

Chapter 2

Performance Audits

This chapter contains the findings of performance audits on National Rural Employment Guarantee Scheme (2.1), National Horticulture Mission (2.2), Accelerated Irrigation Benefit Programme (2.3), Micro projects for development of Primitive Tribal Groups (2.4) and Information Technology Audit of Orissa Treasury Management System (2.5).

Panchayati Raj Department

2.1 National Rural Employment Guarantee Scheme

2.1.1 Introduction

The National Rural Employment Guarantee Act 2005 (NREGA) was enacted (September 2005) by the Parliament with the primary objective of enhancing livelihood security by providing at least 100 days of guaranteed wage employment on demand, to every registered household, whose adult members are willing to do unskilled manual work. The scheme was launched in the State on 2 February 2006 in 19 districts¹ and was extended to five² other districts from 1 April 2007 and to remaining six³ districts from 1 April 2008. Creation of durable assets and strengthening the livelihood resource base of rural poor are the other objectives of the scheme. The scheme also *inter alia* aimed at reducing distress migration and raising economic productivity. In case of failure in providing work by the State to the applicants in time, the Act mandates payment of unemployment allowance. The Act also requires prompt and fair payment of wages. The scheme was implemented as a Centrally Sponsored Scheme on a cost sharing basis between the Government of India (GoI) and the State. The GoI had to bear all costs, except (i) 25 per cent of the cost of material and wages for semi-skilled/skilled workers, (ii) unemployment allowance and (iii) administrative expenses of the State Employment Guarantee Council (SEGC), which were to be borne by the State. Detailed operational guidelines were issued by the GoI in Ministry of Rural Development in 2006 and 2008.

2.1.2 Organisational set up

The scheme was implemented by the Panchayati Raj (PR) Department under the overall supervision of the Commissioner-cum-Secretary who also acted as the State Programme Coordinator and the State Employment Guarantee Commissioner. District Programme Coordinators (DPCs) and Programme

¹ Bolangir, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nuapada, Rayagada, Sambalpur, Subarnapur and Sundargarh

² Angul, Balasore, Bargarh, Bhadrak and Jajpur

³ Cuttack, Jagatsinghpur, Kendrapara, Khordha, Nayagarh and Puri

Officers (POs) were responsible for implementation of the scheme at district and block levels. The organisational chart for implementation of the scheme is indicated at *Appendix 2.1*.

2.1.3 Audit Objectives

The audit objectives were to assess:

- The adequacy and effectiveness of planning, monitoring and institutional arrangements;
- Effectiveness of financial management;
- Effectiveness of programme implementation for optimising employment generation and to achieve the intended objectives.

2.1.4 Scope and methodology of Audit

The Performance Audit on the implementation of NREGS in the State covering the period from February 2006 to March 2009 was conducted between December 2008 to May 2009 through test check of records of PR Department, nine DPCs⁴ (30 *per cent*), 33 POs of nine test checked districts, 191 Gram Panchayats (GPs) and executing agencies of 22 line departments (*Appendix 2.2*) selected on the basis of suitable statistical sampling method. Joint physical inspection of 154 assets created under the scheme and verification of job cards along with interview of 570 beneficiaries (57 villages in the 33 test checked blocks) were also conducted in the presence of concerned engineers and representatives / officials of Panchayati Raj Institutions (PRIs). Besides, information through questionnaire was also collected from the Sarapanchs / Panchayat Executive Officers (PEO) of 467 other GPs of the test checked blocks.

Entry and Exit conference: The Audit objectives, scope and methodology of audit were discussed with the Commissioner-cum-Secretary, PR Department at an entry conference on 13 March 2009. Audit findings were discussed with him at an exit conference on 28 July 2009.

2.1.5 Reason for selecting this topic for Performance Audit

As a demand-driven flagship programme, NREGS received positive response in the first year of implementation. However, employment sought and generated in subsequent years sharply declined even after extension of the scheme to more districts and registration of more households. Calculated at the minimum wage rate, employment generated was found to be not commensurate with the funds utilised. There were repeated allegations in the print as well as electronic media regarding large-scale corruption. This prompted us to select performance audit on implementation of the scheme in the State.

⁴ **Phase-I districts:** Deogarh, Koraput, Keonjhar, Mayurbhanj, Nabarangpur, Nuapada
Phase-II: Baragarh and Jajpur, **Phase-III:** Nayagarh

Audit findings

2.1.6 Planning and institutional arrangements

2.1.6.1 Lack of preparedness

The Act required the State Government to formulate the State Rural Employment Guarantee Scheme (SREGS), constitution of the SEGC for monitoring implementation of the scheme and set up State Employment Guarantee Fund (SEGF) for regulating timely fund flow to the districts by 1 March 2006. However, the State scheme (NREGS-Orissa) was formulated in December 2006. Similarly, SEGC was constituted on 27 November 2007 after a delay of 20 months of implementation of the scheme and the Council met only once (25 January 2008) as of July 2009 against targeted schedule of once in every six months. SEGF set up in April 2008 was not made operational (June 2009). Besides, Employment Guarantee Funds at district, block and GP levels were not set up as required (May 2009).

2.1.6.2 Weak institutional arrangements

Dedicated staff at block/district and State levels were not provided and required institutional arrangement was weak. The Act and the GoI's operational guidelines issued thereunder provided for a full-time dedicated Programme Officer (PO) for each block and exclusive staff at GP, block, district and State levels for planning, implementation and monitoring of the scheme. The expenses on the same were to be met out of the administrative contingencies⁵ provided under the scheme.

- Full-time dedicated POs were not posted in any of the blocks of the State and Block Development Officers (BDOs) were made the ex-officio Programme Officers even though they were the implementing agencies under the scheme. Further, despite assurance of the State Government (January 2008) to GoI to appoint one Additional Programme Officer in each of the 314 blocks to exclusively deal with NREGS, no such appointment was made as of October 2009. Thus, the objective of planning and monitoring by independent and dedicated agency remained unfulfilled.
- At the State level, dedicated management, accounting and works professionals were not posted. The posts of Research and Evaluation Specialist and Joint Secretary sanctioned by the Finance Department have also not been filled up (October 2009). Besides, the post of Grievance Redressal Consultant has not even been created (October 2009). However, on being pointed out in audit (June 2009), one Social Audit and one IEC⁶ Coordinator was engaged in September 2009.
- GoI recommended (March 2008) to consider Madhya Pradesh model for registering SEGC as a society and posting a Secretary level Officer as

State cell was not having dedicated full time management, accounting and works professionals for planning and effective monitoring of the implementation of the scheme

⁵ At two per cent of expenditure incurred under the scheme during 2006-07 and four per cent of expenditure thereafter

⁶ Information, Education and Communication

the Chief Executive Officer. However, the said recommendation was not implemented (June 2009) and State Institute of Rural Development (SIRD), a training institute was entrusted with managing State Employment Guarantee Fund at the State level.

- Though GoI guidelines required engagement of one Gram Rozgar Sevak (GRS) in each GP, one Gram Panchayat Technical Assistant (GPTA) per 10 GPs and one Additional Computer Programmer (ACP) per block yet in 117 GPs of the State, GRSs were not posted. Besides, the posts of 83 GPTAs and 51 ACPs were lying vacant as of March 2009. In nine test-checked districts, 30 GRS and 31 GPTAs were not deployed up to June 2009.
- Other dedicated staff like Works Manager, Finance Manager, Information Technology (IT) Manager, Training Co-ordinator and Grievances Redressal Co-ordinator were not posted at the district level in all the nine test checked districts (June 2009).
- Similarly, the required Account Assistants and Administrative Assistants at the block level were not provided in any of the 33 blocks test checked for which financial management and control over record keeping such as maintenance of Works Registers, Assets Register and documentation under NREGS was poor. The Government stated (June 2009) that the Administrative Assistants have already been sanctioned and filling of 126 posts out of 314 sanctioned were in progress.

Dedicated administrative and Account Assistants were not posted in any of the blocks of the State for proper record keeping and financial management

Lack of adequate administrative and technical resource support at the State, District and Block/GP level adversely affected smooth and effective implementation of the scheme.

2.1.6.3 Non-preparation of Perspective Plans

Despite GoI's instruction (August 2006), five year Perspective Plans under the scheme were not prepared in any of the nine test checked districts. In six (Deogarh, Keonjhar, Mayurbhanj, Nabarangpur, Nuapada and Koraput) out of nine test checked districts, the perspective plan under the erstwhile National Food for Work Programme (NFFWP) and in the remaining three (Bargarh, Jajpur, Nayagarh) districts the same prepared under erstwhile Sampoorna Grameen Rozgar Yojana (SGRY) were treated as perspective plan under NREGS. The Government stated (June 2009) that Planning and Co-ordination Department would engage consultancy organisation for preparation of perspective plans.

Five year perspective plan was not prepared in any of the nine districts test checked

2.1.6.4 Non-preparation of Annual Action Plans

The Act as well as the operational guidelines require preparation of development plan with shelf of works by every GP and approval of Annual Action Plan (AAP) by the Gram Sabha at a meeting to be held on 2 October every year. But it was noticed that:

AAPs were not prepared in Mayurbhanj and Nuapada districts at GP, block and district levels during 2006-09

Despite mandatory requirement, projects executed by line departments were neither identified nor approved by Gram Sabha. Projects proposed by ZP members in Nuapada district were irregularly executed without approval of Gram Sabhas

- AAPs were not prepared for 2006-07 to 2008-09 in two districts of Nuapada and Mayurbhanj. Instead, projects selected at block level from 'perspective plan of NFFWP' were executed with the approval of the DPC.
- The scheme required identification and approval by Gram Sabha for all projects to be executed under GP's jurisdiction. However, approval of Gram Sabhas were not obtained for projects executed by 22 test checked executing agencies of line departments.
- In Nuapada district, the ZP members were allowed to propose projects within GP's jurisdiction for 25 per cent of allocation under NREGS and these were irregularly executed without approval by the Gram Sabhas.
- In 317 GPs in 27 test checked blocks, AAPs for 2006-09 were approved in Gram Sabha without maintaining minimum quorum. During beneficiary interview, 34 per cent of beneficiaries stated that they never attended Gram Sabha, as such meetings were not widely publicised while 62 per cent stated that they do not know anything about it.

2.1.7 Financial management

During 2006-09, Rs 2486.84 crore was available under the scheme⁷ of which Rs 1977.28 crore (79.5 per cent) was utilised as of March 2009. The year wise details are indicated at Table 2.1.

Table-2.1: Receipt and utilisation of funds under NREGS during 2006-09

(Rupees in crore)

Year	Districts covered under the scheme	Opening balance	Funds received				Total funds available	Funds utilised during the year (spending efficiency)	Unspent fund at the year end
			Central share	State share	Total	Misc. receipts			
2006-07	19	32.36	775.24	80.54	855.78	2.04	890.18	733.47 (82 per cent)	156.71
2007-08	24	166.99	565.38	56.91	622.29	2.65	791.93	690.59 (87 per cent)	101.34
2008-09	30	101.34	878.44	91.49	969.93	1.79	1073.06	553.22 (52 per cent)	519.84
Total	30		2219.06	228.94	2448.00	6.48		1977.28	

(Source: Information furnished by the State Government)

Discrepancies between closing balance of 2006-07 and opening balance of 2007-08 was due to transfer of unspent funds under SGRY to NREGS in five newly implemented districts.

Test check of management of scheme funds revealed the following:

2.1.7.1 Low spending efficiency

During 2006-09, nine test checked districts received Rs 963.77 crore of which Rs 733.03 crore was utilised leaving Rs 230.74 crore unutilised as of 31 March 2009 and overall spending efficiency of these districts remained

⁷ Opening Balance on 1 April 2006: Rs 32.36 crore, grants received during 2006-09 from both Central and State: Rs 2448 crore, miscellaneous receipt: Rs 6.48 crore

between 35 and 84 per cent. Spending efficiency remained below 50 per cent in two districts Jajpur (2007-08) and Nayagarh (2008-09) and in one block Hatadihi during 2006-09. It remained below 50 per cent in five⁸ out of eight blocks of Nayagarh district and two blocks (Keonjhar and Ghasipura) of Keonjhar district during 2008-09 and that affected works execution and employment generation in these districts.

State share of Rs 7.11 crore was not released for 2005-06. State share of Rs 12.12 crore was short released during 2006-07 and 2007-08 due to incorrect computation

State share of Rs 46.85 crore was released with 33 to 132 days of delay beyond the permissible limit of 15 days

2.1.7.2 Non/ Short release and delay in release of State share

GoI guidelines *inter alia* required the State to ensure release of the State share within 15 days of release of central share. However, against central share of Rs 64 crore released by the GoI during February 2006 to four districts⁹ towards initial instalment under NREGS, State share of Rs 7.11 crore thereon was not released by the State Government as of June 2009. Besides, there was short release of State share of Rs 12.12 crore to seven out of nine test checked districts during 2006-08 due to incorrect computation as indicated at **Appendix 2.3**. Although, the Government accepted the incorrect computation of State share, the same had not been made good (June 2009) thereby depriving the State of generating 27.47 lakh mandays of additional wage employment. Besides, State share of Rs 46.85 crore was released to nine test checked districts during 2006-09 with delay ranging from 33 to 132 days (**Appendix 2.4**) against the permissible limit of 15 days. Further, in five test checked districts (Bargarh, Keonjhar, Mayurbhanj, Nayagarh and Nuapada), Rs 128.23 crore was released by DRDAs to GPs, BDOs and other executing agencies with delay ranging from 30 to 348 days as indicated at **Appendix 2.5**.

2.1.7.3 Non-transfer of unutilised balance of NFFWP/SGRY to NREGS

Unspent funds of Rs 5.81 crore under NFFWP/SGRY had not been transferred to NREGS account by 21 test checked units as of March 2009

As per GoI instruction (February 2006), the unutilised balance of NFFWP/SGRY on the date of commencement of the scheme NREGS in the concerned districts were to be transferred to NREGS account as NREGS funds. But it was noticed that in 21 test checked units, unspent amount of Rs 5.81 crore under NFFWP/SGRY (**Appendix 2.6**) were kept in separate bank accounts without transferring the same to NREGS account (June 2009).

2.1.7.4 Mis-match of data between online financial performance and monthly progress reports

In two test checked districts (Mayurbhanj and Koraput), online financial performance was not in conformity with the monthly/yearly progress report as indicated in **Appendix 2.7**. Against expenditure of Rs 270.99 crore reported as incurred during 2006-08 in these two districts, expenditure as per online financial performance was found to be only Rs 193.64 crore.

⁸ Bhapur, Gania, Khandapara, Nuagaon, Ranapur

⁹ Bolangir: Rs 11.75 crore, Kalahandi:Rs 15.48 crore, Mayurbhanj:Rs 26.82 crore and Sambalpur :Rs 9.95 crore

2.1.7.5 Diversion of funds

An amount of Rs 2.16 crore irregularly diverted from NREGS to other schemes by eight test checked units remained un-recouped

Diversion of funds from NREGS for other purposes was prohibited. In eight test checked units Rs 2.16 crore diverted from NREGS to MPLADS / MLALADS, RSVY, NOAP schemes¹⁰ etc. during February 2006 to March 2009 remained un-recouped till March 2009. Besides, Rs 7.39 crore diverted from other schemes like BRGF, IAY¹¹ etc. to NREGS in 13 test checked units up to March 2009 was not refunded till May 2009. The details are given at *Appendix 2.8*.

2.1.7.6 Parking of scheme funds in non-interest bearing account

NREGS funds of Rs 7.98 lakh to Rs 2 crore was parked in non-interest bearing PL account for 30 to 113 days

Guidelines provided for retaining scheme fund in interest bearing savings bank accounts. However, in three DRDAs, State share ranging from Rs 7.98 lakh to Rs 2 crore were parked in non-interest bearing Personal Ledger (PL) account with the treasury (Nuapada: Rs 1.80 crore, Keonjhar: Rs 7.98 lakh to Rs 2 crore and Baragarh : Rs 40 lakh to Rs 1.38 crore) for periods ranging from 30 to 113 days. In Tentulikhunti block, Rs 5.40 lakh remained blocked in PL account since March 2006. As a result, the opportunity to generate additional funds of Rs 6.32 lakh by way of interest was lost. Besides, interest for Rs 17.09 lakh credited by banks was also not accounted for in cash book in four test checked blocks¹².

2.1.8 Registration and employment

Guidelines envisage that job cards with registration details and photograph of all eligible members was to be issued to the head of the household on application and oral request. The job card register was to be updated every year. On demand, any registered labourer was to be provided with employment subject to maximum of 100 days in a year per household within 15 days of application failing which unemployment allowance¹³ was to be paid. Test check of registration and employment generated under the scheme revealed the following deficiencies:

2.1.8.1 Registration of ineligible persons

Review of job card register of test checked GPs and information furnished by the Sarpanch of 613 GPs of 28 test checked blocks¹⁴ revealed registration of 35311 senior citizens in the age group of 61 to 80 years, some of whom were also getting old age pension.

Senior citizens, some of whom receiving old age pension, were also registered under the scheme

¹⁰ Rastriya Sam Vikash Yojana, (RSVY), National old Age Pension Scheme (NOAP)

¹¹ Backward Region Grant Fund (BRGF), Indira Awas Yojana (IAY)

¹² Tentulikhunti (Rs 3,79,658), Attabira (Rs 40,438), Thakurmunda (Rs 11,90,467) and Dasarathpur (Rs 99369)

¹³ At rate not less than one fourth of the wage rate for first 30 days of the financial year and not less than one half of the wage rate for the remaining period of the financial year subject to maximum 100 days in a year.

Minimum daily wage rate in the State was Rs 55 up to April 2007 and Rs 70 thereafter

¹⁴ Boriguma, Nandapur, Suliapada, Kaptipada, Binjharpur, Sinapalli, Khariar, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Sohela, Attabira, Kosagumuda, Jashipur, Rasulpur, Bahalda, Barapalli, Ghasipura, Teleibani, Moroda, Udala, Baripada, Keonjhar, Dasapalla, Ranapur, Nuagaon

Government employees, members of well to do families, dead persons, person staying out side for years and persons migrated to other States were also registered

Survey carried out by the GPs for verification of identities of applicants was defective and registered persons included dead persons, Government employees, handicapped persons, persons migrated outside the GPs for years, members of well to do households, who were even shown as engaged for execution of works in Jajpur, Koraput and Nabarangpur districts as revealed during beneficiary interviews and Social Audit Reports of NIRD. Job card registers were not updated every year in all the 191 GPs test checked.

In 587 GPs of 26 selected blocks¹⁵, out of 4.90 lakh job cards issued, photographs were not affixed in 1.90 lakh cases (39 per cent). The online job cards also did not show scanned photographs. Thus, online and manual job cards were incomplete and not reliable for identification of household members.

2.1.8.2 Villages omitted from Household Survey 2002

3386 households in three blocks of Nuapada district were not registered due to omission during the Household Survey 2002

In three test checked blocks (Khariar, Komna and Sinapali of Nuapara district), six villages with 3386 households were omitted from household survey 2002 and remained un-registered under the scheme till March 2009. Also, manual job cards issued to 4432 households in Komna block were not released in website for which engagements and wage payments to these households were not entered online.

