

Preface

This Report on the audit of expenditure incurred by the Government of Orissa has been prepared for submission to the Governor under Article 151 of the Constitution. The Report covers significant matters arising out of the compliance and performance audits of various departments including autonomous bodies. Audit observations on the Annual Accounts of the Government would form part of a Report on State Finances, which is being presented separately.

The Report starts with an introductory Chapter 1 outlining the audit scope, mandate and the key audit findings which emerged during the year-long audit exercise. Chapter 2 of the Report covers performance audits while Chapter 3 discusses material findings emerging from compliance audits. Chapter 4 of the Report dealt with findings arising out of scrutiny of Internal Controls of a selected Government Department.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous reports; matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

Chapter 1

Introduction

1.1 About this Report

This report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit examines the extent to which the objectives of an organization, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides the auditee profile, the planning and extent of audit, a synopsis of the significant audit observations and follow-up on audit reports. Chapter 2 of this Report deals with the findings of performance audit and Chapter 3 deals with compliance audit in the various departments and autonomous bodies. Chapter 4 contains observations on evaluation of internal controls in the Labour and Employment Department.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

1.2 Auditee profile

There were 38 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/ Principal Secretaries/ Commissioner-cum-Secretaries, assisted by Directors and subordinate officers. All the offices of these departments including 197 autonomous bodies were under the audit jurisdiction of the Principal Accountant General (Civil Audit) and Accountant General (Commercial, Works and Receipt Audit).

The comparative position of expenditure incurred by the Government during the year 2008-09 and in preceding two years is given in table 1.1.

Table 1.1: Comparative position of expenditure

(Rupees in crore)

Particulars	2006-07			2007-08			2008-09		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue Expenditure									
General Services	11.74	7491.03	7502.77	30.80	7196.41	7227.21	52.92	6908.95	6961.87
Social Services	1513.09	3707.46	5220.55	2317.82	4098.69	6416.51	2598.00	5686.41	8284.41
Economic Services	1201.74	1574.70	2776.44	1740.46	1988.19	3728.65	2657.11	2893.97	5551.08
Grants-in-aid	--	272.26	272.26	--	350.90	350.90	--	392.76	392.76
Total	2726.57	13045.45	15772.02	4089.08	13634.19	17723.27	5308.03	15882.09	21190.12
Capital Expenditure									
Capital Outlay	1339.87	111.59	1451.46	2656.19	187.22	2843.41	3570.63	208.54	3779.17
Loans and Advances disbursed	138.35	133.42	271.77	300.61	132.07	432.68	55.50	155.47	210.97
Repayment of Public Debt	--	--	1850.74	--	--	1844.97	--	--	1492.61
Public Account disbursement	--	--	7958.06	--	--	8971.58	--	--	10895.52
Total	1478.22	245.01	11532.03	2956.80	319.29	14092.64	3626.13	364.01	16378.27
Grand Total	4204.79	13290.46	27304.05	7045.88	13953.48	31815.91	8934.16	16246.10	37568.39

(Source: Finance Accounts)

1.3 Authority for audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act 1971. C&AG conducts audit of expenditure of the departments of Government of Orissa under section 13¹ of the C&AG's (DPC) Act 1971. C&AG is the sole auditor in respect of 31 autonomous bodies² which are audited under section 19(2) of the said Act. In addition, C&AG conducts audit of 166 other autonomous bodies substantially funded by the Government. C&AG's audit jurisdiction also covers the Urban Local Bodies and Panchayati Raj Institutions. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the C&AG.

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts

² 30 District Legal Services authorities and one State Legal Services Authority

1.4 Organisation structure of the Principal Accountant General (Civil Audit) and Accountant General (CW&RA), Orissa

Under the directions of the C&AG, the expenditure audit of 34 out of 38 departments of the State Government and the autonomous bodies financed by the State Government are conducted by the office of the Principal Accountant General (Civil Audit). Audit of remaining four Departments³ are conducted by the office of the Accountant General (CW&RA). The audit of Urban Local Bodies and Panchayati Raj Institutions is being done by Senior Deputy Accountant General (Local Bodies Audit and Accounts) under supervision of Principal Accountant General (Civil Audit).

1.5 Planning and conduct of audit

Audit process starts with the risk assessment of the Department/Organisation as a whole and that of each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the audit reports which are submitted to the Governor of Orissa under Article 151 of the Constitution of India.

During 2008-09, 16364⁴ party-days were used for compliance audit of 1701 out of 6849 units of various departments/organisations/local bodies/autonomous bodies and 3513 party-days were utilised for performance audits in which 462 units were partly covered. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

1.6 Significant observations of performance audit

This report contains five performance audits including one Information Technology audit. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations, with the intention to provide an aid to the executives in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

1.6.1 National Rural Employment Guarantee Scheme

National Rural Employment Guarantee Scheme (NREGS) aims at providing 100 days of wage employment on demand every year to the rural households. Implementation of the Scheme in the State during 2006-09 suffered due to absence of institutional arrangements with dedicated staff for proper planning and monitoring. Full time Programme Officer and professionals with

³ Works, Water Resources, Rural Development and Housing and Urban Development Department (Public Health Engineering wing)

⁴ Included 933 party days for conducting audit of cash and contingencies at 20 per cent of 4666 party days taken by State Receipt Audit Group

necessary support staff were not provided. Belated release of State's share, delays in release of funds to the implementing agencies, parking of funds in personal ledger account and diversion of scheme funds affected implementation of the scheme. Only 3.4 to 11 *per cent* of households seeking employment were provided with 100 days of employment. Execution of low priority works, execution of works through contractors/ middlemen, utilisation of labour displacing machines also adversely affected employment generation. There were instances of fictitious payment and delayed payment of wages and non-payment of unemployment allowance. Beneficiary interview disclosed that the labourers were not aware of their rights and privileges under the scheme. The required inspection, monitoring, social audit and grievance redressal activities were almost absent. Corrective action on error signals pointed out by National Institute of Rural Development was not followed. Implementation of the scheme did not deter migration of rural workforce.

(Paragraph 2.1)

1.6.2 National Horticulture Mission

Implementation of National Horticulture Mission in the State during 2005-09 suffered due to low spending levels by the implementing agencies, diversion of funds, non-collection of token money from beneficiaries, misutilisation of scheme funds and unfruitful expenditure on unsuccessful plantation. Important components like establishment of small nurseries in private sector, seed production in both public and private sector, establishment of betel vine gardens, organic farming, post harvest management, innovative programme and bee keeping etc. were not taken up. Over 5449 hectare of plantation raised in farmers' field was left without maintenance due to poor survival. Lack of supervision and monitoring by the departmental officers affected the implementation of the scheme. No follow up action was taken on the error signals noticed in mid-term evaluation.

(Paragraph 2.2)

1.6.3 Accelerated Irrigation Benefit Programme

Performance Audit of the Accelerated Irrigation Benefit Programme revealed that the projects lagged behind the target dates for completion which indicated deficiencies in the planning process. There was cost overrun of Rs 3537 crore and time overrun up to 12 years. Irrigation potential created was only 0.88 lakh hectare (*27 per cent*) despite huge investment of Rs 3121.27 crore. There were mismanagement of funds involving significant excess payment to contractors as well as extra/wasteful expenditure and fraudulent payments amounting to Rs 836 crore. No monitoring committee was constituted at the project level. The committee which was required to meet quarterly to advise the Government on removal of the bottlenecks in the projects met only once in October 2006, after it's constitution. It had never visited any project site. The Government was still to attend to the bottlenecks in implementation and suggestions of Central Water Commission for speedy completion of projects. The Department had adopted good practices such as using remote sensing technology for verification of irrigation potential actually created and also introducing e-procurement for early finalisation of tenders.

(Paragraph 2.3)

1.6.4 Micro projects for development of Primitive Tribal Groups

Review of the scheme 'Development of Primitive Tribal Groups (PTG)' revealed weak planning and lack of focused measures to achieve accelerated

development to bring them at par with other tribal communities in a time bound manner. Annual Action Plans covered only 40 *per cent* of the Perspective Plan projection and there was slow pace of creating development infrastructure. The quality of life of PTGs continued to remain very poor due to inaccessibility of villages to plain areas, unhygienic living conditions coupled with inadequate health care, housing facilities and low income generation. Demographic profile revealed that population of two out of 13 PTGs were on the decline raising serious apprehensions about their continued existence and specific action to arrest the same had not been taken. Management of micro-projects was very poor due to vacancies at the level of key technical manpower.

(Paragraph 2.4)

1.6.5 Information Technology audit of Orissa Treasury Management System (OTMS)

As a part of the Orissa Public Sector Reform Programme, Government had computerised the Directorate of Treasuries and Inspection (DTI) and its network of 164 treasuries. The primary objective is real time allocation of Chart of Account (CoA) against budget provisions for Drawing and Disbursing Officers, passing of bills within the allocated funds, speedy processing of the bills and generation of reports and returns provided to client departments/organisations. The OTMS did not have interface with the banks, AG's office and the DDOs resulting in repetition of data entry, continued dependence on manual operation and delays in processing of bills. The payroll modules developed were not implemented and pension module was implemented partially. Deficiencies in application controls like duplicities in generation of token numbers, voucher numbers, bill numbers and challan numbers, frequent back end entries for correction of front end omissions and errors, inconsistent workflow in passing of bills, underutilisation of OTMS in generation of certain MIS reports were noticed. System security was found to be flexible and disaster recovery plan was poor. The most significant limitation of OTMS was its architecture, i.e., distributed processing rather than a centralised processing system which did not provide real time data.

(Paragraph 2.5)

1.7 Significant audit observations of Compliance audit

Audit observed several significant deficiencies in critical areas which had adverse impact on effective functioning of the Government Departments/Organisations. Key findings on compliance audit have been reported and they relate to:

- Non-compliance with rules and regulations;
- Audit against propriety/ expenditure without justification;
- Persistent and pervasive irregularities;
- Failure of oversight/governance.

1.7.1 Non-compliance with rules and regulations

- Non-observance of codal provisions in maintenance of cash book and relevant records by Medical Officer of one Primary Health Centre (Laing) led to misappropriation of Rs 2.62 lakh.

(Paragraph 3.1.1)

- Payments of medical allowance in excess of the ceiling fixed by the Government to the employees of the Berhampur University led to excess payment of Rs 1.82 crore during 1992-2009.
(Paragraph 3.1.2)
- Subsidised rice (20198 quintals) costing Rs 2.89 crore issued as wage component under SGRY and NFFW programme was utilised by the Village Labour Leaders (VLLs) / Executants for non-wage purposes, but cost thereof recovered was limited to subsidised price instead of FCI economic cost price. Undue benefit to the executants was Rs 1.62 crore.
(Paragraph 3.1.5)
- Non-conducting of annual physical verification of stock at storage godowns by the Block authorities facilitated misappropriation of 4169 quintals of rice under SGRY and NFFW programme worth Rs 57.11 lakh besides damage of 128 quintals of rice costing Rs 1.75 lakh.
(Paragraph 3.1.6)
- Non-compliance of codal provision and cancellation of a valid tender for a bridge work on the ground of single participation after failing to finalise it within the validity period led to extra cost of Rs 4.05 crore.
(Paragraph 3.1.7)
- Five Executive Engineers drew Rs 278.87 crore from Treasury without immediate requirement to avoid lapse of budget and retained the amount in civil deposits in disregard of the financial rules.
(Paragraph 3.1.11)

1.7.2 Audit against propriety / expenditure without justification

- Non-commissioning of the piped water supply to Rairangpur Municipality led to unfruitful expenditure of Rs 5.65 crore.
(Paragraph 3.2.2)
- Non-completion of works under Pradhan Mantri Gram Sadak Yojana by a contractor involved extra cost of Rs 6.03 crore. Despite that, penalty for Rs 1.74 crore was not recovered from the defaulting contractor.
(Paragraph 3.2.5)
- Although execution of Water Bound Macadam by mechanical means was more economical, execution of the item by manual means for construction of the roads under Pradhan Mantri Gram Sadak Yojana resulted in avoidable extra expenditure of Rs 8.31 crore.
(Paragraph 3.2.6)
- Construction of 29 school buildings undertaken during 2003-06 under "Reconstruction of School Building Programme" remained incomplete as disputes between Headmasters and Village Education Committees remained unsolved. These abandoned works could not be resumed resulting in unfruitful expenditure of Rs 81.30 lakh.
(Paragraph 3.2.7)
- Non-supply of water for irrigation from a Minor Irrigation Project rendered the expenditure of Rs 5.34 crore spent on the project unfruitful.
(Paragraph 3.2.9)
- Non-commencement of drainage congestion remedial works despite advance payment to the agency resulted in blockage of Rs 5.77 crore

with loss of interest of Rs 1.04 crore. Besides, there were avoidable flood damage repairs for Rs 2.04 crore.

(Paragraph 3.2.10)

1.7.3 Persistent and pervasive irregularities

- Subsidised rice of 2250 MT was shown as issued to labourers through contractors long after completion of the works resulting in misappropriation of subsidy of Rs 1.64 crore. Despite mention of such irregularities in the earlier Audit Reports, the irregular practice persisted.

(Paragraph 3.3.1)

1.7.4 Failure of oversight / governance

- Incorrect decision of the Government to categorise two districts under hilly/difficult areas for construction of IAY houses led to extra expenditure of Rs 1.51 crore which denied 1935 beneficiaries of availing IAY houses.

(Paragraph 3.4.2)

- Execution of repair and maintenance works of a State Highway through other agencies even during the currency of improvement and maintenance contract for the road resulted in extension of undue benefit of Rs 5.92 crore to a contractor.

(Paragraph 3.4.5)

1.8 Internal Controls in Labour and Employment Department

Internal controls are the organisation's management processes, established to provide reasonable assurance that the operations are being carried out effectively and efficiently, financial and operational data are reliable and the applicable laws and regulations are being complied with so as to achieve the organisation's objectives.

Review of the Internal Controls in the Labour and Employment Department revealed deficiencies in budgetary and financial controls leading to injudicious supplementary provision, belated surrender of savings, provision against vacant posts, non-observance of financial discipline in management of Government cash and Workmen Compensation Fund. Enforcement of provisions of various industrial /labour laws is possible only through regular inspection of units/ establishments but the department failed to provide inspections even once in a year. As a result, exact number of cases and nature of violations could not be ascertained in audit. Large number of vacancies in technical posts had affected efficient functioning of the Department in enforcing various labour laws. System of issue of licence and renewal suffered from serious deficiencies like large number of units remained unregistered and licences remaining lapsed and lack of basic records.

(Paragraph 4.1)

1.9 Response of the Departments to draft paragraphs

As per the instructions issued by the Finance Department on 20 May 1967 and provision of C&AG's Regulation on Audit and Accounts 2007, the departments are required to send their response to the draft audit paragraphs

proposed to be included in the C&AG's Audit Report within six weeks. The draft paragraphs are forwarded to the Secretaries of the concerned departments drawing their attention to the audit findings and requesting them to send their response within six weeks. Draft paragraphs and Performance Audit Reports proposed for inclusion in this report were forwarded to the Secretaries concerned between April 2009 and July 2009 through letters addressed to them demi-officially. Concerned Departments did not send replies in respect of 17 out of 39 Paragraphs featured in this report. The response of the concerned departments received in respect of 22 paragraphs has been suitably incorporated in the report.

1.10 Follow up action on Audit Report paragraphs

Serious irregularities noticed in audit are included in the Reports of the Comptroller and Auditor General that are presented to the State Legislature. The Administrative Departments are required to furnish explanatory notes on the paragraphs/reviews included therein within three months. However, in respect of Audit Reports from the year 1997-98 to 2007-08, 19 out of 37 departments did not submit compliance notes in respect of 45 individual paragraphs and 23 review paragraphs as of December 2009. Similarly, out of 1353 recommendations made by the Public Accounts Committee (PAC) in its First Report of 10th Assembly (1990-95) to 40th Report of 13th Assembly (2004-09), final action was awaited in respect of 1108 recommendations where Action Taken Notes (ATNs) were received. In case of remaining 245 recommendations of PAC relating to 18 departments, ATNs were not received (November 2009) though ATNs are required to be submitted by Government Departments within six months⁵ after PAC reports are laid before the Legislature. Besides, proceedings of Departmental Monitoring Committees (DMCs) meetings were not received from 30 out of 38 departments during 2008-09 despite formation of DMCs in all the departments of the Government to monitor the follow up action on Audit Reports and recommendations of the PAC. In addition, 46183 paragraphs relating to 14486 Inspection Reports (IRs) in respect of 3939 offices of 33 departments remained outstanding at the end of June 2009. Of these, 5083 IRs containing 13720 paragraphs remained unsettled for more than 10 years for want of proper compliance. Even first reply from the Head of the Office was not received in respect of 1972 IRs issued up to March 2009. A total of 73 Triangular Committee meetings were held during 2008-09 in which 574 IRs and 2213 paragraphs relating to 632 offices of 12 departments were settled.

1.11 Recommendations

This report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedures and systems, compliance with which would help in promoting good governance and better oversight on implementation of developmental programmes and objectives at large. The State Government is impressed upon to take cognizance of these recommendations in a time bound manner.

⁵ Revised to four months in April 2005

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

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

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

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 earstwhile 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

- *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.*

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

- *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.*

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

- *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, Binjharapur, 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: Binjharapur, Nandapur, Boriguma, Suliapada, Jeypore, Moroda, Dasarathpur, Teleibani and ADS, Keonjhar

⁴⁴ Binjharapur, 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

- 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.

Job cards were not available with the labourers

- 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.

Acknowledgement in support of wage payment was wanting

- 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.

Wages were not paid to labourers

- 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	Require-ment as per AAP	OB	Receipt from				Total availability	Expenditue (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.

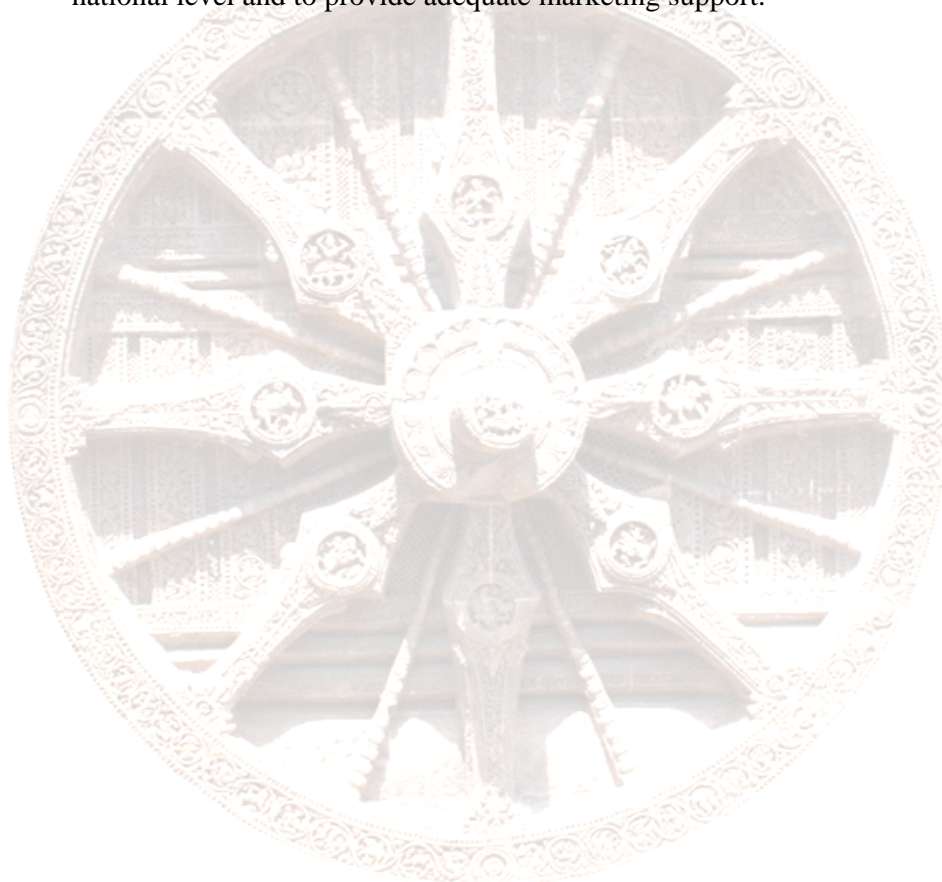
2.2.19 Conclusion

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, Chitrangi 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.

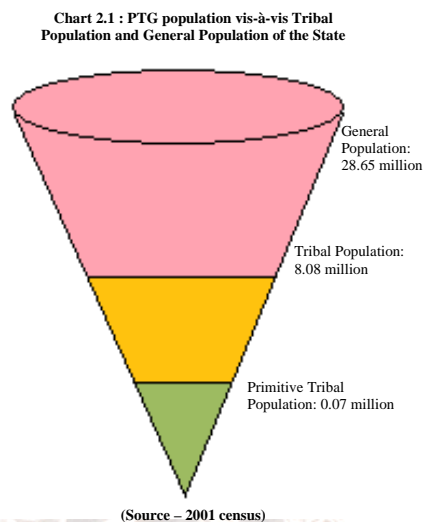
⁷⁶ Bartansil, Birighat, Chitrangi, Hirapur and Chipulijore MIPs.

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 : Khuntaon : 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.

2.4.7 Demographic profile and decline in population of two PTGs

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

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.

