

## CHAPTER-III PERFORMANCE REVIEWS

### LABOUR AND EMPLOYMENT DEPARTMENT

#### 3.1 Implementation of the Child Labour (Prohibition and Regulation) Act, 1986

##### *Highlights*

The Child Labour (Prohibition and Regulation) Act, 1986 (the Act) seeks to prohibit employment of children below the age of 14 years in various hazardous occupations and processes. It also lays down the manner in which working conditions of child labour employed in non-hazardous occupations and processes are to be regulated.

A review of the implementation of the Act during the period 1999-2004 revealed serious deficiencies in the enforcement of the Act in both its prohibitory and regulatory aspects. There was no well-focused target-oriented approach. The surveys for identification of child labour were not reliable, inspections ineffective and monitoring deficient and almost non-existent. Prosecution was finally launched in only three *per cent* of the cases show-caused. The rationale behind sanction of National Child Labour Projects (NCLPs) by Government of India (GOI) as a part of rehabilitation programme was not transparent. Children employed in non-hazardous occupations and processes and children below the prescribed age limit were enrolled in overwhelming proportions to justify sanction of the projects and opening of special schools. About 60 *per cent* of the children enrolled in the special schools and due for mainstreaming could not be mainstreamed.

★ **No systematic and authentic survey of child labour was conducted in the State after the 1997 survey conducted on the directions of the Supreme Court. Subsequent surveys conducted by Non-Government Organisations (NGOs) and others were mostly inaccurate and inflated. Inflation of figures up to 80 *per cent* in Balasore district and up to 43 *per cent* in Rayagada district was noticed.**

(Paragraph 3.1.6)

★ **The Department did not maintain proper statistics of show-cause notices issued, cases finally sent for prosecution and the results thereof. The papers submitted to the National Human Rights Commission in January 2002 indicated that 63 *per cent* of show-cause notices issued were not even replied to by the employers and prosecutions were filed in the Court in only three *per cent* of the cases. In the seven districts**

\*The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI (page 222)

test checked, there was no conviction and no collection of fine except in a lone case in Rayagada.

(Paragraph 3.1.8)

✦ There was a shortfall of 95 *per cent* in the number of inspections to be carried out by District Labour Officers (DLOs)/Assistant Labour Officers (ALOs)/Rural Labour Inspectors (RLIs) during 2003 in the selected districts. No inspections had been carried out in seven out of the 30 districts in the State during the period of review.

(Paragraph 3.1.10)

✦ Demand for funds by the NCLP Societies from GOI was inflated resulting in huge unspent balances at the end of every year.

(Paragraph 3.1.12)

✦ There was no relation between the number of child labour in hazardous occupations as identified during survey and sanction of the projects by the GOI. The project in Kalahandi district with no child labour in hazardous occupation as per 1997 survey was given undue priority over other districts.

(Paragraph 3.1.13)

✦ Overwhelming numbers of children from non-hazardous employments were admitted in the special schools in departure from the guidelines of GOI in all the test checked districts. The entire expenditure of Rs.9.43 crore in Ganjam, Rayagada and Kalahandi districts was therefore improper.

(Paragraph 3.1.14)

✦ Misappropriation of funds, doubtful payments, excess expenditure, cash shortages etc. to the tune of Rupees one crore was noticed in NCLP, Malkangiri. Inadmissible, unfruitful and wasteful expenditure amounting to Rs.24.70 lakh was also noticed in other NCLPs test checked.

(Paragraph 3.1.20)

✦ About 60 *per cent* of child labours due for mainstreaming were not mainstreamed in the test-checked districts. There was also no record of tracking of the activities of the mainstreamed child labour though required under the scheme.

(Paragraph 3.1.21)

✦ Review and monitoring of the overall implementation of the Act by the State Level Monitoring Committee were ineffective.

(Paragraph 3.1.23)

### **3.1.1 Background**

There are several constitutional<sup>3</sup> and other statutory<sup>4</sup> provisions aimed at

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<sup>3</sup> Articles 24, 39(e & f) and 45 of the Constitution of India.

<sup>4</sup> Employment of Children Act, 1938 as amended in 1951 and 1978, Factories Act, 1948, Mines Act 1952, Merchant Shipping Act 1958, Motor Transport Workers Act 1961 and Minimum Wages Act 1948.

tackling the evil of child labour. The Child Labour (Prohibition and Regulation) Act, 1986 (the Act) provides one such legal framework. It seeks to prohibit employment of children below the age of 14 years in various specified occupations and processes listed out in the schedules to the Act and to regulate the working conditions of the children in other employments, not prohibited under the Act. These prohibited occupations and processes constitute “hazardous” employments. Besides laying down penalties for employment of children in hazardous occupations and processes, the Act seeks to obtain uniformity in the definition of the “child labour” in the related parallel laws by comprehensively defining the said term as any child below 14 years of age engaged in hazardous and non-hazardous occupations and processes.

The Supreme Court of India, in its judgement of December 1996, enriched the law by giving directions regarding the manner in which the children working in hazardous occupations were to be withdrawn from work and rehabilitated, as also the manner in which the working conditions of the children employed in non-hazardous occupations were to be regulated and improved upon.

To translate the National Child Labour Policy announced in 1987 into action, the GOI launched the National Child Labour Projects (NCLPs) in 1988 with the components such as awareness generation, survey for identification of child labour, non-formal education in special schools, mainstreaming of the child labour studying in special schools, enforcement of labour laws and income and employment generation.

### ***3.1.2 Implementation Arrangement***

This Act is a Central Act; but each State has the responsibility of enforcing the provisions of the Act. In Orissa, the Act is enforced by the Labour and Employment Department headed by the Principal Secretary/Secretary. The Directorate of Labour headed by the Labour Commissioner (LC) at the State level and the District Labour Officers (DLOs), Assistant Labour Officers (ALOs) and the Rural Labour Inspectors (RLIs) at the district level are directly involved in enforcement and administration of the Act. The Labour and Employment Department had also issued (March and April 1997) notifications empowering officials of other departments as Inspectors under Section 17 of the Act. As regards NCLPs, their functioning was also to be reviewed and monitored by the existing machinery of the Government though these Project Societies were funded directly by the Government of India.

### ***3.1.3 Audit objectives***

The objectives of audit examination were to see how far:

- ★ The provisions of the Child Labour (Prohibition and Regulation) Act, 1986 were sufficient for enforcement of the objective of the Act;
- ★ State Government succeeded in enforcing the various prohibitory and regulatory provisions of the Act;

- ★ The NCLP-run special schools succeeded in rehabilitating and mainstreaming the child labour; and
- ★ Government implemented the directions of the Supreme Court with regard to prohibition of child labour in the State.

### ***3.1.4 Scope of Audit***

Implementation of the Act during the period 1999-2004 was reviewed through test check of records in the Labour and Employment Department, the Directorate of Labour and seven<sup>5</sup> district offices of the DLOs between March and June 2004. Records of seven NCLPs (out of 18 NCLPs functioning in the State) and 59 schools (out of 325 schools administered by the NCLPs located in these districts) were also test checked. These units accounted for about 43 *per cent* of the total expenditure incurred under the NCLP scheme in the State during this period.

### ***3.1.5 Infirmities in the Act***

Scrutiny of records in the test checked districts and discussions with various field functionaries as well as the officials of the Directorate of Labour threw up the following infirmities in the Act hindering achievements of the objectives of the Act.

- To evade prosecution under the Act, child labour were shown belonging to the “family” of the owner since occupations and processes in the aid of his “family” were not prohibited, though they might be listed as hazardous in the schedule.
- The word “hazardous” was not defined anywhere in the Act.
- The offences under the Act were not included in the Indian Penal Code.
- The Act did not recognise balloon making, working in circuses and several agricultural processes viz. spraying of pesticides, chemical manure etc. as hazardous occupations and processes though it is common knowledge that children are forced to work in these hazardous occupations and processes. The State Government had also not taken up with the GOI the matter of inclusion of these activities as hazardous in the Act.

## **Prohibitory functions under the Act**

Though the Act was promulgated in 1986, the first regular and systematic survey to identify children engaged in various hazardous occupations and processes was conducted only in 1997 pursuant to the directions of the Supreme Court in December 1996. Several deficiencies such as inaccuracy in survey, delayed formulation of Action Plan, inadequate pursuance of show cause notices issued to the offenders were noticed.

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<sup>5</sup> Cuttack, Ganjam, Rayagada, Gajapati, Malkangiri, Balasore and Sambalpur.

### 3.1.6 *Inaccurate and inadequate surveys*

**In Balasore and Rayagada districts the survey figures of child labour were found inflated**

The children engaged in hazardous occupations were to be identified through periodical surveys and inspections thereafter. However, no such surveys were conducted except the district-specific surveys conducted by NGOs, field officers of Project Societies, instructors of special schools etc. The figures reported in such surveys were not cross-checked by any other authority in any of the test checked districts except in Balasore and Rayagada districts where these figures were found inflated up to 80 *per cent* and 43 *per cent* respectively. Commissioner-cum-Secretary of the Department stated (November 2004), “the Department was never in favour of such survey to be conducted by NGOs as this may be lopsided with projection of false figure with the evil intention of getting money”.

**Surveys conducted by NGOs were more for the limited purpose of projecting their demands for money from GOI**

Even the survey figures of 1997 appeared unreliable and unrealistic. For example, in Rayagada district where the maximum number of cotton ginning factories (a hazardous occupation) of the State is located, only two child labourers were identified. Similarly, comparison with the figures of the 1991 census revealed gross mismatch. While there were 3.25 lakh child labourers in the State as per the 1991 census, the 1997 survey identified only 2.15 lakh children engaged in hazardous (0.24 lakh) and non-hazardous (1.91 lakh) occupations and processes. While admitting the survey of 1997 to be inaccurate, Commissioner-cum-Secretary of the Department felt (November 2004) that it might not be desirable to conduct any further surveys, as it would not help in eradication/regulation of child labour without active support of family members. But assessment of the impact of the Act and the outcome of the implementation of NCLP scheme in the State was impossible in the absence of reasonably reliable figures of a survey.

### 3.1.7 *Delayed formulation of Action Plan*

**No action plan for eradication of child labour was formulated**

Though the State Government adopted the Orissa Child Labour (Prohibition and Regulation) Rules in 1994, the action plan for eradication of child labour was formulated only in September 2003. However, in the absence of reliable survey figures, such action plan would prove to be meaningless.

### 3.1.8 *Non-pursuance of show cause notices issued to offenders*

Under the provisions of the Act, children below 14 years were prohibited from being employed in any hazardous occupations/processes (section 3 of the Act). To ensure compliance with the above, the Act prescribed penalty of imprisonment (three months to two years) or fines (Rs.10000 to Rs.20000) or both for the defaulting employers under section 14 of the Act.

Statistics relating to the number of show-cause notices issued under section 3 of the Act, the number of cases finally sent for prosecution to the Court and their outcome could not be furnished by either the Directorate of Labour or the Department as of July 2004. Neither the Directorate nor the Department made any monthly or half-yearly or even yearly compilation of these data.

**Records submitted to NHRC indicated that 6622 occupiers (63 per cent) did not reply to the show-cause notices and 87 per cent of the cases were dropped after receipt of replies**

From the figures submitted by the Labour and Employment Department before the National Human Rights Commission (NHRC) in January 2002, it was seen that out of 10511 show cause notices issued during 1997-98 to 2001-02 for recovery of Rs.20000 per child labour against the offending employers covering 18716 child labour in hazardous occupations, replies to as many as 6622 notices (63 per cent) were not received. Out of the remaining cases where replies were received, 87 per cent of cases were dropped by the DLOs themselves basing on such replies and only in case of 316 (three per cent) cases, prosecution was initiated in the Court. The balance 200 cases were under examination as of June 2004. Information on the fate of these 316 cases sent to the Court could not also be furnished either by the Directorate or the Department.

In the seven districts test checked, there was no case of conviction except one in Rayagada district though 106 cases were filed in these districts during the period of review. Audit scrutiny revealed that thorough inspections backed by adequate and credible evidence with regard to the age of the child labour were not presented in the Courts resulting in large number of dismissal of cases. No fines could be collected except Rs.20000 in the sole case in Rayagada district. No employer could be sent to jail for violation of the Act.

The State Government attributed (November 2004) the high rate of dropping of cases to incorrect inclusion of “past but not physically available” cases and “home-based beedi workers” in the survey of 1997 due to lack of knowledge on the part of officers of other line departments engaged for conducting the 1997 survey. The Commissioner-cum-Secretary of the Department contended that there were no child labour engaged in hazardous occupations in the State even in 1997 when the survey was conducted and therefore, any kind of enforcement measure was not warranted.

The Commissioner-cum-Secretary further stated (November 2004), “When hardly there is engagement of child labour in hazardous occupations in Orissa as is revealed during periodic inspections of the labour machinery and the schools run under the education department are sufficient to cater to needs of the child labour engaged in non-hazardous occupations, continuance of NCLP schools may not seem to be relevant.” It was, however, not explained why this fact was not taken into account while recommending the proposals of different District Collectors to GOI for sanction of funds. Already Rs.48.43 crore had been released by GOI as grants-in-aid to various NCLPs during 1999-2004 though there was no justification for the same as would appear from above.

### **Regulatory functions under the Act**

The Act permitted employment of children below 14 years in certain occupations and processes, which were not considered hazardous. The working hours of such child labour were to be regulated as per section 7 of the Act to ensure that such children also got education. The Supreme Court in its directions in December 1996 capped the working hours of such child labour engaged in non-hazardous occupations to 4-6 hours per day with minimum two hours of education every day at the cost of the employer. Scrutiny,

however, revealed that the provisions of the Act as well as the directives of the Supreme Court in regard to regulatory measures were not followed and there was large shortfall in inspection as discussed in the succeeding paragraphs.

### 3.1.9 Supreme Court's directives not enforced

There was no evidence on record in the offices of the DLOs of the test checked districts regarding implementation of these directives of the Supreme Court. The prescribed register of child labour under Section 11 of the Act to monitor the working hours was also not found maintained in any of the selected districts.

Though section 9 of the Act required an occupier to send a written notice to the Inspector within a period of 30 days from the date of employment of a child in permitted occupations/processes, no such information had ever been received by the DLOs of the test checked districts during the period under review. The Act as well the Orissa Child Labour Rules, 1994 are silent on the action to be taken against the occupiers in case of such default.

Section 10 of the Act specified that in case of any dispute between the Inspector and the occupier as regards the age of a child, the case was to be referred to the prescribed Medical Authority for decision. However, no such case of dispute was on record in any of the selected districts though the Labour Commissioner had listed (March 2004) this as one of the problem areas in effective implementation of the Act.

Section 12 of the Act required every occupier to display a notice in the local language and in English regarding prohibition of child labour, penalties etc. Scrutiny in audit revealed that except in Cuttack district, the enforcement of this provision was not even attempted in any of the remaining test checked districts, as the DLOs were not aware of such a provision in the Act.

Regarding imposition of penalties for violation of provisions of other<sup>6</sup> statutes relating to child labour, it was observed that the booking of such violations under section 15 of the Child Labour (Prohibition and Regulation) Act, 1986 was not taken into account by the DLOs of the seven test checked districts.

### 3.1.10 Inadequate inspections

The number and periodicity of inspections by Labour Department officials were not prescribed till November 2002. However, in December 2002, the monthly quota of inspections was fixed by the Labour Commissioner as minimum five inspections in a month for DLOs/ALOs and two for RLIs. Audit scrutiny revealed that as against prescribed 1124 inspections in the seven selected districts, only 56 inspections were carried out by DLOs/ALOs/RLIs during 2003 indicating a shortfall of 95 *per cent*. While DLOs of five (Ganjam, Cuttack, Rayagada, Sambalpur and Gajapati) districts did not furnish any reply to explain the reasons for shortfall, DLO, Balasore was not even aware of the norm. DLO, Malkangiri replied that only routine

**There was shortfall of 95 per cent of inspections to be carried out by departmental officers in the selected districts**

<sup>6</sup> Section 67 of the Factories Act 1948, section 40 of the Mines Act 1952, section 109 of the Merchant Shipping Act 1958 and section 21 of the Motor Transport Workers Act 1961.

inspections were done which was, however, not established on record.

Even the large number of empowered Inspectors notified by the Department in March and April 1997 had not carried out any inspections as of August 2004.

The State-wide statistics relating to number of inspections carried out, the number of cases of violation detected and the follow-up action thereon could not be furnished by the Department as of September 2004. However, according to information submitted by the Department before the NHRC in January 2002, only 1314 inspections were carried out in non-hazardous establishments during 1997-98 to 2001-02 in which 739 (56 per cent) cases of violation were detected (up to January 2002). No inspections had been carried out in seven out of the 30 districts in the State during 1997-2002.

**Due to an unresponsive regulatory framework, the implementation of regulatory functions rendered ineffective and directionless**

Thus, an unresponsive regulatory framework coupled with inadequate number of inspections, lack of knowledge of the provisions of the Act and the other allied Acts, rendered the implementation of even the regulatory functions under the Act ineffective.

Government stated (November 2004) that to enforce working hours and to force the employer to allow admissible education for the child labour might entail his disengagement to the detriment of the family.

### **Special Schools under National Child Labour Projects**

The implementation of the rehabilitation package through the NCLPs in the State deviated significantly from the guidelines of the Government of India. Children employed in non-hazardous occupations and processes, ineligible children, children not qualifying to be called child labour were all enrolled in overwhelming proportion in the special schools run by the NCLPs. Mainstreaming of the children withdrawn also largely failed.

#### ***3.1.11 Opening of Special Schools under the National Child Labour Projects (NCLPs)***

The main objective of the NCLPs was to withdraw children working in hazardous occupations and rehabilitate them through education in special schools where they were to be provided with non-formal education and vocational training and given the benefit of stipend, nutrition etc. While the NCLPs were funded directly by the Government of India, they were to be implemented by the Collectors-cum-Chairmen of the NCLP societies (referred as Project Societies hereafter) and their activities reviewed and monitored by the State Government through the regular organisational hierarchy of the State Labour and Employment Department.

There were 18 NCLPs functioning in 18 out of the 30 districts in the State as of June 2004. Of these, two projects started functioning from 1994-95, 13 from 1995-96 and one each from 1996-97, 1999-2000 and 2000-01.



Under this scheme, 710 special schools were sanctioned for operation in Orissa of which 681 had been opened as of June 2004. Of these, 287 (42 per cent) schools were managed by the Project Societies directly, 389 (57 per cent) by NGOs and five (one per cent) by NACs etc. All the schools in Bargarh, Malkangiri and Deogarh districts were run by the Project Societies themselves directly, though the scheme preferred running of these schools by NGOs.

### 3.1.12 Financial outlay and expenditure

The receipt and expenditure figures of the State relating to NCLPs were not available either with the Department or with the Labour Commissioner

The receipt and expenditure figures of the State relating to NCLPs for the period 1999-2004 were neither available with the Department nor in the Labour Commissioner's office as of June 2004. Government stated (November 2004) that they did not maintain the figures as the grants-in-aid were not received by them.

However, according to the information collected from the Project Directors (PDs), the receipt and expenditure of all the 18 NCLPs were as under:

(Rupees in crore)

Year	Opening balance	Grant-in-aid received	Interest/ Other receipts	Total funds	Expenditure	Closing balance	Percentage of balance to total
1999-2000	3.41	7.92	0.18	11.51	6.98	4.53	39
2000-01	4.53	7.00	0.28	11.81	6.96	4.85	41
2001-02	4.85	13.67	0.30	18.82	11.01	7.81	41
2002-03	7.81	8.98	0.43	17.22	11.28	5.94	34
2003-04	5.94	10.86	0.24	17.04	10.56	6.48	38
<b>Total</b>	<b>3.41</b>	<b>48.43</b>	<b>1.43</b>		<b>46.79</b>	<b>6.48</b>	

Demands for funds from GOI were inflated resulting in high unspent balances every year

From the table, it would be seen that during the period 1999-2004, the unspent balances at the end of every year ranged between 34 and 41 per cent of the funds available. This was largely due to inflated projection of demand for funds by the Project Societies from the GOI without realistic estimation of their actual needs and also sanction of funds by GOI without reference to the actual expenditure incurred by the Project Societies in the previous years. For example, the release of Rs.24.46 lakh to NCLP, Sambalpur by GOI during 2002-03 was wholly unnecessary when the entire expenditure of Rs.1.16 crore incurred during that year could have been met out of the available funds. Government's contention (November 2004) that some funds in hand were always required to resolve the various problem in the field was not acceptable as funds remained idle for long periods and stipends were released very late as discussed in paragraph 3.1.18.

### 3.1.13 Arbitrary sanction of projects

Selection of districts for implementation of NCLPs was not always made on the basis of concentration of child labour employed in hazardous occupations though required under the scheme. For example, though Cuttack district had more child labour (1531) in hazardous category than five<sup>7</sup> other districts as per the 1997 survey, the NCLP at Cuttack was operationalised during 1999-2000 while the NCLPs in other five districts started functioning from 1995-97.

<sup>7</sup> Nawarangpur: 1074, Sonepur: 1015, Nuapada: 997, Ganjam: 860 and Deogarh: 428.

Similarly, Kalahandi district with no child labour in hazardous category as per the 1997 survey was sanctioned the third largest funds in the State by the GOI from 1995-1996 onwards amounting to Rs.6.25 crore up to March 2004 and that too, earlier than 11<sup>8</sup> other districts which had more child labour in hazardous category than Kalahandi as per the 1997 survey. Projects had not yet been sanctioned in districts like Keonjhar, Khurda, Jajpur, Sundargarh etc. with proven record of the presence of a large number of industrial concerns compared to Kalahandi and other districts which had already been sanctioned the projects by GOI. Six<sup>9</sup> out of the seven<sup>10</sup> districts where no inspections had been carried out during 1997-2002 for identification of child labour were also sanctioned NCLPs by the GOI. In fact, GOI sanctions followed the recommendations of the State Government. There was no indication of any scrutiny of the proposals by the State Government before recommending the same to the GOI for sanction. Thus, there was no relation between the number of child labour in hazardous occupations as identified during surveys and inspections (including the 1997 survey and subsequent surveys conducted by the NGOs and others) and the sanction of the projects.

**There was no correlation between the number of child labour in hazardous occupation identified during survey and sanction of NCLP projects**

Further, scrutiny of the Project Reports prepared by Collectors of Cuttack and Balasore and recommended (August 1999) by the State Government revealed that there was no relation between the occupation and processes from where the child labour were to be withdrawn as indicated in the Project Reports and the occupations and processes from where they were actually withdrawn and enrolled in the special schools after the projects were sanctioned by the GOI.

### ***3.1.14 Unjustified and irregular enrolment of child labour engaged in non-hazardous employments in special schools***

**In Ganjam and Rayagada districts, children from non-hazardous employment were admitted in special schools and the expenditure of Rs.5.08 crore incurred on them was therefore improper**

The scheme envisaged enrolment of child labour withdrawn from hazardous occupations and processes in the special schools. Child labours engaged in non-hazardous establishments were to be imparted education at the cost of the employer. However, it was seen that children from both hazardous and non-hazardous employments were admitted in the special schools; overwhelming numbers were from non-hazardous category. As regards the seven test checked districts, all the children, admitted to special schools in Ganjam (8252) and Rayagada (4251) NCLPs, were from non-hazardous occupations. Thus, the entire expenditure of Rs.5.08 crore incurred during 1999-2004 in these two districts was misdirected. In respect of the remaining test checked districts, separate figures of child labour withdrawn from hazardous and non-hazardous occupations were not available. Similarly, the entire expenditure of Rs.4.35 crore (between 1999-2000 and 2003-04) was misdirected in Kalahandi district where no child labour engaged in hazardous employment was identified in the 1997 survey. Records of the review meetings of the State Level Monitoring Committee held on different occasions indicated that this aspect was never discussed. The GOI also did not take note of the same, as the prescribed format for the quarterly/half-yearly progress reports submitted to them by the Project Societies did not have separate columns for identifying

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<sup>8</sup> Kendrapara:177, Nayagarh:137, Keonjhar: 113, Khurda: 69, Sundargarh: 63, Jajpur: 37, Dhenkanal: 33, Boudh: 29, Puri: 25, Bhadrak: 10 and Jagatsinghpur: 8.