2.1.8.3 Demand for employment and generation thereof

The status of registration and employment under the scheme during 2006-09 was as under:

Table 2.2: Operational performance under NREGS

Year	Number of Districts covered	Total households registered and issued with Job cards	Households demanded employment (per cent)	Household provided with employment (per cent)	Mandays generated in lakh (Average mandays per household demanded work)	Households provided with 100 days employment during the year (percentage of household demanded work)
2006-07	19	2593194	1407251 (54)	1394169 (54)	799.34 (57)	154118 (11)
2007-08	24	4269199	1259567 (29.5)	1217093 (29)	430.90 (34)	43673 (3.4)
2008-09	30	5138970	1081252 (21)	1044618 (20)	358.30 (33)	37405 (3.45)
Total	30	5138970	3748070	3655880	1588.54	235196

(Source: Information furnished by the State Government)

¹⁵ Boriguma, Nandapur, Suliapada, Kaptipada, Binjharpur, Sinapalli, Khariar, Boipariguda, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Sohela, Attabira, Kosagumuda, Jashipur, Rasulpur, Bahalda, Barapalli, Ghasipura, Teleibani, Keonjhar, Dasapalla, Ranapur, Nuagaon

Household demanded employment steadily declined from 54 per cent in 2006-07 to 21 per cent of registered households in 2008-09 and households provided with 100 days of employment in a year ranged from 3.4 to 11 per cent of households seeking employment

As seen from the above table, despite increase in registration of households, employment generated declined from 799.34 lakh mandays in 2006-07 to 358.30 lakh mandays in 2008-09 (55.2 per cent decrease) and average days of employment provided per household declined from 57 days in 2006-07 to 33 days in 2008-09. Household seeking employment steadily declined from 54 per cent of registered households in 2006-07 to 21 per cent in 2008-09. Similarly, households provided with 100 days of employment in a year ranged from 3.4 to 11 per cent of households seeking employment during the period. It was further noticed that:

- In nine test checked districts, average days of employment provided to households who demanded employment during 2006-09 ranged from 12 to 69 days. Project Director, DRDA, Koraput attributed the low demand to simultaneous implementation of various wage employment programme while PD, DRDA, Nuapada stated that despite registration, most of the APL¹⁶ households did not opt for manual / earth work.
- During beneficiary interview, most job card holders stated that they did not apply for 100 days of employment as mainly earth work was executed under NREGS and same was difficult while 92 per cent stated that they were getting work only when projects were executed in their village and not when they need employment.
- In nine test checked districts, 52943, 11109 and 9073 households provided with 100 days of employment during 2006-07, 2007-08 and 2008-09 respectively constituted 0.21 to 24.66 per cent of households who demanded employment. In 28 out of 33 test checked blocks, only 12361 households were provided with 100 days of employment constituting low percentage of 0.07 to 20.81. During beneficiary interview, 61 per cent beneficiaries stated that they were not aware of the rights and privileges under the scheme and manner of enforcing these rights.
- Joint physical verification of job cards in Audit in the presence of concerned AE/ JE and beneficiary interview revealed that in 301 out of 570 cases (53 per cent), engagement shown in online job cards and muster rolls (32309 mandays¹⁷) were in excess of that mentioned in beneficiary copies of job cards and statement of beneficiaries (20343 mandays¹⁸). The inflated online job account indicated vulnerability of the muster rolls to fraud as discussed at paragraph 2.1.10.5.

¹⁶ Above Poverty Line

¹⁷ **Online job entry in mandays:** 2006-07: 8310, 2007-08:12023, 2008-09: 11976

¹⁸ **Job entry as per physical job card and beneficiary version:** 2006-07: 4823, 2007-08: 8984 and 2008-09: 6536

2.1.8.4 Shortfall in employment generation due to wage payment at higher rates

Employment generation fell short by 11.52 per cent to 72.76 per cent of mandays required to be generated at minimum wage rate in test checked districts and blocks

The operational guidelines provided for minimum labour component of 60 per cent in NREGS works. At wage rate applicable to agricultural workers in the State, 18.66 crore¹⁹ mandays of employment could have been generated with total funds of Rs 1977.28 crore utilised during 2006-09. However, actual employment generated during the above period was 15.89 crore mandays and employment generation fell short by 16 per cent. In nine selected districts, the shortfall in employment generation in comparison to the funds utilised ranged from 9.99 per cent (Nabarangpur) to 41.77 per cent (Bargarh) as indicated at **Appendix 2.9** and in 23 test checked blocks the same ranged from 11.52 to 72.76 per cent. The reasons for such shortfall were attributed by the DRDAs and BDOs to payment of higher wages based on piece rate output norms and execution of material intensive works.

2.1.9 Execution of works

GoI guidelines envisaged that all assets created under the scheme must be productive, durable and conform to prescribed standards. Wage material ratio of 60:40 was to be maintained at GP, block and district levels. Worksite facilities like medical aid, drinking water, shade and crèches were to be provided. Use of labour displacing machines and engagement of middlemen/contractors in execution of works under the scheme was prohibited. Despite these clear instructions, execution of works suffered from the following:

2.1.9.1 Execution of works through middlemen in the guise of Village Labour Leaders and departmental executants

In 26 test checked blocks, 11310 works were executed at Rs 154.99 crore through middlemen

The Act and the State scheme prohibited engagement of contractors/middlemen in any manner in execution of NREGS works. However, it was noticed that in 26 test checked blocks²⁰, 11310 works were executed at a cost of Rs 154.99 crore²¹ through middlemen²² in the guise of Village Labour Leaders (VLLs) and departmental officials on some plea or other. The middlemen procured road metal and other materials as well as paid wages of labourers out of their own resources without receiving any advance/sufficient advance. The executants neither maintained site account registers in respect of receipt and issue of materials nor temporary advance cash book for cash advances availed despite their requirement during departmental execution. Materials were purchased without tender/quotation basis and purchase bills/payment receipts were not treated as expenditure documents. The work bills were paid to the VLLs / executants based on item and volume of works executed in a similar manner as allowed in the case of work done by the

Site account and temporary advances registers were not maintained

¹⁹ 2006-07: (Rs 733.47 crore X 60 per cent) / Rs 55 = 8 crore mandays, 2007-09: (Rs 1243.81 crore X 60 per cent) / Rs 70 = 10.66 crore mandays

²⁰ Boriguma, Nandapur, Reamal, Barkote, Suliapada, Kaptipada, Binjharpur, Sinapalli, Khariar, Boipariguda, Jeypore, Komna, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Kosagumuda, Jashipur, Rasulpur, Bahalda, Ghasipura, Moroda, Udala, Baripada, Keonjhar

²¹ Out of 11310 works executed at Rs 154.99 crore between February 2006 and March 2009 in these 26 blocks, records of 513 works executed at Rs 15.67 crore were verified and in all cases, existence of middlemen was noticed.

²² Village Labour Leaders (VLLs) up to November 2006 and through the Junior Engineers / Panchayat Executive Officers from December 2006.

contractors. Existence of middlemen in execution of NREGS works by paying low wages to labourers was also reported (September 2007) to Government by DPC, Kalahandi and was confirmed by NIRD²³ during social audit (January to March 2008). During beneficiary interview, 21 per cent of the beneficiaries confirmed engagement of middlemen in execution of NREGS works. Project Director, DRDA, Koraput stated that all BDOs were instructed for non-recurrence of any such lapses in future.

2.1.9.2 Unauthorised use of labour displacing machines

Use of labour displacing machines was noticed in Jajpur, Mayurbhanj and Nayagarh districts



Bodhi tank at Latar of Ranapur block excavated using excavator and tractors

In Mayurbhanj and Jajpur districts, unauthorised use of labour displacing machines like excavators in execution of works as alleged by public were confirmed on enquiry in two cases²⁴ by the district administration. Besides, in two tank projects²⁵ of Jajpur and Nayagarh districts, evidences of marks of tractor wheel, digging marks of excavators, large size

clods and dumping by mechanical means were also noticed during Joint Physical Inspection (May 2009) in audit in the presence of concerned AE and PRI members/staff. But, the works were shown as executed manually by labourers and in one case, even individual/group measurement was not recorded in the measurement books and in 14 muster rolls, wage payment was found tampered. Besides, in two other works²⁶ mechanical transportation of ordinary excavated soil was also provided in the estimate by the concerned AE and Rs 4.01 lakh was paid to the tractor owners in cash on hand receipts for transporting soil to the site, embankment of tank and adjacent connecting road.



Digging marks of excavator in Bodhi tank at Latar of Ranapur block

²³ National Institute of Rural Development, Hyderabad entrusted by the Government

²⁴ Gadigaon GP of Morada block and Gram Nandipur GP of Dasarathpur block

²⁵ Excavation of new Tank at Senanda near AWC centre of Gram Nandipur GP of Dasarathpur block (Jajpur district) jointly inspected on 2 May 2009, Bodhi tank of Brajarajpur GP of Ranapur block of Nayagarh district inspected on 29 May 2009

²⁶ Earth filling at Dakhinchandi temple premises of Champeipal GP of Dasarathpur block (Jajpur district) and Sikharpur Barapokharia Dalasapha of Sikharpur GP of Odagaon block (Nayagarh district)

2.1.9.3 Execution of road works not providing all weather connectivity

The scheme permitted execution of road works providing all weather connectivity. But in 25 test checked blocks²⁷ and GPs there under, 584 earthen roads constructed at a cost of Rs 13.86 crore were non-durable and below the Grade I metalling level. Joint physical inspection in the presence of concerned Assistant Engineers (AEs) revealed that 48 roads²⁸ constructed/improved under NREGS at a cost of Rs 1.60 crore were found to be not fit to provide all weather connectivity. Out of these, 25



Road from Mandarkhanda to Pubasahi via Belapokhari (Gram Nandipur GP of Dasarathpur block) not fit for pedestrian traffic in summer months and inflated measurement with false muster rolls were noticed

roads improved at Rs 85.82 lakh were purely earthen roads, total width and carriage way of five roads was less than the minimum width of 3.7 meter and 3 meter respectively as prescribed in the Rural Roads Manual of GoI. In 19 cases, roads constructed at Rs 59.70 lakh were de-linked due to existence of nullah and non-construction of even Hume Pipe (HP) culverts. Two roads²⁹ improved at Rs 7.61 lakh were found to be not even fit for pedestrian traffic during summer season. During beneficiary interview, the villagers stated that they were unable to move on these roads during rainy seasons as the same became muddy. In three cases³⁰, earthen roads created, lasted for three to six months as washed out in rain rendering the entire expenditure of Rs 10.11 lakh infructuous.



IC1 canal embankment road from Dhoda to Nandipur not providing all weather access after spending Rs 7.26 lakh by Dasarathpur block and overlapping execution by Irrigation Department

2.1.9.4 Unfruitful expenditure on incomplete works

In 98 cases, in four test checked blocks (Komna, Raighar, Thakurmunda and Sohela) and GPs there under, the projects were left incomplete after spending Rs 1.68 crore even after expiry of 15 to 24 months beyond the schedule date of completion. In two cases (Chhenadhua Tank: Baripada block and Dhirol tank of Thakurmunda block), the tanks were left incomplete/abandoned after part execution for over two years after spending Rs 4.10 lakh, rendering entire expenditure infructuous.

Expenditure of Rs 1.68 crore incurred on 98 projects rendered unfruitful as the projects remained incomplete for over one-two year(s) beyond the scheduled date of completion

²⁷ Boriguma (55), Reamal(4), Barkote(4), Suliapada (24), Binjharpur (108), Sinapali (70), Khariar (10), Boipariguda (1), Jeypore(3), Komna(6), Baripada(6), Morada (5), Dasarathpur(26), Raighar (20), Tentulikhunti(9), Sohela (50), Attabira(28), Kosagumuda(15), Joshipur,(15), Rasulpur(50), Bahalda (53), Ghasipura(3), Tileibani(8), Thakurmunda (6), Daspalla (5)

²⁸ Year of construction: 2006-07:3, 2007-08:20 and 2008-09:25, rainy seasons sustained: three :02, two:07, one: 30 and no rainy season: 09.

²⁹ Improvement of road from Mandarkhanda to Pubasahi via Belapokhari of Gram Nandipur GP(Rs 4 lakh) and improvement of road from Naik sahi to Balada Patra sahi Chhak of Chhanchina GP (earthen road portion: Rs 3.61 lakh) of Dasarathpur block of Jajpur district

³⁰ "Rampurguma to Palanbasa" of Dabri GP of Khariar block executed at Rs 3 lakh during March 2008 washed out in July 2008, Routra Kharakhari Chasibandha of Chandramu GP :Rs 1.77 lakh and road from Ranapur to Naranpur Phase I of Ranapur GP:Rs 5.34 lakh lasted for three to six months and were washed out in rain.

2.1.9.5 Execution of material intensive works leading to non-adherence to the prescribed wage-material ratio

Overall material component of the State during 2006-07, 2007-08 and 2008-09 was 41 per cent, 46 per cent and 37 per cent respectively against the prescribed maximum limit of 40 per cent. In six out of nine test checked districts³¹, the overall material component invariably remained between 41 and 50 per cent and the same remained between 46 to 82 per cent in 12 test checked blocks as indicated at *Appendix 2.10*.

An amount of Rs 43.23 crore was spent by 26 test checked blocks and 10 executing agencies without following NREGS guidelines through unregistered workers and genuineness of such muster rolls is not free from doubt

2.1.9.6 Misutilisation of NFFWP/SGRY funds by executing new/ balance works without following NREGS Guidelines

GoI instructed (February 2006) to treat the unspent balances under erstwhile NFFWP/SGRY schemes as NREGS funds to be utilised strictly as per the provisions of NREGS operational guidelines. However, 26 test checked blocks³² and 10 executing agencies³³ spent Rs 43.23 crore during 2006-09 on execution of new/ balance works of above schemes without following NREGS guidelines by engaging unregistered labourers and executing the works through middlemen like VLL. Test check of records of 375 works on which Rs 6.25 crore was spent on payment of wages after launching of the scheme also confirmed the same. In the muster rolls of these works executed after March 2006 even the job card numbers of the workers were not mentioned. Funds utilised and employment generation out of these funds, therefore, was not reported under NREGS. As muster rolls and payment vouchers were also not made online and job card numbers of labourers were not indicated, the genuineness of such expenditure was not free from doubt.

2.1.9.7 Execution of earthen roads leading to payment of royalty on soil which accounted for about 30 per cent of project cost

As per para 1 of Schedule 1 of NREG Act, rural connectivity is the lowest priority item. Further, GoI under another flagship programme i.e. 'PMGSY'³⁴ is making heavy investment for rural roads. During 2006-09, out of the total expenditure of Rs 1977.28 crore incurred in the State on execution of works, Rs 1280.94 crore (65 per cent) was spent on construction / improvement of roads under the lowest priority component 'Rural Connectivity'. It was further noticed that the royalty on soil (utilised on construction/improvement of roads), being collected by the Government accounted for about 30 per cent of the project cost of road works leaving little amount for material component. As such, in Mayurbhanj and Koraput districts, the DPCs have instructed to construct only earthen roads, which were non-durable in nature. Payment of royalty on soil to Government deprived the State of additional wage-employment for approximately 2.74 crore mandays. The Government stated

In execution of earthen roads, royalty on soil alone accounted for about 30 per cent of the project cost and the same has not yet been waived by the Government despite giving the highest priority to road works

³¹ Deogarh: 43, Keonjhar : 50, Koraput:41, Mayurbhanj: 42, Nabarangpur: 41 and Nuapara:47

³² Boriguma, Nandapur, Reamal, Barkote, Suliapada, Kaptipada, Binjharpur, Sinapalli, Khariar, Boipariguda, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Kosagumuda, Udala, Rasulpur, Bahalda, Moroda, Ranapur, Dasapalla, Nuagaon , Baripada, Jashipur, Keonjhar

³³ Executive Engineer, RW Division, Baripada, MI Division, Baripada, MI Division, Khariar,

³⁴ ASCO: Nabarangpur, Koraput, Baripada, Deogarh, Nuapada, ADS, Keonjhar and DFO, Keonjhar Pradhan Mantri Gram Sadak Yojana

(June 2009) that the matter of waiving of royalty on soil for road works under NREGS is under examination.

2.1.9.8 Expenditure on inadmissible items and other irregularities

An amount of Rs 8.44 crore was spent on inadmissible items and doubtful purchase of materials

An amount of Rs 8.44 crore was spent under NREGS irregularly on inadmissible items like pesticides and insecticides contrary to GoI instructions (Rs 1.22 crore), repair of office buildings and landscaping of garden at the residence of Collector etc. (Rs 55.58 lakh), unfruitful expenditure on water harvesting structures without any water (Rs 1.23 crore), execution of works without technical sanction and administrative approval by competent authority (Rs 40.63 lakh), doubtful execution of earthwork without level/ cross sectional measurement violating Government instruction (Rs 3.03 crore), doubtful purchase of road metal and construction materials on hand receipts without proper account of receipt and use (Rs 1.19 crore), inflated measurement and excess payment etc. (Rs 80 lakh) as indicated at **Appendix 2.11**.

2.1.9.9 Avoidable extra expenditure

Avoidable expenditure of Rs 1.08 crore was incurred during 2006-09 under the scheme

It was noticed that avoidable expenditure of Rs 1.08 crore was incurred in test checked units on account of preparation of inflated estimates for cashew and coffee plantations with seven hour working time against notified eight hours (Rs 56.10 lakh), construction of cement concrete roads with higher specifications (Rs 36.22 lakh) and construction of field channels beyond the specification prescribed by the Bureau of Indian Standards (Rs 15.61 lakh) as detailed in **Appendix 2.12**. This amount could have generated additional wage employment for 1.40 lakh mandays.

2.1.9.10 Absence of worksite facilities

During joint physical inspection of two ongoing worksites³⁵, no worksite facilities were available. Muster rolls were not available in all the four worksites³⁶ inspected. During beneficiary interview, 34 *per cent* of beneficiaries of seven test checked blocks³⁷ stated that worksite facilities like shed, first-aid and drinking water etc. were not provided.

2.1.10 Muster rolls and payment of wages

Under the scheme, original muster rolls (MRs) were to form part of expenditure documents of the executing agencies and digitised at PO's level. Wages were to be paid at rates not less than daily minimum wage on weekly basis and not later than a fortnight of the date on which the work was done and delay beyond this limit attracts payment of compensation under the Minimum Wages Act. The works were to be measured immediately after execution.

In case of failure to provide work within 15 days of application, an unemployment allowance restricted to balance of 100 days of employment

³⁵ (1) Renovation of tank at Pradhanipat (Boriguma block), (2) Excavation of Kalyaneswar tank (Binjharpur block)

³⁶ Dutikadeipur Majhisahi tank (Udala block), New tank at Betjhor (Thakurmunda block), Renovation of tank at Pradhanipat (Boriguma block) and Excavation of Kalyaneswar tank (Binjharpur block)

³⁷ Binjharpur, Khariar, Borigumma, Nandapur, Boipariguda, Tentulikhunti, Jharigaon

was to be paid within 15 days of its becoming due. The following deficiencies in maintenance of muster rolls and payment of wages were noticed.

2.1.10.1 Delay in payment of wages

Wages of Rs 2.68 crore were disbursed with delay ranging from 10 to 560 days

In 34 test checked units³⁸, delays ranging from 10 to 560 days beyond the prescribed 15 days were noticed in payment of wages of Rs 2.68 crore to 22440 labourers for 251642 mandays. Compensation for such delay was neither claimed nor paid. Such abnormal delay in payment of wages created doubt about the genuineness of the muster rolls. The BDOs attributed the delay to late receipt of funds from DRDAs, delay in opening of savings bank account of beneficiaries as well as delay associated in wage payment by bank/post offices.

2.1.10.2 Payment of wages less than the prescribed minimum

Wage paid was less than the notified minimum wage rate and the wage rate was not revised despite the GoI agreed to bear minimum wage rate up to Rs 100 per day under NREGA from 1 January 2009

The Act provided that no worker was to be paid wages less than the prescribed minimum. However, in 17 test checked units³⁹, payment of daily wages to 1944 labourers for 32201 mandays averaged from rupees six to Rs 65 resulting in under payment of wages of Rs 2.72 lakh during 2006-09. In reply, it was stated that less wage was paid based on the output of labourers on piece rates.

Further, though GoI agreed (January 2009) to bear the daily wage rate for unskilled workers under NREGS upto maximum of Rs 100 effective from 1 January 2009 but the minimum daily wage rate has not been revised to that level (September 2009). Thus, for 202.33 lakh mandays of employment generated by 11.99 lakh households during January to March 2009, the labourers were deprived of additional wages of Rs 60.70 crore.

2.1.10.3 Payment of high wage on piece rate basis without indicating individual/group measurement in MBs and MRs

Average daily wages of Rs 125 to Rs 456 was shown as paid to the labourers without indicating the output in the muster rolls/measurement books

Minimum wage of Rs 70 was structured in the piece rate basis of wage i.e. Rs 100 per 100 cubic feet (cft) of ordinary soil etc. and one able bodied person can excavate around 120 cft soil during maximum permissible 12 hours working time in a day. However, in 369 cases (21 selected units⁴⁰) average daily wage of Rs 125 to Rs 456 was shown as paid in the muster rolls without indicating the volume of work done (individual/group measurement) either in the Measurement Books or in the muster rolls. During beneficiary interview and joint physical verification of job cards of labourers shown as engaged in the work "Renovation of Khiprimal Bordihi Bandha" in Gorla GP of Sinapali

³⁸ **BDO:** Boriguma, Nandapur, Reamal, Binjharpur, Khariar, Boipariguda, Jeypore, Komna, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Kosagumuda, Jashipur, Rasulpur, Bahalda, Moroda, Udala, Baripada, Barapalli, **Executive Engineer:** Mayurbhraj Irrigation Division, Baripada, RW Division, Baripada, MI Division, Baripada, MI Division, Khariar, Jajpur Irrigation Division, AE, Soil Conservation, Khariar, **ASCO:** Nandapur, Rairangpur, Nabarangpur, Baripada, Coffee Development, Koraput, PD, Watershed, Baragarh and ADS, Keonjhar

³⁹ **BDOs:** Khariar, Binjharpur, Barkote, Suliapada, Komna, Moroda, Kosagumuda, Rasulpur, Barapalli, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, PD, Watershed, Baragarh, ASCO, Rairangpur, ADS, Keonjhar

⁴⁰ **BDO:** Khariar, Binjharpur, Barkote, Boriguma, Komna, Kosagumuda, Rasulpur, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Sohela, Attabira, Morada, Keonjhar, Bahalada, PD, Watershed, Bargarh, **ASCO:** Rairangpur, Baripada, DFO, Baripada, EE, Jajpur Irrigation Division

block, all the ten labourers interviewed by Audit in the presence of concerned AE and ZP member denied receipt of higher average daily wages of Rs 130 to Rs 420 per day as indicated in the muster rolls and stated that they were paid average daily wages of Rs 55 to Rs 125. Amount of wages paid was neither indicated in beneficiary copy of job cards nor entered online, as the village was not hosted in NREGS website (April 2009).

