

CHAPTER-III
CIVIL DEPARTMENTS
SECTION-A

SCHOOL AND MASS EDUCATION DEPARTMENT

3.1 Working of Zilla Saksharata Samities (ZSSs) in Orissa

For imparting functional literacy to illiterate adults in the age group of 15-35 years, the National Literacy Mission (NLM) introduced 3 Centrally sponsored schemes viz. Total Literacy Campaign (TLC), Post Literacy Campaign (PLC) and Continuing Education (CE) from 1991-92 for implementation through District level educational societies namely Zilla Saksharata Samities (ZSSs). While the TLC aimed at providing education to the illiterates of the targeted age group to become self-reliant in reading, writing and numeracy, the PLC was to consolidate the literacy gains of neo-literates to facilitate their transition from guided learning to self-learning and the CE was meant for developing reading habits and creating awareness in the neo-literates. The TLC and PLC suffered from financial mismanagement, irregular procurement and distribution of teaching and learning materials, poor academic achievement, inadequate training and monitoring and incorrect reporting of physical and financial achievements.

Highlights

❖ **Rs.1.27 crore advanced to different Blocks/Urban Local Bodies (ULBs) were treated as final expenditure without supporting vouchers (Rs.1.11 crore) and without ensuring actual utilisation (Rs.0.16 crore).**

(Paragraph 3.1.4.4)

❖ **Despite implementation of the programme for over 9 years, literacy rate in the test-checked districts was only 44 per cent against the target of 80-85 per cent.**

(Paragraph 3.1.5)

❖ **ZSSs test-checked, diverted Rs.49.22 lakh for purchasing Marshall jeep, Computer, Audio-visual equipment and for purposes not related to the programme.**

(Paragraph 3.1.6.3)

❖ In 6 ZSSs, implementation was adversely affected due to short-release of Rs.2.23 crore by Central and State Governments.

(Paragraph 3.1.6.4)

❖ Expenditure of Rs.11.22 lakh incurred by 5 ZSSs on concurrent evaluation at the close of literacy campaign was wasteful.

(Paragraph 3.1.6.6)

❖ Expenditure of Rs.16.26 lakh was incurred in excess by 4 ZSSs on procurement of teaching and learning materials and honorarium.

(Paragraph 3.1.6.7)

❖ Sub-standard teaching and learning materials worth Rs.21.62 lakh were procured by 2 Samities.

(Paragraph 3.1.7.4)

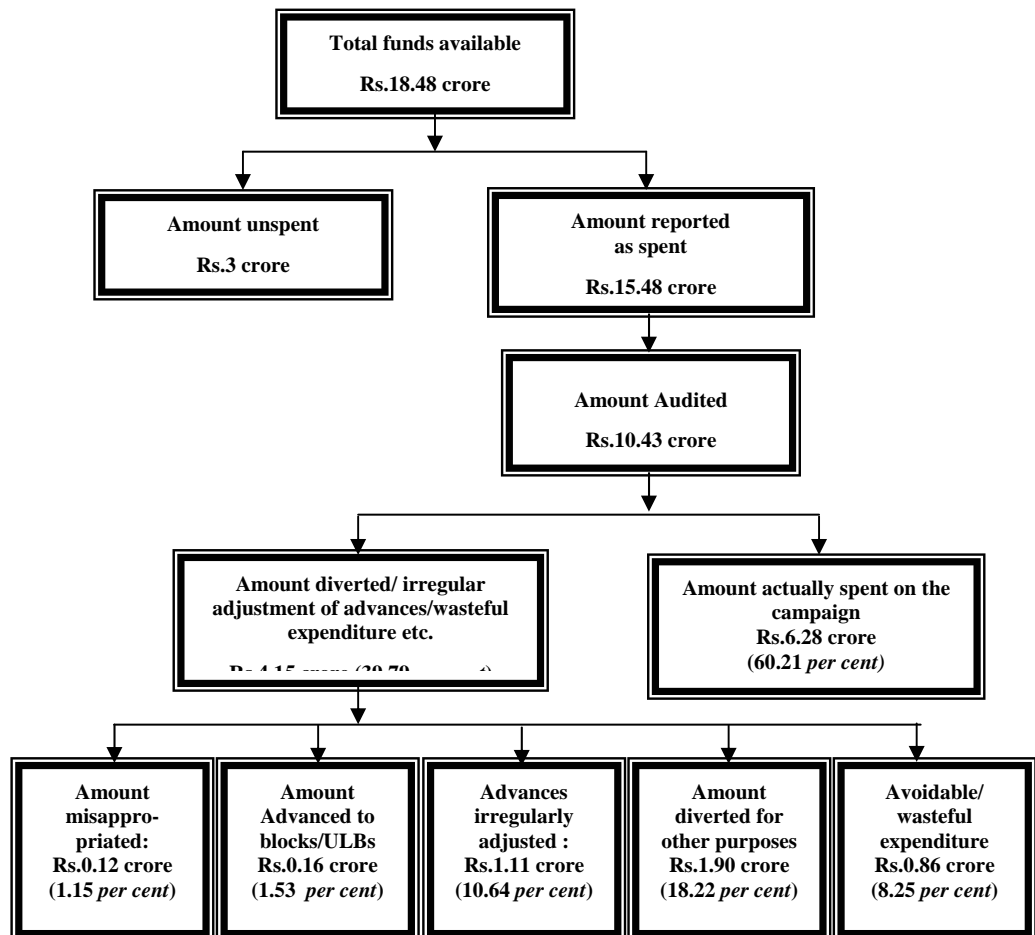
❖ Physical and financial achievement figures as reported did not tally with records.

(Paragraphs 3.1.4.2 and 3.1.5)

❖ Late procurement of teaching and learning materials delayed the completion of literacy campaign in 10 districts and led to avoidable expenditure of Rs.53.24 lakh.

(Paragraphs 3.1.6.5 and 3.1.7.5)

A summarised position of the utilisation of funds is shown in the following diagram:



3.1.1 Introduction

The TLC which was to be followed up with PLC was introduced in 1991-92. While the TLC was to identify illiterates through survey and enrol them as learners for completion of 3 stages of learning i.e. Primer-I, II and III and to make them self reliant in reading, writing and numeracy, the PLC was to develop reading habits of the neo-literates by providing them with reading materials under the guidance of a volunteer for completion of PLC Primer I.

As regards Continuing Education (CE), two projects in Bolangir and Kalahandi have been approved by NLM to be implemented with effect from 2002-03.

3.1.2 Organisational set-up

The schemes were implemented by NLM in partnership with the State Literacy Mission (SLM) through ZSSs headed by the district collectors. The SLM, Orissa was functioning from December 1996 under the chairmanship of the Secretary of School and Mass Education Department. The projects proposed by the ZSSs were to be approved by the Project Approval Committee (PAC) of NLM and the central share of the funds was released to the ZSSs directly by the Ministry of HRD. The State share was released through the Director of Mass Education (DME).

3.1.3 Audit coverage

The review was conducted between December 2001 and May 2002 through test check of records of School and Mass Education Department, Directorate of Mass Education (DME), 12² Zilla Saksharata Samities and 98 Blocks covering the period 1997-2002. The results of test check are discussed below.

3.1.4 Financial management

3.1.4.1 Funding

The schemes were funded by both Central and State Governments in the ratio of 2:1. In the case of Tribal Area Sub-plan, the ratio was 4:1. The funding of both TLC and PLC as worked out in audit for the period 1997-2002 based on Monthly Progress Reports (MPRs) was as under:

² Balasore, Baragarh, Bhadrak, Bolangir, Cuttack, Kalahandi, Kandhamal, Khurda, Mayurbhanj, Nabarangpur, Puri and Rayagada.

(Rupees in crore)

Programme	Approved Cost			Released during 1997-02				Expenditure	Closing Balance
	Central	State	Total	Opening balance	Central	State	Total		
TLC	35.30	15.95	51.25	6.21	4.87	3.44	14.52	10.11	4.41
PLC	13.40	6.25	19.65	1.24	1.92	0.80	3.96	5.37	(-)1.41
Total	48.70	22.20	70.90	7.45	6.79	4.24	18.48	15.48	3.00³

Funding for TLC and PLC were far short of approved cost. Out of Rs.14.52 crore under TLC during 1997-2002, only Rs.10.11 crore were spent while under PLC Rs.1.41 crore were spent in excess indicating diversion of TLC funds. However, the reported release of Rs.4.24 crore being State share during 1997-2002 was not correct since the actual expenditure as per accounts was Rs.3.28 crore during the same period as indicated in para 3.1.4.3. This needs to be reconciled.

3.1.4.2 Release of funds

The funding in the 12 test checked ZSSs were as under:

(Rupees in crore)

Programme	OB	Released 1997-2002	Interest	Total	Expenditure	Closing Balance
TLC	3.30	6.37	1.37	11.04	8.46	2.58
PLC	0.88	1.16	0.29	2.33	1.97	0.36
Total	4.18	7.53	1.66	13.37	10.43	2.94

The unspent balance reported to NLM by these ZSSs was Rs.2.01 crore against the actual balance of Rs.2.94 crore.

It was further noticed that 7 ZSSs inflated the expenditure reported by Rs.39.26 lakh⁴ while ZSS Puri reported less expenditure of Rs.1.77 lakh in their MPRs for March 2002.

3.1.4.3 Continuous savings in State Budget provisions

State Government consistently spent less than budgeted funds as detailed below:

(Rupees in lakh)

Year	Budget	Expenditure	Savings (-) Excess (+)	Percentage over Budget provision
1997-98	126.90	106.20	(-) 20.70	16
1998-99	79.50	67.80	(-) 11.70	15
1999-2000	70.00	55.00	(-) 15.00	21
2000-01	96.00	68.58	(-) 27.42	29
2001-02	30.00	30.00	-	-
Total	402.40	327.58	(-)74.82	19

³ Closing balance does not include interest of Rs.1.83 crore earned on unspent balance as of March 2002.

⁴ (Balasore: Rs.3.73 lakh, Bhadrak :Rs.0.05 lakh, Bolangir: Rs.0.21 lakh, Bargarh:Rs.13.28 lakh, Kandhamal :Rs.2.40 lakh, Kalahandi :Rs.2.32 lakh and Nabarangapur:Rs.17.27 lakh).

DME stated that the savings were due to less release of funds by GOI. The reply was not quite correct as detailed in Paragraph 3.1.4.1, which shows that total expenditure under TLC and PLC was less than the available funds.

3.1.4.4 Irregular adjustment of advances

Advances of Rs.1.27 crore were irregularly adjusted by 6 ZSSs

Advances of Rs.15.52 lakh pending in different blocks/ULBs in 4 ZSSs (Bolangir: Rs.4.23 lakh, Cuttack: Rs.6.87 lakh, Khurda: Rs.2.22 lakh and Rayagada: Rs.2.20 lakh) were shown as final expenditure. Similarly advances of Rs.1.11 crore were adjusted in six ZSSs⁵ based on utilisation certificates received from Blocks/ULBs without supporting paid vouchers. This was irregular.

3.1.4.5 Submission of Utilisation Certificates

Although Rs.13.18 crore were spent during 1991-2002 on literacy campaign against receipt of Rs.16.13 crore, Utilisation Certificates (UCs) for Rs.1.15 crore in 10 ZSSs were not submitted and excess UCs for Rs.5.60 lakh were submitted in 2 ZSSs (Mayurbhanj: Rs.5.55 lakh and Bhadrak: Rs.0.05 lakh).

3.1.5 Physical targets and Achievements

Against NLM norm of 80-85 per cent literacy, the percentage of literacy achieved in the test checked ZSSs was only 44

Each ZSS prepared project report estimating the number of illiterates in the district for approval by NLM. After approval, the actual number of illiterates is identified through door to door survey for enrolment. Achievements in respect of enrolment and completion of primer-III (TLC), PL-I (PLC) as of March 2002 were as follows.