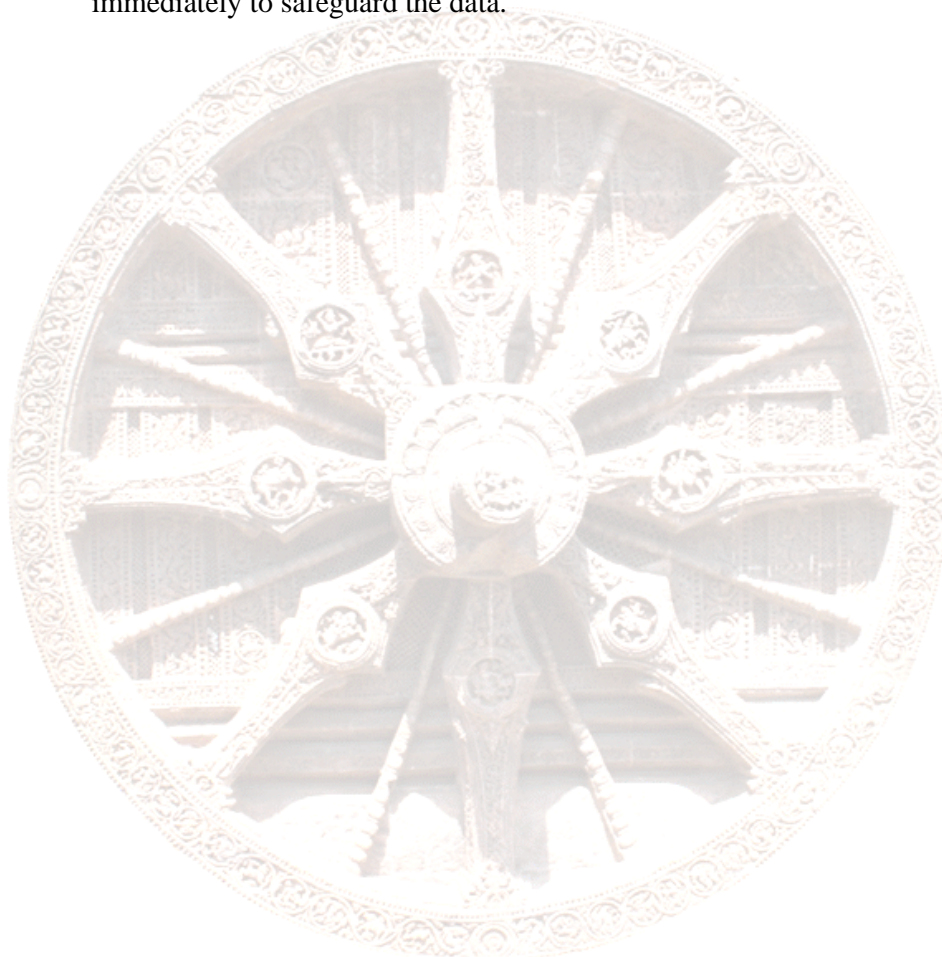
2.5.10 Conclusion

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.



Chapter 3

Compliance Audit

Compliance audit of the Departments of Government, their field formations as well as that of the Autonomous Bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety, persistency of irregularities and governance issues. These have been discussed in the succeeding paragraphs under broad objective heads.

3.1 Non-compliance with rules and regulations

For sound financial administration and control it is essential that expenditures conform to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriations and frauds but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are discussed below:

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.1 Misappropriation of Government money

Non-observance of codal provisions in maintenance of cash book and relevant records of Medical Officer, PHC, Laing while dealing with Government money led to misappropriation of Rs 2.62 lakh.

Orissa Treasury Rules, provide that all monetary transactions should be entered in the cash book as soon as they occur and be got attested by the head of the office in token of check. The cash book should be closed regularly after verification of the totaling by the Drawing and Disbursing Officer (DDO) or by some responsible sub-ordinate officer other than the writer of the cash book and initial it as correct. At the end of each month, the head of office should verify the cash balance as shown in the cash book and record a signed and dated certificate to that effect.

Scrutiny of records (April 2008) of Medical Officer (MO), Primary Health Center, Laing revealed that a bank draft (3 July 2007) valuing Rs 1.62 lakh was shown as encashed (19 July 2007) and transferred to different subsidiary cash books maintained for different health programmes. However, the amounts were not shown as receipts in the concerned subsidiary cash book. It was further seen that the main cash book was not signed by the MO from 29 January 2007 to 6 February 2008 due to dispute over handing over of charge of accounts by Block Extension Educator. On an inquiry from the Bank, the MO confirmed (December 2007) about encashment of the demand draft. As many discrepancies were noticed by MO in the cash book, a new cash book was opened from 9 February 2008 with the permission of the Chief District Medical Officer (CDMO), Sundargarh. Besides, another case of misappropriation of Rupees one lakh was also noticed by Additional District Medical Officer, Public Health (PH) during

inspection indicating (February 2008) that two cheques drawn on 30 August 2007 and 4 October 2007 were not accounted for in the cash books.

Thus non-adherence to prescribed codal provisions despite encashment of drafts led to misappropriation of government money to the extent of Rs 2.62 lakh.

The matter was reported to Government in May 2009. In reply (August 2009) the Government stated that departmental enquiry is under progress and results would be intimated after completion of enquiry.

HIGHER EDUCATION DEPARTMENT

3.1.2 Overpayment of medical allowance in excess of prescribed rates

Payment of medical allowance in excess of the ceiling fixed by the Government to the employees of Berhampur University during 1992-2009 led to excess payment of Rs 1.82 crore.

According to the State Government Resolution of June 1994, the employees of Berhampur University were entitled to medical allowance at the rate of Rs 1000 per annum per employee. The above decision was subsequently reiterated in the Government Resolution of July 1999 and the rates remained unchanged as of January 2009.

Scrutiny (February 2008 and February 2009) of records of the Registrar, Berhampur University, revealed that contrary to the Government Resolution June 1994 and July 1999, the University paid Rs 1.82 crore to its employees from April 1992 to March 2009 (*Appendix 3.1*) towards medical allowance at rates¹ in excess of rates approved by the Government. The Registrar of the University stated (March 2008) that the excess burden was met from the University's own sources as per decision of the Syndicate.

Government stated (October 2009) that instruction have been issued to the University authorities to pay medical allowance to their employees as per approved rate of Rs 1000 *per annum* and that action had been initiated for the settlement of the irregular payment already made.

¹ Rs 1320 for 1992-93, Rs 1500 for 1993-94, Rs 1800 for 1994-95, Rs 2000 for 1995-96, Rs 2500 from May 1996 to March 1999; Rs 3000 from April 1999 to March 2002; Rs 3300 from April 2002 to March 2005 and Rs 3000 from April 2005 to date.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.1.3 Loss of interest

Premature encashment of term deposit receipts of Rupees three crore by NAC, Belpahar without any immediate requirement resulted in interest loss of Rs 56.25 lakh and avoidable payment of Rs 9.43 lakh towards commitment charges.

Section 115 of Orissa Municipal Act, 1950 read with Rule 148 of Orissa Municipal Rules, 1953 provides that Municipality may invest any money not required for immediate use either in Government securities or in any form of securities approved by Government and the investment is permissible when no large project is in contemplation or the Municipality has no object for immediate application of the available fund.

Notified Area Council (NAC), Belpahar after its constitution in December 1993, levied octroi duty on materials procured by Tata Refractory Limited, Belpahar (TRL) but the TRL filed a case in 1995 before the Orissa High Court for quashing the said Government Notification. The High Court in interim orders (April 1996 / March 2001) instructed the petitioner to pay the claimed octroi charges and the NAC to keep the same in a separate account and not to withdraw and utilise the deposited amount till the final outcome of the case.

Scrutiny of records (January and March 2009) of NAC, Belpahar revealed that the TRL paid Rs 3.63 crore to the NAC during May 1996 to November 2000 and the same was kept in a separate Bank Account with SBI, Samada opened in May 1996 for the purpose. Of this, Rs 50 lakh each were invested on 15 September 1997 and 14 July 1998 for five year term(s) and rupees two crore on 17 February 2001 for one year term and were renewed from time to time.

But, after rejection (December 2005) of the TRL's case by the Court, the NAC authority without approval of the Council, encashed (January 2006) the term deposit receipts (TDRs) transferring Rs 3.88 crore (including interest) to current account despite the fact that NAC maintained minimum monthly cash balances of Rs 3.10 crore during February 2006 to February 2009 in the Personal Ledger (PL) account with the treasury and current account with the bank. Thus, there was no requirement for encashment of the TDRs. Besides, due to premature encashment of securities, the bank recovered a sum of Rs 9.43 lakh towards commitment charges.

Thus, injudicious encashment of term deposit receipts of Rs 3 crore before maturity without specific requirement and parking the same in current and PL account resulted in avoidable loss of interest of Rs 56.25 lakh calculated at a minimum rate of interest of 6.25 *per cent per annum* applicable on TDR up to January 2009. The Executive Officer, NAC, Belpahar stated that the TDRs were

withdrawn for utilisation and that the matter would be placed before the Council for investment of surplus fund in term deposits.

Government also stated (September 2009) that there was no loss of revenue as the basic purpose was not to earn interest but to use the fund for development work of NAC. However, the reply does not explain the reasons for premature encashment of TDRs, when NAC has other sources of receipts and there was no immediate requirement of funds for application in development work.

PANCHAYATI RAJ DEPARTMENT

3.1.4 Misappropriation of cash

Non-accountal of receipts in the cash book and lack of physical verification of closing balances by the GP/ Block authorities resulted in misappropriation of Government money of Rs 2.97 lakh.

Rule 154 of Orissa Gram Panchayats (GP) Rules 1968 provides that the Secretary of the GP shall record all transactions in the cash book on the same day on which money is received or paid. The Gram Panchayat Extension Officer is required to verify the cash book and cash in hand at least once in a month with reference to vouchers and case records. Rule 35 and 36 of Orissa Panchayat Samiti Accounting Procedure Rules 2002, stipulates that all cash transactions shall be entered in the cash book and at the end of each month, the Block Development Officer (BDO) shall verify cash balance in the chest with the balance mentioned in the cash books and record signed and dated certificate to that effect.

*Scrutiny of records (between April 2007 and March 2009) of four GPs and two Panchayat Samities (PS) revealed that cash receipts of Rs 1.29 lakh was not accounted for in the cash book (three GPs) and an amount of Rs 1.68 lakh was found short during physical verification of cash balances done by the concerned officers in presence of audit (two PS and one GP). The details are given in **Appendix 3.2.***

Thus, non-observance of the codal provisions facilitated the misappropriation of Government money of Rs 2.97 lakh.

The matter was reported to Government in April 2009, their reply had not been received (October 2009).

3.1.5 Misutilisation of subsidised food grains

Wage component rice of 20198 quintals costing Rs 2.89 crore issued under SGRY and NFFW programmes was utilised for non-wage purposes but cost thereof was recovered at subsidised price instead of at FCI market cost price which led to extension of undue benefit of Rs 1.62 crore being differential cost.

Under Sampoorna Grameen Rojagar Yojana (SGRY) and National Food for Work programme (NFFWP), food grains as part of wages was distributed for protecting the real wages of the workers besides improving the nutritional standards of the families of the rural poor. The guidelines contemplated distribution of food grains preferably at worksites and placing effective safeguards to avoid leakages. The scheme prohibited utilisation of food grains for non-wage purposes.

Records of 11 Panchayat Samities (PSs)² and three Gram Panchayats (GPs)³ revealed that as against the actual distribution of 8687 quintals of rice as part of workers wages as per the muster rolls, 28885 quintals was issued to the Village Labour Leaders (VLLs) / executants of the works under SGRY and NFFW programmes for distribution to the workers during 2004-07. There was no muster roll in support of distribution of excess quantity of 20198 quintals of rice and the cost thereof was recovered by the concerned BDOs at the subsidised rate valued at Rs. 1.27 crore against Food Corporation of India's (FCI) market cost price (economic cost price) of Rs 2.89 crore. This resulted in extending undue benefit of Rs 1.62 crore (details in *Appendix 3.3*) to the VLLs / executants.

While five Block Development Officers (BDOs) (Tirtol, Sukinda, Pattamundai, Kuliana and Tigiria) admitted (April 2009) issue of excess quantity of rice to avoid damages and deterioration of food grains etc., three BDOs (Tureikela, Phiringia and Bandhugaon) assured (June-October 2007) to examine the matter, other three BDOs did not furnish any specific reply. The Secretaries / Executive Officers of the GPs agreed to recover the differential cost.

The matter was reported to Government in May 2009; the reply had not been received (October 2009).

² Panchayat Samities: Bandhugaon, Hindol, Jajpur, Kuliana, Pattamundai, Phiringia, Sinapali, Sukinda, Tigiria, Tirtol, Tureikela

³ Gram Panchayats: Barsar, Khaladi, Paliabandha

3.1.6 Misappropriation of food grains and damaged rice

Failure to conduct physical verification of stocks at storage godowns by the Block authorities, 4169 quintals of rice under SGRY and NFFW programmes was found short leading to misappropriation of Rs 57.11 lakh besides damage of 128 quintals of rice costing Rs 1.75 lakh.

Under Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for Work Programme (NFFWP), food grains distributed to the workers form part of their wages for protecting the real wages of the workers, besides improving the nutritional standards of the families of the rural poor. Food grains allotted to the districts were retained in godowns at Panchayat Samities (PS) and Gram Panchayat (GP) level for issue to the executants for distribution to workers. Orissa Grama Panchayats (Amendment) Rules, 2002 provides that half yearly physical verification of stores was to be carried out by the Block Development Officer (BDO) / Additional BDOs to avoid instances of losses / shortages.

*Audit (January-November 2008) of stock records of rice received under SGRY/NFFWP by three PSs⁴ and 20 GPs revealed that 4297 quintals of rice under SGRY/NFFWP/Mission Danapani programmes were available as per the stock records. However, as per joint physical verification of stocks (January & November 2008) conducted by the Block and GP officials at the instance of audit, only 128 quintals of rice was found in the stock in damaged condition. Thus, there was shortage of 4169 quintals of rice as detailed in the **Appendix 3.4**. Non-conduct of physical verification of stocks at prescribed intervals by the Block authorities facilitated misappropriation of 4169 quintals of rice valued at Rs 57.11 lakh⁵ at FCI market cost price (economic cost price) and damage of 128 quintals of rice costing Rs 1.75 lakh.*

While BDO, Lakhanpur and Kantamal agreed to recover the amount (economic cost price of FCI: Rs 46.03 lakh) from the persons concerned, BDO, Madanpur Rampur stated that no final decision had been taken (June 2009) for recovery of the amount (FCI cost: Rs 11.08 lakh) from the concerned persons.

The Government stated (July 2009) that the comments would be furnished after receipt of replies from the concerned DRDAs.

⁴ (i) Lakhanpur of Jharsuguda district; (ii) M Rampur of Kalahandi district and (iii) Kantamal of Boudh district

⁵ 4169 X Rs 1370 (FCI market cost price for 2005-06) = Rs 57.11 lakh

RURAL DEVELOPMENT DEPARTMENT

3.1.7 Extra cost due to departmental lapse

Non-compliance with codal provision and cancellation of a valid tender for a bridge work on ground of single participation after failing to finalise it within the validity period led to extra cost of Rs 4.05 crore.

As per para 3.5.18 of Orissa Public Works Department code, the validity of a tender was for 90 days from the date of receipt unless extended. The processing and finalisation of the tender was to be completed by the Executive Engineer (EE), Superintending Engineer (SE), Chief Engineer (CE) and Government within the allotted 20, 15, 20 and 20 days respectively. The remaining 15 days were to be utilised by the EE for execution of the agreement.

The CE, Rural Works invited prequalification bids in February 2006 for construction of a high level bridge over river Tel at an estimated cost of Rs 7.16 crore. The Government pre-qualified (April 2006) the single bid of a contracting firm for the work and ordered for processing their financial bid of Rs 8.53 crore.

The price bid of the contracting firm was valid up to 1 June 2006 and was further extended up to 29 August 2006. The EE, RW Division, Bhawanipatana and the SE recommended the tender in July 2006. The CE retained the tender for negotiations with the contracting firm for reducing the rates and submitted the tender to the Government on 12 September 2006 after expiry of its extended validity. The Government, however, cancelled (October 2006) the tender on the ground of single participation. In response to the fresh tender notice, two bids were received (December 2006), one of which was of M/s Orissa Construction Corporation Ltd. (OCC). These were rejected (March 2007) by the Government considering them to be technically not qualified. Thereafter, the single bid of M/s OCC received for Rs 12.31 crore on the third occasion was again rejected (February 2008) on the ground of excessive bid rates. On re-tender in October 2008, the work was awarded (February 2009) to a single bidder who had not participated on the earlier occasions, at a cost of Rs 12.58 crore, for completion by June 2010.

Thus non-compliance with the rules and cancellation of a valid tender after expiry of the validity period on grounds of single participation resulted in extra cost of Rs 4.05 crore apart from time overrun by three years in commencing the work.

The matter was reported to the Government in March 2009; their reply has not been received (November 2009).

3.1.8 Extra cost due to non-finalisation of tender within the validity period

Failure of the department to place the order within the validity of the offer led to extra cost of Rs 1.42 crore.

As per para 3.5.18 of the Orissa Public Works Department Code, the tender has a validity of 90 days from the date of receipt unless extended. The processing and finalisation of the tender was to be completed by the Executive Engineer (EE), Superintending Engineer (SE), Chief Engineer (CE) and Government within the allotted 20, 15, 20 and 20 days respectively. The remaining 15 days were to be utilised by the EE for execution of the agreement.

The CE, Rural Works (RW), Bhubaneswar invited (January 2008) tenders for construction of a high level bridge over river Subarnarekha at an estimated cost of Rs 10.40 crore. In response, a valid single tender was received from a contractor for Rs 11.74 crore.

Test check (November 2008) of records of RW Division, Jaleswar disclosed that the tender received on 13 February 2008 was valid up to 14 May 2008. It was evaluated and recommended by the SE on 13 March 2008 while the CE recommended it on 28 March 2008. The Government approved the tender only on 12 May 2008 just two days prior to the expiry of the validity of the tender. The CE for reasons not on record retained the approved tender for a further period of 14 days and forwarded the same to the EE on 26 May 2008, after expiry of the validity of the tender, for execution of the agreement. The contractor, who was notified on 30 May 2008 for execution of the agreement, expressed (June/September 2008) his inability to execute the work at the quoted rates in view of expiry of the validity of the tender and hike in the cost of steel, cement and chips. The CE thereafter floated (October 2008) fresh tenders for the work and awarded (March 2009) the work to another contractor at a cost of Rs 13.16 crore for completion by July 2011. The award of the work to another contractor on re-tender involved extra cost of Rs 1.42 crore.

Thus, failure to finalise the tender within its validity period led to re-tender of the case involving extra cost of Rs 1.42 crore.

The matter was reported to the Government in March 2009; their reply has not been received (November 2009).

SCHOOL AND MASS EDUCATION DEPARTMENT

3.1.9 Avoidable expenditure on purchase of printing paper

The Director, TBPM while procuring papers for printing of NT books neither followed the tender procedure nor explored purchase through DGSD rate contract for ensuring purchases in economical manner leading to avoidable expenditure of Rs 1.33 crore during 2007-08.

Orissa General Financial Rules (OGFR) provides that the purchases of store exceeding Rs 20,000 should be made by inviting open tenders giving wide publicity except for the articles obtained from firms on rate contract approved by the Director General of Supplies and Disposal (DGS&D), Government of India or Director of Export Promotion and Marketing of the State Government and from Co-operative Agencies.

Scrutiny (August 2008) of records of the Director, Text Book Production & Marketing (TBPM) revealed that the State Level Purchase Committee (SLPC) decided (August 2007) to procure papers for printing of Nationalised Text (NT) books for the academic session 2008-09 from approved vendor of earlier year M/S Hindustan Paper Corporation Limited, Kolkata (HPCL) which was approved (October 2007) by the Government. The Director, TBPM placed (December 2007-March 2008) purchase orders with the HPCL for supply of 3300 MT⁶ of 60 GSM creamwove reel and 1770 MT⁷ of 80/100/120 GSM Maplitho reel/sheet papers at the negotiated price of Rs 35945 and Rs 37250 per MT⁸ respectively. Against the above purchase orders, the firm supplied 3299.46 MT of 60 GSM and 1778.45 MT of 80/100/120 GSM reel and sheet paper and was paid Rs 18.48 crore for the supplies. However, while making purchases, tender procedure was neither followed nor the prevailing DGS&D rates obtained for ensuring that the purchases were made in most economical manner. Comparison of HPCL's price with the prevailing DGS&D rate contracts of two firms⁹ revealed that HPCL's prices were higher by Rs 3769¹⁰ and Rs 499¹¹ per MT for 60 GSM and 80/100/120 GSM papers respectively. Thus, failure to procure the printing papers from the DGS&D rate contract firms led to avoidable expenditure of Rs 1.33 crore¹².

⁶ December 2007 : 3000 MT and March 2008 : 300 MT

⁷ December 2007: 1570 MT and March 2008 : 200 MT

⁸ Inclusive of CST but exempted from Excise Duty as the paper was to be used for production of NT Books.

⁹ (i) Surya Chandra Paper Mills, Mandapeta, East Godavari District, Andhra Pradesh (DGS&D Rate contract No. PPWC/PP-5/RC-K10T0000/0108/P5/COAM /3048, dated 02 February 2007 valid from February 2007 to January 2008) for 60 GSM Paper at the rate of Rs 34471 inclusive of Excise Duty and CST and (ii) Satia Paper Mills, Bhatinda, Punjab (DGS&D rate contract No. PP-4/RC-K1070000/1207/p-4/02334/1313, dated 20 July 2007 valid from 20 July 2007 to 31 July 2008 for 80/100/120 GSM Maplitho paper at the rate of Rs 38000 per MT inclusive of Excise Duty.

¹⁰ 60 GSM Paper: HPCL's price of **Rs 35945 minus Rs 32176** {Rs 34471 minus 12.37% Excise Duty (Rs 3795) plus freight @ Rs 1.5 per MT for 1000 km (Rs 1500)} = **Rs 3769 per MT** of Surya Chandra Paper Mills, Mandapeta

¹¹ 80/100/120 GSM paper: HPCL's price **Rs 37250 minus Rs 36751** {Rs 38000 minus 12.37% Excise Duty plus freight @ Rs 1.37 per km for 2142 Km - Rs 2934} = **Rs 499** of Satia Paper Mills, Bhatinda

¹² (RS 3769 X 3299.46 MT) + (Rs 499 X 1778.45 MT) = Rs 1.33 crore

The Director, TBPM stated (April 2009) that the SLPC found HPCL's prices competitive. The Government stated (September 2009) that, as tender process takes its normal time delaying the production schedule of NT books, SLPC decided to purchase papers from M/s HPCL. The replies were not acceptable as the SLPC did not consider the feasibility of making purchases from DGS&D listed rate contract firms as required under the provisions of the OGFR. The reply also did not explain reasons for non inviting tenders to obtain competitive price.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.1.10 Misappropriation of cash

Non-accountal of advances, paid vouchers and bank draft in the Cash Book resulted in misappropriation of cash of Rs 5.16 lakh.

