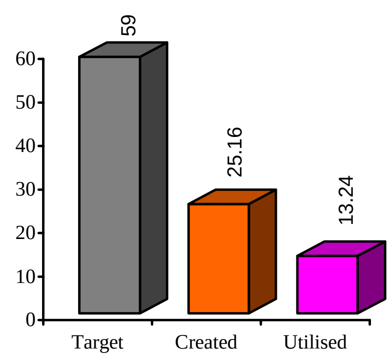
[13] 1.Mahanadi South Division 2.Berhampur Irrigation 3. Jonk canal 4.Bhanjanagar Irrigation 5.Prachi Irrigation 6. Boudh Irrigation 7.Baghalati Irrigation 8.Nuapada Irrigation 9.Kalahandi Irrigation 10.Right canal Division No-IV Gudiakateni 11.Badanala canal 12. OECF No-III Kamakhya Nagar 13. Puri Irrigation 14. Chikiti Irrigation 15.Dam safety (Medium Project) Bhubaneswar.

4.2.6 Program Management

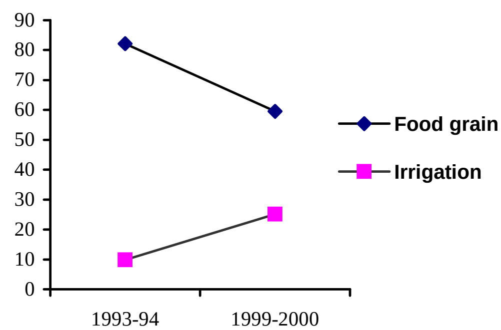
4.2.6.1 Irrigation Profile

47 *per cent* of irrigation potential created was not utilised. This also resulted in loss of revenue of Rs.67.72 crore.

Of the total geographical area of 155.40 lakh ha. in the State, net sown area was 60.48 lakh ha. of which 59 lakh ha. was irrigable. The utilisable water resources of 89.03 lakh ham. was sufficient to irrigate the targeted ayacut of 59 lakh ha. Of the irrigation potential of 25.16 lakh ha[14] created as of June 2001, the utilisation was only 13.24 lakh ha. There was thus a significant gap (47 *per cent*) between the creation and utilisation of irrigation potential mainly due to inadequate repair and maintenance of the irrigation system, unregulated release of water in the head reaches and inadequate survey of the irrigated area. Non-utilisation of the potential also resulted in loss of revenue (water rate) of Rs.67.72 crore during 1997-2001.



Though the assured irrigation reportedly increased from 9.81 lakh ha. (17 *per cent*) in 1993-94 to 25.16 lakh ha. (43 *per cent*) till June 2001, the food grain production declined (by 28 *per cent*) from 82.16 lakh tonnes (1993-94) to 59.57 lakh tonnes (1999-2000) due to unsustained irrigation facilities.



4.2.6.2 Execution of unviable Projects

BCR of 3 projects declined to 0.78 to 0.98 rendering them unviable.

An important factor for consideration of a project is the return expected from the project. The Benefit Cost Ratio (BCR) worked with reference to the direct cost of the project and the direct benefit in the form of increased agricultural production is the indicator of the viability of the project. Test-check conducted in 3 projects[15] revealed that the BCR of these projects at the time of approval ranged between 2.58 and 1.18 against the minimum requirement of 1.50. The ratio as assessed in audit as per the revised cost of the projects worked out to as low as 0.78 to 0.98 rendering them unviable.

[14] Major/medium projects :11.84 lakh ha, Minor (flow) projects: 4.50 lakh ha, Minor (Lift) projects: 3.47 lakh ha and other sources:5.35 lakh ha

[15] Upper Jonk, Baghua and Bagh Medium Irrigation Projects

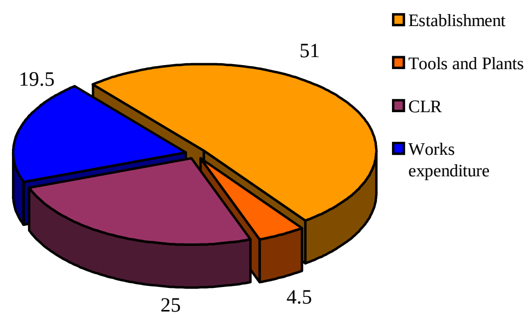
4.2.6.3 Incurring of expenditure by EEs in excess of approval/sanction

As per extant codal provisions, EEs are authorised to incur expenditure upto 10 *per cent* in excess of the administrative approvals. No expenditure can be incurred in excess of budget provisions. In violation of these instructions, EEs paid Rs.371.26 crore to 263 agencies in excess of budget provisions (47 works:Rs.11.92 crore), administrative approvals (91 works/projects: Rs.244.39 crore) and technical sanctions (90 works/projects: Rs.114.95 crore) during 1997-2001 which remained unregularised as of June 2001. No action was taken against the officers concerned for such unauthorised expenditure which had imposed a financial burden on the Government and undermined the budgetary process.

4.2.6.4 Expenditure on Operations & Maintenance

Only 19.5 *per cent* of the total provision made for O&M of irrigation projects was actually spent on O&M and rest consumed by establishment expenditure.

Of Rs.327.23 crore available during 1997-2000 for O&M of irrigation systems, Rs.167.17 crore (51 *per cent*) were spent on establishment against 10.5 *per cent* admissible and Rs.14.73 crore (4.5 *per cent*) on Tools and Plants. The EEs further spent Rs.81.80 crore (25 *per cent* on average calculation of test checked units) on deployment of casual labour though employment of such casual labour had been prohibited by the Finance Department in November 1993. Further, the works executed by these Casual Labourers were not quantified. Thus, only Rs.63.53 crore (19.5 *per cent*) of the total provision was spent on O&M of the irrigation systems.



4.2.6.5 Schedule of Rates (SR)

Adoption of higher rate for transportation of materials without any justification led to extra payment of Rs.59.03 lakh.

Till 31 March 1994, Government of Orissa approved one SR under Works Department (WD) by providing item rates fixed by the Rate Board for adherence by all Engineering departments. WR Department however adopted their own SR from 1 April 1994 (revised in 1998) on the ground that the Works Department SR did not provide workable rates for irrigation works. This was incorrect as the SR of WD contained one separate chapter with specific item rates for irrigation works. The SR of WR Department included overhead charges of 15 *per cent* and 10 *per cent* towards hidden labour cost (3.4 *per cent* of overall work) against only 12.5 *per cent* provided in the SR of WD towards overhead. There was no justification available for the excess 5.9 *per cent* included in the SR of WR department which enabled adoption of higher rates by CEs resulting in avoidable extra expenditure and undue benefit to the contractors.

It was noticed in audit that a CE sanctioned (April 1999) estimates for improvement to communication systems of 3 distributaries under Berhampur and Puri Irrigation Divisions adopting item rates as per SR of Works

Department for road portion and higher rates provided in the SR of WR Department for transportation of materials. The works were awarded (December 1999/December 2000) to contractors for Rs.3.79 crore for completion by January 2002/May 2001. It was observed that construction of roads falls under SR of Works Department and this item of work is not included in the SR of WR Department; hence the SR of Works Department should have been adopted for all the items of the work. Adoption of higher rate for transportation of materials without any justification led to extra payment of Rs.59.03 lakh to the contractors computed with such rates in SR of Works Department.

4.2.7 Implementation of Projects/Contracts

Audit scrutiny of 15 major and 40 medium irrigation projects taken up during 1995-96 to 1999-2000 at a total cost of Rs.3,136.98 crore revealed progress of only 45 *per cent* against the stipulated target dates and cost over-runs amounting to Rs.801.28 crore (26 *per cent*). Out of 36 minor projects taken up during 1997-98 to 1999-2000 at a cost of Rs.105.03 crore, only 6 projects (viz. 17 *per cent*) were completed while the rest were at various stages of execution. There was an overall cost overrun of Rs.17.53 crore as of March 2001. The Department had not taken any action to analyse the reasons for the massive time and cost overruns or any remedial action to expedite the works.

Audit scrutiny of the execution of works revealed gross irregularities and violations of extant instructions and codal provisions leading to extra payments and undue benefits to contractors at the cost of the State Exchequer alongwith unproductive expenditure as discussed in the following paragraphs.

4.2.7.1 Collusion in finalisation of tender

The bid document (September 1999) for construction of dry stone masonary training wall in the down-stream of Upper Jonk earth dam provided for indicating unit rates and totals of each item in the Bill of Quantities (BOQ). Incomplete bids were to be rejected. Two bids received for the work had not mentioned the total amount of each item of work. The lowest bidder offered abnormal discount of 21 *per cent* over his gross offer of Rs.0.85 crore (51.67 *per cent* excess over estimated cost of Rs.0.56 crore). On the other hand, the item rates of the other bidder were extensively corrected/overwritten and stood second lowest at Rs.1.25 crore (122.76 *per cent* excess). Instead of rejecting the incomplete bids *ab initio*, the EE/SE/CE and tender committee rated (January 2000) the lower bid as responsive at Rs.0.67 crore by allowing the rebate of 21 *per cent* which was ultimately approved by Government in October 2000. As of July 2001, the contractor was paid Rs.0.65 crore.The apparent irregularity was suggestive of collusion in finalisation of the invalid bid at an extra cost to the Department of Rs.0.11 crore with reference to the Departmental estimate.

Unjustified rejection of lowest tenders led to extra liability of Rs.10.91 crore.

4.2.7.2 Extra liability due to unjustified rejection of tenders

Rules require that the financial status of the tenderers, their experience, capability, classification and the security offered by them should be taken into consideration while finalising tenders. Analysis of the tender cases revealed unwarranted rejection of lowest bids by the Government based on the recommendations of the CE/Tender committee which led to extra liability of Rs.10.91 crore as summarised below:

Sl. No.	Observation in brief	Rs. in crore
i.	Lowest tenders for Rs.721.97 lakh between 11 *per cent* less and 4 *per cent* excess over estimated costs received (October 1998/February 1997) for excavation of (i) Salandi Left Canal from RD 6.84 to 14.33 km (Rs.200.95 lakh), (ii) construction of Baijhal nullah MIP (Rs.363.48 lakh), and (iii) construction of Katanganullah Minor Irrigation Project (Rs.157.54 lakh) were rejected by CEs/Tender Committee and Government on the ground that the bidders for the first two works had not submitted information in the format prescribed for WRCP Packages and in the other bid the bidder had sufficient works at hand and would not be able to complete the work by March 2000. The first two works being financed under NABARD assistance required evaluation under State norms and submission of information in a format applicable for WRCP was not necessary. The rejection of the third bid on ground of ensuring completion of the work by March 2000 was not borne out since the work scheduled for completion by May 2000 was not completed as of August 2001. Extension of time was granted upto July 2001. The acceptance of higher bids at Rs.782.48 lakh led to extra liability of Rs.60.51 lakh.	0.61
ii.	The lowest negotiated tender of a contractor for Rs.142.62 lakh (45 *per cent* excess) for improvement of Right Main Canal of Baladia Irrigation Project was rejected (July 1996) by Government on the ground of high rates but the tender was finalised (November 1997) at Rs.159.57 lakh (62 *per cent* excess) on re-tender. The injudicious decision of rejection of the above lowest bid led to extra liability of Rs.16.95 lakh.	0.17
iii.	The lowest responsive bid (September 1997) for Rs.240.21 lakh for the work of improvement to Rushikulya Main Canal from RD 63.75 to 87.45 km included Rs.11.44 lakh being 5 *per cent* extra over his bid cost towards loading to compensate for idle period. The bid was rejected as conditional offer and another bid for Rs.260.15 lakh (35.22 *per cent* excess) was recommended (March 1998) by Government to World Bank who refused (March 1998) to accept the former bid as conditional. No decision was taken in the matter till the lowest bidder backed out (June 1998) from the work. Government ultimately approved (September 1998) the previously recommended bid for Rs.260.15 lakh with extra liability of Rs.19.94 lakh over the lowest bid.	0.20
iv.	In response to the tender notice (July 1991) for construction of the earth dam of Baghua Irrigation Project, the two lowest bids stood at Rs.1.69/1.76 crore. The EE recommended (December 1991) the second lowest bid for acceptance as the contractor was efficient and had the capacity to successfully complete the works. Government however rejected the tenders as late as in September 1992 with instruction for re-tender without assigning any reason. The work was awarded to another bidder at Rs.3.19 crore in March 1996 after three and half years on re-tender. Non-acceptance of the competitive responsive lowest bid led to extra liability of Rs.1.43 crore.	1.43
v.	Of the 14 bids received (January 1996) for construction of earth dam from RD 240 to 1645 metre (upto RL 94 metre) of Baghalati Irrigation Project, the CE considered (February 1996) the first 5 and the seventh bids as non-responsive due to non-fulfilling of bid criteria and recommended the sixth lowest bidder (Rs.4.45 crore) who satisfied all the bid criteria except for the discrepancy in the name of the firm mentioned in the Bank Solvency certificate. The proprietor of the sixth lowest bidder had purchased the bid documents in the name of "Pal Construction" while the solvency certificate issued by the Bank was "M/s Pal Construction". Though the Bank issued corrigendum (January 1996) correcting the name as "Pal Construction" the TC and Government considered the bid non-responsive on the view that "M/s Pal Construction" and "Pal Construction" were two separate legal entities and approved (April 1996) the eighth lowest bid at Rs.4.89 crore. This unjustified rejection of the lowest bid led to extra liability of Rs.0.44 crore.	0.44
vi.	The lowest bids for Rs.38.86 crore received for construction of earth dam and Dyke No.III of Lower Indra (3 reaches Rs.28.21 crore in October 1999), construction of drainage sluice over river Sukpaika near Bankal (Rs.0.92 crore in February 1997), construction of flood embankment cum ring road of Sambalpur town (3 reaches; Rs.8.81 crore in September 1995) and construction of head works of Koyanullah MIP (Rs.1.43 crore in August 1998) being between 20 *per cent* less and 21 *per cent* excess over the estimated costs were rejected by the CE/tender committee and Government as unworkable and higher bids were approved at Rs.46.92 crore. This resulted in extra liability of Rs.8.06 crore. The unworkability of the bids was not factually correct since the estimates were prepared on the basis of Schedule of Rates providing for 15 *per cent* overhead charges (contractor's profit) and 10 *per cent* hidden labour cost and thus the bid values were eminently workable.	8.06

4.2.7.3 Extra cost due to inadequate bidding period

Unjustified shortening of the bid period resulted in extra cost of Rs.0.61 crore.

Without administrative approval, technical sanction or availability of funds, the EE Mahanadi South Division floated a NIT on 10 June 1999 for de-silting of Taladanda Main Canal (3 reaches 0-55 km) at Rs.1.51 crore giving one day time for receipt of tender. The low bidding period of one day against 30 days admissible under rules resulted in receipt of 4 bids ranging between 41 and 47 *per cent* excess over the estimated cost. The EE unauthorisedly allowed (14 June 1999) 2 contractors to execute the last two reaches (RD 11 to 55 km). The contractors completed the works on 13 July 1999. Government subsequently approved negotiated tenders (3 reaches) *post facto* for Rs.2.12 crore as late as in December 1999/January 2000 which too were 40 *per cent* excess over estimates. The first reach from RD 00 to 11 km. was allotted in June 2000 and completed in July 2000. The total work was completed at Rs.2.09 crore. Shortening of the bid period without any justification thus resulted in excess of Rs.0.61 crore over the estimated cost.

Undue benefits of Rs.13.04 crore were extended to contractors by non-adherence and non-enforcement of contractual terms and payments at higher rates.