(Numbers in lakh)

Camp-aign	Estimated illiterates as per Project Report	Number of illiterates identified in the survey			Actual enrolment (percentage over survey)	Achievement of success in the campaign		
		Male	Female	Total		Male (Percentage over survey)	Female (Percentage over survey)	Total (Percentage over survey)
TLC	75.98	26.87	39.96	66.83	58.89 (88)	13.15 (49)	16.29 (41)	29.44 (44)
PLC	25.97	10.00	14.95	24.95	22.62 (90)	7.40 (74)	9.17 (61)	16.57 (66)
Total	101.95	36.87	54.91	91.78	81.51 (89)	20.55 (56)	25.46 (46)	46.01 (50)

Although the objective of the campaign was to achieve 80-85 per cent literacy (on completion of primer-III), only 44 per cent completed primer-III in respect of TLC and 66 per cent completed PL-I stage in respect of PLC by March 2002. Achievement made among women was only 46 per cent during the period 1991-2002 while among special efforts group like Scheduled Castes (SC) and Scheduled Tribes (ST) categories, it ranged between 47 and 40 per cent as detailed below:

⁵ (Bolangir: Rs.1.80 lakh, Baragarh: Rs.19.36 lakh, Balasore: Rs.62.69 lakh, Khurda: Rs.8.73 lakh, Nabarangpur: Rs.16.38 lakh and Rayagada: Rs.2.31 lakh).

(Numbers in lakh)

Name of the campaign	Number of illiterates identified in the survey		Achievement (Percentage over survey)	
	SC	ST	SC	ST
TLC	14.71	24.57	6.37 (43)	9.14 (37)
PLC	5.64	8.36	3.25 (58)	4.01 (48)
Total	20.35	32.93	9.62 (47)	13.15 (40)

As per guidelines, TLC was to be completed within 12-18 months from its launching and the PLC was to be completed within 12 months. However, 44 *per cent* literacy in TLC was achieved over a period of 9 years.

The physical achievements in 12 test checked ZSSs were even worse than the State average. While achievements under TLC were only 30 *per cent* (6.22 lakh completed primer-III out of 20.43 lakh targeted illiterates) in 10 ZSSs, the achievements under PLC in 4 test checked ZSSs were 66 *per cent* (5.46 lakh completed PL-I out of identified PLC neo-literates of 8.27 lakh) as detailed in Appendix-XVIII.

6 ZSSs showed inflated figures in respect of enrolment of learners (Kalahandi, Bargarh and Kandhamal), distribution of primers (ZSS, Bhadrak), identification of illiterates (ZSS, Nabarangpur), completion of Primer-I (Rayagada) and under reporting in respect of survey and completion of course under TLC (Bargarh and Kandhamal) as detailed in Appendix-XIX.

3.1.6 Implementation of the projects

3.1.6.1 Defective illiteracy survey

Before undertaking survey, the survey team was to be given one day training on the modes of survey. The survey was to be conducted as "one go" and "one day" operation adopting door-to-door visit of each house. During the survey, the names of the literates willing to work as Voluntary Instructor (VI) and Master Trainer (MT) were also to be collected so as to ensure participation of people from all sections of the society.

Test check of records revealed that such a survey was conducted for two months in Kandhamal and four months in Balasore and Khurda in deviation of guidelines. Training was also not imparted to the survey team before commencement of survey.

Against the targeted age group of 15-35 years, the Balasore ZSS had enrolled illiterates in the age group of 9-35 years and Bolangir ZSS in the age group of 9-45 years in their TLC programme giving scope for overlapping of learners since separate scheme (Non-Formal Education) was also in operation in the State for the age group of 6-14 years.

3.1.6.2 Inadequate motivation and mobilisation

Inadequate motivation and mobilisation for the literacy campaign by the ZSSs

As per guidelines, the environment building and mass mobilisation programme should continue throughout the duration of the literacy campaign. For this purpose, Village Campaign Committee (VCC) and Village Educational Committee (VEC) were essential. While the VCC members were to ensure regularity in conducting teaching and learning activities, the VEC members were to keep track of drop out learners.

Scrutiny of records of 12 ZSSs revealed that while VCCs and VECs were not formed at all in 3 ZSSs; in remaining 9 ZSSs, though the same were stated to have been formed, no profile relating to such committees like name of village, date of formation, details of members etc. was maintained.

Test check of 43 out of 72 field units in 5⁶ ZSSs revealed that VECs and VCCs were not formed in 35 to 41 *per cent* of the villages.

Secretaries of Bhadrak and Nabarangpur ZSSs attributed non-formation of committees to lack of interest among the villagers. This in itself reflected inadequate environment building and mass mobilisation.

3.1.6.3 Diversion of Funds

Diversion of scheme funds

As per instructions, funds were not to be used for purchase of capital assets. However, Rs.21.53 lakh were diverted by 10 ZSSs towards purchase of Marshall jeep, Computer, Audio and Visual equipment, Cycle etc. and Rs.27.69 lakh were diverted by 8 ZSSs for purposes not related to the programme. Of these, assets⁷ worth Rs.2.49 lakh were kept in the residences of 4 collectors.

3.1.6.4 Short-release of funds by Central and State Governments

Surplus balances in 6 ZSSs despite short-release of funds during 1994-2002

Against required release of Rs.9.16 crore in favour of 6 ZSSs (Balasore, Bargarh, Kandhamal, Mayurbhanj, Nabarangpur and Rayagada) towards first instalment (Central share: Rs.7.03 crore and State share: Rs.2.13 crore), Central and State Governments released only Rs.6.93 crore (Central share: Rs.5.55 crore and State Share : Rs.1.38 crore) between March 1995 and March 2002 for implementation of the literacy campaign resulting in short release of funds of Rs.2.23 crore (Central share : Rs.1.48 crore and State share : Rs.0.75 crore). The ZSSs concerned stated that the implementation of the campaign was adversely affected due to short release of funds. This was not tenable since the ZSS concerned retained surplus balances despite short release of funds.

⁶ Rayagada, Baragarh, Balasore, Kalahandi, Kandhamal.

⁷ Solar light (Bolangir), Colour TV & VCP (Bargarh), Tata Phone and computer (Bhadrak) and Xerox machine (Rayagada).

3.1.6.5 Avoidable expenditure of Rs.53.24 lakh

Delay in commencement and completion of TLC/PLC resulted in avoidable expenditure of Rs.53.24 lakh

The duration of the TLC was assumed to be 12/18 months depending upon the terrain and state of development of the district and PLC was for one year during IX Five Year plan unless extension was granted.

Scrutiny of records of 12 ZSSs revealed that none of the projects under TLC or PLC were completed within time schedule. Despite availability of funds, the TLC and PLC projects commenced with long delays⁸ and 9⁹ ZSSs completed with delays ranging from 8 to 60 months. In 3¹⁰ ZSSs, TLC was still continuing without extension of time.

Had the TLC/PLC been completed within the time schedule of 18/12 months of commencement, administrative expenses of Rs.53.24 lakh incurred during the period of delay could have been avoided.

Frequent transfer of Collectors, natural calamities, non-release and late release of funds, elections, delay in decision of the Chairman (Bhadrak), delay in printing of Primers (Mayurbhanj) were some of the reasons attributed for the delay.

3.1.6.6 Wasteful Expenditure

5 ZSSs incurred wasteful expenditure of Rs.11.22 lakh on concurrent evaluation

Scrutiny revealed that evaluation was conducted after completion of TLC in 2 ZSSs, during the period of implementation in 2 ZSSs and in one ZSS it was conducted by an unauthorised agency as detailed below:

(Rupees in lakh)

Sl. No.	Name of ZSS	Amount spent on evaluation	Purpose	Reasons
1.	Bolangir	1.52	Conducting external evaluation by Operation Research Group not approved by NLM.	As per decision of district level committee.
2.	Puri	2.41	Evaluation conducted after completion of TLC, having no corrective value.	Late commencement of the concurrent evaluation.
3.	Khurda	2.79	Evaluation conducted after completion of TLC having no corrective value.	-do-
4.	Kandhamal	2.10	Corrections suggested by concurrent evaluation during the currency of campaign not carried out.	No valid reason
5.	Cuttack	2.40	-do-	Frequent change of Collector-cum-Chairman of the ZSS.

Thus, the expenditure of Rs.11.22 lakh incurred on concurrent evaluation without corrective measures was wasteful.

Although in Cuttack ZSS, deficiencies in management and organisation of activities, lack of monitoring and supervision by Executive Committee, apathy of BDOs and Sub-Collectors towards the campaign and inadequate attention

⁸ Delay in commencement of TLC Projects : 3 to 48 months and PLC Projects : 3 to 13 months.

⁹ Balasore, Bargarh, Bhadrak, Bolangir, Cuttack, Khurda, Kalahandi, Puri and Rayagada

¹⁰ Kandhamal, Mayurbhanj and Nabarangpur.

of the Secretary for supervision and monitoring were commented upon in concurrent evaluation (October 2000), no remedial measures were taken during the campaign period.

3.1.6.7 Avoidable expenditure

Scrutiny of records revealed that avoidable expenditure of Rs.16.26 lakh was incurred by the following 4 ZSSs.

(Rupees in lakh)

Sl. No.	Name of the ZSS	Excess expenditure	Purpose	Remarks
1	Mayurbhanj	(i) 7.55 (ii) 1.10	Purchase of 7.40 lakh primers at rates higher than the tendered/ negotiated rate. Purchase of 2.22 lakh kit bags @ Rs.5.00 each against approved rate of Rs.4.75.	Reasons not furnished “Urgent requirement of materials” stated as reason was not correct since materials were supplied over a period of 9 months.
2.	Bhadrak	2.40	Non-procurement of primer-I from the lowest tenderer	“Lowest tenderer did not turn up for negotiation” was not correct. Negotiation with the 2 nd lowest tenderer was held at a short notice by only 2 out of 5 members of the Purchase Committee.
3	Puri	3.54	Expenditure on conveyance allowance, honorarium beyond sanctioned amount.	Time overrun. Ex-post facto approval being obtained.
	-do-	0.09	Excess consumption of fuel in hired vehicle beyond agreed rate.	-do-
4.	Kandhamal	1.58	Payment of honorarium beyond approved cost.	-do-

3.1.7 Inventory management

The procurement, acquisition, distribution and utilisation of teaching and learning (TL) materials in 12 test checked ZSSs revealed the following omissions and commissions.

3.1.7.1 Idle stock due to excess procurement

Teaching and learning materials like slates, primer, VI guide books, kit bags were purchased between December 1995 and December 2001 at a cost of Rs.7.33 crore of which materials worth Rs.7.11 crore were distributed. Test check of 98 units revealed that learning materials worth Rs.12.83 lakh were left unused (March 2002). This was due to procurement of TL materials on the basis of number of learners identified instead of actual learners enrolled.

Secretaries of ZSSs concerned while confirming the idle stocks stated that these would be utilised in subsequent programmes (PLC/CE). However, the system of procurement needs correction.

It was further noticed that of the undistributed stock of TL materials worth Rs.22.00 lakh at ZSS level, stock worth of Rs.6.92 lakh was misappropriated in ZSS, Kandhamal. Besides, stock worth Rs.4.41 lakh was distributed without obtaining acknowledgements (ZSS, Kandhamal: Rs.4.07 lakh; ZSS, Balasore: Rs.0.11 lakh and ZSS, Bargarh : Rs.0.23 lakh) and there was also misappropriation of idle stock worth Rs.0.54 lakh at field level in ZSS, Bargarh.

Secretaries of ZSS, Bargarh and Kandhamal while confirming such shortages/misappropriations stated that higher authorities would be appraised for appropriate action. Secretary of ZSS, Balasore, however, pleaded ignorance but shortages were recorded in the distribution register.

3.1.7.2 Acknowledgement from learners wanting

All the test checked ZSSs distributed TL materials to the blocks /ULBs who in turn distributed the same to the MTs/Gram Panchayat (GP) Co-ordinators. No records of distribution at MT/GP Co-ordinator's level were maintained.

3.1.7.3 Annual physical verification

Five¹¹ ZSSs did not conduct any physical verification and existence of idle stock could not be ascertained by audit.

3.1.7.4 Distribution of sub-standard materials

Two ZSSs had distributed sub-standard TL materials worth Rs.21.62 lakh as detailed below.

Sl. No.	Name of ZSS	Amount involved (Rupees in lakh)	Remarks
1.	Rayagada	8.13 (TLC materials purchase)	This was reported to DME and Government after discussion in E.C. Meeting.
	Rayagada	5.30	Inferior quality primers not conforming to Improved Pace and Content of Learning norm.
2.	Kandhamal	8.19	

ZSS, Kandhamal confirmed the facts and ZSS, Rayagada stated that the recovery process was underway.