2.1.10.4 Tampering / manipulation of muster rolls

In 477 cases, in 23 test checked blocks⁴¹ and 10 executing agencies⁴², muster rolls in support of payment of wages of Rs 33.09 lakh to 4106 labourers for 44174 mandays was found manipulated/tampered by using white fluids, overwriting, erasing attendance, period of engagements, amounts of wages paid, acknowledgements etc. Besides, in 56 cases in nine test checked blocks/executing agencies⁴³, the name, job card numbers of 131 original labourers whose signature and left thumb impression (LTI) attestation were available in the original muster rolls in support of receipt of wages for Rs 1.34 lakh for 1269 mandays were changed by tampering. The changed name and their job card numbers were reflected in the online muster rolls. No acknowledgement of payment of wages was available against these manipulated labourers.

2.1.10.5 Fraudulent muster rolls

Instances of fraudulent MRs and misappropriation of funds were noticed as under

Double engagement of same labourer in same/different works on same day

Fraudulent muster rolls showed engagement of dead persons, Government employees, handicapped persons and persons belonging to well to do families who never worked

Fraudulent muster rolls showed engagement after measurement/check measurement and even after payment of final bills

- *In 15 cases involving 67 muster rolls in seven test checked blocks⁴⁴, it was noticed that same 132 labourers were shown as worked twice or more in same/different works on same day and Rs 2.44 lakh was shown as paid.*
- *Beneficiary interviews, joint physical verification of job cards in the presence of concerned PRI members and representatives of the auditee organisation and cross verification of MRs with online job cards revealed that Rs 1.70 lakh was shown as paid to three persons showing engagement even after their death, six Government employees, five physically handicapped/old age persons and 18 beneficiaries belonging to well to do families, who did not work as per the version of labourers.*
- *In six cases in two test checked units (Khariar and Boipariguda), Rs 0.41 lakh was shown in the MRs as paid to 67 labourers for 715 mandays showing engagement after completion of the works, measurement/check measurement and even after payment of final bills.*

⁴¹ Khariar, Binjharpur, Nandapur, Boriguma, Suliapada, Boipariguda, Jeypore, Komna, Baripada, Moroda, Jashipur, Rasulpur, Barapali, Ghasipura, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, Sohela, Reamal, Bahalda, Udala

⁴² Executive Engineer, Mayurbhanj Irrigation Division, Baripada, RW Division, Baripada, MI Division, Baripada, Jajpur Irrigation Division, AE, Soil Conservation, Khariar, ASCO, Nandapur, Nabarangpur, Rairangpur, Baripada and ADS, Keonjhar

⁴³ **BDO:** Binjharpur, Nandapur, Boriguma, Suliapada, Jeypore, Moroda, Dasarathpur, Teleibani and ADS, Keonjhar

⁴⁴ Binjharpur, Nandapur, Boipariguda, Jeypore, Morada, Dasarathpur and Rasulpur

Non-availability of muster rolls for works executed between two measurements raised doubt on actual execution of works

Job cards were not available with the labourers

Acknowledgement in support of wage payment was wanting

Wages were not paid to labourers

- In two cases (Boipariguda and Morada blocks), though Rs 2.33 lakh was paid on differential volume of work executed between two measurement dates but no MRs in respect of engagement of labourers were available.
- In Boipariguda block, in construction of a cement concrete road at Nayakguda, 64 labourers for 768 mandays were shown as engaged during 5 to 18 November 2008 while the required 600 bags of cement was issued by the BDO only during 26 November to 16 December 2008.
- During joint physical verification of job cards and beneficiary interview, 37 labourers stated that their job cards were taken by the Grama Sathi, Watershed Secretary, Sarpanch/contractor/GP authority for three months to two years while one middlemen was found in possession of ten job cards at Kathapal (Baripada block). Further, in Dabri village of Khariar block, 32 job cards taken by the Grama Sathi one year back were also produced before the team at the intervention of the concerned Sarpanch.
- In 38 cases in seven test checked blocks⁴⁵, Rs 4.10 lakh was shown as paid in the muster rolls to 427 labourers for 1388 mandays but acknowledgements in support of payment of wages were not available.
- In three test checked units⁴⁶, wages for Rs 4.06 lakh was not paid to 649 labourers for 6266 mandays even after completion of 90 days till the date of Audit (February- March 2009). BDO, Ghasipura stated that the matter was under investigation.
- In ten test checked units⁴⁷ in 131 MRs, left thumb impression of 1002 labourers in support of payment of wages for Rs 9.41 lakh for 7585 mandays were not attested.
- In four test checked blocks (Boipariguda, Jeypore, Komna and Morada) advance attendance of 213 labourers for 1303 mandays were noticed in 15 MRs without indicating the amount of wages.
- During beneficiary interviews (Semiliatalo and Godbaguda villages of Boipariguda block), 14 labourers stated that they had worked for 336 days while in their copies of job cards, 180 days was mentioned. Against the above, 612 days were shown in the original muster rolls and online job cards raising doubt on genuineness of muster rolls.
- In Jeypore block, muster roll of the work "Improvement of road from Canal to Chandili" executed in 2006-07 indicated payment of wages of Rs 2.16 lakh to 327 labourers. During beneficiary interview in one village 'Dangarchhinchi', all the 14 labourers interviewed on 26 February 2009 in the presence of concerned AE denied of ever working in that project and their copies of job cards were found to be without any job entry. However, in online job cards and muster rolls, employment of 12 of them for 48 to 96 days in this work and payment of wages for Rs 42240 was indicated. BDO, Jeypore agreed to take appropriate action against the concerned JE. However, action in this regard was awaited (August 2009).

⁴⁵ Nandapur, Boriguma, Boipariguda, Bahalda, Dasarathpur, Rasulpur and Tentulikhunti

⁴⁶ Mayurbhanj Irrigation Division, Baripada and BDOs of Ghasipura and Tentulikhunti

⁴⁷ BDO, Nandapur, Boriguma, Boipariguda, Jeypore, Komna, Ghasipura, Rasulpur, Hatadihi, PD, Watershed Baragarh and AE, Soil Conservation, Khariar

2.1.10.6 Denial of unemployment allowance

- During the period 2006-09, an amount of Rs 1.03 lakh was paid towards unemployment allowance by the Government to 543 labourers in three districts (Nabarangpur, Kalahandi and Bolangir).
- In Brundabana-Krushnachandrapur village of Suliapada block, 25 labourers interviewed in audit (March 2009) demanded work for 986 days but were provided work for 466 days. A small work of cement concrete road provided employment of few days due to heavy out turn of labourers and payment of unemployment allowance was denied on this ground even though the labourers reported at the site.
- In Jajpur district (Dharmasala block) and Nuapada district (Komna block), 81 labourers applied for work but not provided till January 2009 also were not paid unemployment allowance on some plea or other.

2.1.11 Transparency and grievances redressal

NREGA provides for total transparency and accountability in all the areas and proactive disclosure of all related information. GoI guidelines envisaged that all grievances petitions were to be promptly disposed off within 15 days of receipt and the petitioners were to be intimated of action taken. Test check of records of nine DRDAs and 33 blocks revealed the following irregularities:

- Copies of original muster rolls in support of payment of wages for Rs 52.45 crore were not made available for public inspection in any of the test checked blocks and 191 GPs due to absence of any dedicated fulltime Administrative Assistant at PO level.
- Twenty one blocks, 111 GPs and DRDA, Baragarh did not maintain complaint register in the prescribed format and complaint boxes were not available in the offices of the two DPCs (Keonjhar and Bargarh), all 33 test checked blocks and 656 out of 718 GPs of these blocks. Works register was not maintained in prescribed format in 31 test checked blocks.
- Out of 422 complaints of serious nature received during 2006-09 in three DRDAs (Koraput, Mayurbhanj and Jajpur), enquiry reports in only 51 cases were received and in none of the cases, the petitioners were informed of the action taken. In 339 cases, the enquiry reports were not received from the concerned officers even after lapse of period ranging from six months to two and half years.

2.1.12 Public vigilance and Social Audit

The operational guidelines stipulates constitution of a local vigilance and monitoring committee (VMC) to monitor the progress and quality of the work. Final report of the committee is required to be attached with the completion certificate. Social Audit is to be conducted in Gram Sabha and the same were to be presided over by a person other than the Sarpanch/GP functionaries. Internal Audit Cell is to be set up at the DPC level to review the social audit reports of Gram Sabha and conduct special audit/investigation, whenever required. Transparent pillars are to be fixed in the worksites indicating details

Muster rolls of line departments and GPs were not kept in the office of PO for public inspection and that of line departments and PS not kept in GP office

Complaint Register in proper format not maintained in one DRDA, 21 blocks and 111 GPs

of the works, rate of wages etc. The position in this regards in nine test checked districts revealed the following deficiencies:

2.1.12.1 Public vigilance

- In respect of 5228 works executed by eight blocks⁴⁸ and eight executing agencies⁴⁹ at Rs 78.57 crore, local VMCs were not constituted. Test check of 1778 completed works revealed non-availability of VMC reports.
- Transparent pillars did not disclose quantities of materials utilised and mandays generated except in Koraput district. During joint physical inspection of worksites, transparent pillars were not found in 13 cases (eight per cent).

2.1.12.2 Social Audit

Social audit was either not conducted or conducted for name sake

- Social audit was not conducted in 216 out of 533 GPs of 27 test checked blocks while 317 GPs conducted social audit in perfunctory manner without required quorum for the Gram Sabha meetings. In 207 cases, the Gram Sabha meeting conducting social audit was presided over by the Sarpanch/GP functionaries and a note of 'Social audit of works conducted' entered in Gram Sabha Resolution Register.
- The State Government entrusted (December 2007) the NIRD for conducting social audit in 50 GPs of 19 first phase districts of the State and paid Rs 25 lakh for the purpose. NIRD in its social audit reports (January to May 2008) pointed out serious irregularities like sub-standard execution of works; false MRs showing engagement of ghost workers, labourers disputed engagement as shown in MRs and receipt of wages etc. However, no follow up action was taken thereon except forwarding the copy of the reports to the concerned BDOs. Executive summaries of social audit reports of NIRD on seven GPs of three test checked districts (Koraput, Nabarangpur and Mayurbhanj) are indicated at *Appendix 2.13*.
- Internal Audit Cells were not set up at the DPC level to review the social audit reports of Gram Sabhas and conduct special audit/investigation whenever required.

Internal Audit Cell with DPC was not set up to follow up Social Audit Reports and conduct special audits

2.1.13 Inspection, monitoring and evaluation of outcome

GoI guidelines provided for conducting physical inspection of two, ten and 100 per cent of NREGS works by State, district and block level officers respectively. Mid term evaluation of the implementation of the scheme was also to be conducted by the DPC and SEGC. However, review of the inspection, monitoring and evaluation of the scheme revealed the following deficiencies:

⁴⁸ Boipariguda, Jeypore, Moroda, Dasarathpur, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi
⁴⁹ Executive Engineer, Mayurbhanj Irrigation Division, Baripada, RW Division, Baripada, MI Division, Baripada, MI Division, Khariar, Jajpur Irrigation Division, ASCO, Nabarangpur, Jajpur and DFO, Baripada

Inspection: The test checked 191 GPs of nine selected districts stated that physical inspection as per prescribed percentage by district and State level officers was not carried out. Database on physical inspection of NREGS works by district and State level officers was also not maintained. Inspection Notes of PD, DPC and other PRI functionaries at district level who conducted inspection were not available.

Inadequate monitoring: Online administrative approval entered by BDOs was not monitored even though delegation of power to BDOs was misused as discussed in Appendix attached to paragraph 2.1.9.8. Regular review meetings were not conducted at State level.

Mid-term evaluation: GoI Guidelines required periodical evaluation of the performance of each district by the State Employment Guarantee Council and for each block by the DPC for effecting correctives and required ranking. But no such evaluation has been conducted by the DPC/SEGC as of August 2009 as confirmed in nine test checked DRDAs. The DRDAs did not assign any reason thereof. Evaluation of outcome was also not undertaken.

2.1.14 Impact assessment

Prevention of rural migration

One of the objectives of NREGS was to reduce migration of labourers. However, it was noticed that over all migration of workforce increased by 116 *per cent* during 2005-09 (from 40805 in 2005-06 to 46304 in 2006-07, 81954 in 2007-08 and 88266 in 2008-09) mainly through registered contractors while details on migration of labourers through other agencies were not available. In all the nine selected districts, migration of labourers steadily increased but increase was abnormally high (483 *per cent*) in Nuapada district.

2.1.15 Error signals not followed up

Several irregularities of nature discussed in para 2.1.9 and 2.1.10 were pointed out in the C&AG's Audit Report on Union Government for the year ended 31 March 2007. The National Level Monitors also pointed out absence of worksite facilities, under payment of wages etc. yet corrective steps were not initiated on these error signals and such irregularities persisted (June 2009).

2.1.16 Conclusion

Planning and implementation of the scheme was deficient and weak. Institutional arrangements with dedicated staff at State, District and block levels for proper planning and monitoring of the scheme was nearly absent. The State Government failed to provide dedicated full time Programme Officers at Block level despite mandated requirement under the Act. Besides, full time professionals with necessary support staff was not provided at the State, district and block level as required under the GoI guidelines. Financial management suffered mainly due to belated release of State share and delayed release of funds by DRDAs to the BDOs and GPs, parking of funds in non-interest bearing accounts, diversion and misutilisation of funds. Operational management mainly suffered due to execution of works through middlemen, unauthorised use of labour displacing machines, creation of non-durable assets, decline in demand for employment and

The scheme did not succeed in arresting migration of labourers and the same increased by 116 *per cent* during 2005-09

employment generation, delay in payment of wages, under-payment of wages etc. Social audit arrangements and muster roll verification was poor. Error signals and corrupt practices in measurement of works and payment of wages noticed in audit and other agencies were not followed up.

2.1.17 Recommendations

- Government may put in place five year perspective plan and Annual Action Plan clearly indicating the performance indicators and preparation of realistic estimates for labour budgets at district level.
- Government may enforce strict financial discipline while releasing the scheme funds.
- Government may take steps to eliminate middlemen in execution of works and ensure appropriate and timely payment of fair wages as per the scheme guidelines.
- Social audit arrangements may be strengthened and muster roll verification may be made compulsory. Error signals and corrupt practices in measurement of works and payment of wages noticed in audit and other agencies may be dealt with effectively for total prevention of frauds and misuse of scheme funds.
- Dedicated officers and staff as per the provisions of the Act and GoI guidelines may be ensured for effective implementation of the scheme.

The matter was reported to the Government (June 2009); their reply had not been received (February 2010).

Agriculture Department

2.2 Implementation of National Horticulture Mission

2.2.1 Introduction

The National Horticulture Mission (NHM) was launched in the State in 2005-06, as a centrally sponsored scheme. The basic objective of the Mission was to enhance horticulture production, improve nutritional security and provide income support to farmer households through holistic growth of the horticulture sector. To achieve the same, area based and regionally differentiated strategies such as research, technology promotion and extension, post harvest management, processing and marketing were to be adopted. While 100 *per cent* assistance was provided by the Government of India (GoI) during 10th Five Year Plan (up to 2006-07), it was changed to 85:15 between the GoI and State respectively from 11th Five Year Plan period starting from 2007-08. NHM initially implemented in 14 districts⁵⁰ of the State from 2005-06 was extended to other five districts⁵¹ from 1 April 2006 and five more districts⁵² from 1 April 2007.

2.2.2 Organisational set up

The scheme was implemented in the State by the Director of Horticulture (DHO) through Orissa Horticulture Development Society (OHDS), a registered society under the overall supervision of the Commissioner-cum-Secretary, Agriculture Department. At the district levels the scheme was implemented by the Horticulturists and AHOs, under the supervision of the concerned Deputy Director of Horticulture (DDH).

2.2.3 Audit objectives

The audit objectives for conducting the performance audit were to assess:

- Adequacy of planning and institutional arrangements;
- Effectiveness of financial management;
- Effectiveness of programme implementation and
- Effectiveness of monitoring mechanism.

⁵⁰ Rayagada, Puri, Nayagarh, Mayurabhanj, Khordha, Koraput, Keonjhar, Kalahandi, Gajapati, Malkangiri, Cuttack, Nuapada, Bolangir and Balasore

⁵¹ Dhenkanal, Ganjam, Phulbani, Nabarangpur, Subarnapur

⁵² Sundergarh, Sambalpur, Bargarh, Deogarh, Angul

2.2.4 Scope and methodology of Audit

The performance audit covering the period 2005-09 was conducted during March to May 2009 through test check of records of Agriculture Department, Director of Horticulture, OHDS, six⁵³ Deputy Directors of Horticulture, 15 Horticulturist⁵⁴, two AHO⁵⁵ offices and School of Horticulture, Khordha. Beneficiary interview and joint physical inspection of assets created under the scheme were also conducted.

Entry and exit conference: The audit objective, scope and methodology were discussed (28 April 2009) at an entry conference with the Director-cum-Secretary, OHDS. Audit findings were discussed at an exit conference held on 31 August 2009 with the Commissioner-cum-Secretary, Agriculture Department and the DHO. Replies received from the DHO are incorporated at appropriate places.

Audit Findings

2.2.5 Planning and institutional arrangements

2.2.5.1 Non-preparation of Perspective plan /State Mission document

The GoI guidelines required preparation of a State Horticulture Mission document and perspective plan for the Tenth and Eleventh five year plan periods after conducting baseline survey and feasibility studies in different parts of the State by using modern techniques. GoI also permitted to spend five *per cent* of annual allocation for preparation of perspective plan and Annual Action Plans (AAPs). However, neither any baseline survey was conducted in the State nor mission document/perspective plan was prepared (August 2009). On this being pointed out in audit, the Government directed (August 2009) the DHO to prepare perspective plan for next five years considering the updated data, actual needs, demands and potential of the area. Action in this regard is awaited (October 2009).

2.2.5.2 Constitution and functioning of the District Mission Committees

Operational guidelines provided for constitution of the District Mission Committee (DMC) at the district level with representation from concerned line departments, Panchayati Raj Institutions, Growers' associations, Marketing Boards, Self Help Groups (SHGs) and other Non-Government Organisations (NGOs). However, it was noticed that in five test checked districts (Koraput, Bolangir, Kalahandi, Mayurbhanj and Sundergarh), DMCs did not include elected representatives, SHGs and other stake holders as stated above. On this being pointed out in audit, Government directed (September 2009) the DHO to broaden the membership of DMCs involving elected representatives, SHGs and other stake holders. Besides, as per Government directives (August 2005), DMCs should meet at least once in every two months or earlier. In six test

⁵³ DDH-Balasore, Bolangir, Kalahandi, Koraput, Mayurbhanj and Sundergarh.

⁵⁴ Horticulturist -Balasore, Bolangir, Baripada, Bhawanipatna, Dharmagarh, Jeypore, Karanjia, Koraput, Lahunipada, Panposh, Patnagarh, Rairangpur, Sundergarh, Titlagarh and Udala.

⁵⁵ AHO- Kalikaprasad, Nilgiri

checked districts (Koraput, Bolangir, Kalahandi, Balasore, Sundargarh and Mayurbhanj), there was shortfall in holding DMC meetings ranging from four to 19 times as detailed at **Appendix 2.14**.