4.2.7.4 Undue Benefit to Contractors

Undue benefits amounting to Rs.13.04 crore were extended to contractors as summarised below:

Sl.No.	Observation in brief	Rs. in crore
1.	Construction of Left Bank Canal (LBC) of Rengali Irrigation Project (RIP) from RD 55.50 to 60.50 km was awarded (July 1998) to a contractor at Rs.12.13 crore for completion by July 2000. On the basis of the data obtained during pre-construction survey and investigation, the contract provided for excavation of 2.41 lakh cum of hard-rock stipulating salvation of 70 *per cent* of useful rocks. During execution which was done without any geo-technical evaluation of the underground strata, the hard-rock was classified as medium-hard-rock (MHR) and the quantity increased to 7.56 lakh cum (443 *per cent* excess) without any approval of the deviation by Government. The EE unauthorisedly measured and paid (March 2001) for 6.10 lakh cum MHR to the contractor at the same rate (Rs.107 per cum) applicable for hard-rock against Rs.93.80 per cum payable under the SR (1998) for MHR. This led to undue benefit of Rs.0.81 crore. Besides, the unauthorised change in the classification of rock strata led to loss of Rs.5.66 crore (Rs.95 basic cost of stones plus Rs.12 royalty charges per cum) towards non-recovery of useful stone of 5.29 lakh cum (7.56 lakh cum x 70/100).	6.47
2.	Removal of over-burden and construction of spillway of Baghua Irrigation project was awarded (January 1992) to a contractor at Rs.330.42 lakh for completion by January 1994. During execution, the designs were revised (August 1992) by the CE which involved modifications in 4 grades of concrete. Though the rates for such substituted class of concrete were payable as per the terms of the contract at between Rs.820 and Rs.1,133 per cum, Government approved (September 1994) higher rates ranging between Rs.1,035 and Rs.1,467 per cum which resulted in undue benefit of Rs.103.10 lakh to the contractor at the cost of Government. Further, despite provision in the contract and in 2 other contracts executed (November 1997) for Baghua Main Canal from RD 00 to 4.50 km and Baghua Right branch canal from RD 4.95 to 18.45 km. that the rates quoted were inclusive of removal of filled up materials including slush and silt from the working area, the contractors were paid Rs.29.43 lakh under extra items towards removal of silt and slush resulting in undue benefit to the contractor. Extension of time upto January 1998 was granted (October 1994) on the ground of the people of the submergence area obstructing execution, rainy season and extra works. The obstruction by the people was however only for 25 days on 2 occasions and rainy season was well known to the engineers according to which completion period was fixed. The change in designs during execution had only involved substitution of items. Considering all these aspects, the CE sanctioned extension of time without any benefit of price escalation during the extended period but subsequently reversed his decision and allowed (January 1996) escalation during the extended period without any reason on record. The contractor was paid Rs.12.60 lakh escalation charges pertaining to the extended period (January 1994 to January 1998). Besides, Rs.20.09 lakh was paid to the contractor as of January 2001 towards price escalation of materials, the cost of which was fully borne by the department(0.77 lakh bags of cement) resulting in undue benefit of Rs.20.09 lakh. The total undue benefit amounted to Rs.165.22 lakh	1.65
3.	According to the specifications of the work of de-silting of Taladanda Canal approved in June 1999 under Mahanadi South Division, the excavated soil was to be deposited by manual means on both side embankments for strengthening. Mechanical disposal of 5 kms. provided in the tenders was therefore uncalled for. The tender committee while observing that mechanical disposal was not involved nevertheless approved the rates for removal by mechanical means on the consideration of urgency in execution. Urgency in	1.41

Sl.No.	Observation in brief	Rs. in crore
	execution was not however borne out since de-silting works approved to be completed in July 1999 was delayed till June 2000. The uncalled for provision for mechanical disposal led to extra payment of Rs.1.41 crore to contractors.	
4.	Improvement works to Rushikulya Main Canal from RD 00 to 28.57 km was awarded (November 1997/April 1998) to a contractor under two agreements for Rs.798.25 lakh for completion by May/October 2000. The agreements provided *inter alia* for execution of 11.48 lakh cum of earth work by manual or mechanical means at Rs.30 and Rs.37 per cum. However, 4.16 lakh cum of earth work was got executed with the approval (August 1998) of the CE at higher rate (Rs.52 to 53 per cum) by mechanical means under extra item on the ground that suitable land was not available for borrowing earth by manual means. The payment at higher rate despite the original rate in the agreement providing completion of the item, if necessary with mechanical transportation resulted in undue benefit of Rs.84.63 lakh to the contractor	0.85
5.	Canal excavations of 8 works were awarded by EEs of Salandi Canal Division, Baghua Irrigation Division, Headwork Division, Samal and OECF Division No-III between 1997-98 and 1999-2000 to 8 contractors stipulating that planning for execution should be made in such manner that all the useful materials obtained from the cutting portions were utilised in the embankment formation prior to borrowing earth from outside. Accordingly, the rates quoted by the contractors for cutting zones included charges for transportation of excavated materials to the filling reaches. Of the 7.53 lakh cum of all kinds of soil obtained out of the excavation works, only 1.90 lakh cum were utilised in the filling sections and for formation of dowels/roads. On the other hand, although surplus earth was available from the cutting works, 4.37 lakh cum was measured to have been executed in filling reaches by obtaining from borrow areas with extra payment of Rs.2.66 crore to the contractors as of June 2001. The EEs stated (November 2000/April 2001)that only suitable earth was utilised. The replies were not tenable since technical specification stipulated that in actual execution the suitable earth was to be utilised in water side of the embankment and others in outer side of the embankment. This failure led to fictitious measurement with undue benefit of Rs.2.66 crore to the contractors (Appendix-XXXVII).	2.66

4.2.7.5 Excess payment to contractors

Excess payments amounting to Rs.25.83 crore were made to contractors in violation of contractual terms and codal provisions

Excess payments totalling Rs.25.83 crore were made to various contractors by the EEs as summarised below:

Sl. No.	Observation in Brief	Rs. in crore
1.	Contracts stipulated that the prices were to be adjusted for increase or decrease in rates of labour, materials and POL in accordance with the prescribed formulae. The profit elements were not to be subjected to price adjustment. Accordingly, agreements 3 and 4 of National Competitive Bids (NCB) of 1997-98 executed in Parjang Canal Division stipulated that the contractors profit were not to be subjected to price adjustments. This profit elements were, however, not excluded from other 16 contracts and 100 *per cent* adjustments including profit margins quoted by the contractors were allowed by the EEs though the rates were excess over the estimates between 12 and 54 *per cent*. Computed with the excess percentages quoted by the contractors, the irregular excess payments amounted to Rs.156.48 lakh as of March 2001 (Appendix-XXXVIII).	1.56
2.	SR stipulated for deduction of minimum $1/6^{th}$ towards voids from the overall measurements of stone quantity. The prescribed quantum of voids of 0.37 lakh cum were not deducted by the EEs from the overall measured quantity of 2.22 lakh cum of stone packing works in respect of 7 works (Appendix-XXXIX) as of March 2001 which resulted in excess payment of Rs.98.12 lakh to 7 contractors.	0.98
3.	General specifications of contracts finalised during 1997-98 to 1999-2000 (WRCP/OECF) provided that payments for earth fill were to be made on level section measurements deducting 2 *per cent* and 12 *per cent* from the measurement of compacted and non-compacted zone respectively towards settlement allowance. Under the technical specifications for works executed under State norms, such deduction was to be effected at one third of the volume of the loose earth. Payments were, however, made to the contractors in respect of 10 works without deductions of settlement allowances by the EEs from the overall measured quantities of earth fill which resulted in excess payment of Rs.65.65 lakh (Appendix-XL).	0.66
4.	Though technical specifications of 61 contracts (Appendix-XLI) provided that the cost of back fill of structures was included in the applicable price for excavation of foundation of the structures, a separate item was included in each agreement by the EEs for such payment involving 1.69 lakh cum at rates between Rs.8 and Rs.146 per cum which resulted in liability for excess payment of Rs.63 lakh of which Rs. 45.00 lakh was paid as of March 2001.	0.63
5.	Construction of earth dam (RD 00 to 590 m) of Manjore Irrigation Project was awarded (December 1996) to a contractor at Rs.549.04 lakh with stipulation for completion by December 1999. Subsequently, the balance portion of the dam was entrusted (April 1998) to	2.85

Sl. No.	Observation in Brief	Rs. in crore
	the contractor. Based on the representation of the contractor, the item rates were revised upwards twice (April 1998/June 1999) due to extended scope of the contract. Although the rates were revised taking into account the hike in the cost of labour, materials and POL as on the date of revision, escalation charges were irregularly computed by the EEs from the date of opening of the tender (February 1996) resulting in excess payment of Rs.143.82 lakh as of March 2001. Further, 3 extra items i.e. excavation of rock, wedging & barring and compaction to earth fill were entrusted to the contractor during execution at mutually settled rates higher than those stipulated in the SR although according to condition of F-2 of agreements, extra items were payable at prevailing Schedule of Rates (SR). The faulty drawal of the agreement providing clauses in deviation to the standard conditions together with fixation of rates at higher side led to excess payment of Rs.99.46 lakh as of March 2001. Against escalation on labour payable at 34 *per cent*, such payment was made at 40 *per cent* by way of incorrect provisions in the contract which led to excess payment of Rs.22.45 lakh as of March 2001. Further, contractor was paid Rs.19.64 lakh for watering of the earth fill though it was actually done by the department. The total excess payment amounted to Rs.285.37 lakh..	
6.	Construction of LBC of RIP from RD 30 to 31.50 km was awarded (December 1997) to a contractor at Rs.930.88 lakh for completion by December 1999. Of the total quantity of excavation of 12.89 lakh cum provided in the contract, the medium hard rock (MHR) of 5.80 lakh cum requiring normal blasting operation was stipulated for execution at Rs.81 per cum. In the deviation statement, the overall quantity was re-worked (June 2000) to 11.67 lakh cum of which the MHR was reassessed at 10.61 lakh cum. The CE proposed (June 2000) execution of 6.46 lakh cum of MHR by controlled blasting at Rs.306 per cum on the ground that the people of two villages objected to blasting operation which was however not substantiated by any recorded evidence. Although the proposal was not approved by Government, the EE recorded (March 2000) measurements for 2.48 lakh cum of excavation of MHR by controlled blasting involving liability for excess payment of Rs.559.09 lakh.	5.59
7.	The work of excavation of RBC of RIP from RD 42.50 to RD 43.56 km was entrusted (March 1997) to a contractor at Rs.250.43 lakh for completion by March 1999. The contractor abandoned (March 1998) execution after receiving payment of Rs.247.04 lakh upto March 1998. Final measurements of the work were recorded (May 2000) which disclosed excess payment of Rs.76.47 lakh already made to the contractor on previously inflated measurements. Neither was the excess payment recovered nor was any responsibility fixed on the delinquent officers for the inflated measurements. Instead, the EE allowed the contractor to resume the work.	0.76
8.	Consequent upon increase (July 1990) in minimum wages, Government ordered (February 1992) that the existing clauses in the agreement for payment of escalation on labour component be substituted providing for such payment only on the difference of minimum wages. However, suitable provisions were not substituted by the EEs in 6 contracts executed (1996-99) in 4 Divisions and escalations on labour were allowed on the basis of All India Price Index for industrial workers leading to excess payment of Rs.249.21 lakh (Appendix-XLII).	2.49
9.	Technical specifications of contracts (Appendix-XLIII) stipulated for base stripping of the areas for construction of the embankm33ents. The contract rates for earth work were inclusive of all such bed preparation works and jungle clearance and no extra payment was admissible. However, 7 EEs irregularly paid Rs.45.71 lakh as of March 2001 to 16 contractors for grubbing operation and jungle clearance resulting in excess payments of Rs.0.46 crore.	0.46
10.	Technical specifications of 6 contracts (Appendix-XLIV) provided that dowels, drains and approach roads were to be constructed and maintained at the cost and risk of the contractors. No separate payment was admissible for such works. However, 4 EEs allowed separate payment of Rs.46.71 lakh to 6 contractors as of March 2001 on such items resulting in excess payments of Rs.0.47 crore.	0.47
11.	Under the technically sanctioned estimate and the contract executed (June 1999) for excavation of Salandi Main Canal from RD 6.84 to 14.33 km., the under ground excavation was classified into 2 categories i.e. all kinds of soil (AKS):1.55 lakh cum and DI rock: 1.66 lakh cum. The technical specification of the contract further stipulated that the materials excavated were not to be classified otherwise for payment than what provided for in the specifications. However, during execution, the contractor represented (April 2000) for classification of DI rock under rock strata for payment at higher rate on the ground that the same required blasting operation. The SE and CE negotiated and finalised a rate of Rs.136 per cum classifying the item as medium hard rock (MHR) against the contract rate of Rs.33 per cum for DI rock which was not admissible under the terms of the contract. The unauthorised change in classification of under ground strata and finalisation of higher rate of Rs.136 per cum for such execution resulted in extension of excess payment of Rs.170.98 lakh to the contractor.	1.71
12.	Construction of LBC of RIP from RD 50.50 to 55.50 km and the spillway of Manjore Irrigation Project were awarded (December 1997/September 1997) to 2 contractors at Rs.15.65 crore/Rs.7.48 crore for completion by December 1999/September 1998. Extensions of time upto June 2001/April 1999 were granted (May 2000/October 1999) by the CE on the grounds of high temperature, unseasonal rains, cyclone and delay in land acquisition/forest clearance and non-shifting of electricity line involved. Extension of time with escalation benefit was not	0.70

Sl. No.	Observation in Brief	Rs. in crore
	permissible for high temperature, unseasonal rain and cyclone since completion periods were provided based on the Civil Engineering experience of cyclic change in weather. Out of two contracts discussed, in one case the stipulated completion was September 1998 which was one year prior to cyclone and in the other case the stipulated period was December 1999 whereas the cyclone had occurred in October 1999 but the extension was granted up to April 1999/June 2001. The forest clearance and shifting of electricity lines were for insignificant patches of the alignment and full land was acquired during the currency of the contracts. Therefore, payment of escalation during the extended period was not admissible. However, the EEs paid escalation of Rs.70.35 lakh (Rs.34.36 lakh plus Rs.35.99 lakh) for the extended period leading to excess payments without approval of any higher authority.	
13.	The quantities of works under excavation/filling items of works (Appendix-XLV) were based on sanctioned estimated provisions computed from the ground levels (natural soil levels) recorded during pre-construction survey and investigation. Accordingly, 12 contracts provided excavations/filling of earth works of 26.54 lakh cum/ 30.24 lakh cum. Against the above, the actual execution involved 29.54 lakh cum (excavation) and for 37.70 lakh cum (filling). The increase in the quantity of execution (excavation 3 lakh cum and filling 7.46 lakh cum) arose due to difference between the ground levels recorded by the EEs at the time of handing over of the alignments to the contractors and that recorded during pre-construction survey. This incorrect recording of levels at the time of handing over of the site resulted recording of excess work involving extra payment of Rs.5.03 crore to the contractors.	5.03
14.	Extant order stipulated that escalations on labour, materials and POL components were admissible at 75 *per cent* increase in the cost of the items. However, 24 contracts (Appendix-XLVI) executed by the EEs under WRCP, OECF and selected F2 contracts provided for such payments at 85 *per cent*. This erroneous provision led to excess payment of Rs.132.67 lakh to 24 contractors as of March 2001.	1.33
15.	7 Works of distributary system awarded to contractors between 1995-96 and 1997-98 stipulated execution of 12.63 lakh cum of earth work by manual means and 3.13 lakh cum by mechanical means. The contracts did not provide any scope for change in the *modus operandi* in execution and provided that obtaining earth as per provisions constituted the cost and risk of the contractors. As of May 2001, 1.85 lakh cum of earthwork stipulated for execution by manual means at lesser costs (Rs.23 to Rs.37) were measured by the EEs and paid under mechanical transportation at higher rate (Rs.50 to Rs.66) resulting in excess payments of Rs.60.62 lakh to the contractors.(Appendix-XLVII).	0.61

4.2.7.6 Faulty agreements and non-enforcement of contractual conditions

Drawal of agreements with faulty clauses, deviation from specifications during execution and non-levy of penalty led to extra expenditure/ liability of Rs.15.60 crore.