3.1.7.5 Delay in procurement and irregularities in distribution

In 10 test checked ZSSs (except Baragarh and Rayagada), there were delays in procurement of primers and TL materials ranging from 2 to 26 months and 3

¹¹ Bargarh, Bhadrak, Cuttack, Kandhamal, Nabarangpur.

Distribution of sub-standard TL materials affected literacy campaign in 2 ZSSs

Delay in procurement of TL materials led to delay in literacy campaign in 10 ZSSs

to 14 months in respect of TLC and PLC respectively because of which neither TLC nor PLC could be completed on time in any of the ZSSs. No penalty was imposed on suppliers for the delayed supply.

Irregular/irrational distribution of teaching and learning materials

Following other deficiencies were also noticed in distribution of TL materials.

(Rupees in lakh)

Name of ZSS	Delay in distribution	Cost of VI guides	Excess distribution of TL materials		Short distribution in Blocks
			No of blocks	Cost	
Bolangir (TLC)	2-36 months		4	0.24	5
Balasore (TLC)	7-17 months				
Bargarh (TLC)	1-4 months	0.77	6	0.43	3
Cuttack (TLC)	20 to 45 days				
Kalahandi (PLC)	2 months				14
Kandhamal (TLC)	10 months				
Khurda (TLC)			14	5.49	
Nabarangapur (TLC)	1 month	0.64	5	0.29	6
Puri (TLC)	1-12 months		6	0.09	6
Rayagada (TLC)			14	3.56	
Total		1.41	49	9.86	34

VI guide books worth Rs.1.41 lakh were purchased on 22 May 2000 and 23 March 1998 while it was stated that these were distributed in March 2000 and 16 March 1998 respectively in Nabarangpur and Bargarh ZSSs. Besides, as against requirement of 21,800 VI guidebooks 40,000 guide books were purchased and distributed in Bolangir ZSS resulting in excess purchase of 18,200 books worth Rs.0.82 lakh.

The Secretaries concerned attributed the delay to irregular receipt of funds, natural calamities and non-availability of transportation facilities. The fact, however, remained that such delayed, irregular and irrational distribution of TL material affected the literacy campaign adversely.

3.1.7.6 Doubtful purchase of Kerosene oil

Test check at ZSS, Nabarangapur revealed that out of Rs.9.04 lakh advanced to blocks for purchase of Kerosene, Rs.4.21 lakh were adjusted during May to September 2000 based on UCs obtained from the blocks. No vouchers were available at ZSS level as observed by the Collector in June 2000. During test check, no records could be shown to audit at 5¹² Blocks/ULB of the ZSS. Hence, the purchase was not free from doubt. Secretary, ZSS stated that the higher authorities would be moved for appropriate action.

¹² Nandahandi, Nabarangpur, Papadahandi, Tentulikhunti Blocks and Nabarangapur Municipality.

3.1.8 Training

As per the NLM guide line, the MTs and VIs were to be provided with 9 days training at Block and GP level in four spells i.e. 4 days before survey and Primer-I stage, 2 days before Primer-II stage, 2 days before Primer-III stage and 1 day before Evaluation and Final reporting.

Shortfall and deficiencies in training programmes

Scrutiny in ten ZSSs (TLC in two ZSSs completed by March 1997) revealed that the details of training programme conducted at block and GP levels were not available although monthly reports and returns were furnished. However, test check of records in 92 out of 152 blocks and ULBs revealed that percentage of shortfall in training programme for MTs and VIs was 31 and 37 respectively under TLC. Although VI Guide books were pre-requisite for training, the same were not procured by the Bhadrak and Rayagada ZSSs despite availability of funds. In the case of PLC, the shortfall in required training for VIs and MTs was 51 and 76 *per cent* respectively in 4 test checked ZSSs. Training of MTs and VIs in case of two blocks (Tihidi and Chandbali) under ZSS, Bhadrak was conducted after commencement of teaching.

While training programmes were inadequate for initial workers, there were 491 excess training days for supervisory staff (Resource Persons) in 8 ZSSs resulting in excess expenditure of Rs.0.80 lakh.

3.1.8.1 Staffing pattern

The NLM had sanctioned 97 full time staff at district level and 1506 in Block and Sub-block levels for the test checked 12 ZSSs. Against this, only 50 officials in district level and 458 members in block and sub-block levels were deployed, resulting in shortfall of 68 *per cent* of the required administrative staff despite availability of funds. As the TLC is implemented in campaign mode involving mass mobilisation of all sections of the society for the cause of literacy, the following workers were to be identified, enrolled and trained as per the guidelines.

1 Volunteer Instructor for 10 learners.

1 Master Trainer for 25-30 VIs.

1 Resource Person for 25-30 MTs.

3069 supervisors were engaged in excess

Records of 12 ZSSs revealed that against the requirement of 2,36,617 VIs, only 2,29,966 VIs were engaged for teaching 25.02 lakh of illiterates resulting in shortfall of 6651 VIs. But 3069 supervisory staff (MTs:2699 and RPs:370) were excess engaged.

Further, there was no full time appointment of Secretary/Project Co-ordinator in 9 out of 12 test checked ZSSs. Thus, the manpower management was deficient.

3.1.9 Monitoring and Evaluation

In the 12 test checked ZSSs, monitoring of the programme was ineffective as evidenced by delay in submission of monthly progress reports, non-aggregation of data from the Blocks/ULBs (4 ZSSs), shortfall in conducting executive meetings and non-verification of enrolment figures (2 ZSSs). At the state level also monthly review meetings were not being conducted regularly by the DME.

The above matter was demi-officially referred to the Commissioner-cum-Secretary to Government (July 2002); no reply was received (October 2002).

SECTION-B

FOREST AND ENVIRONMENT DEPARTMENT

3.2 Blockage of funds on construction of academic block and hostel buildings for Orissa Forest Rangers' College, Angul

Injudicious decision on construction of academic block and hostel building at a cost of Rs.64.80 lakh for Forest Rangers' College, Angul without ensuring the continuance of Rangers' training programme led to blockage of Government money.

Government accorded administrative approval (December 1992 and November 1993) of Rs.64.80 lakh for construction of an additional hostel building (Rs.18.95 lakh) and a two storied building for academic block (Rs.45.85 lakh) in Orissa Forest Rangers' College, Angul (FRC).

Scrutiny of records of the Principal, FRC, Angul revealed (May 2001) that the construction was entrusted to Orissa Industrial Infrastructure Development Corporation (IDCO) and Rs.64.80 lakh were released during 1991-96 of which Rs.31.00 lakh were placed (1991-92) with IDCO even before obtaining administrative approval. IDCO handed over the hostel constructed at a cost of Rs.20.41 lakh, to the Principal in May 1994 and commenced the construction of the academic block in November 1995 completing the same in September 1997 at a cost of Rs.44.52 lakh. Although IDCO requested the Principal to take possession of the academic block in November 1997, the Principal declined as the building was no more required because Rangers' Training in the College was discontinued from 1996.

Principal stated (May 2001) that the hostel building was used for accommodating the JFM and refresher trainees up to December 1998 and for the Forester and Forest Guard trainees during their combined examinations and also Passing Out ceremonies etc. In respect of the academic building he stated that the matter was referred to the Government. Subsequently, he took possession of the academic block in April 2002. However, despite taking possession of the building it had so far not been put to any use (November 2002). Meanwhile, due to delay in taking possession of the building, there had been additional expenditure of Rs.3.35 lakh on its watch and ward.

Although Government was aware (August 1995) that there would not be direct recruitment of Rangers in the next 5/6 years, it did not direct the stoppage of construction which commenced in November 1995. This led to blockage of funds of Rs.68.28 lakh on the construction of the additional buildings and maintenance expenditure.

The matter was referred to the Principal Secretary to Government, Forest and Environment Department (March 2002); no reply had been received (October 2002).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.3 Release of funds for construction of 35 health sub-centre buildings without acquisition of land

Release of Rs.1.63 crore for construction of health sub-centre buildings without acquisition of land led to blockage of Government money for over 3 years and denial of primary health care benefits to locations in districts.

Government sanctioned Rs.4.99 crore (March 1998: Rs.3.00 crore and March 1999: Rs.1.99 crore) for construction of health sub-centre buildings in 16 districts and Orissa Industrial Infrastructure Development Corporation (IDCO) was to be the executing agency. The agreement with IDCO (May 1999) *inter alia* provided that the Government would hand over the site free from all encumbrances and furnish annual work programme and that funds would be released in quarterly instalments as per requirement. IDCO was to complete construction within 18 months from the date of receipt of the first instalment or from the date of handing over possession of the site whichever was later.

Scrutiny of records of Director, Family Welfare, Orissa, Bhubaneswar (Director) revealed (May 2002) that Rs.4.92 crore was advanced to IDCO by May 1999 for construction of 125 health sub-centre buildings. It was noticed from the physical progress reports that 41 buildings (tribal area: 16 and non-tribal area: 25) to be constructed at a cost of Rs.1.63 crore were not taken up by IDCO (August 2002) for want of land (35 numbers), estimate or tender initiated (6 numbers). As a result, Rs.1.63 crore remained blocked with IDCO and Government of Orissa lost Rs.69.56 lakh by way of interest¹² during April 1999 to August 2002. Of the remaining Rs.3.29 crore, IDCO spent Rs.2.42 crore on 37 centres handed over (August 2002) and 47 centres were still under construction.

Director, while admitting the facts stated (October 2002) that despite several requests made to the Chief District Medical Officers concerned for selection of sites, no response was received from them and steps were being taken to select the sites. The reply was not tenable since entire funds were advanced to IDCO without ensuring availability of land in disregard of the provisions of the agreement.

The matter was demi-officially referred to the Department in August 2001. As there was no improvement, this was again referred (June 2002) to the Principal Secretary to Government for reply within 6 weeks followed by a reminder in August 2002. No reply was received (October 2002).

¹² Calculated at 12.5 per cent of Government's borrowing rate during 1998-99.

HOME DEPARTMENT

3.4 Establishment expenditure of Government Railway police not claimed from Railways

Failure of the IG (Finance) Orissa Police to claim reimbursement of cost of the establishment deployed with SER from the Railways led to unnecessary burden of Rs.76.09 lakh on the State Government.

As per the provisions of Indian Railway Financial Code, the cost of deployment of Government Railway Police (GRP) by the State Government (Government) was to be shared equally between the Government and Railways provided the staff strength of GRP was approved by the Railways. With effect from July 1993, the establishment expenditure, office expenses, contingencies, building rent, if any, etc. upto the level of Inspector General of Police (IG) exclusively in-charge of GRP, was also to be included in the above cost sharing arrangement. Orissa Police Manual and the Code *ibid* provide that Government was to raise the claim of annual reimbursement based on budget estimates of the year to be subsequently adjusted with reference to actual expenditure in the next financial year.

The office of Deputy Inspector General of Police (Railways), Cuttack functioning with staff strength of 21 since 1993-94, meant for GRP has been with South Eastern Railway (SER). The office was upgraded as IG (Railways) with effect from August 1997. Scrutiny of records revealed (May 2002/June 2002) that the IG (Finance) did not claim Rs.76.09 lakh from the Railways being 50 *per cent* of establishment expenditure of the office of the DIG/IG (Railways) incurred between August 1993 and March 2002. The IG (Finance) also did not have the details of staff approved by the Railways in respect of office of IG (Railways) for claiming reimbursement. The failure to prefer claims adversely affected the State finances in the form of loss of interest of Rs.29.48 lakh calculated at Government's borrowing rate of 12 *per cent* per annum.

IG (Finance) admitted the above and stated (October 2002) that action was being taken to prefer the claims.

The matter was demi-officially referred (June 2002) to the Principal Secretary to Government, Home Department for reply within 6 weeks followed with a reminder in August 2002. No reply was received (October 2002).

3.5 Blockage of capital on District Police Office buildings for over 3 years

Buildings constructed at a cost of Rs.34.05 lakh lying unused for over 3 years due to lack of infrastructure facilities of approach road etc.

Government approved construction of (i) residence of Superintendent of Police: Rs.8.84 lakh, (ii) District Police Office: Rs.14.98 lakh and (iii) District Forensic and Scientific Laboratory: Rs.5 lakh at Paralakhemundi in Gajapati District between February 1994 and March 1996 by the Orissa State Police Housing Welfare Corporation (OSPHWC). Accordingly, funds were released between February 1994 and January 1997.