2.2.6 Financial Management

During 2005-09, the OHDS received Rs 152.87 crore under NHM from the GoI (Rs 142.15 crore) and State Government (Rs 10.72 crore) of which Rs 112.38 crore was utilised leaving unspent funds of Rs 40.49 crore as on 31 March 2009. The details of fund requirement, receipt from the State and Central Governments and utilisation thereof was as under:

Table-2.3: Receipt and utilisation of funds under NHM during 2005-09

Year	Requirement as per AAP	OB	Receipt from				Total availability	Expenditure (percentage)	Unspent balance (percentage)
			GoI	GoO	Total	Percentage of AAP			
2005-06	75.00	0.00	36.12	--	36.12	48	36.12	5.99 (17)	30.13 (83)
2006-07	98.25	30.13	44.50	--	44.50	45	74.63	17.1 (23)	57.51 (77)
2007-08	105.50	57.51	38.12	6.59	44.71	42	102.22	30.17 (30)	72.05 (70)
2008-09	95.43	72.05	23.41	4.13	27.54	29	99.59	59.10 (59)	40.49 (41)
Total	374.18		142.15	10.72	152.87			112.38	40.49 (26)

(Rupees in crore)

(Source: Information furnished by the Directorate of Horticulture)

The actual receipt of funds ranged between 29 and 48 per cent of requirement projected in the AAPs. The unspent funds of Rs 40.49 crore as on 31 March 2009 constituted 26 per cent of funds available during 2005-09 of which Rs 21.33 crore was lying with the OHDS in the shape of term deposits (rupees six crore) and savings bank account (Rs 15.33 crore). While overall spending efficiency in the State was between 17 to 59 per cent during 2005-09, it remained below 50 per cent in two test checked units⁵⁶. Out of Rs 43.53 crore released by OHDS to 24 units⁵⁷ and five other agencies⁵⁸ test checked, Rs 36.46 crore was spent and Rs 7.07 crore remained unspent with them as of March 2009. The DHO stated that the spending level in the initial years was low due to inadequate manpower, initial slow response of farmers and delayed communication of the guidelines from the GoI. The reply was not tenable as no perspective plan was prepared and GoI guidelines were issued in June 2005 before the commencement of planting season for 2005-06.

Besides the following deficiencies in funds management were also noticed.

- **Retention of scheme fund in current accounts:** Contrary to Scheme guidelines, NHM funds ranging from Rs 6.00 lakh to Rs 1.19 crore were retained in current account with banks instead of in savings bank account by one executing agency (Orissa Forest Development Corporation) for the period ranging from six to 185 days (**Appendix 2.15**) and the opportunity to earn interest for Rs 5.25 lakh at savings bank rate of 3.5 per cent per annum was lost.

⁵⁶ DDH Sundergarh (22 per cent) and Horticulturist, Sundergarh (39 per cent)

⁵⁷ Six Deputy Directors of Horticulture, 15 Horticulturists, two Assistant Horticulture Offices and School of Horticulture, Khordha

⁵⁸ District Supply and Marketing Society, Koraput; Vegetable Specialist; Orissa State Cashew Development Corporation; Orissa University of Agriculture and Technology and Orissa Forest Development Corporation.

- **Outstanding advances:** As of March 2009, advances of Rs 93.66 lakh (*Appendix 2.16 A*) paid to staff by two test checked DDH, eight Horticulturists and one AHO remained outstanding for periods ranging from six months to three years. The outstanding advances included cheques worth Rs 54.80 lakh meant for payment of subsidy to the beneficiaries of plantation programmes. Similarly, at the Directorate level, advances of Rs 30.46 lakh paid to officers and staff for holding seminars and Rs 2.20 crore paid to suppliers for supply of minikits, cashew grafts, tuberose etc. remained outstanding for the periods ranging from four to 36 months as of March 2009 (*Appendix 2.16 B*). The DHO stated that action was being taken for early adjustment of the advances.
- **Misutilisation of funds :** Scheme funds of Rs 29.48 lakh was spent by an executing agency viz., Chief Executive, District Supply and Marketing Society, Koraput on other purposes (hire charges of vehicles : Rs 15.38 lakh and construction of dug wells : Rs 14.10 lakh) which were not covered under any sanction under NHM. However, the DHO assured to look into the matter.
- **Irregular Expenditure:** Operational guidelines did not permit utilisation of NHM funds for other purposes. However, Rs 39.16 lakh was spent during December 2006 to February 2008 on civil and electrical works of repair and maintenance nature in the Directorate of Horticulture and Rs 3.74 lakh on remuneration of security guards deployed for watch and ward of Ekamrakanan farm, nursery and premises of Directorate of Horticulture during May 2007 to February 2008. The DHO stated that the required infrastructure was developed to accommodate the State Society in the Directorate building. The reply is not convincing, as the operational guidelines did not permit such expenditure.

Programme implementation

Positive achievement

Achievement under the component 'plantation crops including coastal horticulture' meant for setting up new cashew gardens was satisfactory and efforts made in this regard are appreciable as achievement of 21532.45 ha at Rs 9.13 crore was more than the revised target of covering 13249.67 ha at a cost of Rs 5.25 crore. However, the following deficiencies/under performance were noticed.

2.2.7 Shortfall in achievement of targets

The targets set in the AAPs for each component, although reduced in view of less receipt of funds, were not achieved and there was shortfall of physical as well as financial targets between two and 100 *per cent* under major components of the scheme as indicated in *Appendix 2.17*. The shortfall was 100 *per cent* under establishment of small nurseries in private sector, seed production in both public and private sector, establishment of betel vine gardens, protected cultivation, organic farming, post harvest management, innovative programme and bee keeping etc. In reply, the Director stated that the low achievement was due to non-receipt of guidelines on model and small nursery, protected cultivation from GoI, low assistance under betel vine cultivation and post harvest management failing to attract entrepreneurs and

that achievement was more during 2008-09. The reply is not tenable, as the DHO has not moved to State/Central Government for overcoming these deficiencies.

2.2.8 Low-representation of under-privileged sections

GoI instruction (24 April 2007) required the implementing agencies to ensure minimum representation of SC, ST and women beneficiaries as 16 *per cent*, eight *per cent* and 30 *per cent* respectively of total beneficiaries under NHM. However, in seven Horticulturists⁵⁹ test checked, representation of SC beneficiaries ranged from 4.36 to 10.67 *per cent* and that of women ranged from 0.66 to 24.52 *per cent* during 2007-09 as indicated in **Appendix 2.18**. In reply, it was stated that SC/Women beneficiaries were not coming forward as their land holding was less than the minimum land required for commercial viability of the projects and that horticulture being a land based scheme can be adopted only by well to do farmers and not by the poorest of poor.

2.2.9 Production of quality planting materials

GoI guidelines envisaged production of quality planting materials (QPM) through establishment of small nurseries both in private and public sectors. Improving vegetable seed production, construction of seed storage godowns and onion storage structures through credit link back ended subsidy were the other focussed areas under NHM.

- As against revised target of Rs 18.19 crore under QPM, Rs 13.49 crore was spent during 2005-09. Despite reduced target for establishing 82 small/model nurseries in public sector and 56 in private sector, only 73 nurseries were set up in public sector at a cost of Rs 7.06 crore during 2005-09 and no nursery was set up in private sector despite allotment of Rs 2.19 crore for the purpose. In two test checked units (Horticulturists: Dharamgarh and Bhawanipatna), 62 applications received for establishment of both model and small nurseries in private sector were under scrutiny at the DDH level since April/May 2008.
- Seed production godowns in private/public sector were not set up despite Rs 12 lakh earmarked for the same. Under vegetable seed production against the target of covering 1529.02 hectare at a cost of Rs 7.65 crore, only 831.56 hectare were covered at a cost of Rs 4.20 crore leading to shortfall in vegetable seed production over 697.46 ha (46 *per cent*). The DHO stated that the response of banks for credit played a major role and that the activity was gradually picking up.
- In five test checked units (Horticulturists: Patnagarh, Baripada, Rairangpur, Karanjia and AHO: Kalikaprasad), though Rs 63 lakh was released during 2005-09 for establishing three model and three small nurseries in public sector, no nurseries had come up even after expiry of one to three years (March 2009) and only Rs 24.05 lakh was spent up to March 2009. The reasons for the delay were attributed to

⁵⁹ Koraput, Jeypore, Titlagarh, Patnagarh, Bolangir, Dharamgarh and Bhawanipatna

shortage of staff and change of site, non-preparation of plan and estimates etc.

- Three model nurseries set up (2007-08) under public sector by Horticulturists, Titlagarh and Bhawanipatna despite spending Rs 39.73 lakh produced only 1.37 lakh plants during 2007-09 against the norm of four lakh plant per year per nursery fixed in GoI guidelines. Both the Horticulturists attributed the shortfall to poor quality of sapling and assured that production would be increased in the coming years.
- **Irregular expenditure on inadmissible works:** The GOI guidelines permitted execution of infrastructure development works only in nurseries to be set up in private sector. However, one executing agency (OUAT⁶⁰) spent Rs 9.67 lakh under NHM on construction of boundary wall (Rs 5.79 lakh), internal roads (Rs 0.99 lakh), pump house (Rs 1.50 lakh) and tube well (Rs 1.39 lakh) at a model cashew farm (Ranasinghpur) set up in public sector, though not admissible. DHO assured to advise OUAT to keep the expenditure within the approved items only and to bear other expenditure out of its own resources.

2.2.10 Establishment of new gardens

The mission envisaged coverage of large areas under improved varieties of horticulture crops by encouraging farmers to set up new gardens with assistance ranging from 33 to 75 per cent of the project cost to be released in the ratio of 50:20:30 in the first, second and third year. The subsidy of 20 per cent and 30 per cent was to be released subject to minimum survival of 75 per cent of plants at the end of first year and 90 per cent at the end of second year respectively. As against the revised target of Rs 87.19 crore, only Rs 77.40 crore was utilised during 2005-09. The notable deficiencies were as under:

2.2.10.1 Notable deficiencies

There was shortfall in achievement of target for fruit gardens (2096 hectare), spices and medicinal plantations (1748 hectare), non-raising of betel vine garden (450 hectare). However, under floriculture, Rs 3.70 crore was spent in excess as an area of 771.45 ha was covered in excess of the revised target. The DHO stated that no entrepreneur came forward for betel vine as the rate of assistance was low while maximum farmers came forward for floriculture.

⁶⁰ Orissa University of Agriculture & Technology, Bhubaneswar

2.2.10.2 Wasteful expenditure on unsuccessful plantations

Due to low survival, 5449.24 ha of plantation were not maintained up to prescribed period and Rs 4.49 crore spent thereon rendered largely wasteful

Under establishment of new gardens, 0.89 lakh hectare (ha) of area was targeted for coverage under fruit gardens at a cost of Rs 65.98 crore during 2005-09. However, 0.87 lakh ha were covered at a cost of Rs 55.27 crore during the period. In 14 test checked units (12 Horticulturists and two AHO)⁶¹, out of 15084.47 ha (*Appendix 2.19*) of fruit tree plantations like mango, cashew, aonla, banana and kageji lime raised in private fields with a cost subsidy of Rs 11.29 crore, survival of plantations over 4069.41 ha (27 per cent) on which subsidy of Rs 3.04 crore was released in the first year remained below the prescribed limit of 75 per cent at the end of the first year. Consequently, subsidy for second year was released only for 11015.06 ha. Similarly, subsidy for third year was not released for 1379.83 ha as the survival was below the prescribed limit of 90 per cent. However, subsidy of Rs 1.45 crore was already been released on these plantations during first and second year. Out of these plantations of 5449.24 ha, not a single plant survived over 311.56 ha and survival position remained below 50 per cent over 2039.51 ha as per the verification reports available with the concerned Horticulturists. It was noticed that regular inspection of plantation sites was neither conducted nor adequate training was imparted to the beneficiaries. There was also delay of one to nine months in supply of grafts, pesticides and fertilizers to the beneficiaries. The maintenance of the entire plantation over these 5449.24 ha was left to the beneficiaries and survival position at the end of third year was not verified. Thus, the expenditure of Rs 4.49 crore incurred on subsidy released for plantation years together with first and second year maintenance of these plantations rendered largely wasteful. DHO attributed low survival and non-release of subsidy to lack of adequate attention by the beneficiaries as well as economic and financial condition of the beneficiaries. The DHO however denied 100 per cent mortality of plants and stated that such things were bound to happen in a programme of such high magnitude. The reply was not tenable since the cost of plantations included maintenance costs and there were delay in supply of grafts, pesticides and fertilisers. Further, survival was nil over 311.56 ha and below 50 per cent over 2039.51 ha as per the survival reports available with the concerned field offices .



Failed cashew plantation (3 ha) of Sri Sukra Majhi of Gopalpur of Koraput block

2.2.10.3 Non-collection of token money

NHM guidelines (August 2005 and July 2008) provided for supply of planting materials to the beneficiaries on payment of 25 per cent of cost thereof. However, such token money worth Rs 15.77 lakh was not collected from the beneficiaries by 14 test checked Horticulturists and two AHOs (*Appendix 2.20*). Besides, one executing agency (DSMS, Koraput) did not collect such token money amounting to Rs 5.61 lakh from the beneficiaries on

⁶¹ Horticulturist, Bhawanipatna, Dharamgarh, Jeypore, Koraput, Patnagarh, Bolangir, Titilagarh, Balasore, Karanjia, Rairangpur, Baripada and Udala, AHO Nilagiri and Kalikprasad

the plea that no direction was received from the funding agency (OHDS) for collection of token money. Further, beneficiary contribution for Rs 3.14 lakh towards supply of vegetable minikits during 2005-09 were also not collected. The DHO stated that such token money did not form part of Government money and was to be forfeited in case of not taking up the plantation while the same was to be made available to the beneficiary farmer in case of successful plantation as a part of the subsidy. The reply is contradictory to provisions of detailed guidelines and instruction of the Directorate for collection of 25 per cent of the cost of Quality Planting Materials (QPM) as token price and its deposit as farmers share in society account on fortnightly basis.

2.2.11 Creation of water sources

The mission provided for assistance up to Rs 10 lakh per unit for an area of 10 ha for creation of water sources through construction of community tanks, farm ponds/reservoirs with plastic lining. Maintenance would be the responsibility of the community. Out of 139 water sources targeted in the AAPs at a cost of Rs 2.20 crore during 2005-09, only 24 could be completed by March 2009 at a cost of Rs 23.16 lakh despite reduction of target to 77 water sources. The DHO attributed the reason to late receipt of funds and lack of interest of farmers in community mode.

2.2.12 Protected cultivation and organic farming

To promote organic farming, the mission provides for additional assistance of Rs 10000 per ha subject to maximum 4 ha per beneficiary engaged in organic cultivation of vegetables through protected cultivation, green house construction, mulching, shade net and plastic tunnels. However, the achievement under protected cultivation and organic farming during 2005-09 was only 276.1 ha and nil against the revised target of 611.84 ha and 4900 ha respectively. The DHO stated that action would be taken to motivate farmers to adopt organic farming and protected cultivation and achievement would be more in coming years.

2.2.13 Promotion of IPM/INM⁶²

The guidelines provided assistance of 50 per cent of the project cost subject to maximum of Rs 1000 per ha limited to 4 ha per beneficiary under INM/IPM for developing facilities like disease forecasting units, Bio control Laboratories, Plant health clinics and leaf/ tissue analysis Laboratories. However, no such units were set up (March 2009) and only Rs 2.31 lakh was spent against a target of Rs 2.09 crore during 2005-09. The DHO stated that OUAT and other three Government Universities had been requested to submit the project proposals for disease forecast units, bio-control laboratories, plant health clinics and leaf tissue analysis laboratories etc. and the proposals are awaited (September 2009).

⁶² Integrated Pest Management / Integrated Nutrient Management

2.2.14 Post Harvest Management

The mission encouraged post harvest management like establishment of pack houses, ripening chamber, cold storage units, controlled atmosphere storage, supply of refrigerated vans and mobile processing units by paying 25 per cent of the project cost through credit linked back ended subsidy. Though post harvest management was given priority and a target of setting-up 158 such units at a cost of Rs 56.02 crore was set in the AAPs for 2005-09, the same was revised to 11 units (Rs 35.18 lakh) and the achievement was nil. The DHO stated that due to high investment of cash and low subsidy, entrepreneurs were not coming forward for which the achievement remained low.

2.2.15 Human resources development

The guidelines emphasised on human resources development through training and demonstration. Horticulture officers were to be trained on modern technological advancement at various ICAR⁶³ recognized institutes in or outside the State who will in turn educate the staff members and farmers in their respective regions. Though against the revised target of training 12986 beneficiaries and staff, 12718 were trained during 2005-09, but only 31 (13 per cent) out of total 248 staff of 11 test checked units were imparted such training (**Appendix 2.21**). However, the DHO assured to train the officers in a phased manner.

2.2.16 Non-creation of infrastructure for marketing of horticultural produces

The mission guidelines envisaged creation of rural markets/ apni mandis/ direct markets including wholesale markets to enable farmers to get proper value of their produces and avoid intervention of the middlemen. Against the revised target of establishing marketing facilities at 45 locations at Rs 2.15 crore, not a single marketing infrastructure was created during 2005-09 and only Rs 7.67 lakh was spent. Though, during 2006-07, Rs 2.15 crore was sanctioned for upgradation of rural markets (Rs 1.12 crore) and functional infrastructure (Rs 1.03 crore) yet Rs 2.07 crore remained unutilised (June 2009). It was further noticed that Rs 90.00 lakh was spent (May 2007) on preparation of detailed projects report (DPR) through National Institute of Agriculture Marketing (NIAM), Jaipur for setting up of Modern Terminal Markets at Cuttack, Berhampur and Sambalpur even though the worksites were not finalised (October 2009). The DHO stated (June 2009) that site of Cuttack was not found feasible and site at Berhampur had not been handed over.

⁶³ Indian Council of Agricultural Research

2.2.17 Internal control, inspection and monitoring

2.2.17.1 Shortfall in field inspection by supervising officers

Guidelines provided for regular supervision of activities undertaken to ensure appropriate implementation. However, shortfall in field inspection by the supervisory officers ranged from six to 31 *per cent* during 2005-09 in 10 test checked units as indicated at **Appendix 2.22**. The DHO stated that the shortfall was due to absence of dedicated staff for NHM work and that field consultants are being employed during 2009-10 for better supervision.

2.2.17.2 Serious irregularities pointed out by Internal Audit not followed up

Internal audit of expenditure incurred under NHM was not conducted. In one case, Internal Audit had pointed out misappropriation of scheme funds of Rs 2.60 lakh and temporary misappropriation of Rs 0.72 lakh in the office of AHO, Nilagiri. The DHO stated that concerned employee had already been placed under suspension and proceeding initiated. However, the Government directed (September 2009) the DHO to ensure internal audit of all NHM activities henceforth.

2.2.18 Evaluation

Mid term evaluation of the programme conducted in the State during October 2006 by a team constituted by the GoI indicated deficiencies like not giving proper attention while selecting quality planting materials, non-removal of polythene tapes from grafts while planting, non-encouraging use of different varieties of saplings/grafts for mango, cashew and aonla, non-adherence to timeliness in planting, providing adequate training and fixing transparency boards etc. due to inadequate field staff, inadequate technical supervision and monitoring of the programme which *inter alia* failed to yield the desired result. The team recommended for induction of more field staff including field consultants in each mission block on contract basis. But the recommendation was not acted upon. On this being pointed out, the Government agreed for third party monitoring/evaluation and directed (September 2009) the DHO to make it mandatory from the year 2009-10.