Orissa Treasury Rules stipulates that advances granted under special orders of competent authority to Government Officers for departmental or allied purposes shall be paid against due acknowledgement and accounted for in the register of advances. The moneys so paid is to be adjusted date-wise on submission of detailed accounts supported by vouchers within one month from the date of receipt or by refund of unutilised sum, as may be necessary.

Scrutiny of records (July 2008 and March 2009) revealed that the then Child Development Project Officer (CDPO) Boudh was relieved (13 November 2000) on transfer without handing over the charge of cash book to the successor. The closing balance of the cash book as on the date of relief showed balances of Rs 12.35 lakh [cash in hand Rs 0.04 lakh, paid vouchers Rs 0.90 lakh, advances to employees Rs 2.85 lakh, Bank Draft (BD) Rs 0.83 lakh and Bank Account Rs 7.73 lakh]. A new cash book was therefore opened on 14 December 2000 with nil opening balance by the CDPO in-charge and regular CDPO joined on 10 July 2002.

Cash in hand of Rs 0.04 lakh as on 13 November 2000 was brought to the cash book on 16 December 2004 after opening of the locked cash chest in the presence of police but the bank pass book and cheque book were taken over only on 20 December 2004. But neither details of advances of Rs 2.85 lakh was furnished nor BD (Rs 0.83 lakh) and paid vouchers (Rs 0.90 lakh) were physically handed over. Advance register was also not maintained. Besides, short accountal of Rs 0.58 lakh between the closing balance of 7 May 2004 and the opening balance on 11 June 2004 was noticed (March 2009) although there was no transaction during 8 May to 10 June 2004. This amount was shown as advance against employees on 6 May 2004 for which no acknowledgement as well as adjustment vouchers were available. As such, the total short accountal of money worked out to Rs 5.16 lakh.

In reply, the CDPO, Boudh while accepting (March 2009) non-inclusion of Rs 5.16 lakh in the cash book stated that the concerned CDPO would be requested to produce the details of advances, vouchers and cash.

Government while accepting the audit observation stated (June 2009) that appropriate action would be taken against the delinquent CDPOs for the lapses committed by them.

WORKS DEPARTMENT

3.1.11 Fictitious expenditure on works

Five Executive Engineers drew Rs 278.87 crore from the Treasury without immediate requirement to avoid lapse of budget and retained the amount in civil deposits in disregard of the financial rules.

Rule 141 (3) of the Orissa Budget Manual prohibits drawal of money from the Treasury unless required for immediate disbursement. Drawing Officers are required to surrender the savings to allow re-appropriation for other purposes.

The Planning Commission approved (2008-09) construction of South-North corridor¹³ covering 12¹⁴ districts in Orissa with the objective of improving the socio-economic condition of the tribal people living around the corridor. The Government accorded permission to commence the works (September 2008) and allotted Rs 300 crore for the first phase of works between December 2008 and January 2009.

Test check (April 2009) of the records disclosed that funds for Rs 300 crore were provided for 15 stretches of road works out of which two works for Rs 99.48 crore were awarded (October 2008-February 2009) to two contractors and the remaining nine works were under various stages of approval. In the two works, the contractors executed works worth Rs 5.84 crore as of March 2009. Despite the remote prospect of utilisation of the entire provision of funds before close of the financial year, the Chief Engineer (CE) placed (March 2009) requisition for release of Letter of Credit (LoC) for Rs 284.71 crore as required for the works and simultaneously sought permission of the Government for transfer credit of the unspent LoC to Civil Deposit account to avoid lapse of funds and for utilisation later on. The Finance Department released the LoC in March 2009 and agreed to the proposal to keep the funds in Civil Deposit Account. The five¹⁵ EEs in charge of execution of the road works drew Rs 284.71 crore in March 2009 and Rs 5.84 crore was disbursed to the contractors towards execution of the works. The unspent amount of Rs 278.87 crore was fictitiously debited (March 2009) to the works by contra credit to Civil Deposit account in gross violation of financial rules.

The Government stated (May 2009) that in the event of surrender of the unutilised amount, the project would have suffered for funds in the next year and therefore the unutilised amount was transferred to Civil Deposit Account. This

¹³ Motu-Malkangiri to Tiringi-Mayurbhanj of Vijayawada-Ranchi Highway

¹⁴ Koraput, Rayagada, Gajapati, Ganjam, Phulbani, Sambalpur, Deogarh, Mayurbhanj, Balasore, Keonjhar, Nawarangapur and Bolangir.

¹⁵ EEs of R & B Divisions, Phulbani, Keonjhar, Sambalpur, Rairangapur and Bhanjanagar.

was not tenable in view of the fact that rules did not permit transfer of unutilised funds to Civil Deposit accounts to facilitate expenditure later on.

3.1.12 Suspect payment and undue benefit to a contractor

Reconstruction of the road work through other agencies by unjustified closure of the existing agreement resulted in undue benefit of Rs 44.05 lakh to the contractor. Besides, the payment of Rs 74 lakh to the contractor was suspect.

The Executive Engineer (EE), Balasore (R&B) Division awarded the balance of the work of improvement to Jaleswar- Chandaneswar road from RD 12 to 20 km (February 2008) to a contractor for Rs 4.50 crore for completion by January 2009.

During the course of execution of the works, the black topped crust and the road flanks were washed out in the floods of June 2008 resulting in complete disruption of traffic on the road. The Chief Engineer (CE), inspecting the road in August 2008, directed undertaking repairs and reconstruction of the road with improved specification. As the contractor expressed inability to execute the revised scope of the work, three estimates for Rs 5.20 crore were sanctioned (November 2008) by the Superintending Engineer for reconstruction of the road with revised scope.

Test check (March 2008/May 2009) of the records disclosed that the defaulting contractor was paid Rs 84 lakh for the works executed up to June 2008. Even after the executed works were washed away and no further works were executed by the contractor after June 2008, as stated by him in October 2008, the Junior Engineer incorporated (October-November 2008) measurements in token of execution of further works for Rs 74 lakh and the bill for the gross value of Rs 1.58 crore was paid to the contractor in December 2008. The payment of Rs 74 lakh was thus fraudulent. Further, although the agreement provided that damages caused by natural calamities were to be redone by the contractor at his own cost, the repairs for restoration of traffic on the road were got executed (July-August 2008) through other agencies with expenditure of Rs 44.05 lakh. The CE closed (January 2009) the agreement without penalty and awarded the reconstruction works on fresh tender to two other contractors under three agreements at Rs 5.12 crore for completion by October 2009.

Thus the reconstruction of the road work through other agencies resulted in undue benefit of Rs 44.05 lakh to the contractor. Besides, Rs 74 lakh paid to the contractor was doubtful.

The Government stated (June 2009) that since the contractor was unwilling to execute the revised work, the CE closed the contract. It also stated that the payment of Rs 74 lakh for restoration of flood damaged works done by the contractor was not fraudulent and no undue benefit was extended to the contractor by payment of Rs 44.05 lakh to other agencies for reconstruction of the road. The reply was not tenable since as per the records no further work was

executed by the contractor under the agreement after June 2008 and the repair and restoration of the damaged works were the responsibility of the contractor.

3.2 Audit against propriety/expenditure without justification

Authorisation of expenditure from Public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence, would exercise in respect of his money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are discussed below:

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

3.2.1 Avoidable extra expenditure in purchase of Bulk Milk Coolers

Purchase of Bulk Milk Coolers by OMFED from the fifth lowest bidder on negotiation basis led to an extra expenditure of Rs 35.89 lakh.

As per Orissa General Financial Rules, all store purchases are to be regulated in strict conformity with the stores rules which *inter alia* provide for purchases to be made in most economical manner by observing sealed tender procedure etc. Normally, the offer of lowest valid tenderer (L1) is to be accepted.

Scrutiny (February 2009) of records of Orissa State Co-operative Milk Producers Federation Limited (OMFED) revealed that OMFED invited (October 2004) tenders for purchase of Bulk Milk Coolers (BMC) of 1000 litre capacity to implement the scheme 'Strengthening Infrastructure for Quality and Clean Milk production'. The tender for purchase of BMC of 1000 litre was finalised in December 2004 and lowest offer of Rs 2.56 lakh per 1000 litre BMC was approved by the tender committee. But before placing purchase orders, at the request (17 January 2005) of General Manager, Cuttack Milk Union for purchasing imported BMCs, the tender committee decided (February 2005) to procure 1000 litre capacity imported BMCs from the fifth lowest bidder on negotiation basis for Cuttack Milk Union on the ground that all the existing coolers of the Union were imported ones. OMFED procured 49 such coolers from the fifth lowest bidder at higher cost of Rs 35.89 lakh¹⁶ for 12 Milk Unions of the State. Purchase of BMCs at higher price from the fifth lowest bidder without following the codal provisions led to extra expenditure of Rs 35.89 lakh which was avoidable.

On being pointed out, the Government stated (September 2009) that although the purchase of imported BMC has not been mentioned in the tender notice, the same has been reflected in the minutes of the tender committee meeting dated

¹⁶ {Rs 332646.60 (L5 price) - Rs 256460.00 (L1 price) } X 47 + {Rs 260796 (L5 price) - Rs 256460 (L1 price) } X 2 = Rs 35.89 lakh

10 February 2005. The reply is not relevant as the tenders of October 2004 did not contain specific mention of imported BMCs and no tenderer had quoted for imported item including fifth lowest bidder.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.2.2 Unfruitful expenditure on piped water supply project

Non-commissioning of the piped water supply to Rairangpur Municipality led to unfruitful expenditure of Rs 5.65 crore.

The Government administratively approved (June 2003) augmentation of water supply to Rairangpur Municipality at an estimated cost of Rs 5.83 crore under Accelerated Urban Water Supply Programme (AUWSP) sponsored by Government of India (GoI) by drawing water from the Khadkhai Irrigation Project reservoir at Suleipat. The project was targeted for commissioning by 2005. As the AUWSP was scheduled for closure in 2006-07, GoI stipulated that in case the project was not completed by April 2007, no further funds would be provided and the amount already released was to be refunded with penal interest.

The project commenced from February 2004 and the major components like the water pumping systems, the underground and overhead reservoirs and raw water conveying main for four kilometers were completed by July 2006. When the laying of the remaining 12 km long conveying main pipeline was about to be taken up, the local villagers protested (July 2006) and did not allow further execution on apprehension that the water in the reservoir would not be adequate to irrigate their agricultural lands after release of water for the drinking water scheme. Further works on the project were not allowed to be executed as of January 2009 calling for refund of the central share of Rs 2.92 crore with penal interest. Thus, the expenditure of Rs 5.65 crore on the project remained unfruitful as of January 2009 including cost of 11,816 metres of ductile iron pipes for Rs 1.34 crore purchased for the raw water main pipeline.

Test check (December 2007) of the records of the Public Health and Irrigation Divisions at Baripada disclosed that though the Khadkhai Irrigation Project had the designed irrigation potential of 7990 ha, the certified irrigated area since 2002-03 was 6069 ha which indicated inadequate availability of water at the source. Thus, commencement of the work on the piped drinking water supply project without proper study of availability of water at the source resulted in suspension of the works due to public agitation and rendered the expenditure of Rs 5.65 crore unfruitful. Besides, the people of Rairangpur town were deprived of the much needed drinking water.

The Government stated (April 2009) that the existing infrastructure could be utilised by changing the source to an intake point 12.5 km downstream from the reservoir where there was ponding of water and the ductile iron pipes could be diverted to other works. The reply was not tenable since the matter was still under consideration of the Government (November 2009).

RURAL DEVELOPMENT DEPARTMENT

3.2.3 Unfruitful expenditure on rural roads

Substandard execution and non-completion of four rural roads led to unfruitful expenditure of Rs 2.12 crore.

Construction of four rural roads¹⁷ covering 14.11 km under Pradhan Mantri Gram Sadak Yojana (PMGSY) was awarded (February 2006) to a contractor under two agreements at a cost of Rs 3.03 crore to be completed by November 2006. The agreements provided that in case of failure to complete the works as per the specifications within the stipulated time, the agreements were to be terminated with imposition of penalty of 20 *per cent* of the value of the leftover works.

Test check (November 2008) of the records of Rural Works Division, Bargarh disclosed that the progress of the work was slow and disproportionate to the completion schedule. Further, the works executed by the contractor in two roads (NH 6 at Kamco Chhak to Srigida and Dasmile Chhak to Jatla) were sub-standard due to use of poor quality materials. Despite issue of notices, the contractor did not rectify the defective works and finally abandoned all the works in a haphazard condition in July 2007. He was paid Rs 2.12 crore for the works executed. The agreements were neither rescinded with penalty nor were the balance of the works got executed through any other agency as of January 2009. As a result, the entire black topped surface of all the four roads became worn out and the berms were washed out rendering the expenditure of Rs 2.12 crore incurred on the works unfruitful.

The Executive Engineer stated (November 2008) that the agreements would be processed for closure as per the relevant clauses and the damaged portion would be redone at the cost of the agency. The agreements have however not been closed and the damaged road portion remained unrectified as of November 2009.

The matter was reported to the Government in January 2009; their reply has not been received (November 2009).

3.2.4 Unfruitful expenditure on rural roads

Excess payment to a contractor and subsequent steps for recovery led to abandonment of the work resulting in unfruitful expenditure of Rs 1.26 crore.

For providing all weather road connectivity to five rural habitations, improvement of two¹⁸ roads alongwith maintenance thereof was awarded (January 2006) to a contractor at a cost of Rs 2.77 crore under Pradhan Mantri Gram Sadak Yojana (PMGSY) for completion by September 2006. After

¹⁷ Dasmile Chhak to Jatla, NH 6 to Kendumundi, NH 6 at Kamco Chhak to Srigida and PWD road to Birmal.

¹⁸ (A) - PS Road to Dengini and (B) - RD Road to Jeera - Debirisingi

executing the works valuing Rs 1.26 crore, the contractor abandoned the works midway in September 2007.

Test check (November 2008) of the records of Rural Works Division, Rayagada disclosed that the actual lead for obtaining moorum for execution of granular sub-base (GSB) and water bound macadam (WBM) items of the road 'A' was 5 km. The Chief Engineer (CE), however, sanctioned the detailed project report (DPR) in September 2005 for Rs 2.56 crore providing lead of 45 kms for obtaining moorum for the works. The work was awarded (January 2006) to the contractor with premium of 8.05 per cent over the estimate. The rates for the GSB and WBM items were inbuilt with 45 km lead for obtaining moorum. The contractor received payment of Rs 97.28 lakh till January 2007 for both the road works including GSB/WBM items of Road - 'A' at the agreement rates. After



RD road to Debirisingi

noticing the adoption of excess lead in the unit rates of Road - 'A', the EE withheld Rs 20.86 lakh from the dues of the contractor and referred (December 2007) the matter to the CE for a decision. The contract was neither terminated nor the balance works executed as of November 2009.



PS road to Dengini

Physical inspection of the roads by audit in February 2009 disclosed that the roads were in a deplorable condition with metals/aggregates floating on the road surfaces along with large pot holes and depressions.

Thus, the erroneous adoption of excess lead in the agreement and the subsequent corrective measures of the department led to abandonment of the works midway by the contractor leaving the roads in a deplorable condition. The all weather connectivity to the habitations was not established as of November 2009 rendering the expenditure of Rs 1.26 crore incurred on the roads unfruitful and non-achievement of the objective of PMGSY. No responsibility was fixed for the erroneous computation of the item rates (November 2009).

The matter was reported to the Government in January 2009; their reply has not been received (November 2009).

3.2.5 Extra cost and non-recovery of penalty from a defaulting contractor

Non-completion of works under Pradhan Mantri Gram Sadak Yojana by a contractor involved extra cost of Rs 6.03 crore. Despite that, penalty for Rs 1.74 crore was not recovered from the defaulting contractor.

In order to provide all weather road connectivity to 12 habitations under the Pradhan Mantri Gram Sadak Yojana, the work of construction and maintenance

of nine¹⁹ rural roads was awarded (April 2005-January 2006) to a contractor under two agreements at a total cost of Rs 10.66 crore for completion by January-December 2006. Despite receiving (April 2005-March 2006) mobilisation advance of Rs 47 lakh, the contractor did not deploy required men and machinery for the work and was slow in execution. The contractor finally abandoned the works in May-July 2006 by which time he was paid Rs 1.96 crore for 18.38 per cent of the works executed. Due to default in execution, the Government terminated the contracts in February 2008 and awarded (January 2009) the balance of the works after re-tender to four other contractors at a total cost of Rs 14.73 crore for completion by December 2009.

Test check (February 2009) of records of the Executive Engineer (EE), Rural Works Division, Bhawanipatna disclosed that of the Rs 1.96 crore paid to the defaulting contractor, Rs 37.27 lakh pertained to execution of sub-standard works which were ordered for dismantlement. Neither were the sub-standard works rectified nor was any penalty imposed for the faulty execution. Instead, the sub-standard items of works were measured and paid to the contractor.

Further, as per the conditions of the agreements, in case of termination of the contracts due to default in execution, 20 per cent of the value of works not completed by the contractor was to be realised as penalty. Accordingly, Rs 1.74 crore was recoverable from the defaulting contractor towards penalty. Against the above, his dues of Rs 17 lakh on account of security and withheld amount was available with the EE for possible adjustment. Despite lapse of more than two and a half years from the date of abandonment of the works, no action was taken (November 2009) to forfeit the available dues and to realise the remaining Government dues of Rs 1.57 crore.

Thus, non-completion of the works resulted in extra cost of Rs 6.03 crore due to re-tender apart from delaying the establishment of all weather road connectivity to the habitations. Besides, penalty of Rs 1.74 crore was not recovered from the defaulting contractor.

The matter was reported to the Government in March 2009; their reply has not been received (November 2009).

3.2.6 Avoidable expenditure on rural roads

Although execution of Water Bound Macadam by mechanical means was more economical, execution of the item by manual means for construction of the roads resulted in avoidable extra expenditure of Rs 8.31 crore.

The Rural Roads Manual of the Government of India (GoI) prescribed that the sub-base of the roads constructed under the Pradhan Mantri Gram Sadak Yojana (PMGSY) was to be executed providing Water Bound Macadam (WBM) spread uniformly and evenly upon the base preferably by mechanical means so as to minimise their manipulation by hand.

¹⁹ (i) RD road-Sirjapati (ii) RD road – Dongapat (iii) RD road-Kuten (iv) PWD road-Siripur (v) Rupra- Palsapada (vi) Artal-Dumeria (vii) Parelsinga-Balsi (viii) Kadamguda-Panimunda - Ulisirka-Narla (ix) Kadamguda-Sikerkupa

Test check of the records of Chief Engineer, Rural Works disclosed (February 2009) that though the execution of the WBM item by mechanical means was cheaper by Rs 18.99 per cum compared to execution by manual means, the Executive Engineers worked out the item rates providing for execution by manual means. The National Rural Roads Development Agency, co-coordinating / monitoring the implementation of PMGSY at the GoI level, observed (September 2008) that the rate for WBM was high due to adoption of execution by manual means and directed for providing execution of the item by mechanical means. Consequently, from phase VII onwards, the item specification provided for execution by mechanical means. But execution of the WBM items by manual means in the 981 packages already finalised up to phase VI involved an extra expenditure of Rs 8.31 crore.

The Government stated (July 2009) that though execution of WBM works by manual means was costlier, it was adopted to provide employment to rural labour. This was not tenable since generation of rural employment was not the objective of PMGSY.

SCHOOL AND MASS EDUCATION DEPARTMENT

3.2.7 Wasteful expenditure on incomplete school buildings

Twenty nine school buildings undertaken for construction during 2003-06 under RSB programme remained incomplete as the dispute between the Headmasters and the VECs remained unresolved and these abandoned works could not be resumed after cancellation of work orders which led to an unfruitful expenditure of Rs 81.30 lakh.

Reconstruction of School Building Programme (RSBP) with DFID²⁰ assistance was taken up (October 2003) by Orissa Primary Education Programme Authority (OPEPA) for providing school buildings along with ancillary facilities such as drinking water, toilets, electricity and child friendly elements. Under the programme, OPEPA provided (October 2003 to May 2006) funds to the Village Education Committees (VECs) as advance for construction of school buildings in 13 coastal districts affected by the super cyclone 1999.

Scrutiny (March 2009) of records of the State Project Director (SPD), OPEPA revealed that 29 buildings taken up for construction under the programme during 2003-07 remained incomplete after incurring an expenditure of Rs 81.30 lakh due to disputes between the Headmasters and respective VECs remaining unsolved (18 works), land disputes (two works) and abandonment of the works as per orders of higher authorities (nine works). The prospect of buildings lying incomplete seem to be remote as the programme has since been discontinued from March 2008. As such investment of Rs 81.30 lakh made on these buildings rendered wasteful. Besides the unutilised amount of Rs 36.98 lakh out of total advance of Rs 1.18 crore paid to the VECs during 2003-06 was also lying unadjusted with Head Masters/VECs as of March 2009.

²⁰ Department for International Development

On this being pointed out, the SPD, OPEPA stated that steps would be taken to adjust the advances paid to VECs and close the account. The reply did not explain the time schedule for completion of incomplete works and put the assets for intended use.

The matter was referred to Government in May 2009, the reply had not been received (October 2009).

WATER RESOURCES DEPARTMENT

3.2.8 Extra payment to a corporation

Acceptance of higher offer of Orissa Construction Corporation for de-silting/ dredging of debris involved extra payment of Rs 7.51 crore.

As per the procedure prescribed (June 2002) by the Government, for execution of allotted works through Orissa Construction Corporation Limited (OCC), the corporation was to quote the rates on the basis of fair assessment of the market rates.