Scrutiny of records of Superintendent of Police (SP), Gajapati District (October 2000, November 2001) and information collected subsequently revealed that OSPHWC completed the construction at a cost of Rs.34.05 lakh¹³ based on revised estimates pending approval and requested the SP to take possession of the buildings between March 1998 and July 1999. However, the SP did not take possession as of May 2002 as the buildings lacked facilities of approach road, compound wall, electricity and water supply connections which were not included in the original/revised estimates. Thus, the buildings constructed at a cost of Rs.34.05 lakh remained unused for over 3 years due to failure on the part of the technical committee¹⁴ in scrutinising the estimates. Consequently, there was also avoidable expenditure of Rs.7.75 lakh by way of rent towards hiring alternative accommodation during March 1998 to August 2002 which was continuing.

Government stated (September 2002) that due to paucity of funds, infrastructure works of the buildings could not be taken up although main building works were completed and steps were being taken to complete the same early. The fact however remains that incomplete estimates were approved by the technical committee resulting in inadequate construction and blocking of Government money and avoidable additional expenditure.

¹³ (i) Residence of SP: Rs.10.48 lakh, (ii) District Police Office, Gajapati : Rs.18.57 lakh and (iii) District Forensic and Scientific Laboratory : Rs.5 lakh.

¹⁴ Technical Committee comprised DG and IG of Police, Engineer-in-Chief-cum-Secretary to Government, Works Department, Chairman-cum-Managing Director, OSPHWC and Under Secretary to Government, Finance Department.

INDUSTRIES DEPARTMENT

3.6 Unfruitful expenditure on woollen carpet weaving training

Expenditure of Rs.1.91 crore incurred under the woollen carpet weaving training programme for predominantly rural poor women was unfruitful; only 23 per cent of the trained artisans were provided employment during 1993-2001.

The woollen carpet weaving training programme was introduced (1989-90) in the State under the State Plan Scheme "Promotion of Handicraft Industries" with the aim of creating additional avenues for self employment for women belonging to the weaker sections. The scheme was initially implemented in 6 districts¹⁵ by the Director of Handicrafts and Cottage Industries, Orissa (Director) from 1993-94 onwards through the District Cottage Industries Officers (DCIOs). Technical support for the programme was arranged with an Uttar Pradesh (UP) based firm. The agreement with the firm covering a period of five years effective from April 1994 *inter alia* provided that while stipend would be disbursed to the trainees directly by Government, raw materials, designs, technical personnel¹⁶ and other inputs for training would be provided by the firm which would take back the materials used in training. The expenditure on wages to the technical personnel was, however, to be borne by Government.

Test check of records (September 2001) and information collected subsequently (February 2002) revealed that to provide self employment to 3000 artisans, Government decided (June 1993) that 1000 looms would be supplied to the artisans by 1995-96 by arranging interest bearing loans from Khadi and Village Industries Corporation (KVIC). However, only 628¹⁷ looms could be arranged as of June 2002. An expenditure of Rs.1.91 crore was incurred on the scheme between 1993 and 2001 to train 7145 artisans against the target of 8256 artisans. Although the agreement provided payment of stipend of Rs.750 per month, during the training period they were actually paid stipend of Rs.150 per month. Of the 7145 artisans trained, only 1611 (23 per cent) were producing carpets on their own looms. The monthly wages received from the firm by an employed artisan averaged only to Rs.450 during 2001-02 as against the minimum wage of Rs.40 per day fixed by the Government for an unskilled labour. The training imparted was incomplete as the follow up stages of training like processing, colour separation, clipping, washing etc. were not extended to the artisans. Resultantly, 5534 out of 7145 artisans could not find employment.

¹⁵ Khurda(Bhubaneswar), Cuttack, Dhenkanal, Puri, Jagatsinghpur and Nayagarh.

¹⁶ Master craftsmen (MCM) and Assistant Master craftsmen (AMCM).

¹⁷ 353 from KVIC, 107 from DRDAs and 168 idle looms of closed training centres on hire purchase basis.

The Director while admitting the facts stated (August 2002) that the number of training centres was gradually reduced from 33 in 1993-94 to 6 in 2000-2001 and added that steps were taken to promote establishment of carpet units by private entrepreneurs on availing assistance under different poverty alleviation programmes like Prime Minister's Rojgar Yojana (PMRY) etc. Government endorsed (August 2002) the views of the Director in the matter.

The reply was not acceptable since all that the programme achieved was training of artisans at Government cost and employment of only 23 per cent of these by a private firm as wage earners that too in a process with low value addition as no training was imparted on processing colouring etc. The fact that the remaining trained artisans were awaiting employment for periods ranging from 1 to 8 years reflected that the steps taken to create avenue for self employment were not effective.

SCHOOL AND MASS EDUCATION DEPARTMENT

3.7 Irregular extension of TBA scale of pay to staff of schools taken over by Government

Undue extension of TBA scales of pay to teaching/non-teaching staff of taken over schools before completion of specified 15 years of service under Government as per ORSP Rules 1998 led to irregular payment of arrears of pay of Rs.2.36 crore.

The Orissa Revised Scale of Pay Rules (ORSP Rules) 1998 effective from 1 January 1996 provided time bound advancement (TBA) to the Government servants on completion of 15 years (20 years in respect of Class IV employees) of service in a grade/post as on 1 January 1996 or thereafter. Accordingly, all the teaching and non-teaching staff of Government schools fulfilling the above criterion were eligible for the benefits under TBA scheme.

The School and Mass Education Department (SMED) had taken over the assets, management and control of 2929 High Schools and 4630 Upper Primary Schools and staff during 1991-94 treating them as government servants from the dates of such take over. SMED instructed (December 1999) their field formations not to extend the TBA benefit and not to disburse arrears of salary on this account to the staff of taken over schools since they had not completed the specified period of 15 years of service under the Government.

The ORSP Rules, 1998 specified that persons eligible for TBA should have completed 15 years or more in a particular grade. None of the employees in the taken over institutions could have completed more than 7 years service in a particular grade as the earliest date of take over was effective from April 1991. Therefore, extension of the TBA benefit to such employees was irregular.

Scrutiny of records of 5 Inspector of Schools and 2 District Inspector of Schools (DIS) revealed that TBA benefit was allowed to 2166 employees resulting in irregular payment of arrears of Rs.2.36 crore¹⁸.

The Financial Advisor-cum-Joint Secretary to Government stated (May and October 2002) that the issue had been referred to Finance Department and the information called for on the matter by the latter was under collection.

3.8 Blockage of Capital in construction of Plus 2 Science College building

Inadequate pre-construction survey and unauthorised deviation in specification during execution led to cost escalation and the project remained incomplete for over 2 years for want of additional funds.

Government sanctioned (March 1997) Rs.50 lakh to Director, Higher Education (DHE) for construction of a building for opening a Plus 2 Science College at Ayeba in Kendrapara district. Orissa Industrial Infrastructure Development Corporation (IDCO) was entrusted with the execution of the work. An agreement was signed (April 1998) between Government and the IDCO which *inter alia* provided that the agency was to execute the work as per approved drawing specifications. The estimated cost of the work was Rs.56.78 lakh allowing 20 *per cent* increase on the civil works since the same was calculated at the Schedule of Rates of 1994 and labour rates of 1996. All payments made to IDCO by DHE were to be treated as works advance for completion of work within one year from the date of placement of such funds. The agreement also provided that any proposal for alteration or likely escalation, deviation or revision of estimates during execution would require prior approval of Government.

Scrutiny of records of DHE revealed (July 2001) that although DHE placed entire funds of Rs.56.78 lakh with IDCO (Rs.50 lakh in May 1998 and Rs.6.78 lakh in April 2001), the work remained incomplete as of May 2002. It was, further noticed that IDCO came up (April 2000) with a revised estimate of Rs.89.01 lakh on account of change of specifications due to poor quality of soil (use of 9.00 M deep double underground bored piles in place of 5.00 M piles) execution of extra items (Rs.20.68 lakh) and other items (Rs.11.55 lakh). In the absence of further release of funds the work was stopped in June 2000. Thus, absence of adequate pre-construction survey leading to change of specification midway resulted in overall escalation of project cost by 64 *per cent* and Rs.56.78 lakh spent on construction of the building remained blocked as the building remained incomplete as of May 2002.

¹⁸ (i) IS, Balasore : Rs.61.06 lakh (905 employees for January 1996 to July 1999), (ii) IS, Bolangir : Rs.13.00 lakh (139 employees for January 1996 to October 2000), (iii) IS, Kalahandi : Rs.37.08 lakh (256 employees for January 1996 to March 2001), (iv) IS, Keonjhar : Rs.23.90 lakh (195 employees for January 1996 to February 2001), (v) IS, Khurda : Rs. 89.09 lakh (558 employees for January 1996 to July 2001), (vi) DIS, Balasore : Rs.8.47 lakh (79 employees for January 1996 to May 2001) and (vii) DIS, Sonepur : Rs 3.84 lakh (34 employees for January 1996 to June 2001).

Government stated (October 2002) that IDCO was not accorded permission for effecting deviation in design and estimates during execution and as such additional funds could not be sanctioned. It was further, added that Works Department had been requested in February 2001 for concurrence to the revised estimate which was still awaited. The fact however remains that the buildings remain incomplete and work has not restarted since June 2000. The matter was under correspondence for over 2 years resulting in blockage of capital.

3.9 Non-realisation of sale proceeds of Nationalised Text books

427 Sub-Inspectors of Schools of 29 districts defaulted in remitting sale proceeds of NT Books of Rs.53.20 lakh into treasury during 1991-2002.

The publication and supply of the (NT) books for school students from Classes 1 to 7 of the State rests with the Director, Text Book Production and Marketing, Bhubaneswar (TBPM). The Director, Elementary Education was to consolidate the block-wise requirements and place a requisition with the TBPM for supply of books at the Block headquarters. The Sub-Inspectors of Schools (SIs), were to maintain the stock account, realise sale proceeds and remit the same into the treasury within two days from the date of sale. While the Block Development Officers (BDO)/District Inspectors of Schools (DIs) would make frequent checks and monitor the programme of distribution of NT books in their respective areas, TBPM would conduct audit every year on sale of the books and deposit of the sale proceeds.

Scrutiny of records (November 2001) of Director, TBPM and information collected subsequently revealed that Rs.53.20¹⁹ lakh collected by 427 SIs in 240 Blocks of 29 districts between August 1991 and November 2001 was not remitted into the treasury as of June 2002. This was in violation of orders of Government which might lead to misappropriation of Government money.

Director, TBPM while admitting the facts stated (June 2002) that several reminders were issued to the defaulting SIs for deposit of the outstanding sale proceeds into the treasury. There was, however, scope for the Director, TBPM to take further departmental action to realise the dues as these were long over due. The Department may therefore, conduct thorough investigation into the matter and bring the defaulting SIs to book since retention of Government money with them for such long periods violated all norms of financial propriety.

The matter was demi-officially referred (July 2002) to the Commissioner-cum-Secretary to Government for reply within 6 weeks followed by a reminder in September 2002. No reply was received (October 2002).

¹⁹ Outstanding position as of December 2001.

SPORTS AND YOUTH SERVICES DEPARTMENT

3.10 Non-functioning of youth hostel at Gopalpur-on-sea

Youth hostel at Gopalpur-on-sea, Ganjam constructed at a cost of Rs.64.07 lakh in April 1995 was lying unutilised.

Under the Youth Hostel Scheme of Government of India, the State Government (Government) was to make available to the Central Government a fully developed plot measuring 1.5 to 2 acres free of cost for construction of youth hostels. The Central Government would construct the youth hostel and lease it to the State Government for 99 years at a nominal rent of Re.1 per annum.

