

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Orissa for the year 2001-2002 and four other chapters comprising 4 reviews and 32 paragraphs based on the audit of certain selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented in this overview.

1. An overview of the Finances of the State Government

While the liabilities of the State Government grew by 16 *per cent*, the assets grew only by 8 *per cent* during 2001-2002 mainly as a result of very high (26 *per cent*) growth in the deficit on Government Account.

The share of revenue receipts in the total receipts decreased from 65 *per cent* in 2000-2001 to 63 *per cent* during 2001-2002. The share of net receipts from the Public Account increased from 8 to 13 *per cent* during the year.

Revenue expenditure accounted for 88 *per cent* of total funds and was higher than the share of revenue receipts (63 *per cent*) in the total receipts of the State government leading to Revenue Deficit.

Non-plan revenue expenditure increased to Rs.8066 crore due to increased interest payments of Rs.548 crore, increased expenditure on Public Works by Rs.166 crore and on pension and other retirement benefits by Rs.171 crore.

Lending for development purposes decreased from 5.96 *per cent* to 3.38 *per cent* of the total application of funds.

The percentage share of revenue receipts in total expenditure declined from 70.64 *per cent* in 1997-98 to 63.22 *per cent* in 2001-2002 indicating that the balance had to be financed by borrowings.

Interest payments and expenditure on general services, considered as non-developmental, together accounted for nearly 45 *per cent* of the total expenditure in 2001-2002 as compared about 34 *per cent* in 1997-98.

The average interest paid by the State on its borrowing during 1997-2002 exceeded the rate of growth of its GSDP by 2.71 *per cent* violating the cardinal rule of debt sustainability.

At the end of 2001-2002, the total investment in Statutory Corporations, Government Companies etc. worked out to Rs.1473.20 crore. Use of high cost borrowing for investments, which yield very little, indicates an implicit subsidy.

(Paragraphs 1.1 to 1.14)

2. Appropriation and control over expenditure

Against the total budget provision of Rs.23262 crore including supplementary provision, expenditure of Rs.19058 crore was incurred during 2001-2002. The overall savings of Rs.4204 crore was the net result of saving of Rs.4597 crore in 37 grants and 2 appropriations off set by excess of Rs.393 crore in 3 grants and 1 appropriation. The excess relating to 3 grants and 1 appropriation requires regularisation under Article 205 of the Constitution of India.

Expenditure was inflated to the extent of Rs.397.60 crore, as monies were drawn and deposited into Personal Ledger Account or Civil Deposits without any actual expenditure. Rs.6.70 crore were drawn on Abstract Contingent bills as advance.

Rs.6356.63 crore excess spent during 1996-2001 remained to be regularised. This amount represents the extent of loss of legislative control over budget.

Persistent saving ranging from 12 to 100 *per cent* occurred in 20 grants over a period of three years.

Advances from the Contingency Fund aggregating Rs.94.32 crore remained un-recouped for the period ranging from 1 to over 15 years.

(Paragraphs 2.2 to 2.11)

3. Working of Zilla Saksharata Samities in Orissa

The Centrally Sponsored Schemes (i) Total Literacy Campaign (TLC) and (ii) Post Literacy Campaign (PLC) aimed at imparting functional literacy to illiterate adults in the age group of 15-35 years through district level educational societies viz. Zilla Saksharata Samities (ZSSs) were introduced in the State in the year 1991-92. Review of implementation of TLC and PLC programmes revealed several deficiencies like mismanagement of finances, irregular procurement and distribution of teaching and learning materials, poor academic achievement, inadequate training of trainers and monitoring and incorrect reporting of physical and financial achievements.

Rupees 1.27 crore advanced to different Blocks/Urban Local Bodies (ULBs) were treated as final expenditure without supporting vouchers (Rs.1.11 crore).

Late procurement of teaching and learning materials by 2 to 26 months delayed the completion of literacy campaign by 8 to 60 months.

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

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

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

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

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)

4. Working of Works Department

The Works Department is entrusted with the construction, improvement and maintenance of the roads, bridges and Government buildings in the State. Audit review of the working of the Department revealed serious failure of expenditure control and widespread mismanagement of funds having financial involvement of Rs.548.91 crore which constituted 49.72 *per cent* of the total expenditure of Rs.1103.83 crore during 1999-2002. The expenditure on establishment far exceeded the prescribed norms and there was gross mismanagement of the inventory system with huge losses on surplus stores. There was significant cost overrun (44 *per cent*) in construction of bridges.