De-silting and dredging works in the leading channel between the head regulator of Sasan Main Canal and Hirakud Reservoir were awarded (April 2008) to OCC at Rs 37.18 crore for completion by October 2008. The corporation was paid Rs 6.87 crore for the work executed till July 2008.

Test check of the records of the Executive Engineer, Main Dam Division, Burla disclosed that the corporation quoted (March 2008) Rs 248.60 per cum for de-silting/dredging work, adopting the capital cost of dredgers and pipelines as Rs 10.75 crore without any supporting documentary evidence or market analysis to justify the rate. The Indian Institute of Technology (IIT), Chennai which was the consultant for such type of works in the State, however, worked out (January 2008) the rate of Rs 168.85 per cum adopting the capital cost of dredger and pipelines as Rs 6 crore in its analysis. The rate recommended by the IIT was based on the market rates for similar nature of de-silting / dredging works. Such works were also executed in the State during the same period through contractors at rates varying between Rs 145 and Rs 178 per cum. Despite the unreasonableness of the rate quoted by OCC, the Government accepted the offer of OCC resulting in extra payment of Rs 7.51 crore to the corporation.

The Government stated (May 2009) that on the basis of fair assessment of market rates, the capital cost of the dredger specifically suitable for dredging works inside Hirakud reservoir was finalised. The reply was not tenable since the rates derived by the IIT, Chennai were based on rates prevailing in different States for similar nature of dredging works, but the OCC offered rate was not supported by any documentary evidence or market analysis.

3.2.9 Unfruitful expenditure on a Minor Irrigation Project

Non-supply of water for irrigation from a Minor Irrigation Project rendered the expenditure of Rs 5.34 crore spent on the project unfruitful.

The Katangnullah Minor Irrigation Project was approved (1998-99) for loan assistance of Rs 1.96 crore from NABARD under Rural Infrastructure Development Fund (RIDF - III) for completion at a cost of Rs 2.18 crore including State share for upliftment of tribal villages.

Test check (March 2009) of the records of the Executive Engineer (EE), Minor Irrigation Division, Sundargarh disclosed that though the head works were completed in May 2000 at a cost of Rs 2.45 crore, the canal system taken up in patches was incomplete till closure of the loan in March 2004. The EE submitted (March 2004) the project completion report for an expenditure of Rs 4.31 crore with the canal system remaining incomplete at various stages due to delay in getting possession of the land free from unauthorised encroachments along the canal alignment. Further expenditure of Rs 1.03 crore was incurred on the project under State Plan till February 2009 for execution of the incomplete canals.

Physical inspection (July 2009) of the site by audit along with the Engineer-in-charge of execution disclosed that the main canal for 90 metres was not excavated to the designed section. Further, the canals excavated earlier were silted up beyond recognition, requiring resection/further execution of work for providing irrigation.

Thus, despite completion of the head works of the project for the last nine years, no irrigation could be provided due to non-completion of the canal system rendering the expenditure of Rs 5.34 crore spent on the project unfruitful. Besides there was cost overrun of Rs 3.16 crore.



Incomplete branch canal system

The Government stated (May 2009) that the project was completed and ready for providing irrigation from the kharif season of 2009-10. This was not factually correct as observed during the physical inspection of the site by audit.

3.2.10 Avoidable flood damage repairs and blockage of funds

Non-commencement of drainage congestion remedial work despite advance payment to the agency resulted in blockage of Rs 5.77 crore with loss of interest of Rs 1.04 crore. Besides, there were avoidable flood damage repairs for Rs 2.04 crore.

Rivers Daya, Bhargavi and their tributaries which outfall into Chilika lagoon had got silted over a period of time. This choked the normal discharge from the rivers into the lagoon leading to flooding of vast cultivable lands.

Although the drainage congestion was a critical issue, only after one year of the approval of the project by the Government in March 2007, sectioning/dredging of river Luna (9 km) and river Daya (5.60 km) was allotted (March 2008) to Orissa Construction Corporation Limited (OCC) at a cost of Rs 7.69 crore under two agreements at 37.57 per cent excess over the estimated cost of Rs 5.59 crore for completion by October 2008.

The agreements provided that payment was to be made based on the output achieved in dredging. There was no provision in the agreements for any advance payment. Test check (January 2009) of the records of Drainage Division, Bhubaneswar, however, disclosed that immediately after execution of the agreements on 29 March 2008, the Executive Engineer (EE) paid Rs 5.77 crore on 31 March 2008 (75 per cent of the work value) to the Corporation without execution of any work, just to utilise the letter of credit. Even after receiving such irregular advance, OCC did not commence the work as of April 2009. As a result, during the monsoon in 2008, more than 14000 ha of cultivable land in the Daya Bhargavi Doab were water logged necessitating flood damage repairs at an estimated cost of Rs 2.04 crore. No action was initiated against the Corporation for the default.

Thus, non-commencement of the drainage congestion remedial measures even after receiving advance payment led to blockage of Rs 5.77 crore with loss of interest of Rs 1.04 crore as of March 2009. Non-execution of the work contributed to water logging during the rainy season necessitating extra liability of Rs 2.04 crore to be incurred for flood damage works.

The Government stated (April 2009) that OCC could not locate agencies having dredgers despite its best efforts and the advance payment to the Corporation was as per payment schedule approved by the CE. It was further stated that the flood damage was due to havoc created by floods and the investment had positive results in combating water logging problems. The reply is not tenable since OCC failed to arrange dredgers throughout the contract period despite the work being urgent in nature. Payment of such huge works advance to OCC without provision in the contract and merely to utilise the LoC was irregular.

3.3 Persistent and Pervasive Irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities despite being pointed in earlier audits is not only indicative of non-seriousness on the part of the executive but is also an indication of lack of effective monitoring. This, in turn, encourages willful deviations from observance of rules/regulations and results weakening of the administrative structure. Some of the cases reported in audit about persistent irregularities have been discussed below.

WATER RESOURCES EPARTMENT

3.3.1 Misappropriation of subsidy on rice

Subsidised rice of 2250 MT was shown as issued to labourers through contractors long after completion of the works indicating suspected misappropriation of subsidy of Rs 1.64 crore

As per the norms of the Food for Work (FFW) programme, rice supplied by Government of India (GoI) was to be distributed directly to the labourers at subsidised rates as part of wages and was not to be used for non-wage purposes. To ensure that the benefit of subsidy reached the beneficiaries, the rice was to be supplied to the labourers at the worksite along with cash component on Nominal Muster Rolls (NMR) in the presence of local Gram Panchayat representatives. As per Rule 3 of Appendix XIV Orissa Public Works Department Code (Vol. II), NMR forms were to be numbered, registered and issued by the EE for disbursement of wages to the labourers deployed for particular work. A certificate was to be endorsed in each form by the Disbursing Officer with regards to identification of the labourer and actual payment of wages. The EE was to monitor the progress of works ensuring proper utilisation of the rice allotted and furnish an utilisation certificate (UC).

Mention was made vide paragraphs 4.1.1, 4.1.1 and 4.1.2 and 4.1.1 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 2006, 2007 and 2008 respectively regarding misappropriation of subsidy on rice.

Further check of records revealed that the Executive Engineer (EE), Drainage Division, Chandikhol commenced and completed renovation of 16 drainage clearance works in June 2005, five other such works in May 2006 and another five in June 2006 in Jajpur, Kendrapara and Cuttack districts involving execution of 7.17 lakh cubic meter of earth work for Rs 1.98 crore under 414 split up agreements through 49 contractors, limiting value of each agreement within Rs 50000 finalised locally at his level without obtaining competitive bids. The EE lifted 2250 MT of rice from Food Corporation of India (FCI), Cuttack in 10 phases during May 2006 and showed (May - July 2006) the entire quantity as issued to the contractors engaged for the renovation of drainages reportedly completed in June 2005, May / June 2006.

NMR forms of five works were made available to audit in support of evidence of distribution of rice to the labourers. Audit noted that these documents were suspect as they were neither issued by the EE nor were registered/authenticated

and also not certified by the Disbursing Officer regarding identification of the labourers and payment of actual wage/rice components. They did not contain the dates of issue of rice to the labourers. Further, the dates of actual commencement and completion of two of the five works were different from those shown in the NMR forms. Besides, in 15 cases, persons other than the labourers had received the wages /rice and in 36 cases no acknowledgements were obtained from the labourers. No local representative was present at the time of distribution of rice to the labourers. Further, there was remote possibility of such large number of labourers being available at site for distribution of rice after one to 12 months of completion of the works. The EE, however, submitted (July 2006) the UCs reporting utilisation of the full quantity of rice by distribution to the 3.76 lakh labourers deployed in the works for 25 days in June 2005 and 24 days during May/June 2006. He further certified that the UCs were issued after verification of the stock registers and being satisfied that the physical and financial performances were as per the parameters prescribed under the norms of the programme.

Thus, the issue of rice to the labourers not being supported by the procedure of rules and proper documentary proof was suspect and could be fraudulent. This led to misappropriation of the Government subsidy of Rs 1.64 crore on 2250 MT of rice.

The Government stated (May 2009) that the release of rice was late which was beyond the control of the EE and that the deficiencies in the distribution of rice were unavoidable and due to procedural failure. This was not tenable in view of the following:

- Such a large number of labourers were not supposed to be available at site for distribution of the rice after one to 12 months of completion of the works.
- The NMR forms were not registered / authenticated and did not contain the dates of issue of rice to the labourers.
- There was no local representative present at the time of distribution of rice.
- In response to an audit query the EE stated (April 2009) that no muster rolls indicating deployment of labourers in the works were available in his office.

Audit had raised this issue several times, but the irregularity is still persisting. The Government should take steps to arrest this problem by ensuring strict compliance with the rules and procedures so that the poverty alleviation programme benefits the least advantaged persons in society.

3.3.2 Unfruitful expenditure and extra cost on an Irrigation Project

Mahanadi Chitrotpala Island Irrigation Project approved for providing irrigation to 15342 ha of cultivable command area remained incomplete rendering the expenditure of Rs 221 crore unfruitful. Besides, there was extra cost of Rs 8.96 crore for renovation of the abandoned works.

Mahanadi Chitrotpala Island Irrigation Project, a major irrigation project, was approved (May 1989) by the Planning Commission for Rs 39.94 crore for providing irrigation to 19542 ha of cultivable command area (CCA). The works were started in 1988-89 under the State Plan and expenditure of Rs 45.81 crore was incurred on the project till 1995-96. The project was included under the Orissa Water Resources Consolidation Project (OWRCP-World Bank Project) in September 1995 for completion at an estimated cost of Rs 124.72 crore by March 2003 with reduced scope of 15342 ha of CCA. Undue benefits extended to contractors, inadmissible payments and default in execution by the contractors in two canals were highlighted in the Reports of the Comptroller and Auditor General of India vide paras 3.12.2, 4.2.1 and 4.4.3 for the years ended 31 March 2002, 2004 and 2005 respectively.

Further examination of the records of the Executive Engineer (EE), Mahanadi Barrage Division, Cuttack disclosed that till closure of the OWRCP in 2004, additional expenditure of Rs 174.51 crore was incurred on the project. Canal excavation was executed with gaps and



Damaged Manaour minor of Paika Rt distributary



Silted up Olagada sub-minor of Mahanadi left distributary

missing links in the main canal while minors/sub-minors for 77.30 km remained incomplete due to non-acquisition of land and default in execution by the contractors. The works on the project were suspended from 2004 with the closure of the World Bank assistance. Though the department claimed to have created

capacity of irrigating 7287 ha of CCA, no assured irrigation was provided as of April 2009 due to the distribution system remaining incomplete.

Further, due to abandonment of the project works and non-maintenance of the completed works, the canals excavated were completely damaged, silted up and the embankments flattened requiring renovation. The EE spent Rs 69 lakh on renovation works between 2007 and 2009 and placed (April 2009) requisition for further funds of Rs 8.27 crore for the renovation works which was still to be sanctioned as of April 2009.

Thus, the project commenced in 1988-89 at a cost of Rs 39.94 crore for providing irrigation to 15342 ha remained incomplete even after 20 years with only 63 per cent physical progress despite incurring an expenditure of Rs 221 crore on the project as of March 2009. Abandonment without maintenance of the assets created, rendered the canals unsuitable for carrying the designed discharge of

water warranting avoidable extra cost of Rs 8.96 crore on removal of silt and re-excavating the canals. The projected benefit cost ratio (BCR) of 2.14 had declined to 1.55 and was likely to decrease further with increase in cost of the project due to additional cost involved in renovation of the damaged canals. The intended benefits from the project could not be achieved even after lapse of five years.

The CE, Drainage, Cuttack stated (June 2009) that works on the canal system remained incomplete due to financial closure of OWRCP and the executed canals had lost their designed shape due to non-maintenance and therefore could not provide irrigation in the existing condition of the canals. The leftover works have been proposed for completion under Asian Development Bank loan. The fact however, remains that failure to complete the project by March 2003 resulted in non-achievement of the objective of providing irrigation, rendering the expenditure unfruitful.

The matter was referred to the Government in April 2009; their reply has not been received (November 2009).

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

3.3.3 Theft of Government property

Delay in disposal of the 'Jagatjore-Banapada shrimp culture project' lying defunct since 2004-05 led to loss of Government property worth Rs 2.54 crore due to theft. Further expenditure of Rs 41.83 lakh was incurred towards pay and allowances of the idle staff.

Mention was made in paragraph 3.12.4 of C&AGs Audit Report for the year ended 31 March 2002 on World Bank Aided Shrimp and Fish Culture Project on failure of shrimp production. The 'Jagatjore-Banapada shrimp culture project', of Kendrapara district was established during 1994-2000 at a cost of Rs 26.41 crore with the objective to increase shrimp production in the State. The project suffered a serious set back due to attack of white spot disease and became defunct since 2004-05.

Scrutiny (June 2008 & April 2009) of the records of Director of Fisheries, Orissa, Cuttack and District Fisheries Officer, Kendrapara revealed that though the Government decided (September 2004 and June 2005) to sell out the project, but decision for valuation of assets by an agency was taken only in March 2007. The Director of Fisheries (March 2007) was asked to invite tenders and finalise the Terms of Reference (TOR) with the approval of the Government. The appointment of the consultancy firm/agency for valuation of the assets was yet to be materialised (April 2009).

In the meanwhile electro-mechanical accessories valued Rs 34.30 lakh and major parts of installations worth Rs 2.20 crore were stolen. The police was intimated regarding theft of assets from time to time between December 2003 and March 2008, but no details as to registration of the cases, final report of police

were available. Also no departmental enquiry was conducted to ascertain the circumstances leading to such theft. Further, expenditure of Rs 41.83 lakh was also incurred during 2005-09 towards pay and allowances of the staff of the defunct project.

Thus, delay in appointment of consultancy firm for valuation of assets at Government level and finalisation of the terms of reference resulted in loss of Government property worth of Rs 2.54 crore.

The matter was reported to Government in April 2009; the reply had not been received (October 2009).

PANCHAYATI RAJ DEPARTMENT

3.3.4 Unfruitful expenditure

Due to lack of proper planning and monitoring, 112 projects taken up for execution in five Panchayat Samities under different schemes remained incomplete which led to an unfruitful investment of Rs 1.92 crore.

Government of India (GoI) and the State Government provide funds under different programmes/schemes like Sampoorna Grameen Rozgar Yojana (SGRY)/National Food For Work Programme (NFFWP)/Member of Parliament Local Area Development Scheme (MPLADS)/Member of Legislative Assembly Local Area Development Scheme (MLALADS) for ensuring wage-employment, infrastructure development and food security in the rural areas and creation of need based economic and community assets. For this purpose those works which can be completed in a period of year or two would be selected and there should be proper planning and monitoring for effective implementation and timely completion of the projects.

Scrutiny (September 2007 to March 2008) of records of five Panchayat Samities²¹ and information collected later (March-April 2009) revealed that 112 projects at an estimated cost of Rs 2.96 crore taken up for execution under SGRY/NFFWP/ MPLAD/MLALAD schemes during 2002-06 remained incomplete so far (March 2009) even after incurring an expenditure of Rs 1.92 crore. As the assets created could not be gainfully utilised, the expenditure of Rs 1.92 crore incurred remained unfruitful. Monitoring and inspection of these works through regular visits to worksites was completely missing.

The BDOs of Panchayat Samities stated (March-April 2009) that improper monitoring of the work, difference of opinion of the public and consequential dispute and shortage of funds were the reason for non-completion of the projects. The replies were not acceptable as no records in support for disputes among public were produced to audit and the verification of cash book/PL account revealed availability of required funds.

²¹ Panchayat Samities : (i) Tangi Choudwar (Dist: Cuttack), (ii) Reamal (Dist: Deogarh), (iii) Barpali (Dist: Bargarh), (iv) Tureikela (Dist: Bolangir), (v) Gudvella (Dist: Bolangir)

The matter was reported to Government in April 2009; the reply had not been received (October 2009).

SCHOOL AND MASS EDUCATION DEPARTMENT

3.3.5 Misappropriation of cash

Non-accountal of amount withdrawn from Non-Government and Government Account and non adherence to procedures regarding maintenance of supporting vouchers and stock register led to misappropriation of Rs 2.64 lakh.

Orissa Treasury Rules provide that the Head of the Office or some responsible subordinate other than the writer of the cash book should verify the totalling of the cash book and initial it as correct. At the end of each month, the head of the office should verify the cash balance and record a signed and dated certificate to that effect. Where a Government officer deals with both Government and non-Government money in his official capacity, the Non-Government money and transactions should be accounted for in a separate set of books and kept entirely out of Government Account. Rules further provide that a Government Officer entrusted with the payment of money shall obtain for each payment he makes, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. Similarly, Orissa General Financial Rules also provide that the Officer receiving the materials should record details in the appropriate stock register after verification of quality and quantity received.

Records of the Headmaster, Secondary Training School, Paralakhemundi revealed (March 2008 and April 2009) that, the school maintained a postal savings bank account for crediting moneys collected from students towards fee for games, library, laboratory, work-shops, caution money etc. The Ex-Headmaster who expired on 26 June 2006 withdrew Rs 1.81 lakh from the said Non-Government Account and Rs 2500 from Government Account between November 2005 and May 2006. Out of these drawals, Rs 1.30 lakh was not accounted for in the cash books and Rs 0.51 lakh was charged to cash books without keeping supporting vouchers. Further the withdrawal of Rs 0.35 lakh was made, while the HM was availing summer vacation (1 May 2006 to 23 June 2006) and Assistant Teacher was holding charge of HM. The in-charge HM however, intimated (July 2006) to the Government regarding non-accountal and suspected misappropriation of the money. District Inspector of Schools, Paralakhemundi after conducting Special Audit suggested (May 2009) for recovery of the amount from the dues payable to dependants of the deceased Head Master.

In another case the Headmaster had withdrawn Rs 1.84 lakh from the non-Government account during October 2006 to May 2007 to meet office expenses and purchase of stores. The above amount was accounted for in the cash book but vouchers in support of expenditure of Rs 0.31 lakh were not made available. Further, an expenditure of Rs 0.46 lakh booked against purchase of sports materials and agriculture equipments during March-April 2007 appeared doubtful in absence of stock entries and physical availability of the stores.

Besides, vouchers for Rs 0.06 lakh, were neither passed for payment by the Headmaster nor stock entry recorded. This led to suspected misappropriation of a further amount of Rs 0.83 lakh. The Headmaster confirmed (April 2009) the facts.

The Government stated (June 2009) that the Director, TE&SCERT²² had enquired both the cases in June 2009 and suggested for recovery of the amount from the Death-cum-Retirement Gratuity of late HM in the first case and that in the second case the Director TE&SCERT was instructed to take necessary action for recovery of amount from the HM responsible for misappropriation.

3.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in area of health, education, development and upgradation of infrastructure and public services etc. However, Audit noticed instances where funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4.1 Abnormal delay in setting up of the Trauma Care Centre

Objective of providing emergent care facilities to road accident victims remained unfulfilled due to delay in setting up trauma care centre at Burla

In order to upgrade and strengthen emergency care facilities in selected State Government Hospitals located on National Highways for providing resuscitative measures to road accident victims, GoI sanctioned and paid (May - June 2006) grants- in - aid of Rs 1.50 crore to the Superintendent, VSS Medical College and Hospital, Burla for setting up a trauma care centre at the attached Hospital of the said medical college. Funds sanctioned were to be spent on construction of building (Rs 63 lakh), purchase of equipment and furniture (Rs 66 lakh), ambulance fitted with required equipments (Rs 20 lakh) and communication system (Rupees one lakh). The civil works was to be completed and funds were to be utilised within 12 months from the date of release of funds by GoI i.e. by June 2007.

Scrutiny of records (March 2009) of the Superintendent revealed that due to non-availability of land, the construction of the centre was planned above the ground floor of the proposed casualty department. The Executive Engineer, R&B Division, Bargarh (EE) was requested (August 2006) to prepare the plan and estimate of the proposed building which was submitted by the EE only in November 2007. Administrative approval of the plan and estimates for Rs 68.85 lakh was accorded by the Director, Medical Education and Training,

²² Teachers Education and State Council of Educational Research and Training

Orissa in January 2008. The Superintendent deposited (February 2008) Rs 63 lakh with the EE for construction of the building and retained an amount of Rs 87 lakh in bank account meant for other purposes. The additional requirement of funds of Rs 5.85 lakh for construction of building was to be borne by the State Government for which sanction of Government was awaited (March 2009).

It was however noticed (March 2009) in audit that the civil construction work of trauma care centre started only in March 2009 and pillar structures above the first floor of the casualty building of the hospital were found raised. Action for procurement of equipments, communication systems and ambulance contemplated in GoI sanction was yet to be materialised (March 2009).



Thus, due to delay in construction of building, 5042 road accident victims admitted in the hospital during 2007-09, did not receive contemplated emergent and resuscitative medical care.

The Superintendent while admitting the facts stated (March 2009) that the delay was due to non-completion of ground floor/first floor of Casualty building due to delay in preparation of plan and estimate. The Government stated (July 2009) that construction work of the building was under progress and tender for procurement of ambulance with equipments was under process.