Drawal of agreements with faulty clauses, execution of works in deviation from approved specifications and non-levy of penalty despite default in execution led to extra expenditure/liability of Rs.15.60 crore in 48 works as discussed below:

Sl. No	Observation in brief	Rs. in crore
1.	Income Tax Act provided that payments made by Government of India to a domestic company towards fees for technical services rendered were taxable at 20 *per cent* with surcharge of 17 *per cent*. Accordingly, agreement executed (February 1997) with Water and Power Consultancy Services for management consultancy and technical assistance for implementation of packages under OECF stipulated that the taxes and duties as levied by Government for domestic companies were to be paid by the consultants and for non-domestic companies, the taxes and duties were payable by the client (department) on behalf of the consultants. On the strength of the latter provision, the consultant did not pay the income tax and the same amounting to Rs.1.30 crore was deposited (February 2001) by the EE though the consultant was a domestic company and the taxes were payable by them. The tax liability for the entire contract value amounted to Rs.4.16 crore. In addition, Rs.0.42 crore was paid (February 2001) on account of service charges on behalf of the consultant. This led to extra liability of Rs.4.58 crore.	4.58
2.	Though rules require that no work should be executed before finalization of drawings, construction of spillway of Manjore Irrigation Project was awarded (September 1997) to a contractor at Rs.747.59 lakh for completion by September 1998 based on truncated designs. The CE submitted (September 2000) deviations for Rs.1313.93 lakh (80.10 *per cent* excess) as per working drawings. Due to gross deviations, Government closed (February 2001) the agreement by which time the contractor had executed work worth Rs.714.46 lakh. The balance work with revised quantities estimated at Rs.606.56 lakh at the rates of the original contractor was allotted (February 2001) to OCC at their offer of Rs.724.34 lakh resulting in extra liability of Rs.117.78 lakh.	1.18
3.	The work of excavation of LBC of RIP from RD 44.50 to 47.50 km was entrusted (March 1998) to a contractor at Rs.16.10 crore for completion by December 1999. As per approved designs, the service bank and other bank was to be of 8 metres and 5 metres wide	1.06

Sl. No	Observation in brief	Rs. in crore
	respectively including dowels. The SE during his visit to site directed (November 1998) completion of the same as per the prescribed design utilising spoils obtained from cutting reaches. The left and right embankments were however unauthorisedly executed by the EE to 10.25 metres and 7.25 metres respectively resulting in execution of extra earth work of 1.29 lakh cum involving extra expenditure of Rs.89.91 lakh. Further, in actual execution of the above reach, the measurements were covered upto 47.580 km i.e. 80 metres from another package under execution vide agreement drawn (October 1998) for the portion from RD 47.50 to 50.50 km. This incorrect measurement led to overlapping of the distance by 80 metres between the two agreements resulting in extra expenditure of Rs.15.99 lakh for excavation/filling works of 0.12 lakh cum.	
4.	Construction of bridge over river Hansua at Ganailo was originally approved (December 1997) stipulating construction of under-reamed-pile foundation at Rs.40.90 lakh which was revised (March 1999) by CE to well foundations. The CE Design and Research, who is the final authority for design matters however observed (March 1999) that well foundation for a village road bridge (VRB) was too costly and uneconomical. Despite that, bridge with well foundation was completed in April 2000 at Rs.142.67 lakh involving an extra expenditure of Rs.101.77 lakh. Similarly, the contract executed (February 1997) for construction of all structures of Junagarh distributary of Upper Indravati Project provided for execution of the super-structures in random rubble stone masonary involving 2,906 cum. at Rs.1,000 per cum. The SE however unauthorisedly modified (July 1997) the specification to cement concrete M 10 and the execution thereof at Rs.1,400 per cum for 2,737 cum despite rejection (October 1997) by CE resulting in extra expenditure of Rs.14.23 lakh.	1.16
5.	The conditions of the contract executed (December 1997) for construction of Drainage sluice over Sukpaika river at Bankal provided for execution of reinforced cement concrete cut off. The item was however executed (January 1998) with sheet piling cut off to avoid expenditure on shuttering and de-watering of the foundation at extra expenditure of Rs.6.34 lakh. According to the terms of the contract, the shuttering and de-watering constituted the cost and risk of the contractor. Therefore, substitution of cement concrete cut off with sheet piling involving extra expenditure was uncalled for. Similarly, in execution (August 1998) of construction of drainage sluice at RD.63.79 km of LBC of RIP, the provisions of plain cement concrete was substituted (March 2000) by reinforced cement concrete without the concurrence of the designs wing involving extra expenditure of Rs.60.80 lakh. The total extra expenditure on both the works amounted to Rs.67.14 lakh.	0.67
6.	As per extant orders, deductions of 4 *per cent* towards sales tax were to be effected from works contracts. Accordingly, the item specifications in the BOQ and conditions of the agreement (Appendix-XLVIII) stipulated that the contractors were to bear the sales tax payable to Government. However, another clause was inserted in the NIT by the CEs providing that the sales tax on completed works as levied was to be reimbursed by the employer to the contractors on proof of payment which was unwarranted. This clause included in 39 contracts involved extra liability of Rs.411.18 lakh to the department towards refund of sales tax to the contractors. As of March 2001, Rs.46.22 lakh was refunded to 6 contractors.	4.11
7.	Mention was made in the Audit Report (Civil) for the year ended 31 March 1999 about pending recoveries from defaulting contractors for work of construction of high level bridge over Tikira under RIP. Further, check in audit disclosed that the balance works entrusted (July 1997) to another contractor at Rs.180.01 lakh provided that the arrangements for traffic during construction including maintenance and construction of temporary diversions were the cost and risk of the contractor. Due to slippage in the completion period from November 1992 to December 1999 and the failure of the contractor to provide suitable arrangements for traffic continuity, the department provided fair weather roads during the above period at an expenditure of Rs.55 lakh resulting in additional burden on the department. Further, the well steining developed hair cracks during the period that the work stood abandoned from 1995 (original contract) to 1997 (award of balance works) which were filled in with cement concrete (186.60 cum) at an extra expenditure of Rs. 6.15 lakh.	0.61
8.	Construction of Subarnarekha Main Canal from RD 31 to 37 km was entrusted (March 1989) to a contractor for Rs.235.80 lakh for completion by March 1991. After executing work valuing Rs.128.82 lakh, the contractor abandoned (March 1992) the work. The contract was however closed (February 1998) without penalty. The left over work was awarded (January 2000) to another contractor for Rs.330.11 lakh which was in progress (August 2000). The closure of contract without penalty despite default by the original contractor resulted in extra liability of Rs.2.23 crore to the department.	2.23

4.2.7.7 Fraudulent Payments

Fraudulent payments of Rs.2.01 crore made to two contractors.

(a) Construction of Kakudiamba MI Project head works was awarded (May 1998) to a contractor at Rs.487.66 lakh for completion by May 2000. The contractor was paid Rs.363.10 lakh for execution of works as of August 2000 which included the following fraudulent payments:

(i) Although steel reinforcement works were not executed as per the report (April 2000) of EE, the payments made to the contractor included the cost of steel reinforcement for 1,326.87 quintals which resulted in fraudulent payment of Rs.30.52 lakh;

(ii) The sanctioned estimate stipulated that hard stones/chips were to be obtained from the approved quarry involving a lead of 3 kms. and earth within 1 km. from the work site. The Engineers-in-charge of the work recorded (May 1992) that the lead provided were correct as per the site conditions. However, in the working estimate sanctioned (March 1998) by the Chief Construction Engineer, the lead was unjustifiably enhanced to 45 kms. for hard stones, 92 kms. for metal/chips and 4 kms. for earth. Incorrect adoption of extra leads led to extra payment of Rs.95.89 lakh as of August 2000.

(iii) Departmental hard stone of 18,006 cum was issued to the contractor at the site but lead charges of 45 kms. built in the item rates towards obtaining such stones from the approved quarry and royalty charges thereon totalling Rs.42.11 lakh were not realised (March 2001).

(b) Without any sanctioned estimate or order from CE, the EE MI Division Kalahandi unauthorisedly paid Rs.32.11 lakh between October 1999 and March 2000 to 2 firms under 80 split up vouchers finalised at his level on short quotations for anti-termite treatment and core drilling and water loss tests for 5 projects. Neither were agreements executed nor were the dates of execution of the works noted on the record/bills. There was also no detailed measurement and check measurement of the works.

The total fraudulent payments amounted to Rs.2.01 crore. No action had been taken against the erring officials (March 2001).

4.2.7.8 Unproductive expenditure on projects

Abandonment/ non-completion of works and failure to adhere to approved specifications led to unfruitful expenditure of Rs.212.84 crore.

Rules require that no work is to be executed or liability incurred without acquisition of land, payment of compensation to displaced persons and receipt of allotments. With a view to providing irrigation to 0.12 lakh ha. kharif and 0.03 lakh ha. Rabi crops, 86 minor irrigation projects and 6 irrigation projects were taken up between 1980-81 and 1997-98 for completion at Rs.47.96 crore. The projects were however subsequently abandoned (1987-2001) during execution/after completion of head works due to non-acquisition of land, non-payment of rehabilitation compensation and non-availability of funds by which time Rs.25.51 crore was spent on these projects which remained unfruitful for 1 to 14 years. The department did not initiate any action for prioritisation of these projects for their completion to derive the targeted irrigation potential nor was any evaluation undertaken of their viability.

Abandonment/non-completion/failure to adhere to approved specifications/ program in execution together with improper planning in execution of the projects led to further unfruitful expenditure of Rs.187.33 crore as summarised below:

Sl. No.	Observation in brief	Rs.in crore
i.	Construction of Kanpur and Deo irrigation projects were taken up (1991-92/1998-99) at Rs.480.55 crore to provide irrigation to 0.30 lakh ha. kharif and 0.18 lakh ha.Rabi crops in the districts of Keonjhar/Mayurbhanja. The works of the projects were abandoned from 1998-99 due to obstruction by oustees in Deo Project and for lack of administrative approval for Kanpur project. The expenditure on the projects as of March 2001 amounted to Rs.50.68 crore of which works executed till abandonment was Rs.41.23 crore which was rendered unproductive due to abandonment of the projects (June 2001).	41.23
ii.	Work of providing protection to flood embankment on Devi river left was unauthorisedly split into several reaches and executed (1998-99) through 124 numbers of split agreements for Rs.50,000 each for total value of Rs.1.01 crore without any administrative approval or technical sanction. The executed works gave way in the cyclone of October 1999 due to execution of packing works in sand bags instead of boulders for a length of 300 metre between RD 75.25 and 75.55 km. Again without requisite administrative approval, the re-construction was entrusted (May 2000) to a contractor at Rs.1.47 crore for completion by July 2000 which too remained incomplete after execution of work worth Rs.22.81 lakh upto May 2000. No work was executed thereafter. Due to completion of works without proper specification, the expenditure of Rs.1.01 crore spent on the embankment was rendered unfruitful necessitating further restoration for Rs.1.47 crore.	1.01
iii.	Of the 12 km. of flood embankment-cum-ring road approved (August 1995) for protecting Sambalpur town from inundation of flood water of river Mahanadi, works for 3.50 km (RD 3.50 to 7 kms) were awarded (December 1995/January 1996) to 3 contractors at Rs.10.24 crore for completion by 1997-98. No work was executed from RD 00 to 3.50 km and 7.00 to 12.00 km. The awarded works were not completed till March 2001 even after incurring expenditure of Rs.16.37 crore due to delay in execution of works by contractors. The embankment completed for 3.50 km. of total length of 12 km. could not serve the intended purpose rendering the expenditure of Rs.16.37 crore unproductive.	16.37
iv	Construction of Naraj Barrage taken up (August 1996) through a contractor was stipulated for completion by August 2001 at Rs.142.55 crore and was financed under World Bank loan assistance scheduled to expire in March 2002. The tender for the gate works (Rs.26 crore) received in August 1998 was not finalised as of March 2001 and the EIC observed that the delay would involve huge expenditure on coffer dam and de-watering arrangements besides unproductive expenditure of Rs.119.48 crore spent on construction of the Barrage.	119.48
v	Construction of an Inspection Bunglow (IB) and 15 quarters were completed February/April 1998 at Rs.71.67 lakh at Jagannathpur of Ganjam district (outside the city area). Of the above, only 3 quarters were occupied. The other quarters were lying idle and the IB largely remained vacant and on average Rs.200 per month was realised as rent. Thus, improper planning in construction of quarters and IB at a remote place (outside the city area) rendered the expenditure of Rs.71.67 lakh unproductive for the last 40 months.	0.72
vi.	Instead of renovating the derelict Victorisagar diversion weir (MIP) having designed irrigation potential of 406 ha of Kharif crops, the construction of another MIP in the same nullah with its distribution system was taken up in December 1991 and completed in August 2000 at an expenditure of Rs.583.24 lakh for providing irrigation to 729 ha of Kharif and 280 ha of Rabi crops. On the grounds of unviability of the right distribution system, the new weir was subsequently abandoned and the derelict weir was renovated with expenditure of Rs.15.43 lakh and the original potential of 400 ha Kharif was stabilised. The evident failure of the department in planning and evaluating the project led to unproductive expenditure of Rs.583.24 lakh.	5.83
Vii.	Construction of observatory tower at Barkul and Regional Training Centre at Gopalpur was awarded (April 1999/January 2000) to 2 contractors at Rs.356.49 lakh for completion by December 1999/January 2001. Subsequently, Government abandoned (May 2000/January 2001) the works as unnecessary by which time works of Rs.25.89 lakh had been executed. The contractor for training centre was also paid (February 2000) mobilisation advance of Rs.15 lakh which remained unrecovered (March 2001). The commencement of works without its actual necessity led to unfruitful expenditure of Rs.40.89 lakh.	0.41
Viii.	With a view to eliminating water logging in Bhubaneswar city, a storm water drainage project (37.63 km of drainage system) was administratively approved (January 1997) at Rs.552.40 lakh and was targeted for completion in 3 years. Expenditure of Rs.369.26 lakh was incurred as of March 2001 which included Rs.227.73 lakh on 9.70 kms. of drainage system in detached stretches. Thereafter, due to non-availability of land and unauthorised encroachment of the drain area by the public, which could not be vacated, work on the project was abandoned rendering unfruitful the expenditure of Rs.227.73 lakh.	2.28

4.2.7.9 Non-recovery of dues from contractors

Government dues amounting to Rs.5.87 crore was not recovered from 29 contractors.