Poor budgetary control led to unjustified surrenders (Rs.6.87 crore) and unnecessary supplementary demands of Rs.35.90 crore. Revenue expenditure has been increasing every year and has moved from 56 to 74 *per cent* of the total expenditure which severely constricts the outlay on capital works.

Establishment expenditure was 51 *per cent* against 10.5 *per cent* admissible and the excess expenditure amounted to Rs.206.59 crore.

There was cost overrun of Rs.71.31 crore in bridge works along with time overrun.

Failure to adopt Schedule of Rates (SORs) in preparation of estimates and acceptance of irrational rates in tenders led to extra liability of Rs.3.12 crore.

Drawal of agreements with faulty clauses, non-enforcement of contract conditions, execution of works without inviting tenders, deviation from approved specifications and failure to levy penalty led to extra expenditure/liability of Rs.12.87 crore.

Abandonment/non-completion of works led to wasteful expenditure of Rs.25.95 crore.

Excess expenditure over agreement value on works proper amounted to Rs.3.87 crore.

Disregard of design and specifications led to wasteful expenditure of Rs.3.19 crore.

Substandard execution of building works resulted in loss of Rs.1.62 crore.

3757 NMR/DLR staff were in excess of the sanctioned strength costing the exchequer Rs. 16.23 crore in 3 years.

Non-utilisation of the available machinery due to improper planning led to loss of Rs. 5.29 crore besides unproductive expenditure of Rs. 11.63 crore due to poor inventory management.

(Paragraph 4.1)

5. Rural Housing Scheme

Review of the implementation of the Rural Housing Scheme revealed that there was loss of Central Assistance of Rs.47.41 crore under Indira Awas Yojana (IAY) due to non-fulfilment of prescribed conditions. Against 3.89 lakh IAY houses targeted under 'normal' category for construction/up-gradation during 1997-2002, achievement was only 2.64 lakh houses. Further, out of 6 lakh IAY houses allotted during 1999-2002 for the victims of Super Cyclone 1999, only 2.02 lakh houses were constructed. Monitoring of the IAY scheme was not effective. Funds earmarked for infrastructure under Pradhan Mantri Gramodaya Yojana (Gramin Awas) remained underutilised. Release of funds under Credit-cum-Subsidy Scheme (CCSS) was not commensurate with the target and the subsidy component was not adjusted by the Orissa Rural Housing Development Corporation against the loan account of the beneficiaries. Implementation of Samagra Awas Yojana (SAY) did not take off in the State. The Rural Building Centres did not come up owing to lack of proper planning.

There was loss of Central Assistance of Rs.47.41 crore under IAY because the State Government did not fulfill the prescribed conditions and thereby 23,702 poor persons were deprived of housing benefits. Disregarding GOI guidelines, State share under IAY was kept in PL Account/Current Account/DCR resulting in loss of interest of Rs.1.04 crore for the scheme.

IAY Houses under 'normal' category were provided only to 68 *per cent* of the targeted beneficiaries whereas it was only 34 *per cent* in cyclone affected districts despite availability of funds. 72613 houses were allotted in the name of male members of the household instead of in the name of female members or in the joint name of both husband and wife.

1892 IAY houses taken up for construction during 1990-99 remained incomplete rendering the expenditure of Rs.2.22 crore thereon infructuous.

Monitoring of execution of IAY houses was not satisfactory and no mechanism existed to verify the correctness of data furnished by field offices.

Only 44 *per cent* of funds for infrastructure under Gramin Awas was utilised.

Out of 29458 houses reported complete under CCSS, 23307 houses were actually incomplete.

Subsidy component of Rs.19.73 crore under CCSS was not adjusted against loan accounts of beneficiaries.

Rural Building Centres did not come up owing to lack of proper planning.

(Paragraph 5.1)

6. Swarnjayanti Gram Swarozgar Yojana

Audit review of Swarnjayanti Gram Swarozgar Yojana (SGSY) revealed that the implementation of the programme was poor and less than 2 per cent BPL beneficiaries were covered each year against the desired coverage of 6 per cent. Coverage of women and SC/ST swarozgaris was much less than the prescribed norm of 40 and 50 per cent respectively. The performance of Self Help Group (SHG) was unsatisfactory and against 27,461 groups formed only 1485 groups (5 per cent) could take up economic activities. No initiative was taken for identification and development of market support. The monthly income of swarozgaris did not reach the intended level of Rs.2000 per month. There was lack of proper planning, mobilisation and monitoring of the programme. State level officials did not visit the districts and schedule of visits for line department officials was not prescribed. There was no co-ordinated effort for providing technical and marketing support.