PANCHAYATI RAJ DEPARTMENT

3.4.2 Extra expenditure on construction of houses under Indira Awas Yojana

Incorrect decision of the Government to categorise two districts under hilly/difficult areas for construction of IAY houses led to extra expenditure of Rs 1.51 crore which denied 1935 beneficiaries of availing IAY houses.

Indira Awas Yojana (IAY) aimed at providing houses free of cost to members of Scheduled Caste/ Scheduled Tribes (SC/ST), free bonded labourers in rural areas and non-SC/ST rural poor below the poverty line. The ceiling of assistance per unit was Rs 20000 for plain areas and Rs 22000 for hilly/difficult areas, and the same was revised (December 2003) to Rs 25000 and Rs 27500 respectively. As per para 3 of GoI instruction (December 2003), the State Government with the approval of State Level Co-ordination Committee categorised (May 2004) all the Tribal Area Sub-Plan blocks as hilly/difficult areas and issued instruction for allowing Rs 27500 per unit in these blocks. The GoI, however, turned down (October 2005) the request (September 2005) of the State Government to allow Rs 27500 per beneficiary in TASP blocks on the ground that all the 19 States including Orissa had been placed under plain areas for allocation of funds under IAY.

Scrutiny of records (April and October 2008) of Project Directors(PDs), District Rural Development Agency (DRDA) Koraput and Sundergarh revealed that the State Government had allocated (April 2004) Rs 16.64 crores for construction of 7986 IAY houses in these districts during 2004-05 of which 80 *per cent* of the allocation was to be utilised towards new construction (5324 houses) at the unit cost of Rs 25000. The DRDAs however paid Rs 27500 per beneficiary based on Government decision (May 2004). As a result, only 6051 houses under IAY against the target of 7986 could be constructed during 2004-06 with the allocated amount of Rs 16.64 crore.

Thus, incorrect decision of the Government to categorise the TASP blocks under hilly/difficult areas without approval of GoI, by raising the unit cost to Rs. 27500 resulted in extra expenditure of Rs 1.51²³ crore which also denied 1935 beneficiaries of availing the benefit of IAY houses.

The Government stated (July 2009) that comments would be furnished after receipt of compliance from DRDAs.

WATER RESOURCES DEPARTMENT

3.4.3 Extra cost and excess payment to a corporation

Payment for disposal of debris 20 km away despite actual disposal between five and eight km distance involved extra cost of Rs 8.12 crore for payment to OCC. Besides, there was inadmissible payment of overhead charges for Rs 81 lakh.

The work of de-silting and dredging of debris in the leading channel between the head regulator of Sasan Main Canal and Hirakud Reservoir was allotted (April 2008) to Orissa Construction Corporation Limited (OCC) at a cost of Rs 37.18 crore for completion by October 2008 which was extended up to September 2009, with 15 *per cent* overhead charges payable over and above the value of work executed.

Test check (August 2008) of the records of Main Dam Division, Burla disclosed that as per the agreement 7.39 lakh cum of debris were to be dredged at the rate of Rs 248.60 per cum inclusive of all charges. 60 *per cent* (4.43 lakh cum) of the debris was to be transported and disposed of at a distance of 20 km with additional payment at Rs 244.10 per cum. OCC transported 0.28 lakh cum of debris as of July 2008 and dumped these at locations which were only five to eight km away from the worksite. Despite this, the corporation was paid Rs 68 lakh at the quoted unit rate resulting in excess payment to OCC. For the 4.43 lakh cum of debris to be transported as per the agreement, the excess payment would work out to Rs 8.12 crore.

Further, as per the procedure prescribed (June 2002) by the Government for execution of allotted works, OCC was not to sub-contract the works and the overhead charges of 15 *per cent* were payable only for the works executed by the corporation itself. Though the corporation sub-contracted the de-silting/dredging

²³ Rs 2500 (Rs 27500-Rs 25000) X 6051 = Rs 1.51 crore

work to one contractor and the work of disposal of the debris to another contractor it was allowed overhead charges of Rs 81 lakh till August 2008.

Thus, payment to the corporation for the disposal of debris 20 km away despite actual disposal being only between five and eight km away from the worksite involved extra cost of Rs 8.12 crore. Besides, there was inadmissible payment of overhead charges of Rs 81 lakh.

The Government stated (June 2009) that the debris was initially dumped at a distance of five to eight km and after allowing it to dry up, the same was again transported and dumped at a distance of around 20 km. Further, the overhead charges of 15 *per cent* were allowed to OCC as per orders of the Government. The reply was not tenable since the specifications of execution provided for directly disposing the debris at a distance of 20 km and not for carrying it in a piecemeal fashion. The measurements did not indicate carriage of debris in instalments. Further, since OCC had sub-let the entire work, payment of overhead charges to it was not admissible.

WORKS DEPARTMENT

3.4.4 Excess payment to contractors

Road improvement work using lesser quantity of material than the approved quantity as per specifications led to excess payment of Rs 1.43 crore to the contractors.

Improvement works of two State highways²⁴ were technically sanctioned (November 2004/August 2006) by the Chief Engineer (Design, Planning, Investigation and Roads) for Rs 16.41 crore. The sanctioned estimates provided, *inter alia*, execution of Wet Mix Macadam (WMM), Water Bound Macadam (WBM) and Granular Sub-Base (GSB) items. The item rates were computed adopting metal/chips/crusher dust for 0.20 cum per sqm of WMM, 0.116 cum per sqm of WBM and 1.28 cum per cum of GSB works. The works inbuilt with the above provisions were floated to tender and were awarded (February 2005-March 2007) to two contractors at a cost of Rs 16.60 crore for completion by January 2006 - February 2008. The contractors were paid Rs 15.65 crore for the works as of February 2008.

Test check (January 2008-February 2009) of the records of Rairangpur and Khordha (R&B) Divisions disclosed that the contractors had actually executed the above items using 0.155 cum of metal/chips/crusher dust per sqm of WMM work, 0.102 cum of metal per sqm of WBM and 1 cum of granular materials for 1 cum of GSB. Despite less consumption of materials than the approved specifications, the item rates in the agreements were not correspondingly scaled down. This led to excess payment of Rs 1.43 crore to the contractors as per the agreement quantities.

²⁴ 1. Bisoi – Rairangapur-Tiring – Tata road – from 30/00 to 65/00 km and 2. Nayagarh – Odagan – Laukhal – from 12/750 to 24/00 km

The Government stated (July 2009) that the contractor for Bisoi – Rairangapur road had executed the items with required quantities of materials in loose volume and the material consumption statement for the other work was tentative. The reply was not factually correct since the materials for the specified quantities as per the specifications were to be used void free and not in loose volume. The actual material consumption statement in respect of the other work was not made available to audit.

3.4.5 Undue benefit to a contractor

Execution of repair and maintenance works of a State Highway through other agencies during the currency of improvement and maintenance contracts of the road led to extension of undue benefit of Rs 5.92 crore to a contractor.

Improvement to Cuttack-Paradeep road was awarded (June/July 2007) to a contracting firm under two agreements for Rs 224.81 crore²⁵ for completion by May-June 2009. The agreements provided that the work was to be carried out with running traffic on the existing two lane road. The agreements comprised both improvement as well as maintenance works of the road during the execution period.

Test check (May 2008) of the records of Jagatsinghpur (R&B) Division disclosed that the road had been handed over to the contractor from the start date of the improvement works and thus, the contractor was responsible for maintaining the road during the currency of the agreements. Considering the contract provisions, the Executive Engineer (EE) reported (August 2007) to the Chief Engineer (CE) that maintenance works on the road stretches as were being done prior to execution of these agreements ought not to be taken up on the road anymore. The CE, however, instructed (November 2007-August 2008) for continuance of the maintenance works through other agencies. The EE accordingly carried out maintenance and repairs to the road for Rs 5.92 crore between June 2007 and March 2009 through 1239 split up agreements, each limited to below Rs 50000, finalised at his level.

Thus, execution of repair and maintenance works of the State Highway through other agencies during the currency of the agreements for improvement works which included the road maintenance led to extension of undue benefit of Rs 5.92 crore to the contractor.

The Government stated (June 2009) that the Bill of Quantity in the agreement did not provide for maintenance of the road stretch. The maintenance was carried out on the road stretch not handed over to the contractor. This was not tenable since as per the agreements, the work comprised both improvement and maintenance of the road during construction. Further, the entire road stretch was handed over to the contractor from the start date of the improvement works.

3.5 GENERAL

²⁵ Package I for 43 km for Rs 112.70 crore and package II for 39 km for Rs 112.11 crore.

FINANCE DEPARTMENT

3.5.1 Lack of response to audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its stewardship role seriously.

Principal Accountant General (Civil Audit) and Accountant General (Commercial, Works and Receipt Audit), Orissa conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the heads of offices and the next higher authorities. The defects and omissions are expected to be attended promptly and compliance reported to the Principal Accountant General (Civil Audit)/Accountant General (Commercial, Works and Receipt Audit). A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of the IRs issued up to March 2009 pertaining to 3939 offices of 33 departments showed that 46183 paragraphs relating to 14486 IRs were outstanding at the end of June 2009. Of these, 5083 IRs containing 13720 paragraphs had not been settled for more than 10 years **Appendix 3.5**. Year-wise position of the outstanding IRs and paragraphs are detailed in **Appendix 3.6**. Even first reply from the Heads of Offices within six weeks was not received in respect of 1972 IRs issued up to March 2009. As a result, many serious irregularities commented upon in these IRs had not been settled as of June 2009 **Appendix 3.7** facilitating persistence of serious financial irregularities and loss to the Government.

Triangular Committee (TC) meetings consisting of the representatives of the departments, the Financial Advisors of the departments and the representatives of the Principal Accountant General (Civil Audit), were held at different districts headquarter to settle outstanding Inspection Reports and paragraphs. A total of 73 TC meetings were held during 2008-09 in which 574 IRs and 2213 paragraphs relating to 632 offices of 12 departments were settled **Appendix 3.8**.

It is recommended that Government should step up their efforts to ensure that (a) submission of reply to audit on the spot or well within stipulated period of six weeks from the date of receipt of Inspection Reports, (b) holding of meeting of District level/ Regional level Officers to discuss audit observations and for taking immediate corrective action and (c) recover loss/outstanding advances/overpayments pointed out in audit in a time bound manner.

Government in reply (December 2009) stated that Administrative Departments had been instructed time and again for convening TC meetings to settle the outstanding IRs and also to give compliance/first replies to the new IRs .

3.5.2 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Reports of the Comptroller and Auditor General (Audit Reports) that are presented to the State Legislature. According to the instructions issued (December 1993) by the Finance Department, Government of Orissa, the Administrative Departments are required to furnish explanatory notes on the paragraphs/reviews/Performance Audits included in the Audit Reports within three months of their presentation to the legislature.

It was noticed that in respect of Audit Reports from the years 1997-98 to 2007-08 as indicated below, 17 departments out of 38 departments which were commented upon, did not submit explanatory notes on paragraphs and reviews as of October 2009.

Table 3.1 : Position of reviews and paragraphs

Year of Report	Total Paragraph	Total individual paragraphs/reviews/others			Number of individual paragraphs/reviews for which explanatory notes were not submitted	
		Individual Paragraphs	Reviews	Others	Individual paragraphs	Reviews
1997-98	97	58	06	33	-	02
1998-99	92	58	06	28	01	-
1999-2000	83	48	06	29	01	01
2000-01	83	47	07	29	01	01
2001-02	61	29	04	28	03	01
2002-03	59	33	06	20	01	03
2003-04	60	31	06	23	05	02
2004-05	49	21	06	22	-	01
2005-06	61	29	07	25	02	02
2006-07	64	36	05	23	08	03
2006-07	01	Stand Alone Report	01	-	-	01
2007-08	59	29	06	24	23	06
Total	769	419	66	284	45	23

The department-wise analysis is given in the *Appendix 3.9* which shows that the departments largely responsible for non-submission of explanatory notes were Water Resources, Health and Family Welfare, Works, Women and Child Development, Forest and Environment followed by Panchayati Raj and Fisheries and Animal Resources Development departments and others. Letters have been issued (September 2009) to the Finance department as well as administrative department concerned to expedite submission of explanatory notes on paragraphs/reviews.

Response of the departments to the recommendations of the Public Accounts Committee

The PAC Reports/Recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).The Orissa Legislative Assembly (OLA)

Secretariat issued (May 1966) instruction to all departments of the State Government to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within six months after presentation of PAC Reports to the Legislature. The above instruction were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. The time limit for submission of ATNs had since been reduced to four months in stead of six months by OLA (April 2005).

However, out of 1353 recommendations **Appendix 3.10** relating to Audit Report (Civil) made by PAC in first Report of tenth Assembly (1990-95) to fortieth Report of thirteenth Assembly (2004-09) final action was awaited (October 2009) on 1108 recommendations where Action Taken Notes were received. Of the balance 245 recommendations, the departments largely responsible for non-submission of ATNs (**Appendix 3.11**) were Water Resources, Health and Family Welfare, Rural Development , Food, Civil Supplies and Consumer Welfare, Works, followed by General Administration, Law and other departments.

Monitoring

The following Committees have been formed at the Government level to monitor the follow up action on Audit Reports and PAC recommendations.

Departmental Monitoring Committee

Departmental Monitoring Committees (DMC) formed (between May 2000 and February 2002) in all the departments of the Government under the Chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations, are required to hold the meetings in each quarter and send the proceedings of such meetings to audit. Out of 38 departments of the State Government, no proceedings have been received from 30 departments for the year 2008-09. The list of defaulting departments is indicated in **Appendix 3.12**

Review Committee

A Review Committee was formed (December 1992) comprising Principal Secretary, Finance Department, Principal Accountant General (Civil Audit) / Accountant General (Commercial, Works and Receipt Audit) and Secretary of the concerned administrative department. The function of the committee is to ensure timely submission of approved notes of compliance to Reports of Comptroller and Auditor General of India and Public Accounts Committee and strengthen the purpose of audit. It would meet periodically and review the progress of compliance to Audit Reports as well as adequacy of action taken on the recommendations of PAC in order to facilitate the examination of such Reports/recommendations by the Public Accounts Committee.

The Committee met on 14 May 2008. The meeting was chaired by the Chief Secretary who reviewed the position of compliances to the outstanding

paragraphs of Comptroller and Auditor General's Audit Reports and PAC recommendations.

It was decided that all the Administrative Departments should reconcile the position of pendency of compliance with AG, Orissa on Action Taken Notes, Audit Paras of C & AG(Civil & Revenue Receipts) and list of excess expenditures pending for regularisation for different years.

Chief Secretary observed that non-submission of compliance on Action Taken Notes relating to observations of PAC and compliance to Audit Paras of C & AG (Civil & Revenue Receipts) within the time frame will warrant initiation of disciplinary proceeding against the Financial Advisers/Assistant Financial Advisers and concerned officials who are primarily responsible for preparation and submission of such compliance.

Apex Committee

An Apex Committee comprising of eight members was formed (December 2000) at the State level under the Chairmanship of the Chief Secretary, with the Secretary, Finance Department as permanent member and Secretaries of five other departments (Water Resources, Home, Panchayati Raj, Agriculture and Revenue) as members. The Special Secretary/Additional Secretary of Finance Department acts as member convener. The function of the Committee is to (i) review the functioning of the Departmental Monitoring Committees and to ensure timely submission of compliance to Accountants General, Orissa and Public Accounts Committee, (ii) review periodically the action taken on C & AG Reports by the departments of the Government and (iii) sort out bottlenecks for prompt action to be taken by all departments of the government on audit paras. The committee would sit half-yearly. The Committee in its meeting reviewed (6 January 2009) the position of pending Action Taken Notes on PAC recommendations and compliances to audit paragraphs of C & AG Reports and reiterated the decision taken in the review meeting held on 14 May 2008.

Chapter 4

Internal Controls in Government Department

Labour and Employment Department

4.1 Internal Controls in the Labour and Employment Department

4.1.1 Introduction

Internal Controls are an integral component of organisation's management process which are established in order to provide a reasonable assurance to the management that operations are carried out in an effective and efficient manner, financial reporting and operational data are reliable and applicable laws and regulations are complied with so as to achieve the organisational goals and objectives.

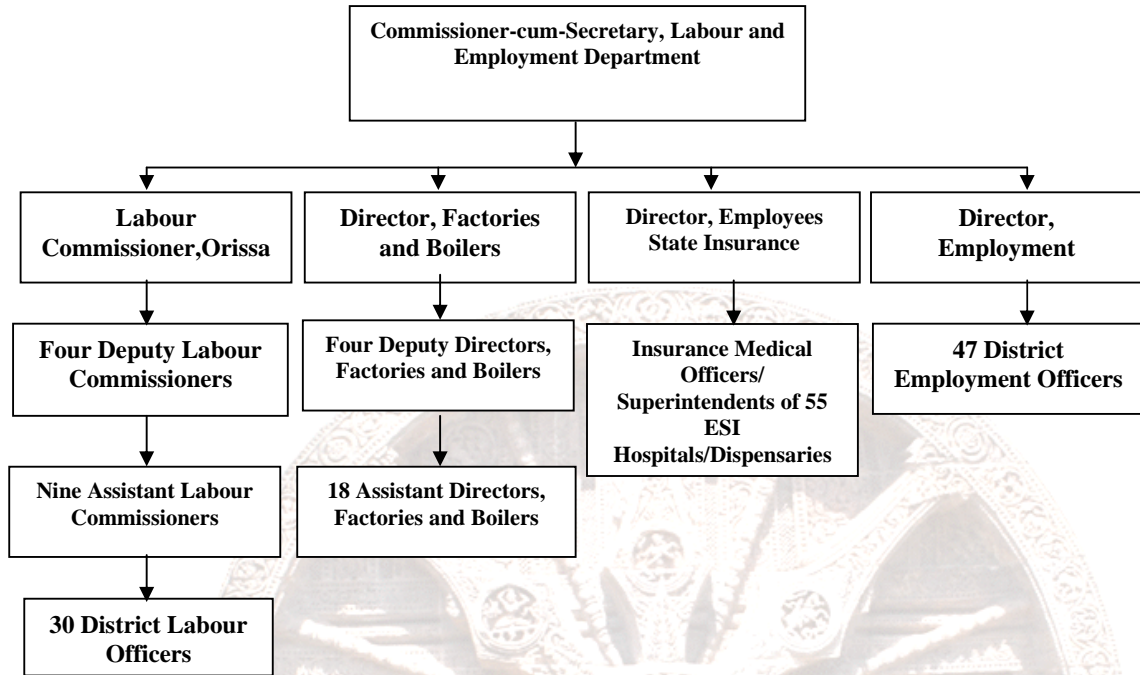
Labour and Employment Department endeavors to provide a safe working environment for about 1.25 crore workers in organised and unorganised sectors in the State. The objectives of the department were:

- Labour welfare and administration of labour laws;
- Inspection of safety measures of factories and boilers and administration of Factories and Boilers Act and Rules;
- Implementation of social security schemes for industrial workers through Employees State Insurance Scheme;
- Employment and vocational guidance to the youth and verification of records of establishments under the provisions of Employment Exchanges, Compulsory Notification of Vacancies Act 1959 and rules made there under;
- Child labour welfare.

4.1.2 Organisational set up

The department is headed by a Commissioner-cum-Secretary who is assisted by four Directors each in charge of Factories and Boilers, Employees State Insurance (ESI) Schemes, Employment and Labour Commissioner.

The organisational chart of the department was as under:



4.1.3 Audit Objectives

The Audit objectives were to assess the availability, adequacy and effectiveness of Budgetary and Expenditure controls; Operational controls; Administrative and monitoring controls and the System of Internal Audit in Labour and Employment Department.

4.1.4 Audit Coverage

Review of Internal Controls in the department was conducted during April to June 2009 covering the period 2006-09 through test check of records in the Labour and Employment Department at the Secretariat level, all the four Directorates of the department and 16¹ selected field level offices functioning under the above directorates.

Audit findings

4.1.5 Budgetary and expenditure Control

The Orissa Budget Manual (OBM) requires the administrative departments to prepare budget estimates based on inputs from lower formations, incur expenditure within the budgeted provisions, avoid rush of expenditure towards the end of financial year and surrender anticipated savings in time. Orissa

¹ Deputy Labour Commissioners (DLCs): 3 (Cuttack, Rourkela and Jeypore), Assistant Labour Commissioners (ALCs) : One (Angul), District Labour Officer (DLO): One (Cuttack), District Employment Officers (DEOs) : 4 (Cuttack, Angul, Rourkela and Jeypore), Industrial Tribunal : One (Rourkela) , Deputy Director of Factories and Boilers :3 (Rayagada, Sambalpur and Rourkela), Joint Director-cum-Superintendent , ESI Hospitals: 3 (Kansbahal, JK Pur and Choudwar)

General Financial Rules (OGFR) requires submission of monthly statement of expenditure for review of budgetary provisions and expenditure there against. Test check revealed departures from laid down procedures as discussed below:

4.1.5.1 Persistent savings

The budget provision including supplementary provisions, expenditure incurred, appropriations, savings / surrenders made by the department during 2005-09 were indicated in Table 4.1.

Table 4.1: Budget provision and savings

(Rupees in crore)

Year	Original provision (Revenue voted)	Supplementary provision (Revenue voted)	Total	Expenditure	Savings	Amount surrendered	Amount not surrendered
2005-06	25.91	0.98	26.89	25.55	1.34 (5)	1.34	nil
2006-07	26.75	3.50	30.25	29.31	0.94 (3)	0.70	0.24
2007-08	39.99	1.24	41.23	39.12	2.11 (5)	0.89	1.22
2008-09	35.97	53.09	89.06	45.50	43.56 (49)	3.76	39.80
Total	128.62	58.81	187.43	139.48	47.95	6.69	41.26

Note: Figures in parenthesis are percentage of the total.

(Source: Appropriation Accounts)

The position of saving deteriorated from three *per cent* in 2006-07 to 49 *per cent* of total provision in 2008-09. Supplementary provision of Rs 98 lakh during 2005-06 and Rs 1.24 crore in 2007-08 were unnecessary. During 2008-09, the supplementary provision of Rs 53.09 crore obtained in November 2008 was excessive in view of saving of Rs 43.56 crore which included saving of Rs 39.50 crore under 01-Labour-001-Direction and Administration-2242-Rastriya Swasthya Beema Yojana under State share (Rs 9.50 crore) and central share (Rs 30 crore). Thus, in each of the three years supplementary provision were obtained without justification.