<sup>9</sup> Deogarh, Gajapati, Kalahandi, Malkangiri, Nuapada and Sonepur.

<sup>10</sup> Deogarh, Gajapati, Kalahandi, Malkangiri, Nuapada, Sonepur and Boudh.

children enrolled from non-hazardous occupations. Thus, funds continued to be released to the NCLPs by the GOI despite the obvious misinterpretation of the guidelines of the scheme and manipulation of figures by the Project Societies. The Commissioner-cum-Secretary of the Department stated (November 2004) that the GOI also admitted such position *ipso facto* by approving the NCLP at Balasore where there were hardly any child labour working in hazardous occupations.

Instead of enrolling children in non-hazardous occupations in the special schools and paying stipend to them, such children should have been enrolled in schools under the Sarva Siksha Abhiyan (SSA)<sup>11</sup> as the special schools were meant for mainstreaming the children withdrawn from hazardous employments. By not doing so, the focus of the scheme got diffused. The Commissioner-cum-Secretary of the Department stated (November 2004) that the Project Directors of the NCLPs were being instructed not to admit ineligible children in the special schools.

### 3.1.15 Enrolment of ineligible children in special schools

Scrutiny of records of the special schools in the test checked districts revealed that though the scheme envisaged enrolment of students in the age group of eight to 14 years, students below eight years were enrolled in four NCLPs as detailed below.

Name of the district (NCLP)	Number of schools whose records were test checked	Total number of students enrolled	Number of Students enrolled below 8 years	Percentage
Sambalpur	9	403	125	31
Gajapati	10	565	263	46
Balasore	5	250	92	36
Malkangiri	8	400	135	34

(Source : Figures furnished by the PDs of the Project Societies)

#### Students of ineligible category were enrolled in five districts

As can be seen, the proportion of such ineligible children to total enrolment ranged between 31 *per cent* (Sambalpur district) to as high as 46 *per cent* (Gajapati district). Besides, in one of the NCLP schools (Kumbhikota) in Rayagada district, 17 students who were originally on the roll of a nearby formal school were found not to have worked as child labour.

Thus, the NGOs and Project Societies in order to maintain the minimum number of child required for receipts of grants-in-aid from GOI enrolled the students without any reference to the actual target group.

While admitting (November 2004) the above, Government did not however state the action it proposed to take against such Project Societies and NGOs.

<sup>11</sup> Under SSA, children in the age group of six to 14 years are admitted to formal schools for purely educational training.

### **3.1.16 Fictitious enrolment of child labour in special schools**

Government of India sanctioned funds for each special school at fixed rates of stipend, mid-day-meal etc. per child labour assuming that each such special school was having the full strength of 50/100 children.

**In the test checked districts, the per child labour expenditure varied from a low of Rs.187 per month per child in Rayagada to Rs.307 in Malkangiri as against the norm of Rs.327 fixed by GOI. The number of child labour shown enrolled was fictitious**

The per child labour expenditure in the seven test checked districts was seen to vary widely between a low of Rs.187 per month in Rayagada district to Rs.307 per month in Malkangiri district as against the State average of Rs.222 per month and Rs.327 per month as per the norms fixed by Government of India. Scrutiny revealed that except in Malkangiri district, only 63 (Sambalpur district) to 85 *per cent* (Balasore district) of funds under stipend and 32 (Sambalpur) to 75 (Balasore) *per cent* of funds for nutrition (mid-day meal) had been spent in the test checked districts during the period under review. Only these two components of expenditure were directly linked to the actual number of child labour in the special schools. Apparently, a higher number of child labour required for sanction of special schools, was being claimed as enrolled by the NGOs/Project Societies in order to justify running of the special schools and obtain funds from GOI. The inspection note of the field officers of Cuttack society also confirmed the above.

Thus, the number of child labour shown enrolled in the special schools was fictitious in all the test-checked districts.

### **3.1.17 Deficiencies in selection of/management by NGOs**

**There was no uniform principle in selection of NGOs in different districts; in two districts there was no selection procedure at all**

As laid down in the NCLP guidelines, running of special schools and their management were to be preferably entrusted to good, reliable and reputed Non-Government Organisations (NGOs), Panchayati Raj institutions, Trade Unions etc.

Test check of records in the selected districts revealed that there was no uniform principle in selection of NGOs in different districts. Neither the GOI nor the State Government prescribed any clear cut and specific principle for selection of NGOs. In Rayagada district where NGOs were involved in the implementation of the scheme, there was no selection procedure since inception. Selection of unsuitable NGOs led to four of them leaving midway in Ganjam district and seven NGOs mismanaging affairs in Rayagada district. Closure of schools midway in Ganjam district resulted in unfruitful expenditure of Rs.10.74 lakh. When pointed out (April 2004), the Commissioner-cum-Secretary stated (November 2004) that there should not be any question on the selection and discretion of the Collectors in this regard. The reply was unacceptable as improper selection resulted in unfruitful expenditure in Ganjam district as stated above.

The guidelines of Government of India stipulated that each special school was to function for a three year cycle after which it was to be relocated in other areas of child labour concentration. However, in Gajapati district, 37 special schools opened during 1996 continued to run for more than 10 months to three and a half years beyond the prescribed three years. This resulted in non-induction of fresh children.

### **3.1.18 Deficiencies in administration of stipend, mid-day meal and health check up**

#### ***Persistent delay in release of stipend***

According to the scheme, stipend at the rate of Rs.100 per month per child labour was to be deposited every month in the post office or in any nationalised bank in joint account of the child labour and his mother (father, if mother not alive).

Scrutiny of records in the test checked districts revealed instances of delay up to six years in release of stipend from Project Societies to schools in Sambalpur district and from one to three years in Malkangiri and Rayagada districts. Besides, there was delay of four years in payment of stipend to students after closure of a school in Rayagada district and non-release of stipend by PD to 27 NGOs in Ganjam district after September 2003.

#### ***Irregularities in supply and administration of mid-day meal***

Irregularities like non-supply of cooked food (Cuttack and Gajapati districts), non-supply of non-vegetarian food once in a week (Cuttack district) and non-supply of mid-day meal for a few days (Cuttack and Gajapati districts) were noticed. During joint inspection of one school at Gatiguda (Rayagada district) by audit along with field officer of the NCLP, at about 10.20 AM (26 June 2004) it was found that the school functioned from 7 AM to 10 AM only on that day and no mid-day meal was served.

#### ***Health check-up not conducted***

Health check up of the children enrolled in the special schools was an important component of the scheme. A health card was required to be maintained for each child.

Test check of schools in the selected districts revealed that no health card was maintained in Sambalpur, Cuttack and Rayagada districts. In Sambalpur, health check up was not done at all in four out of nine schools visited by Audit. In Rayagada, health check-up was not done at all. In Ganjam and Malkangiri districts, health camps were not organised regularly.

All the above deficiencies exemplified the lack of adequate supervision and inspection by both the project authorities as well as the DLOs.

### **3.1.19 Inadequate and ineffective vocational training**

Under the scheme, need based vocational training was to be imparted to the child labour keeping in view the nature of trades and skills from where they were withdrawn and the potential of future employment in such trade or skill. As per guidelines of the scheme, one vocational teacher was to be there in each special school.

However, vocational training was not even being imparted in seven out of the

**No health card was maintained in three districts, while in Rayagada, health check up was not done at all, in Sambalpur health check up was not done at all in four out of nine schools visited by audit**

18 NCLPs functioning in the State as of April 2003, thus rendering a crucial component of the scheme inoperative. Further, in Malkangiri, there were only two vocational teachers for 40 schools and in Balasore district, there were only 26 such teachers for 40 schools functioning. The Government stated (November 2004) that the District Magistrates would be suitably impressed upon in this direction.

**Vocational training was not based on a scientific and need based assessment of the labour demand**

All the 26 teachers in position in Balasore district and 11 out of 40 teachers in Cuttack district were without requisite qualification. Vocational training in most of the special schools test checked was not based on a scientific and need-based assessment of the labour demand in different sectors and sub-sectors in the local areas. Most of the NCLP schools had adopted tailoring as a trade even when there were no sewing machines or the machines were out of order or the vocational teacher himself/herself was untrained. Adequate vocational materials were also not supplied to the special schools although there was a budgetary provision of Rs.8000 per school per annum for both educational and vocational training.

Thus, the vocational training imparted was by and large inadequate, ineffective and unproductive.

### ***3.1.20 Malfeasance in project societies and special schools***

#### ***Misappropriation of funds and other irregularities in NCLP, Malkangiri***

The NCLP, Malkangiri started functioning from 1995-96. It was found that the Collector-cum-Chairman of the Project Society had conducted a preliminary enquiry in April 2004 on receipt of a public complaint and detected certain irregularities. Subsequent audit scrutiny revealed large-scale misappropriation of funds and other gross irregularities in the maintenance of the cash book and the bank accounts.

The Project Society maintained two bank accounts each in the State Bank of India (SBI) and the Union Bank of India in the joint name of the Collector-cum-Chairman and the Project Director (PD) of the Project Society. These accounts were also to be jointly operated by them. During 1999-2004, a sum of Rs.1.06 crore was transferred from these two accounts (SBI: Rs.54.45 lakh and Union Bank: Rs.51.94 lakh) to the personal accounts of the PD in the Koraput Central Co-operative Bank (KCCB) and the Union Bank in blatant violation of Government rules and procedures. Out of this money the PD drew Rs.39.55 lakh through self cheques, which was not taken into cash book indicating a strong possibility of misappropriation of this amount.

It was also detected in audit that out of nine cheques worth Rs.19.33 lakh, issued against the Project Society's accounts but not reflected in the Society's cash book, Rs.3.90 lakh (four cheques) from the SBI and Rs.3.99 lakh (one cheque) from the Union Bank totalling Rs.7.89 lakh had actually been encashed and misappropriated by the PD.

**In the Malkangiri NCLP, there were misappropriation, doubtful expenditure, excess payment and cash shortage to the tune of Rs.74.59 lakh**

Other than the transfers to the personal accounts of the PD, expenditure of Rupees two crore was reflected in the Project Society's cash book. Out of this,

Rs.52.78 lakh appeared to have been misappropriated under various components of the Project since the payments shown to have been made were not supported by vouchers, receipts and acknowledgements. These included fictitious payment of honorarium to non-existent clerk-cum-accountants (Rs.10.30 lakh), fictitious payment towards nutrition (Rs.36.25 lakh) etc. Genuineness of expenditure of another Rs.18.40 lakh towards payment of rent of school buildings (Rs.13.80 lakh), purchase of vocational materials (Rs.4.60 lakh) etc. also appeared doubtful. Similarly, there was an excess payment of honorarium of Rs.3.09 lakh and a cash shortage of Rs.0.32 lakh when finally verified during audit. The details of the above are shown in Appendix-XXV.

The misappropriation and mismanagement of the project funds was facilitated by improper maintenance of the cash book coupled with non-prescription of accounting procedure for the Project Society either by the GOI or the State Government. The situation was further aggravated by the fact that there was absence of any inspection of the Project Society by successive Collectors-cum-Chairmen. Even the successive statutory auditors (chartered accountants) failed to point out any of these grave irregularities in their reports.

**There were unfruitful and wasteful expenditure of Rs.13.96 lakh in other NCLPs**

The Collector, Malkangiri stated (September 2004) that the account of the Project Society opened with the Union Bank was not a joint account. The Branch Manager of the bank also corroborated the same. But statements furnished by the Collector, Malkangiri revealed that out of a total amount of Rs.1.93 crore drawn from the Union Bank between April 1999 and March 2004, Rs.0.83 crore were withdrawn in 20 cheques under the sole signature of the PD while the balance was drawn in 28 cheques jointly signed by the PD and the Collector-cum-Chairman of the Project Society. It was, therefore, not clear how the Collector signed some cheques while leaving out some others and how the Bank allowed such duality while honouring the cheques for payment. The photocopies of the ledgers of this account maintained at the Bank level collected during audit, however, indicated the account to be jointly operable. A detailed investigation by an independent investigating agency is required to be conducted. The State Vigilance initiated a case as reported by the Government in November 2004. Several other instances of unfruitful and wasteful expenditure amounting to Rs.13.96 lakh were noticed in the NCLPs other than Malkangiri as summarised in Appendix-XXVI.

### ***3.1.21 Failure to mainstream child labour withdrawn from hazardous occupations***

After completion of three years at NCLP schools, each child was expected to be mainstreamed through admission to formal schools. In case of any difficulty to cope with the standards in the formal schools, necessary assistance was required to be given by the Project Society.

In their submissions before the NHRC in January 2002, the State Government mentioned that out of 37217 child labour (hazardous-16312; non-hazardous-20905) admitted in NCLP schools in 18 districts during 1997-2002, only 19514 (52 *per cent*) (hazardous-11979; non-hazardous- 7535) children were mainstreamed up to January 2002. The latest figures could not, however, be furnished by either the Department or the Labour Commissioner.

In case of the selected districts, the position as of June 2004 as per the records of the Project Directors was as under:

Name of the district	Year	Number of special schools	Number of children enrolled	Number of children due for mainstreaming	Number of children mainstreamed	Percentage
Rayagada	1996-2004	40	6245	4245	3165	75
Gajapati	1996-2004	60	6455	5021	3446	69
Balasore	2001-2004	40	2366	2366	2345	99
Malkangiri	1996-2004	40	6000	4000	1321	33
Cuttack	2000-2004	40	3250	2000	1770	89
Ganjam	1995-2004	35	5550	3432	2091	61
Sambalpur	1994-2004	70	12860	8460	5050	59
<b>Total</b>		<b>325</b>	<b>42726</b>	<b>29524</b>	<b>19188</b>	<b>65</b>

Though the above table showed that on an average 35 *per cent* of the children due for mainstreaming could not be mainstreamed, further scrutiny in audit indicated that the actual percentage was much higher.

While the records of the Project Directors of the test checked districts showed that one out of every three students enrolled were not mainstreamed, actual test verification in audit revealed that nearly 60 *per cent* of the enrolled students were not mainstreamed

Out of 1074 child labour shown mainstreamed in the records of 28 special schools in five test checked districts, names of 160 (15 *per cent*) children did not appear at all in the Admission Registers of the formal schools while another 105 (10 *per cent*) children, though admitted, dropped out within a week of joining the formal schools indicating that about 25 *per cent* of the children were not effectively mainstreamed. The details are given in the Appendix-XXVII. Thus, it was apparent that 60 *per cent* (35+25 *per cent*) of the total children due for mainstreaming were not effectively mainstreamed. The scheme had failed to deliver the desired results and to this extent, the expenditure incurred on their education was wasted. No track of the mainstreamed children was kept by the societies as required under the scheme.

On this being pointed out, Secretary of the Department stated (November 2004) that it was not possible to keep a track of such children who were very high in number since these children had already crossed the age limit. Such a stand was not acceptable as tracking exercise was mandatory under the guidelines.

### **3.1.22 Below optimal convergence of services**

The scheme envisaged convergence of the efforts of the Government in the areas of poverty alleviation, employment assurance, health care etc. with the efforts being attempted through this Act, so that the parents of child labour withdrawn from employment get compensated and refrain from sending their child to such hazardous employment.

Information furnished (January 2002) by the State Government to the NHRC indicated that out of 23765 child labour detected up to 2001-02 in both hazardous and non-hazardous category, parents of only 9957 child labour (hazardous: 4036 and non-hazardous: 5921) were covered in different poverty alleviation schemes. Thus, the coverage was only 42 *per cent*. However, in respect of the selected districts, the coverage ranged between 10 *per cent* (Balasore) and 55 *per cent* (Malkangiri) as of June 2004. The parents of the child labour who could not be provided employment were also not paid Rs.5000 per child by the State Government in any case, though required as per the directions (December 1996) of the Supreme Court. In view of the above



possibility of the children going back to the same hazardous occupation after completion of their education could not be ruled out.

### **3.1.23 Monitoring and evaluation of the functioning of the NCLP scheme**

According to the guidelines of the scheme, Executive Councils of the project societies headed by the Collector as the Chairman was required to review the functioning of the project at least once in a quarter. However, test check revealed that there were shortfalls in such meetings varying between 55 per cent (Rayagada) and 100 per cent (Malkangiri) during the period 1999-2004. Even the inspections of the special schools by the field officers and PDs of the Project Societies were extremely inadequate.

**The State Level Monitoring Committee on child labour constituted in September 1999 met only thrice as against stipulated 10 meetings**

Although a State Level Monitoring Committee, headed by the State Labour Secretary, was constituted (September 1999), the Committee met only thrice as against at least 10 such meetings during the period of review (1999-2004) as stipulated (May 1999) by the GOI. But even in these meetings, the enforcement of the general prohibitory and regulatory aspects of the Act were not found to have been discussed.

Although a Labour Cell was constituted by the Department in March 1997 in pursuance to directions (December 1996) of the Supreme Court, no activity had been taken up by the Cell as of June 2004.

Thus, lack of effective monitoring and absence of periodic evaluation at all levels resulted in the scheme being implemented in a lackadaisical manner. Government noted (November 2004) the above shortcomings and assured that regular review meetings at the State level and at the level of Collectors would be conducted.

### **3.1.24 Deficiencies in Manpower management**

Vacancies in the cadre of ALOs and RLIs in seven test checked districts increased from three in 1999-2000 to 14 by 2003-04. There was no ALO in Malkangiri district during the entire period of review. Also, full time Project Directors were not there in 16 out of the 18 NCLPs in the State during the period of review, though preferred under the scheme. This affected both the regular enforcement of the general provisions of the Act as well as the regular mandatory inspection of the Project Societies and the special schools hampering effective monitoring of the projects.

### **3.1.25 Conclusions**

The enforcement of the Act was deficient in both its prohibitory and regulatory aspects. While this could be partly because of certain infirmities in the Act, the absence of a well-focused and target-oriented approach was obvious during audit. The surveys conducted and statistics generated by the NGOs proved to be unreliable. The number of inspections carried out by various field functionaries was grossly inadequate.

As regards implementation of the rehabilitation package through NCLPs, the

entire effort in the State significantly deviated from the guidelines of the GOI. Ineligible child labours were enrolled in the special schools. The mainstreamed children's progress in the formal schools was not tracked either by the NGOs or by the Project Societies. The result was that no one really had any idea about the success or failure of the entire effort that had gone into the NCLP scheme in the State. The vocational training imparted in these special schools was inadequate and routine, having no relation with the demand in the market outside.

***Recommendations***

- The State Government should commission systematic and scientific surveys at periodic intervals to correctly assess the impact of the Act and the implementation of the scheme in the State.
- Only children withdrawn from hazardous occupations are to be enrolled in the NCLP-run schools under the guidelines of the scheme. In case, there are no child labour in hazardous occupations in the State as mentioned by the Commissioner-cum-Secretary of the Department in November 2004, then the entire expenditure on NCLP has to be considered irregular and uncalled for. In that case, the coverage under Sarva Siksha Abhijan and other similar schemes may be extended to cover the children employed in non-hazardous occupations to give them the benefit of education as well as necessary vocational training.
- Vocational education in special schools should be given a market orientation. Post mainstreaming monitoring of the special school children should be made mandatory for NGOs as well as Project Societies.
- Review and monitoring of the activities of the NCLP schools by different functionaries of the Project Society as well as the Directorate and the Department must be made regular and effective.

## RURAL DEVELOPMENT DEPARTMENT

### 3.2 Pradhan Mantri Gram Sadak Yojana

#### *Highlights*

Audit review of Pradhan Mantri Gram Sadak Yojana (PMGSY) revealed that the programme launched in December 2000 for providing all weather road connectivity to all unconnected habitations with 1000 persons and above by 2003 failed to achieve the objective. The Government of India (GoI) provided Rs.708.34 crore for implementation of the programme against which the Government of Orissa (GoO) spent Rs.451.43 crore as of March 2004. Out of 1573<sup>12</sup> roads approved for completion in three phases, 867 roads (55 per cent) were completed providing connectivity to 965 out of 3850 habitations with population of 1000 and above as of March 2004. Of the completed roads, 195 roads of 451.67 kms constructed at a cost of Rs.85.38 crore did not provide connectivity to habitations for want of 536.13 kms of missing links and culverts etc.

Further, out of 212 roads test checked in 11 districts, there was fictitious execution of 17.99 km in 14 roads for Rs.2.75 crore and 118 roads constructed at a cost of Rs.44.41 crore did not satisfy the norms of the programme. Besides, there was wasteful expenditure of Rs.1.49 crore on 12 abandoned roads. Serious failure of control over expenditure also led to significant excess and undue payments to contractors.

✦ **Construction of 451.67 kms of roads shown as completed at a cost of Rs.85.38 crore remained unfruitful due to missing links of 536.13 kms.**

**(Paragraph 3.2.9)**

✦ **Roads constructed at a cost of Rs.44.41 crore did not satisfy the norms of the PMGSY as these roads provided multi connectivity to habitations having lower population, not aligned the roads on most economic and efficient route, excess execution in length and not connecting to any habitation/all weather road.**

**(Paragraph 3.2.8)**

✦ **Roads were constructed with extra carriage-width and sand core in deviation from norms of Rural Roads Manual (RRM) of Indian Road Congress (IRC) resulting in an additional burden of Rs.56.18 crore.**

**(Paragraph 3.2.11)**

\*The abbreviations used in this review have been listed in the Glossary in Appendix-XXXVI ( page 222)

<sup>12</sup> As per norms of the programme, single all weather road connectivity was to be provided to habitations with a population of 1000 persons and above by March 2003, roads were to be aligned in most economic and efficient route to achieve maximum connectivity, roads already in all weather condition and habitations located within 500 metres of the all weather road were not to be included.

✦ **Undue benefit of Rs.3.97 crore was extended to the contractors due to adoption of higher cost of bitumen in bituminous item.**

**(Paragraph 3.2.14)**

✦ **Excess payment of Rs.14.78 crore was made to contractors by not deducting voids from the quantity of metal and contractors were allowed undue benefits of Rs.1.54 crore by providing of excess lead for transportation of metals.**

**(Paragraphs 3.2.13 and 3.2.17)**

✦ **Programme funds amounting to Rs.179.70 crore were kept in PL Account of District Rural Development Agency (DRDA) during 2000-2003 instead of in bank account thereby losing Rs.8.25 crore which would have accrued to programme funds by way of interest from Bank account. Besides, the EEs did not maintain the accounts as prescribed by the MORD.**

**(Paragraph 3.2.5)**

✦ **Orissa State Rural Roads Agency (OSRRA) set up for operational and management supports to the programme remained non-functional due to lack of budget provision and staff.**

**(Paragraph 3.2.26)**

### **3.2.1 Introduction**

GoI launched the PMGSY in December 2000 with the primary objective of providing all weather road connectivity to all unconnected habitations with a population of 1000 persons and more by the year 2003 and for 500 and above by the Tenth Plan period (2007). Upgradation of existing roads is also permissible in only those districts where all the habitations of designated population size have been provided with all weather connectivity.

### **3.2.2 Audit objective/criteria**

Audit objective was to assess:

- the financial management of the programme;
- programme management and execution of works;
- delivery of the desired output of the programme by providing all weather road connectivity to targeted habitations within a specified time frame; and
- quality control issues and monitoring of the programme

### **3.2.3 Audit coverage**

The review was conducted (January-June 2004) by the test check of records of Administrative Department, Chief Engineer (CE), Rural Works (RW) and 12 Executive Engineers (EE) for the period 2000-01 to 2003-04 covering implementation of Phase I, II and III of the programme. All the project proposals for the three phases were also examined in the CE's office.

### 3.2.4 Audit methodology

Technical specifications and provisions of Rural Roads Manual (RRM) of Indian Road Congress (IRC), quality control reports, inspection reports of higher authorities, complaints, evaluation reports and database were reviewed and discussions were made with the CE, RW and the Administrative Department in arriving at the conclusions and assessing the impact of the programme.