State Government lost Central Assistance of Rs.30.93 crore due to shortfall in State contribution, delayed submission of proposal etc.

Rs.3.99 crore were irregularly diverted towards administrative expenses.

Coverage of BPL families was less than 2 per cent per annum against the target of 6. Coverage of women, SC and ST beneficiaries fell short by 9 to 38 per cent.

Selection of Key Activities for the beneficiaries was faulty and participatory process was not followed. Line departments and financing banks were not involved in the preparation of Project Reports.

Assets valued at Rs.2.19 crore were either not existent or only partly existent.

Out of 27461 SHGs formed in 8 districts, only 1485 SHGs (5 per cent) could take up economic activity. Revolving Fund of Rs.4.39 crore was not utilised by March 2002.

Rs.2.07 crore were irregularly spent in 6 DRDAs for creation of general infrastructure/inadmissible work.

Training fund of Rs.4.81 crore remained unutilised and shortfall in training programme was 64 per cent.

(Paragraph 5.2)

7. World Bank Aided Projects

The State Government has been implementing 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 one under Shrimp and Fish Culture Project (SFCP) from 1992-93 onwards.

(i) Mahanadi Chitrotpala Island Irrigation Project (MCIIP)

Benefit Cost Ratio of MCIIP declined to 1.05 as against minimum norm of 1.5 rendering the project economically unviable.

Failure to ensure award of contracts at reasonable rates led to extra liability of Rs.18.29 crore.

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

Failure to enforce contract conditions for construction of Link Canal resulted in infructuous expenditure of Rs.2.17 crore.

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

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

Inadmissible payment of Rs.39.75 lakh was made in construction of Mahanadi Left and Right Canals towards back filling of structures, base stripping etc.

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

Entertainment of surplus Work-charged and NMR staff in the project led to unproductive expenditure of Rs.15.17 crore.

(ii) Naraj Barrage Project

Due to award of work to Orissa Construction Corporation, Government lost World Bank assistance of Rs.26.79 crore.

Lack of co-ordination in execution of different components of work resulted in wasteful expenditure of Rs.0.48 crore and additional liability of Rs.2.03 crore.

Unproductive expenditure of Rs.3.78 crore was made on surplus staff.

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

Undue benefit of Rs.50.28 lakh was extended to contractors towards construction and maintenance of approach road and haul road.

(iii) *Shrimp and Fish culture project*

There was idle expenditure of Rs.4.71 crore on construction of shrimp ponds which could not be leased out to private entrepreneurs.

Irregular expenditure of Rs.2.33 crore was incurred by two divisions on cyclone damage repair works.

Due to departmental lapse, World Bank assistance of Rs.2.40 crore was lost.

(Paragraph 3.12)

8. National Scheme of Liberation and Rehabilitation of Scavengers

The Government of India (GOI) launched (1980-81) the Centrally Sponsored "National Scheme of Liberation and Rehabilitation of Scavengers" (NSLRS) to liberate scavengers and their dependents from the existing hereditary obnoxious and inhuman occupation of manually removing nightsoil and filth and to provide for and engage them in alternative and dignified occupations.

Rs.4.02 crore under Rehabilitation Programme remained unutilised.

Shortfall under training programme was 77 per cent.

Detailed profile of identified scavengers was not maintained and shelf of projects not prepared.

Against 35,049 identified scavengers, only 11,463 scavengers (33 per cent) were rehabilitated during 1992-2002 of whom 5364 scavengers were rehabilitated without basic training.

Funds of Rs.45 lakh for rehabilitation through sanitary mart and Rs.46.35 lakh for infrastructure were not utilised.

Against the target of 50913 flush latrines, achievement was only 23067.

Utilisation Certificates for Rs.6.93 crore against expenditure under rehabilitation were not furnished whereas the pendency under liberation was for Rs.4.58 crore.

State level and District level Monitoring Committees for rehabilitation programme were non-functional. Evaluation study of rehabilitation

programme indicated unsatisfactory performance and little impact on improvement of socio-economic condition of scavengers.