The expenditure control register was neither maintained at Directorate/ Department level nor were monthly expenditure statements obtained from field offices. This indicated that the monitoring of budget requirement and booking of monthly expenditure was done in a casual manner.

4.1.5.2 Belated surrender of savings/Non-surrender of savings

The OBM provided that all anticipated savings in a grant should be surrendered immediately after they are foreseen and latest by 10 March of the financial year. During 2005-09, out of a total saving of Rs 47.95 crore, the department surrendered only Rs 6.69 crore and that too only on 31 March of the concerned financial years. However, the surrender of Rs 3.76 crore during 2008-09 included surrender of Rs 73.39 lakh proposed by the Labour Commissioner to the Administrative Department in April 2009 i.e. after closure of the financial year. The un-surrendered amount included saving under supplementary provision of Rs 39.50 crore during 2008-09. This deprived the Government to re-allocate available funds to needy sectors. The saving also indicated omission of certain

items of work planned for execution. Thus, the budgetary controls as envisaged in the OBM were completely ignored at the level of Chief Controlling Officers.

4.1.5.3 Budget Provision for vacant post

As per provisions of the OBM, money should not be drawn unless it is required for immediate disbursement. Besides, Rule 61 (b) *ibid* also provides that provision should not be made in the budget for vacant posts. However, records of Labour Commissioner showed provision of Rupees one crore during 2007-08 and Rs 60 lakh during 2008-09 under State plan scheme for implementation of Building and Other Construction Workers (RECS) Act, Child Labour (PR) Act 1986 etc. for vacant posts. The amounts were drawn by Labour Commissioner on 31 March of the respective years on the basis of sanction orders of the State Government and kept un-utilised (April 2009) in savings bank account. Thus, the budgetary discipline provided in the OBM was bypassed thereby disturbing financial control environment in the Department.

4.1.5.4 Drawal of fund without immediate requirement

The OBM and Orissa Treasury Rules (OTC) provided that no fund shall be drawn from Treasury unless there is immediate requirement. During 2008-09, the Labour Commissioner on the basis of a sanction order (February 2009) of the Government had drawn (March, 2009) Rs 50 lakh being the State share of Rastriya Swasthya Beema Yojana (RSBY), a Centrally Sponsored Scheme and deposited it in a savings bank account in absence of action plan of the Government for utilisation of the above grant after closure of the financial year. Further, in seven test checked offices, Rs 1.50 lakh was drawn during 2006-09 and disbursed as advance against future expenditure on telephone and electricity. This indicated that drawals were made to avoid lapse of budget provision suggesting complete disregard and insensitive attitude of the Chief Controlling Officers towards expenditure control in the Department.

4.1.5.5 Double drawal of scheme fund due to communication of sanction of funds in two modes

According to OGFR (Rule 11 & 12) Controlling Officer of the Department must ensure that the total expenditure is kept within the limit of authorised grant and systematic internal checks applied effectively to prevent and detect irregularities in financial transactions of the subordinate officer. Scrutiny of records of the Labour and Employment Department, Labour Commissioner and ALC, Angul revealed double drawal of Rs 108.40 lakh made by the Collector, Angul during 2007-08 on the basis of Government sanction orders² (May 2007) of Rs 108.40 lakh under Plan Scheme of Rural Integrated Housing Scheme for Beedi workers in his favour which was followed by on line electronic advice³ (January 2008) through the Orissa Treasury Management System (OTMS) by the Labour Commissioner to the Treasury Officer, Angul. The excess amount drawn was deposited in the treasury in April 2009 after a lapse of one year. No

² Letter No. L & E 4720 dated 11 May 2007 : Rs 71.54 lakh and letter No.5028 dated 23 May 2007- Rs 36.86 lakh

³ Letter No. 253 dated 03 January 2008

responsibility was fixed on the officer responsible for the gross financial irregularities.

4.1.5.6 Sanction of fund for a corpus fund without formulation of rules

In November 2007, Government sanctioned rupees two crore in favour of Labour Commissioner for enforcement of Child Labour (Prohibition and Regulation) Act, 1986 *inter alia* for creation of State Level Child Labour Welfare Corpus Fund (Rs 1.50 crore) and placed (November 2007) the funds with the Director, State Labour Institute which were lying in a bank account as no rules for the administration of the corpus fund were framed (June 2009). Thus, sanction and drawal of funds without establishing Corpus fund indicated tendency of the Department to avoid lapse of budget provision. Secretary, Labour and Employment stated that the amount sanctioned was one time Grant-in-aid.

4.1.5.7 Deficiency in reconciliation of revenue receipts

The OGFR required departmental controlling officers to see that all sums due to Government are assessed, realised and credited into the treasury for which they were to obtain monthly accounts and returns from their subordinates and reconcile the same with the books of accounts of Accountant General (A&E). The OTC provided (Rule 57) that a private person making payment into the treasury / bank was to present challans in triplicate indicating the departmental officer to whose account the money is to be credited and the treasury was to send the triplicate copy of the challans to the concerned departmental officer. Scrutiny of Revenue register and challans register maintained in the Labour Commissioner's Office and Director of Factories and Boilers and other field formations showed year wise revenue realisation ranging from Rs 3.50 crore in 2006-07 to Rs 5.06 crore in 2007-08 and Rs 4.59 crore in 2008-09. Verification of the genuineness of the challans and correctness of the revenue realisation was not carried out at any level with the treasuries or the books of Accountant General (A&E). The Labour Commissioner stated that the revenue realisation was being verified periodically with the books of the Accountant General (A&E) but records in support of the verification / reconciliation were not produced to audit. The Director, Factories and Boilers agreed with the audit observation. Thus, the OGFR requirements in this regard were not followed.

4.1.6 Management of cash

4.1.6.1 Failure of Internal Control in Cash Management

The cash accounting does not provide sufficient assurance related to maintenance and management of resources. It is therefore necessary to provide safeguard through internal controls. OTC and OGFR required the DDO to attest entries in cash book, ensure verification of totaling, conducting periodic / surprise physical verification of cash, reconciliation of discrepancies between cash book and bank pass book etc. However, review of Cash books of 20 DDOs test checked revealed that:

- Seven DDOs did not attest entries of payment in cash book in token of check and in 12 offices DDOs did neither verify the totals in cash book nor got them

verified through any other responsible person other than the writer of the cash book;

- Physical verification of cash at the end of each month was not carried out by the heads of offices in six offices and surprise verification of cash at periodical interval was never done in nine offices either by the head of the office or by any other higher authority ;
- Bill wise analysis of cash at the end of each month in the cash book itself was not done in eight offices and in seven offices reconciliation of cash balances between cash book and in bank account was not carried out;
- In 18 offices, the Bill registers were not reviewed by the DDOs regularly at the end of each month during the period 2006-09;
- Undisbursed pay and allowances of Rs 8,543 (seven cases) required to be deposited into treasury within a period of three months was not deposited in one office even after two to seven years from the date of their drawal;
- In four offices, mode of retention of cash balance at the end of each month were not indicated and contingent register was not maintained in one office.

Concerned DDOs noted the above irregularities for their future guidance. Ignorance of the DDOs in regard to management of cash reflected poor control environment in the Department.

4.1.6.2 Failure in management of Workmen Compensation Cash

The Joint Labour Commissioner, Deputy Labour Commissioner and Asst Labour Commissioner receive workmen compensation from employers / insurers of Industries / Factories / Establishment as per award in each case for ultimate disbursement to concerned workers. However, the moneys are retained in bank deposits for observing certain statutory requirements before their disbursement. In five offices⁴ test checked, daily analysis of cash balance showing amount held in cash, bank, fixed deposit receipts (FDRs) etc. were not carried out; worker-wise details were not available in any of these offices and interest accrued on bank deposits was not accounted for in the cash books.

In two offices⁵ workmen compensation money of Rs 22.13 lakh kept in shape of FDRs though matured between August 1999 and August 2006 were neither renewed nor encashed. There were difference of Rs 18.64 lakh between bank balance as per cash book and bank pass book which was not reconciled. In ALC, Rourkela, two FDRs worth Rs 6.31 lakh⁶ though were lost but duplicate FDRs were not collected from the bank in lieu of the lost FDR so far (April 2009). Absence of worker-wise details of awards and it's linkage to FDRs leaves no scope for cross verification and non-renewal of matured deposits may lead to loss of interest thereon. The departmental code/ manual did not provide any

⁴ (i) Labour Commissioner, (ii) ALC, Angul, (iii) DLC, Rourkela, (iv) DLC, Jeypore and (v) DLC, Cuttack

⁵ (i) DLC, Rourkela : Rs 17.13 lakh in four FDRs matured between May 2000 to August 2006 and (ii) ALC, Rourkela : Rs 5.00 lakh (February 1999 – IOB, Rourkela matured in August 1999)

⁶ (i) Canara Bank-July 1998 :Rs 0.87 lakh and Indian Overseas Bank-July 1999 :Rs 5.44 lakh

guidelines for safe custody and application of the compensation cash; indicating lack of control provisions.

4.1.7 Management of loans and advances

4.1.7.1 Interest bearing Advances

Rules governing House Building Advance (HBA) requires that employees availing HBA are to submit sale deeds failing which they are liable to refund the entire amount with penal interest within two months of receiving advance. Similarly, the employees availing advances for purchase of motorcycle/moped are required to submit money receipts and mortgage bond in support of purchase within one month of drawal of advance. The motorcycle/mopeds purchased were to be insured within one month of purchase; failing which the amount is to be recovered with penal interest. Scrutiny of HBA and Motor Cycle Advances (MCA) records maintained in the nodal department and Labour Commissioner's office showed that a sum of Rs 9.13 lakh was sanctioned and paid to seven officials towards first installment of HBA during 2005-09. However, concerned employees neither submitted sale deeds in support of acquisition of land etc. nor the department insisted for the same (April 2009). Similarly, required documents in respect of MCA of Rs 16.48 lakh released to 68 employees during the years 2006-09 were neither submitted by the concerned employees nor department insisted for submission (April 2009) of the same. In absence of purchase deeds and other documents the advances remained unsecured, due to non-observance of prescribed controls.

4.1.8 Management of store and stock

4.1.8.1 Deficiencies in management of store and stock

OGFR provides for maintenance of store and stock register and their physical verification every year. Nine out of 20 offices test checked did not carryout annual verification of stores during 2006-09. The DDOs concerned accepted the position and noted observations for guidance. Similarly, Director of Factories and Boilers did not maintain stock account of blank license forms (Form No 2) despite receiving the same from Government Press and even the forms were not machine numbered, leaving scope for misuse thereof.

4.1.9 Operational Controls

Control environment warrants overall attitude, awareness and actions of management for setting tone for structural and strategic operations of the entity. The entity's operation would be orderly, efficient, economic and effective only when control provisions are clearly spelt out.

4.1.9.1 Deficiencies in maintenance of Licence register and lack of control over renewal

The Department issues licence valid for one year on payment of licence fees at prescribed rates under five labour acts and these licenses are subject to renewal on submission of application with prescribed fee. Test check of licence issue registers pertaining to Orissa Shops & Commercial Establishment (OS&CE) Act

and Contract Labour Regulation and Abolition (CL&RA) Act, 1970 in four District Labour Offices for the period 2006-09 revealed that the maintenance of licence issue register suffered from disclosing the history of licensees and the details of renewal, cancellation and closure particulars. As a result, number of establishments in default for renewal on a given date / during a year was not ascertainable from the register. Out of four⁷ test checked offices, one office (DLO Cuttack) could only provide information on number of establishments remaining without renewal during 2006-09 which also could not be cross verified for want of consolidated list of valid licenses. On actual verification of licence register maintained, it was noticed that 4238 licenses (83 *per cent*) under OS&CE Act 1958 and 827 licenses (62 *per cent*) under CL&RA Act, remained un-renewed as of March 2009. In addition, provisions with regard to maintenance of information in the registers about the licensees shows lack of control systems in place and may lead to running of establishments without valid licenses.

4.1.9.2 Deficiencies in management of security deposits

As per the provision of the Contract Labour (Regulation and Abolition) Act 1970 and rules made there under a contractor directly deposits security amount into the treasury through challans. The amount of security deposit realised as per return in four test checked offices (DLO, Cuttack, Angul, Rourkela and Jeypore) was Rs 1.51 crore as on 31 March 2009. Review of security deposit account under the Act in the above four offices revealed that no security deposit register was maintained and list of outstanding security deposit was not prepared at the year end. Further, refund of security deposit to depositors were made through treasury advice authorising the depositor to draw directly from treasury but refund advice register was neither maintained nor the credit against refund authorised was verified from the treasury to prevent any fraudulent drawal by the depositors. Refunds made to parties were not noted in any register as a safeguard against double payment. Deposit remaining unclaimed over three years were not intimated to the Accountant General (A&E) for credit into Government Account as lapsed deposit as required under OTC (Rule 436). Return on Security Deposit had not been submitted to Directorate for taking up reconciliation with Accountant General (A&E). Non observance of relevant codal provision was not pointed out by the Department in this regard.

4.1.9.3 Short fall in inspection of factories by the Inspector of Factories and Boilers

As per Rule 5 of Orissa Factories (Control of Major Accident Hazard) Rules, 2001 and instructions (September 1997) issued by Director of Factories and Boilers, the Inspectors of Factories were to inspect the factories at least once in a calendar year and enforce the rules and procedures in respect of industrial activities concerned under the Factories Act. Besides, the factories with hazardous processes and dangerous operations coming within the ambit of section 2cb and section 87 of the Factories Act, 1948 need to be inspected at least four times in a year by the field formations. Test check of 430 out of 1560 inspection reports in the offices of Rayagada (200), Rourkela (250) and Sambalpur (80) revealed shortfall in inspections of other than 2cb factories

⁷ DLC/DLO: Jeypore and Rourkela, DLO: Angul and Cuttack.

ranging from seven to 18 *per cent* during 2006-08. Similarly, out of 3276 inspections required to be conducted during 2006-08 in respect of 2cb factories, only 993 inspections were conducted leading to shortfall in inspections of 2283 (70 *per cent*). The shortfall included non-coverage of 11 out of 261 in 2006 to 34 out of 285 factories in 2008. While the zonal officers, Sambalpur Zone-1 attributed shortfall of inspection to shortage of inspecting staff, the divisional offices (Rourkela and Rayagada) did not furnish reply.

4.1.9.4 Pending applications for boiler registration

Indian Boilers Act, 1923 (Section 7) enjoins upon the owner of un-registered boiler to get the boiler registered under the Act and renew the same for twelve months on payment of requisite fee for testing. Test check of records revealed that 188 boilers were functioning with the provisional orders of the Zonal Officers as their applications were pending for registration for seven to 80 months and 127 applications⁸ were pending at the Directorate level. The remaining 61 were with the Assistant Directors concerned (Zonal level) for scrutiny as of March 2009. This included 43 applications sent by the Sambalpur Division to the Director for registration between February 2004 to December 2007 which were returned (November 2008) to the Division for further scrutiny without indicating any deficiency in the applications. Thus, the registration and annual renewals thereafter were not being strictly adhered to as provided in the Act.

4.1.9.5 Deficiencies in collection of cess

The Building and Other Construction Workers Welfare Cess Act, 1996 and Rules made there under during 2002 provided for collection of cess from the employers of building workers at one *per cent* of the cost of construction. The Act provides for establishment of a Board to utilise the cess amount so collected for welfare of the building workers. Government constituted a Board only during 2008 and appointed District Labour Officers of the districts as Cess Collector and Assistant Labour Commissioner, Deputy Labour Commissioner as the Assessing Officers to ensure the correctness of the building cost given by the assesses. During 2008-09, cess amounting only to Rs 8.82 lakh was collected under the Act. Although the Act was enacted during 1996 and the rules there under were framed during 2002 but the same was notified only in December 2008 which led to inordinate delay in collection of cess. Further, out of 30 District Labour Officers (DLOs) in the state only five had collected the cess and 25 did not collect any cess during 2008-09. Cess collected by five DLOs was not properly assessed by obtaining work wise estimate / expenditure statement from the employer / agencies to

⁸ **Rayagada 61** (one application from August, 2002 pertaining to Berhampur zone) 17 applications from July, 2004, (pertaining to Bolangir zone), 7 applications from December, 2005 (Bolangir: five, Berhampur: two), nine applications from October, 2006, (Bolangir: eight and Rayagada: one) 17 applications from April, 2007 (12 Bolangir, 4 Rayagada and 1 Jeypore) 10 applications from July, 2008. **Rourkela 17** applications [(Keonjhar 2 applications from 7/2004, 4/2008, and 15 applications from Rourkela zone (One each application from 2/2006, 4/2006, 5/2006, 7/2007, 9/2007, 7/2008, four applications from 4/2008, 3 applications from 6/2008 and 2 applications from 6/2009)] **Sambalpur 49** (43 applications sent to Hqrs. Office for registration between 2/2004 to 12/2007 were returned by Hqrs. Office on Dt.18.11.2008 for further scrutiny and 6 applications pending at Hqrs. one from 4/2004, 2 from 2/2007, 2 from 4/2008 and one from 6/2008) The remaining **61** applications are pending at various zonal offices (7 applications are pending at Berhampur, 23 Keonjhar, 22 Sambalpur and nine in Rayagada).

ensure the correctness of collection of cess. No controls were devised by the Department to ascertain the number of construction works taken up in Government and private Sector and to take follow up action for collection of cess. During discussion, Secretary, Labour and Employment stated that the cess Collector(s) and appellate authority was yet to be appointed.

4.1.9.6 Verification of offices under compulsory notification of vacancies Act

Employment Exchange (Compulsory Notification of Vacancy) Act 1959 (Central Act) and Rule 1960 there under provides (Sections 4 and 6) for compulsory notification of vacancies to different Employment Exchanges of the State and authorise the Employment Officer to inspect each offices under the Government and private sector for verification of records relating to vacancies in various technical and non-technical cadres, notification thereof etc. Scrutiny of the records of the office of Director, Employment revealed that verification of establishments ranged between 199 and 340 during the calendar years 2006 to 2008 leaving 9525 in 2006, 9261 in 2007 and 9014 in 2008 unverified. No reason for the shortfall in verification of establishment under the Act was furnished by the Director.

4.1.10 Employees State Insurance Scheme

4.1.10.1 Non-procurement of dog/animal bite medicines

As per the Orissa Drug Management Policy 2002 (Health and Family Welfare Department) anti Rabies injections vaccine has been listed as an essential drug, the stock of which was to be maintained by all the secondary hospitals of the State. The Joint Directors-cum-Superintendents, ESI Hospitals, Kansbahal and Choudwar intimated (August-September 2008) the Director, ESI that the approved firm (Chiron Behring Vaccine Private Limited, Mumbai) failed to supply the Rabipur injection for treatment of dog bite cases against their supply orders of July 2008. But no action was taken for procurement of the drug as Medicine stock registers revealed that the ESI Directorate was not having the stock of animal bite injection Rabipur and its substitute since July 2007 to March 2009.

4.1.10.2 Quality testing of medicines

As per the Orissa Drug Management Policy 2002, the drugs procured by the Government agencies for use in hospitals were to be sent to the laboratories outside the State for quality testing at the cost of the suppliers. However, as per existing instructions of ESI Corporation at least 10 *per cent* of drugs procured are subject to quality test before being administered to the patients in the ESI hospitals. The Directorate had also constituted a committee in September 2008 to select the procured drugs for testing in Government recognised laboratories. Check of records of the Director and two ESI hospitals (Chowdwar and Kansbahal) revealed that out of 2324 items of drugs worth Rs 5.17 crore procured during 2006-09 (*Appendix 4.1*), samples of only 35 (1.5 *per cent*) drugs were tested during 2006-09, of which only 23 test reports were received.

Similarly, 404 items worth Rs 2.23 lakh procured locally by the test checked ESI hospitals were not subjected to quality testing.

Administrative controls

4.1.11 Manpower Management

4.1.11.1 Shortage of sanctioned manpower

Under the Labour Commissioner's Organisation, as against 170 technical posts sanctioned for enforcement of various Labour Acts and Rules, 39 remained vacant for periods ranging from one to 109 months. The department sanctioned 42 Rural Labour Inspectors for enforcement of Minimum Wages Act and other labour laws against which 33 were in position and nine posts were still lying vacant (May 2009). Test check of records in field offices revealed excess manning of one Rural Labour Inspector (RLI) in DLO, Cuttack over sanctioned strength since last five years ending March 2009 while one out of two posts of RLIs sanctioned for DLO, Angul was lying vacant since 1998 adversely affecting the enforcement of Labour Acts and Rules in that district.

Similarly, four posts of Assistant Director (AD) including the post of AD (Medical) in the Directorate of Factories and Boilers were lying vacant during 2006-09 along with five non-technical posts which affected the inspection schedule of factories, especially the Section 2cb and 87 category factories under the Factories Act, 1948. The vacancy position ranged from 118 (22 *per cent*) in 2006-07 to 131 (25 *per cent*) in 2008-09 under Directorate of ESI, out of 533 sanctioned technical posts. This had adverse impact on implementation of the ESI schemes in the State.

4.1.11.2 Inspection under various labour laws by Labour Officers

DLC/ALC/DLO/ALO/RLI functioning under Labour Commissioner were required to undertake inspection in their respective jurisdiction to ensure that provisions under various labour laws are duly followed by the Industries/Factories/Shops/Hotels and other Commercial establishments. Inspection was the only control for enforcement of various Labour Laws. Act wise inspection conducted and prosecution filed during 2006-09 is given at **Appendix 4.2**. During 2006-09, 25339 inspections conducted under different Acts by the test checked offices (**Appendix 4.3**), 11673 violations were detected, 7516 violations rectified and 1011 prosecution cases filed leaving a balance of 3146 cases unattended. Review of inspection reports of the Labour Commissioner and his three Deputy Labour Commissioners at Cuttack, Rourkela and Jeypore revealed that details of units registered warranting inspection under various labour laws was not properly monitored. The percentage of prosecution ranged between Nil to maximum of 42 *per cent* of the units inspected under various Labour Acts. Number of Acts covered under inspection during a year varied from seven to 15 from office to office (DLO, Cuttack-15, DLO, Angul- 11, DLO, Rourkela-10, DLO, Jeypore-7). The Labour Commissioner did not issue any instructions or check list for conducting inspections or for completing follow up action including prosecution in cases where violation remains unrectified. Thus, inspection, a vital tool for enforcement of provision of various labour laws was

not properly monitored due to non-fixing of any target, or check list or guidelines or norms by the Government / Directorates.