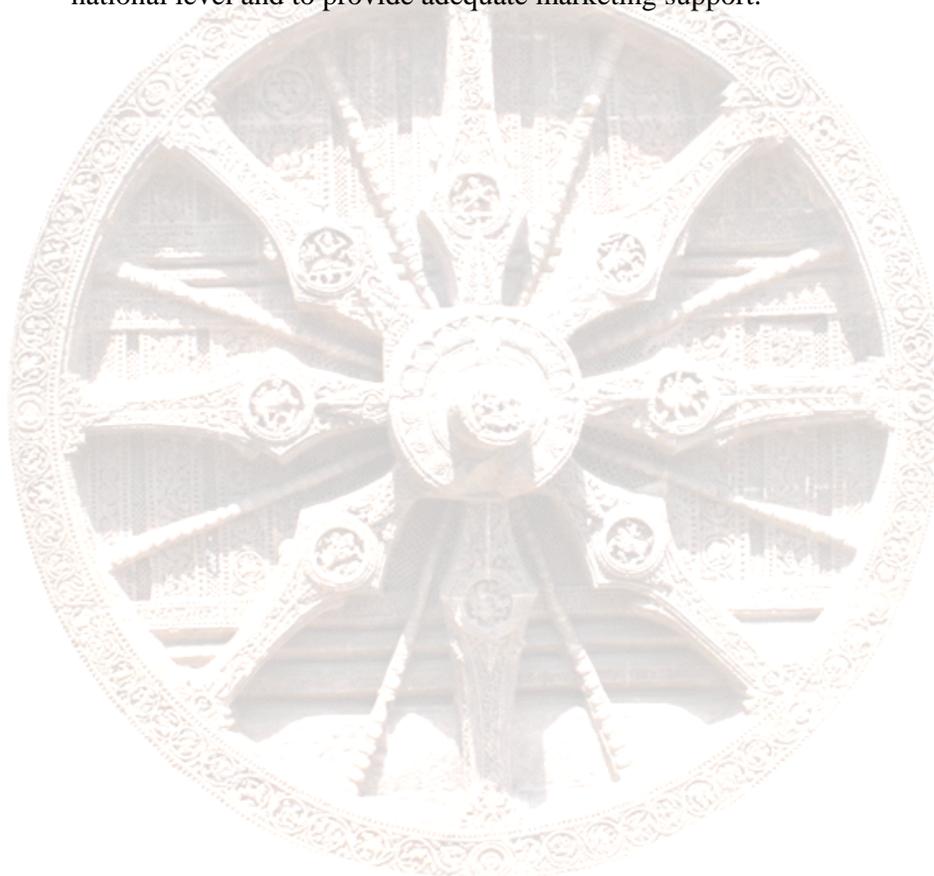
2.2.19 Conclusion

Government level monitoring of the mission is completely missing. Annual action plans were prepared without conducting any baseline survey and data collection through modern techniques such as remote sensing and geographical information system (GIS). Involvement of NGOs, PRI representatives and other stakeholders in planning and monitoring of the mission activities was also missing. Financial management was poor as huge advances were rolling for years against staff and suppliers and scheme funds were parked with the banks in non-interest bearing accounts resulting in loss of interest. Operational management was very poor as no nursery was set up in private sector, token money was not collected from beneficiaries, plantations under new gardens in beneficiary field failed in several cases reportedly due to lack of proper care by beneficiaries and lack of supervision and monitoring

by departmental officials. Marketing and storage facility for horticultural crops were either not made available or poorly available.

2.2.20 Recommendations

- Government may issue suitable guidelines to identify the beneficiaries for extending assistance keeping in view the broad objectives of the mission and prescribe performance indicators.
- Government may enforce strict financial discipline while spending the scheme funds.
- Government may take effective step for optimum utilisation of available resources for increasing vegetable and fruit production at par with national level and to provide adequate marketing support.



WATER RESOURCES DEPARTMENT**2.3 ACCELERATED IRRIGATION BENEFIT PROGRAMME****2.3.1 Introduction**

Government of India (GoI) launched the Accelerated Irrigation Benefit Programme (AIBP) in 1996-97 for providing loan assistance to the State Governments for accelerating the pace of irrigation development in the country. For creation/stabilisation of additional irrigation potential of 4.75 lakh ha in the State, GoI released loan assistance/grant of Rs 2737.20 crore during 1996-2009 under AIBP for taking up 18 major/medium and 41 minor irrigation (MI) projects. Of these, seven major/medium and 17 MIPs were completed as of March 2009 with an expenditure of Rs 362.10 crore, creating irrigation / stabilisation of potential of 0.64 lakh ha.

2.3.2 Organisational set up

At the GoI level the authorities responsible for planning, funding and monitoring of the programme were the Planning Commission (PC), Ministry of Water Resources (MoWR), Ministry of Finance and Central Water Commission (CWC). Central Loan Assistance/grant released by GoI was passed on to the project implementing authority through the State Finance Department (FD). Water Resources (WR) Department under the administrative control of the Commissioner-cum-Secretary to the State Government was responsible for implementation of the AIBP funded projects. Execution of the projects was supervised by one Engineer-in-Chief (EIC), Water Resources Department and five Chief Engineers (CEs) who were assisted by nine Superintending Engineers (SEs) and 13 Executive Engineers (EEs).

2.3.3 Audit objectives

Mention was made in para 3.4 of the Comptroller & Auditor General of India's Report for the year ended 31 March 2003 regarding non-completion of AIBP assisted projects and non-accrual of intended irrigation benefits. The report had neither been discussed in the Public Accounts Committee as of July 2009, nor the Government's compliance received.

In order to assess the further progress on implementation of AIBP projects the present performance audit was carried out with the objectives of assessing whether:

- Follow-up action was taken by the Government on the recommendations given in the previous audit report;
- Project planning was done in a systematic manner;

- The programme implementation was effective;
- Adequate funds were released on time and utilised properly; and
- The monitoring and evaluation mechanism and other instruments of governance were adequate and effective.

2.3.4 Audit coverage and methodology

Eight major/medium irrigation projects and 25 minor irrigation projects (both ongoing and completed) were selected for review covering the period from 2004-05 to 2008-09.

Entry and Exit Conference: The entry conference was held (February 2009) with the Commissioner-cum-Secretary to Government, WR Department. Joint inspection of some of the projects by audit alongwith departmental officers and interaction with beneficiaries was also done. The exit conference was held (November 2009) and the Government's views were incorporated at appropriate places.

Audit findings

2.3.5 Physical targets and achievements

The targets and achievements of the irrigation projects test checked in audit were as shown below:

Table 2. 4: Targets and achievements of selected irrigation projects

(Rupees in crore) / (Ayacut in lakh ha)

Name of the project/ No. of projects	Year of start under AIBP	Target date of completion	Revised date of completion	Expenditure during 2004-09	Total expenditure as of March 2009	Percentage of physical progress	Designed potential	Potential created/stabilised	Percentage of designed potential
Subarnarekha	1996-97	March 2001	March 2013	753.16	973.83	22	0.62	0.08	13
Upper Indravati									
i) Right Canal System	1996-97	March 2001	Completed (March 2005)	257.31	489.58	100	0.27	0.23	85
ii) UI Extensions (Left and Right)	2003-04	March 2008	March 2012			50	0.25	0.01	4
Telengiri	2003-04	March 2008	March 2012	77.58	90.69	40	0.10	0	0
Improvement to Salki	2003-04	March 2005	Completed (March 2005)	5.79	14.90	100	0.20 (S)	0.19 (S)	95
Lower Indra	1999-2000	March 2005	March 2012	552.20	690.99	50	0.30	0	0
Integrated Anandapur Barrage	2005-06	March 2009	March 2013	77.98	99.04	15	0.66 0.25 (S)	0.06 0.25 (S)	34
Kanupur	2003-04	March 2008	March 2013	363.27	392.62	10	0.30	0	0

Name of the project/ No. of projects	Year of start under AIBP	Target date of completion	Revised date of completion	Expenditure during 2004-09	Total expenditure as of March 2009	Percentage of physical progress	Designed potential	Potential created/stabilised	Percentage of designed potential
Lower Suktel	1999-2000	March 2005	March 2013	265.07	301.38	0	0.24	0	0
Total				2352.36	3053.03		2.74 0.45 (S)	0.38 0.44 (S)	
MIPs (25 Nos)	1999-2007	2001-2009	March 2010	39.44	68.24	35	0.11	0.06	55
Grand Total				2391.80	3121.27		2.85 0.45(S)	0.44 0.44(S)	

Source : Status of AIBP Projects/CWC Monitoring Report
S : For Stabilisation

Out of 33 projects only nine projects were completed. There was time overrun of upto 12 years in completion of projects with cost overrun of Rs 3537.26 crore

Three projects were found economically unviable owing to decline in BCR

The above projects were approved (1996-2006) at a cost of Rs 6347.98 crore for creation/stabilisation of irrigation potential of 3.30 lakh ha for completion by March 2001 / 2009. An expenditure of Rs 3121.27 crore was incurred on these projects as of March 2009. In five⁶⁴ major projects and 11 MIPs⁶⁵ the approved cost of Rs 2059.89 crore was revised to Rs 5597.15 crore as of March 2009 and none of the projects was completed within the stipulated period. Thus, there was cost overrun of Rs 3537.26 crore and time overrun ranged between two and 12 years.

The Detailed Project Reports (DPRs) of three major/medium and two MIPs approved at a cost of Rs 457.92 crore projected Benefit Cost Ratio (BCR) between 1.08 and 2.11. The project cost was revised to Rs 1730.10 crore and an expenditure of Rs 1038.55 crore was incurred as of March 2009 on these projects. The BCR as per the revised cost in three⁶⁶ projects was worked out between 0.81 and 1.12 rendering the projects economically unviable. In other two⁶⁷ projects, the techno economic viability was not assessed. The administrative approval of Subarnarekha irrigation project which was a basic requirement for commencement of any project was not accorded although the project work was started more than two decades ago.

Of the 33 projects test checked, only nine projects (1 medium and 8 MI projects) were completed and 24 projects remained incomplete as of March 2009 due to non-acquisition of land in all the projects, want of forest and environment clearance in Lower Indra irrigation project, non finalisation of designs and structures in Subarnarekha, Telengiri and Upper Indravati irrigation projects and non payment of compensation to the displaced persons in Subarnarekha, Telengiri, Lower Indra, Kanupur and Lower Suktel irrigation projects.

⁶⁴ Upper Indravati, Subarnarekha, Lower Indra, Lower Suktel and Kanupur Irrigation Projects.

⁶⁵ Birighat, Bortansil, Chahaka, Jagdalpur, Chitrangi, Turla, Kurubella, Katikinalla, Dhawandhar, Chipulijore and Hirapur MI projects.

⁶⁶ Lower Indra, Telengiri irrigation project and Hirapur MIP.

⁶⁷ Upper Indravati (Right and Left extensions) and Kurubela MIP.

The previous review on AIBP featured in the CAG's Audit Report for the year ended 31 March 2003 had recommended that the Government should ensure availability of required land and forest clearance for timely completion of the projects. The present performance audit indicates that the progress in this regard has been tardy.

Out of 0.88 lakh ha of CCA created only 0.28 lakh ha was assessed resulting in loss of water rate of Rs 2.75 crore.

Against 0.88 lakh ha irrigation potential created/stabilised, only 0.28 lakh ha was assessed till June 2009 resulting in loss of Rs 2.75 crore of revenue in the shape of water rate for 0.60 lakh ha.

The Government, while agreeing with the audit views on loss of revenue due to non-conducting of joint verification of the irrigated ayacut, directed the departmental officers to complete the joint verification early to avoid loss of revenue.

Good Practice
The concept of participatory irrigation management was introduced in Upper Indravati, Salki irrigation project and Hirapur, Chitragiri and Birighat MIPs. The State Government had initiated Pani Panchayat Scheme under which 93 Pani Panchayats covering 0.43 lakh ha of ayacut had been formed.

2.3.6 Incomplete works

2.3.6.1 Subarnarekha Irrigation project

The Subarnarekha Irrigation Project (SIP) started under AIBP in 1996-97 for completion by March 2001, remained incomplete as on date with only 22 per cent physical progress. The lining work and failure zones of the Main Canal from 7950 to 8720 m were not completed due to defective design and the aqueduct at 37.3 km was not constructed due to default in execution by the contractor. Despite incurring an expenditure of Rs 973.83 crore, only 13 per cent of the designed irrigation potential could be achieved. The Government accepting the factual position stated that the design was under finalisation.



Failure zones of SMC 7950 to 8720M

2.3.6.2 Telengiri Irrigation Project

The original site of the spillway was abandoned after incurring an expenditure of Rs 99.20 lakh due to unsuitability of foundation strata, rendering the expenditure wasteful (Mention was made in para 4.2.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008). Despite incurring an expenditure of Rs 90.69 crore as of March 2009, not a single ayacut has been created.



Abandoned site of the spillway of Telengiri Irrigation Project

The Government stated that alternate scope for saddle spillway was examined. But considering the geological investigation data of both the locations, it was finally decided to construct central spillway, on which the work has already commenced. The reply was not acceptable since frequent change of decision delayed the project for two years and the expenditure already incurred on the saddle spillway remained wasteful.

2.3.6.3 Upper Indravati project

The Government entrusted (May 2005) the work of planning and designing of the aqueduct of Right Extension Main canal over river Sagada to the Indian Institute of Technology (IIT), Kharagpur with payment of Rs 4.50 lakh. The design received from IIT in May 2007 was approved in May 2008. Due to lapse of three year's time, the cost of the work increased from Rs 13.40 crore to Rs 29.42 crore and the project would not be completed by March 2010 as scheduled.



Syphon Aqueduct over river Sagada at RD 2820 M of Right Extension Main Canal.

2.3.6.4 Lower Indra Irrigation Project

The head works of the project were completed with an expenditure of Rs 162.05 crore. While 80 per cent of the main canal had been excavated, there was only 15 per cent progress in excavation of branch canal, minors and sub-minors. Due to non-completion of the distribution system, the impounded water in the reservoir could not be utilised resulting in unfruitful expenditure of Rs 162.05 crore.



Left Main Canal (head reach) of Lower Indra Irrigation Project

2.3.7 Financial control

2.3.7.1 Budget provision vis-à-vis expenditure

The estimated cost, budget provision vis-à-vis actual expenditure, loan assistance/grant released by GoI and State share released thereagainst in respect of the projects test checked were as follows:

Table 2.5: Budget provision and expenditure in respect of selected projects

(Rupees in crore)

Name of the project /No of projects	Estimated cost	Budget provision during 2004-09	Progressive expenditure as of March 2009	Expenditure during 2004-09	Savings(+)/excess(-)	CLA / Grant released during 2004-09	State share released
Major/Medium Irrigation Project							
Subarnarekha	1756.52	760.51	973.83	753.16	(+) 7.35	380.10	373.06

Name of the project /No of projects	Estimated cost	Budget provision during 2004-09	Progressive expenditure as of March 2009	Expenditure during 2004-09	Savings(+)/excess(-)	CLA / Grant released during 2004-09	State share released
Upper Indravati							
i) Right Canal System							65.61
ii) UI Extensions (Left & Right)	574.53	269.02	489.58	257.31	(+) 11.71	191.70	
Telengiri	106.18	102.05	90.69	77.58	(+) 24.47	41.77	35.81
Improvement to Salki	11.57	5.90	14.90	5.79	(+) 0.11	4.33	1.46
Lower Indra	1192.46	580.49	690.99	552.20	(+) 28.29	341.03	211.17
Integrated Anandpur Barrage	617.47	77.68	99.04	77.98	(-) 0.30	15.04	62.94
Kanupur	1078.53	366.27	392.62	363.27	(+) 3.00	278.50	84.77
Lower Suktel	937.07	288.92	301.38	265.07	(+) 23.85	194.11	70.96
Total	6274.33	2450.84	3053.03	2352.36	98.48	1446.58	905.78
Minor Irrigation Projects							
MIPs (25 Nos)	73.65	71.01*	68.24	60.34*	10.67	43.18*	17.16
Grand Total	6347.98	2521.85	3121.27	2412.70	109.15	1489.76	922.94

* For 41 MIPs

Source: Data collected from Government/EIC, WR

Funds for Rs 109.15 crore were surrendered due to non-utilisation

Against the budget provision of Rs 2521.85 crore during 2004-09, the department spent Rs 2412.70 crore (96 per cent) on the test checked Major/Medium projects and 41 MIPs and the balance funds of Rs 109.15 crore were surrendered. Despite adequate budget provision, the implementation of the projects was behind schedule mainly due to non-acquisition of land, non-obtaining of forest clearance, delay in finalisation of drawing and designs, change in scope of works and ayacut planning for distribution systems. Besides, there was short release of central share of Rs 368.48 crore during 2004-05 and 2007-08. Further, GoI released Rs 137.43 crore (loan - Rs 13.09 crore and grant - Rs 124.34 crore) towards the end of the financial year (29/31 March) during 2004-09 resulting in delay in utilising funds and furnishing utilisation certificates, which in turn delayed further release of funds by GoI.

It was recommended in the previous review of AIBP featured in the CAG's report of 2003 that accountability in the resource management process needed to be strengthened to check expenditure in violation of the norms of the programme and misutilisation/diversion of funds. The present performance audit however indicated significant systemic deficiencies as discussed below:

2.3.7.2 Rush of expenditure

Central Public Works Accounts (CPWA) Code provided that rush of expenditure particularly in the closing months of the financial year was irregular and should be avoided. The EEs in charge of the test checked eight major/medium projects incurred 54 per cent (Rs 934.47 crore) of the total expenditure of Rs 1739.28 crore during the last quarter of the financial years 2004-08. The expenditure incurred in March alone was Rs 536.48 crore which was 31 per cent of the total funds available indicating rush of expenditure towards the closing months of the financial year.

2.3.7.3 Diversion of fund

Funds for Rs 7.42 crore were unauthorisedly diverted for non-plan works

The AIBP scheme stipulated that the loan assistance provided by the Central Government should in no case be diverted for non plan purposes. Two EEs⁶⁸ of Upper Indravati Project and EE of Telengiri Irrigation Project, however, unauthorisedly diverted Rs 7.42 crore available under AIBP towards execution of flood damage repair works and repair of irrigation colony.

The Government stated (November 2009) that the AIBP funds diverted towards execution of flood damage repair works would be recouped and suitable action taken against the concerned officers of UIIP for the unauthorised diversion of funds.

2.3.7.4 Non receipt of utilisation certificate

The Government of Jharkhand had not submitted utilisation certificate for Rs 341.18 crore paid by the Government of Orissa during 2005-06 to 2008-09 towards its share of the joint component works of Ichha Dam, Galudih barrage and Right Bank Canal in the Subarnarekha Irrigation project.

2.3.7.5 Irregular release of advance

Works advance of Rs 64.92 crore was not recovered

The Government allotted 12 works of five⁶⁹ major/medium projects to OCC for Rs 295.40 crore for completion between December 2001 and April 2009. OCC was paid interest free works advance of Rs 102.64 crore between June 2000 and March 2009 despite disproportionate progress in almost all the works entrusted to it. Of this, Rs 37.72 crore was only adjusted and Rs 64.92 crore remained unadjusted till March 2009.

The Government stated (November 2009) that the departmental officers have been instructed to square up the corporation accounts immediately and to issue advances strictly as per the policy of the Government.

2.3.7.6 Unauthorised payment of advance

Orissa Public Works Department (OPWD) Code provides that payment of advance to Land Acquisition Officer (LAO) for disbursement of compensation to the landowners was to be made only after sanction of the estimates. In six⁷⁰ MIPs the EEs, however, paid (March 2008/March 2009) Rs 2.36 crore to the LAO without sanction of estimates.

LAOs did not furnish accounts for Rs 199.73 crore

Out of the total advance of Rs 278.80 crore paid to the LAOs in two⁷¹ major/medium irrigation projects between April 1998 and March 2009 for payment of land acquisition charges and rehabilitation assistance, the LAOs did not furnish accounts for Rs 199.73 crore as of March 2009 including rehabilitation and resettlement (RR) assistance of Rs 131.48 crore lying

⁶⁸ Left Canal Division No.III, Dharamgarh and Right Canal Division No.II, Junagarh.

⁶⁹ Subarnarekha, Upper Indravati, Lower Indra, Lower Suktel and Telengiri Irrigation Projects.

⁷⁰ Jagamguda, Badatema, Rangamguda, Laxmipur, Randikona and Karanjanulla.

⁷¹ Lower Suktel and Telengiri Irrigation Project.

undisbursed. The unutilised amount was, however, debited to the final head in the accounts and shown as expenditure without actual payment.

2.3.7.7 Unauthorised expenditure incurred by the EEs

In three⁷² major and five⁷³ MIPs taken up between 1999 and 2001 at a cost of Rs 1549.40 crore for completion between March 2002 and March 2003, an expenditure of Rs 2001.27 crore was incurred as of March 2009 resulting in excess expenditure of Rs 219.46 crore. This was not regularised as of June 2009.

2.3.8 Management of contracts / other deficiencies in project implementation

In the previous review of AIBP featured in the CAG's Audit Report of 2003, it was recommended that the monitoring and supervision of the works required improvement to check inefficiencies/irregularities in execution. The present performance audit disclosed that poor management of contracts and deficiencies in project implementation persisted which resulted in fraudulent payments, wasteful expenditure, excess payments/undue benefit to contractors and irregular acceptance of tender leading to extra expenditure and liability as discussed in the following paragraphs.

2.3.8.1 Fraudulent payments and other irregularities in land acquisition

The internal audit wing of WR Department noticed (February 2009) fraudulent payments and misutilisation of AIBP funds of Rs 6.36 crore by the Special LAO, Lower Suktel Irrigation Project, Bolangir.

Further check of records by audit disclosed the following fraudulent payments of Rs 7.77 crore resulting in misutilisation of AIBP funds.