(Paragraph 5.4)

9. Blockage of funds

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

(Paragraph 3.2)

(ii) Release of Rs.1.63 crore for construction of health sub-centres without acquisition of land led to blockade of Government money for over 3 years.

(Paragraph 3.3)

(iii) Inadequate pre-construction survey in preparation of estimate and unauthorised deviation in specification during execution led to cost escalation of Rs.32.23 lakh and the construction of Plus 2 Science College Building at a cost of Rs.56.78 lakh remained incomplete for over 2 years for want of additional fund.

(Paragraph 3.8)

(iv) Spare parts and stores valued at Rs.9.86 crore were procured by a Public Health Mechanical Division without tender and without immediate requirement.

(Paragraph 4.3)

10. Infructuous expenditure

(i) 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 could get some employment during 1993-2001.

(Paragraph 3.6)

(ii) Undue extension of TBA scales of pay to teaching/non-teaching staff of Government 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.

(Paragraph 3.7)

(iii) Expenditure of Rs.41.39 lakh incurred on the site for developing golf course was wasteful as the same was ultimately abandoned.

(Paragraph 3.11)

(iv) A stevedore was paid Rs.65.21 lakh towards operation, manning and maintenance of harbour craft at Gopalpur Port Project without even handing over the departmental craft, without any shipment activity and without any mobilisation of men and machinery by the stevedore.

(Paragraph 4.2)

(v) Wasteful expenditure of Rs.61.82 lakh was incurred on a high level bridge due to major variation in boring data and change of design and abandonment of work. The EE also failed to recover Government dues of Rs.26.73 lakh from the defaulting contractor.

(Paragraph 4.4)

(vi) Failure of the Executive Engineer (EE) to take corrective action despite instructions of higher authorities led to unfruitful expenditure of Rs.1.21 crore on a bridge work that remained incomplete for 8 years.

(Paragraph 4.5)

(vii) Excavated Medium Hard Rock was not stack measured and voids not deducted in Right Canal Division-I, Mukhiguda which led to excess payment of Rs.2.48 crore to contractors.

(Paragraph 4.6)

(viii) Expenditure of Rs.15.40 crore incurred on improvement of Bhanjanagar reservoir was rendered wasteful because the increased reservoir capacity could not be utilised due to non-acquisition of forest land.

(Paragraph 4.7)

(ix) Payment of escalation charge of Rs.56.52 lakh on labour component was made in Harabhangi Irrigation Project without any provision in the contract.

(Paragraph 4.8)

(x) Non-execution of a composite spur to the design length and specification led to wasteful expenditure of Rs.38.18 lakh in Nimapara Irrigation Division. Further, there was sub-standard execution of work valuing Rs.1.08 crore due to non-adherence to the recommendations of the consultant.

(Paragraph 4.9)

(xi) Execution of work in deviation from the approved designs in Baghalati Irrigation Project led to extra expenditure of Rs.46.60 lakh.

(Paragraph 4.11)

(xii) Extra cost of Rs.26.83 lakh was incurred due to adoption of incorrect design and there was also unfruitful expenditure of Rs.20.46 lakh on abandonment of work in Alikuan Minor Irrigation Project

(Paragraph 4.12)

(xiii) Unwarranted revision of rates and incorrect fixation of revised rate in Badanalla Canal Division led to extra payment of Rs.35.92 lakh to contractors.

(Paragraph 4.13)

(xiv) Irregular acceptance of single non-responsive tender resulted in undue financial benefit of Rs.81.20 lakh to the contractor in Hariharjore Irrigation Project apart from wasteful expenditure of Rs.39.26 lakh incurred on sub-standard execution of structures.

(Paragraph 4.14)

(xv) EAS funds of Rs.1.49 crore were spent without creation of any assets. In another case, employment to the extent of at least 3.22 lakh mandays was lost.

(Paragraph 5.5)

11. Other points of interest

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

(Paragraph 3.4)

(ii) 427 Sub-Inspector of Schools of 29 districts defaulted in remitting sale proceeds of NT books of Rs.53.20 lakh into treasury collected during their incumbency between 1991-2002.

(Paragraph 3.9)

(iii) 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.

(Paragraph 3.13)

(iv) Avoidable expenditure of Rs.31.27 lakh was incurred for filling canal banks of Baragarh Main Canal .

(Paragraph 4.10)