4.1.11.3 Deficiencies in annual inspection by Deputy Labour Commissioners

Deputy Labour Commissioners (DLCs) have jurisdiction covering 10 to 15 DLO/ALO/ALC offices. The DLCs were required to inspect all the field offices under their jurisdiction once a year for review of enforcement of labour laws. Test check of records of three Divisions (Cuttack, Rourkela and Jeypore) revealed that annual programme of inspection had not been chalked out in any of the divisions during 2006-09. The DLC Cuttack conducted only six inspections during 2006-09 as against 17 offices under his jurisdiction (10 DLOs and seven ALOs). The inspection though conducted, reports were not issued till (May 2009) while DLC Rourkela did not take up inspection at all in any of the eight labour offices under his jurisdiction during 2006-09 and DLC, Jeypore having 16 Labour Officers (11 DLOs and five ALOs) under his jurisdiction had conducted inspection of seven offices in 2006-07, 12 offices in 2007-08 and three offices in 2008-09. Compliance to a single inspection report was not received from the offices inspected (June 2009). Thus, omission and commissions, if any, pointed out in inspection reports remained unrectified.

The audit findings were reported to the Government (July 2009) and discussed with the Secretary, Labour and Employment Department and Directors concerned in Exit conference held on 4 January 2010. Formal reply of the Government is awaited (February 2010).

4.1.12 Conclusion

Review of internal controls in the department and its directorates supported by test check of selected field offices revealed absence of control environment as officials at various levels were either unaware of the controls in place or had tendency to ignore the same.

The budgetary and expenditure controls were not adhered to as there were unnecessary supplementary provision, surrender of the saving at the end of the financial year. Statements of expenditure against allotted grants were not obtained regularly from the field offices. Contrary to Orissa Budget Manual, provisions for vacant posts were made resulting in savings and surrenders. Cases of drawal of fund without immediate requirement to avoid lapse of the budgeted grant were noticed. Cash control was ineffective as mandatory provisions providing internal control measures were not followed. Defect in system of communicating allotment through Orissa Treasury Management System (OTMS) led to over drawal of funds. Large number of vacancies in technical posts had adverse impact on functioning of the Department. Deficient system existed to watch over renewal of licenses issued / renewed specially under Orissa Shops & Commercial Establishment Act and Contract Labour (R&A) Act. Inspection of Factories & Boilers was deficient and weak. Vacancies in the cadre of Assistant Director, Insurance Medical Officers (IMO), Joint Directors (JD) and other Technical (Non-Gazetted) post affected the quality of inspection. Procurement procedure for purchase of essential drugs and medicines under the ESI scheme was not sound enough to ensure timely supply of essential drugs to the patients.

4.1.13 Recommendations

- The financial controls as provided in Orissa Budget Manual and OGFR may be followed strictly.
- The department and the Directorates may improve the quality of control environment by consolidating provisions of various statutes for issue of licenses by enhancing number of visits to establishments and factories with follow up action.
- The Department may strive to achieve higher level of commitment, awareness and adherence to controls which is a key to the quality of service to the community and good governance.
- Double drawal of scheme fund through dual mode of communication of sanction of funds is a serious financial irregularity which needs immediate attention of the Government.

Bhubaneswar
The

(B R Khairnar)
Principal Accountant General (Civil Audit)
Orissa

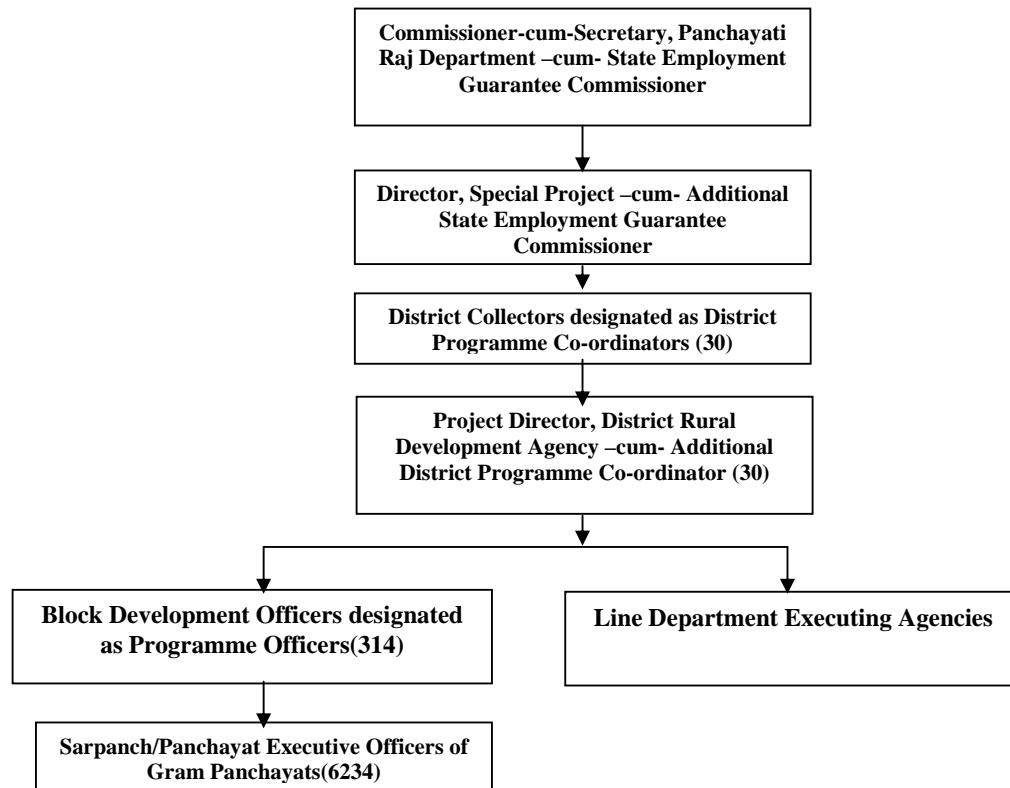
Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India

Appendix 2.1
(Refer paragraph 2.1.2 at page 10)

Organisational chart for implementation of National Rural Employment Guarantee Scheme (NREGS) in the State



Appendix 2.2

(Refer paragraph 2.1.4 at page 10)

List of nine sample districts, 33 blocks, 191 Gram Panchayats and 22 other executing agencies covered under Performance Audit of NREGS

Districts	Blocks	Gram Panchayats	Other executing agencies
Baragarh	Attabira	Amlipali, Attabira, Dulampur, Janged, Kadobahal, Ladaripali, Lahanda	Project Director, Watershed, Padmapur
	Barpali	Agalpur, Barguda, Kanbar, Khemsara, Kushanpuri, Satlama	
	Sohela	Birjam, Churiapali, Garvana, Ghess, Kangaon, Petupali, Sohela	
Deogarh	Barkote	Balam, Basloi, Gurusang, Kuapada, Kalla, Rambhei	Assistant Soil Conservation Officer, Deogarh, Divisional Forest Officer, Deogarh, Asst. Director, Sericulture, Deogarh
	Reamal	Ada, Budido, Khilei, Lulung, Reamal, Tuhilamal	
	Tileibani	Dumurikunda, Jharagogua, Sado, Tileibani	
Jajpur	Binjharpur	Barapada, Binjharpur, Bitana, Chandramu, Haladidiha, Oleichandanpur, Tina	Assistant Soil Conservation Officer, Jajpur Executive Engineer, Irrigation Division, Jajpur
	Dasarathpur	Akarpada, Champeipal, Dasarathpur, Duttapur, Grama Nandipur, Khannagar, Palatpur	
	Rasulpur	Arthanga, Bahadalpur, Gandhan, Kalan, Nathuabar, Rahamba, Rasulpur	
Keonjhar	Ghasipura	Bhandaridiha, Daradipal, Gadabandhagoda, Ganapur, Kaliamenta, Radhikadeipur	Divisional Forest Officer, Keonjhar, Assistant Director, Sericulture, Keonjhar
	Hatadihi	Akarua, Badarampas, Dhanurjaypur, Gedma, Hatadihi, K. Balipal, Padhiaripali, Sulana	
	Keonjhargarh	Baradapal, Gobardhan, Kathabari, Mahadeijoda, Mandua, Raghunathpur	
Koraput	Boipariguda	Boipariguda, Handrapara, Gupteswar, Kathapara	Assistant Soil Conservation Officer, Koraput Assistant Soil Conservation Officer, Nandpur, Assistant Soil Conservation Officer (Coffee Development), Koraput
	Boriguma	Anchala, Benasur, Borigumma, Champapadar, Gujuniguda, Haridaguda, Kumuli, Nuagam	
	Jeypore	Ambaguda, Bariniput, Gadapadar, Jamunda, Kaligam, Ranigada	
	Nandapur	Attanda, Bheja, Hikimput, Khemunduguda, Nandapur, Raising	
Mayurbhanj	Bahalda	Anlajodi, Bahalda, Jashipur, Kanki	Assistant Soil Conservation Officer, Baripada Assistant Soil Conservation Officer, Rairangpur Divisional Forest Officer, Baripada Executive Engineer,
	Baripada	Badjode, Budhikhamari, Laxmiposi, Sankhabhanga,	
	Joshiipur	Astakuanra, Begunia, Gudugudia, Jamukeswar, Jashipur	
	Kaptipada	Bad Bisole, Debla, Jayantipat-Samil, Klamgadia, Kaptipada, Kolialam, Pedagadi and Sarat.	
	Morada	Chitrada, Durgapur, Godia, Morada,	

Districts	Blocks	Gram Panchayats	Other executing agencies
		Nuhajhalia	Rural Works Division, Baripada, Executive Engineer, Minor Irrigation Division, Baripada, Executive Engineer, Mayurbhanj Irrigation Division, Baripada
	Suliapada	Deuli, Fania, Kanimahuli, Mohabilla	
	Thakurmunda	Hotogoda, Kendujiani, Salachua, Thakurmunda	
	Udala	Badakhman, Khaladi, Nuagaon, Sridamchandrapur	
Nabarangpur	Kosagumuda	Atigam, Balenga, Chirma, K-Simla, Kosagumuda, Sanamda	Assistant Soil Conservation Officer, Nabarangpur
	Raighar	Bobei, Gona, Jalangpada, Kaudola, Mohand, Raighar	
	Tentulikhunti	Goudadeopali, Kukudabai, Manchgaom, Tentulikhunti	
Nayagarh	Dasapalla	Banigochha, Ghugudipara, Kunjamendhi, Kunjabanagarh, Nachhipur	
	Nuagaon	Dhenkena, Gateri, Korada, Nuagaon, Sikirida	
	Ranapur	Balbhadrapur, Brajarajpur, Damasahi, Gopalpur, Khairapalli, Mahatpalla, Ranapur, Rankadeuli	
Nuapada	Khariar	Bhuliasikuan, Dabri, Khudpej, Ranimunda, Saradhapur	Assistant Soil Conservation Officer, Nuapada Assistant Engineer, Soil Conservation, Khariar Executive Engineer, Minor Irrigation Division, Khariar Special Officer, Chuktia Bhunjia Development Agency, Sunabeda
	Komna	Argen, Gundamer, Kandetera, Komna, Konabira, Kurumpuri, Samarsingh	
	Sinapali	Bargaon, Gandabahali, Hatibandha, Karanbahali, Sinapali, Singhajhar	

Appendix 2.3
(Refer paragraph 2.1.7.2 at page 14)

**Statement indicating short release of state share during 2006-07 to 2007-08
under NREGS**

(Rupees in crore)

Name of the district	Central share released during 2006-07 and 2007-08	Expenditure incurred during these years	Unspent fund as on March 2008	Expenditure incurred on material component and skilled and semi-skilled wage 2006-08	State share payable at 25 per cent of expenses on materials (1/4 of Col 5)	State share payable on unspent balance at 10 per cent being 25 per cent of model material component of 40 per cent	Total State share payable during 2006-08 (Col 6 +7)	Actual State share released for these years	Short release of State share
1	2	3	4	5	6	7	8	9	10
Deogarh	29.99	32.93	0.51	15.67	3.92	0.05	3.97	3.07	0.90
Jajpur	20.17	12.39	13.26	5.78	1.45	1.33	2.78	2.01	0.77
Keonjhar	55.17	48.15	15.89	28.41	7.10	1.59	8.69	5.52	3.17
Koraput	84.83	79.19	16.05	34.83	8.71	1.61	10.32	8.48	1.84
Mayurbhanj	148.49	166.41	2.58	71.90	17.98	0.26	18.24	14.83	3.41
Nawarangpur	56.65	52.02	0.93	25.50	6.38	0.09	6.47	5.66	0.81
Nuapara	62.32	54.16	18.03	22.61	5.65	1.80	7.45	6.23	1.22
Total	457.62	445.25	67.25	204.70	51.19	6.73	57.92	45.80	12.12

Appendix 2.4

(Refer paragraph 2.1.7.2 at page 14)
Statement showing belated release of State share

Name of the district	Date of release of Central share	Amount (Rupees in lakh)	Date of release of State share	Amount (Rupees in lakh)	Delay in release of State share in days
Bargarh	14.6.2007	1376.10	8.8.2007	137.62	55
Deogarh	30.3.2006	31.08	23.5.2006	6.91	53
	25.4.2006	891.70	1.6.2006	89.17	37
	14.9.2006	926.43	18.11.2006	92.64	64
	12.9.2007	643.61	29.10.2007	64.36	46
	10.4.2008	202.73	17.5.2008	22.52	37
	21.5.2008	131.75	26.9.2008	14.69	131
Jajpur	28.3.2007	400.00	18.5.2007	40.00	50
	10.4.2008	722.25	17.5.2008	80.25	37
	6.2.2009	3017.00	13.3.2009	335.22	33
Keonjhar	25.4.2006	2000.00	1.6.2006	200.00	37
	14.9.2006	1281.95	25.1.2007	128.20	132
	7.5.2007	1995.03	26.6.2006	199.50	49
	10.4.2008	1262.32	17.5.2008	140.26	36
	21.5.2008	162.62	26.9.2008	18.07	127
Koraput	25.4.2006	2000.00	1.6.2006	200.00	37
	14.9.2006	2905.38	18.11.2006	290.54	64
	10.4.2008	1567.43	17.5.2008	174.16	37
Mayurbhanj	25.4.2006	2000.00	1.6.2006	200.00	37
	14.9.2006	11355.52	30.10.2006	1135.55	45
	10.4.2008	2550.00	17.5.2008	283.33	37
	21.5.2008	82.95	26.9.2008	9.22	127
Nawarangpur	19.5.2006	2000.00	22.6.2006	200.00	33
	26.9.2006	1249.28	30.11.2006	124.93	64
	14.2.2007	600.00	22.3.2007	60.00	35
	27.4.2007	547.47	2.6.2007	54.75	35
	6.7.2007	1017.97	20.9.2007	101.80	75
	4.2.2008	250.00	11.3.2008	25.00	35
Nuapara	25.4.2006	1582.42	1.6.2006	158.24	37
	14.9.2006	679.13	18.11.2006	67.91	63
	18.1.2007	300.00	26.2.2007	30.00	38
				4684.84	33-132 days

- (i) 33 - 60 days – Rs.38.37 crore
(ii) 61-100 days - Rs.6.78 crore
(iii) 101-132 days – Rs.1.70 crore

Appendix 2.5

(Refer paragraph 2.1.7.2 at page 14)

Statement showing delay in release of funds by DRDAs to BDOs, GPs and Executing Agencies (EA)

Name of the District/DRDA	Date of receipt of fund from GOI/Govt.of Orissa	Amount (in lakh)	Date of release to PO, GPs and E.As	Amount (in lakh)	Delay in release in days
Keonjhar	26.6.2006	200.00	1.9.2006	200.00	66
	16.9.2006	1281.95	6.11.2006	1281.95	50
	28.12.2006	128.20	19.2.2007	128.20	52
	28.4.2007	239.69	31.7.2007	239.69	93
	12.5.2007	1995.03	31.7.2007	1995.03	80
	27.6.2007	23.97	31.7.2007	23.97	34
	26.7.2007	199.50	14.9.2007	199.50	49
	19.4.2008	1262.32	26.5.2008	1262.32	36
	16.5.2008	1140.68	26.6.2008	1140.68	40
	26.5.2008	162.62	26.6.2008	162.62	30
	25.9.2008	18.07	Not released upto 30.1.2009	18.07	127
Baragarh	3.4.2007	442.00	23.5.2007	405.06	50
	12.6.2007	1452.50	11.7.2007	1359.46	30
	8.8.2007	230.65	14.9.2007	132.10	42
	22.11.2007	81.23	16.1.2008	14.99	56
Nayagarh	1.4.2008	225.23	3.6.2008	89.5	63
			4.6.2008	89.5	64
			28.7.2008	4.7	118
			18.3.2009	0.91	348
Nuapara	25.4.2006	1582.42	5.6.2006	1582.42	41
	1.6.2006	158.00	25.7.2006	103.57	54
	14.9.2006	679.13	7.11.2006	679.13	54
	18.1.2007	300.00	23.2.2007	300.00	36
	9.4.2007	170.11	14.5.2007	170.11	35
	16.7.2007	1500.00	16.8.2007	1130.00	30
Mayurbhanj	14.9.2006	113.55	22.12.2006	50.94	98
			30.10.2006	58.10	46
Total				12822.52	30-348

- (i) 30-60 days – Rs.101.34 crore
(ii) 61-90 days- Rs.23.74 crore
(iii) 91-120 days- Rs.2.95 crore
(iv) 121-348 days- Rs.0.19 crore

Appendix 2.6
(Refer paragraph 2.1.7.3 at page 14)
Statement showing non-transfer of unutilised balance of NFFWP/SGRY to NREGS

(Rupees in lakh)

Sl No	Unit	Unutilised funds as on 2.2.2006	Receipt of funds 2.2. 2006 to 31.3.2009	Balance left unutilised on 31.3.2009
1	Boriguma	75.80	242.51	17.60
2	Nandapur	91.52	141.33	3.81
3	Reamal	51.47	228.22	58.29
4	Barkote	85.04	242.80	119.05
5	Suliapada	136.85	9.97	29.19
6	Kaptipada	170.82	28.39	3.50
7	Sinapali	219.52	48.32	61.65
8	EE,Mayurbhanj Irrigation Division	8.95	0	7.23
9	Boipariguda	33.15	226.84	0.52
10	Dasarathpur	0.40	16.01	3.08
11	Thakurmunda	11.68	32.79	0.22
12	Attabira	13.07	25.60	11.76
13	Dasapalla	95.78	7.48	103.25
14	Ranpur	55.48	9.58	19.65
15	Jeypore	107.01	112.90	8.36
16	Baripada	49.35	18.17	0.92
17	ASCO,Deogarh	1.70	5.02	6.72
18	ASCO, Koraput	72.70	21.03	12.07
19	BDO,Udala	25.90	27.93	8.93
20	BDO, Keonjhar	88.18	33.00	42.88
21	BDO, Ghasipura	64.27	52.92	62.47
	Total	1458.64	1530.81	581.15 or Rs 5.81 crore

Appendix 2.7

(Refer paragraph 2.1.7.4 at page 14)

Statement showing mismatch of online financial performance with yearly progress report

(Rupees in crore)

District	Year	Expenditure as per yearly progress report	Expenditure as per on-line performance	Difference
Mayurbhanj	2006-07	108.22	56.26	51.96
	2007-08	67.68	58.19	9.49
Koraput	2006-07	53.02	37.35	15.67
	2007-08	42.07	41.84	0.23
Total		270.99	193.64	77.35

Appendix 2.8

(Refer paragraph 2.1.7.5 at page 15)
**Statement showing diversion of funds from NREGS to other schemes and
from other schemes to NREGS**

Office	Diversion from NREGS	Diversion to NREGS				
		Scheme	Date	Amount (Rupees in lakh)	Scheme	Date
BDO, Dasarathpur	OAP	August 2007- January 2009	31.77	MDM	18 March 2008	30.00
	Election	01 January 2008	0.03	EAS	12 February 2008	12.00
				Natural calamity	11 July 07 to 02 March 2009	13.00
				IAY/Spl. IAY	07 June 2007 to 08 May 2008	86.30
				Government cash book	01 August 2007 to 18 August 2008	0.82
BDO, Raigarh	OAP	02 February 2006 to 14 September 2007	28.12	---	---	
BDO, Tentulikhunti	Miscellaneous	09 May 2007	15.36	-	-	
	TFC	12 October 2007	0.88	-	-	
	PS sub cash Book	12 June 2008	10.00	-	-	
BDO, Kosagumuda	-	-		MDM	6.1.09	53.00
BDO Jashipur				IAY	19 February 2008	15.00
				IAY	19 September 2008	5.00
				IAY	04 December 2008	5.00
BDO, Rasulpur				GGY	14 May 2008	10.00
				OAP	26 May 2008	0.05
				PS Cash Book	08. July 2008	0.30
				PS	14 July 2008	10.00
				MDM	08 September 2008	0.05
				OAP	13 January 2009	0.04
BDO, Bahalda	RSVY	August 2006	3.00	MDM	01 May 2008	1.99
	TFC	August 2008	5.30	BRGF		
	IAY	March 2009	20.00			
	BRGF	March 2009	28.00			
	MLA LAD	February 2008	1.88			
BDO, Reamal	OAP	November 2006	6.50	BRGF	March 2008	20.00
	PS Cash book	September 2007	53.95	WODC	March 2007	4.84
BDO, Barkote				BRGF,	December 2008	149.78
				WODC	December 2008	58.65
BDO, Binjharpur				IAY	2007-08	45.85
				NOAP	2008-09	1.80
BDO, Sinapali	MLA LAD	30 June 2006	5.12			