Scrutiny of records of District Sports Officer (DSO) Ganjam, Chatrapur revealed (June 1999) that the youth hostel at Gopalpur-on-sea constructed at a cost of Rs.64.07 lakh and handed over to DSO in April 1995 remained non-functional as of March 2002. Further, it was noticed that GOI's draft for Rs.1.60 lakh received in September 1996 for purchase of furniture and furnishings of the Youth Hostel could not be encashed as the same was drawn in the name of the Director instead of the Assistant Director. However, the draft was returned (May 1997) to GOI by the Director of Sports and Youth Services after a lapse of 8 months by which time funds sanctioned by GOI for 1996-97 had lapsed. It was only in June 2002 that the matter was again taken up with GOI for placement of above funds. There were also cases of theft of glass and electrical fittings between April 1997 and February 2000 due to inadequate watch and ward. Although Hostel Management Committee was formed, no effective steps were taken to operationalise the youth hostel. Director of Sports and Youth Services stated (February, June, July 2002) that the external service for electricity, water, sewage and compound wall were provided between February 1997 and December 2001 as no plan of the building was supplied by the CPWD but by then the building had dilapidated during the super cyclone in October 1999. Government endorsed (September 2002) the views of the Director.

The reply was silent about why the provision of water connection was thought of after the building was handed over and why the construction of compound wall took 6 years and if the building had been dilapidated as claimed why compound wall was constructed at all. Besides, there was abnormal delay in seeking equipment grant from GOI as stated above. The inefficiency on the part of the DSO and the Director has made the Youth Hostel constructed at a cost of Rs.64.07 lakh useless and denied the benefit to the target group.

TOURISM AND CULTURE DEPARTMENT

3.11 Establishment of a golf course on forest land

Rs.41.39 lakh incurred on the sites for developing golf course which were ultimately abandoned.

To attract affluent tourists and for providing employment to 100 families, Government contemplated (April 1991) development of a golf course of international standard at Bhubaneswar. Accordingly, Government land measuring 128.597 acres was taken over by the Department in March 1993. In order to arrest the encroachment of the area by unauthorised people, Government approved (October 1994) construction of a compound wall at an estimated cost of Rs.48.92 lakh by the Orissa Tourism Development Corporation (OTDC) and released Rs.41.92 lakh (October 1994 : Rs.20 lakh and March 1996 : Rs.21.92 lakh) to the OTDC.

Scrutiny of records of Director, Tourism (Director) revealed (March 2002) that Government decided (June 1996) to abandon the site due to encroachment. By then, expenditure of Rs.8.88 lakh had already been incurred for construction of the compound wall. An alternative forest land measuring 150 acres was identified and Government entrusted (March 1998) the work of developing the Golf course to Regional Plant Resource Centre (RPRC) a Non-Government Organisation. As per orders of Government (March 1998), OTDC placed the remaining funds amounting to Rs.33.04 lakh with the RPRC between March and June 1998 who after submitting (March 1999) the plan and estimate of the work at the new site started executing the work even before Government's approval and incurred an expenditure of Rs.32.51 lakh as evidenced by the utilisation certificates submitted by the RPRC in October 1999. However, in the Tourism Advisory Committee meeting (January 2002) chaired by the Chief Minister, this site was also abandoned for reasons not on record and a new site covering forest land of 100 acres close to Nandan Kanan was chosen. Thus, due to indecision in selection of sites for the golf course, expenditure of Rs.41.39 lakh incurred on abandoned sites was rendered infructuous.

Government stated (September 2002) that the matter had been referred to the executing agencies and reply would be furnished on receipt of information from them.

**WATER RESOURCES AND FISHERIES AND ANIMAL
RESOURCES DEVELOPMENT DEPARTMENT**

3.12 World Bank aided projects

3.12.1 Introduction

3.12.1.1 Project formulation, objective and funding

The State Government has been implementing following 3 State Plan projects with credit from International Development Association (IDA) under agreements signed between Government of Orissa, Government of India and IDA in respect of 2 projects under Orissa Water Resources Consolidation Project (OWRCP) from 1994-95 and 1 project under Shrimp and Fish Culture Project (SFCP) from 1992-93 onwards. Details of projects were as below:

SL. No	Name of the Project	Object in brief	Implementing authorities	Estimated cost	Implement-ation period
1	2	3	4	5	6
1.	Mahanadi Chitrotpala Island Irrigation Project (MCIIIP)	To provide irrigation to 19542 ha. reduced to 15342 ha. of Cultivable Command Area in the island bounded by Chitrotpala-Mahanadi and Mahanadi-Paika river	Chief Engineer, Naraj and Chitrotpala Projects under OWRCP	Rs.39.93 crore revised to Rs.150 crore	1988-89 to 2001-02
2.	Naraj Barrage Project	To ensure continuity of irrigation to 2.06 lakh ha. of land, improving flood protection and additional all weather road connection between Bhubaneswar and Cuttack.	Chief Engineer, Naraj and Chitrotpala Projects under OWRCP	Rs.117.05 crore revised to Rs.203.77 crore	1994-95 to 2001-02
3.	Shrimp and Fish Culture project	Increase in shrimp and fish production leading to increased exports and land protection etc.	Director of Fisheries, Orissa, Cuttack under Fisheries and Animal Resources Development Department	Rs.70.13 crore revised to Rs.68.55 crore	1992-93 to December 2000

3.12.1.2 Implementation structure

The projects under OWRCP were being executed by the Chief Engineer (CE) Naraj and Chitrotpala (NC) Projects assisted by 5 Executive Engineers (EE) and 2 Superintending Engineers (SE) and the Shrimp and Fish Culture Project was being implemented by the Director of Fisheries while the State Project Unit was responsible for overall monitoring of the SFCP.

Mention was made in earlier Audit Reports (Civil) about excess payments and other irregularities in execution of the MCII Project (Rs.1.50 crore) and the Naraj Barrage Project (Rs.7.33 crore), as detailed below:

Reference to Audit Report	Reference to audit paras	Nature of irregularities	Money value (Rupees in crore)
(A) MCII Project			
1996-97	4.23	Overpayment to contractor	0.78
	4.30	Extra contractual benefit	0.09
2000-2001	4.2.7.5 (8), (9), (14), (15)	Excess and irregular payments	0.42
	4.2.7.6 (6)	Extra expenditure	0.21
Total			1.50
(B) Naraj barrage Project			
1997-98	4.1.8 (I) (ii) (vii)	Excess and irregular payments	4.00
2000-01	4.2.5.7	Avoidable extra payment	0.49
	4.2.7.5 (1), (14)	Excess payments	0.41
	4.2.7.9 (i)	Short recovery from contractor	2.43
Total			7.33

The following further points were noticed in Audit.

3.12.1.3 Progress and Project evaluation

Physical target and progress of work in respect of the MCIIP and the Naraj Barrage Project were as under:

Sl. No.	Item of work	Target	Achievement	Percentage of achievement
1	2	3	4	5
MCII Project				
1.	Main canal and branches (in km)	132.35	98.42	74.36
2.	Distributaries and Minors (in km)	192.46	65.23	33.89
3.	Structures in Main Canal and branches (Nos)	380	287	75.52
4.	Structures in Minors	388	174	39.69
Naraj Barrage Project				
1.	Bays(Nos)	46	42	97
2.	Gates(Nos)	46	Nil	0

As of March 2002, only 50 per cent of excavation of canal system and 60 per cent of construction of structures of the MCIIP were executed. As regards Naraj Barrage Project, the works were complete except installation of gates (46 numbers) and 4 bays left incomplete for execution of gate works. A monitoring cell was functioning under the supervision of the Assistant to CE, NC Project, Cuttack since inception to monitor the progress of execution. But no effective monitoring was done which resulted in massive cost and time overrun. The physical achievement in different components under SFCP was 33 and 85 per cent as detailed in the Appendix XX.

3.12.1.4 Benefit Cost Ratio

Decline in BCR rendered the MCIIP project economically unviable

In the original project report of MCIIP, the Benefit Cost Ratio (BCR) was 2.247 which declined to 1.66 in the revised estimate of August 1998. The BCR had not been re-assessed even though the expenditure exceeded the revised estimate. However, with cost escalations including Rs.39.73 crore required to complete the work, the BCR as worked out in audit has declined to 1.05 as against minimum norm of 1.5. The project thus, turned out economically unviable. As regards Naraj Barrage Project, the BCR was not worked out on the ground that it was in replacement of the existing weir and no additional ayacut was involved.

3.12.1.5 Audit coverage

Implementation of the projects during 1997-2002 was reviewed in audit during January to April 2002 by test check of records of the CE, 5 EEs, Financial Adviser and Chief Account Officer, NC Projects and Fisheries and Animal Resources Development Department, Finance Department, Director of Fisheries, Orissa, Cuttack and Fishery Engineering Division, Bhubaneswar. The State Monitoring and Co-ordinating Committee headed by the Secretary of Fisheries was responsible for implementation of SFCP.

The results of the review are discussed in the succeeding paragraphs.

3.12.1.6 Financial outlay and expenditure

Details of funding for the projects were as below:

Sl. No.	Name of the Project	Estimated cost	Budget provision from 1988-89 to 2001-02	Expenditure upto 2001-02 ²⁰	Percentage increase over project cost
(Rupees in crore)					
1	2	3	4	5	6
1.	MCIIP	150.00	173.42	175.66 ²¹	17
2.	Naraj Barrage Project	203.77	192.84	174.76	--
3.	SFCP	68.55	45.61	38.60	--

²⁰ As per Finance Account upto 2000-01 and departmental figure 2001-02.

²¹ Includes expenditure of Rs.22.16 crore incurred during 1988-89 to 1993-94 prior to World Bank assistance.

Though the expenditure in respect of MCIIP exceeded the revised project cost (though not sanctioned) by 17 *per cent*, the project still remained incomplete. Further, the expenditure in excess over the budget provision needs regularisation by the Department. No step was taken to evaluate the project in view of the increased cost nor the revised estimate sanctioned to regularise the excess expenditure.

WATER RESOURCES DEPARTMENT

3.12.2 Mahanadi Chitrotpala Island Irrigation Project

There was cost overrun of Rs.175.46 crore

The Project started in 1988-89 under State Plan at an estimated cost of Rs.39.93 crore to provide irrigation to 19542 Ha. of Cultivable Command Area (CCA) in the islands bounded by Mahanadi-Chitrotpala and Mahanadi - Paika rivers. Expenditure of Rs.22.16 crore was incurred upto 1993-94 under State Plan. Progress was slow due to paucity of funds and the same was included under Orissa Water Resources Consolidation Project (OWRCP) with revised (1995) estimated cost of Rs.130.95 crore under World Bank funding with reduced irrigation potential of 15342 Ha. of CCA. The estimated cost was further revised (1998) to Rs.150 crore rescheduling completion by June 2002. The revised estimates were not sanctioned as of March 2002. Though expenditure of Rs.175.66 crore was incurred upto March 2002, only trial irrigation to 7000 Ha of land (46 *per cent*) was reportedly provided during Kharif 2001. Further, Rs.39.73²² crore were required to complete the balance works in respect of excavation/construction/re-modeling of canal, protection works, excavation of drainage channel, construction of service road etc. In comparison to the physical achievements so far made vis-a-vis expenditure incurred, the cost of balance works is likely to go up further. Completion of project by June 2002 was not achieved since extension of time was granted to some of the contractors upto July 2003. Thus, there was cost overrun of Rs.175.46 crore (439 *per cent*).

3.12.2.1 Delay in Land Acquisition

Against the requirement of 464.78 Ha. of private land for the canal system, possession of only 251.21 Ha.(54 *per cent*) was taken (February 2002). Against 327.59 Kms. of canal system scheduled for excavation by March 2001, only 163.65 Kms (50 *per cent*) were completed as of March 2002. 25 Land Acquisition (LA) cases involving acquisition of 18.71 Ha. of land were not initiated by the department as of March 2002. Out of 16.97 Ha. of land requisitioned (April 1996 to June 1999) in 10 cases, proposal for 6 Ha. were withdrawn (August 2001 to March 2002) by the department due to change of alignment of the canal thereby causing delay in LA process. In other cases, LA proceedings were at different stages. Due to non-acquisition of requisite land, there was delay in achieving the desired progress in canal system with consequential cost escalation.

²² Liability on ongoing contracts Rs.32.50 crore + works awaiting finalisation of tender Rs.7.23 crore at the estimated cost.