### Financial management

The GoI provided Rs.708.34 crore during 2000-04 for implementation of phase I, II and III of the programme. The financial status of the programme was as follows:

(Rupees in crore)			
Year	Amount provided by GOI	Expenditure (March 2004)	Percentage of financial progress
2000-01 Phase-I	179.70	157.96	88
2001-02 Phase-II	345.09	286.12	83
2003-04 Phase-III	183.55	7.35	04
<b>Total</b>	<b>708.34</b>	<b>451.43</b>	<b>64</b>

Financial management was found to be deficient due to unauthorised diversion of funds, improper accounting procedure and non-submission utilisation certificates as discussed below:

### 3.2.5 Loss of interest of Rs.8.25 crore and unauthorised diversion of funds

**Loss of interest of Rs.8.25 crore due to delay in transfer of funds by DRDA**

As per the stipulations of the GoI, funds released for implementation of the programme being non-lapsable were to be operated through Savings Bank Account. During 2000-01, programme funds amounting to Rs. 179.70 crore was transferred to the Personal Ledger (PL) Account of District Rural Development Agency (DRDA) by operating MWA suspense head in the Divisional Accounts in March 2001. DRDA delayed the release of funds from the PL Account to the divisions for periods ranging between five months and 32 months which entailed loss of interest of Rs.8.25 crore which could have accrued to the programme funds by timely transfer of the amount by DRDA. The funds debited to the suspense account (MWA) for Phase-I remained uncleared (March 2004) for lack of budget provisions. For Phase-II of the programme, the GoI directly transferred the funds to the Bank Accounts of the EEs. From the year 2003-04, Orissa State Rural Roads Agency (OSRRA) was constituted (May 2003) under the Society Act and was authorised to receive and release funds. The funds were not routed through the State Budget and transactions were not incorporated in the general accounts. The Ministry of Rural Development (MORD) prescribed revised accounting procedure and formats from 2003-04. The EEs had not followed the revised procedure even as of March 2004.

**Accounting procedure not followed**

Besides, Rs.43.04 lakh out of the accrued interest receipts and sale proceeds of

tender documents was diverted by the EEs of Angul and Bhubaneswar divisions during 2001-02 for purchase of Printer, Fax and payment to OCC for Divisional Automation System, other contingent expenditure and hire charges of vehicle though not permitted under norms. The above was indicative of poor control over financial management under the programme. The Government confirming the factual position stated (September 2004) that the new accounting procedure would be adopted soon.

### 3.2.6 *Non-submission of utilisation certificate (UC)*

**Although UC for Rs.162.64 crore was not submitted, further instalments were released violating the norms**

The funds were to be made available in four instalments subject to submission of UC for the earlier instalment and completion certificate of works sanctioned two years before. Against UC for Rs.524.79 crore due as of March 2004, the CE submitted (March 2004) UC for Rs.362.15 crore. Neither UC for Rs.162.64 crore nor completion certificate of works sanctioned during 2000-01 (before two years), were submitted (March 2004).

## **Programme management**

The status of habitation connectivity as of March 2004 was as below:

(In number)

Sl. No	Population	Total habitations	Habitations connected prior to launching of the programme	unconnected habitations	Habitations connected under PMGSY			Balance of unconnected habitations
					Phase-I 2000-01	Phase-II (2001-02)	Total	
i)	1000 persons and above	9488	5638	3850	397	568	965	2885
ii)	500-999	12606	5868	6738	243	157	400	6338
iii)	250-499	12301	4677	7624	110	86	196	7428
iv)	Less than 250	14623	4536	10087	89	60	149	9938
	<b>Total</b>	<b>49018</b>	<b>20719</b>	<b>28299</b>	<b>839</b>	<b>871</b>	<b>1710</b>	<b>26589</b>

Scrutiny revealed serious violation of the norms of the Programme, wide spread mismanagement in planning and decision making resulting in huge wasteful expenditure, unwarranted excess expenditure as discussed below:

### 3.2.7 *Commencement of works without site survey, etc.*

**Of the 3850 habitations with 1000 persons and above targeted for connectivity by March 2003, 2885 such habitations remained unconnected (March 2004)**

Construction of 1573 roads (3586 km) was taken up under the programme in three phases (Phase I: 574 roads, Phase II: 652 roads and Phase III:347 roads) with stipulation for completion of the roads in nine months from the date of clearance. The primary focus of the programme was to establish all weather road connectivity to all unconnected habitations with 1000 persons and above by March 2003. However, 2885 (75 per cent) such habitations remained unconnected as of March 2004 defeating the objectives of the programme. The Government accepted the factual position in September 2004.

Only 20 roads of Phase I and two roads of Phase II were completed by the stipulated dates and the remaining roads did not progress as per schedule due to default in execution by the agencies. Phase III was scheduled for

completion by May 2004. As of March 2004, 471 roads of Phase I (82 *per cent*), 396 roads of Phase II (61 *per cent*) and none of the roads of Phase III were completed.

As per the conditions of the contracts, the time allowed for carrying out the work was to be strictly observed failing which liquidated compensation (10 *per cent* of the estimated cost) was to be realised. Although the roads were not completed within the stipulated period, liquidated compensations recoverable as per the terms of the contracts were not realised from the defaulting contractors as of March 2004.

Under the programme, there was no provision for land cost. GoO, therefore, ordered construction of the roads on Government land and in case of involvement of private land, the Collectors and Sub-collectors of the districts were to persuade the land owners and acquire the land through registered gift deeds failing which the road was to be dropped. No gift deed was executed in case of private land (March 2004). Works were commenced without survey and investigation of the condition of roads and location of habitations and also without forest clearance approval. Consequently, of the 1226 roads approved under Phase I and II, 134 roads were dropped during execution due to targeted habitations having been already connected through other routes and land and forest problems. In eight of the 134 dropped roads, as of the dates of abandonment, Rs.38.17 lakh were spent and four other roads in two districts were stopped after execution of works worth Rs.1.11 crore. Thus, commencement of works, without site survey, non- assessment of condition of roads/location of habitations and non- fulfillment of pre-requisites, led to dropping of 134 roads during execution reducing the scope of the programme by Rs.47.28 crore and wasteful expenditure of Rs.1.49 crore on 12 of these roads.

**The EEs executed additional work for Rs.33.02 crore during post tender stage**

The department was required to observe economy in construction and cost overrun was not permissible. In such an eventuality, the State Government was to bear the additional expenditure. Out of 177 packages involving 12 divisions, the EEs executed additional works in 119 packages under Phase I and II for Rs.33.02 crore. Since cost overrun was not permissible, they met the expenditure diverting the amount saved from dropped roads and reducing cross drainage (CD) structures and the length/width of roads.

Against the requirement of Rs.15 lakh per km for construction of the roads as per provisions of RRM of IRC at average Schedule of Rates (SoR) including lead distance for transportation of materials, the per km cost ranged upto Rs.21.56 lakh (Deogarh) under Phase-I and Rs.28.80 lakh (Bhadrak) under Phase-II which merits investigation.

The Government while accepting the factual position stated (September 2004) that liquidated compensation would be recovered from the agencies liable for delays. They also mentioned that variations in cost of construction were due to location of the site, lead, quality of soil and traffic data etc. The reply confirmed that the high cost of construction was due to inadequate survey and investigations. Even the National Rural Roads Development Agency (NRRDA) inspecting the roads observed that the high cost of construction was

due to inadequate survey and investigations and overdesign of pavements.

### **3.2.8 Flawed selection of roads led to non-achievement of objectives**

**Poor selection of roads, fictitious and uncalled for execution led to unfruitful expenditure of Rs.47.16 crore**

For appropriate selection of roads, GoI prescribed in 2001 preparation of District Rural Roads Plan (DRRP) using the Geographic Information System (GIS) for each district/block indicating the habitations, Gram Panchayat headquarters, Public Health Centres, Hat, etc. The roads prioritised from this list, based on the recommendations of the local representatives and approval by Zilla Parishad and State Level Standing Committee were to be taken up. In none of the test checked districts other than Boudh and Khurda, DRRP was prepared based on GIS data of Orissa Remote Sensing Application Centre (ORSAC) of GoO. Scrutiny of the DRRP for Boudh<sup>13</sup> and for Khurda<sup>14</sup> districts disclosed significant mis-match between the connectivity reported to have been created and those reflected in the Core Net Maps (CNMs). Similar mis-matches were noticed even in the departmental CNMs<sup>15</sup> for Dhenkanal, Angul, Keonjhar, Sundargarh, Gajapati, Kendrapara, Bolangir, Cuttack, Bhadrak and Jagatsinghpur districts. Out of 212 roads test checked in these districts, 132 roads constructed at a cost of Rs.47.16 crore did not satisfy the norms and failed to meet the objective as discussed below. Government confirmed the mis-match in September 2004.

- Habitations with lower population were provided with new connectivity by construction of 23 roads for 54.22 km at a cost of Rs.9.02 crore. The Government stated (September 2004) that roads leading to cluster of habitations having total population more than 1000 persons were included. But as per the guidelines, cluster of populations (not habitations) living in an area was to be included.
- Nine roads for 15.23 km constructed at a cost of Rs.2.97 crore under the programme provided multi connectivity to habitations. This expenditure of Rs.2.97 crore was irregular and in violation of the norms of the programme. The Government stated that the roads were taken up for providing better connectivity. This was, however, not permissible under the programme.
- Thirteen all weather roads with BT, WBM and moorum surfaces covering 37.66 km were shown as executed under the programme at a cost of Rs.6.60 crore. The Government stated that the roads were in bad shape which was not acceptable since the CNMs disclosed the roads in all weather condition.
- Fourteen roads were reportedly constructed for more than the requirement by 17.99 km. Expenditure of Rs.2.75 crore on fictitious execution merits investigation. The Government stated that the excess length was required

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<sup>13</sup> Prepared by ORSAC

<sup>14</sup> Prepared by Geo- Infotech

<sup>15</sup> The CNM used by the Rural Development Department were based on dated data from Survey of India



to establish connectivity. This was not correct since as per the CNMs the habitations were connectible even without execution of 17.99 km of roads.

- Fifteen roads constructed for 34.57 km at a cost of Rs.5.19 crore did not connect the habitation. The expenditure of Rs.5.19 crore was unfruitful. The Government stated that the missing links would be completed in subsequent phases.
- Fourteen roads for 17.64 kms constructed at a cost of Rs.3.22 crore provided connectivity to habitations located within 500 metres of all weather road though not permitted under the norms. Similarly, Tubey and Maratira habitations in Angul district though located on NH and independently connected, were provided another connection by construction of 1.87 km of road on different alignment at a cost of Rs.45.17 lakh. The total wasteful expenditure was Rs.3.67 crore. The Government stated (September 2004) that the above concept of not providing connectivity to habitation located within 500 metres of the all weather road came in September 2002. This was not correct since the norms were prescribed in June 2001.
- Failure to align 19 roads in most economic and efficient route to connect the habitations led to unnecessary execution of 21.02 km at a cost of Rs.4.42 crore. The Government stated (September 2004) that the roads were planned taking into account market, educational and health institutions. This was not acceptable in the absence of utility value assessed for all possible routes as required under the norms.
- Twelve roads for 23.75 km were constructed at a cost of Rs.4.21 crore to provide connectivity to habitations, which were already connected prior to launching of the programme. The Government stated (September 2004) that the habitations were shown connected wrongly.
- Twelve roads constructed for 47.90 km at a cost of Rs.8.33 crore did not connect any all weather road on either side rendering the expenditure unfruitful. The Government confirming the factual position stated (September 2004) that the missing links would be completed in subsequent phases.

### **3.2.9 Connectivity not achieved due to missing links**

The primary objective of the programme was to provide connectivity to unconnected habitations by all weather roads. The rural roads were taken up under Phase I and II without study of their surface status and assessment of actual length and number of culverts required to establish connectivity. In 184 roads, against 946 km required for establishing the connectivity, the roads were shown as completed with execution of 423 km at a cost of Rs.79.32 crore despite missing links of 523 km requiring further Rs.110.08 crore to establish full connectivity rendering the expenditure of Rs.79.32 crore unfruitful. The Government stated (September 2004) that the missing links would be taken up in subsequent phases.

Similarly, of the 41.80 km of earthen track in 11 roads in Bhadrak, Kendrapara, Kalahandi and Bargarh districts, the EEs took up only 28.67 km for improvement upto BT surface at a cost of Rs.6.06 crore and excluded 13.13 km of earthen track. Due to the faulty plan, the objective of providing continuous BT surface to the habitations was not achieved resulting unfruitful expenditure of Rs.6.06 crore. While accepting the factual position the Government stated (September 2004) that the remaining portion would be included in subsequent phases to establish the connectivity.

### ***3.2.10 Upgradation of roads in deviation from the norms***

**Up-gradation of existing BT/Metal/Moorum surfaces at a cost of Rs.39.87 crore in deviation of norms**

Up-gradation of existing roads was permissible only in those districts where all weather connectivity have been provided to all the habitations of the designated population size. Despite 2885 such habitations remaining unconnected (March 2004), the EEs upgraded 287 km of existing BT/Metal/Moorum surfaces with Rs.39.87 crore under phase-I (Rs.39.31 crore) and phase-II (Rs.56 lakh). This led to expenditure of Rs.39.87 crore in deviation from the norms. The Government stated (September 2004) that up-gradation of roads had been excluded from subsequent phase.

### ***3.2.11 Additional burden due to construction of roads with unwarranted higher width and sand core***

**Construction of roads with unwarranted higher width and sand core led to additional burden of Rs.56.18 crore**

The EEs designed construction of 1226 rural roads under Phase I and II providing 7.5 metres formation width and 3.75 metres carriage width. These were technically sanctioned by the CE and accordingly cleared by the GoI in March 2001/December 2001. The GoI brought out a comprehensive Rural Roads Manual (RRM) of Indian Road Congress (IRC) in November 2001 prescribing uniform standard of design and specification for rural roads across the States. By June 2002, only 20 roads of Phase I and no road of Phase II were completed. As per the manual, the rural roads where traffic intensity was less than 100 motorised vehicles per day was to be constructed with six metres formation width and three metres carriage width. Although the traffic intensity on the approved rural roads was less than 100 motorised vehicles per day, the EEs, however, did not reduce the width of incomplete 1206 roads and completed the same with unwarranted higher width resulting in excess expenditure of Rs.48.34 crore. The Government also ordered (January 2003) to restrict the carriage way width to three metres in all cases to ensure economy in construction. By this time, 882 roads still remained incomplete but the EEs did not reduce their width and completed the same with unwarranted higher width. Only under Phase III were the norms adopted for 347 roads approved in August 2003. However, the unwarranted higher width already constructed under phases I and II for 882 roads led to additional burden of Rs.33.06 crore.

Similarly, as per technical specifications and RRM of IRC, the pavement and sub grade of road embankment in clayey or black cotton soil were to be built up with sand sub-base in 100 to 150 mm compacted thickness for effective drainage. Without ascertaining the nature of the embankment soil, all the roads under Phase-I and Phase-II were constructed providing sand sub base in 200mm /150 mm compacted thickness. The CE during execution instructed

(June 2002) not to provide the sand base in sand and moorum zones. However, the EEs did not follow the instruction and constructed the embankments providing sand sub base. This led to additional burden of Rs.23.12 crore. The total additional burden on unwarranted higher carriage width and sand core amounted to Rs.56.18 crore. The Government stated (September 2004) that prior to receipt of the RRM of IRC, the roads of phase I and II were designed with higher width and thus there was no scope of revision. Further, the instructions of the CE for not providing the sand core was not a general order and the roads were constructed with sand core as per actual soil condition. These were not acceptable since the RRM was available during execution of phase I and II and the ongoing/incomplete roads should have been modified to three metres width as per the provisions of RRM and orders of the Government to observe economy in construction. The instructions of the CE not to provide sand core was a general order which were not followed and sand core was provided in all roads of phase I and II without assessment of the soil conditions.

### Execution of works

The review disclosed significant cases of faulty estimates, wrong designs, non-observance of prescribed measurement procedure resulting in excess and undue payments to the contractors at the cost of efficiency, economy and effectiveness of the programme as discussed below:

#### 3.2.12 Unnecessary provision of extra WBM layer in the estimates

The specifications stipulated provision of two layers of WBM in 75 mm thickness to function as base course. Without ascertaining the soil bearing capacity, 17<sup>16</sup> EEs provided another extra layer of WBM Grade-II in 75 mm thickness in 265 roads under Phase I and II with expenditure of Rs.18.33 crore. Such proposal included by them in Phase-III was disallowed by State Technical Agency (STA)/ GoI as not necessary. The unwarranted provision in Phase I and II led to excess expenditure of Rs.18.33 crore. The Government stated (September 2004) that the field engineers assessed the soil bearing capacity by eye estimation and accordingly one extra layer of WBM was provided. This was not acceptable since such assessment was to be made by laboratory tests and in fact the tests conducted for phase III did not require any extra layer of WBM.

#### 3.2.13 Prescribed procedure of measurement not followed

Agreements of Phase I and II provided that stone aggregates were to be collected, transported and stacked on even grounds by the contractors for measurement and assessment of the volume before spreading in road. The net volume for payment to the contractors was to be computed after deducting voids ranging between 12.5 and 5 per cent from the quantity arrived at by

Providing of uncalled for layer of WBM led to excess expenditure of Rs.18.33 crore

Prescribed procedure of measurement was not adopted and non-deduction of voids led to excess payment of Rs.14.78 crore

<sup>16</sup> Angul, Kendrapara, Bhadrak, Sundargarh, Ganjam No. I and II, Phulbani, Keonjhar, Balangir, Bhawanipatna, Jagatsinghpur, Deogarh, Cuttack, Balasore, Bargarh, Puri, Nawarangpur.

stack measurement. Stack measurements were not recorded in any of the measurement books and payments were made to the contractors for the gross quantities of stone/aggregates without deduction of voids. This led to excess payment of Rs.14.13 crore. Further, since the stack measurement was not recorded, the EEs should have deducted charges in built in the item rates for stacking operation, resulting in further excess payment of Rs.64.86 lakh. The Government stated (September 2004) that stack measurement was not recorded and voids not deducted as measurement was taken on finished sections. This was not acceptable since as per conditions of the contracts, stack measurements were to be recorded and voids deducted for assessment of the volume of the metal.

### ***3.2.14 Adoption of higher cost of bitumen in the estimates***

**Undue benefit of Rs.3.97 crore to contractors due to adoption of higher cost of bitumen in estimates**

The guidelines stipulated for using modified bitumen in the surface course for durability. Bitumen was to be procured from the Refineries in bulk and used in the work after rigorous testing. This was not followed and the works were executed with ordinary bitumen. The price of bulk bitumen being cheaper and also because of its massive consumption, financial prudence demanded that the controlling officer adopt the price of bulk bitumen while framing the project proposals. Against the cost of bulk bitumen being Rs.8330 per MT, the EEs prepared the estimates for Phase-I and Phase-II adopting the basic cost of bitumen (packed) at Rs.10040 per MT and the CE technically sanctioned the same. This led to undue benefit of Rs.3.97 crore to contractors. The Government stated (September 2004) that the cost of bulk bitumen was more taking into account cost of vats, land, barbed wire fencing, watch and ward and wastage. This was not acceptable since the basic cost of bulk bitumen was less and the expenditure on the above accounts was the responsibility of the contractors.

### ***3.2.15 Damages to roads due to wrong design***

As per the guidelines, it was essential to study the topography of the land and estimate the discharge at the site by direct measurement depending upon the annual rainfall and nature of terrain. This was not done and the EEs designed the roads under Phase I and II providing Cross Drainage (CD) structures on adhoc basis. Consequently, 105 roads built at a cost of Rs.3.90 crore could not discharge the accumulated rain water in different locations and the roads were damaged in October/November 2003. Out of 33 other roads, 21 roads were repaired by the contractors and remaining 12 roads still remained in damaged condition and the desired connectivity was not established (March 2004). The Government stated (September 2004) that the CDs were designed for normal discharge whereas damages occurred due to unprecedented flood. This was not acceptable since the CDs should have been designed after assessing the discharge at site.



**Jampodar to Balsinga road (OR-15-11)**

**ROAD DAMAGED DUE TO INADEQUATE DRAINAGE**





**RD Road to Bangura (OR-09-10)**

**ROAD DAMAGED AND WORK SUSPENDED**

### 3.2.16 Unwarranted allowance for mechanical carriage of soil

**Providing mechanical carriage for soil in deviation from the norms led to excess expenditure of Rs.3.69 crore**

As per the guidelines, road embankment was to be constructed obtaining soil by manual means and mechanical transportation was not permissible except in case of black cotton soil. In deviation from the above, 12<sup>17</sup> EEs executed 8.16 lakh cum of earth work in the road embankments in 60 packages providing for mechanical transportation for burrowing earth although the areas were not identified as black cotton soil. This led to excess expenditure of Rs.3.69 crore. The Government stated (September 2004) that mechanical carriage wherever found inevitable was provided. This was not acceptable in the absence of any test result for the quality of soil requiring mechanical transportation.

### 3.2.17 Incorrect lead in the estimates

**Adoption of incorrect lead in the estimates led to excess payment of Rs.1.54 crore to contractors**

The estimates for execution of works were to be prepared most economically adopting basic cost of materials as per Schedule of Rates (SoR) and minimum lead as per shortest route for transportation of the materials to the work site. Six EEs<sup>18</sup> provided lead charges for 25 works executed during 2000-2002 ranging upto 95 km for obtaining metal, chips and moorum though they were available between five and 53 km as per approved quarry chart. In 28 roads it was as high as 50 kms, while in 26 roads it was abnormally high between 50 km and 95 km. The adoption of excess lead in the estimates led to excess payment of Rs.1.54 crore to the contractors. The Government stated (September 2004) that the estimates were prepared as per available quarry chart while the agencies obtained the materials as per availability and the rates offered were inclusive of all leads. Hence no excess payment. This was not acceptable since the estimates were to be prepared as per the actual lead and adoption of higher lead inflated the cost estimates.

### 3.2.18 Damages due to substandard execution and defective design

**Construction works valued Rs.1.94 crore got damaged due to defective execution and inadequate design**

Improvement to RD road to Bangura (OR-09-10) in Dhenkanal district was awarded (April 2002) to a contractor at a cost of Rs.84.02 lakh for completion by March 2003. The work comprised new road construction for 4.99 km with 10 Cross Drainages (CDs). The CDs were provided without ascertaining the actual discharge of water at the site. During execution, the CD at Kalabila nullah could not discharge the water and consequently the road was damaged in 2003 by which time works worth Rs.68.98 lakh were executed. The Public demanded two new CDs on both sides of Kalabila nullah and as a result the work was suspended rendering the expenditure of Rs.68.98 lakh incurred on the road unfruitful (March 2004). The Government accepting the factual position stated (September 2004) that the defective works would be got rectified by the agencies and as regards RD roads to Bangura, a box cell bridge would be provided in place of the existing hume pipe culvert for extra ventage.

<sup>17</sup> Cuttack, Deogarh, Balasore, Rayagada, Bargarh, Puri, Jajpur, Bhubaneswar, Bolangir, Baripada, Kendrapara and Jagatsinghpur.

<sup>18</sup> Nawarangpur, Mayurbhanj, Dhenkanal, Gajapati, Angul and Koraput

The contractors executing works under Packages No. OR-21-07 and OR-15-04 abandoned them from May 2003/January 2004. Thereafter, defects were noticed in sub-base of package No.21-07 attributed to use of inadequate bitumen in bituminous works and use of oversized metal in WBM works of OR-15-04. This led to wasteful expenditure of Rs.1.25 crore already executed on the roads. No action was taken for the lapses on execution in either of the packages (March 2004).

### **3.2.19 Improper evaluation of tenders**

**Improper evaluation of tenders led to non-completion of works**

Notice inviting tenders (NIT) for Phase-I, II and III, stipulated that the bids were to be finalised considering the past performance of the bidder and possession of machinery for the work. If one bidder was found lowest in more than one package, composite evaluation of all the bids was to be made. However, 57 packages were awarded to 11 contractors at Rs.79.37 crore without considering the past performance and possession of machinery for the multiple packages. These agencies significantly defaulted in execution having completed works valuing Rs.50.60 crore (63.75 per cent of contract values) even after lapse of completion period.