There were fraudulent payments and misutilisation of funds for Rs 148.56 crore

- *Rupees 7.70 crore paid to Zone Officer (ZO)-I, II and III during January 2008 to May 2008 for payment of LA compensation was shown as final expenditure without supporting vouchers and details of payments resulting in suspected fraudulent payment of Rs 7.70 crore.*
- *Out of Rs 1.50 crore paid as LA compensation on 19 March 2008 to the ZO, Rs 1.04 crore was adjusted by the ZO on 27 May 2008 towards payment of compensation for village Podhmund. However, Rs 1.02 crore was actually paid to the Displaced Persons (DPs) of that village. This resulted in misappropriation of Rs 2.25 lakh by the ZO.*
- *Rupees 3.76 lakh was paid between February 2007 and August 2007 to different persons towards LA compensation of Khuntapali and Kutensilet villages. The consolidated registers of the concerned villages and the DP lists, however, did not indicate the names of those persons. Thus, payment of Rs 3.76 lakh to the awardees could be fraudulent. Further, although Rs 0.81 lakh was paid (November 2007) to a land owner towards cost of fruit*

⁷² Lower Indra, Submarekha, Lower Suktel Irrigation Project.

⁷³ Turla, Chahaka, Katakinala, Bartansil, and Birighat MIPs

bearing trees, the name of the land owner was not found in the consolidated register thereby indicating fraudulent payment. The total fraudulent payment was Rs 4.57 lakh.

- As per the Land Acquisition (LA) Act, payment was to be made to the awardees only after issue of Government notification under section 4(1), 6(1) and passing of award under section 11 and the expenditure was to be supported with the sanctioned estimate. In four⁷⁴ LA cases, Rs 0.94 crore was paid between April and September 2007 to the land owners of four villages without sanction of estimate and issue of Government notification u/s 4(1) and 6(1) and even before passing of awards. This included payment of Rs 3.42 lakh as land compensation against Government land also.

As per May 2009 Government orders, an FIR was lodged (June 2009) against the incumbent LAO.

Besides, avoidable expenditure, irregular parking of compensation money and diversion/misutilisation of LA contingencies of Rs 140.79 crore were also noticed as discussed below.

- In four⁷⁵ LA cases there was avoidable payment of additional compensation of Rs 1.55 crore due to delays ranging between one and two years in declaration of notification, issue of notices under different sections and delay in passing of award by the Special LAO.
- The Special LAO had received Rs 248.87 crore as of March 2009 from Lower Suktel and Titlagarh Irrigation Projects for LA and RR payments. Instead of depositing the amount in Civil deposits, Rs 139.24 crore was deposited in savings bank accounts of 21 banks as of December 2008, while Rs 2.04 crore was not deposited. Interest of Rs 2.86 crore accrued in the bank accounts was also not reflected in the Cash Book.

The Government stated that investigation into the diversion/ misutilisation of money was in progress.

2.3.8.2 Non recovery / excess payments

Test check of the expenditure incurred on the projects disclosed several cases of short/non recovery of Government dues and excess payments of Rs 7.53 crore to the contractors as detailed in **Appendix 2.23**.

2.3.8.3 Undue benefit to contractors

Undue benefit of Rs 21.01 crore was extended to various contractors by way of wrong computation of item rates, adoption of excess lead charges for construction materials, extra overhead charges, non-utilisation of excavated soil in filling portions etc. as detailed in **Appendix 2.24**.

There was non-recovery/excess payment of Rs 7.53 crore to the contractors

Undue benefit of Rs 21.01 crore was extended to the contractors

⁷⁴ Pitapada-1/1999, Bolangir-8/2007, Madhiapalli-9/2007 and Bankel.

⁷⁵ Badtelen – 20/2000, Kankara – 18/2002, Barapudugia – 19/2002 and Dhulsar – 12/2002

2.3.8.4 Extra expenditure

There was extra expenditure of Rs 59.25 crore on project implementation

There were cases of extra expenditure of Rs 59.25 crore due to delay in payment of rehabilitation compensation, excess provision of steel in RCC works, change of scope of dam work, invitation of tenders before acquisition of land etc. as detailed in *Appendix 2.25*.

Monitoring and evaluation

2.3.9 Monitoring

The performance of the projects funded and executed under the AIBP was to be monitored by the MoWR and Ministry of Programme Implementation/Central Water Commission (CWC). CWC was to make field visits at least twice a year for the period ending March and September of the year. The release of subsequent instalments of central assistance was to be made on the basis of recommendations of CWC. The CWC visited all the test checked projects and sent their suggestions and recommendations through monitoring reports. Compliance of the suggestions/recommendations was being submitted to CWC. Annual reviews were carried out by the MoWR in the meeting of Secretaries of State Governments.

Monitoring and evaluation of the projects was not effective leading to time and cost overrun

AIBP guidelines provided that there should be a monitoring committee at the project level as well as the State level. The committee was to meet quarterly to advise/recommend the Government on different matters to remove bottlenecks besides rendering suitable advice to the project level committee and sending its report to the technical committee at the national level. The committee or a sub-committee was to visit each project at least twice a year. No monitoring committee was constituted at the project level. The State level monitoring committee was formed only in June 2005 i.e. nine years after the AIBP was launched. The committee met only once in October 2006. The committee had also never visited any project site nor was any sub-committee constituted for the purpose. The execution of works was monitored by the Commissioner-cum-Secretary, WR Department monthly in the plan review meetings and by the CE at project level. The Government was still to attend to the bottlenecks in implementation and suggestions of CWC for speedy completion of the projects. Thus, monitoring and evaluation of the projects under AIBP was not effective leading to time and cost overrun of the projects and consequential denial of irrigation benefits.

The State Government had provided inputs and GoI assessed (April 2008) the irrigation potential created in UIIP and Anandpur Barrage project through National Remote Sensing Agency (NRSA), Hyderabad using remote sensing technology. Though 0.30 lakh ha of irrigation potential was confirmed as created by NRSA, only 0.09 lakh ha was validated by the revenue authorities for collection of water rate as of June 2009.

2.3.10 Evaluation

The Ministry of Statistics and Programme Implementation had evaluated (June 2008) the AIBP assisted projects and reported that the central assistance in AIBP projects had helped in accelerating project implementation and creation and utilisation of irrigation potential leading to higher cropping intensity and productivity in the command area. Physical verification by audit in the presence of departmental personnel of UIIP, Salki Irrigation project and five⁷⁶ completed MI projects between October 2008 and June 2009 and interaction with beneficiaries disclosed that the irrigation water released in these projects helped in improving the cropping pattern and increase in crop output.

Good practices

Audit noted that the department had adopted remote sensing technology for verification of irrigation potential actually created and introduced e-procurement for early finalisation of tenders.

2.3.11 Conclusion

The AIBP was launched with the aim of creation of additional irrigation potential. Despite adequate funding, all the projects test checked were incomplete, except for one medium project and eight MIPs. Irrigation potential created was only 0.88 lakh ha (27 per cent). Thus, AIBP could not succeed in accelerating the completion of the projects and creation of targeted irrigation potential, despite investment of Rs 3121.27 crore. This was mainly due to improper planning and inadequate monitoring coupled with mismanagement of funds. The Department also failed to utilise the irrigation potential created.

2.3.12 Recommendations

- The department should focus on completing the on-going projects on priority basis before proposing new projects for AIBP funding.
- The department should ensure that the basic requirements like pre-construction survey, administrative approval, land acquisition, forest clearance and ayacut planning have been adequately addressed to avoid delays in execution of work.
- The monitoring system of the project execution should be strengthened to identify the bottlenecks in completion of the project and enable timely and effective remedial measures.
- Joint verification of ayacuts by the Revenue and Project authorities should be completed to avoid loss of revenue.
- The department should focus on efficient fund management to ensure proper utilisation of AIBP funds.

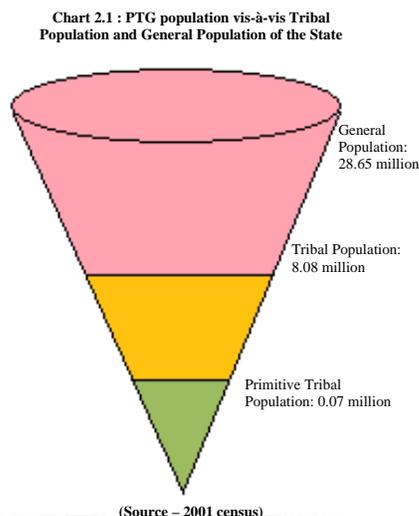
⁷⁶ Bartansil, Birighat, Chitrangi, Hirapur and Chipulijore MIPs.

Scheduled Tribes and Scheduled Castes Development Department

2.4 Micro projects for development of Primitive Tribal Groups

2.4.1 Introduction

Orissa has the third largest scheduled tribes population (8.15 million) in the country constituting 22 per cent of the State's population. Of the 62 tribal communities in the State, 13 are identified by the Government of India (GoI) as Primitive Tribal Groups (PTGs) on the basis of their (i) pre-agricultural level of technology, (ii) extremely low level of literacy and (iii) small, stagnant or diminishing population. As per baseline survey conducted during 2001-02 and 2006-07 by the Scheduled Castes and Scheduled Tribes Research and Training Institute (SCSTRI), Orissa the total PTG population in the State increased by 9.90 per cent during 2001-02 to 2006-07, 15683 households (85 per cent) remained below the poverty line (BPL) and literacy rate remained between 10.33 and 44 per cent.



2.4.1.1 Objectives of the micro project societies

With the objective of promoting educational and economic development of the PTGs and to protect them from all forms of exploitation, 17 Micro projects⁷⁷ were set up by the State Government and were registered (1976-77 to 1994-95) as societies under the Societies Registration Act 1860. Besides, these projects signify measures towards promoting educational, health and living standards directly or with help of other agencies.

2.4.1.2 Organisational set up

Micro projects were functioning under the administrative control of the Commissioner-cum-Secretary, ST & SC Development Department (SSD). The District Collector / Sub Collector is the Chairperson of the Governing Body of the concerned micro project and the Governing Body is responsible for undertaking different activities for development of PTGs.

⁷⁷ Bonda Development Agency (BDA), Mudulipada, (ii) Chuktia Bhunjia Development Agency (CBDA), Sunabeda, (iii) Didayi Development Agency (DDA), Kudumulguma, (iv) Dongria Kondh Development Agency (DKDA), Chatikona, (v) Dongria Kondh Development Agency (DKDA), Parsali, (vi) Hill Khadia & Mankirdia Development Agency (HK&MDA), Jashipur, (vii) Juang Development Agency (JDA), Gonasika, (viii) Kutia Kondh Development Agency (KKDA), Belghar, (ix) Kutia kondh Development Agency (KKDA), Lanjigarh, (x) Lanjia Soura Development Agency (LSDA), Serango, (xi) Lanjia Soura Development Agency (LSDA), Puttasingsh, (xii) Lodha Development Agency (LDA), Morada, (xiii) Paudi Bhuyan Development Agency (PBDA), Jamardihi, (xiv) Paudi Bhuyan Development Agency (PBDA), Khuntgoan, (xv) Paudi Bhuyan Development Agency (PBDA), Rugudakudar, (xvi) Soura Development Agency (SDA), Chandragiri, (xvii) Tumba Development Agency (TDA), Tumba

2.4.1.3 Audit coverage

The records of the SSD Department and all 17 micro projects were test checked in audit during April-August 2008 and April to May 2009 covering the period 2002-09. Information and supporting evidence was also collected from the Director, SCSTRI, Bhubaneswar, Director, Academy of Tribal Dialect and Culture, Bhubaneswar and implementing agencies of other line departments of the State Government. Interview of 330 beneficiaries of 13 PTGs were conducted in presence of the projects administration. However, the audit findings were limited to 12 out of the 17 test checked projects as the remaining five projects did not maintain relevant data on financial and physical achievements.

Audit findings

2.4.2 Planning

The SCSTRI prepared five year perspective plans (PP) for the development of the PTGs for 2002-07 after conducting baseline survey during 2001-02. A conservation-cum-development (CCD) plan for 2007-12 was designed through a consultative process with Gram sabhas in 2007 keeping the felt needs of PTGs in view. The perspective plan and CCD plans categorised the basic needs of the PTGs under Income Generating and Infrastructure Development schemes⁷⁸. PP 2002-07 and CCD plan projected fund requirement of Rs 155.80 crore during 2002-09. These plans were also approved by the State Government.

However, the Annual Action Plans (AAPs) by the Special Officers and approved by the respective Governing Bodies proposed requirement of only Rs 61.64 crore (40 per cent of both plan projections). This resulted in short release of Central Sector Scheme funds. The funds of Rs 47.01 crore released also fell short by Rs 14.63 crore of AAP projections. The *per capita* provision was around Rs 856 *per annum* which was much below the *per capita* development expenditure of Rs 1990 (2005-06) and Rs 4412 (2008-09) incurred by the State Government and the all States average of Rs 3010 (2005-06) and Rs 5050 (2008-09).

The Special Officers attributed the low budgeting and spending to lack of technical staff while the State Government stated (August 2009) that the PP and CCD plans though made through participatory methods but the planning to absorb financial outlay was the policy issue implemented at the level of Government and executing agencies.

2.4.2.1 Absence of Government approval to Annual Action Plans

AAPs for 2002-03 to 2008-09 prepared by the special officers of Micro Projects and accepted by the Governing Bodies were sent to the State Government but in none of the cases Government approval was received by

Funds sanctioned by the GoI constituted only 30 per cent of perspective and CCD plan (2002-09) projections

⁷⁸ (1) **Income Generating Schemes (IGS)** : Land development, irrigation, supply of agricultural implements / inputs, Poultry, Goatery, Milch cows, piggery, Small business and cottage industries.
(2) **Infrastructure Development schemes (IDS)** : Communication facilities i.e. provision for all weather roads, Construction of residential building, Education, Health care facility, provision for safe drinking water

the micro projects. Out of 63 AAPs test checked, 56 were prepared with delays ranging from 16 months (AAP: 2003-04, KKDA, Belgharh) to one month (AAP: 2006-07 LDA, Morada). Further six AAPs in respect of four projects were not available with the projects authorities, while AAP of Hill Khadia and Mankirdia Development Agency (HKMDA) for 2003-04 was not even approved by the Governing Body. This indicated the casual approach of the executing authorities in PTG development plans.

2.4.2.2 Non inclusion of PTGs in the perspective plans

The perspective plan 2002-07 excluded 4241 households⁷⁹ with 15243 population of Hill Khadia and Mankirdia and Lanjia Soura PTGs⁸⁰ from the purview of developmental planning. The Special Officer, HKMDA stated that the fact had been brought to the notice of the State Government. Government admitted (August 2009) that these households and related population could not get any recognition and approval from State and Central Government but did not assign any reasons thereof.

4241 households with 15243 population of HKMDA and Lanjia Soura PTGs were excluded from the purview of developmental planning

2.4.3 Funding arrangement

During 2002-09, the State Government received Rs 47.01 crore as grants-in-aid from the GoI as hundred *per cent* assistance under different schemes. Funds received under Central Sector Schemes (CSS) were based on the recommendation of a review-cum-selection committee on the annual proposals sent by the State Government for incurring expenditure on specific activities of PTGs as indicated at Table 2.6.

Table 2.6 : Scheme wise release of funds for development of PTGs during 2002-09 (Rupees in crore)

Sl. No	Sector / scheme of assistance	Purpose of assistance	Assistance received
1.	Special Central Assistance to Tribal Area Sub-Plan (SCA to TSP)	To supplement the efforts of the State Government as an additive to State TSP for filling up critical gaps to cover employment-cum-income generation activities of tribal families living below poverty line (BPL).	19.03
2.	Central Sector Schemes	Implementation of infrastructure development schemes (IDS)	3.41
3.	Conservation-cum-Development Plan	Implementation of IDS and income generation schemes (IGS)	22.43
4.	Grants under Article 275 (1) of the Constitution of India	Development of housing programme of the PTGs	1.33
5.	Janashree Bima Yojna	Insurance of poor helpless PTGs	0.81
	Total		47.01

(Source: Information furnished by the State Government)

GoI in their guidelines (May 2003) stipulated allocation of amounts available with Integrated Tribal Development Agencies (ITDA) in ratio of 70 *per cent* on numerical size of PTG and 30 *per cent* according to the population of PTGs in the State. Specific purpose grants were additive to TSP and State Plan schemes.

⁷⁹ Lanjia Soura: 4154, Hill Khadia and Mankirdia: 87

⁸⁰ Lanjia Soura: 4154 households of Puttasingi (981), Tolona (609), Jaltar (746), Chinasari (899) and Kulsing (919)

2.4.3.1 Financial Management

During 2002-09, Rs 51.87 crore⁸¹ including opening balance of Rs 4.86 crore was available with the 17 micro projects. However, expenditure of only Rs 41.66 crore was incurred as of March 2009. The table below indicate year wise provisions in Annual Action Plans (AAPs), the actual release of funds and spending thereagainst 2002-09.

Table 2.7 : Receipt and utilisation of funds

(Rupees in crore)

Year	Provision of fund as per PP and CCD Plan	Provision of funds as per AAPs made by the PO	Opening Balance	GoI funds received by the projects	Total funds available	Expenditure incurred	Unspent balance
2002-03	26.52	10.92	4.86	2.49	7.35	4.23	3.12
2003-04	26.70	7.65	3.12	3.41	6.53	2.78	3.75
2004-05	23.26	3.91	3.75	2.49	6.24	2.79	3.45
2005-06	24.28	3.88	3.45	6.06	9.51	3.39	6.12
2006-07	21.66	5.58	6.12	4.77	10.89	5.12	5.77
2007-08	15.89	15.55	5.77	12.01	17.78	9.76	8.02
2008-09	17.49	14.15	8.02	15.78	23.80	13.59	10.21
Total	155.80	61.64	4.86	47.01	51.87	41.66	10.21

(Source: Information furnished by the State Government)

The project wise details of funds requirement and actual release is given at **Appendix 2.26** which reveals that the percentage of sanction of scheme funds compared to that of requirement as per perspective and CCD Plans ranged from 11 per cent (DKDA, Parsali) to 61 per cent (LSDA, Puttasingh). Besides, there were delays ranging from two to 12 months in release of funds of Rs 1.70 crore to the micro projects by the State Government as indicated at **Appendix 2.27**. The Special Officers of the Micro Projects attributed the low spending to lack of technical staff. Following deficiencies in financial management were also noticed.

There was delay in release of funds by the State Government from two to 12 months to the micro projects

The State Government irregularly diverted Rs 68 lakh from IGS to IDS

- The State Government diverted (2006-08) Rs 68 lakh out of sanctioned (2005-07) funds under SCA to TSP⁸², for income generating activities and Central Sector Schemes meant for incentive to PTGs, Self Help Groups (SHGs) and solar light programmes to the irrigation projects in six micro projects⁸³. Thus, the activities for which the GoI allocated the funds could not be taken up.

⁸¹ Opening Balance: Rs 4.86 crore and GoI assistance received and released by the State Government to the Micro projects : Rs 47.01 crore

⁸² Tribal Sub Plan

⁸³ SDA, Chandragiri: Rs 11 lakh, PBDA, Rugudakudar: Rs 5.00 lakh, KKDA, Belghar: Rs 10.00 lakh, LSDA, Serang: Rs 21.00 lakh, LSDA, Puttasingi: Rs 8 lakh, TDA, Tumba: Rs 13.00 lakh

Advances of Rs 2.46 crore were outstanding against executing agencies for two to 29 years

Despite being prohibited by GoI, the State Government irregularly sanctioned (2003-05) scheme funds of Rs 1.73 crore for meeting establishment charges

Submission of UCs for Rs 6.70 crore were pending with the micro projects for one year or more

Rs 1.86 crore was spent on IDS in excess of admissible limit of 30 per cent in respect of funds available under SCA to TSP

- Advances of Rs 2.46 crore paid to officials and NGOs by different projects⁸⁴ were outstanding for adjustment since 1980-81 till 31 March 2009. These included payment of second and subsequent advances before adjustment of previous advance(s) contrary to the provisions of the Orissa Treasury Code.
- The State Government irregularly incurred expenditure of Rs 1.73 crore during 2003-05 on establishment charges out of scheme fund of SCA to TSP as per details shown in *Appendix 2.28*.
- All 17 micro projects did not submit UCs worth Rs 6.70 crore for the grants-in-aid paid upto 2007-08 and UCs for Rs 12.39 crore for the GIA received during 2008-09 as of May 2009 as detailed in *Appendix 2.29*.

2.4.3.2 Excess expenditure on infrastructure development out SCA funds

GoI guidelines (May 2003) stipulated that SCA funds upto a maximum of 30 per cent were to be spent for creation of infrastructure incidental to income generation and in no case any amount was to be spent for infrastructure development of general nature. However, during 2002-07, seven micro projects incurred expenditure in excess of the stipulated limit of 30 per cent by Rs 1.86 crore on construction of canals, water harvesting structures and diversion weirs etc. as detailed vide *Appendix 2.30*. Government stated that due to inadequate funds under Infrastructure Development Schemes (IDS), funds from IGS were diverted, as minimum basic requirements in PTG areas were conspicuously absent. The reply was not convincing as IDS requirement were to be made out of normal budgetary allocations etc. and the diversion of funds resulted in shortfall in implementation of specific Income Generating Schemes meant for the PTGs.