There was short recovery/non-recovery of Government dues of Rs.5.87 crore from 29 contractors due to inclusion of erroneous clauses in contracts as well as non-adherence to contractual terms as discussed below:

Sl. No	Observation in brief	Rs. in crore
i.	In 24 agreements drawn between 1996-97 and 1999-2000 under WRCP (LBC of RIP) and AIBP (RD 17.40 to 21.79 km of RBC of RIP), provision was incorrectly made by the CEs for levy of interest at 12 *per cent* on the mobilisation and equipment advances paid to the contractors against 18 *per cent* leviable under rules. Such incorrect provisions resulted in short recovery of Rs.2.80 crore from the contractors (Appendix-XLIX).	2.80
ii.	Construction of LBC of RIP from RD50.50 to 55.50 km was awarded (December 1997) to a contractor at Rs.15.65 crore for completion by December 1999. Against 0.56 lakh cum of useful rock recoverable at 70 *per cent* of the excavation of 0.80 lakh cum, the EE accounted for only 0.50 lakh cum as actually retrieved resulting in short recovery of 0.06 lakh cum valued at Rs.3.57 lakh. The salvaged rock was issued to the contractor in the site and Rs.53.50 lakh was recoverable from the contractor towards basic cost (Rs.95 per cum at SR) and royalty charges (Rs.12 per cum). However, only Rs.33.70 lakh was recovered by the EE at Rs.67.40 per cum fixed by him resulting in short recovery of Rs.19.80 lakh. Further, the lead charges of 10 kms built in the item rates for obtaining stone products from the approved quarry amounting to Rs.37.18 lakh was not recovered for the hard-stone of 0.50 lakh cum issued to the contractor at the site. In addition, against the contractual provisions for disposal of the excavated debris beyond 2 kms of the working area, the contractor deposited the debris close to the work site but was paid at the full quoted rate by the EE without deducting the lead charges of 2 kms leading to non-recovery of Rs.27.07 lakh. The total short recovery amounted to Rs.87.62 lakh.	0.88
iii.	3 contractors were issued mobilistion and machinery advances of Rs.109 lakh during 1998-99 against contracts executed for construction of head works of Deo Irrigation Project. Immediately thereafter, the execution of the project was abandoned (1998-99) due to obstruction by the oustees. Although 2 years had elapsed, the EE had not initiated any action for realisation of the advances though Bank Guarantee for Rs.23 lakh was available and valid upto December 2001. This resulted in non-recovery of Rs.158 lakh (including interest of Rs.49 lakh).	1.58
iv.	The work of construction of Jambhira LMC from RD 1700 to 2700 metre was entrusted (July 1998) to a contractor for Rs.167.53 lakh for completion by July 2000. Mobilisation and equipment advances of Rs.16.75 lakh was paid (October 1998) to the contractor but the site could not be handed over before July 2000 due to non-acquisition of land and the contract was closed (May 2000). Against Rs.22.20 lakh recoverable with interest, the bank guarantee furnished by the contractor had expired and the hypothecated machinery were removed from the site. In addition, contractor's claim for Rs.38.76 lakh towards preliminary works executed by him was not finalised (September 2001).	0.61

4.2.7.10 Unauthorised execution of work at post tender stage

Execution of works beyond contract quantities resulted in unauthorised payment of Rs.17.64 crore.

As per codal provisions, any increase/decrease over/below the schedule of quantities of a contract during execution are to be carefully investigated by the department. Deviations from the nature, specifications and quantity in the agreement also require approval prior to payment. Excess work ranging between 10 and 188 *per cent* over the contract values was executed by 12 EEs in 16 works due to (i) inadequate pre-construction survey and investigation, (ii) unauthorised entrustment of additional work and (iii) change in specification of work during execution. However, no approval of competent authorities to the deviation in quantity/value/specification was obtained and no evaluation was made to determine financial implication on account of these variations for deciding continuance or closure of the contracts which resulted in unauthorised payment of Rs.17.64 crore (Appendix-L).

4.2.7.11 Loss due to violation of norms

Excess execution of works in post tender stage and payment for extra items at higher rates led to extra expenditure of Rs.2 crore.

Construction of a building covering 0.44 lakh sft. for the Department of Water Resources was awarded (February 1997) to a contractor at Rs.3.25 crore for completion by February 1999 stipulating that increase in quantity and rate beyond 15 *per cent* were not to be allowed without prior consent of the World Bank. However, without approval of the Bank, the department modified the scope of the contract at post tender stage increasing the floor area to 1.14 lakh sft.(159 *per cent*) thereby increasing the project cost to Rs.16.38 crore. It was observed in audit that the department had intended right from the beginning to enhance the scope which was evident from the fact that the foundation originally laid could withstand increased floor area. Government sanctioned (March 1999) the deviation which was however rejected (January 2001) by the World Bank. This led to non-availment of loan amount of Rs.13.13 crore (Rs.16.38 crore- Rs.3.25 crore). The cost would have to be borne from State Plan provisions.

The enhanced scope of the work also involved execution of extra items. Against the cost of extra works at Rs.4.44 crore at latest SR and market rate, the department accepted Rs.6.44 crore (45 *per cent* excess) on negotiation. The acceptance of higher rates for the additional works led to avoidable extra expenditure of Rs.2 crore.

4.2.8 PSUs under administrative control of department

There are two Public Sector Undertakings under the administrative control of the Department, viz. Orissa Construction Corporation (OCC) and Orissa Lift Irrigation Corporation (OLIC). One of the primary expectations from these companies was that they would be able to execute works in an economical and efficient manner, thus reducing the ultimate cost to the State Exchequer. However, test check of the execution of works and tasks assigned to them revealed that this expectation had been largely belied due to poor execution and lack of monitoring despite the Department extending various concessions and allowances to the Company.

4.2.8.1 Orissa Construction Corporation (OCC)

Audit scrutiny revealed operational inefficiencies which resulted in loss to the Corporation. A few illustrative cases are as follows:

OCC suffered loss of Rs.2.72 crore due to operational inefficiencies.

(a) OCC secured on tender the work of design, manufacture, supply and erection of spillway gates of a reservoir scheme in Bihar at Rs.347.95 lakh for completion by May 1999. Despite grant of extension of time upto March 2000, the company failed to complete the work. As of March 2000, they had executed work for Rs.115.09 lakh by incurring expenditure of Rs.151.03 lakh. The non-completion of the work led to loss of Rs.35.94 lakh.

(b) OCC defaulted in execution of 372 number of residential units at NALCO township at Damonjodi stipulated for completion by June 1999. Consequently, the contract was terminated with levy of liquidated damage of

Rs.4.98 lakh and retention of performance security of Rs.80.82 lakh towards penalty. This resulted in loss of Rs.85.80 lakh to OCC.

(c) Construction of spillway of Upper Jonk Medium Irrigation Project was awarded (February 1991) to OCC at Rs.680.61 lakh for completion by June 1994. The work was prolonged upto January 1997 on the ground of rainy season, power failure and change in specifications. The extension of time was not sanctioned (January 2001) by the CE. It was revealed in audit that the ground cited for delay due to power failure was not substantiated by records and the change in specifications involved only re-arrangement of quantities of work under different items. Despite the delay attributable to OCC who were liable to pay compensation, the item rates of contract were revised (September 1995) by Government upwards on the ground of prolonged execution resulting in undue benefit of Rs.44.81 lakh to OCC. Government stipulated that in case of their failure to complete the work by January 1997, the extra amount paid should be recovered. The Company failed to complete the work and prolonged the execution upto June 1998 for reasons attributable to them. The extra amount paid was however not realised (January 2001). Further, of the 782.725 tonnes of steel issued to the Company, 613.787 tonnes were utilised in the work and the remaining quantity of 168.938 tonnes was not returned. The penal cost thereof amounting to Rs.101.36 lakh also remained unrecovered (May 2001).

(d) Procurement of two sluice gates for Hirakud Dam was awarded (March 1981) to OCC at Rs.8.18 lakh for completion by March 1982 stipulating that in case of failure, the work was to be got executed through another agency at the cost and risk of the Company. The offer was revised to Rs.33.47 lakh in April 1997. Despite issue of reminders, the Company did not execute the work and as a result Government closed (February 1996) the contract without specifying the penalty to be imposed. Thereafter, the work was entrusted to another contractor at Rs.77.05 lakh under extra item to the agreement executed (September 1998) for remedial and upgrading measures for hydraulic gates resulting in extra liability of Rs.43.58 lakh. Further, penal cost of outstanding steel of 37.256 tonnes amounting to Rs.3.73 lakh was not recovered from OCC (March 2001).

4.2.8.2 Orissa Lift Irrigation Corporation (OLIC)

OLIC was granted excess subsidy of Rs.103.45 crore.

Despite Government granting subsidy of Rs.123.45 crore during 1997-2001 against Rs.20 crore admissible as per the ceiling fixed by the Finance Department, the Company continued to sustain regular losses and could not complete the tasks assigned to it. Of 15,101 Lift Irrigation Projects set up as of March 2001, only 9,936 projects were functional providing irrigation to 2.17 lakh ha. of kharif and 1.30 lakh ha. of Rabi crops against the available potential of 8.87 lakh ha.

4.2.8.3 Infructuous expenditure arising from injudicious investment decision

Construction of a 5-storied building without ensuring availability of resources resulted in unproductive expenditure of Rs.1.25 crore.

OLIC decided to construct a 5 storied office building to be utilised partly for its own office requirements and partly for generation of rental income. It was anticipated that the cost of Rs.440.28 lakh would be met through a bank loan of Rs.2 crore and the balance from internal resources. In August 1997, the MD entrusted the work to a firm for completion by February 1999. The Company availed (March 1998) the bank loan of Rs.2 crore for the purpose. The contractor after executing work for Rs.337.67 lakh stopped (April 2000) further execution on the ground of non-payment of bills. The Company had paid Rs.316.93 lakh to the contractor and the balance amount due to the contractor for the work already executed was only Rs.20.92 lakh. OLIC occupied (January 2000) the ground, 1st and 2nd floors. The balance portion of the building viz. 3rd to 5th floors remained incomplete. In response to an audit query, the Company stated (April 2001) that the Management was prepared not to go in for the remaining floor space in order to reduce the financial liability.

It was evident in audit that the decision to undertake construction of a 5-storied building was taken without ensuring availability of the internal resources required. It was noted that the Company had a cash and bank balance of Rs.19.12 crore as on 31.3.1999. It was not clear why these funds could not be utilised for completion of the building and for meeting the balance cost of Rs.1.33 crore. Further, the cost of the floors actually occupied by OLIC was Rs.2.36 crore (29,263 sft.) and the building could have been limited to this area if there were financial constraints. Hence, undertaking of construction of a building without ensuring the required financial resources was clearly injudicious and resulted in rendering unproductive and infructuous investment of Rs.1.25 crore already made on the incomplete floors. The Company was also deprived of the anticipated rental income of Rs.30.30 lakhs per annum.

It was also noticed in audit that though the contract did not provide for payment of advances, works advances of Rs.70 lakh was paid (October/November 1998) by MD to the contractor. While the advance was adjusted against work bills, interest of Rs.5.70 lakh was not realised (May 2001).

4.2.9 Command Area Development (CAD)

Command Area Development, a centrally sponsored scheme, was implemented from 1976-77 for scientific water management to increase the agricultural production and productivity in the irrigated areas of the State. Against the provision of Rs.37.33 crore (State share Rs.17.91 crore and Central share Rs.19.42 crore) during 1997-2001, the expenditure incurred was Rs.40.05 crore. No reason was attributed for the excess expenditure of Rs.2.72 crore over budget provisions. Of the expenditure of Rs.40.05 crore, the expenditure on establishment was Rs.27.60 crore (69 *per cent*) against Rs.4.21 crore admissible at 10.5 *per cent* indicating excess establishment expenditure of Rs.23.39 crore. Such gross excess establishment evidently affected the availability of resources for execution of works. No effort was made to reduce or minimise the establishment expenditure.

Abandonment of field drains and channels led to unproductive expenditure of Rs.40.88 lakh.

Against the target of execution of field channels (0.41 lakh ha) and field drains (0.21 lakh ha) during 1997-2001, the achievement was 0.34 lakh ha and 0.13 lakh ha respectively. The shortfall in achievements ranged between 17 and 38 *per cent*. No reason was attributed for the shortfall in targets. Of the field drains and field channels taken up, 20 numbers remained incomplete or abandoned in Puri and Cuttack districts due to non-approval of chaka, non-compilation of beneficiary list and site/consolidation process. The result was unproductive expenditure of Rs.40.88 lakh.

4.2.10 Manpower management

4.2.10.1 Retention of surplus staff

Excess deployment of 11,891 numbers of staff at a cost of Rs.75 crore.

The vacancy under Group B, C & D, was 1,072 posts (March 2001). The department had enrolled (without sanction) 12,963 staff on Nominal Muster Roll (NMR) and Daily Labour Rolls (DLR) including ad hoc posting of technical staff. The department could have at best enrolled 1,072 such staff against the vacancies. The excess deployment was 11,891 (1209 *per cent* of the vacancies) who were surplus to the department. The expenditure incurred on these surplus personnel was Rs.75 crore during 1997-2001 (including the surplus staff reported vide paras 4.1.4 and 4.12 of Audit Report (Civil) for the year ending 31 March 2000).

4.2.10.2 Continuance of Group 'C' personnel beyond the age of Superannuation

It was revealed in audit that EEs of Bhanjanagar and Jagatsinghpur Irrigation Divisions allowed between June 1995 and June 1998, 5 patrols (Group 'C') to continue in service beyond the age of superannuation (58 years) upto 60 years which was irregular and ultra vires of the retirement policy of the State Government. The expenditure incurred was Rs.2.50 lakh. The EEs stated (December 2000/March 2001) that they had not received the Government orders for retiring the patrols at the age of 58 years. This was factually not correct as Government orders in this regard were issued since September 1995.

4.2.10.3 Transfer & posting policy

During 1997-2001, SEs in 4 circles and 289 other officers (EEs/AEs/JEs), were transferred in 87 divisions before completion of their normal tenure of 3 years in a circle/divisions whereas 41 other officers though completed 6 years in a district (maximum stay permissible) were not shifted. Cancellation of transfers and postings was also endemic in as much as 80 such orders were cancelled (48 *per cent*) during 1997-2001 against 168 orders test checked. Further, without any transfer orders, 61 officers were unauthorisedly allowed to perform their duties between 1 to 9 years at places other than their actual places of posting. It was evident that transfers and postings were being done in an entirely *ad hoc* and arbitrary manner which would inevitably have an adverse impact on the efficient discharge of duties by the officials concerned.

4.2.10.4 Training

Water and Land Management Institute (WALMI) was established in 1987 for conducting at least 80 courses in a year with overhead cost of Rs.1.96 lakh per training course. The Institute however conducted between 31 and 48 training courses during 1997-98 to 2000-2001 at a cost ranging from Rs.3.29 lakh to Rs.5.48 lakh per course. The department had not taken any action to evaluate the same to make it cost effective.

4.2.10.5 Creation and operation of posts without job description

The administrative Department created and operated 3 posts of EIC against a commitment made to World Bank for 2 such posts. The expenditure on the redundant third post (EIC, Rengali Irrigation Project) during December 1997 to February 2001 amounted to Rs.66.18 lakh. The job description of EIC was not specified and the EIC had not been authorised with any technical and financial powers (March 2001).

4.2.11 Inventory Control

Unserviceable materials worth Rs.24.53 crore were not disposed of resulting in unproductive expenditure of Rs.18.34 crore.

Due to large scale misappropriation, defalcation, theft and pilferage in stores items resulting in huge loss, Government ordered the discontinuance of procurement of stores from April 1996 and directed that the works be executed by the contractors on finished item rate contract basis providing stores and machinery at their cost and risk. Government also ordered for immediate stock taking of the existing materials/spares and exploring the possibility of their utilisation/disposal. Despite lapse of over 5 years, such stock taking was yet to be completed (March 2001). Test check in audit revealed that the department continued to retain unserviceable spares, machinery, tools and plant items and surplus stores worth Rs.24.53 crore along with 324 other items and 286 tonnes of scrap (cost not evaluated). No action was taken to utilise/dispose off the same. Instead, department had incurred unproductive expenditure of Rs.18.34 crore during 1997-2001 on watch and ward and maintenance of stores. Audit scrutiny also revealed the following irregularities in procurement, inventory control and utilisation of machinery.

4.2.11.1 Loss due to unwarranted procurement

Loss of Rs.10.86 crore due to unwarranted procurement of stores and idling of machinery.