Works for packages OR-18-02, OR-23-04 and OR-23-06 were awarded for Rs.3.56 crore to a contractor who had defaulted in construction of a high level bridge over river Brutang under the RD department that was abandoned after execution of works for Rs.1.00 crore due to substandard work. The contractor also defaulted in these PMGSY works after executing work for Rs.2.86 crore against contract value of Rs.3.56 crore. The works stood incomplete as of March 2004. The Government stated (September 2004) that the tenders were evaluated based on the documents attached to respective tenders and that the fault of the contractor executing HL bridge over Brutang was not established. However, as per the conditions of NIT, if one bidder was found lowest in more than one package, composite evaluation of all the bids was to be made increasing the criteria proportionately. Further, the fault of the contractor in executing the bridge over river Brutang was established before finalisation of bids for PMGSY works.

### **3.2.20 Works allotted to PSU's led to an additional burden to State**

**Additional burden of Rs.3.86 crore due to allotment of works to OCC and NPCC.**

Under the programme, ten packages in Mayurbhanj, Balasore and Bhadrak districts and six packages in Cuttack, Deogarh, Gajapati and Mayurbhanj districts were allotted to M/s Orissa Construction Corporation Ltd. (OCC) at a cost of Rs.15.30 crore and M/s National Projects Construction Corporation (NPCC) at a cost of Rs.9.80 crore respectively for completion by December 2002/December 2003. The OCC was allowed 20 per cent excess (five per cent over the estimated cost and 15 per cent towards overhead) and the NPCC eight per cent. The OCC got works executed valuing Rs.4.78 crore (31 per cent) and the NPCC Rs.3.58 crore (37 per cent) through sub-contracting and none of the works was completed (March 2004). Penalty of Rs.2.44 crore recoverable for slow and disproportionate progress was not realised from them (March 2004). As per the guidelines, no fund beyond the approved project cost was payable by the GoI. Therefore, the Government should not have allotted the works to the corporations beyond the estimated costs. Allotment of works to the



Corporations with 20 per cent/eight per cent excess over project cost led to extra financial burden of Rs.3.86 crore on the State. The Government confirming (September 2004) the factual position stated that liquidated damage would be realised for default in execution.

### **3.2.21 Delayed finalisation of tender and non-imposition of penalty**

**Excess expenditure of Rs.1.13 crore due to non-finalisation of tenders within the validity period and retender in three other cases**

The GoO did not finalise bids of four packages (OR-17-01, OR-04-11, OR-26-02 and OR-04-01) within the prescribed period of 120 days from the date of clearance of the project proposal by the GoI and 90 days from the date of receipt of bids. As a result, the lowest bidders refused to extend the validity of their bids. Consequently, the department had to accept tenders other than the lowest, resulting in excess expenditure of Rs.66 lakh.

The lowest bidders for two packages (OR-12-06, OR-12-07) did not turn up to execute the works. No penalty was recovered for the failure to execute the works. The retender of the above two packages led to excess expenditure of Rs.47 lakh. The total cost overrun aggregated Rs.1.13 crore. The Government confirmed the factual position in September 2004 and stated that action would be taken to recover the penalty.

### **3.2.22 Faulty provision of maintenance and repairs in the agreements**

**Faulty provisions in the contracts for maintenance led to unwarranted liability of Rs.11.29 crore**

The guidelines (December 2000/January 2003) and the technical specifications stipulated that the roads being of very high standard did not require any major repair for at least five years after completion. The State Government was to frame the contract documents accordingly for maintenance of the roads at the cost of agencies at least for five years. In 140 agreements executed during 2000-01 under Phase-I, the EE/CE provided for maintenance of the roads at the cost and risk of the agencies for three years. Only in the agreements for Phase-II, the norms were adopted for maintenance of roads for five years after completion at the cost of the contractor. But the wrong provision in the agreements for Phase-I led to an additional burden of Rs.4.30 crore for the department towards maintenance of the roads during fourth and fifth years of their completion. Under Phase-III of the programme in 113 packages approved at Rs.190.55 crore, the EEs/CE included Rs.6.99 crore for maintenance of roads to be met from State funds. The currency period of these contracts was 11 months each but provision was made for maintenance for five years without specifying how to enforce the condition of maintenance after lapse of currency of agreements. Besides, while the contracts for Phase-I and II provided for maintenance at the cost of the contractors, separate provision of Rs.6.99 crore in Phase-III for maintenance was unnecessary.

### **3.2.23 Non-plantation of trees on both sides of roads and non-use of power plant ashes in road construction**

**Non-plantation of trees on both sides of roads led to non-compliance with the requirements of the programme**

To increase vegetative cover and preserve soil and water, the guidelines provided planting of fruit bearing and other suitable medicinal trees on both sides of the roads. Under Phase I, II and III as of March 2004, 867 roads covering 2114 km were completed at a cost of Rs.451.43 crore. To comply with the requirement, the Government instructed (November 2002) the CE to

identify NGOs, Self Help Group for plantation of fruit, medicinal and nutritional trees and their maintenance. The CE did not take any action in the matter. The Government stated (September 2004) that the collectors and the EEs planted trees on some roads and plantation on other roads could not be made for lack of funds.

**Power plant wastes were not utilised in construction of rural roads**

Further, although the Government made it (September 1999) mandatory to use of waste materials of power plants in roads to be constructed within 100 km of the plant areas to gainfully utilise the waste materials and thereby control environment pollution. The EEs did not utilise the fly ash wastes available from power plants in the rural roads constructed within 100 km of the plant areas. The roads were constructed with conventional soil, the cost of which ranged between Rs.15.88 lakh and Rs.21.30 lakh per km against requirement of Rs.15.63 lakh of plant wastes per km as per norms of RRM of IRC with transportation cost of materials. The Government stated (September 2004) that after completion of Pilot Project (under planning) the same would be extended to other roads.

### ***3.2.24 Unwarranted liabilities under the programme***

The GoI provided Rs.708.34 crore between 2000 and 2004 for construction of 1573 roads under three phases. Against the above, 867 roads were completed with expenditure Rs. 451.43 crore as of March 2004. Audit review of the agreements for the remaining ongoing/incomplete 706 roads revealed that liabilities for Rs.82.38 crore were inbuilt in the agreements for payment to the contractors on account of construction of roads with unwarranted higher width and sand core, wrong computation in item rates of GSB, WBM and Bituminous work and non implementation of the conditions of agreements for stack measurement and deduction of voids from metal quantity. The Government was required to review the agreements to avoid the liability and ensure economy in construction of the roads.

## **Quality Control and Monitoring of the Programme**

### ***3.2.25 Quality control issues***

**Supervision, inspection and quality measures were poor disclosing substandard execution for Rs.5.54 crore**

The State Government was responsible for the first two stages of quality control i.e. through PIU and State Quality Monitor (SQM) to ensure that materials utilised and workmanship conformed to the prescribed specifications and that all prescribed tests were carried out at specified time and place. As a third tier of the quality control structure, the NRRDA engaged National Quality Monitors (NQM) for inspection, at random, of the roads with particular reference to quality. In case, the works graded poor or average, the State Government was to ensure replacement of materials or rectification of workmanship. The roads on completion were to be rated as very good.

No dedicated PIUs were functioning for adequate supervision, inspection and ensuring of quality measures. The SQMs and NQMs were retired Engineers with no accountability for the reports submitted by them. There was no evidence of establishment of field laboratories to ensure tests for the materials and specifications. Thus, quality assurances were not ensured.

Roads from Krushnanagar to Gamu in Jajpur district constructed during 2002-04 at a cost of Rs.44.99 lakh was graded poor by NQM due to cracks in concrete and Granular Sub Base (GSB). The EE did not get the defects rectified by the contractor rendering the expenditure of Rs.44.99 lakh wasteful. Besides, 10 roads in Balasore, Gajapati, Jagatsinghpur, Jajpur, Koraput, Kandhamal and Sundargarh districts constructed at Rs.2.90 crore were graded average by NQM due to defective works in shoulder, poor compaction in carriage-way, poor grading, non-testing of materials and non-fixation of logo and km stone.

There was also mismatch between the reports of NQM and the actual status of the work. The Agriculture Production Commissioner and Commissioner-cum-Secretary inspecting (February 2002/July 2003) the roads in Bolangir district observed that the works executed in Sirbahal to Undar (OR-05-03), Karamatal-Trastipali (OR-05-06), PWD road to Kendumundi (OR-05-02) and Kanut-Bharupali (OR-05-11) constructed at a cost of Rs.1.94 crore disclosed damaged surface condition, existence of large number of pot holes/undulations, narrow width and damaged edges. Although no evidence was on record as regards rectification of the defects, NQMs certified these roads as very good disclosing significant mismatch between the reports.

Longitudinal cracks developed in the carriage way of Jharsuguda PWD road to Katikela completed under package No.14-01 at a cost of Rs. 25.43 lakh. The CE directed undertaking repairs by the contractor and also action against the defaulting officers for negligence in supervision. Neither the defects were rectified nor any action was taken against the officers (March 2004). Other 41 roads constructed during 2001-04 in Sambalpur district with expenditure of Rs.43.74 crore were also damaged. The EE attributed (August 2003) the damage to plying of tractors on the roads with iron cage wheels. No report of rectification was available (March 2004). The Government stated (September 2004) that the defects would be got rectified by the contractors.

### ***3.2.26 Poor Monitoring of the programme***

**Non-functioning of OSRRA as per mandate resulted in lack of operational and management supports to the programme.**

The GoI prescribed (December 2000) functioning a Programme Implementation Unit (PIU) manned by competent technical persons entirely directed for co-ordination and implementation of the programme in each district. Further, as per direction (January 2003) of the GOI, Orissa State Rural Roads Agency (OSRRA) was constituted (May 2003) to co-ordinate with National Rural Roads Development Agency (NRRDA) and provide operational and management support to the programme.

No dedicated PIU had, however, functioned in any district. The programme was implemented and overseen by normal working arrangements of RDD. The OSRRA did not function as per mandate due to lack of budget provision and staff. Except for conducting one governing body meeting in July 2003, the OSRRA had not monitored the programme. The poor monitoring and lack of operational and management supports to the programme led to non-completion of the works and non-achievement of defined goals within the specified time frame. The Government stated (September 2004) that the programme was monitored by the SE, CE and State Level Standing

Committee (SLSC). This was not acceptable since the SE, CE and SLSC were to monitor the programme as part of their normal function. However, no dedicated PIU was posted and OSRRA did not function as per mandate to provide operation and management supports.

### **3.2.27 Conclusions**

The PMGSY, a major rural roads programme launched in December 2000 focusing directly on provision of sustainable all weather connectivity to all unconnected habitations with 1000 persons and above by March 2003 did not achieve the objective due to the failure of completion of the roads, existence of missing links on the newly constructed roads, flawed selection and implementation of roads, dropping of roads during construction, poor control over accounts and expenditure, lack of monitoring of the programme and huge over payment and undue payment to contractors. As of March 2004, only 55 *per cent* of the roads taken up were completed and 75 *per cent* of the targeted habitations remained unconnected. Further, 22 *per cent* of the completed roads did not provide connectivity to habitations due to missing links.

### **Recommendations**

- The procedure of prioritisation and selection of roads should be strengthened utilising the updated database available with the Orissa Remote Sensing Application Centre and others.
- The revised accounting procedure prescribed by GoI should be followed.
- Evaluation method of tenders should be improved for selection of suitable agency for completion of work in a time bound manner.
- Quality assurance should also be improved with fixing of responsibility for lapses of quality control.
- The Orissa State Rural Roads Agency (OSRRA) should be made functional to provide required operational and management support to the programme.

The matter was referred to Government (July 2004). Government reply received (September 2004) has been suitably incorporated in the review.

**PLANNING AND CO-ORDINATION, PANCHAYATI RAJ,  
SCHOOL AND MASS EDUCATION, HEALTH AND  
FAMILY WELFARE AND RURAL DEVELOPMENT  
DEPARTMENTS**

**3.3 Implementation of welfare schemes in Ganjam district**

*Highlights*

Ganjam district comprises three sub-divisions, 22 blocks and 3171 villages covering an area of 8200 square kilometer with 32 lakh population. Chatrapur is its headquarters and Berhampur, the main commercial centre. The population with a male female ratio 1:1 has 63 *per cent* literacy rate and 55 *per cent* of its population (3.02 lakh families) live below the poverty line (BPL) according to a survey in 1997.

Review of implementation of various welfare programmes relating to poverty alleviation, launch of primary education, drinking water facility and primary health care in the district for the period 1999-2004 revealed the following:

- Employment generated in a year under the poverty alleviation schemes was adequate to cover only a meagre 6.7 *per cent* of the total number of BPL families.
- The literacy rate though had gone up from 47 *per cent* in 1991 to 63 *per cent* in 2001, the teacher-pupil ratio of 1:56 as against the norm of 1:40 affected the quality of education.
- The shortage of doctors and para medical staff affected the delivery of services.
- Drinking water supply remained a problem in the district as urban areas received less water than required. Nearly 15 *per cent* rural habitations were without any water supply system.

✦ Under SGSY, only 10 *per cent* (two *per cent* per annum) of BPL families were covered against the target of 30 *per cent*. The total employment generated in the district through the SGSY/SGRY/IAY schemes covered only 6.7 *per cent* of the BPL families annually on an average.

✦ Under SGSY, expenditure under training to SHGs was just about 1.6 *per cent* of the expenditure instead of required 10 *per cent*. Only 4927 out of 12546 SHGs were imparted first phase orientation training.

\* The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI (page 222).

✦ 17145 IAY houses were not provided with sanitary latrines and smokeless chullahs.

(Paragraphs 3.3.3, 3.3.7 and 3.3.8)

✦ There was no record of utilisation of Rs.4.17 crore paid to the headmasters of primary schools for repair works and purchase of school equipment under Sarva Shiksha Abhiyan (SSA).

(Paragraph 3.3.9)

✦ The teacher-pupil ratio stood at 1:56 against the norm of 1:40 in the primary schools of the district. There was 36 *per cent* shortfall in inspection of schools by the Sub-Inspectors of schools due to their non-educational work.

(Paragraph 3.3.10)

✦ Vacancies of 34 doctors and 430 para medical staff in the PHCs/CHCs/District Headquarters Hospital affected health care facilities in the district. Besides, 32 doctors required under the Orissa Health Systems Development Project (OHSDP) were not provided.

(Paragraph 3.3.11)

✦ Under the National AIDS Control Programme, no baseline survey was conducted to identify geographically high risk areas and occupational groups vulnerable to HIV though the district was highly prone to HIV.

(Paragraph 3.3.13)

✦ As many as 934 out of 6329 rural habitations were without any source of drinking water. Testing of water quality of 12446 tube wells (79 *per cent*) sunk during ten years to March 2004 were not carried out; the water quality of 470 of the 3403 tested tube wells was not safe.

(Paragraphs 3.3.15 and 3.3.16)

### **3.3.1 Audit objective**

Audit objective was to assess improvement and impact of Government's initiatives in Ganjam district in the following welfare-related areas which have a direct bearing on the quality of life of the people:

- Poverty Alleviation Programmes viz. Swarnajayanti Gram Swarojgar Yojana, Sampurna Gramin Rojgar Yojana and Indira Awas Yojana;
- Reach of primary education;
- Primary health facilities; and
- Availability of safe drinking water.

### **3.3.2 Scope of audit and audit criteria**

The audit conducted between January and June 2004, included examination of the implementation of the main schemes and activities of the Government in Ganjam district under each of the four selected areas. The audit was based on

a test check of records at the Secretariat and the various implementing agencies in the district and covered a period of five years from 1999-2000 to 2003-04. Information was also collected from third party sources and some beneficiaries were interviewed for generating audit evidence.

Targets set by the Government were taken as audit criteria for judging the achievements under different schemes and activities.

### Poverty alleviation programmes

Efficacious implementation of poverty alleviation programmes in the district was the prime responsibility of the district administration through the District Rural Development Agency (DRDAs), the Block Development Officers (BDOs) and the Panchayat Samitis (PSs) and Gram Panchayats (GPs). Of the several poverty alleviation programmes launched in the State, the Swarnjayanti Gram Swarozgar Yojana (SGSY), Sampoorna Grameen Rozgar Yojana (SGRY) and the Indira Awas Yojana (IAY) were the more important ones in the district in terms of coverage and fund flow. The Panchayati Raj Department was in charge of implementation of all the three schemes in the State during the period 1999-2004. The working of the three programmes was evaluated in audit through test check of records of DRDA, Ganjam and six<sup>19</sup> blocks.

The expenditure incurred on the three schemes in the district during the period 1999-2004 vis-a-vis the State as a whole as per the records of the Panchayati Raj Department and the DRDA, Ganjam was as under:

Particulars	SGSY		IAY		SGRY	
	Entire State	Ganjam district	Entire State	Ganjam district	Entire State	Ganjam district
Expenditure (Rupees in crore)	355.75	30.22 <sup>18</sup> (8%)	441.18	35.20 <sup>19</sup> (7%)	1613.69	73.78 <sup>20</sup> (4%)
<b>Target</b> Number of beneficiaries (SGSY & IAY)/Mandays in lakh (SGRY)	352073	32728 (9%)	245598	21700 (8%)	2309.27 (lakh mandays)	110.66 (5%) (lakh mandays)
<b>Achievement</b> Number of beneficiaries actually financed under SGSY & IAY/ Mandays under SGRY(in lakh)	328251	28911 (8%)	231476	17145 (7%)	2569.20 (lakh mandays)	116.15 (4%) (lakh mandays)

<sup>19</sup> Aska, Bhanjanagar, Chatrapur, Hinjilikatu, Kukudakhandi and Seragada

<sup>18</sup> SGSY-1999-2000:Rs.2.93 crore, 2000-01:Rs.11.63 crore, 2001-02:Rs.6.08 crore, 2002-03:Rs.4.50 crore and 2003-04:Rs.5.08 crore.

<sup>19</sup> IAY-1999-2000:Rs.6.76 crore, 2000-01:Rs.3.88 crore, 2001-02:Rs.3.25 crore, 2002-03: Rs.10.41 crore and 2003-04: Rs.10.90 crore.

<sup>20</sup> SGRY-1999-2000:Rs.16.51 crore, 2000-01:Rs.12.06 crore, 2001-02:Rs.14.88 crore, 2002-03: Rs.15.83 crore and 2003-04: Rs.14.50 crore.

Achievement against target (percentage)	93.23	88.34	94.25	79	111.26	104.96
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Percentages in brackets are with reference to the figures of the entire State

All the three schemes were centrally sponsored schemes. While in both SGSY and SGRY the fund sharing pattern was 75:25 between the Centre and the State, it was 80:20 under the IAY. While SGSY had the objective of promoting self-employment, SGRY was to generate wage employment. The IAY was geared towards providing dwelling houses to the BPL families in the rural areas. In the latter case, there was also a wage component as the dwelling houses had to be constructed by the beneficiaries themselves.

The SGSY aimed at bringing BPL families above the poverty line by ensuring sustainable level of income of at least Rs.2000 per month by organising the rural poor into Self Help Groups (SHGs) and linking them to bank credit as well as Government subsidy for acquiring income generating assets and starting income earning occupation. In SGRY, some durable community assets were to be created and infrastructure developed in the rural areas. The thrust of all the three schemes was to reduce the incidence of poverty by providing wage employment and sustained income to the BPL families so that they could come above the poverty line. The emphasis was on benefitting the SC/ST community and women.

Audit review revealed that the implementation of these programmes had hardly any impact on the targeted population due to their low coverage, deficient employment generation, diversion of training components and negligence towards women as discussed in the succeeding paragraphs.

### **3.3.3 Low coverage and deficient employment generation**

**Under SGSY, only 10 per cent of BPL families were covered against the target of 30 per cent**

**The total employment generated in the district through the SGSY/SGRY/IAY schemes covered only 6.7 per cent of the BPL families annually on an average**

The foregoing table showed the achievement under SGRY as 104.96 per cent and that under SGSY as 88.34 per cent. In fact, the percentages were misleading because in the case of SGSY the target itself was a mere 10 per cent of the BPL families (two per cent per annum) against 30 per cent prescribed by the Government of India. Thus, the initial target itself was depressed and the percentage of achievement was highly inflated. Similarly was the case under SGRY because the number of mandays was not calculated on the basis of actual records but derived from the expenditure figures with an assumption that all moneys spent were exclusively for generation of employment. Under SGRY, on an average only 22.14 lakh mandays were created per annum which was sufficient to provide employment to about 8900 persons (at the rate of 250 days) covering barely three per cent of the BPL families per annum. In fact, the total employment generated on an average in a year through the three schemes in Ganjam district was just adequate to cover a meagre 6.7 per cent (SGSY: two per cent, SGRY: three per cent and IAY: 1.7 per cent<sup>21</sup>) of the total number of BPL families in the district. There was, however, no significant reduction in the absolute number of BPL families, which decreased only marginally from 3.02 lakh in 1997 (State

<sup>21</sup> Considering an average, labour component of 30 per cent of an IAY house and wage of Rs.50 for a worker, IAY houses constructed during five years also possibly provided employment of about 5000 man-years per annum (on a scale of 250 days of employment per annum).



While 42 per cent of SC/ST beneficiaries were covered against the target of 50 per cent under SGSY, the required coverage of 22.5 per cent under SGRY was not ascertainable in absence of records

Monitoring of the income generated under SGSY and the employment in mandays generated under SGRY was deficient

Assets under SGSY/SGRY were created without assessment of their likely utility

survey) to 2.93 lakh (NABARD estimate) in 2003-04.

All the schemes were targeted mostly at the weaker sections of the society like the SC/ST communities as well as womenfolk. Only in case of IAY, 60 per cent of the beneficiaries were SC/ST, as stipulated in the scheme. In the case of SGSY, only 42 per cent SC/ST people were covered against the minimum of 50 per cent stipulated in the scheme. In the case of SGRY, the percentage of SC/ST among beneficiaries was not ascertainable in the absence of appropriate records being maintained by the Panchayat Samities.

### 3.3.4 *Income generated under SGSY not monitored*

Monitoring of the implementation of both SGSY and SGRY was deficient in several respects. For SGSY, even the selection of key activities for the SHGs to be financed by banks was generally made without any detailed techno-economic feasibility studies making them susceptible to unviability and closure. There was no assessment as to whether members of the SHGs actually earned the minimum of Rs.2000 per month after repayment of loan as stipulated under the SGSY. In the case of SGRY, there were no proper records evidencing actual generation of mandays. BDO, Chatrapur stated (September 2004) that the mandays generated were worked out as per the Schedule of Rates for different items of work. BDO, Bhanjanagar stated (September 2004) that the wage component was taken as 60 per cent of the total expenditure and mandays generated reported accordingly to DRDA.

### 3.3.5 *Improper selection of income generating assets*

In so far as creation of durable assets under both SGSY and SGRY was concerned, the selection of the asset to be created had seldom any link with the wage or income sought to be generated by such investment. In most cases, no details like use of the infrastructure by the beneficiaries, inventory of assets created, benefits derived, maintenance of assets etc. were maintained in the test checked blocks. Thus, any reliable assessment of the benefits accruing to the beneficiaries was not possible.

### 3.3.6 *Lower daily wages to women*

Similarly in respect of benefits for women, the daily wage under SGRY was shown as having been paid at the uniform rate of Rs.50 per day for both males and females but interview (September 2004) with labourers at Harijan Sahi in Sundarpur under Chatrapur block revealed that male labourers were generally paid Rs.60 per day while the female workers got only Rs.30. Under IAY, while the houses were to be allotted in the name of the female members of the family or jointly in the names of a male and a female, in Chatrapur and Bhanjanagar blocks as many as 3389 out of 4794 IAY houses were allotted in the name of only male beneficiaries.

### **3.3.7 Diversion of training components**

**Under SGSY, expenditure on training to SHGs was just 1.6 per cent of the expenditure**

Diversion of the training component of the funds under SGSY for meeting DRDAs administrative costs of the DRDA like salary, travelling allowances etc. seriously jeopardised training of SHGs in skill upgradation. Expenditure on training (Rs.41 lakh) under SGSY was just about 1.6 per cent against 10 per cent of the total expenditure, as stipulated in the guideline. An amount of Rs.44.14 lakh diverted during 1999-2000 in case of IAY could not be checked due to improper and incomplete maintenance of the records.