3.12.2.2 *Delay in rendition of Land acquisition accounts*

LAOs did not render accounts for Rs.2.72 crore

Against estimated cost of Rs.10.50 crore for land acquisition, Rs.10.88 crore were drawn and deposited with 3 LAOs (Cuttack, Jagatsinghpur and MCIIP) during 1991-2002 for payment of compensation to land owners. Instead of accounting the above amount under 'LA suspense' as per the codal procedures, the FA & CAO irregularly debited the amount as final expenditure to the project. The LAOs, rendered accounts for only Rs.8.16 crore as of September 2002. Of the unspent balance of Rs.2.72 crore, Rs.33.13 lakh remained with the LAO (Civil) Cuttack since 1994-95 (Rs.21.41 lakh) and 1995-96 (Rs.11.72 lakh). No steps were taken to pursue expeditious acquisition of land and disbursement of compensation.

3.12.2.3 *Acceptance of tenders with high percentage of excess over estimates*

Failure to carry out negotiations to arrive at reasonable rates led to extra liability of Rs.18.29 crore

Bids for 37 packages were accepted between 1995-2002 for Rs.68.75 crore at 12 to 56 *per cent* excess over the estimated cost of Rs.50.46 crore without negotiations. As the estimated cost included 15 *per cent* overhead charges over prime cost and 10 *per cent* towards hidden labour, the estimates were reasonable. Thus, failure to negotiate led to extra liability of Rs.18.29 crore over the estimated cost (Appendix-XXI).

3.12.2.4 *Undue benefit to a contractor*

Payment at higher rates resulted in undue benefit of Rs.42.71 lakh to a contractor

Remodeling of Kendrapara canal from RD 1650 to 11887 M was awarded (December 1998) to a contractor at Rs.21.52 crore for completion by November 2001. EIC after inspecting the site (March 1999) directed removal of the clay deposits, wherever such strata was encountered to a depth of 0.6 metre and fill it with clean coarse sand to improve drainage below the lining. The contractor removed 66,069 cum of clay deposits from canal bed and filled 45,865 cum of sand and was paid at the rate of Rs.70 and Rs.100 per cum respectively (September 2001). Since the rate for excavation included items like shoring, shuttering and utilising excavated earth which were not required, the rate of Rs.70 per cum for removal of clay deposits from canal was unjustified and the contractor was entitled to only Rs.19.60 per cum as per schedule of rates. Thus, the contractor was granted undue benefit of Rs.33.30 lakh for removal of 66,069 cum of clay deposits. Similarly, sand filling in canal bed after removal of clay deposits did not require shuttering and coffer dam etc. for which the rate was higher by Rs.20.52 per cum. Thus, payment for sand filling of 45,865 cum at the rate of Rs.100 per cum instead of Rs.79.48 per cum resulted in undue benefit of Rs.9.41 lakh.

3.12.2.5 *Failure to enforce the contract conditions resulting in loss*

Failure to enforce contract conditions resulted in infructuous expenditure of Rs.1.15 crore and extra cost of Rs.1.02 crore

Construction of the Link Canal from RD 00 to 8.679 km was awarded (February 1996) to a contractor for Rs.11.85 crore. The supplementary contract provided *inter alia* for installation of pressure release valves and crack inducing joints in the concrete lining at a cost of Rs.1.15 crore. The SE during inspection observed (November 1997) that the pressure release valves and crack inducing joints had been removed by miscreants. As per conditions of the contract, any damage to the structure/work during the course of execution was to be made good by the contractor at his cost and risk. Instead of insisting the contractor to make good the damages, the CE advised to fill up the joints with bituminous compound to avoid damage to the concrete lining. However, this was not done.

The World Bank mission during inspection observed (January 2000) that the removal of pressure release valves and crack inducing joints adversely affected the under drainage system and cracks of significant nature occurred at some locations of concrete lining. The mission suggested (January 2000) immediate remedial action to prevent water from reaching any potentially troublesome foundation material. No remedial action was taken as of September 2002. Thus, failure of the department to enforce the contract conditions rendered the expenditure of Rs.1.15 crore largely infructuous.

The agreement further, stipulated that the execution was to be carried out in such manner that all the useful material available from the cutting portions were utilised in the embankment formation before borrowing earth from outside. Accordingly, the rates quoted by the contractor for excavation of all kinds of soil in cutting portions included charges for its transportation to the filling reaches. Of the 1.98 lakh cum of all kinds of soil available out of excavation, only 0.23 lakh cum soil was utilised in the filling portions. Balance 1.75 lakh cum of cutting earth was reportedly not utilised in the filling section but 1.75 lakh cum earth was brought from borrow areas with extra cost of Rs.1.02 crore. This calls for investigation.

3.12.2.6 *Loss due to departmental lapses in insurance coverage*

Failure to ensure insurance cover as per contract conditions led to loss of Rs.29.89 lakh

The above contractor of the link canal after executing work valued at Rs.15.55 crore, abandoned (August 1999) the work and the contract was closed (March 2000) without penalty. Super cyclone (October 1999) damaged the bank slopes and lining work. The damaged canal was repaired at a cost of Rs.29.89 lakh (November 2000 to March 2001). As per conditions of the contract, the contractor was required to insure the work from the commencement date to the end of Defect Liability Period i.e 180 days after completion date. Extension of time having been granted upto August 1999, the Defect Liability Period was upto February 2000 and hence the insurance coverage during this period could have compensated the loss due to super cyclone. As insurance cover as per contract conditions was not available, the department could not claim the cost of repair of Rs.29.89 lakh. Since the security deposit was released (May 1999 to March 2000) to the contractor and only Rs.3.63 lakh was available, there was no scope for recovery from the contractor also.

3.12.2.7 *Extra expenditure due to change in size of aggregate*

Non-enforcement of contract conditions resulted in sub-standard execution of work despite extra expenditure of Rs.31.15 lakh

The above contract provided for 19146 cum of cement concrete lining of canal with 40 mm downgraded crushed hard granite aggregate at the rate of Rs.2180 per cum. Technical specification of the contract stipulated that the contractor was to effectively compact and finish the lining with paving and finishing machine to design section and thickness, if necessary by use of richer mix without any extra cost. After execution of 638 cum of lining, the Engineer-in-Chief (EIC) on inspection observed (January 1997) that finishing of the work was not as smooth as required and some times the surface was made smooth by use of extra mortar manually. Instead of insisting that the contractor ensured the quality of the work, the EIC instructed for concrete lining with 20 mm downgraded aggregate in place of 40 mm downgraded. The rate for concrete with 20 mm downgraded aggregate was approved (August 1997) for Rs.2323.50 per cum. Accordingly, payment for execution of 21,707.162 cum of concrete with 20 mm downgraded aggregate amounting to Rs.5.04 crore was made (October 1999) to the contractor resulting in extra expenditure of Rs.31.15 lakh.

The World Bank Mission while inspecting the site observed (January 2000) that the finish and workmanship of the concrete surface was not of desired quality and suffered from honey comb patches at places. Thus, failure of the department to enforce contract conditions resulted in sub-standard execution of the work despite extra expenditure. No responsibility was fixed for such defective work.

3.12.2.8 *Inadmissible payments*

Inadmissible payment of Rs.21.79 lakh towards filling back of structures

(a) The technical specifications of the National Competitive Bid contracts executed during 1996-99 for construction of the Mahanadi Left and Right Canals provided that the cost of back fill of structures was included in the applicable price bid for excavation of foundation of the structures. Despite that, a separate item was included in 12 agreements regarding back fill of foundation of the structures with excavated materials at rates varying between Rs.10 and Rs.25 per cum which resulted in undue payment of Rs.10.10 lakh towards 0.53 lakh cum of back fill. Apart from this, Rs.11.69 lakh was paid to a contractor towards filling back of the sides of structures near the Cross Drainage-cum-escape at RD 26.285 of the Mahanadi Left Canal with 3307.29 cum of morum by drawal of supplementary agreement.

Irregular payment of Rs.17.96 lakh for base stripping and lead channels

(b) The technical specification for construction of the Link Canal required execution of base stripping works before construction of embankments. The contract rates for earth works were inclusive of the base stripping works and no extra payment was admissible. Despite clear contractual provisions, the Executive Engineer unauthorisedly and irregularly paid Rs.17.96 lakh for execution of 64,377 cum of base stripping.

Payment of irregular escalation charges of Rs.26.94 lakh

(c) Tender for the work "Construction of Link Canal RD 00 to 8.679 km" was opened in December 1995 and was awarded (February 1996) for completion by February 1999. As per price escalation clause, the base period for calculation of price escalation was from the date of opening of tender. Six

extra items were however, executed by sanction of rates in August 1996. While calculating the escalation, the value of work executed under extra items was also included with the original value of work and base period taken as December 1995. Since the rates for extra items were approved at a latter date (August 1996) on mutual consent, there was no justification for payment of escalation on extra items from December 1995. As a result, Rs.26.94 lakh paid to the contractor on this account was irregular and unauthorised.

3.12.2.9 *Excess payment in disregard to contract provisions*

Excess payment of Rs. 16.42 lakh for earth work disregarding contract conditions

Agreements executed (March 1996) for “Raising and strengthening of Paika side embankment for protection of canal system (gap closing 3 & 4)” provided *inter alia* for execution of earth work of 88,470 cum by head load and 51,838 cum by mechanical means and the contractors were to borrow earth at their own cost without any compensation for change in leads and locations of borrow areas. Against the above provision, the contractor completed the works (July 1998/March 2000) by executing 26,877 cum of earth work by head load and 1,05,320 cum by mechanical means on the plea that sufficient earth was not available by head load.

For 53,482 cum by mechanical means the department had to incur extra expenditure of Rs.16.42 lakh. According to the EE (January 2002) as no earth was available nearby, the contractor brought the earth by mechanical means. The reply was not tenable since the contract specifically mentioned that the contractor had to borrow the earth at his own cost.

3.12.2.10 *Undue benefit to contractors towards reimbursement of Sales Tax*

Excess payment and undue benefit of Rs.57.33 lakh to the contractors towards reimbursement of Sales Tax

As per extant orders, deduction of 4 *per cent* towards sales tax were to be effected from works contracts. The notice inviting the tender as well as the contract conditions stipulated that the rates were inclusive of all taxes, duties etc. However, another clause was incorrectly included in the contract that sales tax on completed items of works as may be levied would be reimbursed. Accordingly, Rs.57.33 lakh was reimbursed to 10 contractors (Appendix-XXII). Since the sales tax component was included in the rates, subsequent reimbursement constituted undue benefit to the contractors.

3.12.2.11 *Avoidable payment towards escalation*

Avoidable payment of Rs.12.55 lakh towards escalation

As per instructions contained in the Procurement Guidelines of the World Bank, price adjustment provisions were not necessary for works scheduled to be completed within 18 months. Contrary to these instructions, price adjustment clause were included in the bid documents for the work “Excavation of minors and sub-minors of Mahanadi Left Canal from RD 00 to 28.00 km” though scheduled period of completion was 18 months. While communicating approval for award of the work, Government instructed (July 1998) deletion of price adjustment clause. This clause was however not deleted by the CE on the ground that this clause was included in the bid documents and deletion at that stage might invite contractual complication. On the plea of scattered nature of work and slow pace of land acquisition and on

the recommendation (August 1998) of the CE, Government revised (June 1999) the scheduled period of completion to 24 months, whereby the contractor became eligible for escalation. The plea of the CE was not tenable since the nature of work and pace of land acquisition was well known when the Government approved (July 1998) the tender. Thus, subsequent providing price adjustment clause resulted in paying Rs.8.95 lakh (March 2002) towards escalation.

Similarly, Rs.3.60 lakh was paid (January 2002) towards price escalation for the work "Excavation of minors and sub-minors of Chitrotpala Right Canal" though the scheduled period of completion was 18 months. The extra expenditure aggregated to Rs.12.55 lakh for which no responsibility was fixed.

3.12.2.12 *Unproductive expenditure on surplus Work Charged and NMR staff*

Entertainment of surplus Work charged and NMR staff without work led to an unproductive expenditure of Rs.15.17 crore

Extant rules provided that employment of persons under work charged establishment for a particular work would cease on completion of the project. Contrary to these provisions, 302 Work Charged and 214 NMR staff of the completed Mahanadi Birupa Barrage Project were diverted to MCIP. Expenditure on these surplus staff during 1990-91 to 2001-2002 was Rs.14.97 crore. Since the works of the Mahanadi Chitrotpala Island Irrigation Project were executed on item rate contracts, the above staff were employed without any work.