Unwarranted procurement of stores at high rates together with idling of departmental machinery led to loss of Rs.10.86 crore as discussed below:

Sl. No.	Observation in brief	Rs. in crore
i.	Though Government had abolished procurement of materials from April 1996, 7 EEs of Minor Irrigation (Flow) divisions purchased stores and tools & plant materials worth Rs.390.50 lakh during 2000-2001 without any sanctioned estimate or necessity for works. The purchases were unauthorisedly made on split up vouchers in letter head forms between 238 and 1,223 *per cent* excess over the rates approved by the EPM from firms who had nil turnover during the last 3 years. The materials remained unutilised (March 2001). The LoC earmarked for AIBP/RIDF/NABARD loan assistance and authorised to the EEs for payment against works and land acquisition cost were abused and utilised for such purchases. Sales Tax of Rs.10.48 lakh was not recovered from the suppliers resulting in tax evasion. No action was taken against the	4.01

Sl. No.	Observation in brief	Rs. in crore
	delinquent officials as of March 2001.	
ii.	Purchase orders were placed (September/December 1994) by the EE Nimapara Irrigation Division on SSI units for supply (September /April 1995) of screw gear shutters and gear boxes under Nimapara Irrigation Division at Rs.5.95 lakh. The EE made part payment of Rs.0.94 lakh retaining unpaid amount of Rs.4.91 lakh for over 5 years without any justification. Consequently, the firm referred the non-payment to the State Industrial Facilitation Council (IFC) which awarded (February 2000) payment of outstanding balance with interest at 18 *per cent*. Accordingly, an amount of Rs.12.13 lakh (basic dues Rs.4.83 lakh and interest Rs.7.30 lakh) was paid as of March 2001 resulting in extra expenditure Rs.7.30 lakh to the department.	0.07
iii.	Owing to uneconomical maintenance of the departmental machinery, the CE (MI) ordered (March 2000) that the works be executed by the contractors providing machinery at their cost and risk as stipulated in the contracts and no repairs to the departmental dozers be carried out. In violation of the above instructions, the EE, Stores & Mechanical (MI) Division carried out repairs to dozers with purchase of spares involving expenditure of Rs.0.09 crore during 2000-2001 though the dozers remained idle.	0.09
iv.	Five dozers, 3 compressors and 4 trucks remained idle in Baghua Irrigation Division during 1997-2001 (November 2000) for lack of work but expenditure of Rs. 0.49 crore (staff salary: Rs.0.26 crore, and spares/repairs: Rs.0.23 crore) was incurred on these machinery. In the meantime, compaction to earth fill of Manjore Irrigation Project approved for departmental execution was entrusted (May 1998) to a contractor executing the dam works on the ground that the departmental machinery and equipment required heavy repairs and overhauling. Consequently, the departmental machinery remained idle and instead of being disposed of continued to be maintained with expenditure of Rs.0.38 crore till March 2001. Their non-utilisation also led to loss of hire charges of Rs.5.20 crore (March 2001).	6.69

4.2.11.2 Poor functioning of Stores Verification Party

In order to ensure proper control over inventories, a Stores Verification Organisation headed by one SE was to conduct physical verification of stores with book balances and detect obsolete items, pilferage, theft and losses. It was observed in audit that though the Wing had a staff strength of 35 persons, the Stores Verification Parties failed to exercise necessary control over inventory. Physical verification of accounts of 49 divisions (14 for 1995-97, one for 1999-2000 and 34 LI Divisions for 1992-97) were conducted but the reports of verifications were issued in 2000-2001 after an abnormal delay of 4 years from the dates of verification. Further, although the reports indicated total mismanagement of stores valued at Rs.23.64 crore (shortages Rs.11.95 crore, loss Rs.0.43 crore, discrepancies Rs.10.79 crore and excess Rs.0.47 crore), no remedial action was taken at any level.

4.2.12 Poor response to audit

Audit observations on financial and other irregularities noticed during local audit and not settled on the spot were communicated to the Heads of Offices and to next higher departmental authorities through Inspection Reports (IR). As of June 2001, 1,447 IRs containing 5,839 paragraphs were outstanding for compliance. The first reply was received in respect of only 50 IRs. The IRs included serious financial and other irregularities like extra expenditure, non-recovery, infructuous/avoidable expenditure and misappropriation etc. involving Rs.620.40 crore. The abject failure of the Department to take action on the audit observations facilitates continuance of irregularities and perpetuates an atmosphere of financial irresponsibility.

The review note was sent to the Commissioner-cum- Secretary to Government in June 2001 for consideration of Government and the same was demi-officially forwarded (July 2001) to the Commissioner-cum-Secretary to Government Water Resources Department for reply within six weeks followed with reminder in August 2001. No reply was received (October 2001).

SECTION-B

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.3 Unproductive expenditure and loss of revenue

Delayed action of the department for completion of the Fish Landing Jetty and irregular entrustment of the balance work to the son of the deceased contractor rendered the expenditure of Rs.54.92 lakh unproductive. There was also loss of revenue of Rs.39.60 lakh.

Construction of a Fish Landing Jetty including allied works in the left Bank of River Bahuda at Sonapur, Ganjam under the Centrally Sponsored Plan scheme "Fishing harbour facilities at Minor Ports" was awarded (May 1996) by Executive Engineer, (EE) Fishery Engineering Division, Bhubaneswar to a contractor at Rs.92.29 lakh for completion by November 1997. The project contemplated annual operation of 400-600 trawlers during peak season (July-September) with average annual fish production of 6,000 tonne.

Check of records in audit revealed (November 1999) that the EE attributed the delay in completing the work to the delay in getting test result of the first pile cast, etc. Though no extension of time was either sought for nor formally granted as required under the rule, the contractor continued the work beyond the date of completion. The contractor expired in December 1997 by which time he had executed work worth Rs.28.32 lakh. The EE irregularly allowed (December 1997) the son of the deceased contractor to execute the ongoing work till final arrangement was made and the latter, after executing further work valued at Rs.26.60 lakh at the rates of his late father's contract, abandoned (November 1998) the work. The contract of the deceased contractor was subsequently rescinded (November 1999) by the Government on 'as is where is basis' without levy of compensation with instruction to execute the balance work through fresh tender. Tender for the balance work was not invited as of June 2001.

Thus, delay in designing the piles, unauthorised entrustment of the balance work to the son of the deceased contractor and non-invitation of fresh tender even after two and half years of the work being deserted rendered the expenditure of Rs.54.92 lakh (Rs.28.32 + Rs.26.60 lakh) unproductive. The delay in completion of the project also resulted in loss of revenue of Rs.39.60 lakh for 3 years towards charges for fish handling and use of Jetty facilities.

The EE stated (March 2001) that the balance work would be taken up on fresh tender.

The above matter was referred to the Chief Construction Engineer in March 2001. No response was received from him. The material was developed into draft audit paragraph for consideration of Government and the same was demi-officially forwarded (May 2001) to the Principal Secretary to the Government for reply within 6 weeks. This was followed by reminder in June 2001. Reply was not received from the Principal Secretary (October 2001).

FINANCE DEPARTMENT

4.4 Operation of "Miscellaneous Works Advance" head

Miscellaneous Works Advance (MWA) is a suspense head under Public Works (PW) system of accounts to temporarily accommodate transactions ultimately to be cleared by actual recovery or transfer to other heads of account. The register(s) relating to the suspense head are required to be reviewed monthly by the Divisional Officer (Executive Engineer) for expeditious clearance of outstanding balances. Transactions under this suspense head are divided into four categories, viz: (i) sales on credit, (ii) expenditure incurred on deposit works in excess of deposits received, (iii) losses, retrenchments, errors, etc. and (iv) other items.

Test check of records (April-May 2001) of 66 Public Works (PW) Divisions and two Major Irrigation Projects revealed that Rs.96.32 crore was outstanding under MWA for periods ranging from 1 to 53 years as of March 2001. The details are as follows:

Department (Number of divisions/projects)	Part-I (Sales on credit)	Part-II (Expenditure in excess of deposits)	Part-III Losses, retrenchment & errors	Part IV Other items including expenditure in excess of allotment	Total
(Rupees in lakh)					
Water Resources (30/2)	95.23	64.52	50.53	4370.82	4581.10
Rural Development (14)	843.84	104.53	11.57	1779.38	2739.32
Works (16)	80.39	45.46	6.84	1301.42	1434.11
Housing & Urban Development (4)	110.83	2.77	0.45	621.55	735.60
Commerce (2)	--	--	--	141.68	141.68
TOTAL	**1130.29**	**217.28**	**69.39**	**8214.85**	**9631.81**

It was noticed that the balances under MWA in 54 PW divisions and two irrigation projects increased sharply from Rs.33.74 crore in March 1998 to Rs.81.29 crore by March 2001 as indicated below:

Department (No. of Divisions/Projects)	Balances as on 31.3.98	Net Debit during 1998-99	Net Debit during 1999-2000	Net Debit during 2000-2001	Balances as of 31.3.2001
	(Rupees in lakh)				
Water Resources(25/2)	880.79	255.88	746.96	2521.30	4404.93
Rural Development(12)	1398.40	225.16	277.51	83.03	1984.10
Works (14)	812.13	91.48	208.15	178.35	1290.11
Housing & Urban Development (2)	214.50	139.57	4.39	17.76	376.22
Commerce (1)	67.71	-	5.58	0.20	73.49
TOTAL	**3373.53**	**712.09**	**1242.59**	**2800.64**	**8128.85**

It was further noticed in audit that 12 Divisions (Water Resources –5, Works–2, Rural Development-2, Housing & Urban Development–2, and Commerce-1) having outstanding balance of Rs.15.03 crore had neither updated their registers nor maintained any year-wise break up of balances. Evidently, no serious attention was paid to the clearance of these MWA balances. Scrutiny of these balances revealed the following irregularities:

(i) Sales on Credit

The outstanding balance of Rs.11.30 crore represented sales of materials by 46 divisions[16] to various Government departments and semi-Government organisations on credit during 1950-51 to 2000-2001 of which Rs.2.71 crore pertained to last 5 years. However, there was no follow up action by the Divisional Officers to review the balances and pursue recovery of the long outstanding dues.

(ii) Expenditure incurred on Deposit Works in excess of deposit received

Rules stipulate that outlay on Deposit Works should be limited to the amounts of deposit received for the work. It was, however, observed in audit that in 30 PW divisions[17], the expenditure in excess of deposit received accumulated to Rs.2.17 crore during 1951-52 to 2000-2001 of which Rs.0.82 crore related to

[16] Departments of Water Resources (24),Rural Development (8), Works (10) & Housing and Urban Development (4).

[17] Departments of Water Resources (15), Rural Development (5), Works (8), and Housing & Urban Development (2)

the last 5 years. There was, however, no follow up action by the Divisional Officers to realise the excess expenditure from the concerned authorities to clear the balances under MWA. This amounted to irregular investment of Government funds of Rs.2.17 crore in non-Government works.

(iii) Losses, Retrenchments, Errors, etc.

The outstanding balance under this sub-head representing stock materials or cash found short or losses of other kinds recoverable from Government servants amounting to Rs.69.39 lakh pertained to the period 1951-52 to 2000-2001 by 28 PW Divisions[18] (Rs.46.47 lakh pertained to more than 5 years). No attempt was, however, made for clearance of the balances by actual recovery from the officials responsible for the shortage or loss or by write off as the case may be.

(iv) Other Items

The sub-head "Other items" is meant for: (i) items the classification of which could not be determined readily, (ii) recoverable debits not pertaining to the account of a work, and (iii) recoverable amounts outstanding pertaining to works, the accounts of which were closed. Audit scrutiny revealed the following :

(a) 47 PW Divisions[19] spent Rs.25.75 crore till end of 2000-2001 in excess over allotment/without allotment for execution of works, repair/maintenance works, wages, etc. and debited the expenditure to MWA which was grossly irregular. Similarly, expenditure of Rs.15.04 lakh on electrical and telephone charges incurred during 1982-2001 were debited to MWA due to insufficient allotments under "Office contingencies" which remained outstanding as of May 2001. This was clearly subversive of the system of control over expenditure.

(b) Irregular and unauthorised expenditure of Rs.1.48 crore incurred by subordinate officers viz. Assistant Engineers and Junior Engineers in 43 PW Divisions[20] were not incorporated under final head in the divisional accounts but debited to MWA contrary to the codal provisions pending regularisation/recovery. Departmental officers took no steps to either regularise such irregular and unauthorised expenditure or to recover the amounts from the concerned officers as of May 2001.

(c) Advances of Rs.12.33 crore were made (1948-2001) by 54 PW divisions and 1 Irrigation Project as of March 2001 to other Government Departments/ institutions/private parties for supply of materials but no action was taken either to get the materials for which advances were paid or to receive back the amounts. This had resulted in blockage of government money, the recovery of which is remote.

[18] Water Resources (14), Rural Development (5), Works (8) and Housing and Urban Development (1)

[19] Water Resources (19), Rural Development (9), Works (13), H&U.D (4) and Commerce (2)

[20] Water Resources (19), Rural Development (9), Works (10), H&UD (4) and Commerce (1).

Executive Engineers (EEs) stated (April-May 2001) that action would be taken to link up receipt of materials/final bills and the defaulting agencies would be asked to supply the balance materials/refund the balance amounts.

(d) Expenditure to the tune of Rs.22.96 lakh incurred towards payment (1969-2000) of decretal dues by 11 E.Es were debited to MWA pending receipt of allotments. Department had not taken any action for provision of funds for the purpose and clearance of outstanding balances under MWA.

(e) Departmental rules provide that advance payments made to Land Acquisition Officers (LAO) for land acquisition charges would be debited directly to the suspense head "Land Acquisition" within the works accounts till the possession of land is taken over or intimation of actual payment to the owners of land is received. The suspense head was to be cleared on receipt of land award statements and vouchers from the LAO.

It was observed in audit that 7 divisions {Water Resources (6), Works (1),} and one Major Irrigation Project had paid (1969-70 to 2000-2001) Rs.8.74 crore to the LAOs by debit to MWA instead of the suspense head of the work. These cases were thereafter never reviewed by the department nor was any follow up action taken to get the land award statements/vouchers for final adjustment.

(f) Upper Kolab Irrigation Project spent (1979-1991) Rs.53.56 lakh against Upper Kolab Hydro Electrical Project which was subsequently transferred (April 1996) to the Orissa Hydro Power Corporation (OHPC) by debit to MWA. Consequent on transfer of the Hydro Electrical Project to the OHPC, the liability of Rs.53.56 lakh was yet to be discharged by OHPC. No meaningful effort was made to pursue the claim with the corporation.

(g) Expenditure of Rs.7.56 crore was debited to MWA by 35 PW divisions to end of March 2001 without recording any details/particulars of the transactions. In absence of these details, the genuineness of the transactions could not be ascertained in audit.

Conclusion

There was abuse of the provisions of MWA by accommodating irregular and unauthorised expenditure. No review of the balances was conducted nor any attention paid by the departmental officers to ensure clearance of the MWA balances by actual recovery of dues, receipt of materials and/or adjustment as the case may be.

The matter was referred to the Chief Engineers in June 2001. No response was received from them. The matter was also demi-officially referred (June 2001) to the Secretary to the Government, Finance Department for reply within 6 weeks, followed up by reminder in August 2001. No reply was received from the Secretary (October 2001).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.5 Misappropriation of stores

Failure to observe codal provisions relating to maintenance of stores accounts and conduct of periodical physical verification despite repeated audit comments enabled mis-appropriation of stores materials valued at Rs.45.70 lakh.

According to codal provisions, Priced Stores Ledger (PSL) is to be maintained by the Divisional Officer to record the day to day transactions relating to each item of stock and the Divisional Officer/Sub-Divisional Officer is required to conduct physical verification once/twice annually of the stores balances according to PSL with reference to balances recorded in the Bin Cards before physical verification of the ground balances to find out discrepancies if any. The codal provisions also stipulate that the Divisional Officer should arrange to have the balance as per Bin Cards verified periodically with those in the PSL. Non-observance of these codal provisions leading to risk of misappropriation of stores had been repeatedly pointed out by audit through successive inspection reports of the Public Health Division No-I, Bhubaneswar during the years 1983-84 to 1998-99.

Test check of records of the Division revealed (December 1999) that the Junior Engineer (JE) incharge of the central stores of the Division from July 1995 to March 1999 recorded fictitious issue of materials in the bin cards/site accounts. Such issue of materials were not supported by authorised indents. Consequent on his transfer (December 1998), the JE handed over the charge to his successor in March 1999. The successor JE reported (June 1999) to the Asst. Engineer/EE that (i) store material (196 items) worth Rs.21.49 lakh were not handed over and (ii) materials (148 items) valuing Rs.20.12 lakh shown to have been issued in bin cards/site accounts were issued without indents. In addition, shortages of stock material worth Rs.4.09 lakh were detected during physical verification conducted by the SDO during October 1998 leading to alleged overall misappropriation of stock material worth Rs.45.70 lakh.