**Only 4927 out of 12546 SHGs were imparted first phase orientation training**

The number of SHGs in the district increased from 2770 in 1999-2000 to 12546 in 2003-04. However, first phase orientation training was imparted to only 4927 SHGs of which only 1937 SHGs could be given skill upgradation training.

### **3.3.8 IAY houses had no basic amenities**

**17145 IAY houses were not provided with sanitary latrines and smokeless chullahs**

Contrary to the guidelines, 17145 new houses allotted under normal IAY during 1999-2004 did not have sanitary latrine and smokeless chullahs though these were essential components of the scheme. As per the scheme, amount of Rs.4.30 crore was to be spent for these items. Their absence deprived the beneficiaries of the basic amenities for maintenance of hygiene.

**Advances of Rs.38.11 lakh were outstanding in four blocks against IAY beneficiaries without adjustment**

Under IAY, Rs. 38.11 lakh advanced to beneficiaries for construction of houses were outstanding since periods from 1999-2000 to 2002-03 in four blocks as of March 2004. The possibility of misuse or loss of these funds could not be ruled out.

## **Reach of primary education**

**11 per cent children in 6 to 14 age group were not attending schools**

Laying emphasis on literacy and universalisation of primary education, the State Government aimed for all children to be in schools by 2003. In Ganjam, the number of primary and upper primary schools (upto standard VII) increased from 3118 in 1997-98 to 3343 in 2003-04. The enrolment of children (age group 6-14) in these schools also increased from 3.44 lakh in 1997-98 to 4.99 lakh in 2003-04. An amount of Rs.120.55 crore<sup>22</sup> was spent in providing elementary education in the district during 1999-2004. According to Village Education Registers prepared on the basis of household survey in 2002-04, about 0.60 lakh (11 per cent) children were not attending schools.

After the introduction of Sarva Shiksha Abhiyan (SSA), the District Inspector of School (DIS) was made in charge of an education district overseeing the functioning of the schools. There were four such education districts in Ganjam. In addition, there was the District Project Co-ordinator (DPC) looking after the implementation of the SSA and accountable to the State Project Director of the Orissa Primary Education Programme Authority (OPEPA). The SSA, a centrally sponsored scheme, envisaged providing useful

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<sup>22</sup> 1999-2000 : Rs. 27.50 crore, 2000-01 : Rs.21.98 crore, 2001-02 : Rs.21.11 crore, 2002-03 : Rs.23.92 crore and 2003-04 : Rs. 26.04 crore (DIS, Berhampur : Rs. 34.37 crore, DIS, Bhanjanagar : Rs. 32.82 crore, DIS, Aska : Rs. 31.69 crore and DIS, Chatrapur : Rs.21.67 crore)

and relevant elementary education to all children in the age group of 6 to 14 years by 2010.

Review of the working of SSA and four DIS situated at Berhampur, Chatrapur, Aska and Bhanjanagar revealed several infrastructure related deficiencies, low teacher pupil ratio affecting quality of education as discussed below:

### 3.3.9 Educational infrastructure

During the last five years, 976 new buildings were constructed under Operation Blackboard raising the total number of schools in the district to 3343 as of March 2004. Of these, 62 schools did not have a building, 76 possessed kutcha buildings and 1846 had partially pucca buildings. In Chikiti, Patrapur and Kukudakhandi blocks, 149 school buildings damaged in the flood of 2003 were in need of repair and two school buildings at Berhampur Municipal area and Brajanagar block were unsafe (September 2004). Though OPEPA provided (December 2002) Rs.20 lakh to the DRDA for repair of 10 damaged school buildings in Berhampur Municipal Area, repairs for five buildings were completed and there was no progress of the work in respect of remaining five buildings as of September 2004.

**62 schools were without buildings**

Out of total 2827 school premises, 807 (29 per cent) did not have drinking water facility. The goal of providing drinking water facility to all schools under the Rajiv Gandhi Drinking Water Mission remained unfulfilled.

**807 school premises do not have drinking water facility**

Serving of free mid-day meal in schools was an attraction for children to come to schools. Instead of serving mid-day meals, the children were provided with dry ration of three kilograms every month.

There were many schools in the district without electricity (2563), toilets (1950), girls' toilets (2572), playground (2045) and medical check up (2109) as of March 2004.

There were schools without teaching equipment (937), play materials (1613), Science kits (937) and library facilities (1126).

**No follow up action after the payment of Rs.4.17 crore to the schools for repair and replacement of school equipment**

At a rate of Rs.5000 per school per annum, the District Project Co-ordinator (DPC), Sarva Siksha Abhiyan (SSA) paid Rs.2.98 crore to 2990 schools for repair work and Rs.1.19 crore to 2980 schools for replacement of school equipment totalling to Rs.4.17 crore during 2002-04. There was no follow up by the DPC regarding the actual utilisation of money. While involvement of village communities was a welcome step, absence of monitoring might lead to misuse of funds going undetected.

Thus, substantial improvement in institutional infrastructure in schools was required.

### 3.3.10 Quality of education

#### Teacher pupil ratio

Teacher pupil ratio in the district was 1:56 against the norm of 1:40 and 16 schools did not have teachers at all

Though the enrolment of students in primary/upper primary schools increased from 3.44 lakh in 1997-98 to 5.05 lakh in 2003-04, there was no corresponding increase in the strength of teachers. Against the sanctioned strength of 10157, there were 9091 teachers in position as of March 2004. The teacher pupil ratio worked out to 1:56 as against the norm of 1:40 thereby affecting the quality of education. There were 486 single teacher schools and in one school at Mardamekha (Beguniapada block), a single teacher was teaching 495 students and 16 schools in nine blocks did not have any teacher at all as of March 2004.

#### Inspection of schools

There was shortfall of 36 per cent in inspection by the Sub-Inspectors of schools

Primary schools were to be inspected annually by sub-inspectors of schools. There was a shortfall of 36 per cent in school inspections during 1999-04. The shortfall was attributed (March-July 2004) by the DIS to engagement of sub-inspectors in non-educational work such as election, enumeration, distribution of old age pension, ration etc. As school inspection was a mechanism to ensure proper functioning of schools, allocation of non-educational work to sub-inspectors at the cost of their regular work was unwarranted.

#### Low coverage under Education Guarantee Scheme (EGS)

Of the 0.60 lakh out of school children, 0.38 lakh (64 per cent) remained to be brought under EGS

As a part of SSA, the EGS was to provide primary school facility to the children in a habitation where there was no schooling facility within one kilometer. Out of 773 EGS centres approved by the District EGS Committee, only 640 centres were operational in 2003-04 in the district. Out of these, 65 centres were converted into primary and upper primary schools. The remaining 133 centres were yet to be operated and this was attributed (September 2004) by the DPC to intervention of the General Elections (April 2004). Expenditure of Rs.46 lakh was incurred on EGS during 2002-04. Out of 0.60 lakh children out of school, the scheme brought only 0.22 lakh (36 per cent) to EGS centres.

### Primary health facilities

The Chief District Medical Officer (CDMO), Ganjam under the State Health and Family Welfare Department was responsible for providing health care services to the district through a network of Government hospitals and community/primary health centres.

Inventory of assets not maintained in the test checked blocks

Audit reviewed the working of the CDMO, Berhampur, one sub-divisional hospital at Chatrapur, one area hospital at Aska and five community/primary health centres at Polasara, Shergada, Kukudakhandi, Balisira and Belgaon with a view to ascertaining the position of delivery of primary healthcare services and implementation of National AIDS Control Programme and National Leprosy Eradication Programme.

### 3.3.11 Inadequacy in delivery of health care services

One medical college, four district/area/sub-divisional hospitals, five community health centres, five upgraded primary health centres, 100 primary health centres and 444 health sub-centres constituted the network of public health institutions (PHIs) in the district. The expenditure incurred on primary health care during 1999-2004 was Rs.11.50 crore. Besides, upgradation of 16 PHIs was undertaken in Ganjam at a cost of Rs.11.70 crore under the Orissa Health System Development Project (OHSDP) of which upgradation of 12 PHIs was completed up to March 2004.

**Vacancy in the posts of 34 doctors and 430 para-medical staff affected the delivery of health services**

To run the PHIs (other than the medical college), there were 219 doctors (87 *per cent* of sanctioned strength of 253) in position as of March 2004 along with 1274 para medical staff (75 *per cent* of sanctioned strength of 1704). Another 32 doctors (five specialists Grade-I, 20 specialists Grade-II and seven assistant surgeons) were required for the infrastructure upgraded under OHSDP. No steps had been taken to provide the required manpower to the upgraded PHIs. The shortages were affecting the delivery of health care services.

The work relating to registration of birth and death was not being done satisfactorily by the block medical officers due to large vacancies (255) of paramedical staff. As a result, the CDMO's records showed only 30 infant deaths per 1000 births in 2001 as against the national average of 68 and the State average of 96. On being pointed out that the figure appeared to be unrealistic, the CDMO stated (February 2004) that necessary instructions had been issued to all the institutions for ensuring registration of infant deaths.

### 3.3.12 Gastroenteritis Epidemics

**133 Gastroenteritis deaths due to consumption of contaminated water in ponds and rivers**

Almost all blocks of the district were affected by gastroenteritis during the five years under review. On an average, 59 villages were affected every year and 133 deaths were registered during five years. Gastroenteritis attack and consequent deaths were showing an increasing trend<sup>23</sup> during 1999-2004. The CDMO attributed (February 2004) the high number of 45 deaths in 2003 to consumption of contaminated pond and river water during acute summer season and the post flood period. He further stated (September 2004) that emergency health needs were attended to and people were made aware of basics of hygiene as and when epidemics occurred. Despite this, the incidence of death due to epidemics showed an increasing trend indicating that the measures taken were inadequate.

### 3.3.13 National AIDS Control Programme

**Ganjam had high prevalence of HIV positive cases but complete data not available**

The National AIDS Control Programme-II (NACP) was being implemented in the State by the Orissa State AIDS Control Society (OSACS) with 100 *per cent* funding from the National AIDS Control Organisation (NACO). An amount of Rs.35.51 lakh was spent in Ganjam district during the five year period of review on various components of the NACP which included holding

<sup>23</sup> 1999: 10, 2000: 28, 2001: 16, 2002: 34 and 2003: 45.

of family health awareness campaigns, training of medical and para medical staff, voluntary counselling and testing and sentinel surveillance. According to the Computer Management Information System (CMIS) data prepared (May 2004) by the OSACS, the prevalence of HIV/AIDS cases in the State and the district was as below:

Particulars	Orissa State		Ganjam District	
	2002	2003	2002	2003
Year	2002	2003	2002	2003
Tests Conducted	2932	4376	388	738
HIV Positive Cases	312	674	122	267
AIDS cases	154*	59	66*	4
AIDS Deaths	20	36	5	4

\* Up to 2002

As would be seen from the above table, Ganjam district accounted for about 40 *per cent* of the HIV positive cases in the State. However, the above data did not give a complete picture since the samples tested in the MKCG Medical College and the DHH, Berhampur under sentinel surveillance was not included. Under sentinel surveillance, 52 cases out of 1082 blood samples tested during 1999-2003 in the MKCG Medical College and two cases out of 1200 blood samples screened in the DHH during 2001-03 were found HIV positive.

In 2002, 20 Voluntary Counselling and Testing Centres (VCTCs) were introduced in the State for early detection and treatment of HIV positive cases which included two VCTCs in the district at the Headquarters Hospital (DHH), Berhampur and Microbiology department of MKCG Medical College, Berhampur. However, the accessibility of these centres to the people residing at far off places was difficult. Besides, as per records, the two VCTCs counselled only three persons a day on an average in 2003. Though the DHH collected 400 blood samples every year under the Sentinel Surveillance conducted during 2001-03 from pregnant women who had visited the ante-natal centre of the DHH, the coverage was evidently inadequate as no arrangements were found to have been made for collection of samples from PHCs/CHCs, sub-divisional hospitals and private hospitals located at far off places in the district, nor from the private hospitals situated at Berhampur. Besides, the VCTCs also could not conduct the test in respect of 402 blood samples during 2003-04 due to non-availability of Rapid Kits, which were essential for early detection of HIV positive cases.

Though the sentinel surveillance among the high risk groups in the State showed increase in the prevalence of HIV positive cases in the State from 2.02 *per cent* in 1999 to 2.51 *per cent* in 2003, the district recorded an increase of two *per cent* from 4.80 to 6.80 *per cent* during the same period indicating high proneness of the district to HIV.

Considering the potential danger of spread of AIDS, a “situation mapping” of core groups and bridge groups was essential. An effort to conduct a base line survey for this purpose was made in 11 districts in September 2002 by the

**Appointment of NGO  
without any standing  
or credibility**

OSACS through a private agency namely AIMS Research. The data and findings submitted by the private agency were, however, not accepted by OSACS since the agency had only given data collected from other Non-Government Organisations (NGOs) without any field survey. An amount of Rs.10.28 lakh being 40 *per cent* of the contract price of Rs.25.71 lakh was however paid to the agency. In fact in December 2002, OSACS indicated that even the whereabouts of the agency were not known at that stage. Subsequently, the same work was entrusted (November 2003) to ORGMARG. However, till date the size of the core group comprising commercial sex workers (CSW), injected drug users etc. were not properly ascertained.

Another key initiative was to conduct family health awareness camps where people were treated for simple ailments including Sexually Transmitted Diseases etc. and potential cases were referred to VCTCs. It was observed till December 2003 that as many as 3.12 lakh persons (22 *per cent*) out of the estimated 14 lakh population in the vulnerable age group of 15 to 49 years attended such camps.

**Treatment not provided**

The OSACS could neither furnish information regarding the current health status of the people in the district infected with HIV/AIDS nor any information on the follow up action taken in terms of administration of drugs for opportunistic infections<sup>24</sup> and anti-retroviral treatment. In fact, it was learnt during audit that neither anti-retroviral treatment nor any drugs for opportunistic infections was supplied to the infected persons.

**Lack of survey regarding awareness**

The NACP has been going on for more than five years but apart from the initial base line survey regarding awareness level about HIV/AIDS and its prevention among the rural population, which had been conducted by NACO in 2001-02 for the state, there was no other survey during the subsequent years to ascertain the effectiveness of the programme. According to NACO, awareness among 90 *per cent* of the target group was to be achieved by October 2004 under phase-II of NACP. However, the awareness figures at district level were not available with the OSACS.

### **3.3.14 National Leprosy Eradication Programme**

The National Leprosy Eradication Programme (NLEP) was introduced to eliminate leprosy by the end of the twentieth century. Leprosy elimination was defined as the caseload of one or less per 10000 population. In Orissa, the objective was to achieve elimination by 2004. The NLEP was implemented by the CDMO with the help of the Zilla Swasthya Samiti (ZSS).

In order to detect new cases, an active search was conducted in Ganjam district by health workers with the help of village volunteers in three rounds from 1999 to 2001. This helped in detection of over 4000 new cases. During the five years from 1999-2000 to 2003-04, 20200 new cases were detected and 20785 cases were treated and discharged. Expenditure of Rs.62 lakh was

<sup>24</sup> A host of other infections such as Tuberculosis, candidiasis and the diarrhoea which label an HIV infected person as a case of full-blown AIDS. These infections are curable if effective therapy is initiated promptly.

incurred during this period for conducting leprosy elimination campaigns, prevention of disability and distribution of Multi Drug Therapy (MDT). The number of new cases detected annually decreased from 5806 in 1999-2000 to 2115 in 2003-04. The prevalence rate too declined from 10.2 in 1999-2000 to 4.17 in 2003-04. The goal of leprosy elimination, targeted to be achieved by 2003, might be achieved though belatedly through persistent efforts and door-to-door active search.

### **Safe drinking water supply**

Since the progress made by the States in supply of safe drinking water was not satisfactory, Government of India (GOI) re-introduced in 1997-98 the Accelerated Rural Water Supply (ARWS) Programme to provide access to safe drinking water within 1.6 km of all rural habitations. The habitations were planned to be covered under tube wells (TW) / Sanitary wells (SW). This could be augmented by introduction of piped water supply (PWS) schemes in the areas affected by water quality problems or having inadequate quantity of water from TW. The GOI provides hundred *per cent* assistance in the form of grants.

Two Rural Water Supply and Sanitation (RWSS) divisions at Berhampur and Bhanjanagar under the Chief Engineer, RWSS were responsible for rural water supply in Ganjam district. Besides, the District Water and Sanitation Mission (DWSM) set up in October 2000 under the Sector Reform Programme (SRP) also undertook the rural water supply. The responsibility for urban water supply rested with two Public Health Divisions at Berhampur and Chatrapur under the control of the Chief Engineer, Public Health. The working of all these units was reviewed in audit to ascertain the availability of drinking water supply in the district.

The review revealed that the pace of coverage was slow, quality of water was not ensured and quantity of water supply was inadequate as discussed below:

#### **3.3.15 Insufficient coverage of habitations**

The amount spent on the rural water supply schemes during 1999-2004 was Rs.25.80 crore against the allotment of Rs.28.59 crore excluding the expenditure incurred under the SRP. Of the above allocations, Rs.28.41 lakh remained parked (since 1999-2000) in Civil Deposit as of March 2004.

The ARWS programme envisaged supply of one spot source for every 250 people by sinking TW/SW while PWS was to be the additional source. The table below provides the details of coverage of habitations in Ganjam district.

#### **Fully covered habitations**

<b>Period</b>	<b>Total number of habitations</b>	<b>Covered by TW/SW</b>	<b>Covered by PWS</b>	<b>Covered by both TW and PWS</b>	<b>Total covered</b>	<b>Balance</b>
1 April 1999	5354*	5255	88	88	5255	99
31 March 2004	6329*	5395	337	337	5395	934

Note: A habitation can have more than one TW. The number of TW is given in the succeeding paragraph

\* Survey conducted in 1993-94 and 2001-02 by the Chief Engineer, RWSS.



**934 habitations remained without drinking water supply**

Thus, 934 (15 *per cent*) of the 6329 rural habitations were without any source of drinking water. It could also be seen from the above that only 140 habitations were covered during 1999-2004 averaging 28 habitations per year. Even at double the above rate of coverage, 934 habitations would take more than 16 years to cover. A time bound action plan to provide drinking water to these habitations at the earliest was required.

When a spot source was found defunct in a fully covered habitation, the habitation was classified as Turned NIL (TN) or Turned Partial (TP). Of the 5395 fully covered habitations, 314 (5.82 *per cent*) turned nil and 742 (13.75 *per cent*) were partial. Out of these, 250 TN and 333 TP were repaired/replaced with new ones, leaving 64 TN and 409 TP unattended as of March 2004. No specific time bound plan had been prepared to undertake repairs to these 473 defunct sources.

### 3.3.16 Quality of water not ensured

**470 tube wells constructed at Rs.1.86 crore could not provide safe drinking water**

**Water quality of 12446 tube wells (79 *per cent*) sunk in 10 years remained untested**

The ARWS programme envisaged a system of quality monitoring and surveillance to ensure the potability of water. It was noticed that of the 15849 tube wells sunk in the district during 1993-2004, analytical test of water samples of only 3403 tube wells (21 *per cent*) could be carried out during the said period. The test results indicated that the water discharged from 470 tube wells, intended for 1.18 lakh population, was not safe for drinking due to either excessive iron content (in 435 TWs) or chloride content (in 35 TWs). Thus, 470 TWs constructed at Rs.1.86 crore (at the rate of Rs.39500 per TW) could not provide safe drinking water. Though the affected people were to be provided with safe drinking water under the "Sub-mission project<sup>25</sup>", only seven PWS were taken up covering 0.38 lakh population of which three were completed as of March 2004 covering 0.18 lakh population. Thus, quality of water in respect of 12446 TWs meant for the rest of the population remained untested as of March 2004. As is evident from above, the water testing was grossly inadequate as it was done on the samples from only 21 *per cent* of tube wells in a decade. The safety of water from 79 *per cent* of the tube wells was yet to be confirmed although the water from these TWs were being consumed by the people.

### 3.3.17 Inadequate supply of drinking water

The requirement of water was 40 litres per day per individual. With normal output of 12 litres per minute, one hand pump was to cater to 250 persons. Accordingly, habitations were identified for supply of drinking water. The table below provides details of total TW/SW available in the district.

Period	Tube Wells (TWs)	Sanitary Wells (SWs)	Total
As on 1 April 1999	12621	115	12736
As on 31 March 2004	15849	251	16100

<sup>25</sup> Projects intended to supply safe drinking water to the habitations affected by quality of water like flurosis, arsenic, brackishness, excess iron etc.

During the five years, 3364 new TW/SW were sunk but 1147 TW/SW meant for 2.87 lakh population became defunct. Thus, there was a net addition of 2217 TW/SW. As pointed out in the foregoing paragraphs, the TW/SW sunk so far did not cover 934 habitations. Besides, water shortages were experienced due to depletion in water levels in summer leading to consumption of contaminated water from ponds. Neither any statistics relating to habitation-wise actual water shortage nor any plan for its elimination was available.

The table below provides the details of Piped Water Supply (PWS) projects in the district.

Period as on	Number of completed projects	Number of habitations covered	Population covered
1 April 1999	36 PWS	88	1.60 lakh
31 March 2004	275 PWS	337	6.34 lakh

Note: Includes PWS projects undertaken under Sector Reform Programme.

During the five year period, the coverage of population through PWS increased substantially from 1.60 lakh to 6.34 lakh people (nearly 25 per cent of rural population<sup>26</sup>). An amount of Rs.31.16 crore (SRP: Rs.17.22 crore and RWSS Divisions: Rs.13.93 crore) was spent on 239 newly completed PWS. Another 33 PWS projects intended to benefit 1.32 lakh people were at various stages of completion as of March 2004.

It was further observed that nine fully completed PWS projects (Rs.1.20 crore) covering 0.31 lakh population were not commissioned for a period ranging from two to 14 months as of March 2004 due to non-energisation of pump houses though the amounts were deposited with the electricity distribution company.

### **3.3.18 Sector Reform Programme (SRP)**

The District Water and Sanitation Mission (DWSM), Ganjam was registered as an NGO under the Societies Act in October 2000 to implement the SRP. The reforms under the SRP were moving towards a decentralised, demand-responsive<sup>27</sup>, cost-sharing and community-friendly system.

Implementation of the project under SRP required the beneficiaries to share a part (at least 10 per cent in case of general and five per cent in case of SC/ST habitation) of the capital cost. A sum of Rs.25.44 crore (GOI grant: Rs.22.44 crore, beneficiaries' share: Rs.2.40 crore and interest: Rs.0.60 crore) was received by the DWSM between year 2001 and 2003 against which Rs.24.91 crore were spent on start up, IEC<sup>28</sup>, human resources development, hardware (PWS/TW/SW) and administration. As of April 2004, all the 184 piped Water Supply schemes taken up by DWSM were completed covering a population of 2.52 lakh.

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<sup>26</sup> Out of 32 lakh total population of the district, 6.10 lakh were coming under urban population and the rest 25.90 lakh belonged to rural population.

<sup>27</sup> On demand by public

<sup>28</sup> (IEC) : Information, Education and Communication

Audit team visited two villages where PWS schemes were implemented by the DWSM. The PWS scheme at Balibagada was completed at a cost of Rs.7.94 lakh (community contribution: Rs.0.80 lakh) and another at Turum at a cost of Rs 15.07 lakh (community contribution: Rs.1.56 lakh). The villagers were found satisfied with the drinking water facility made available to them under the SRP. The SRP, being demand driven and based on community participation, ought to be a promising solution to the water supply problem.

### 3.3.19 Urban water supply

Urban area in Ganjam district comprised one municipality and 17 notified area councils with approximate population of 6.10 lakh as of March 2004. The responsibility for water supply to urban areas rested with the two Public Health Engineering Divisions at Berhampur and Chatrapur. The divisions incurred an expenditure of Rs 42.14 crore on urban water supply during 1999-2004. The drinking water in 18 ULB areas was supplied through PWS schemes (household water connections and public stand-posts) and TW. The number of stand-posts had gone up from 2817 in April 1999 to 3062 in March 2004. The corresponding figures for TW stood at 1424 and 2088 respectively.