Apart from above, Rs.20.00 lakh was spent between 1991-2000 on engagement of additional labour despite ban (November 1981) imposed by the Government and surplus staff already available. Thus, the total unproductive expenditure was Rs.15.17 crore. EEs and the SE stated (April 2002) that the redeployment had been carried out as per order of the Chief Engineer.

3.12.3 *Naraj Barrage Project*

Naraj Barrage Project was started in 1994-95 in replacement of old dilapidated weir across river Kathajodi in order to (i) ensure continuity of irrigation to 2.06 lakh ha. of land (ii) improve flood protection and (iii) provide additional all weather road communication between Bhubaneswar and Cuttack. The project, estimated at Rs.117.05 crore was funded by World Bank under OWRCF. The estimate was subsequently revised to Rs.203.77 crore (Rs.176.77 crore under OWRCF and Rs.27 crore under AIBP) which was yet to be sanctioned. The project was scheduled for completion by September 2002. Expenditure on the project was Rs.174.76 crore as of March 2002. World Bank reimbursed Rs.134.24 crore against expenditure of Rs.158.82 crore by 2000-01 and balance was met from State funds. The claim for 2001-02 has not been finalised (September 2002).

The following points were noticed in audit.

3.12.3.1 Loss of assistance

Due to award of work to OCC, Government lost World Bank assistance of Rs.26.79 crore

World Bank guidelines stipulated that no finance would be available for work executed through corporation/agencies controlled by the State Government. Orissa Construction Corporation (OCC), a State public sector undertaking was awarded (May 2001/January 2002) the gate and civil works of barrage for Rs.26.79 crore. As a result, the World Bank decided to delete these works from OWRCP and consequently the State lost the World Bank assistance. These components of the Barrage work were being executed under Accelerated Irrigation Benefit Programme (AIBP) financed by the Government of India.

3.12.3.2 Extra liability due to non-synchronisation in execution of different components

Non-synchronisation in execution of different components resulted in wasteful expenditure of Rs.0.48 crore and additional liability of Rs.2.03 crore

The civil works portion of the Naraj Barrage project was awarded (August 1996) to a contractor stipulating completion by August 2001, whereas the gate works had not commenced as of March 2002. Since erection of the gates after completion of the civil works would not be feasible due to submergence of the working area, the Department, in consultation with the Technical Advisory Committee (TAC) decided to stop construction of 4 nos. of spillway bays 4 metres below the designed crest level to facilitate installation of the gates after manufacture. Due to diversion of the entire flow of water during rainy season through 4 incomplete bays, the downstream side of the bays were damaged by scouring. To prevent further retrogression, protection work was done (May/June 2001) by dumping stones at a cost of Rs.21 lakh (paid in January 2002). TAC also advised for lifting and placing concrete blocks on the incomplete bays before the onset of the monsoon and their removal subsequently. Resultantly, concrete blocks were manufactured at a cost of Rs.27 lakh.

In January 2002, the balance work of 4 incomplete bays valuing Rs.1.39 crore was entrusted to OCC for Rs.3.42 crore for completion by March 2004.

Thus, failure of the Department to synchronise execution of the gate works with that of civil works, resulted in wasteful expenditure Rs.0.48 crore on protection work with additional liability of Rs.2.03 crore for completion of 4 bays.

Executive Engineer stated (February 2002) that execution of different components of the work could not be synchronised due to delay in finalisation of the tender at Government level.

3.12.3.3 Unproductive expenditure without workload

Unproductive expenditure of Rs.3.78 crore on entertainment of staff without work

Naraj Barrage Division No.II was created in April 1997 and continued upto November 2001 for execution of a portion of the Naraj Barrage Project work. The Division did not execute any work other than repair and maintenance works for Rs.19.41 lakh during the period, whereas the expenditure of Rs.2.36

crore was incurred towards salaries and wages of the work charged staff. Naraj Barrage Division No.I also incurred expenditure of Rs.1.42 crore towards wages of work charged, DLR and NMR staff during January 1997 to March 2001. Since the works of the project were executed through contractors on item rate contract, there was no need for these staff. Thus, engagement of staff without work resulted in unproductive expenditure of Rs.3.78 crore.

Executive Engineers stated (April 2002) that the staff were re-deployed from other projects as per orders of the Chief Engineer.

3.12.3.4 Exorbitant rates paid for construction of Guest House

Injudicious expenditure of Rs.1 crore on construction and furnishing of a guest house at fabulous rate of Rs.1258 per square foot excluding land cost

The approved project estimate (November 1993) for the Naraj Barrage provided for construction of a rest-shed at Rs.6.45 lakh. However, Government approved (November 1995) a separate estimate for construction of a guest house-cum-observation tower at Rs.10.37 lakh which was not acted upon. Subsequently, another estimate for Rs.49.98 lakh was technically sanctioned (March 1996) by the CE for construction of guest house with plinth area of 7921 square feet and furnishing on the plea that no accommodation was available nearby for the visiting officials. This was not factually correct since there was an existing 3 suited Inspection Bungalow at the project site which was also improved/remodelled (1996-98) at a cost of Rs.17.98 lakh. Administrative approval of the Government to this new guest house was not obtained and the work excluding furnishings was awarded (July 1996) to a contractor for Rs.59.86 lakh (49 *per cent* excess over the estimated value) without negotiation, stipulating completion by January 1998. An expenditure of Rs.1.08 lakh was also incurred towards architectural fees for preparation of designs of the guest house. During execution, specifications of certain items like superstructure, flooring and painting etc. were changed and these substituted items, involving extra cost of Rs.21.41 lakh were entrusted to the existing contractor at market rates. The work was completed in April 1998 at a cost of Rs.81.27 lakh.

It was also observed that the contractor's rates for furnishing were Rs.2.40 lakh higher than the rates obtained (July 1998) by the department from local suppliers before calling for quotations for this work.

Thus, acceptance of tender at 49 *per cent* higher rate without negotiation, even though the estimate had provided for 20 *per cent* excess over the prime cost and post contract change of specification resulted in increase in the cost of construction and furnishing of the guest house from Rs.49.98 lakh (March 1996) to Rs.99.64 lakh (199 *per cent*). As against Rs.578 per square foot as per the sanctioned estimate (March 1996), the cost of construction (excluding furnishing) worked out to Rs.1026 per square foot which was abnormally high since there was no land cost.

3.12.3.5 *Undue benefits to contractors*

Undue benefit of Rs.50.28 lakh towards construction and maintenance of approach and haul roads to the site

(i) As per contract, the approach and haul roads were to be at the cost of the contractor and deemed to be contingent to the main work valuing Rs.142.55 crore. Despite this, the Executive Engineer spent Rs.50.28 lakh for construction of approach roads and their maintenance through other agencies during the period of construction. This resulted in undue benefit to the contractor.

Undue benefit of Rs.31.05 lakh to a contractor by allowing higher rates

(ii) The agreement provided for execution of 5672 cum of Cement Concrete (M-25 grade) with 20 mm downgraded crushed granite stone aggregate mixed in batching and mixing plant including cost of all materials etc. at the rate of Rs.3050 per cum. The Chief Engineer while approving the drawings, substituted the item with Cement Concrete (M-20 grade) at the rate of Rs.2812.80 per cum. But there was another item (C.C.M-20) with the same specification in the agreement (BOQ item No.5) to be executed at the rate of Rs.2,400 per cum. The Chief Engineer recommended (March 2000) higher rate treating it as an extra item and a supplementary agreement was drawn (March 2000). Pending approval of the Government, the contractor was paid for 7521.668 cum provisionally at the rate of Rs.2250.24 per cum (80 per cent of the proposed rate). This resulted in undue benefit of Rs.31.05 lakh to the contractor. The Executive Engineer stated (March 2002) that higher rate had been recommended for the substituted item as it involved centering, shuttering and vibrating components which was not included in the item existing in the agreement. The reply was not tenable since the item existing in the agreement also included cost of centering, shuttering and vibrating.

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

3.12.4 *Shrimp and Fish Culture project*

Shrimp and Fish Culture Project was launched in the State in 1992-93 to increase shrimp and fish production for export and was scheduled to be completed by June 1999 which was extended upto December 2000 by the World Bank Authorities.

The project was estimated to cost Rs.68.55 crore (Brackish water shrimp culture: Rs.63.98 crore, Inland Fisheries :Rs.3.21 crore, Project Management : Rs.1.36 crore) for developing net water area of 861 hectares (Shrimp culture) in two districts and 79 reservoirs (Fish culture) covering 19²³ districts of the State under Brackish water and Inland Fisheries sector respectively. Expenditure incurred upto December 2000 was Rs.39.51 crore towards shrimp culture (Rs.30.04 crore), Fish culture (Rs.6.88 crore) and project management (Rs.2.59 crore). Check of records in audit revealed the following:

²³ Angul, Bargarh, Deogargh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nayagargh, Nowrangpur, Nuapada, Phulbani, Sambalpur, Sonepur and Sundargarh.

3.12.4.1 Failure of shrimp production

Failure of only crop undertaken at the Jagatejore-Banapada shrimp sites

The shrimp culture operation is done during monsoon and winter seasons in a year. While the monsoon crop is raised from July to October, the winter crop is raised from February to May. The Jagatejore-Banapada project under shrimp culture originally estimated (December 1991) to cost Rs.14.78 crore was revised (November 1996) to Rs.22.55 crore. Shrimp culture operation was done under the project for the first time between June and September 2000 in two clusters i.e. (i) Banapada and (ii) Jagatejore cluster-III.

As per the Staff Appraisal Report of World Bank (SAR), the production of shrimp was to start at 1600 kg per hectare and reach 2000 kg per hectare from the third year onwards. Scrutiny of records of Deputy Director of Fisheries, Orissa, Cuttack revealed (February 2002) that 34 BPL beneficiaries took up shrimp culture (1st crop) in the Banapada cluster between June and September 2000 but could produce only 4330 kg (Catch value :Rs.9.43 lakh) of shrimp in the cluster with an expenditure of Rs.13.91 lakh on the inputs. As regards Jagatejore Cluster-III, 110 BPL beneficiaries took up shrimp culture operation between July and October 2000 at a cost of Rs.39.52 lakh. But the entire crop at the shrimp site had perished within 15 days of culture due to attack of white spot disease although preventive measures against the attack of the disease were stated to have been taken by the beneficiaries concerned by way of chlorinating ponds and through use of medicines during culture period as advised by the technical consultants. Thus, the Jagatejore-Banapada Shrimp project had largely failed and there was also no provision in the SAR for insurance coverage for shrimp farmers for any crop failure.

3.12.4.2 Idle expenditure on construction of shrimp ponds

Idle expenditure of Rs.4.71 crore on construction of 76 shrimp ponds which had not been leased out to private entrepreneurs

As per SAR, construction and development of shrimp ponds was to be on a site basis divided into clusters with each cluster covering a net water area of about 50 hectares. While ponds covering water area of 0.5 hectares each would be constructed in 70 *per cent* of the total water area and leased to BPL beneficiaries selected for the purpose, ponds covering water area of 1 hectare each would be constructed in the remaining 30 *per cent* of the total water area and leased to one or two private entrepreneurs.

Scrutiny of records of Director of Fisheries, Cuttack revealed (February 2002) that in all 481 ponds were constructed (December 2000) in the Jagatejore-Banapada shrimp site and 405 ponds covering water area of 0.5 hectare each were leased to equal number of BPL beneficiaries between December 2000 and December 2001. The remaining 76 ponds covering water area of one hectare each could not be leased to private entrepreneurs as of March 2002 since no private entrepreneurs were interested. This rendered the expenditure of Rs.4.71 crore incurred on their construction infructuous.

3.12.4.3 *Non-extension of credit facility to the BPL beneficiaries towards working capital for stocking inputs*

Due to departmental lapse, World Bank assistance of Rs.2.40 crore was lost depriving bulk of beneficiaries of the credit facility

As per SAR, credit was to be provided to the Below Poverty Line (BPL) beneficiaries towards working capital for inputs like seed, fertilisers and medicines etc. Accordingly, Government sanctioned (November 2000) Rs.2.40 crore. Although bills were presented at the treasury twice in December 2000, the Treasury returned the bill for want of ink signed copy of the sanction order. The credit was not released during the currency of project i.e. till 31 December 2000.