Thus, failure of the Divisional Officer to maintain the PSL and conduct periodical physical verification as stipulated in the codal provisions despite repeated audit observations enabled misappropriation of stores material worth Rs.45.70 lakh. Even after it was detected, no meaningful action was taken to investigate the matter and fix responsibility or recover the shortages.

Government informed (December 2001) that store verification party of the department was investigating the alleged misappropriation of stores pointed out by Audit. Further report was awaited.

REVENUE DEPARTMENT

(RURAL DEVELOPMENT DEPARTMENT AND HOUSING & URBAN DEVELOPMENT DEPARTMENT)

4.6 Diversion of Funds received for Drought Relief

Unauthorised diversion of Rs.1.65 crore from Calamity Relief Fund adversely affected Drought Relief Programme.

The Special Relief Commissioner (SRC) released Rs.7.40 crore during 2000-2001 to Rural Development (RD) and Housing & Urban Development (H&UD) Departments from the Calamity Relief Fund (CRF) for undertaking drought relief works in drought affected areas of the State. The expenditure incurred as of March 2001 was Rs.5.80 crore (Rs.5.40 crore by the RD Department and Rs.0.40 crore by the H&UD Department). Scrutiny of implementation of drought relief operations conducted during March to May 2001 in 14 Divisions[21] revealed unauthorised diversion of funds of Rs.1.65 crore affecting adversely the achievement of targets of works for drought relief. The details are as follows:

(a) Finance Department released (March 2001) LoC of Rs.2 crore in favour of the CE, PH for drought relief works. The CE in turn, however, released (March 2001) LoC of only Rs.65.85 lakh for drought relief works to 6 Divisions and diverted the balance LoC of Rs.134.15 lakh for other works.

(b) The EE, PH Division, Bolangir, received allotment of Rs.82.63 lakh during 2000-2001 specifically for construction of cross bundh, installation of hand pump tube wells/PVC tank/submersible pump set, procurement of trolley tankers, replacement/repair of pump set, distribution of water through tanker and re-laying of infiltration gallery. Of this amount, Rs.28.34 lakh was unauthorisedly diverted by the EE for purchase of bleaching powder, PVC pipe, VHF system and repair of pipelines which were not connected with drought relief works.

(c) In RWSS Divisions, Balasore and Rayagda, Rs.2.80 lakh was diverted during 2000-2001 to meet expenditure other than under drought relief programs. It was observed from the status report (May 2001) furnished by CE RWSS/CE PH that there was a shortfall in achievement of set targets during

[21] RWSS Divisions, Balasore, Baripada, Cuttack I, Cuttack II, Sambalpur (Mechanical), Nawarangpur, Rayagada, Kalahandi, Bolangir, Bargarh, Phulbani and PH divisions, Bolangir, Cuttack II, Rourkela.

2000-2001 under specific items of drought relief programme as follows:

Item of work	Rural Development		Housing and Urban Development	
	Target	**Achievement**	***Target***	**Achievement**
Sinking of tube wells (Nos)	800	769	200	161
Installation of large dia tube wells (Nos)	78	65	-	-
Hydro fracturing of tube wells (Nos)	530	403	-	-
Procurement of trolley tankers	-	-	47	22

The expenditure required to achieve the targets as calculated by audit was Rs.78.86 lakh[22]. Evidently the amounts diverted would have been adequate to meet the shortfall. Hence, diversion of funds meant specifically for drought relief was not only unauthorised but also hampered the relief operations in other drought affected areas.

Government in Rural Development Department, while accepting diversion of Rs.2.80 lakh by the RWSS Divisions, Balasore/Rayagada, stated (August 2001) that the amount was spent for drought related works. Further, they attributed the shortfall in achievement for sinking of tube wells/installation of large dia tube wells to surrender of allotments and indicated that a target of 330 tube wells for hydro fracturing was achieved. The replies of Government were not tenable since the drought relief funds were diverted for repair of Tools and Plant/State plan expenditure. Further, surrender of funds without achieving targets indicated failure of the department to combat drinking water problems in drought affected areas though funds was not a constraint. As regards hydro fracturing of tube wells, the target was 530 numbers as intimated by the CE RWSS. No reply was received from the Secretary to Government in Housing and Urban Development Department/Revenue Department to whom the matter was referred (June 2001) demi-officially followed by reminder in August 2001.

[22] Sinking of tube wells-Rs.25.86 lakh, Installation of large dia tube wells-Rs.21.67 lakh, Hydro fracturing of tube wells-Rs.6.33 lakh and procurement of trolley tankers-Rs.25 lakh.

WATER RESOURCES DEPARTMENT

4.7 Undue benefits extended to a contractor resulting in extra expenditure

Drawing of a work was revised to accommodate the unauthorised execution done by the contractor. This added with other undue benefits extended to the contractor led to extra expenditure of Rs.2.02 crore.

The work “Construction of Aqueduct at RD 54.856 Km of Right Main Canal (RMC) and service road along the RMC from RD 53 Km to 63 Km of Upper Indravati Irrigation Project (UIIP)" was awarded (April 1995) to a contractor at Rs.3.15 crore for completion by March 1998. The work was completed (March 1999) at a cost of Rs.5.79 crore including escalation of Rs.0.31 crore and the contractor was paid (March 1999) Rs.5.61 crore under orders (November 1998) of the Engineer-in Chief (EIC) pending approval of the deviation submitted (February 1998) to Government. The reason for excess deviation of Rs.2.33 crore was attributed by the Chief Engineer (CE) to (i) execution of excess quantities (24 items-Rs.3.35 crore) (ii) execution of extra items (4 items- Rs.0.42 crore) and (iii) less executions/non-execution (24 items- Rs.1.44 crore).

Scrutiny of records of the Executive Engineer (EE), Right Canal Division No.II, Junagarh revealed (August 1999/January 2001) the following:

(a) Against the provision in the approved drawing for well foundation in piers, the contractor excavated hard rock for open foundation providing box type cutting with side slopes and berms which increased the quantity of excavation of hard rock from 950 cum. to 38,629 cum. The CE, UIIP, observed (January 1997) that the excavation of excess quantity which had already been done up to RL 229M should have been brought to his notice at the initial stage. Subsequently, the drawing was revised (March 1997) by the CE from well foundation of piers to open foundation fixing the foundation level at RL 229M attributing the revision to availability of hard rock at about 2.5 metre below the river bed level. The specification of abutment was also changed from RRSM to cement concrete M-10.

It was observed in audit that the original drawing provided for the eventuality of hard rock being found in the river bed but the contractor unauthorisedly deviated from the same and overexcavated and that too by a different and costly method. The drawing was subsequently revised *post facto* to accommodate the overexcavation already done by the contractor. It is not free from doubt whether the structure could have been executed as per the original drawing and agreement and the aqueduct completed at Rs.2.05 crore as against the expenditure of Rs 3.26 crore. This had resulted in extra expenditure of Rs.1.21 crore.

(b) The agreement rates included excavation of foundation in hard rock by blasting/chiseling and disposal of the excavated materials with all leads and lifts. But the contractor was paid Rs.0.25 crore for disposal of 0.62 lakh cum. of excess rock by mechanical means on the ground that no dumping yard was available near the work site. This extra expenditure could have been avoided by restricting the excavation of rock as per the approved drawing.

(c) The left over work of "excavation of RMC from RD 53 Km to 63 Km", which was part of the contract included 19,607 cum. of earth work in filling section and 15,904 cum for trimming slope and bed of the canal against which the contractor executed 1,04,366 cum and 31,277 cum respectively at a cost of Rs.0.51 crore. While the expenditure of Rs.0.11 crore was incurred for completion of the left over work, balance of Rs.0.40 crore was spent for execution of extra quantities of 1,00,132 cum. which were not included in the estimate for balance work sanctioned in February 1995. The EE attributed (August 1999) the excess execution to the occurrence of floods, rain cuts, depression and silt deposits during the intervening period from abandonment of the work by the erstwhile contractors in March 1991/August 1993 till award of the left over work in April 1995. The reply of the EE was not tenable since the estimates were required to be on realistic basis. Further, no distinct measurement of earth work involved in filling the rain cuts, depression, flood damages and clearance of silt was recorded nor was the extra quantity involved brought to the notice of the higher authorities before execution.

Government while accepting the factual position had stated (September 2000) that the excess quantities were included in the deviation statement which were pending for approval (March 2001).

(d) The contractor was paid Rs.0.16 crore towards re-excavation and transportation beyond work site of 36,683 cum of spoil earth from the spoil bank on the ground of alignment of canal roads. This could have been avoided by depositing the same initially beyond the work site as provided in the contract. The EE stated (April 2000) that the alignment of the canal roads was provided on berms instead of at existing Natural Soil Level (NSL) as per the orders (March 1990) of the Additional General Manager, UIIP. The reply was not tenable since the contractor had initially dumped the excavated earth near the flow side of the canal instead of depositing beyond one km as provided in the contract which necessitated the extra expenditure.

Thus, avoidable extra expenditure of Rs.2.02 crore was incurred in execution of the above work by extending undue aid to the contractor. The matter calls for investigation.

The above matter was referred to the Chief Engineer in March 2001. No response was received from him. The material was developed into a draft paragraph for consideration of Government and the same was demi-officially forwarded (April 2001) to the Commissioner-cum-Secretary to Government for reply within 6 weeks. The matter was followed up with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (October 2001).

WORKS DEPARTMENT

4.8 Bridge work lying incomplete for 3 years and extra cost due to departmental lapses

Construction of a high level bridge was taken up without proper pre-construction survey and non-finalisation of land acquisition resulting in need for design changes and delay in execution which led to extra cost of Rs.1.49 crore. The work was lying incomplete since June 1998 after Rs.1.23 crore was spent on it.

In disregard of codal provisions, the Executive Engineer (EE) Kendrapara R&B division entrusted (September 1993) the work "Construction of high level Bridge over river Birupa at 12 Km of Kendrapara Indupur road" to a contractor at Rs.2.34 crore on the basis of tentative drawing without adequate soil investigation and without acquisition of land for completion by March 1996. After executing work valued at Rs.1.23 crore, the contractor stopped (June 1998) further execution. Thereafter, the contract was rescinded (January 2001) by Government without levy of penalty and balance work was allotted (February 2001) to Orissa Bridge and Construction Corporation (OBCC). Pending approval of rates by the Technical Committee, an interim K_2 agreement was executed (August 2001) with OBCC by the EE for Rs.2.60 crore at current Schedule of Rate. The work was commenced in April 2001 for completion by July 2001. OBCC had executed work valuing Rs.42.10 lakh as of August 2001.

Scrutiny of records in audit revealed (January 2000) that proposal for acquisition of land was submitted only in December 1993 to the Land Acquisition Officer (Civil), Cuttack after commencement of the work and was thereafter not pursued which delayed the process of land acquisition. Further, during execution of the work, design/drawings of the bridge had to be revised in 1994 on the basis of fresh soil exploration data increasing the outer dia of the wells from 5.5 mtr to 6 mtr with corresponding change in the specification of cement concrete. Though the design/specification was changed during 1994, finalisation of the rates of the contractor for the substituted items was delayed upto July 1998. The contract stipulated departmental supply of materials for the work and in the event of delay in supply, extension of time was to be granted to the contractor. But the department did not supply the materials according to requirement for the work nor sanctioned extension of time up to March 2000 applied for by the contractor. In view of the above departmental lapses coupled with non-payment of escalation charges on labour component on revision of minimum wage as per terms of the contract, the contractor requested (November 1999) for closure of the contract without compensation. Finally, the balance work worth Rs.1.11 crore left by contractor was executed through OBCC involving extra cost Rs.1.49 crore which was likely to be increased on approval of rates by the Technical Committee.

Thus, due to commencement of work in disregard of codal provisions, delay in finalisation of rates for substituted items and non-observance of contract conditions, the contract had to be closed without penalty and Department had to bear extra liability of Rs.1.49 crore for completion of the work through another agency. Moreover, expenditure of Rs.1.23 crore incurred upto June 1998 proved unproductive as the bridge could not put to use as of September 2001.

While accepting the factual position, Government stated (August 2001) that the work was delayed due to delay in land acquisition and finalisation of design. But no accountability was fixed for starting the work in disregard of codal provisions which led to extra financial burden on the Department.

4.9 Extra liability due to unnecessary rejection of valid tender

Valid tender of Orissa Construction Corporation was rejected on ground of need to revise the GAD of the bridge whereas no such revision was actually necessary. The work was awarded on re-tender with the existing GAD which resulted in extra liability of Rs.1.79 crore.

The tender of Orissa Construction Corporation (OCC), a Government of Orissa Undertaking, for the work "Construction of High level Bridge over Badagenguti near Arei Kana on Baruan-Balichandrapur road" for Rs.1.88 crore was recommended (February 1995) by the Chief Engineer (CE), Roads to Government for acceptance. Though the tender was to be finalised within 90 days of receipt as per the codal provisions, no decision was taken by the Government for more than one year. In the meantime, the CE (Roads) requested (March 1996) the Government to cancel the tender and allow re-tendering on the ground that the General Arrangement Drawing (GAD) required revision reducing the outer dia of wells for piers and abutments from 6.5 M and 7.5 M to 6 M and 7 M respectively. Government thereafter cancelled (August 1997) the tender with instruction to call for fresh tender on the basis of modified GAD.

Check of records in audit (June 2000) revealed that the EE (Designs), office of the CE, Roads and Buildings (R&B) informed (October 1997) the EE Charbatia (R&B) Division that the original GAD did not require modification and work could be taken up with the original GAD. Accordingly, fresh tenders were invited (April 1999) based on the original GAD and the work was awarded (January 2000) by the Government to another firm at Rs.3.67 crore for completion by January 2002.

Thus, cancellation of valid tender on a ground which was in fact not necessary and award of the work on re-tender resulted in extra liability of Rs.1.79 crore at tender stage apart from delay in providing communication facilities to the public.

Government stated (August 2001) that the tender was cancelled due to modification of GAD and involvement of extra cost was circumstantial with no purposeful negligence. The reply was not tenable since the GAD was actually not modified and the work at the revised rate was based on the original GAD.

4.10 Extra payment to a contractor in violation of terms of contract

Inadequate pre-construction survey and deviation from agreed terms of contract led to extra payment of Rs.38.26 lakh to a contractor.

"Construction of High level Bridge over River 'Ong' on Bargarh-Bolangir-Saintala Road SH-2" was awarded (November 1995) to a contractor-firm on lump-sum contract for Rs.5.91 crore (26.21 *per cent* excess over the estimated cost) for completion by November 1998 later extended upto March 2000. The recommendations (May 1995) of the Tender Committee (TC) which formed part of the contract stipulated that in the event of any variation in the scope of the work, the contractor would be paid at Schedule of Rates (SR) 1994 plus the percentage excess allowed in the tender over the estimated cost. The works were under progress and the contractor applied for extension of time upto March 2002. Payment of Rs.7.68 crore was made upto 23rd R/A bill (March 2001).

Check of records in audit revealed (July 2000) that the Engineer-in-Chief (Civil) observed (December 1997) during inspection that the abutment position of Bargarh side was located in a spill zone which was flood prone and suggested two more spans of 34.25 M so as to locate the abutment on the guide bund of Bargarh side. Accordingly, the length of the bridge was increased (January 1998) by 68.5 M. Had there been adequate pre-construction survey, this increase could have been anticipated. The firm demanded (October 1998) for payment at Rs.1.70 lakh per metre for the increased length of the Bridge as per the variation clause offered by them with the tender instead of at the Agreement rate (SR 1994 + 26.21 *per cent*). The TC rejected (June 1999) the claim of the contractor in view of their earlier decision which formed part of the contract. The matter was placed before the Government which desired that the TC should re-examine the matter. Thereafter the TC recommended (November 1999), despite dissent expressed by the representative of Department of Law, the rate of Rs.1.50 lakh per metre of increase in length of the bridge on the ground that a similar rate had been approved in another case. This was not sustainable as rates vary from work to work depending on actual site condition, design specification and time of tender. The TC recommendation was however approved (January 2000) by the Government as against Rs.0.94 lakh (Rs.74,596 as per SR 1994 plus Rs.19,552 being 26.21 *per cent*) admissible as per the terms of the contract.