It was observed that out of 18 ULBs in Ganjam district, 14 ULBs with a total population of 5.8 lakh were not supplied with minimum water as per the norms of GoI. Against the minimum requirement of 742 lakh litres of water per day, these 14 ULBs<sup>29</sup> were provided with 466 lakh litres (nearly 63 per cent of the requirement) of water. The divisions attributed (June 2004) the shortfall to inadequate water source and infrastructure. The Chatrapur division had taken up (2001-02) augmentation work of water supply in three out of 14 ULBs (Hinjalicut, Khallikote and Rambha) at a cost of Rs.2.94 crore. However, no such steps were taken under the Berhampur division. Adequate action had not been initiated to recover arrears of water tax of Rs.94 lakh from water connection holders in the urban areas.

**Augmentation of water supply works taken up only in three out of 14 ULBs**

### 3.3.20 Conclusions

Problem of poverty was mainly tackled through SGSY and SGRY schemes, supplemented by provision of durable shelter through IAY scheme. While the IAY has been successful in providing houses to over 59000 BPL families out of a total of about three lakh such families, the total average employment generated in a year through these three schemes was just adequate to cover a very meagre 6.8 per cent (SGSY: two per cent, SGRY: three per cent and IAY: 1.8 per cent) of the total number of BPL families. Of this, two per cent employment under SGSY was such that once a family crossed the poverty line it could be self-sufficient. There was no significant reduction in the absolute number of BPL families. In addition to this, the implementation and follow-up of these schemes had several deficiencies and needed substantial improvement.

<sup>29</sup> (i) Berhampur municipality, (ii) NACs : Aska, Belguntha, Buguda, Chikiti, Digapahandi, Gopalpur, Hinjalicut, Khallikote, Kodala, Kabisurya Nagar, Polosora, Purusottampur and Rambha

The literacy rate in Ganjam had gone up from 47 *per cent* in 1991 to 63 *per cent* in 2001. With 89 *per cent* children attending the regular schools, the literacy rate was bound to rise. However, the available infrastructure needed substantial improvement and the teacher-pupil ratio needed improvement.

The shortage of doctors and para medical staff affected the delivery of health services. While the basic health care activities such as attending to patients, immunisation etc. were taken care of, the implementation of certain health programmes i.e., creating more awareness among the population to get tested for AIDS, conducting more sputum examinations for detection of undetected TB cases, preparation of basic data by actual survey on prevalence of blindness etc. needed substantial improvement.

The supply of drinking water still remained a problem area in the district. Urban areas received less water than required. Nearly 15 *per cent* rural habitations did not have water supply system. Only 25 *per cent* population of the habitations covered under water supply system had PWS, the remaining 75 *per cent* depended on TW/SW where the safety aspect of the water was not ensured.

### ***Recommendations***

- Under Swarnajayanti Gram Swarojgar Yojana, the Self Help Groups are to be imparted training within a time frame and infrastructure should be created with assessment of utility.
- In the primary schools, the teacher pupil ratio needs to be improved from the present 1:56 to 1:40. Educational infrastructure needs to be strengthened by providing pucca buildings to the schools.
- Health workers are to take steps to motivate the vulnerable age group to attend camps for detection of AIDS. Survey should be conducted to ascertain data on the prevalence of blindness.
- Drinking water supply to the new habitations needs to be speeded up. Testing of water quality of the tube wells needed to be ensured before water consumption started.

The matter was demi-officially referred (July 2004) to the Principal Secretaries/Secretaries of the concerned departments. Reply had not been received (November 2004) except from the Planning and Co-ordination Department.

## Industries and Textile and Handloom Departments

### 3.4 Development of village and small industries including handloom sector

#### *Highlights*

The audit review on “Development of Village and Small Industries including Handloom Sector” for the period 1999-2004 revealed that the overall performance in the identified sectors was not as per expectations. There were considerable savings compared to the budgetary provisions (42 per cent). A notable feature was that capital investment and loans to the two sectors from the State Government was practically absent. Out of the 50478 trained persons under the Prime Minister's Rozgar Yojana (PMRY), 17032 could not set up any industrial units. There was marked lack of coordination among the District Industries Centres (DIC), the commercial banks and the entrepreneurs in implementation of the PMRY. 262 registered Small Scale Industries (SSI) units were closed during the period. Besides, there was loss of employment for about 3.32 lakh persons due to closure of primary co-operative societies under the cottage industries sector and primary weavers' co-operative societies under the handloom sector.

- ◆ **Against the budget provision of Rs.321.45 crore for the two Departments together for the period 1999-2004, the expenditure was only Rs.186.77 crore, indicating a saving of 42 per cent. Expenditure under capital (Rs.0.38 crore) and loan (Rs.0.84 crore) sections mainly targeted at the cooperative sector, was negligible.**

(Paragraph 3.4.6)

- ◆ **Under the Prime Minister's Rozgar Yojana (PMRY), 50478 persons were trained during 1999-2004 of which 17032 trained persons including 4551 granted with bank loans could not set up any industry. Recovery of loans under the PMRY was unsatisfactory. There was very inadequate coordination among the DICs, the banks and the entrepreneurs.**

(Paragraphs 3.4.8)

- ◆ **Single window clearance system called SILPASATHI claimed by the Director of Industries to have been implemented was not found to be actually working in any of the five test checked districts.**

(Paragraph 3.4.9)

- ◆ **The IDCO failed to develop three Integrated Infrastructure Development Centres sanctioned in 1993-94 at a cost of Rs.16.45 crore to be shared among GOI (Rs.5.98 crore), State Government (Rs.1.75**

\*The abbreviations used in this review have been listed in the Glossary in Appendix-XXXVI ( page 222)

crore) and the IDCO(Rs.8.72 crore). Despite funds being available, the total expenditure on the scheme was only Rs.1.19 crore as of March 2004. The work at Paradip could not be taken up because of land dispute.

(Paragraph 3.4.13)

◆ As of March 1999, there were 706 Primary Co-operative Societies in the Handicraft and Cottage Industry sector of which 349 were not functional (March 2004) and there was no addition to the number of such Societies during 1999-2004.

(Paragraph 3.4.14)

◆ Under Gramodyog Rojgar Yojana expenditure of Rs.3.29 crore given to 845 units as margin money assistance was infructuous as these units were non-functional.

(Paragraph 3.4.16)

◆ During 1999-2004, 240 out of 828 working Primary Weavers' Co-operative Societies became defunct and 0.22 lakh weavers lost employment in the co-operative sector. The budget provision of Rs.15 crore in 2003-04 for reviving the State level Apex Co-operative Weavers Society was not spent at all which affected the clearance of dues of the Primary Weaver's Co-operative Societies leading to the former going out of business in many areas.

(Paragraph 3.4.19)

◆ Marketing development assistance amounting to Rs.0.85 crore and marketing incentive amounting to Rs.2.78 crore were not released by the State Government in favour of the Sambalpuri Bastralaya Handloom Co-operative Society. Consequently, the Society was unable to provide full time work to 6000 'A' class members and 9000 other weavers in the affiliated Primary Societies.

(Paragraph 3.4.20)

### **3.4.1 Introduction**

The village and small industries sector in Orissa has the potential for employing a large number of people with small capital investment. The emphasis in the State during the Ninth Plan was on promotion and development of ancillary and downstream industrial complexes and generation of employment. The main programmes were the Prime Minister's Rozgar Yojana, facilitating single window clearance of proposals for starting SSI units, creation of infrastructure and various schemes of subsidy and assistance for promotion of village and small industry. While the development of the village and small industries sector was administered by the Industries Department, the administration of the textile and handloom sector was under the Textile and Handloom Department.

### **3.4.2 Objectives of the Department**

The development of village and small industries sector in Orissa was guided

by the Industrial Policy Resolutions (IPR) adopted by the State Government from time to time. The policy, among other things, aimed at promotion of Village and Small Scale Industries by creating infrastructure for Small Industries and other incentives such as margin money assistance, subsidies, marketing assistance, etc.

### **3.4.3 Organisational set-up**

For development of village and small industries, the Industries Department was supported by three Heads of Department namely, the Director of Industries, the Director of Export Promotion and Marketing and the Director of Handicraft and Cottage Industries. The Director of Industries, Orissa was responsible for implementing the Industrial Policy through the District Industries Centres (DICs). The Director of Export Promotion and Marketing was the nodal agency to render necessary assistance for increasing exports and for providing marketing assistance to the SSI units of the State. Marketing assistance was rendered by way of registration of the industrial units, conclusion of rate contracts for Government supplies, assuring the quality of the products manufactured by the industrial units through periodical inspection and testing of samples.

In the Textile and Handloom Department, the Director of Textiles and Handloom was in charge of implementing the Industrial Policy of the Government assisted by the Deputy Directors and Assistant Directors of Textiles and Sericulture at the field levels.

### **3.4.4 Audit objectives**

Audit was conducted to ascertain:

- Whether the programmes undertaken for each of Small Scale Industries, Handicraft and Cottage Industries and Handloom sectors by the Government were executed efficiently and economically; and
- Whether they were effective in actually promoting entrepreneurship and generating employment through creation of more SSI and handloom units.

### **3.4.5 Audit coverage**

The review was conducted (September 2003 to June 2004) through test check of records of the Industries as well as the Textiles and Handloom Department, the Directorate of Industries, the Directorate of Handicraft and Cottage Industries, the Directorate of Export Promotion and Marketing, Orissa, Khadi and Village Industries Board and the Directorate of Textiles and Handloom for the period 1999-2004.

The test checked units comprised five District Industries Centres (DICs) at Bolangir, Kalahandi, Balasore, Cuttack and Rourkela, three District Cottage Industries Offices (DCIO) at Bolangir, Cuttack, Puri, three Assistant Directors of Textiles (ADT) at Cuttack, Kalahandi and Koraput, five Development Officers of Khadi and Village Industries attached to the DICs, the Orissa State Financial Corporation (OSFC), Cuttack, the Orissa Small Industries

Corporation (OSIC), Cuttack, two Assistant Directors of Sericulture at Kalahandi and Koraput, the Deputy Director of Textiles (KBK), Koraput and the Joint Director, Sericulture, Koraput.

### 3.4.6 Budget and expenditure

Over the five year period 1999-2004, the budget provision made and expenditure incurred by the State Government for development of the village and small industry and the handloom sectors were as shown below:

Year	Budget Provision			Expenditure			Savings			Percentage of saving
	Industries	Textile and Handloom	Total	Industries	Textile and Handloom	Total	Industries	Textile and Handloom	Total	
1999-2000	22.23	28.32	50.55	20.11	26.53	46.64	2.12	1.79	3.91	7.73
2000-01	29.34	33.96	63.30	22.42	11.58	34.00	6.92	22.38	29.30	46.29
2001-02	22.47	44.02	66.49	20.51	11.54	32.05	1.96	32.48	34.44	51.80
2002-03	28.15	29.53	57.68	19.88	10.78	30.66	8.27	18.75	27.02	46.84
2003-04	26.29	57.14	83.43	23.11	20.31	43.42	3.18	36.83	40.01	47.96
<b>Total</b>	<b>128.48</b>	<b>192.97</b>	<b>321.45</b>	<b>106.03</b>	<b>80.74</b>	<b>186.77</b>	<b>22.45</b>	<b>112.23</b>	<b>134.68</b>	<b>41.90</b>

(Rupees in crore)

**There was lack of capital support for the SSI and Handloom sectors**

There were huge savings in the budgets of the two Departments ranging from 46 to 52 *per cent* since 2000-01. The other notable feature was that the provision of capital expenditure in the two Departments during 1999-2004, which was mostly for investment in the co-operative sector, was only Rs.0.72 crore and the expenditure incurred was Rs.0.38 crore. Provision for loans was Rs.2.51 crore of which only Rs.0.84 crore was actually spent signifying the lack of capital support for the SSI and the Handloom sectors from the State Government during the period.

**UCs for Rs.9.62 crore in respect of grants-in-aid not received from grantees**

The actual utilisation of funds disbursed from the budget for the benefit of the industries was even less than what is reflected in the foregoing table since utilisation certificates (UCs) of grants released earlier have been pending for a long time from the grantees as of March 2004; the details were as given below.

Name of the Directorate	Pending UCs as on 1 April 1999	Grants paid during 1999-2004	UCs due from the grantees	UCs received up to March 2004	Pending UCs as on 31 March 2004
( R u p e e s i n c r o r e )					
Industries	2.99	2.57	5.56	1.98	3.58
Handloom	2.91	16.20	19.11	13.36	5.75
Handicraft and Cottage Industries	1.43	0.73	2.16	1.87	0.29
<b>Total</b>	<b>7.33</b>	<b>19.50</b>	<b>26.83</b>	<b>17.21</b>	<b>9.62</b>

Analysis of pending position of UC revealed that out of Rs.9.62 crore, Rs.3.36 crore related to the period prior to April 1999.

### 3.4.7 Programme Management --- Small Scale Industries Sector

**Despite various intensive schemes provided under the IPRs, 9964 (45 per cent) out of 22336 SSI units were closed**

The current initiatives of the State Government in development of small scale industries consisted mainly in implementing the PMRY, providing assistance to SSI units through the OSIC, rehabilitation of sick units, providing



**In the test checked districts, 3439 (47 per cent) out of 7253 SSI units were closed as of March 2001**

infrastructural facilities and facilitating single window clearance of proposals to start SSI units. Despite the incentive schemes and other programmes and the tax exemption given under the earlier IPRs, the overall picture of the SSI sector did not improve. As of March 2001, out of 22336 permanently registered SSI units in the State, 9702 (43 per cent) were closed. Another 262 units closed between April 2001 and September 2003, as intimated (June 2004) by the Director of Industries. In the five selected DICs, it was checked during audit that out of 7253 SSI units in these districts, 3439 (47 per cent) were closed as of March 2001. The reasons cited (November 2003-June 2004) by the Directorate and the DICs for closure of the SSI units were:

Lack of raw materials and adequate marketing facilities, lack of managerial ability, setting up industries in unsuitable areas and without proper planning and failure to change product line as per market requirement.

The reasons given above indicated the failure of the Department to provide the necessary direction, guidance and assistance to the SSI units. The specific audit findings on these schemes are given in the following paragraphs.

### **3.4.8 Prime Minister's Rozgar Yojana**

The Prime Minister's Rozgar Yojana (PMRY), a Central Plan Scheme was introduced in the State during 1993-94 for providing opportunities to educated unemployed youth to set up their own enterprises.

As per PMRY guidelines, immediately on receipt of targets from the Central Government, the State Government would convey district-wise targets to each District Industries Centre (DIC). Task Forces were constituted in the DICs to invite applications from eligible persons through advertisement in local newspapers, approve and recommend the applications to the Banks for sanction and disbursement of loans. The nodal banks after sanction of projects in respect of beneficiaries intimated the DICs for imparting training to the beneficiaries. For training activity Rs.750 per beneficiary was earmarked.

Project cost up to Rupees one lakh was covered under the scheme in case of individual beneficiaries. The assistance from the Government of India (GOI) was up to 15 per cent of the project cost subject to ceiling of Rs.7500 per beneficiary. The scheme was monitored by the district PMRY Committee at the district level. At the State level, the scheme was monitored by the State level PMRY Committee.

**Under PMRY scheme, of the 50478 persons trained, 17032 including 4551 persons who had been granted bank loans could not set up any industry**

During the period 1999-2004, 68850 entrepreneurs were targeted for self employment. Against this target 50478 (73 per cent) were trained upto August 2004 at the cost of Rs.3.09 crore of which only 33446 were actually self employed leaving 17032 trained personnel (trained at a cost of Rs.1.28 crore) unemployed.

### **Lack of co-ordination among implementing agencies**

Out of 50478 PMRY trained entrepreneurs, 37997 were disbursed loan of Rs.234.88 crore of which only 33446 entrepreneurs could set up their units.

The amount of loan disbursed to the remaining 4551 persons who could not set up any unit was not available with the Director of Industries. No step was taken by the Director to ascertain the particulars of the units actually set up. In five districts (Balasore, Bolangir, Bhawanipatna, Cuttack and Rourkela ) whose records were test checked, it was observed that during the period 1999-2004, 15743 entrepreneurs were targeted for self-employment against which 11571 were trained (74 per cent) at a cost of Rs.86.78 lakh of which only 6973 were actually self employed. The remaining 4598 trained personnel (trained at a cost of Rs.34.48 lakh) could not set up their industries. The gap between the number of persons trained and the units set up was attributed by the DICs to non co-operation of the Banks.

**In Bolangir and Bhawanipatna, against 120 district level PMRY Committee meetings, only 20 were actually convened**

Non-availability of information with the Government and lack of co-operation between banks and DICs indicated that despite Government directive, the State level and District level PMRY Committees were unable to secure satisfactory co-ordination among the implementing agencies. As was seen in the DICs of Bolangir and Kalahandi, the District level Committees did not meet regularly. Against 120 District Level PMRY Committee meetings due to be convened during 1999-2004, only 20 (Bolangir: 5 and Kalahandi: 15) were held.

#### ***Misutilisation of funds and loss of Government subsidy***

The State Government (Home Department) desired (February 2000) the banks to register FIRs with police against the borrowers who misutilised the PMRY loan.

**Infructuous expenditure of Rs.1.93 crore on training of 17032 persons and misutilisation of subsidy**

The Director of Industries stated (June 2004) that during 1999-2004, 865 FIRs were lodged with police for misutilisation of PMRY loans. The amount of loan and Government subsidy involved in misutilised PMRY loan cases were not available with the Directorate. At the maximum rate of Rs.7500 per unit, the amount of GOI subsidy involved in 865 cases would be Rs.65 lakh. In the five test checked DICs, the actual loss of GOI subsidy in 53<sup>30</sup> cases was found to be Rs.3.98 lakh. The fact of misutilisation of funds was never reported to the GOI.

The expenditure of Rs.1.93 crore on training of 17032 persons who did not set up any enterprise (Rs.1.28 crore) and subsidy on the misutilised loans (Rs.0.65 crore) turned out to be infructuous.

#### ***Tardy recovery of PMRY loans***

During the period 1999-2004, the total amount of loan disbursed under the scheme was Rs.234.88 crore. The recovery from the borrowers was, however, not satisfactory. In fact, in June 2001, the Government of India expressed concern over the tardy recovery of PMRY overdue loans. Accordingly, the State Government desired (June 2001) the Collectors to undertake joint drive with the General Managers of DICs, the Branch Managers of the commercial

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<sup>30</sup> Bolangir : Nil, Balasore : 12 (Rs.0.90 lakh), Bhawanipatna : 13 (Rs.0.98 lakh), Cuttack : 27 (Rs.2.03 lakh) and Rourkela : 1 (Rs.0.07 lakh).

banks and the concerned Tahsildars to improve the recovery position. The position of overdue loans as of March 2004 was not available in the Directorate due to non-submission of information by the bank authorities. Information about the number of assets created out of PMRY loans and their hypothecation to the banks during the period 1999-2004 was also not available with the Directorate.

In reply to the audit query regarding tardy recovery of bank loans and non-availability of information regarding assets created, the Director replied (September 2003) that the shortfall in setting up the targeted number of enterprises and failure to train the targeted number of potential entrepreneurs were due to following reasons:

- Non-extension of cut off date by the Government of India for disbursement of PMRY loan; and
- Non-co-operation of the banks in sanction and payment of loans to beneficiaries and non-furnishing of information regarding the status of the loanes.

The reply underscored the failure of the programme management to effectively co-ordinate between the banks and the entrepreneurs for the successful implementation of the programme.

#### **3.4.9 Non-functioning of SILPASATHI at the district level**

In order to create and foster entrepreneurship, it is essential to ensure expeditious clearance of proposals submitted by the promoters of Industries. Therefore implementation of the single window concept is a must since this makes for faster project clearance and single point dissemination of project related information to help prospective entrepreneurs take expeditious investment decisions.

Under “single window clearance”, a contact point “SILPASATHI” was to be created in the Directorate of Industries and in each District Industries Centre by March 2002, according to the IPR 2001. It was also to provide escort services, if needed, for interaction with various agencies and authorities.

Test check of records revealed that while the SILPASATHI was functioning in the Directorate, the same was not created in the four<sup>31</sup> test checked DICs (March 2004). In the remaining test checked DIC (Balasore), although SILPASATHI was created, it was not functioning. This indicated the absence of single window clearance at the field level. The Director of Industries stated (September 2003) that “SILPASATHI” was functioning in all the DICs as well as at the Directorate level. But the reply of the Directorate was not correct in view of the above position confirmed by the test checked DICs in March-June 2004.

#### **3.4.10 Negligible disbursement of Capital Investment Subsidy**

**The single window clearance system for SSIs “Silpasathi” was not functioning in any of the five test checked districts**

<sup>31</sup> Bolangir, Bhawanipatna, Cuttack and Rourkela

Capital Investment Subsidy (CIS) was provided to the SSI units out of State funds at rates varying between 10 and 30 *per cent* in case the project cost did not exceed Rs.5 crore. It was gathered from the Orissa State Financial Corporation (OSFC) that 306 SSI units were sanctioned CIS of Rs.9.47 crore during 1999-2004. But the Government made budget provision for only Rs.1.68 crore for the purpose and actually paid only Rs.0.37 crore to OSFC for disbursement. The OSFC stated (December 2003) that non-payment of CIS adversely affected the viability of SSI units.

### **3.4.11 Marketing Assistance**

Under the marketing assistance scheme, the Orissa Small Industries Corporation (OSIC) provided marketing assistance to small scale industries by procuring bulk order from different Government departments and others and getting these executed through the SSI units. The OSIC was also required to procure and supply scarce raw materials to the SSI units.

The State Government sanctioned and paid (March 2001) to OSIC assistance of Rs.10 lakh (marketing assistance: Rs.5 lakh and raw material bank: Rs.5 lakh). It was however observed that not a single SSI unit was supplied with scarce raw material during 1999-2004 in spite of availability of funds.

**Not a single SSI unit was supplied with scarce raw material by the OSIC during 1999-2004**

As per information made available to audit by the Director of Industries, there were 12634 registered SSI units working in the State as of 31 March 2001, out of which 44 (0.35 *per cent*) units were given purchase orders of the State Government through OSIC during the year 2000-01. The number of SSI units with whom the orders were placed during the subsequent years were also meagre (56, 94 and 93 in the years 2001-2004 respectively) in comparison with the total number of working registered SSI units.

### **3.4.12 Assistance to viable sick SSI units**

According to the IPRs 1996 and 2001, the viable sick SSI units were to be provided with incentives and other facilities by the Government on the recommendation of the State Level Inter Institutional Committee (SLIIC) or the State Level Empowered Committee (SLEC). Accordingly, during 1999-2004, 34 SSI units were identified as sick, of which 10 viable sick SSI units were sanctioned rehabilitation package on the basis of the recommendations of SLIIC/ SLEC. But only three units were disbursed rehabilitation package in the shape of margin money assistance of Rs.1.41 lakh and soft loan assistance of Rs.12.62 lakh.

**Of the 34 SSI units identified as sick, 10 viable sick units were sanctioned rehabilitation package and only three units actually received assistance**

The OSFC stated that the reasons for non-disbursement of rehabilitation package was non-complying with the conditions of the SLIIC sanction orders. The Public Accounts Committee (2000-2001) in their tenth report directed the Industries Department to extend all co-operation to SSI units in solving their basic problems but the Department failed to assist SSI units in complying with the conditions of the SLIIC sanction orders.

### 3.4.13 Delay in establishment of Integrated Infrastructure Development Centres

The GOI approved (1993-94) the establishment of three Integrated Infrastructure Development Centres (IIDC) at a cost of Rs.16.45 crore at Khurda, Paradip and Rayagada to be executed by the Industrial Infrastructure Development Corporation (IDCO) for completion by November 2000. The objective was to promote clusters of small scale and tiny units with a view to providing technological back up service and creation/upgradation of infrastructural facilities like power, water, communication etc. Under the funding arrangement, while the GOI was to finance Rs.5.98 crore, the State Government and the IDCO were to finance Rs.1.75 crore and Rs.8.72 crore respectively.