In reply to an audit query, the Deputy Director of Fisheries stated (February 2002) that the Director of Fisheries ordered not to draw the amount as its utilisation within project period was not possible for getting reimbursement from the World Bank and added that the request made to Government by the Director (March 2001) to extend the credit facility to the BPL beneficiaries out of State funds also did not yield any result and ultimately the amount had to be surrendered. This reply was not acceptable as credit could have been extended within a month as the beneficiaries had already been identified. Thus, the World Bank assistance of Rs.2.40 crore was lost.

In reply to an audit query as to the viability of the project in the absence of credit facility, Director stated (February 2002) that a fresh proposal to lease out the ponds to a private company was approved by Government (February 2002) according to which the lessee company would initiate shrimp culture in the beneficiary ponds and in turn deposit 25 per cent of lease value with Brackish water Farmer's Development Agency (BFDA). Of this, Rs.20000 would be retained by the BFDA towards repayment of loans by the beneficiaries and the rest would be enjoyed by the beneficiaries. As envisaged in the proposed tripartite agreement, the lessee company at the instance of beneficiary would engage the latter for labour oriented jobs in the ponds atleast for 240 days for 2 crops at the wage rate approved by Government for unskilled labour. However, the lease process had not materialised as of September 2002. Even after materialisation, such arrangement would mean earning wages whereas the project envisaged beneficiaries being in self employment and earning profits.

3.12.4.4 *Irregular expenditure of Rs.2.33 crore on cyclone damage repairs*

As per contract, the contractor was required to provide insurance cover in the joint names of the employer and the contractor against damage to the works and materials during construction.

Irregular expenditure of Rs.2.33 crore on cyclone damage repair works

Scrutiny of records of Executive Engineer (EE), Fishery Engineering Division, Bhubaneswar revealed (March 2002) that Rs.2.33 crore were irregularly spent by EE, Fishery Engineering Division (Rs.2.18 crore) and EE, Electro Mechanical Division, Bhubaneswar (Rs.0.15 crore) between March and December 2000 towards Cyclone Damage Repair Works in respect of Jagatejore-Banapada Shrimp Culture Project although such expenditure was required to be met by the contractor and reimbursement claimed from the

insurance company since damage caused to the project was during the contractual period. EE, Fishery Engineering Division stated (March 2002) that the insurance coverage was the responsibility of the contractor which was not taken. The reply was not tenable as the action of the EE amounted to undue benefit to the contractor.

3.12.4.5 Support service of the Project

As per SAR, 6 hatcheries (estimated cost : Rs.5.47 crore) and 2 ice plants (estimated cost: Rs.0.18 crore) were to be completed by private sector participation by December 2000. Against the above, only one hatchery at Bhadrak and one ice plant at Jagatejore-Banapada could be completed as of December 2000 by extending credit of Rs.0.23 crore to 2 private entrepreneurs.

3.12.4.6 Conclusion

(i) The rates quoted by contractors and accepted by the authorities were substantially higher than the estimates and were not reasonable. Contract conditions were not enforced which led to extra expenditure and there were cases of undue benefits to contractors. Surplus staff were entertained in the project without work. Resultantly, Benefit Cost Ratio of MCII Project declined to 1.05 as against minimum norm of 1.5 rendering the project economically unviable.

(ii) There was loss of World Bank assistance due to award of a part of the project of Naraj Barrage Project to a Government Corporation. Non-synchronisation in execution of different components of work and inadequate pre-construction survey led to extra expenditure. There were cases of undue benefits to contractors. Staff without work meant unproductive expenditure.

(iii) SFCP could develop net water area of only 283 hectares against the targeted 861 hectares and 53 reservoirs against the target of 79. The shrimp production as of September 2002 was also negligible and only 144 out of 405 targeted BPL families benefited by the project. In the wake of Government's decision to lease out the ponds to a private party, the above beneficiaries would only become wage-earners instead of profit-earners.

The matter was referred to the Government in July 2002; followed by reminders to the respective departments in September 2002. No reply was received (October 2002).

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.13 Buildings constructed for housing neglected children and delinquent juveniles lying idle for over 11 years

The objective of providing institutional care, protection and development of neglected and delinquent children remained unachieved as the affected children were not shifted from the jail premises and necessary infrastructure created for housing them at a cost of Rs. 30.33 lakh was lying idle for over 11 years.

An Observation Home and Special Home (Combined), Rourkela (OHSB) established under the Orissa Children Act, 1982 for neglected and delinquent children was functioning in the extension block of Special Jail, Rourkela from August 1986. Scrutiny of records of Superintendent OHSB, Rourkela revealed (January 2002) that the process of shifting of the OHSB to a separate building was initiated by Collector, Sundargarh. A dilapidated building was located (April 1988) and Rs.21.06 lakh were spent on its renovation and on construction of 5 quarters meant for the staff of OHSB. As stated by the Superintendent, OHSB (March 2002) the buildings were handed over in February 1991. It was also noticed that a further expenditure of Rs.9.27 lakh was incurred between March 1992 and July 1996 on construction of compound wall, fixation of iron gate, external water supply connection etc.

Despite expenditure on renovation, OHSB continued to function in the extension block of Rourkela Jail as the new building suffered from a locational disadvantage of being 8 km away from the township which would create problems of conveyance of the juveniles to the court as and when necessary. The newly constructed quarters were also not allotted as they were not provided with electrical installations and sanitary fittings etc. As a result, the objective of providing institutional care to neglected children and delinquent juveniles in natural surroundings away from jail environment was not achieved. Rs.30.33 lakh spent on renovation/construction of buildings was blocked for over 11 years and there was avoidable expenditure of Rs.1.78 lakh on payment of house rent allowance to the staff.

Government stated (July 2002) that the building had several shortcomings and was unsuitable to house the Observation Home and sought some more time for taking a final view in the matter of shifting the Observation Home.

GENERAL

3.14 Misappropriation, losses etc.

Cases of misappropriation, losses etc. of Government money reported to audit upto end of March 2002 and on which final action was pending at the end of June 2002 were as follows:

		Number of cases	Amount (Rupees in lakh)
(i)	Cases reported upto the end of March 2001 but outstanding at the end of June 2001	2071	1343.00 ²⁴
(ii)	Cases reported during April 2001 to March 2002	23	77.10
(iii)	Cases disposed of till June 2002	1	0.31
(iv)	Cases reported upto March 2002 but outstanding as of June 2002	2093	1419.79

Department-wise analysis of the outstanding cases is given in the Appendix-XXIII. The period for which these were pending are given below :-

		Number of cases	Amount (Rupees in lakh)
(i)	Over five years (1948-49 to 1996-97)	1879	1115.86
(ii)	Exceeding three years but within five years(1997-98 to 1998-99)	102	62.91
(iii)	Upto three years (1999-2000 to 2001-2002)	112	241.02
		2093	1419.79

The reasons for which the cases were outstanding are as follows :-

		Number of cases	Amount (Rupees in lakh)
(i)	Awaiting departmental and criminal investigation	609	635.95
(ii)	Departmental action initiated but not finalised	848	547.17
(iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	36	9.87
(iv)	Awaiting orders for recovery or write off	469	137.51
(v)	Pending in the courts of law	131	89.29
		2093	1419.79

²⁴ The outstanding balance at the end of June 2001 was Rs.1343.35. However, reduced to Rs.1343.00 after revaluation.

3.15 Lack of response to audit

Accountant General (Audit), Orissa, arranges to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IR). When important irregularities etc. detected during inspection are not settled on the spot, these IRs are issued to the Heads of offices inspected with a copy to the next higher authorities. The rules and orders of Government provide for prompt response by the executive to the IRs issued by the Accountant General (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and to ensure accountability for the deficiencies, lapses etc. noticed during his inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Accountant General (Audit). Serious irregularities are also brought to the notice of the Head of Department by the Accountant General (Audit). Half yearly report of pending IRs is sent to the Secretary of each Department to facilitate monitoring of the audit observations in the pending IRs.

IRs issued upto June 2002 pertaining to 4784 offices of 34 departments disclosed that 66,641 paragraphs relating to 18,150 IRs remained outstanding at the end of September 2002. Of these 4058 IRs containing 9396 paragraphs had not been settled for more than 10 years (Appendix-XXIV). Year-wise position of the outstanding IRs and paragraphs are detailed in Appendix-XXV. Even the initial replies which were required to be received from the Heads of Offices within six weeks from the date of issue were not received in respect of 6046 IRs (Appendix-XXIV) issued between 1980-81 and 2001-02 (June 2002) in respect of civil departments (5862 IRs) 1964-65 and 2001-2002 (June 2002) in respect of works departments (184 IRs). As a result, several serious irregularities commented upon in these IRs had not been settled as of September 2002 (Appendix-XXVI).

A review of the IRs which were pending due to non-receipt of replies as detailed in Appendix-XXIV revealed that the Heads of Offices whose records were inspected failed to discharge due responsibility as they did not send any reply to a large number of IRs/Paragraphs. Failure to address the issues raised by Audit facilitated the continuation of serious financial irregularities and loss to the Government.

Further, despite repeated comments in the Inspection Reports, outstanding advances of Rs. 57.34 lakh had been rolling in the closing cash balances of 2 Drawing and Disbursing Officers (District Inspector of Schools, Malkangiri I (DIS): Rs.36.50 lakh and District Welfare Officer (DWO), Rayagada : Rs.20.84 lakh) since 1997-98 and prior to the year 1997 respectively. However, audit scrutiny revealed that while the advances paid by the DIS to the headmasters of UGME/Government ME schools were towards disbursement of salaries of the teachers of the concerned schools etc. the amount paid by the DWO to the headmasters of Ashram/Residential schools were towards pre-matric scholarship of students etc. which were lying

unadjusted for want of paid acquittances. These were made possible due to irregular maintenance of the advance ledgers which were not reviewed periodically for adjustment.

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

The matter was referred to Government in September 2002. No reply was received (October 2002).

3.16 Follow-up action on earlier Audit Reports

The Comptroller and Auditor General's (CAG) Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and Departments of Government. It is therefore, necessary that they elicit appropriate and timely response from the executives.

Finance Department, Government of Orissa had issued instruction (December 1993) to all Administrative Departments to submit explanatory notes on paragraphs/reviews included in the Audit Reports and Action Taken Notes (ATNs) on the recommendations of Public Accounts Committee (PAC) reports within 3 months and 6 months respectively of their presentation to the Legislature.

(i) Outstanding Explanatory Notes

It was noticed that 25 out of 37 departments which were commented upon, did not submit explanatory notes on 314 paras/reviews as of August 2002 in respect of Audit Reports for the year 1991-92 to 2000-2001 as indicated below:

Year of Audit Report	Total paras/reviews in Audit Report	Number of paras/reviews for which explanatory notes were not received
1991-92	70	10
1993-94	60	18
1994-95	57	14
1995-96	61	15
1996-97	77	56
1997-98	64	37
1998-99	64	60
1999-2000	54	50
2000-2001	54	54
Total	561	314

The department-wise analysis is given in the Appendix-XXVII. The break-up revealed that the Departments largely responsible for non-submission of explanatory notes were Water Resources, Agriculture, Panchayati Raj, Works and Scheduled Tribes and Scheduled Castes Development Departments. The non-compliance varied from 72 to 100 *per cent*. Comments on topics such as Super Cyclone, Public Distribution System, Employment Assurance Scheme etc. had also failed to elicit any response from the Government.

(ii) System Deficiency

Mention was made in paras 3.1.6, 3.1.11 and 3.1.12 of Audit Report for the year March 1997 about the system deficiency in Non-formal Education (NFE) under School and Mass Education Department leading to (1) Non-utilisation of funds and non-opening of NFE centres, (2) shortfall in in-service training and (3) short/non-supply of reading and writing materials. It was observed in subsequent scrutiny that the position has not improved as commented in Audit Report (Civil) for the year ended March 2001. The Public Accounts Committee in their 20th Report (12th Assembly) 2001-2002 had asked the department to furnish comprehensive note indicating the reasons for lapses as mentioned in (1), (2) and (3) above. But the Action Taken Note on the recommendations of Public Accounts Committee had not been furnished by the department (September 2002).

The matter was demi-officially referred (September 2002) to the Principal Secretary to Government, Finance Department. No reply was received (October 2002).