Thus, inadequate pre-construction survey, defective design and unjustified payment at higher rate of Rs.1.50 lakh instead of at Rs.0.94 lakh per metre as per the terms of the contract for increased length of bridge resulted in extra payment of Rs.38.26 lakh to the contractor-firm.

Government while accepting the factual position stated (October 2001) that the rate of Rs.1.50 lakh per metre for the extended portion of the bridge was allowed since fresh tender would have been time consuming with possible hike in rates. The reply was not tenable since the existing contract provided a variation clause to meet the eventuality of any extension of the bridge during the course of execution and allowing the higher rate than that provided under the variation clause was unjustified and resulted in extra expenditure.

4.11 Undue benefit to Orissa Bridge and Construction Corporation (OBCC) and non-recovery of other contractual dues.

Construction of an approach road was lying incomplete for 6 years despite expenditure of Rs.2.22 crore. The contractor was allowed revised rate in violation of contract condition and no liquidated damage was recovered from him.

The work "Construction of approach road to Railway overbridge and re-alignment of road of Joda-Bamabari Expressway No.II" was split into two reaches. While Reach-I was allotted (June 1996) to Orissa Bridge and Construction Corporation (OBCC) for Rs.1.54 crore (excluding 15 *per cent* overhead cost) for completion by May 1997, Reach-II was awarded (May 1995) to a contractor for Rs.1.09 crore stipulating completion by April 1996. The contractor of Reach -II, after executing work valued at Rs.44.99 lakh, stopped (October 1996) further execution and his contract was subsequently rescinded (November 1996) by the Government at the cost and risk of the contractor. The balance work valued at Rs.64.30 lakh was thereafter allotted (April 1997) to OBCC for Rs.1.11 crore at the rates of Reach-I agreement for completion by March 1998.

Against the total allotted work (Reach I and II) of Rs.2.65 crore, OBCC executed work valued at Rs.83.40 lakh and demanded (July 1998) revision of rates in the agreements on the ground of increase in the cost of labour and materials. The rates for the balance work of Rs.1.82 crore were revised (September 1998) to Rs.2.60 crore and two revised agreements were executed for the balance work without any change of the stipulated dates of completion. OBCC was paid Rs.93.12 lakh (July 2001) at the revised rates. The work, however, remained incomplete as of July 2001 though no extension of time has been sanctioned by the department.

Check of records of Executive Engineer, Keonjhar (R&B) revealed (December 1998) that OBCC was liable to pay liquidated damage at rate of 1/3 *per cent* of the cost of work per day for delay in completion of the work. The agreements (1996-97/1997-98) further stipulated that OBCC was to complete the whole work within 11 months in all respects with the rates of different items specified in the agreements. Though OBCC could execute work of only 31 *per cent* of agreement value within the stipulated period, liquidated damages amounting to Rs.14.43 crore was not recovered from them.

Thus, revision of rates during execution of work in disregard of the terms of the contract resulted in undue benefit of Rs.89.98 lakh {(Rs.2.60 crore - Rs.1.82 crore) + 15 *per cent* overhead cost} to OBCC apart from non-recovery of Rs.14.43 crore towards liquidated damage for delay in completion of work. Moreover, extra expenditure of Rs.1.26 crore involved in execution of the balance work of Reach-II through OBCC was not recovered from the original contractor as of March 2001.

Government stated (September 2001) that the revised rates having been approved by the Government might not be treated as undue benefit and liquidated damages recoverable from OBCC would be dependant upon the grant of extension of time.

The reply was not tenable since the rates of OBCC were revised in disregard of the terms of the contract and completion of the works were delayed for 4 years without extension of time.

4.12 Infructuous and extra expenditure on a bridge due to adoption of incorrect High Flood Level and non-recovery of departmental dues

Adoption of incorrect High Flood Level with consequential design deficiencies necessitated abandonment and dismantling of bridge work rendering expenditure of Rs.48.49 lakh infructuous. Consequent revision of design led to extra cost of Rs.11.23 crore of which Rs.6.88 crore was recoverable from the original contractor.

Construction of a bridge over river Kharsuan on Jajpur-Baruan Road of 465.70 Metre (M) length with 9 spans was entrusted (July 1989) to a firm on their own designs approved (June 1990) by the Chief Engineer (CE), Designs, for Rs.3.44 crore stipulating completion by January 1992. The above design was based on departmental drawings (1988-89) adopting High Flood Level (HFL) at RL 13.80 M though the HFL at the bridge site was RL 14.66 M. The firm, after executing 8 piers (3 piers partly) and one abutment abandoned the work (March 1996). They were paid Rs.1.68 crore (May 1995) including Rs.17.19 lakh for designs/drawings and final bill for Rs.0.38 lakh was pending. Thereafter, the contract was rescinded (February 1998) by the Government at the cost and risk of the contractor. The balance work was eventually awarded (January 2000) on fresh tender (September 1999) to another firm for Rs.8.64 crore for completion by December 2001. The original design of the bridge was retained even though the HFL had since increased to RL 14.85 M in August 1997. The proposals (October 1991, June 1992 and October 1995) of the Superintending Engineer (SE), Cuttack (R&B) circle for modification of the design of the bridge in view of the increased HFL (RL 14.73 M in August 1991) were not initially (June 1992) considered by the

Chief Engineer (CE), Design, Planning and Investigation on the ground that high floods are rare and subsequently (December 1995) on the ground that it was not possible due to advance stage of execution and that the excess flood water would overflow the flood embankment without distress to the bridge. However, the design of the bridge was subsequently revised on 3 occasions (September/October 1999 and finally in March 2000) by the CE DP&I for a length of 470.54 M with 16 spans adopting HFL (1997) at RL 14.85 M thereby rendering the original drawing/design unworkable. The second firm executed work valued at Rs.2.14 crore as of October 2000 with revised design and the work was in progress. The revised estimate for Rs.18.92 crore was awaiting sanction (August 2001).

Check of records in Panikoili R&B Division revealed (August 2000) that:

(i) the design originally approved (June 1990) adopting HFL at RL 13.80 M was defective as the HFL at bridge site in September 1983 was RL 14.66 M. Further, in the original drawing (June 1990), the free board (difference between HFL and pier cap level) was only 0.495 M whereas in the final revised drawing (March 2000) it was 1.15 M. Evidently, sufficient free board had not been provided in the original drawing for free passage of flood water. Consequently, the pier cap level had to be increased from 14.295 M to 16 M at a later stage and the abutment and 5 pier caps completed by the original firm dismantled. The other 3 piers (partly executed) were abandoned due to tilt and shift beyond the permissible tolerance limit. Thus, expenditure of Rs.48.49 lakh (viz. Rs.31.30 lakh incurred for construction of 3 piers and on the abutment/5 pier caps plus Rs.17.19 lakh paid to the original firm for design/drawing) was rendered infructuous;

(ii) the extra cost of Rs.6.88 crore (Rs.8.64 crore-Rs.1.76 crore) involved on execution of the balance work on re-tender upto the original design height was not recovered from the defaulting firm whose contract was closed under cost and risk clause;

(iii) had the length and height of the bridge been increased during execution of work by the original contractor adopting the increased HFL, the additional work would have cost Rs.8.09 lakh under the variation clause of the original contract and the cost of left over work with increased height and length of bridge would have been Rs.1.84 crore (Rs.1.76 crore + Rs.0.08 crore) as against Rs.13.07 crore in the revised estimate with modified design based on the agreement rates of balance work contractor.

Thus, adoption of wrong technical data at the stage of original estimation/design, by the CE, Roads/DP&I, resulted in the designs having to be frequently modified to take into account the correct HFL and other technical data. This led to extra cost of Rs.11.23 crore (of which Rs.6.88 crore was recoverable from the original contractor) apart from infructuous expenditure of Rs.48.49 lakh.

Government, while accepting the factual position, stated (August 2001) that the original contractor did not accept closure of his contract under cost and risk clause and legal action may have to be initiated for settlement of dispute. They further stated that the HFL adopted for design was found rising during execution of the bridge work by the original contractor and the design had to be revised after 1992 flood which led to cost escalation. The reply of the Government was not tenable since no action had been initiated by the Department during the last 3 years for settlement of dispute over rescission of original contract and the HFL adopted during original design was itself incorrect. Moreover, the proposals of the SE between October 1991 and October 1995 for revision of design due to increased HFL, while the original contract was in force, was not considered by the CE (DP&I) though such revision was subsequently done on 3 occasions.

4.13 A bridge was not opened to regular traffic for 6 years for want of approach roads.

A bridge constructed at a cost of Rs.71.94 lakh could not be opened to regular traffic for 6 years as approach road was not built by OBCC. There was an estimated extra liability of Rs.73.84 lakh for construction of the approach road.

Construction of High Level Bridge over Khola creek on Rajanagar-Dangmal - Talchua Road with 30 metre short approach on either side was allotted (March 1991) by the Government to Orissa Bridge Construction Corporation (OBCC) at a cost of Rs.82.90 lakh for completion by December 1994. OBCC completed (December 1994) the bridge at a cost of Rs.71.94 lakh and vacated (January 1995) the site without executing the approaches.

Check of records of Kendrapara R&B Division revealed (December 2000) that advance payment of Rs.83.77 lakh was made to OBCC between March 1991 and August 1994 apart from departmental supply of steel valued at Rs.1.58 lakh against which they executed work valued at only Rs.71.94 lakh. The balance advance of Rs.13.41 lakh was outstanding against OBCC. The Executive Engineer did not enforce the terms of contract for execution of the approach roads by OBCC. An estimate of Rs.84.80 lakh prepared (January 2000) by the EE for construction of 300 metre approach roads on either side of the bridge was awaiting approval (April 2001).

The EE stated (December 2000/August 2001) that the 30 metre approach road initially provided was rendered impracticable due to raising of the formation level of the bridge by 2.35 metre for navigation purpose from tourist point of view and for patrolling of nearby forest sanctuary and hence the approach road was increased to 300 metre on either side. However, it could not be taken up due to paucity of funds and would be executed after receipt of administrative approval to the estimate (Rs.84.80 lakh) and on availability of funds. The reply was not tenable since allotment of Rs.124.30 lakh was provided for the work during 1990-91 to 1996-97 and the revised estimate for the approach road was submitted by the EE after 5 years of abandonment of work by OBCC which was yet to be approved (August 2001).

Government stated (September 2001) that short approaches on either side was subsequently completed through another agency and the bridge was opened to traffic in January 2001. The reply was not tenable since the bridge had not been officially opened for traffic and the short approach could be used only by light vehicles. The bridge would be utilised for regular traffic only after construction of the long approaches.

4.14 Bridge lying incomplete for 9 years

A contractor abandoned the bridge work and the Government delayed the fresh tender rendering the expenditure of Rs.1.59 crore unfruitful. Departmental dues of Rs.45.34 lakh were not recovered from the defaulting contractor.

Construction of High Level Bridge over river Sankha at 12-13 km of Kukurbhuka-Laxmiposi-Bihar Border road was awarded (October 1991) to a contractor on lumpsum contract for Rs.5.10 crore stipulating completion by October 1994. He was paid Rs.25.50 lakh as advance for setting up camp and mobilisation etc. After executing work valued at Rs.1.45 crore (excluding escalation of Rs.0.14 crore), the contractor abandoned the work (January 1997) on the plea of insufficient flow of funds. The plea of the contractor was untenable as funds of Rs.2.50 crore were available against which work valued at only Rs.1.45 crore had been executed. The contract was closed (October 1997) by the Government at the cost and risk of the contractor due to disproportionate progress of work. Tenders for the balance work were received in December 1998. After lapse of 2 years and 3 months, Government rejected (March 2001) the tenders on the ground of high cost. Thereafter, the Engineer-in-Chief (Civil) instructed (April 2001) re-tender of the balance work after revision of the estimate as per the Schedule of Rates 2000.

Though the defaulting contractor could execute only 20.22 *per cent* of the work within the stipulated period of completion, he continued execution beyond 2 years of the stipulated date without grant of extension of time. Thereafter, Government delayed decision on the fresh tender by more than 2 years and ultimately cancelled it for re-tender. Thus, bridge work taken up in October 1991 remained incomplete even after 9 years rendering the expenditure of Rs.1.59 crore (Rs.1.45 crore + Rs.0.14 crore) unfruitful apart from denial of benefits to the public.

Audit scrutiny also revealed (December 2000/April 2001) that liquidated damage of Rs.18.26 lakh[*] for disproportionate progress of work as well as balance mobilisation advance of further Rs.18.26 lakh[**] recoverable as per terms of contract remained un-recovered. Moreover, the contractor did not return unused steel of 14.70 MT supplied by the department for which Rs.8.82 lakh at penal rate was recoverable.

[*] 5 *per cent* of uncompleted work valued at Rs.365.18 lakh

[**] Rs.25.50 lakh mobilisation advance less Rs.7.24 lakh which was proportionate amount due for extent of work done by contractor.

As against the total recoverable dues of Rs.45.34 lakh (Liquidated Damage-Rs.18.26 lakh, mobilisation advance-Rs.18.26 lakh and unused materials Rs.8.82 lakh) contractor's dues of only Rs.7.5 lakh were available with the department apart from extra cost that would be involved in execution of the balance work on re-tender.

Government stated (July 2001) that departmental officers have been instructed to withhold the dues payable to the contractor and money suit would be filed for realisation of Government dues.

4.15 Infructuous expenditure due to abandonment of bridge work at selected site

Designing of a bridge based on incorrect data led to abandonment of work at selected site rendering infructuous expenditure of Rs.41.68 lakh.

Construction of high level bridge over river Kushabhadra at Netapur on Gop-Balighai road was awarded (December 1999) by Government to a contractor at his lump sum offer of Rs.5.21 crore stipulating completion by December 2001. During confirmatory boring by the contractor at the bridge site, the Soil Bearing Capacity (SBC) was found to be 10 T/m^2 as against $44T/m^2$ provided in the design and consequently, the site was deemed unsuitable for construction of bridge due to poor soil strata. Thereafter, the site was inspected (January 2000) by a High Level Technical Committee which confirmed the unsuitability of the site. Ultimately, the construction of bridge at the original site was dropped (July 2000).

Check of records of Executive Engineer (EE) Puri R&B Division revealed (June 2000) that the design of the bridge was approved (August 1996) by the Engineer-in-Chief (Civil) adopting SBC as $44T/m^2$ which was based on hydraulic particulars and data furnished by the Executive Engineer (EE), Puri, R&B Division. The contractor was paid (January 2000) Rs.41.68 lakh towards preparation of site, arrangement for installation of machinery, construction of office etc. and boring/testing which was rendered infructuous due to abandonment of construction of bridge work.

Thus, expenditure of Rs.41.68 lakh incurred in connection with the construction of the bridge proved to be infructuous due to adoption of incorrect data while designing the bridge. No responsibility was fixed for furnishing the incorrect data. The matter calls for investigation.

Government stated (September 2001) that preparation for revised General Arrangement Drawing (GAD) for another alignment (site) was under examination and the amount paid to the contractor would be adjusted on resumption of the work since the contract was in force till December 2001. The fact remained that the alternate alignment/revised GAD was not finalised as of October 2001 and the scope of work at the new alignment and its execution through present contractor on fresh tender would be known only after finalisation of the revised GAD. Moreover, Rs.41.68 lakh was paid to the contractor as per the billing schedule for the work done at the earlier site which was ultimately abandoned rendering the expenditure infructuous.

4.16 Non-recovery of outstanding steel from a Corporation

Non-observance of give and take principle for conversion of higher dia steel to lower dia as per contract conditions led to loss of Rs.31.52 lakh.