Test check of the records of the Director of Industries revealed that the GOI released (1997-99) Rs.2.99 crore to the IDCO for the purpose. The IDCO incurred a total expenditure of only Rs.1.19 crore (Khurda: Rs.0.83 crore and Rayagada: Rs.0.36 crore) as of March 2004; the centre at Paradip was not taken up due to land dispute. The remaining GOI grant of Rs.1.80 crore was kept unutilised and the projects remained incomplete (March 2004).

**There had been negligible progress in establishment of three IIDCs for over a decade**

As stated by the IDCO and endorsed by the Government (May 2004) the delay was due to general industrial slump and slow pace of industrialisation. The reply was not acceptable since the infrastructure development was undertaken to accelerate the pace of industrialisation and funds were never a constraint; besides, the acquisition of land at Paradip was still in process. Due to delay in implementation of the project in time, the balance of GOI funds was yet to be received (May 2004).

### 3.4.14 Programme Management-Handicraft and Cottage Industries Sector

The Industrial Policy of the State Government laid emphasis on strengthening of the rural economy through Village and Cottage Industries, Handloom and Handicraft. As per IPR 2001, incentives such as cluster approach for artisans, craft village and marketing support were required to be provided by the Director, Handcraft and Cottage Industries to the Handicraft, Coir and Salt Co-operative Societies.

It was observed in audit that during 1999-2004, only a small part of the budgetary provisions for the schemes to benefit this sector was spent as indicated below.

(Rupees in lakh)

Scheme	Budget provision	Expenditure
Construction of showroom-cum-Godown	17.25	5.00
Grants to coir co-operatives	12.20	0.58
Rebate on sale of handloom products	26.65	4.08

**Of the 706 primary co-operative societies, 349 were defunct**

As of March 1999, there were 706 primary co-operative societies in this sector and by March 2004, 349 were defunct due to inadequate sanction of funds despite budget provision. This affected an estimated number of 0.26 lakh

artisans. There was no addition to the number of primary co-operative societies during 1999-2004.

#### ***3.4.15 Loss of grant by the Orissa Khadi and Village Industries Board under Gramodyog Rozgar Yojana***

Keeping in mind the expectations of various sections of rural population, the scheme of margin money assistance to village industry projects, named Gramodyog Rozgar Yojana (GRY) was introduced by the Khadi and Village Industries Commission (KVIC) in 1996-97.

**Due to failure in utilisation by OKVIB, Grants-in-aid of Rupees one crore was refunded to KVIC**

For implementation of the scheme in the State of Orissa, KVIC paid (December 1996) Rs.3.85 crore to the Orissa Khadi and Village Industries Board (OKVIB) as grant for utilisation by 31 March 1999. But due to non-finalisation of the modus operandi, the scheme was not implemented in the State till March 1999. As per the utilisation certificate, OKVIB spent Rs.2.76 crore as of March 2003. As OKVIB failed to utilise the entire grant within the stipulated time, KVIC wanted (February 2001) refund of the unutilised amount. Accordingly, Rupees one crore being the unutilised grant was refunded by OKVIB to KVIC (December 2002). Thus, due to tardy execution of the scheme, there was a loss of Rupees one crore of Central grant.

One reason for the tardy execution of the scheme was deficiency in the follow up on the applications for loans sponsored to various banks by OKVIB. The number of applications for margin money assistance pending sanction as of March 2004 could not be made available to audit. However, from the papers relating to the activities of OKVIB by the Chief Minister in October 2003, it was seen that 2260 loan applications were pending with different banks for sanction as of March 2003. The Board attributed non-sanction of loans to the rigid attitude of the bankers.

#### ***3.4.16 Infertuous expenditure on margin money assistance***

**Infertuous expenditure of Rs.3.29 crore on margin money assistance to 845 non-working units**

For implementation of GRY in the State, OKVIB received Rs 6.01 crore from KVIC up to March 2004. Rupees one crore out of this was refunded, as mentioned in paragraph 3.4.15 above. The balance of Rs.5.01 crore was reported to have been spent by OKVIB towards margin money assistance for 1285 beneficiaries as of 31 March 2004. As reported (2002-04) by OKVIB to KVIC, all the 1285 beneficiaries had set up their units. The Annual Report for 2002-03 of the OKVIB however revealed that 845 units were not functioning as of March 2003. Considering that a sum of Rs.5.01 crore was spent as margin money assistance for 1285 units, the amount of such assistance in respect of the non-working 845 units worked out to Rs.3.29 crore on pro rata basis and this amount of expenditure turned out to be infertuous.

**In Cuttack and Kalahandi district, 17 units which received margin money of Rs.3.46 lakh were actually non-existent**

Test check of the records of the Development Officer, Khadi and Village Industries, Cuttack (December 2003) and Kalahandi (April 2004) revealed that 17 units (Cuttack: 14 and Kalahandi: 3) that received margin money assistance of Rs.3.46 lakh through the banks during 2002-04 were actually non-existent. Steps taken by OKVIB to get back the margin money were not on record.

### 3.4.17 Programme Management --- Handloom Sector

Handloom products of Orissa have earned a distinct position in the market both within and outside the State and provide employment to a large number of rural artisans. The focus of the State Government in the case of the handloom sector was on ensuring improved earning for the weavers in the organised sector particularly in the co-operative sector. The audit findings in this respect are discussed in the succeeding paragraphs.

### 3.4.18 Unemployment of handloom weavers

Test check of records in the Directorate of Textiles and Handloom revealed that during the period 1999-2004, out of a total of 0.81 lakh looms under the co-operative sector, as many as 0.67 lakh (83 per cent) were idle on an average resulting in loss of employment for an estimated number of 2.69 lakh weavers. Findings in the test check of records of the Assistant Directors of Textiles (ADTs) at Cuttack, Kalahandi and Koraput also reflected a similar picture and showed that 5630 looms (67 per cent) out of a total of 8456 looms were idle on an average during 1999-2004. During the same period, there was marked underspending by the Government, compared to the budget provisions, on the schemes meant for the handloom sector, as shown below:

(Rupees in crore)

Sl. No.	Name of the scheme	Total budget provision	Expenditure	Savings
1	Project package scheme	5.12	2.13	2.99
2	Sericulture Development in KBK Districts	2.25	0.75	1.50
3	Integrated Handloom Village Development	2.70	0.43	2.27
4	Work shed-cum-housing for handloom weavers	10.67	2.25	8.42
5	Market Development Assistance	19.78	3.35	16.43
6	Rebate on sale of Handloom cloths in national Expo	2.64	0.25	2.39
7	<b>Assistance to setting up Handloom Development centre</b>	1.33	Nil	1.33
8	<b>Health package scheme for Handloom weavers</b>	2.77	Nil	2.77
9	Deendayal Hatkhargha Protsahan Yojna	26.48	Nil	26.48
10	Handloom Development in KBK <sup>32</sup> district	2.25	Nil	2.25
	<b>Total</b>	<b>75.99</b>	<b>9.16</b>	<b>66.83</b>

Such poor expenditure, particularly the total absence of Government spending on schemes like the Deendayal Hatkhargha Protsahan Yojana that included Rs.15 crore for the revival of Boyanika, the State level apex handloom society, had an adverse effect on the primary societies and the weavers as mentioned below.

As for the reasons for underspending, the Director of Textiles and Handloom cited (June 2004) absence of Government sanctions. However, for idling of looms the Deputy Director (KBK), Koraput and the ADT, Cuttack cited (June 2004) the following reasons:

<sup>32</sup> KBK: Koraput, Bolangir and Kalahandi

- lack of marketing support and discontinuance of rebate system
- non-availability of credit facilities from the concerned district central cooperative banks
- long outstanding dues of the Primary Weavers Co-operative Societies from the Apex Handloom Society (BOYANIKA)
- competition of power loom and mill made imitation printed fabric of the dye design
- the super cyclone of 1999 that had caused severe damage to the primary weavers co-operative societies

The Director of Textiles stated (October 2004) that the number of idle looms had come down from the earlier level in view of the all round efforts of the Department to improve the health of the co-operative societies and to promote handloom industries through formation of Self Help Groups (SHGs) of weavers. Adoption of the handloom industry cluster approach also helped reduce the number of idle looms.

#### **3.4.19 Non-functioning of Primary Weavers' Co-operative Societies**

**Out of 828 working Primary Weavers' Co-operative Societies, 240 became non-working and 0.22 lakh weavers lost employment**

Cloth woven by the primary weavers' co-operative societies was being marketed by the apex co-operative society (Boyanika). It was noticed during the test check of the Director of Textiles and Handloom that cloth dues amounting to Rs.8.32 crore of these Primary weavers' co-operative societies for periods prior to 1998-99 were lying outstanding with the Boyanika as of March 2004. The apex society, due to its sickness could not clear the outstanding dues and Government also did not take adequate steps to revive Boyanika. As a result, during 1999-2004, out of 828 working primary weavers co-operative societies, 240 (29 *per cent*) stopped functioning and an estimated number of 0.22 lakh weavers lost employment in the co-operative sector. The position was confirmed by the audit findings in the three test checked ADTs (Cuttack, Kalahandi and Koraput) where 48 (30 *per cent*) out of 162 primary weavers' co-operative societies stopped functioning during 1999-2004 and an estimated number of 0.06 lakh weavers lost employment.

**Delay in revival of "Boyanika" had the effect of non-clearance of dues of the Primary Weavers' Co-operative Societies leading to the many of the latter going out of business**

As mentioned in the preceding paragraph, the budget provision of Rs.15 crore for 2003-04 for reviving Boyanika was not sanctioned by the Government for drawal and that ultimately had the effect of Boyanika being unable to clear the long outstanding dues of the primary weavers co-operative societies. In fact, in the absence of budgetary support from the Government, Boyanika, by withholding payments to the Primary Societies to the tune of Rs.8.32 crore for over five years actually starved the Primary Societies of their working capital leading to the societies going out of business.



### 3.4.20 Losses incurred by Sambalpuri Bastralaya Handloom Co-operative Society Ltd., Bargarh

**Declining trend in production and sale of the Sambalpuri Bastralaya due to non-release of marketing development assistance and incentive of Rs.3.63 crore by the State Government**

The Sambalpuri Bastralaya, a leading handloom co-operative society was running with financial loss of Rs.18.72 crore and not getting financial assistance towards the working capital from any of the financial institutions. The society was not able to provide full time work to 6000 'A' class members and 9000 weavers from different individual affiliated primary weavers co-operative societies. Further, it was seen that sale proceeds of cloth of Rs.96.09 lakh were not received by the society from different Government agencies and the Marketing Development Assistance to the tune of Rs.85.48 lakh and Marketing Incentive Assistance of Rs.2.78 crore were not released by the State Government leading to declining trend in production and sale adding to the society's losses and under-employment of 15000 weavers. The Director of Textile and Handloom stated (November 2003) that the Development Assistance and the incentive claims of the society for the period 1998-2000 and 2000-02 respectively were pending with the Government and the defaulters of cloth dues had been requested to pay the same. No progress in this regard had been made as of March 2004.

#### 3.4.21 Conclusions

The savings in budget provisions had been very large, averaging 42 per cent over five years. While a large number of trained unemployed youth could not set up any industry under the Prime Minister's Rojgar Yojana, the establishment of the three IID centres made only a negligible progress for over a decade although funds were not a constraint. Large number of SSI units were closed due to lack of proper planning and the single window clearance system was not functional in the districts. Non-clearance of the dues by the apex cooperative society was one of the factors for closure of a good number of primary weavers co-operative societies.

#### Recommendations

- Several problems like setting up of industries without proper planning or inability of the small scale industries to change the product line as per market requirements should be addressed.
- SILPASATHI, the mechanism for implementing the single window clearance facility in the districts should be made functional without delay.
- The problem of idle looms and defunct primary weavers' co-operative societies should be accorded priority to arrest increasing unemployment.
- Co-ordination and co-operation among Government officials, banks and other institutions involved in implementing various schemes of loan and subsidy for promotion of SSIs and the handloom sector has to be considerably strengthened.

The matter was demi-officially referred (August 2004) to the Principal Secretary to the Government; reply had not been received (November 2004).

## HOUSING AND URBAN DEVELOPMENT DEPARTMENT

### 3.5 Implementation of Urban Water Supply Schemes

#### 3.5.1 Introduction

The rapid growth in urban population during the last decade necessitated augmentation of the existing water supply systems and development of new schemes to ensure supply of minimum quantity of potable water to the urban population. Government of India (GoI) launched (February 1994) Accelerated Urban Water Supply Programme (AUWSP) for providing adequate safe drinking water in towns. Against 51 Urban Local Bodies (ULBs) eligible for coverage under the programme, only 24 ULBs were selected by the State Level Selection Committee and water supply schemes for these towns were approved by the GOI between 1994 and 2004. Besides, water supply schemes for two towns, not declared as ULB were also approved under the programme. A sum of Rs.76.36 crore was spent on these schemes during the five year period of 1999-2000 to 2003-04.

Test-check of records of Chief Engineer, Public Health and 11 Executive Engineers<sup>33</sup> of Public Health Divisions for the period 1999-2004 was conducted between October 2003 and April 2004. Out of 30 districts with 103 ULBs in the State, 27 districts with 81 ULBs including 18 ULBs approved under AUWSP were covered in audit.

GOI approved 26 water supply schemes for Rs.45.37 crore under AUWSP in Orissa between December 1994 and March 2003. Against Central share of Rs.19.64 crore received between 1995-96 and 2003-04 for 23 schemes, only three schemes were completed as of August 2004. The remaining 20 schemes taken up between December 1994 and January 2003 for benefiting 3.84 lakh urban population were languishing owing to improper planning, finalisation of source without adequate pre-construction survey, delay in acquisition of land and fund constraints arising from diversion of funds and purchase of materials in excess of requirement as evidenced below:

#### 3.5.2 Execution of schemes without pre-construction survey

While according technical approval to the schemes, GOI stipulated that 95 per cent dependability and reliability of the selected source should be ensured by the State Government before taking up the scheme. In violation of these stipulations, the following five schemes were taken up without pre-construction survey and consequently during execution the water sources were found to be not feasible. The schemes remained incomplete rendering the

**Execution of AUWSP schemes without ensuring viable water source resulted in unfruitful expenditure of Rs.9.50 crore**

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\* The abbreviations used in this review have been listed in the Glossary in Appendix-XXXVI ( page 222)

<sup>33</sup> Bhubaneswar –I, II, III, Cuttack-I, II, Rourkela, Sambalpur, Bolangir, Puri, Baripada and Koraput.

expenditure of Rs.9.50 crore incurred on these schemes unfruitful. No responsibility was fixed for execution of the schemes without ensuring the dependability of the sources.

Location of the Water Supply Scheme	Audit finding
Umerkote Expenditure: Rs.2.33 crore	The river Vaskel identified (1999) as the source of the scheme was subsequently found (June 2001) not feasible. No alternative source was finalised so far. Materials worth Rs.1.71 crore procured for the scheme remained unutilised.
Malkangiri Expenditure: Rs.2.69 crore	The scheme provided for supply of water from Satiguda reservoir through an intake well. In June 2001 the intake well at the selected site was found not feasible. No further work was executed after March 2001 and completion of the scheme was uncertain.
Kamakshyanagar Expenditure: Rs.2.37 crore	Laying of infiltration gallery at the selected site was not feasible, the source was relocated requiring laying of additional 2700 metres of rising main. Major items like construction of the infiltration gallery, overhead tank and a treatment plant were not taken up.
Junagarh Expenditure: Rs.1.27 crore	The scheme envisaged abandonment of the existing intake structure and construction of a new intake well. CE observed (June 2001) that laying of another infiltration gallery was not feasible as the river was full due to discharge of water from the Upper Indravati Project. No alternative arrangement was made and supply of turbid water was being made without filtration.
Balimela Expenditure: Rs.0.84 crore	The sanctioned DPR provided tail race power channel of Balimela Hydro-electric project as the source. Later it was found that water contained excess oil and grease and was not suitable for human consumption. CE stated in April 2004 that the modality of specialised treatment was not yet finalized. Completion of the scheme was thus uncertain

### 3.5.3 Execution of schemes without proper planning

The following water supply schemes scheduled for completion between 1998 and 2003 remained incomplete due to lack of proper planning such as timely acquisition of land and non-sanction of revised estimates.

Location of the Water Supply Scheme	Audit finding
Panposh (Sundargarh) Expenditure: Rs.1.01 crore	The scheme remained incomplete due to delay in acquisition of land, which resulted in cost-overrun. Revised estimate for Rs.1.23 crore was sanctioned in May 2003.
Nayagarh Expenditure: Rs.1.68 crore	Construction of treatment/disinfection unit and installation of large dia tube well was not done, laying of distribution system and raw water conveying main was not completed.

<b>Location of the Water Supply Scheme</b>	<b>Audit finding</b>
Boudh Expenditure: Rs. 0.77 crore	No tangible work had been executed so far on the scheme which was taken up in 1999 except purchase of pumps and fitting materials.
Deogarh Expenditure: Rs.1.59 crore	Remained incomplete as the laying of distribution pipeline, production well, reservoirs, one settling tank were not taken up.
Barpalli Expenditure: Rs.1.73 crore	Only 5891 metres of distribution pipe lines were laid against provision of 16058 metres after spending the full cost. Laying of rising main was not taken up and even land required for the purpose remained to be acquired.
Chandbali Expenditure:Rs.85.98 lakh	The scheme was languishing since 1997 after spending on it. Some major components of the scheme like 2.25 lakh litre capacity R.C.C. overhead reservoir, two on-line chlorine dosing pump sets and laying of distribution line were not completed.
Baligaon, Puri Expenditure: Rs.1.93 crore	The scheme remained incomplete owing to non-completion of Raw water pumping system, laying of rising main, treatment plant, clear water reservoir and laying of distribution system. Even the required land was not acquired.
Khandapada, Nayagarh Expenditure: Rs.40.59 lakh	The scheme scheduled for completion in 2003 remained incomplete due to non-procurement of pump sets, non-construction of treatment/disinfection unit and non-completion of laying of rising main from production well. Construction of Pump house was also not taken up as the required land was not acquired.
Kantabanji Expenditure: Rs.41.82 lakh	The scheme scheduled to be commissioned in 2003 remained incomplete due to non-construction of 3.25 lakh capacity reservoir, and laying of rising main/distribution line.

Government confirmed (September 2004) the factual position and assured that the projects would be completed soon.

#### **3.5.4 Unauthorised diversion of funds**

**Rs.2.08 crore received for AUWSP works diverted unauthorisedly for other purposes**

Out of allotment of Rs.6.75 crore (including Rs.3.32 crore of GoI share) received for five<sup>34</sup> schemes between March 1994 and March 2003, Rs.2.08 crore was unauthorisedly diverted by three EEs for other purposes which led to non-completion of the schemes due to paucity of funds.

#### **3.5.5 Non-contribution of share by the Urban Local Bodies**

**Urban Local Bodies did not contribute their share of Rs.2.27 crore**

The schemes sanctioned under AUWSP stipulated that five *per cent* of the cost of each scheme would be contributed by the concerned ULB. It was, however, noticed that no contribution was realised from any ULB for the 26 projects taken up at an estimated cost of Rs.45.37 crore which resulted in an estimated

<sup>34</sup> Junagarh (Rs.47.90 lakh), Boudh (Rs.52 lakh), Chandbali (Rs.17 lakh), Deogarh (Rs. 44.73 lakh) and Barpalli (Rs.45.74 lakh).

extra burden of Rs. 2.27 crore on the State Government. Government assured (September 2004) that the amounts due from the local bodies would be adjusted from their future grants-in-aid.

### 3.5.6 *Non-supply of minimum quantity of water*

**Government failed to supply minimum quantity of water in 88 out of 103 ULBs of the State**

The primary objective of the urban water supply schemes was to ensure supply of minimum 70 LPCD of potable water in towns with population below twenty thousand, 100 LPCD in towns with population between 20,000 and one lakh and 150 LPCD in towns with above one lakh population as per norms fixed by the GOI. The review disclosed that minimum quantity of water as per norms was not supplied in 88 out of 103 ULBs of the State (85 per cent) as of March 2004. The water supply in 65 ULBs ranged between nine and 73 per cent of the minimum requirement (upto 25 per cent in seven towns, 26-50 per cent in 28 and 51 to 73 in 30). The town-wise supply of water is given in Appendix-XXVIII. Government accepted (September 2004) the factual position.

### 3.5.7 *Supply of substandard water*

**Substandard water was supplied in 13 towns by six Divisions**

As per extant rules and provisions of manual of water supply and treatment, the quality of the water supplied both at source and distribution point was required to be analysed before supply. None of the test checked divisions maintained records indicating regular analysis of the quality of water supplied. The CE during discussion stated (April 2004) that due to non-availability of adequate facility, regular testing and analysis of water was not possible. The reports produced in respect of a few tests/analysis revealed that substandard water was being distributed in 13<sup>35</sup> towns by six divisions.

Further, analysis of water from different sources in Puri conducted by the State Pollution Control Board in July 2001 revealed that the concentration of nitrate was above the permissible limit prescribed for drinking water. CE observed (July 2002) that some tube wells showed bacteriological contamination apart from having high Ph value indicating pollution due to leakage of sewage from the adjoining septic tanks/leach pits/open sewage over-flows in unprotected drains. The Chief District Medical Officer (CDMO), Puri after chemical analysis of water collected from 10 different stand posts observed (July 2002) that the water supplied was not potable due to presence of coliform in it which confirmed supply of substandard water defeating the very purpose of water supply schemes. Government accepted the factual position and assured (September 2004) that suitable instructions would be issued to the Departmental authorities to take corrective measures.

**Failure of the Government to provide safe potable water led to epidemic which caused 2169 deaths**

The unsuitability of drinking water in the State was further substantiated by the fact that 5.25 lakh population were victims of water borne diseases like severe diarrhoea (4.96 lakh) and acute jaundice (0.29 lakh) during the last three years. The number of deaths caused by these diseases was as high as 2169. The outbreak of jaundice in Baripada town during June-July 2001 was an example of supply of contaminated water affecting 138 persons. Although

<sup>35</sup> P.H. Bolangir (Sonepur, Khariar), P.H.-III, Bhubaneswar (Bhubaneswar), P.H.-II, Cuttack (Angul), P.H. Rourkela (Rourkela, Biramitrapur, Sundargarh, Rajgangpur, Anandpur, Joda, Keonjhar), P.H Puri, (Puri) and P.H Baripada (Baripada).

the EE reported (June 2001) to have taken necessary precautions such as disinfection of pipe line, enhancement of chlorine dosages and round the clock observation of pipe lines to avoid contamination in the distribution system, there was outbreak of jaundice again in Baripada during January/February 2004 affecting 524 people with 25 casualties. Random bacteriological analysis of 102 samples conducted (February 2004) by the State Public Health Laboratory revealed that the water supplied through 39 sources in Baripada was contaminated. The CDMO also observed (February 2004) that leakages in the distribution pipe lines and non-clearance of sewage and drain dirt from the drinking water outlets led to contamination of water. Government stated (September 2004) that suitable arrangements would be made in future for regular testing of water and wide publicity of the test results.

### **3.5.8 Unauthorised leasing of reserved land**

**185.43 acres of land reserved for water supply project was unauthorisedly leased out/allotted by Puri Municipality**

Water supply to the Puri town was made from water drawn from two well-fields at Chakratirtha and Baliapanda. To preserve the two well-fields and protect the aquifer from contamination by urban wastes, Government reserved the land around these well-fields. The Puri Municipality in violation of Government orders, leased out/allotted 178.43 acres in Chakratirtha and seven acres of land in Baliapanda unauthorisedly to different institutions/private parties. Apart from that, huge unauthorised constructions and encroachments were made in the reserved area posing serious threat to the only source of drinking water for the town. Realising the gravity of the situation, Government decided (July 2003) to demarcate the land by August 2003 and provide protective boundary. No follow up action was, however, taken as of March 2004. Government did not remove the unauthorised construction and initiate action against the officers responsible for the leasing/allotment of the reserved land. Government accepted (September 2004) the factual position.