2.4.4 Project implementation

As per GoI directives SCA to TSP being an additive to state plan, it was to be utilised as a gap filler to State Scheme. It was a prerequisite to formulate schemes/programme suitable to social, economic and ecological situation and should have a direct bearing on economic development with more focussed approach leading to perceptible change and resources being spread thinly. It was however, noticed that the scheme / programmes included in the AAPs of the micro projects were not PTG-specific but were similar to those implemented for development of STs. No specific importance was given for framing and implementing schemes/programme/activities that are required to augment traditional sources of income and skills of PTGs. Cases of non creation of intended facility, denial of assistance, low level of spending etc. were noticed as discussed in succeeding paragraphs.

⁸⁴ BDA, Mudulipada: Rs 35 lakh, CBDA, Sunabeda: Rs 13 lakh, DDA, Kudumulugumma : Rs 10 lakh, DKDA, Chatikona : Rs 16 lakh, DKDA, Parsali : Rs 6 lakh, HK&MDA, Josipur : 39 lakh, JDA, Gunasika ;11 lakh, KKDA, Belgarh : Rs 1 lakh, KKDA, Lanjigargh : Rs 7 lakh, LSDA : Serang : 17 lakh, LSDA, Putasingh : 27 lakh, LDA : Morada : 9 lakh, PBDA, Jamardihi : Rs 6 lakh, PBDA : Khuntgaon : Rs 10 lakh, SDA, Chandragiri : 3 lakh and TDA, Thumba : Rs 36 lakh.

2.4.4.1 Implementation of Income Generating Schemes (IGS)

Targets and achievements: The component wise position of physical and financial targets and achievement there against during 2002-09 is indicated at **Appendix 2.31**. It was revealed that out of funds of Rs 51.87 crore available during 2002-09, utilisation of funds by the micro projects was only Rs 41.66 crore. In spite of 80 *per cent* spending, the physical achievement in all the components fell short by 15 to 76 *per cent* as under:

- Implementation of agricultural and land development programmes ranged only 15 to 57 *per cent* of requirement projected in perspective and CCD plans 2002-09;
- Horticultural development was sketchy and two to 10 *per cent* of projected programmes were implemented during 2002-09;
- Irrigation facilities were not extended to the fields of 58 *per cent* of PTG due to non implementation of targeted irrigation projects;
- Planned assistance to PTGs under poultry, diary, goatery units etc. ranged from less than one to 11 *per cent only*;
- Income generation programmes like opening of small shops, petty business units was impaired due to implementation of one to 23 *per cent* of projected programmes.
- During beneficiary interview, 75 *per cent* stated that they did not get any agricultural implements, 58 *per cent* did not get any irrigation facilities, 76 *per cent* did not receive any assistance under animal husbandry sector.

The department attributed low spending and shortfall in achievement to inadequate fund flow and lack of technical manpower. The reply was not acceptable as there was spillover of funds under all components every year and Rs 10.21 crore (20 *per cent*) remained unutilised as of March 2009.

2.4.4.2 Income generating through group approach

As per State Government's guidelines (9 November 2005) the income generation strategy was to organise the PTGs, through community mobilisation into self help groups (SHGs) consisting of 10-20 members in each SHG with micro credit support of Rs 10000 per SHG and provide them facilities of capacity building, training and bank linkages etc. for economic activities including cattle rearing and small business etc. The SHGs, which have successfully demonstrated certain prescribed attributes in different stages, were to be graded for becoming eligible for raw material assistance of Rs 30000 from the fund available under SCA to TSP. It was seen that although 874 SHGs (**Appendix 2.32**) were formed in PTG populated village in the 17 projects consisting of 12110 members, no details of group activities, collective economic product, profit earned and bank loan linkages at different stages were kept on record or monitored as required under the scheme guidelines.

Although 874 SHG groups consisting of 12110 members were formed, their economic activities were not monitored at all

2.4.4.3 Non establishment of marketing facilities

Planned purchase/ sales centers were not opened in PTG areas

Establishment of marketing centres by opening sale centres, construction of market sheds in PTG dominated villages was one of the focused areas in the perspective and CCD Plans (2002-09) for which a provision of Rs 70 lakhs was made for providing facilities of sale / purchase of agricultural and minor forest produce. However, no such marketing centres were established in the PTG micro project areas as of May 2009. During interview, 311 beneficiaries (94 per cent) confirmed non-availability of any such centres.

2.4.4.4 Non- implementation of Forest Rights Act 2006

No forest land was recorded in the names of the PTGs as required under Forest Rights Act 2006

Section 4(3) of 'The Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006' (Central Act) vested record of rights of forest land in the names of the heads / spouses of PTG families who were in occupation of the forest land since 13 December 2005. However, such lands had not yet been recorded in the names of PTGs members in occupation of forest land. The Special Officers of Micro Projects stated that the provisions of the Act had not yet been implemented (May 2009). The Government stated that the same could not be implemented due to a public interest litigation petition pending in the Orissa High Court. The latest survey report (2008) of the SC/ST Research and Training Institute, Bhubaneswar indicated that nine per cent (PBDA, Jamardihi) to 93 per cent (PBDA, Khuntgaon) PTG households were landless.

2.4.5 Infrastructure development

The plan outlay of each activity and physical target projected in the five year PP (2002-07) as well as first two years of CCD (2007-09) plan and the achievement thereagainst given at **Appendix 2.33** revealed that the physical achievement in all components fell short by one to 23 per cent and due to lack of aggressive approach of the implementing authorities, the areas of major shortfall were:

- All weather connectivity to 211 (39 per cent) PTG villages were not provided as of May 2009. Out of projected requirement of Rs 15.08 crore, only Rs 4.39 crore (29 per cent) was spent during 2002-09;
- Anganwadi Centres (AWCs) were not available in 277 PTG villages. Against the provision of Rs 8.06 crore during 2002-09 for supply of free reading and writing materials, uniform to the PTG students, only Rs 2.90 crore was spent in the 12 micro projects. There were no separate schools for PTG children. Although education complexes were completed in 17 micro projects, the literacy rate did not increase beyond 24 per cent;
- The literacy rate of the PTGs belonging to Paudi Bhuyans (Rugudakudar), HKMDA (Jashipur) and Kutia Kandha (Lanjigarh) decreased; the reasons thereof were not investigated. There were 124 matriculates and 43 graduates among PTGs as stated by the micro projects;
- 248 PTG villages (45 per cent) were not provided with safe drinking water and expenditure was only eight per cent of requirement projected in perspective plans;

- The SCSTRTI's survey reported that the PTGs were living in unhygienic conditions and health care facilities available were inadequate;
- Coverage of construction / repair of houses and distribution of fire proof materials ranged from 17 to 24 *per cent* of the planned outlays under housing sector ;
- Eighty five *per cent* of the PTG villages remained un-electrified as of June 2009. The solar lighting system installed by OREDA at a cost of Rs 8.92 lakh (PBDA, Jamardihi: Rs 4.60 lakh and BDA Mudulipada: Rs.4.32 lakh) was not functional.

2.4.6 Preservation of PTG Culture and social customs

No attempt was made to preserve customs and cultures of PTGs

The perspective plans of the micro projects (2002-07) made provision for preservation of PTG scripts, culture, supply of musical instruments, setting up of community centres/recreation clubs etc. An estimated outlay of Rs 2.18 crore against which only Rs 22 lakh (11 *per cent*) was spent during 2002-07. Musical instruments used by PTGs were not supplied to them by the micro-projects. Besides, no such step to preserve PTG dialect, culture and social customs were taken up in the micro projects.

In spite of Government efforts, the population of two primitive tribal groups has diminished alarmingly

2.4.7 Demographic profile and decline in population of two PTGs

The demographic figures published by the SC & ST Research and Training Institute, Bhubanswar in 2008 revealed that although the overall population of PTGs increased from 70657 (2001 census) to 78519 (2007), population of two PTGs viz., Mankirdia and Birhor were diminishing as indicated at **Table 2.8** below:

Table 2.8 : Population trend of some PTGs

Sl No.	Name of the Tribe	Population as per		Decrease in population (<i>per cent</i>)
		1991 census	2001 census	
1.	Birhor	825	702	123 (15)
2.	Mankirdia	1491	1050	441 (30)

The overall population growth of 9.90 *per cent* was much less than State population growth. The steep decrease in population of Mankirdia (30 *per cent*) is an area of concern indicating total apathy of the civic society. The Government while admitting (August 2009) declining rate among Mankirdia and Birhor PTGs, apprehended that they might have migrated in search of livelihood at the time of census survey.

2.4.8 Human Resources management

The sanctioned strength of a micro project comprises a Special Officer/project Leader, Junior Engineer, Junior Agriculture Officer, Welfare Extension Officer, Senior Clerk/Junior Clerk, Field man, Driver and Peon. Against the above staff strength, there were vacancies of technical personnel in almost all the micro projects except Juang Development Agency, Gonasika. The sanctioned strength and men-in-position (31 March 2009) and vacancy position of 17 micro projects as per information furnished by the Director of the nodal department is indicated at **Appendix 2.34**. Vacancy in the regular posts of Junior Agriculture Officers/Assistant Soil Conservation Officers,

Junior Engineers in the projects adversely affected implementation of developmental programmes.

2.4.9 Monitoring, evaluation and internal audit

Monitoring and evaluation system was inadequate

Monitoring of the development programmes implemented by the micro projects showed that Annual Governing Body Meetings to approve annual accounts and Annual Action Plan for succeeding years were not regularly held by five⁸⁵ micro projects. As required under CCD plan (2007-12), a committee consisting of four officers i.e. CDMO, DFO, Executive Engineer (PWD), NGO representative of the concerned districts was required to supervise the implementation of programmes and submit report to the District Collector concerned by April after completion of a financial year. But it was not done in any micro project. Review by the Commissioner-Cum-Secretary was not conducted during 2002-06. The Government while confirming (August 2009) requirement of concurrent evaluation as per CCD plan in respect of each micro project stated that evaluation of works of micro projects under annual work plan for 2009-10 were under process.

2.4.10 Conclusion

The components of the programme implemented were not different from components under TSP and the money was thinly spread over number of components. Income generation was low and quality of life was poor due to absence of health care, educational, housing, drinking water, all weather connectivity, electricity facilities etc. Despite ambitious planning, AAP provision of 40 *per cent* of plan projections eluded benefits planned due to slow pace of creating development infrastructure. Micro projects were poorly staffed with technical manpower. PTGs have low literacy level and near total absence of civic facilities. Their population is stagnant or declining.

2.4.11 Recommendations

- The State Government and the Governing bodies should plan to provide special care programme for stepping up the sources of livelihood and socio-economic condition needed for the PTGs.
- Government may ensure timely review meeting of GB of all micro projects to plan and monitor proper implementation of special care programmes for PTGs.
- Government may provide adequate technical manpower support to micro projects on priority.
- With primitive techniques of agro-based production, PTGs require special attention and extension of various social welfare schemes in concerted manner with enhanced scale of various interventions. The State Government may also consider supplementing the GoI provisions.

⁸⁵ (i) BDA, Mudulipada, 2002-03, (ii) PBDA, Rugudakudar 2007-08, (iii) PBDA, Jamardihi 2007-08, KKDA, (iv) Belghar 2002-03, 2006-08 and (v) HK & MDA, Jashipur 2003-04.

FINANCE DEPARTMENT

2.5 IT Audit of Orissa Treasury Management System

2.5.1 Introductory

As part of the Orissa Public Sector reform programme, Government have computerised its Directorate of Treasuries and Inspection (DTI), eight special treasuries, 30 district treasuries and 126 sub-treasuries of the state under the Orissa Treasury Management System (OTMS). All treasuries in Orissa are banking treasuries.

The OTMS project started in June 2005 with funding from Department for International Development (DFID)⁸⁶ and was completed in February 2007 one month ahead of scheduled completion date. The project was monitored by Project Steering Committee headed by Principal Secretary, Finance Department. The OTMS developed by CMC Limited is an adoption of similar software developed for Government of Karnataka viz. '*Khajane*'. Therefore, no separate user requirement specification (URS) was developed for OTMS. CMC and DTI analysed the software and identified gaps through gap analysis document (GAD) between software specifications and the Government requirements.

The OTMS uses Red hat Linux Enterprise as Operating System and Oracle 10g for database and application servers. It is based on a hybrid network of VSAT and BSNL lease lines with former connecting the sub-treasuries with district treasuries and the later connecting the district treasuries with nerve centre at DTI in Bhubaneswar. The OTMS architecture is based on distributed processing.

The Central Nerve Centre at DTI is equipped with two application servers and two database servers. DTI/Finance Department module and communication module of OTMS are deployed in DTI servers. District treasuries are equipped with an application server, database server through a LAN with local nodes and treasury module of OTMS. Sub-treasuries including part time sub-treasuries are equipped with local nodes in LAN. They access the district treasury module of OTMS deployed in the district treasuries.

The central focus of the OTMS Software is budgetary control through distributed processing on client-server architecture. There is a central server in DTI nerve centre in to which the budget once passed by Legislature is uploaded by the Finance Department. Subsequently, the line departments distribute the budget among the Controlling Officers (COs) by using a separate module called the Budget Interface, the CO-wise distribution of budget is copied to the central server. The COs, in turn, allot the budget fully

⁸⁶ Estimated cost of Rs.20 crore

or partly among the Drawing and Disbursing Officers (DDOs) under their control again using budget interface and send the hardcopies of the allotment orders to the DDOs. The treasury servers and the central server are synchronised twice⁸⁷ daily through the communication module. The DDO-wise distribution is copied to the treasuries servers at the time of synchronisation. Thus, the DDO-wise allotment of budget is available in treasury which helps the treasury to validate any bill submitted by a DDO against the allotment.

2.5.2 Organizational set up

DTI is the administrative and technical head of treasuries. DTI reports to Principal Secretary, Finance Department. The DTI is assisted by an Additional Director (General) who is assisted by Assistant Directors (Training, Personnel Management Unit, Computer and Budget) for works related to computerisation of treasuries projects.

2.5.3 Objectives of computerisation

The system aimed at:

- real time allocation of chart of account (CoA) wise budgetary provisions for Drawing and Disbursing Officers (DDO);
- ensuring passing of bills only within allocation of funds and avoiding wrong/excess drawal of funds at the treasuries;
- monitoring progress of expenditure against allotment as and when required;
- speedier processing of bills and claims received at treasury and
- generating returns and reports provided to client departments/ organisations.

2.5.4 Audit objectives

The audit objectives were to assess whether:

- implementation of the centralised computer system was completed in time;
- key benefits envisaged for development of the system were being derived by the Finance Department, DTI, line departments, Accountant General(AG), treasuries and common citizens;
- online clearance of bills were being carried efficiently at the treasuries;
- deficiencies existing in manual system like over drawal of funds, misclassification of expenses and delay in settling the claims were eliminated;

⁸⁷ From 11.30 AM to 11.40 AM and 3.30 PM to 3.40 PM

- level of improvement in budget monitoring and reduction/elimination of expenditure exceeding the budget limits as envisaged were achieved;
- extent of duplication of work in preparation of accounts at the treasury level and the AG office minimised;
- the system provided real time and accurate information to various Government departments regarding collections and expenses and better management of various schemes administered by the Government and
- the system provided efficient service delivery to pensioners.

2.5.5 Audit methodology

Comprehensive assessment of OTMS was made through check of records⁸⁸ of Finance Department, DTI, software vendor (CMC), through observation of actual data processing in two⁸⁹ special treasuries, eight⁹⁰ district treasuries and 24⁹¹ sub-treasuries (three sub-treasuries under each district treasury). Interactive Data Extraction and Analysis (IDEA) software and Structured Query Language (SQL) was used by audit for analytical review of data. An entry conference was held with DTI on 31 October 2008. Audit findings were discussed with the Principal Secretary, Finance and Director, Treasuries & Inspection on 19 August 2009. Replies of DTI have been incorporated at appropriate places. The findings of audit were sent to the Government of Orissa in July 2009 and the reply received during September 2009 was suitably incorporated in the report.

Audit findings

Review of OTMS revealed that the project was completed well ahead of its scheduled time. The system has been helpful to the Finance Department in cash management as the system provides information on pending bills as on any day. It was also seen in audit that major benefits derived from OTMS are

- i. the communication of budget allotment stands well organised and now takes lesser time;
- ii. the scope of allotment details being incomplete is negligible and
- iii. the system in general does not allow a bill to be approved where allotment is inadequate.

Audit, however, noticed the following deficiencies in OTMS.

⁸⁸ Project documents, i.e., Terms of Reference, Gap Analysis Document, User Manuals, First Administrative Reform Commission Report on procedures of Treasuries and other relevant records

⁸⁹ Cuttack and Bhubaneswar

⁹⁰ Cuttack, Jagatsinghpur, Jajpur, Balasore, Bargarh, Koraput, Puri and Khordha

⁹¹ Niali, Athagarh and Narsinghpur; Tirtol, Kujanga and Balikuda; Dharmasala, Darpani and Binjharpur; Soro, Jaleswar and Nilgiri; Attabira, Padampur and Barpalli; Laxmipur, Pottangi and Machhkund; Pipili, Nimapara and Satyabadi; Tangi, Jami and Banpur.

2.5.6 General Controls

2.5.6.1 Connectivity with Accountant General, Banks and DDOs

OTMS envisaged development of Treasury interface for electronic transfer of treasury data to voucher level computerisation (VLC) database in the Office of the Accountant General (A&E) (AG) and another interface with banks. These however, were not implemented. The Government also intended to extend the package to DDO level, which was not prioritised. This led to the delay in processing of bills, duplication of work in the AG's office and difficulties in accounting of receipts as discussed below:

(i) The various stages in the sequential process of payment of bills involved the following steps like bills (1) received by front desk clerk (2) passed by dealing assistant (3) passed by the accountant (4) approved by the Treasury Officer (TO) (5) generation of advice by cheque writer and (6) payment by bank. It was seen in audit that in 14⁹² per cent of bills passed during 2007-09, there was delay of more than three working days at the front desk clerk and dealing assistant levels.

The Government while admitting the facts (September 2009) assured to adopt 'First In First Out' method in passing the bills in order to restrict their pendency. However, it was reiterated that the delay could be further reduced/eliminated with the system being extended to DDOs.

(ii) AG will be able to use the OTMS data only with a treasury interface which is yet to be developed. This will save time and effort on account of re-entry of all vouchers at the AG's level. Further, the divergence in codification structure, classification of accounts etc. between OTMS and VLC system in operation at AG required to be integrated during development of such interface.

The Government stated (September 2009) that steps were being taken to integrate the OTMS with VLC system.

(iii) In the absence of interface with banks, receipt/payment transactions in the banks were entered into OTMS based on the print out scrolls of transactions received from the banks at the end of the day. This could have been avoided with interface with the banks. Further as suggested by the First Administrative Reforms Commission, deputing a treasury staff in the banks for operating this interface would also reduce the time and efforts taken by DDO/general public to get the challans verified by treasury before the remittance.

The Government stated (September 2009) that initiatives for providing e-payments are being taken up separately.

⁹² 197006 cases of delay of more than three days upto dealing clerk's level out of a total of 1461399 cases where payment was made through OTMS payment module (between April 2007 and 13 January 2009)

2.5.6.2 Architectural limitations

The OTMS had distributed architecture with servers in each district treasury and synchronising the data with DTI central server twice daily. Generation of State level reports is dependent on data synchronisation and district level server condition. Real time allocations in respect of transactions relating to those CoAs which have been re-appropriated by addition or deduction of funds during post-synchronisation hours are not updated in the treasuries thereby posing problem in exercising better budgetary control. With the availability of 24 hour leased line which is being used only for a few minutes daily during synchronisation, the online synchronisation with Central Server would be possible and would improve the budgetary monitoring exercise.

Though the DTI is placing Monthly Accounts Report, a MIS from OTMS data relating to previous month on its web site, the report is treasury-wise and that too for a particular major head or a Chart of Account (CoA). So, in case of requirement, reports like the progress of expenditure on a scheme for entire State could only be got through DTI instead of getting them on line.

Thus, the architecture based on central processing rather than distributed processing has the big advantage of enabling real time allocations and making transition to a web based system easy with access of the departments, the DDOs and the general public.

The Government in reply stated (September 2009) that steps would be taken to switch over to central processing system in future.