Executive Engineers (EE) Ganjam (R&B) Division-I and Sambalpur (R&B) Division executed (November 1996) agreements with Industrial Development Corporation (IDC) for supply of smaller dia Tor steel from conversion of higher dia MS rod and Tor steel to be supplied from departmental stores on "give and take basis". The supply was to be completed within one month from the date of commencement. Conversion charges at the rate of Rs.4950 per MT was payable on completion of contracts.

Check of records revealed (December 1999/May 2000) that 459 MT of higher dia Mild Steel (M.S) Rod (Ganjam R&B-I -209 MT and Sambalpur R&B Division -250 MT) were issued (November 1996 - May 1997) to IDC against which the IDC supplied (January - May 1997) only 268 MT of lower dia Tor steel (Ganjam - 138 MT, Sambalpur-130 MT). Conversion charges of Rs.8.23 lakh were paid (January 1997-January 1998) to IDC before completion of transactions contrary to the contractual conditions. Balance 191 MT of steel were not returned by the IDC despite repeated request (January 1998 to April 1999) made by the EEs. IDC intimated (April 1999) that they were unable to supply the balance steel since the plant was closed (1998).

Thus, issue of higher dimension steel without simultaneous receipt of lower dia steel on the principle of "give and take" as per contract condition led to non recovery of higher dia steel and loss of Rs.31.52 lakh. Further, payment of conversion charges of Rs.8.23 lakh to IDC before completion of transaction was irregular.

Government stated (September 2001) that the re-rolling Mill of IDC was closed due to huge outstanding with various departments of Government and that division-wise position of both Government dues and dues of the Mill had been called for from the Chief Engineer Roads to enable adjustment of outstanding dues of Government vis-a-vis dues of the Mill. The reply was not tenable since no dues of IDC were outstanding in respect of the instant cases and the fact remained that conversion charges were paid to them before completion of transactions in violation of the terms of the contract. Further, the department could not recover the balance quantity of higher dia MS Rod from IDC.

4.17 Irregular payment of advance to Orissa Bridge and Construction Corporation in violation of the Accounting procedure

Advance payments were made to OBCC in violation of the Accounting procedures. OBCC left the works halfway and balance advance of Rs.70.84 lakh remained unrealised which resulted in loss of interest of Rs.61.03 lakh to Government.

According to the accounting procedure prescribed by Government (March 1990), works may be allotted to Orissa Bridge and Construction Corporation (OBCC) without inviting tenders and funds required for execution of the works may be released to them by the concerned Divisional Officers in suitable instalments in the form of interest free works advance. Advances so sanctioned were required to be adjusted in the same financial year against the work bills and no fresh advance was to be paid unless the previous advances had been fully adjusted.

Check of records (January 1999/2000) of Executive Engineers, R & B Divisions, Khariar/Kendrapara revealed that work relating to construction of two H.L. Bridges, (i) over river Udanti on Boden-Senapplli road and (ii) over river Chitrotpala at Kalabuda on Haldigarh-Pathkura road were allotted (July 1986/June 1992) to OBCC for Rs.3.25 crore for completion by June1994/June 1996. OBCC was paid interest free advance of Rs.1.45 crore in instalments between March 1986 and November 1994. After executing work valued at Rs.70.42 lakh, OBCC stopped further execution (August 1994/July 1995). Government thereafter closed (July 1995) the first contract and withdrew (March 1998) the works of the second contract from OBCC. Balance work in respect of the first contract was completed (October 1998) through another agency and the second work was re-allotted (October 2000) to OBCC without finalisation of rates (April 2001).

As against advance of Rs.1.45 crore, OBCC submitted (August 1994/March 2000) final work bill for only Rs.74.07 lakh (including escalation bill for Rs.3.65 lakh). The EE did not take any action to finalise the accounts of OBCC and recover the balance advance of Rs.70.84 lakh as of February 2001.

Thus, irregular payment of advances to OBCC from time to time without adjustment of previous advances disregarding the provisions of the accounting procedure constituted unauthorised aid to OBCC. Computed at the rates of interest applicable on Government borrowings, this resulted in loss of interest of Rs.61.03 lakh to the Government on outstanding advance of Rs.70.84 lakh during September 1994 to August 2001.

On being pointed out in audit, the EE Khariar R & B stated (January 2000) that action would be taken to realise the outstanding advances. The EE, Kendrapara R & B Division stated (January/March 2000) that OBCC was requested (November/December 1999) to submit up-to-date bill for ascertaining actual balance on the firm. The replies were not tenable since the advances were paid to OBCC in violation of the accounting procedure and the final bills already received from OBCC were not sufficient to set off the outstanding advance. Further, the second work also remained incomplete (August 2001) and the expenditure of Rs.35.89 lakh was rendered idle.

Government accepted the factual position and stated (September 2001) that the outstanding amount would be recovered from OBCC.

4.18 Inadmissible payment of escalation charges on labour component

Inclusion of outdated formula in the contract for escalation on labour component ignoring extant instructions of Government led to inadmissible payment of Rs.45.20 lakh.

Mention was made in paras 4.19, 4.9, 4.9 (a) and 6.3.3 of the Audit Reports (Civil) for the years ended 31 March 1996, 1997, 1998 and 2000 respectively regarding inadmissible payment of escalation on labour component based on the Consumers Price Index (CPI) for Industrial Workers on all India basis instead of at the revised formula based on minimum wage effective from 1 July 1990.

Test check of records of Executive Engineer (EE), Bhanjanagar Roads & Buildings Division revealed (May 2000) that the work "Construction of two high level bridges (i) over river Jorou at Sorada on ASPG road and (ii) over river Loharkhandi near Bhanjanagar on BP road" were entrusted (March 1994) to M/s Uttar Pradesh State Bridge Corporation (UPSBC) for Rs.9.55 crore stipulating completion by March 1996 on the basis of tenders received in August/September 1993 which stipulated payment of escalation on labour component on the basis of CPI for industrial workers. Accordingly, the Corporation was paid (March 2000) escalation component on labour for Rs.45.20 lakh (Rs.17.28 lakh + Rs.27.92 lakh) based on the Price Index for the period ending March 1996 for both the works though it was not admissible in the absence of revision of minimum wage.

Thus, irregular incorporation of old formula in the agreements for escalation on labour component ignoring the instructions (October 1991) of the Government led to inadmissible payment of Rs.45.20 lakh to the contractor.

Government stated (August 2001) that the escalation on labour was paid to UPSBC as per the terms of the contract approved by the World Bank. The reply of the Government was not tenable since the Government order (October 1991) introducing the revised formula for payment of escalation on labour component did not exclude World Bank contracts. The Department should have incorporated the revised formula in the tender document to avoid the inadmissible payment of escalation on labour.

4.19 Avoidable extra expenditure due to departmental lapse

Execution of work in deviation from the technical specifications and non-adherence to contractual terms led to avoidable extra expenditure of Rs.8.65 crore.

Widening of Bhubaneswar-Cuttack-Jagatpur section (National Highway 5) from RD 00 to 27.80 km was awarded (December 1994) by the Government to a firm at a cost of Rs.113.66 crore stipulating completion by December 1999. While executing the work, the firm submitted (February/March 1995) claims for Rs.25.13 crore on account of extra excavation of marshy soil (Rs.0.71 crore), spreading of graded metal in the embankment not provided in the contract (Rs.3.29 crore), prolongation cost due to extended period of execution (Rs.13.63 crore) and interest (Rs.7.50 crore). The claims were rejected (March 1998) by the Chief Engineer (CE) World Bank Projects (WBP), Bhubaneswar, as not admissible in terms of the contract. The dispute was thereafter referred (January 1999) to the Arbitration Tribunal constituted under the provisions of the contract which awarded (August 2000) Rs.8.22 crore in favour of the firm including Rs.0.24 crore towards prolongation cost paid before the dispute. Since the Union Ministry of Law opined (November 2000) that the award could not be successfully challenged in the Court, the payment of Rs.8.41 crore[23] (with further interest) was made in January 2001.

Test check of the records of CE, World Bank Projects, Bhubaneswar revealed (April 2001) that according to the technical specifications, the lower part of the embankment constructed across low swampy ground was to be filled by dumping successive loads ensuring uniform thickness not greater than that necessary to support the hauling equipment. The marshy soil was not to be removed. The Engineer-in-charge, however, directed (March 1995) for excavation of the marshy soil from the embankment foundation which continued till October 1996. Thereafter, the technical specification of dumping in successive layers was followed and the unwarranted/unnecessary removal of marshy soil was discontinued. The Arbitrator allowed Rs.0.46 crore for the unnecessary removal of 0.96 lakh cum. of marshy soil. Further, the approved drawing for toe filter in the embankment provided for execution of the item with graded granite metal but technical specification read with Bill of Quantities (BOQ) specified use of only sand and earth. However, as per the conditions of the contracts, the BOQ and technical specification take priority over the drawing. As such, toe filter was to be executed using only sand and earth as specified in the technical specification/BOQ. Further, graded stone filter in the toe of the embankment served no purpose since ultimately it was to be clogged as it was located in water logged area, but the department insisted upon the use of graded stone. The Arbitrator allowed Rs.1.65 crore to compensate the work (0.23 lakh cum.) executed by the firm. The Arbitrator also allowed Rs.4.03 crore for prolongation cost on account of departmental failure to provide obstruction free land as stipulated in the contract and departmental rules. In addition, interest of Rs.2.34 crore (Rs.1.92 + Rs.0.42

[23] Marshy soil:- Rs.0.47 crore + graded filter-Rs.1.64 crore + Prolongation cost- Rs.4.03 crore less Rs.0.24 crore already paid + Interest Rs.2.34 crore + Arbitration cost Rs.0.17 crore

crore towards further interest upto January 2001) was allowed for the delay in finalisation of the claims. The department had also to pay arbitration charges of Rs.0.17 crore.

Thus, deviation from the technical specifications by the CE, WBP, Bhubaneswar by carrying out removal of marshy soil coupled with `failure to examine the necessity of graded stone filter in the toe of embankment as well as delay in providing obstruction free land to the firm and finalisation of the claim resulted in avoidable extra expenditure of Rs.8.65 crore.

Government stated (September 2001) that removal of marshy soil was a technical requirement, there was no mention of sand/earth in toe filter either in the technical specification or in the BOQ and that graded stone filter in the toe of embankment was technically required. The reply was not tenable since the department had stated before the Arbitrators that the method as per Technical Specification clause 305.3.4.3 could have been adopted for the work which did not provide for removal of marshy soil. As regards the toe filter in embankment, the technical specification provided for materials of naturally occurring type without mention of stone material and the rate analysis for the item in the BOQ which formed part of the tender agreement provided for sand and earth without mention of stone metal. Further, the Arbitrators also observed that the claim for excavation of marshy soil would not have arisen if the Technical specification under clause 305.3.4.3 had been followed and that the graded stone filter in the toe of embankment did not serve any purpose.

4.20 Undue benefit to OBCC by revision of rates of the contract

The agreement rates of OBCC were revised in violation of terms of contract despite poor progress of work thus extending undue benefit of Rs.2.89 crore.

Construction of "high level bridge over river Kuakhai at Tankapani Ghat connecting Tankapani road with old Jagannath road" was allotted by the Government (December 1994) to Orissa Bridge and Construction Corporation (OBCC) for Rs.6.78 crore. The work was commenced in January 1996 for completion by December 1998. OBCC, after executing work valued at Rs.2.09 crore requested (July 1998) for revision of the rates provided in the agreement for the balance work on the ground of increase in cost of labour and material. The rates for balance work worth Rs.4.69 crore were revised by Government (October 1998) to Rs.7.58 crore on the recommendation of the Technical Committees (TC) on the ground of insufficient flow of funds leading to delay in execution and for increase in the cost of labour/materials. Consequently, the original agreement was closed (November 1998) and a fresh agreement was executed (January 1999) for the balance work with revised rates for Rs.7.58 crore. Extension was granted (April 2000) by Government upto December 2001 without penalty. OBCC executed work valuing Rs.2.04 crore upto March 2001 as per the revised agreement and the work was in progress.

Check of records in audit revealed (December 2000) that the plea of inadequacy of funds cited for revision of rates was not correct since a total sum of Rs.4.82 crore was available for the work during 1995-1999 whereas the OBCC could execute work valued at only Rs.2.09 crore during the period. Further, the original agreement (January 1996) stipulated that the OBCC was to complete the entire work within 3 years in all respects at the rates specified. It was further seen that OBCC had sub-let the work to a private firm without approval of the competent authority viz. CE Roads. The private firm had executed work valued at Rs.1.00 crore whereas OBCC paid them Rs.0.70 crore and this less payment delayed the execution. Further, sub-letting the work without approval of the CE was unauthorised and constituted breach of contract.

Thus, revision of rates during execution of work in disregard of the terms of the contract and on grounds of insufficient flow of funds while adequate funds were available resulted in undue benefit of Rs.2.89 crore to OBCC.

Government stated (October 2001) that the work was delayed due to insufficient flow of fund and the rates of OBCC were revised due to hike in the cost of labour and materials. It was further stated that sub-letting the work was under enquiry. The reply was not tenable since funds were not a constraint and the existing contract had taken care of price hike through escalation clause.

4.21 Non-recovery of outstanding dues from defaulting contractors

Despite closure of the contracts under cost and risk clause, the extra cost of Rs.31.51 lakh on execution of balance works was not recovered from the defaulting contractors. Further, dues of Rs.7.35 lakh being cost of unused departmental materials were also outstanding for recovery.

According to standard agreement conditions, if a contractor fails to complete the work entrusted to him within the stipulated time, the contract is closed and the balance work executed through another agency/departmentally at the cost and risk of the defaulting contractor. The unused departmental materials, if any, remaining outstanding with a contractor are to be returned to the department in good condition failing which the cost thereof at penal rate (five times of the cost) was recoverable.

Check of records of National Highway Division, Rourkela, revealed (May 2001) that two works viz. (i) construction of high level bridge with approaches over Amrudi nallah at 280.66 km and (ii) widening of the existing single lane to double lane from km 252/0 to 255/0 on National Highway No.23 were awarded (October 1991/June 1996) to two contractors at Rs.122.32 lakh[24] for completion by October 1993/December 1997. The contractors left (March 1998/August 1997) the works incomplete after executing works valued at

[24] High level bridge with approaches over Amrudinallah at 280.66 km Rs.78.84 lakh and widening of the existing single lane to double lane from km 252/0 to 255/0:Rs.43.48 lakh

Rs.70.94 lakh[22] and the contracts were rescinded (October/September 1998) under cost and risk conditions. The balance works were subsequently executed departmentally involving an extra expenditure of Rs.31.51 lakh over the original contracted cost. However, the extra cost was not recovered from the defaulting contractors as of May 2001. Further, the defaulting contractors failed to return unused departmental materials (Bitumen 2.349 MT, Steel 7.616 MT and Cement 23.80 MT) but the cost thereof amounting to Rs.7.35 lakh at penal rate was not recovered as of May 2001. Against the total Government dues of Rs.38.86 lakh (Rs.31.51 lakh + Rs.7.35 lakh) outstanding for recovery, the amount due to the contractors was only Rs.4.26 lakh. No action was taken by the department for realisation of Government dues as of May 2001.

Government stated (December 2001) that had the works been executed by the original contractors, they would have also been paid escalation and after crediting the escalation amounts to contractors account, there would be no extra cost on execution of balance works departmentally.

The reply was not tenable since the contracts were closed under penal clause due to default of contractors who failed to execute the work despite repeated notices by the department and in respect of second work, the Chief Engineer, while rescinding the contract, had specifically instructed (September 1998) to take appropriate action against the contractor for non-performance. Moreover, escalation was admissible on the value of work actually executed and the prevailing price index during the relevant quarter.

[22] High level bridge with approaches over Amrudinallah at 280.66 km:Rs.57.45 lakh and widening of the existing single lane to double lane from km 252/0 to 255/0:Rs.13.49 lakh