### **3.5.9 Unnecessary accumulation of stores**

**Procurement of materials without definite requirement resulted in accumulation of materials worth Rs.7.49 crore**

Due to large scale accumulation of stores and theft and pilferage of stores resulting in huge loss, Government ordered discontinuance of procurement of stores from April 1996 and directed that the works be executed by the contractors on finished item rate contract basis including cost of materials. Government also ordered immediate stock taking of the existing materials and exploring the possibility of their utilisation/disposal. Despite lapse of eight years, such stock taking was not completed (March 2004). Test check in audit revealed that eight EEs still retained materials worth Rs.2.75 crore which were purchased prior to March 1996 in stock account. Apart from that, 10 EEs retained materials worth Rs.4.74 crore, purchased between 1999 and 2002, in the site accounts of different works (including Rs.3.02 crore for AUWSP works) as of March 2004. Thus, procurement of materials without definite requirement for works, in violation of Government orders, resulted in blockage of materials worth Rs.7.49 crore (Appendix-XXIX) besides creating resource crunch for ongoing works. No action was taken against the officers responsible for the purchases without definite requirement. CE stated (April 2004) that since the materials were lying in stock for a long period and their usability had not been ascertained, no survey reporting had been done.

Government accepted (September 2004) the factual position and assured that the materials would be utilised/disposed of soon.

### **3.5.10 Unauthorised expenditure on engagement of labour in violation of Government orders**

**Eleven EEs incurred expenditure of Rs.11.18 crore on unauthorised engagement of labour**

The Finance Department imposed (April-1993) a ban on further engagement of persons on daily wages for office and field work. In exceptional cases where such engagements were unavoidable, prior sanction was to be obtained from the Finance Department before engaging fresh persons. Responsibility was to be fixed on the authorities violating these orders. 11 EEs, however, incurred expenditure of Rs.11.18 crore between 1999 and 2004 on unauthorised engagement of labour without seeking sanction of the Finance Department (Appendix-XXX). Such unauthorised expenditure increased from year to year (from Rs.1.98 crore in 1999-2000 to Rs.2.79 crore in 2002-03). Government accepted (September 2004) the factual position.

### **3.5.11 Loss due to non-revision of water tariff**

**There was loss of revenue of Rs.2.88 crore due to non-revision of water tariff by four EEs**

While revising the tariff for supply of water in urban areas, Government ordered (August 1996) that the tariff so fixed would be increased automatically at the rate of 10 *per cent* every year and the structure of tariff and annual rate of increase would be reviewed after five years. The structure of tariff and the rate of increase were not reviewed as of March 2004. However, while five of the EEs effected the annual increase, four others<sup>36</sup> discontinued the increase since August 2002. This resulted in loss of revenue of Rs.2.88 crore. Government stated (September 2004) that efforts were underway to revise the water tariff taking into account the level of consumers' satisfaction.

### **3.5.12 Outstanding Water tax**

Rules required that water tax due from consumers should be realised promptly within the year. Against the total demand of Rs.25.89 crore in 10 divisions upto 2003-04, only Rs.17.84 crore (69 *per cent*) was realised and the balance Rs.8.05 crore was outstanding. Year-wise break-up of the arrears was not worked out by the EEs. Government assured (September 2004) to improve the collection of water tax.


### **3.5.13 Conclusions**

Audit scrutiny disclosed improper planning, commencement of works without adequate preconstruction survey and lack of monitoring. Despite repeated earlier comments by audit through 45 paras in 15 Inspection Reports between 1999 and 2004, water supply schemes continued to languish for years together and huge inventory of materials remained unutilised/undisposed of. Government and CE, PH failed to take corrective measures to ensure supply of minimum quantity of potable water to the urban areas. Government assured

<sup>36</sup> P.H.-Division, No.II, Bhubaneswar (Rs.2.05 crore), P.H.-Division, Rourkela (Rs.0.44 crore), P.H.-Division, Puri (Rs.0.17 crore) and P.H.-Division, Baripada (Rs.0.22 crore).

(September 2004) that instructions would be issued to the departmental authorities to take corrective measures.

***Recommendations***

- Government should take immediate steps to complete the incomplete Urban Water Supply Schemes, so as to achieve the primary objective of supplying the daily minimum quantity of potable water per capita and to stem the cost over-run.
  - Action against officers responsible for improper planning, sub-standard execution and procurement of materials in excess of requirement should be initiated.
- 



## HOME DEPARTMENT

### 3.6 Upgradation of standards of administration and modernisation of Police Forces

#### 3.6.1 Introduction

In terms of the recommendations of successive Finance Commissions, Government of India (GOI) had been releasing grants to the State Government for upgradation of the standards of Police administration. Besides, the Central Government allocated funds for implementation of the non-plan scheme of Modernisation of Police Forces to enable the State Police forces to effectively face the emerging challenges to internal security. The modernisation scheme was under implementation in the State since 1969-70 and was extended up to 2004-05. The scheme included four major components viz. acquisition of arms, computerisation of police stations, upgradation of Finger Print Bureau and Traffic Control equipment. Records of 13 unit<sup>37</sup> offices out of 42, besides the Home and the Finance Departments were test checked during November 2003 to April 2004 covering the period from April 1999 to March 2004.

#### 3.6.2 Financial management

The funding under the Modernisation scheme was to be shared equally by the Central and the State Governments up to 2002-03. The Central share comprised 50 *per cent* as grant and 50 *per cent* as loan. Since 2003-04, the funding pattern was revised to 60:40; out of the Central share, 60 *per cent* was given as grant. For the upgradation scheme, the funding was made by Central grants as recommended by the Tenth and the Eleventh Finance Commissions (TFC/EFC).

During 1999-2004, the State Government provided for Rs.190.27 crore (Modernisation: Rs.171.91 crore and Upgradation: Rs.18.36 crore) in the budget against which Rs.148.01 crore (Modernisation:Rs.132.72 crore and Upgradation: Rs.15.29 crore) were spent. While according sanction, the State Government mentioned that the amounts should be drawn and deposited into Civil Deposits. However, the amounts transferred to the Civil Deposit were classified under functional heads and that resulted in overstatement of expenditure in the Appropriation Accounts of the Government. The unutilised balance in the Civil Deposits as of March 2004 amounted to Rs.42.26 crore (Modernisation: Rs.39.19 crore and Upgradation: Rs.3.07 crore) and had accumulated mainly due to delay in completion of civil works and delay in procurement of arms, equipment, vehicle etc. Delay in getting Government approval to the action plans was also a contributing factor.

Utilisation certificate submitted to GOI included payment of advance to the extent of Rs.38.28 crore

\* The abbreviations used in this review have been listed in the Glossary in Appendix-XXXVI ( page 222)

<sup>37</sup> (1) Director General and Inspector General of Police, Cuttack; (2) Additional DGP, Training, Cuttack; (3) Principal, PTC, Angul; (4) DIG, PMT, Cuttack, (5) DIG, CID, Cuttack, (6) SP, Signal, Cuttack; (7) SP, Rayagada; (8) SP, Special Branch, Cuttack; (9) SP, Koraput; (10) SP Balasore; (11) SP, Keonjhar; (12) SP, Rourkela; (13) Director, State Forensic Science Laboratory, BBSR.

Further, it was seen that the utilisation certificates submitted to Government of India included Rs.38.28 crore advanced to the Orissa State Police Housing Welfare Corporation, Bhubaneswar (Rs.30.17 crore) and to the Ministry of Home Affairs (Rs.8.11 crore) treating the same as final expenditure. Thus, the utilisation certificates furnished to GOI was not based on actual expenditure incurred.

### **3.6.3 Programme implementation**

The implementation of the scheme of Modernisation of Police Force found to be deficient during 2000-04 as the spending vis-a-vis the budget provision ranged from nil to 30 per cent on four major components of the programme as detailed below:

(Rupees in crore)

Sl. No.	Component	Budget Provision	Actual Expenditure	Percentage of shortfall
1.	Arms	27.11	8.12	70
2.	Computer (Information Technology)	4.03	Nil	100
3.	Traffic control equipment	0.55	0.08	85
4.	Upgradation of FPB	2.91	Nil	100

The Government attributed the poor utilisation of funds to difficulties in the Police headquarters in handling increased volume of procurement as also the delay in getting GOI's approval to the annual action plans due to which the scheme funds were kept under Civil Deposit. However, the State Police Headquarters stated (September 2003) that they depended on the Government for taking decisions on various aspects of the implementation of the scheme including the procedure for purchase of arms and other equipment which was time consuming. There was also delay in getting approval of the State Level Purchase Committee (SLPC) as well as delay in release of funds by the Government. It was, however, noticed that the annual action plans were sent to GOI very late by the State Government; the action plan for 2000-01 was sent to GOI in April 2001 and that for 2003-04 in October 2003 (Part) and January 2004 (Final).

Although funds were not a constraint, due to lack of co-ordination between State police headquarters and the department, there was delay in upgradation of the State Finger Print Bureau (SFPB) and implementation of the Information Technology (IT) Plan of the State Police. Besides, overdependence on the Orissa State Police Housing and Welfare Corporation (OPHWC) for construction of building contributed to the delay in the implementation of the projects.

### **3.6.4 Upgradation of State Finger Print Bureau**

Provision of funds of Rs.2.90 crore was made for the upgradation of the State Finger Print Bureau under modernisation scheme. Projections were made for replacement of manual system of matching and identification of finger prints by Automated Finger Print Identification System (AFIS) employing computerised method in 2001-02 and procurement of inkless finger print device with other items for the system in the subsequent years. During

**Despite availability of funds, the State Finger Print Bureau could not be modernised for over three years**

2001-02, Rs.1.56 crore were drawn for procurement of AFIS and Rs.0.63 crore was drawn in March 2003 for procurement of inkless finger print devices. During the process of finalising the tender by the Director, SFPB, the National Crime Records Bureau (NCRB) instructed not to procure the existing benchmarked system since they had decided to benchmark a system with advanced technology. The benchmark report of AFIS with advanced technology was received from NCRB in April 2003. A modified Project Report was sent to NCRB for approval in August 2003 the approval to which was received in September 2003. However, the tender papers could only be finalised in March 2004 and quotations for supply of the items were called for from the benchmarked firms in April 2004 stipulating the response time up to 30 June 2004. Thus, despite availability of funds, due to procedural delays in benchmarking of the system and finalisation of tender formalities, the State Police failed to derive the benefits of AFIS for over three years.

### **3.6.5 Police Stations not computerised**

The Information Technology (IT) Plan of the State Police envisaged providing a computer to each of the 449 police stations in the State and establishing on line connectivity with the State Police Headquarters and other allied offices. In the first phase, 129 police stations were to be computerised followed by other police stations in the subsequent years. The plan, which was intended for implementation through the National Informatics Centre also envisaged the provision for video conferencing facilities, direct voice communication, exchange of data etc. However, for establishing connectivity, the State Police depended on the National Crime Records Bureau (NCRB) for supply of the required application software.

Keeping the above in view, the State Government sent the action plan for the years 2000-01 and 2001-02 to the Government of India (GOI) between April and May 2001, the approval of which was received in May 2001 and February 2002 respectively. Thereupon, the State Government sanctioned (March 2002) Rs.2.72 crore for the purpose which was drawn and kept in the Civil Deposit as the application software system was yet to be received from the NCRB. However, in February 2003, the NCRB intimated that the required software was still under consideration due to technological changes. No further progress on the issue could be made thereafter and the IT plan remained unimplemented (June 2004).

**The IT plan could not take off for want of application software**

The Director, State Crime Records Bureau stated (June 2004) that the IT plan would be implemented as per the Action Plan 2004-05 which had been sent to GOI for approval.

### **3.6.6 Construction of buildings**

During 2000-04, the Government sanctioned construction of 1923 building projects comprising police stations and staff quarters funded from the Modernisation scheme (1683) and the EFC grants (240) the execution of which were entrusted to OPHWC, Bhubaneswar. Of the 1923 projects, only 678 were completed while 1146 projects were incomplete and 99 projects had not even started as of May 2004. The OPHWC attributed (July 2004) the slow progress to late receipt of funds, delay in according administrative approval.

There was also delay owing to change of proposals and sites. Further, 128 building projects, although completed, were not taken over by the State Police. However, the Government in an agenda note cited (May 2003) the limited capacity of OPHWC for construction of civil works as a reason for delay in execution of the building projects. Despite this, the policy of exclusive dependence on OPHWC for execution of building projects continued and an amount of Rs.36.35 crore remained unspent with the OPHWC as of May 2004 which ultimately affected the completion of 1146 building projects.

Thus, due to delay in completion of 1146 projects and not taking possession of 128 completed projects, the police stations and outposts continued to function in old, unsafe and rented buildings and the police personnel were deprived of residential accommodations (August 2004).

### ***3.6.7 Wasteful expenditure due to idle infrastructure/equipment***

Due to lack of co-ordination between different wings of the State Police Headquarters and the Department and general deficiencies in implementation of different programmes, equipments procured were lying idle and infrastructure created remained unutilised and there were avoidable extra expenditure on purchase of equipment the details of which are discussed in succeeding paragraphs.

### ***3.6.8 Non-functioning of the Regional Forensic Science Laboratory***

The Upgradation Scheme, as recommended by EFC, provided for construction of one Regional Forensic Science Laboratory (RFSL) at Balasore at a cost of Rs.1.80 crore (Building: Rs.20 lakh and equipment: Rs.1.60 crore). The State Level Empowered Committee (SLEC) meeting held on 8 June 2001 decided on the construction of the building first and purchase of equipment thereafter. Contrary to the above decision, before construction of the building, equipment worth Rs.1.23 crore were procured between August 2001 and April 2004 as envisaged in the Action Plan. While equipment worth Rs.52.06 lakh were kept in stock, the others were installed in the State Forensic Science Laboratory at Bhubaneswar and other Regional Laboratories to avoid damage. The warranty period for most of the equipment (normally one year from the date of purchase) was over. The construction of the RFSL building at Balasore scheduled to be completed during 2001-02 was not started as of June 2004 due to land dispute. Thus, due to lack of co-ordination among the State Police headquarters, the Director, State Forensic Science Laboratory and other executing agencies of the department, the equipment worth Rs.1.23 crore remained unutilised/underutilised and the establishment of a Regional Forensic Science Laboratory could not materialise for over three years.

### ***3.6.9 Mobile Forensic Science Laboratory units not established***

The EFC recommended establishment of 19 Mobile Forensic Science Units (MFSUs) in the State at a cost of Rs.12 lakh each (Rs.6 lakh for purchase of mobile vans; Rs.6 lakh for equipment). The SLEC meeting held in June 2001 decided to purchase vehicles and equipment for the MFSUs at one go. Purchases of equipment were done by the State Forensic Science Laboratory (SFSL), Bhubaneswar while the purchase of mobile vans was done by the DIG, Police Motor Transport, Cuttack. Scrutiny of records of SFSL revealed

**Idle investment of Rs.1.23 crore on equipment due to lack of synchronisation of purchase with construction of building**

**Equipment worth Rs.89.13 lakh lying idle as the targeted 19 MFSUs not established**

(June 2004) that equipment worth Rs.89.13 lakh were purchased by Director, SFSL during August 2001 to January 2004. However, provision for procurement of 11 vehicles was made in 2003-04 of which supply order for only four vehicles was placed on 15 March 2004 as Rs.42.68 lakh was surrendered due to imposition of restriction on plan expenditure. Thus, due to non-procurement of vehicles, the MFSUs in the newly created districts could not be made functional. As a result, the equipment procured for MFSUs were issued to the existing district forensic science units as the mobile units in the newly created districts were not functional.

Despite availability of funds, due to lack of co-ordination between the two wings of the State Police, the MFSUs could not come up and the objective of providing forensic test services on the spot remained unachieved.

### ***3.6.10 Non-utilisation of training infrastructure created***

With a view to upgrading the training facilities for police personnel, construction of Auditorium-cum-Library at the Police Training College, Angul at a cost of Rs.27 lakh was approved as per TFC recommendation. The work was executed by the PWD and an amount of Rs.29.85 lakh was spent. The building was handed over to the Police Training College in September 2000. The building remained unutilised due to defective echo proof system, inadequate fan fittings, defective motor for water supply, insufficient accommodation for library and want of approach road. In the meantime, a hailstorm in April 2002 and a cyclone in May 2003 caused extensive damage to the structure. Non-provision of echo proof system etc. during construction of the building rendered the expenditure of Rs.29.85 lakh unfruitful and defeated the aim of upgrading the training facilities of the State Police .

The IGP, PTC, Angul stated (February 2004) that the Executive Engineer, Angul R&B Division was requested (December 2003) to take up the repair work of the building. Neither the inherent defects of the building were rectified nor the damage caused by the hailstorm and cyclonic wind were repaired as of February 2004.

### ***3.6.11 Avoidable delay in purchases of vehicles/equipment***

Under the modernisation scheme, the SLPC finalised the rate, the quantity and the firm for procurement of different vehicles during February 2001 and December 2001 for the years 2000-01 and 2001-02 respectively. The DGSD rates basing on which the approval of the SLPC was obtained were valid up to 2 February and 21 February 2002 for purchase of vehicles of M/s Mahindra and M/s Tata respectively. Although sufficient time was available and funds were not a constraint, the DIG, PMT placed orders on 28 February 2002 with both the above firms by which time the firms had increased their prices. This resulted in extra expenditure of Rs.19.16 lakh on procurement of 181 vehicles.

DIG (Admn) Orissa, Cuttack, obtained rates from Ordnance Factory, Dehradun in April 2002 for 30 Passive Night Vision binoculars and 28 Night Vision goggles. Basing on the rates in the proforma invoice, the DIG paid Rs.84.33 lakh to the Ordnance Factory in September 2003 after one year and four months from the date of obtaining the rates, by which time the validity period of the rates had expired and prices had increased with effect from

**Auditorium at the Police Training College, Angul constructed at a cost of Rs.29.85 lakh could not be made functional due to defects in construction**

**Extra expenditure of Rs.28.22 lakh due to delay in placing supply orders**

1 April 2003. Thereupon, the purchase order was revised for reduced supply of 30 binoculars and 21 goggles at the revised cost of Rs.83.28 lakh. This resulted in extra expenditure of Rs.9.06 lakh. However, it was noticed that the Ordnance Factory had neither supplied the items nor refunded the balance of Rs.1.05 lakh as of July 2004. The DIG stated (July 2004) that the delay in placement of the purchase order was due to late release of funds by the Government (June 2003).

**Blockage of Rs.16.19 lakh due to purchase of defective equipment without accessories for use in SFSL, Bhubaneswar**

The SFSL, Bhubaneswar purchased an equipment "Fourior Transmission Infrared Photometer" at a cost of Rs.9.05 lakh in 1998 out of the Modernisation funds, from a company in Kolkata. Due to defects and want of accessories, the machine remained unutilised since the date of its purchase and its warranty period expired on 19 November 2003. An amount of Rs.7.14 lakh drawn in August 2002 for payment of the cost of accessories to the firm as the firm failed to supply these accessories.

The purchase of the defective equipment without accessories led to blocking of funds to the extent of Rs.16.19 lakh besides not getting any service from the equipment.

### ***3.6.12 Mobility support under Modernisation scheme***

#### ***Acquisition and deployment of vehicles***

**The utilisation of newly purchased vehicles was doubtful as 155 drivers were in position against the deployment of 263 vehicles**

As per norms of the Bureau of Police Research and Development, Government of India, Police Motor Transport, Orissa made an assessment in 2000-01 that 1495 vehicles should be purchased for the State Police. As against that, only 1067 vehicles were procured during 2000-04. Since 425 vehicles were also condemned during the same period, the net addition to the police fleet during the period was only 642 vehicles. However, as against the sanctioned posts of 1315 drivers against which 1241 men were in position in the State, there were 2212 operational vehicles as of March 2004. Thus, there was a shortfall of 971 drivers which indicated that the utilisation of new vehicles was doubtful. Test check of the position in the four districts<sup>38</sup> showed that against 263 vehicles available in these districts both at the district headquarters and at the police stations as of March 2004, the number of sanctioned posts of drivers was 170 and the number of drivers actually available was only 155.

#### ***Bulletproof jeeps worth Rs.36.30 lakh lying idle***

**Bulletproof jeeps purchased at a cost of Rs.36.30 lakh remained idle due to non-provision of bulletproof tyres and air-conditioning**

During the year 2000-01, the SLPC in its meeting held in February 2001 approved purchase of two Mahindra "Rakshak" bulletproof jeeps at the DGS&D rate at a cost of Rs.29.81 lakh under the Modernisation scheme. While approving the purchase, the SLPC did not specify bulletproof tyres and air conditioning for the bulletproof jeeps. The purchase order was placed with M/s Mahindra and Mahindra Ltd., Bhubaneswar in February 2002 and the jeeps were supplied during June 2003 at a cost of Rs.36.30 lakh. However,

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<sup>38</sup> District	<u>No. of operational vehicles</u>	<u>Drivers in position</u>
Rourkela	57	48
Rayagada	73	18
Balasore	71	42
Koraput	62	47

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due to non-provision of bulletproof tyres and air conditioning, the bulletproof jeeps were not considered roadworthy. Such contingencies were not visualised either by the technical committee or the SLPC while approving the purchase of bulletproof jeeps during 2000-01.

The DIG (PMT) stated (February 2004) that the vehicles would be used after purchase of necessary bulletproof tyres, AC machines etc. Failure to provide for the necessary accessories for the bulletproof jeeps *ab initio* defeated the very objective of providing mobility support to the police force in tackling the law and order situation in the naxalite affected areas.

### **3.6.13 Monitoring and evaluation**

The Modernisation scheme, which has been under implementation since 1969-70 was extended up to 2004-05. The revised guidelines (2000-01) of the scheme envisaged review of the scheme after two years of its implementation and the State Government was required to constitute a State Level Empowered Committee (SLEC) to meet as frequently as possible but not less than once in three months to review the implementation of the scheme for ensuring inter-departmental co-ordination and removing constraints, if any. The SLEC, which was constituted in May 2001 under the Chairmanship of the Chief Secretary met only twice in August 2001 and February 2004. Lack of monitoring by the SLEC led to tardy implementation of the modernisation programme as interdepartmental co-ordination could not be ensured to remove constraints arising out of procedural delays.

Similarly, the guidelines issued by the Government of India on implementation of the Eleventh Finance Commission recommendations envisaged evaluation of the scheme through professional agencies so as to bring out the strength and weaknesses of the programme. Such evaluation has not so far been made.

### **3.6.14 Conclusion**

Funds remained unspent and targets were not achieved on account of delay in finalisation of tenders and other procedural formalities in respect of major components like arms, computer, traffic control and Finger Print Bureau. Despite its limited capacity, exclusive dependence on OPHWC for construction of buildings had the effect of large number of projects remaining incomplete. Undue delay in placement of purchase orders with supplier firms resulted in extra expenditure owing to price enhancement after the expiry of the validity period of offers. The implementation of the programmes was not effectively monitored by the SLEC. Thus, even though funds were not a limiting constraint, the State Police failed to derive the intended benefits and the main objectives of the grants viz. upgrading the standards of administration and modernizing the police forces were not adequately met.

### **Recommendations**

- Close monitoring of the State Level Empowered Committee by frequent meetings for timely implementation of the scheme should be ensured.
- The policy of exclusive dependence on Orissa State Police Housing and Welfare Corporation, Bhubaneswar which was adopted for the Eleventh

Finance Commission grant and the Modernisation scheme for Civil Construction Projects should be reviewed.

- Purchase procedure should be streamlined to avoid extra expenditure on account of delay in placement of orders.
- Inter-departmental co-ordination should be ensured for optimum utilisation of equipment procured and infrastructure created.
- Utilisation certificates of scheme funds should be based on actual expenditure and parking of funds under Civil Deposit beyond the financial year in which the same was credited should be avoided.
- The Principal Secretary to the Government stated (September 2004) that the observation pointed in the paragraph are under examination and reply would be furnished in due course.