2.5.6.3 Digitisation of Treasury Codes, Rule etc. in OTMS

As per Terms of Reference for OTMS, all Treasury Codes, rules, standing instruction/objections etc. should be documented and made an integral part of the computerised system so that the user will be provided with an easy access to this database for locating specific code, rules, objections etc. Database in respect of the above did not exist in the system. For checking of bill, the rules and codes were being referred to from manual documents only.

The Government stated (September 2009) that though digitisation of codes was not a part of the terms of reference for OTMS, certain important codes were codified in OTMS. However, it is reiterated that complete codification would be more helpful in the operation of Treasury system.

2.5.6.4 Vote on account-Budgetary control

The central objective of OTMS was to restrict expenditure within budgeted allotment. In the financial year 2007-08, Vote on account was adopted for the first four months and provision of funds was defined only up to minor heads. Since OTMS provided for CoA wise allotment up to object heads, the OTMS could not cater to the vote on account. As such, DTI advised treasuries to pass the bills skipping allotment checks those were available in the system till the time regular budget (COA-wise) was passed and duly entered in the system. The budgetary controls were exercised through the registers maintained

manually during the vote on account period. Treasury Officers were also advised to manually deduct the expenditures under different CoAs up to that period and put the balance provision against corresponding CoAs for spending in future.

This resulted in accounting of expenditure against wrong CoAs and those not defined in the budget for 2007-08 later passed and entered into OTMS as detailed below:

(i) Analysis of Data revealed that during the vote on account period of 2007-08, the system accepted 33634 number of transactions amounting to Rs 388.95 crore against 7551 CoAs, which were not defined in the budget. The above included 1692 cases wherein mismatch occurred due to feeding of incorrect code '0' in respect of charged/voted expenditure instead of '1' for voted or '2' for charged. Similarly, there was mismatch of sector code⁹³ in 47 cases where the CoA contained the undefined sector codes as 3, 4 and 9 other than 0, 1 and 2. Thus, the office of AG could book this unaccounted expenditure only against Suspense Accounts for further reconciliation.

(ii) The expenditure during vote on account period were deducted against wrong CoAs leading to short booking of expended amounts with respect to the relevant CoAs, ultimately providing scope to incur/book excess expenditure than the allocation. Data analysis revealed booking of excess expenditure to the tune of Rs 5.59 crore over and above the actual allocation against such CoAs in test checked⁹⁴ treasuries.

These mistakes could have been avoided if the provisions to accommodate the transactions in details during vote on account as in case of regular budget were included while designing OTMS and would have resulted in better monitoring and proper accounting of the transactions.

Government has again adopted vote on account for the year 2009-10 and the same procedure was being followed.

The Government in its reply accepted (September 2009) the limitation of the procedures adopted during the vote on account period and stated that action would be taken to reduce such incorrect booking of expenditures. It further requested for the details of such excess expenditure for detailed analysis. It is stated that such details were already given to the concerned treasuries during the audit and were also provided to the DTI (October 2009).

2.5.6.5 Non utilisation of developed Payroll module

Besides, the Treasury Module in OTMS, DTI has also developed the Payroll module. The developed payroll module was kept on hold as comprehensive human resources management information system (HRMIS) package was under development by Orissa Modernisation of Government Initiative (OMGI)

⁹³ State Sector / District Sector

⁹⁴ (1) Attabira : Rs.189189, (2) Bargarh Rs.6723391, (3) Padampur: Rs.2774617, (4) Jaleswar : Rs.1007226, (5) Nilgiri : Rs.535757, (6) Soro : Rs.204963, (7) Cuttack: Rs.2910307, (8) Cuttack Spl. : Rs.14115145, (9) Dharmasala : Rs.117411, (10) Laxmipur : Rs.369, (11) Machhkund : Rs.107875, (12) Pottangi Rs.397103, (13) Koraput : Rs.13296369 and (14) Puri : Rs.13545956

of the State Government. As such, the developed pay roll module could not be put in to use till date.

The Government stated (September 2009) that the HRMIS package would also contain the Treasury interface but was silent on the utilisation of developed pay roll module.

2.5.6.6 Implementation of Pension module

Data of pensioners fed into the system initially had many flaws and hence the pension module was not operable. As such, the treasuries and sub-treasuries could not use the module for routing pensioners' bills. It was seen that only 38 treasuries could use the pension module partially while the remaining treasuries were not using the module due to its non implementation.

Further, test check of records and database revealed the following :

The system has no provision to indicate sharable portion of gratuity on death of an employee as indicated in the Pension Payment Order (PPO), instead allowed 100 *per cent* share to one dependent only. Hence, payment of gratuity was adjusted manually by the Treasury Officers.

System has no provision for pro-rata calculation of pension and family pension thereon in case of death of a pensioner in the middle of the month. The same continued to be calculated manually.

Pension payment order (PPO) contains details of the pensioners along with the photographs in both halves so as to ensure the identification of the pensioners at the time of physical appearance from time to time. Provision to store photographs in the OTMS would facilitate easy verification through system. However, in the absence of such provision in OTMS, the verification is continued to be done using manual PPOs.

The Government stated (September 2009) that necessary provisions would be incorporated.

2.5.6.7 GPF Module -Capture of GPF numbers

Analysis of Central database revealed that during 2007-09 sanction details of GPF claims were captured in the database without the GPF account numbers as the system did not have provision to capture GPF account numbers. Availability of GPF numbers in the OTMS data would reduce further manual entry during maintenance of GPF accounts in the office of AG.

The Government assured that such deficiencies would be taken care of.

2.5.6.8 Drawal of AC Bills

Financial Rules provide that a certificate shall be attached to every abstract contingent (AC) bill to the effect that the detailed contingent (DC) bills in respect of AC bills drawn more than a month before the date of the present bill have been submitted to the AG. However, in the absence of separate

provision for capturing details of this certificate, the system accepted all AC bills without checking the pendency status.

2.5.6.9 Drawals from Deposit account

Note below Rule 479 of OTC envisaged that in case any administrator of local funds failed to furnish the Annual Balance Certificate(ABC) in respect of PL Account operated by him by the end of April every year, the TO may refuse to honour the cheques drawn by the administrator concerned until the certificate is furnished. It was seen that no provision in OTMS to exercise such control of the expenditure was designed. This was being watched manually. The Government stated (September 2009) that necessary validation would be provided in OTMS.

2.5.6.10 Recovery of Income Tax from vendors on sale of stamps

Analysis of database revealed that there was no provision in the system to calculate and capture the income tax on the discounts allowed to the vendors, where commission exceeded Rs 2500 in a quarter, on sale of stamps. It was further observed in the district/special/sub-treasuries that the income tax was manually calculated and deducted from the discount.

The Government replied (September 2009) that such facility will be incorporated in the system in future.

2.5.6.11 Non-utilisation of the System “Scanned signatures of payee”

Payment of any type of bill requires the authentication of signature of DDOs/ pensioners/ messengers to ensure the genuineness of the payee. Though OTMS has the provision of storing the scanned signatures of DDOs/ pensioners/ messengers, the same were not captured and used for verification during the bill clearance process. Hence, signatures were continued to be verified using manual records.

The Government stated (September 2009) that the provision available for verification of signatures would be utilised.

2.5.6.12 Non-generation of different reports in OTMS

The following reports required to be submitted to Accountant General were being prepared manually in the absence of provision in OTMS.

- (i) a list of lapsed deposits at the close of every financial year to review lapsed deposits
- (ii) a statement of undisbursed pension in every six months by the pension disbursing officer

The Government stated (September 2009) that the provision will be made in the OTMS for generation of such reports.

2.5.6.13 Disaster Management Plan

(i) It was seen in audit that the size of the database was increasing day by day which could affect the performance by slowing down the system unless data warehousing concept i.e., data for earlier periods are taken out of the system and stored offsite, is adopted. This would also ensure the safety of the data. The DTI stated (June 2009) that necessary steps will be taken to improve the performance of the system.

(ii) It was seen that no Disaster Recovery Policy and Backup Policy had been formulated by the Department. As the data between district servers and the central server were got synchronised only twice a day, there was a risk of loss of data in between such synchronisation in the absence of provision to take external backups and store them at offsite locations at DTI level.

(iii) Moreover, the Government did not address the critical need for having a separate Disaster Recovery Centre in different location other than the nerve-centre at Bhubaneswar in order to mitigate the risk of disruption and loss of data due to accidental reasons.

The Government replied (September 2009) that the requirement of separate Disaster Recovery Centre is being considered.

2.5.7 Information System (IS) Security

2.5.7.1 Logical access controls

Logical access controls are the measures and procedures aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts. The following deficiencies in logical access controls were noticed.

(i) In order to ensure security and accountability, usage of group user IDs and sharing of passwords should be prohibited. Audit observed that during 2007-09, in the test checked treasuries, 33807 transactions were recorded using the user IDs of users who were on leave. Further, user IDs of users on transfers were not deactivated immediately after their relief and in one case user ID of a TO was used to approve nine transactions after his transfer. As such fixing of accountability could not be ensured in the above transactions.

(ii) In OTMS, the user name was associated with the user ID. However, users were allowed to modify the user name without changing the other details including user ID etc. Thus the transactions were continued against the earlier user ID, eventually creating discrepancies in accountability. Verification of records in Attabira sub-treasury revealed that transactions prior to 20 August 2007 were shown as processed by a dealing clerk who joined the duty only on 20 August 2007.

(iii) The passwords were assigned to the users in a uniform pattern i.e., 'abbreviated username combined with digits 123' which were vulnerable for users to gain access to the system using others' user ID.

- (iv) There was no provision in the system to automatically change the password at certain intervals.
- (v) The system did not have the provision to restrict invalid login attempts so as to avoid hacking through password guessing attacks.
- (vi) There was no provision in OTMS to automatically log off the system after a defined unattended period.

Government assured (September 2009) that necessary security controls will be built in OTMS.

2.5.7.2 Backend corrections

Correction in the data should be done using an interface rather than through the backend directly in the database. It was noticed that in OTMS corrections of data through backend was resorted to on request basis and this process has led to loss of data integrity in the database. The corrections, if inevitable could have been done through a proper menu on module at DTI level with proper log of such corrections.

Analysis revealed that corrections had been made using backend in 218 cases out of 507 requests during 2007-09. The backend corrections also made by the CMC, the service provider, indicated continued dependence on the vendor to sustain the system.

The DTI replied (June 2009) that the correction facilities would be extended to the DTOs using interface in near future.

2.5.7.3 Audit trail

(i) As a measure of security, audit trails automatically track the user activities in the system. In OTMS, when the transaction is initiated, it is followed by creating date of creation of record. On subsequent modifications, the date of modification is also recorded. Analysis of central database revealed that dates of creation of challans were not recorded in 30716 cases during 2007-2009.

(ii) The modifications/changes made in the amounts of the bills and other details at different levels are not logged. This resulted in non-identification of the user modifying the bill. The DTI noted the observation for future guidance.

(iii) In the counter operation environment, capturing the details of login such as login date/time and whether the attempt to login was successful and authorised or not etc., would help in monitoring user login events. However, OTMS had no such module.

(iv) Under computerised environment (OTMS) budget allotment to the different DDOs was made by the Controlling Officers after which transactions against the DDOs take place in the treasuries. Transactions against a DDO cease to operate whenever a particular DDO becomes inactive or gets

abolished. OTMS did not contain provision to maintain a log of such period when the DDOs were made active or inactive. In reply the DTI stated (June 2009) that the date of creation and modification of such records will be captured in the system in future. The reply was not tenable as capturing the date of creation and modification of record was not sufficient for the purpose of log. Rather the dates from which the DDO became active or inactive should have been provided in the database.

Application controls

Application controls include input controls, process controls and output controls and are used to provide assurance that all transactions are valid, authorised, complete and accurate. The budget module of OTMS was a part of DTI/FD module while Treasury sub-system contained modules like payments/receipts, personal ledger and deposit accounts, pension and stamps. The observation related to deficiencies in various application controls are grouped under the relevant modules as detailed below:

2.5.8 Input Controls

The input controls ensure that the data received for processing are genuine, complete, not previously processed, accurate and properly authorised and are entered accurately and without duplication. The following deficiencies in input controls employed were noticed.

Receipt and payment modules

2.5.8.1 Duplicities and gaps in vital fields

In treasuries and sub-treasuries, the first stage of processing a bill is issue of token number (treasury-wise and year-wise) followed by issue of bill numbers (DDO-wise and year-wise) and the last stage is issue of voucher number (treasury wise-major head wise-month wise) for each bill paid by designated bank(s). It was seen in audit that during 2007-09 the system accepted duplicate bill numbers, token numbers and voucher numbers and simultaneously allowed gaps in these number series as detailed:

(i) Duplicate token number and gaps in token number series

Analysis of central database revealed that there were 305 gaps in 69 occasions and 148 duplicate token numbers. Interim reply of DTI (June 2009) revealed that 128 duplicities occurred due to accidental change in system date of the database server, advanced by four months, at district treasury, Nabarangpur and the remaining 20 duplicities were due to corrections of token numbers made through backend modifications. This indicated the system lacked input control in this regard.

DTI stated (June 2009) that the gaps in the token number series were due to backend deletion of records. It is recommended that instead of deletion, suitable indicators like flags could be employed for identifying such records.

Government stated (September 2009) that necessary controls would be provided to avoid duplicacies and gaps.

(ii) Duplicate voucher numbers and gaps in voucher number series

It was observed that in OTMS, voucher numbers were generated automatically while entering payment scroll received from the bank. In the event of wrong entry, the vouchers were deleted and re-entered with the correct data and were given new voucher numbers. This process paved way for gaps in voucher numbers.

Analysis of Central database revealed more than 88860 gaps in the voucher number series in 14000 occasions and 1328 duplicate voucher numbers. It was also observed that due to lack of input controls with respect to the voucher dates, system accepted dates pertaining to previous financial years as voucher dates thus paved way for creating duplicate vouchers having same voucher numbers in the earlier months and gaps for the current month.

It is recommended that input controls should be strengthened to prevent wrong data entry and also suitable indicators like flags could be employed instead of deleting incorrect records.

Government accepted (September 2009) the fact and stated that necessary action would be taken to avoid duplicate vouchers numbers and gaps in the voucher number series in future.

(iii) Duplicate challan numbers and gaps in challan number

Every receipt should be assigned a unique challan number. In OTMS, the challan numbers were given monthly and major head-wise in the respective treasuries. Data analysis revealed that 1570 duplicate challan numbers existed in the system. This became possible, as was observed in case of vouchers, since the system accepted dates related to previous financial years as challan dates in the absence of input controls in this regard.

The Government stated (September 2009) that though the system was locked on closure of a financial year, only corrections to head accounts were resorted to on requirement basis and stated that action would be taken to lock the accounts thereafter. However, it was observed that keeping the accounts open for a long period have led to such incorrect data.

(iv) Processing of more than one bill with the same number

OTC required DDOs to allot bill number to each claim before presentation to the treasury for payment. In the manual system, DDO wise bill numbers were allotted serially under different categories like establishment, contingent and scheme expenditure etc. within a financial year. However, absence of

provisions to distinguish the bills into various categories in the OTMS has resulted in allotment of 44882 bill numbers repeatedly two to 47 times in respect of 119666⁹⁵ bills for which payments were made during 2006-09.

Thus, there was a risk of possible misappropriation/fraud and confusion to the stake holders. The DTI stated (June 2009) that necessary checks in the system would be provided to avoid acceptance of duplicate bill numbers.

GPF Module

2.5.8.2 GPF Bills - Sanction order details

Every GPF payment needs prior sanction of appropriate authority. Analysis of central database revealed that during 2007-09 GPF payments were made in 49359 cases for payment of Rs 662.37 crore without recording sanction details. Though there was a provision in the system to enter the sanction details, system allowed the user to skip such data entry and proceed with the payments.

Government stated (September 2009) that necessary controls have since been built into the system.

2.5.9 Validation Checks

Validation checks ensure that the data entered into the system is valid. Deficiencies due to lack of validation checks are detailed below:

Receipt and payment modules

2.5.9.1 Processing of the bills

(i) In the online OTMS in treasury accounting, the sequential processing of the bills should be ensured through the date and time stamps of the individual phases of processing the bill. However, in 614 cases following process inconsistencies were noticed due to lack of validation controls. Necessary validation in this regard was not provided in OTMS even though stated to have been provided in the user manual.

- On 212 occasions bills were passed by the accountant after the approval of the bill by the TO;
- On 83 occasions, token dates were earlier than the bill dates;
- In remaining 319 cases there were anomalies in the sequential bill processing flow, i.e. cases like the TO approved the bill before it was received by the front desk clerk or passed by the dealing assistant, and the dealing assistant passed the bill before it was received etc.

⁹⁵ Duplicate bills included bill numbers as '0' or '00' in 855 cases and range of occurrence of same bill numbers against the same DDO in same financial year was 1-47.

With reference to the third issue, DTI stated that such inconsistencies in the process flow resulted due to faulty CMOS battery in the server.

(ii) System accepted bill dates earlier to year 2005 in respect of bills raised during 2006-09 and dates containing invalid years viz., 0002, 0028 etc. in 1581 occasions.

(iii) System accepted future dates as challan dates in 16 occasions where as the dates of creation of challan records were recorded correctly.

(iv) Rule 362 of OTC envisaged that challans shall be valid only for such time not exceeding 10 days as may be fixed by the Collector. In no case a challan will remain valid beyond the financial year. Analysis of database revealed that 455 challans were entered into the system after a gap of more than 30 days and even after financial year was over. This could affect the consistency of reports on Reserve Bank Difference (RBD) as well as other related reports. DTI in its reply stated that some belated entries might have been allowed to facilitate correction of accounts as per the request of Banks/AG/RBI. However, it was stated that the same could be done through 'Transfer Entry' system as followed by AG.

There were 190 absurd voucher dates in the database such as '0007', '0008' '0009' etc. These vouchers were captured through 'OTHER PAID BY' utility in OTMS used to process the payment of bills in special occasions like pension payment where pension module were not operational, and certain exceptional cases where it was required to bypass the regular budget checking processes and the voucher date field in the form had no validation.

The Government assured (September 2009) that necessary validations would be deployed in this regard.

Pension module

2.5.9.2 Inconsistencies in dates

The pension module of OTMS provided for quick and automatic processing of pensioner's claims. The data relating to pensioners contained following inconsistencies:

- Dates of death of pensioners were prior to their dates of birth (36 cases);
- Dates of retirement of pensioners were prior to their dates of birth (27 cases);
- Dates of death of pensioners were not captured in respect of family pension (629 cases);
- Dates of commencement of pension were before the dates of retirement (314 cases); and

- Dates of appointment of pensioners were after the dates of retirement (47 cases).

The Government while admitting the flaws stated (September 2009) that pension module implementation was going on and modifications were being made on the basis of new requirements.

Stamps module

2.5.9.3 Sale of stamps

Under OTMS, the sales of judicial/non judicial stamps were accounted. However, it was noticed that in the absence of validation checks, in 112 cases of 20 district/special treasuries system permitted delivery of stamps to the vendors other than those vendors who had deposited the amounts for such purchase.

The Government replied (September 2009) that necessary validations would be incorporated.

2.5.10 Conclusion

The OTMS in its present form does not fully meet budgetary control requirements since excess CoA wise expenditure and booking of expenditure against CoAs not defined in budget were noticed during vote on account period. The system did not have interfaces with Banks, AG's office and the DDOs which resulted in repetition of data entry, continued dependence on manual operation and avoidable delays in processing of bills. The developed payroll modules were not implemented and Pension module was implemented partially. Manual dependence over generation of certain MIS reports still persisted. Deficient input controls resulted in acceptance of duplicate token numbers, bill numbers, voucher numbers and challan numbers and made the system less reliable. Inadequate logical controls, frequent backend entries for corrections, omissions and errors, lack of audit trails and absence of formal disaster recovery plan made system risk prone. The most significant limitation of OTMS was its architecture i.e. distributed processing rather than a centralised processing system, which could not provide real time data.

2.5.11 Recommendations

- The task of linking of treasuries with the banks and DDOs is of utmost importance to minimise manual inputs and optimise automation to obtain desired results.
- AG will be able to use the OTMS data only with a Treasury interface which may be developed.
- The way forward is to upgrade the system to web-based system with a central server which can be accessed by all users through a browser.

- Backend corrections should be eliminated for securing data integrity and correction of data should be assigned to designated officers through specified error handling module.
- The pay roll and pension expenditure being the most significant, automation of these may be initiated.
- Controls to ensure data correctness and completeness may be put in place.
- Disaster Recovery Policy and Back up Policy need to be formulated immediately to safeguard the data.