Office	Diversion from NREGS	Diversion to NREGS				
		Scheme	Date	Amount (Rupees in lakh)	Scheme	Date
BDO, Komna				IAY/ RLTA etc.	August 2008 to November 2008	42.00
BDO, Morada	OAP	06 November 2007	5.80			
BDO, Thakur- unda	GP fund	March 2008	0.20			
BDO, Attabira				GGY	February 2008	40.00
				IAY	April 08	20.00
BDO, Teleibani				BRGF	December 2008	50.00
BDO, Udala				OAP/ NOAP		10.70
				Natural calamity		25.00
				IAY		25.00
				MDM		0.90
BDO, Keonjhar				PS cash book		1.50
	8 units		215.91	13 units		738.57

IAY	Indira Awas Yojna
RLTAP	Revised Long Term Action Plan
MDM	Mid Day Meal
EAS	Employment Assurance Scheme
GGY	Gopabandhu Gramin Yojna
OAP	Old Age Pension
PS	Panchayat Samiti
BRGF	Backward Region Grant Fund
WODC	Western Orissa Development Council
NOAP	National Old Age Pension

Appendix 2.9

(Refer paragraph 2.1.8.4 at page 18)
Statement showing employment generation not commensurate with the funds utilised under NREGS and shortfall in employment generation

Name of the district	Expenditure incurred (Rupees in crore)			Employment in person days at minimum wage rate to be generated (in lakh) ¹			Employment actually generated	Shortfall	Percentage of shortfall
	2006-07	2007-09	Total	2006-07 at Rs.55 per day	2007-09 at Rs.70 per day	Total			
Bargarh	0	33.80	33.80	0	28.97	28.97	16.87	12.10	41.77
Deogarh	19.26	25.78	45.04	21.01	22.18	43.19	34.52	8.67	20.07
Jajpur	0	34.96	34.96	0	29.97	29.97	18.61	11.36	37.90
Keonjhar	35.96	47.57	83.53	39.23	40.77	80.00	64.28	15.72	19.65
Koraput	53.02	71.73	124.75	57.84	61.48	119.32	103.68	15.64	13.11
Mayurbhanj	108.23	139.91	248.14	108.07	119.92	227.99	199.62	28.37	12.44
Nawarangpur	44.09	46.23	90.32	48.10	39.63	87.73	78.97	8.76	9.99
Nayagarh	0	0.89	0.89	0	0.76	0.76	0.54	0.22	28.95
Nuapara	26.75	44.86	71.61	29.18	38.45	67.63	53.28	14.35	21.22
Total	287.31	445.73	733.04	303.43	382.13	685.56	570.37	115.19	

¹ Expenditure incurred X 60 per cent divided by minimum wage rate for unskilled workers

Appendix 2.10
(Refer paragraph 2.1.9.5 at page 21)
Statement showing execution of material intensive works leading to
non-adherence to the prescribed wage-material ratio
(Rupees in lakh)

Name of the BDO	Year	Total expenditure	Expenditure on unskilled wage	Percentage of wage component	Percentage of material component
Komna	2006-07	315.29	112.09	35.50	64.50
	2007-08	394.68	184.76	46.90	53.10
Morada	2006-07	186.30	78.70	42	58
	2007-08	381.47	147.57	39	61
	2008-09	251.88	121.28	48	52
Dasarathpur	2007-08	238.90	130.02	54.43	45.57
Raigarh	2006-07	336.13	72.46	21.56	78.44
	2007-08	252.88	129.16	51.08	48.92
Tentulikhunti	2006-07	173.45	82.75	47.71	52.29
	2007-08	267.33	142.12	53.16	46.84
Thakurmunda	2006-07	205.90	76.88	37.34	62.66
	2007-08	202.76	75.26	37.12	62.88
Kaptipada	2006-07	332.91	176.44	53	47
	2007-08	307.54	139.21	45	55
Hatadihi	2006-07	162.55	29.36	18.06	81.94
	2007-08	129.94	36.96	28.44	71.56
Attabira	2007-08	177.03	87.11	49.20	50.80
Kosagumuda	2005-06 to 2008-09	148.25	44.27	29.86	70.14
Udala	2006-07	258.59	98.08	37.9	62.1
	2007-08	169.75	54.59	32.20	67.80
Ghasipura	2006-07 to 2008-09	644.22	218.34	33.90	66.10
12 units		5537.75	2237.41	18 to 54	46 to 82

Year-wise abstract on overall Material Component for the State

Year	Total expenditure (Rupees in crore)	Expenditure on Material component (Rupees in crore)	Percentage to total expenditure.
2006-07	733.47	302.99	41
2007-08	690.59	315.63	46
2008-09	553.22	202.57	37
	1977.28	821.19	

Appendix 2.11
(Refer paragraph 2.1.9.8 at page 22)
**Statement showing irregular /avoidable/ unfruitful/ infructuous/
inadmissible expenditure on execution of works under NREGS**

(Rupees in crore)

Nature of irregularity	Amount	Audit observation
Irregular expenditure on execution of bulk volume of earthwork without level/ cross section measurement	3.03	Contrary to the provisions of OPWD code and Government order (August 2008), for 5.52 lakh cum earthwork in excavation of tanks and formation of roads/embankments, Rs 3.03 crore was paid by 12 test checked blocks ² and seven test checked executing agencies ³ on the basis of pit measurement instead of on level/cross sectional measurements. Daily/individual measurement was not recorded. Average of daily wages paid indicated payment of Rs.125 to Rs.456. The labourers during beneficiary interviews admitted to have received wages at Rs.70 to Rs.125 per day only and so the possibilities of embezzlement by showing higher out turn can not be ruled out. In reply, concerned BDOs stated that due to heavy work load of JEs and shortage of staff, level measurement could not be done. The reply is not tenable as level section measurement in respect of earthwork was to be ensured in all cases and any failure to do so is to be treated as misappropriation of funds for fixation of responsibility as per the Government order (August 2008) .
Irregular payment towards cost of cement whose utilisation was doubtful	0.26	In two cases in Morada block, 764 bags of cement was shown as purchased on hand receipt from private persons/tractor owners at a cost of Rs 1.65 lakh. In eight blocks ⁴ , Rs 26.21 lakh was allowed to the departmental officials towards cost of 11539 bags of cement, shown as purchased from local market on purchase slips without indicating the bill number, date, VAT registration number and in excess of the quantity lifted from the Block Office. Utilisation of such cement appeared doubtful.
Irregular and doubtful purchase of road metal and other construction materials on hand receipts in cash and no stock account maintained for their receipt and use	1.19	Orissa General Financial Rule and Panchayat Samiti Accounting Procedures Rule 2002 provided for purchase of materials on tender basis and proper accountal of the receipt and issue in the site stock register. But in 128 cases in 18 test checked units ⁵ , road metals and construction materials worth Rs 1.19 crore was shown as purchased by the JEs/PEOs departmentally executing the works, against hand receipt payments from private individuals. Each such hand receipt ranged from Rs 0.09 lakh to Rs 3.22 lakh and no site stock register was maintained for accounting these materials. In reply, the BDOs assured to purchase materials from registered dealers in future.
Irregular expenditure on payment to executants towards cost of road	0.40	In 34 cases in seven test-checked units ⁶ , documentary evidence in support of purchase of road metals and

² Boriguma, Nandapur, Reamal, Suliapada, Binjharpur, Sinapalli, Khariar, Boipariguda, Komna, Baripada, Nuagaon, Ranapur,

³ ASCO: Nandapur, Nabarangpur, Koraput, Baripada, Nuapara and AE, Soil Conservation , Khariar, **Executive Engineer**, MI Division, Baripada

⁴ Hatadihi, Komna, Moroda, Bahalda, Ghasipura, Khariar, Reamal, Barkote

⁵ BDOs: Boriguma, Nandapur, Suliapada, Kaptipada, Binjharpur, Khariar, Boipariguda, Jeypore, Komna, Baripada, Moroda, Udala, Raigarh, Tentulikhunti, Thakurmunda, Hatadihi, **Executive Engineer**, Mayurbhanj Irrigation Division, Baripada, ASCO, Nabarangpur

⁶ Boipariguda (5: Rs 5.02 lakh), Morada (6:Rs 3.85 lakh, Baripada (6: Rs 6.96 lakh), Jeypore (4: Rs 7.71 lakh), Suliapada (5:Rs 6.54 lakh), Nandapur (1:Rs 1.71 lakh) and Kaptipada (7: Rs 8.24 lakh)

Nature of irregularity	Amount	Audit observation
metal and other construction materials without submission of documentary evidence in support of actual purchase		construction materials were not kept on record though full payment was released to the executants/JEs/PEOs/VLLs. This included Rs 40.03 lakh being the cost of materials required to be utilised in the works as per the material statement/analysis of rates. In reply, the BDOs assured to do the needful in future.
Unfruitful expenditure on construction of WHS without inlet/outlet and irrigation channels	1.23	Joint physical inspection (January to March 2009) of WHS/tanks constructed/renovated under NREGS revealed that, in 18 WHS/tanks constructed/renovated at a cost of Rs 59.03 lakh, no inlet/outlet and irrigation channels were provided. This defeated the objective of creating productive durable assets. In 12 cases, the WHS/tanks constructed/improved at a cost of Rs 63.90 lakh were found to be completely dry and the villagers stated that there were no water in these tanks since November / December 2008 and entire expenditure, thus, proved unfruitful.
Inflated measurements and excess payment	0.14	In two cases (Improvement of 1 C 1 canal embankment from Dhoda to Nandipur :Rs 9.85 lakh and Improvement of road from Manadarkhanda to Pubasahi via Belapokhari:Rs 4 lakh) , the estimates were inflated by treating the earth work in embankment/road formation as hard soil when the owner of the canal road, Irrigation Department has treated the soil as ordinary soil in its estimate and contracts for improvement of the same road. Ordinary soil was also confirmed on Joint physical inspection (May 2009) in the presence of AE, Irrigation, Jajpur. Thus, on 14538.80 cum. of soil shown as excavated in these two roads, Rs 1.70 lakh was paid in excess due to such wrong classification of soil. Same portion of the road was found to be maintained both by Irrigation and Block authorities during same period. Inflated measurement and excess payment of Rs 1.21 lakh was also noticed on joint physical inspection of another road ⁷ . <i>Verification of muster rolls of both these works in one village and beneficiary interview in the presence of PRI officials revealed fake muster rolls by showing engagement of two deceased persons, five State / Central Government employees, one handicapped person receiving handicapped pension, three persons aged over 70 years and two persons migrated to other States for 168 man days and Rs 17436 was shown as paid towards wages.</i> On this being pointed out, BDO, Dasarathpur stated that action would be taken to improve these roads to prescribed specifications, excess estimated cost would be regularised and attributed the reason for all such irregularities to execution of work in the first and second year of execution. The reply is not tenable as no enquiry was conducted to fix up responsibility for such lapses.
Execution of works without technical sanction and administrative approval and payment without check measurement	0.41	In Dasarathpur block of Jajpur district, in respect of eleven works though only Rs 20.20 lakh was provided in the approved AAP, estimates were prepared for Rs 57.08 lakh with 100 to 919 <i>per cent</i> higher. This was entered in NREGS web site at block level as administratively approved without submission of copies of the technically sanctioned estimates to DRDA, Jajpur as required.

⁷ Manadarkhanda to Pubasahi via Belapokhari

Nature of irregularity	Amount	Audit observation
		Rs 40.63 lakh was spent on these works up to March 2009. Five works ⁸ with estimated cost of Rs 27.97 lakh were executed without obtaining technical sanction (TS) and administrative approval (AA) of estimates from the competent authorities. In one case (Chhanchina GP in Dasarathpur block), the estimate for the work was prepared at Rs.15.28 lakh against the approved AAP provision of Rs.1.50 lakh and Rs.9.25 lakh was spent up to March 2009 without technical sanction of the estimate by the Executive Engineer/Addl.PD(Tech), DRDA, Jajpur. Rs 3.61 lakh was released to the executant for earth work executed (1963.56 cum in June 2007 and 4124.04 cum in June 2008) without check measurement by the AE. The earth work shown as executed is not susceptible for check measurement due to passage of two rainy seasons. Measurement for Rs 6.69 lakh was recorded in the measurement book against expenditure of Rs 9.25 lakh shown in the cash book. 13 labourers were shown as engaged two to five times in this work on same day.
Irregular expenditure on inadmissible items	1.22	GOI instruction (October 2007) did not permit expenditure incurred on pesticides and insecticides under material component. However, contrary to this instruction, four ASCOs (Koraput, Nabarangpur, Baripada and Coffee Development, Koraput) utilised NREGS funds of Rs 1.22 crore on purchase and utilisation of pesticides and insecticides for cashew/ coffee plantation. In reply, PD, DRDA, Koraput and ASCO, Nabarangpur stated that they were not aware of any such GOI order of October 2007 and assured to comply the same in future.
Misutilisation of scheme fund on land scaping of garden in the residence of Collector, Nuapada	0.03	In Nuapada district, an amount of Rs.2.54 lakh spent on “Land scaping and development of garden in the residence of Collector, Nuapada” was outside the scope of permissible works under the scheme. Of this, only Rs 9590 was spent on payment of wages to 12 labourers for 137 man days and the remaining amount was utilised on material component like purchase of decorative and ornamental plants, coloured grass, etc. from private farms.
Irregular expenditure on inadmissible works	0.53	An amount of Rs 53.04 lakh was spent on inadmissible works like repair of office building and staff quarters, earth filling in office/ temple premises, melan padia, filling of ponds, elephant proof trench cutting etc.
Total	8.44	

⁸ Road from Naikula sahi to Balada Patra sahi chhak Rs 15.28 lakh, Nilakanthapur school to Pandasahi road:Rs 3.57 lakh,Road from Chitalo sankha mahara to Kalu baragachha, PWD road to Darva village, Renovation of drain from Bhuyan sahi to Batua mahara :each Rs 3.04 lakh.

Appendix 2.12
(Refer paragraph 2.1.9.9 at page 22)
Statement showing instances of avoidable / extra expenditure under NREGS

Nature of irregularity	Amount (Rupees in crore)	Audit findings
Extra expenditure due to inflating estimates with seven hour working time against notified eight hour working time	0.56	The working hours under NREGS was revised from seven hours to eight hours (nine hours including one hour break) from 14 January 2008 vide Gazette notification issued by the GOI on the same date. Test check revealed that three executing agencies/line departments ⁹ ignoring the said notification prepared estimates for Cashew/Coffee plantation including maintenance at seven hours working time per day which inflated the estimates by 80152 man days and incurred extra expenditure of Rs 56.10 lakh. DRDA, Koraput and Nawarangpur did not enforce the above eight hours working time. PD, DRDAs of both Nabarangapur and Koraput districts however assured compliance with the above provision henceforth.
Extra expenditure due to execution of cement concrete roads with higher width and thickness	0.36	The standard specifications for cement concrete roads within village habitation provided for three meter width carriage way, four inch thick metal concrete (1:4:8) followed by three inch thick chips concrete (1:2:4). But in 11 selected blocks ¹⁰ in 52 cases, concrete roads with higher width and thickness ¹¹ were constructed incurring extra expenditure of Rs 36.22 lakh on cement concrete works.
Avoidable extra expenditure on construction of field channels beyond the specification prescribed by Bureau of Indian Standards	0.16	IS 12379 prescribes lining of field channels/canals with cement concrete(75 mm thick) or with stone/brick (150 mm thick). However in three selected units ¹² , eight works of construction of lined field channels with width 1.35 metre, both RRHG stone masonry with cement mortar(1:4) in walls and 450mm thick cement concrete (1:3:6) in bed were provided instead of 75 mm thick cement concrete(1:3:6) over the entire portion (bed and side walls of field channels). This resulted in incurring an extra expenditure of Rs 15.61 lakh. In reply, BDOs, stated that higher specification was provided to make the field channel more durable and strong. The reply is not tenable as IS code satisfies the durability and all technical aspects and CC works with higher specification disturbed the ratio of wage-material and increased the cost of work.
Total	1.08	

⁹ Assistant Soil Conservation Officers, Koraput, Nawarangpur and Assistant Soil Conservation Officer, Coffee Development, Koraput

¹⁰ Boriguma(3), Suliapada(6), Kaptipada (5), Sinapali(6), Khariar (4), Boipariguda(2), Komna(3), Baripada(4), Morada(6), Sohela(8) and Udala(5)

¹¹ Width ranging between 3.65meter against 3meter prescribed and thickness ranging between 8 inch to 9 inch against prescribed 7 inch

¹² BDO, Nandapur (1 work: Rs 2.83 lakh), BDO, Boipariguda(1 work: Rs 1.23 lakh) Executive Engineer, MI division, Baripada(6 works: Rs 11.55 lakh)

Appendix 2.13

(Refer paragraph 2.1.12.2 at page 27)
Summary findings of National Institute of Rural Development, Hyderabad in it's
Social audit Reports on seven GPs of three test checked districts

District	Block	GP where NIRD conducted social audit	Date of Social audit by NIRD	Number of works covered	Summary of important findings
Koraput	Nandapur	Khurji	1 February 2008	3	<ul style="list-style-type: none"> • Entries made in physical copies of job cards were not consistent with muster rolls and there were many false entries. • People not aware of the procedure for applying for job and even of their rights to 100 days employment in a year. • There were delayed and under payment of wages and also muster rolls showed name of workers who did not worked, fictitious engagement of deceased persons, Government employees. • Worksite facilities were not provided.
	Bandhu-gaon	Nilabadi	2 February 2008	3	<ul style="list-style-type: none"> • People not aware of the procedure for applying for job and even of their rights to 100 days employment in a year. • Vigilance committee and appointment of VLL were done by few influential people and while villagers were not aware of such VMCs, VMC members were not even aware of their duties. • There were many fake and inflated entries in the job cards. • Photographs were not fixed in job cards. • When application form were not available in GP office, GP staff refused to accept application for work in plain paper. • There were delayed payment of wages up to six months and gender discrimination in payment of wages. • False job entries and wage payment in muster rolls was also noticed. Name of some workers actually worked were not found in muster rolls. • Drinking water and shade was not provided at worksites.
	Boriguma	Pondasaguda	31 January 2008	3	<ul style="list-style-type: none"> • Job cards with job entries were given to 27 registered labourers even though they did not work. • Inflated measurement in execution of works was also noticed. • There were delayed and under payment of wages and also muster rolls showed fictitious engagement of deceased persons. • No worksite facility provided and people were not aware of the provisions for payment of unemployment allowances.
Naba-rangpur	Chanda-handi	Gambhari-guda	11 March 2008	4	<ul style="list-style-type: none"> • Asset register was not maintained. • Unemployment register was not maintained even though there were many cases deserving payment of unemployment allowance. • Most of the resolutions of Gram Sabha/ Palli Sabha meeting were made without quorum. • No complaint register was available. • Panchayat office not opening regularly. • Most of the job cards were not available with the job card holders and fake entries in job cards were noticed.

District	Block	GP where NIRD conducted social audit	Date of Social audit by NIRD	Number of works covered	Summary of important findings
					<ul style="list-style-type: none"> • More than one job cards were issued in the name of a single family. • There were cases of under payment of wages and delayed payment of wages. • Muster rolls were not available at worksite. • Works were executed by contractors despite being prohibited. • Muster rolls contained fictitious entries like showing dead men, blind, physically and mentally handicapped persons as worked, false LTI for literate workers etc. • Worksite facilities were not provided. • Muster rolls of works executed by Panchayat Samitees and line departments not available with the GP for public inspection.
	Papadahandi	Papadahandi	13 March 2008	3	<ul style="list-style-type: none"> • Vested interest halted the meeting though public and workers were interested. • Contractors were working in disguise. • There was no complaint register and many registers were not maintained. • GP office was not opened regularly. • Fake job entries were noticed in the job cards. Job cards were with contractors and PRI officials. • Labourers were not aware of job demand procedure and their rights under the scheme. • There were delayed payment, under payment and gender discrimination in payment of wages. • Muster rolls contains engagement of deceased persons, persons migrated for years and with false LTI. • Worksite facilities were not provided. • VMCs were not formed.
Mayurbhanj	Rasgovindpur	Debsole	16 May 2008	3	<ul style="list-style-type: none"> • Money (Rs 30 to Rs 50) charged by PRI officials from workers for photographs. • Job entries in job cards did not match with beneficiary statements and muster rolls. • People were not aware of the procedure for demanding job. • There were delayed and under payment of wages and even workers were asked to sign fake muster rolls. • After drawing money from bank, people were forced to pay to the contractors. • Muster rolls were not available at worksite and excepting rest shed no other facility like drinking water etc were provided at the worksite.
	Sarasakana	Murunia	16 April 2008	3	<ul style="list-style-type: none"> • Most of the registers were maintained properly. • Job cards were lying with mate and ward member and not with card holders. • Fake muster rolls with fictitious engagement of persons died long ago were also noticed. • Though wage was paid through bank but all pass books were lying in bank as contractor paid them wages. Contractor and middle men were having account number of workers and so it is not possible for workers to withdraw money without their help. • Transparency boards were available at all worksites and worksite facilities were provided.

Appendix 2.14
(Refer paragraph 2.2.5.2 at page 32)
Statement showing details of District Mission Committee (DMC) meetings
held during 2005 to 2009

Name of the NHM district	Period	Total no. of Months	Meetings required to be held as per norm	No. of occasions the DMC met	Shortfall in holding meetings
Koraput	08/2005 to 03/2009	44	22	5	17
Bolangir	09/2005 to 03/2009	43	21	7	14
Kalahandi	08/2005 to 03/2009	44	22	3	19
Balasore	08/2005 to 03/2009	44	22	8	14
Sundergarh	05/2008 to 03/2009	11	5	1	4
Mayurabhanja	08/2005 to 03/2009	44	22	6	16

Appendix 2.15

(Refer paragraph 2.2.6 at page 32)

Statement showing retention of NHM funds in non-interest bearing current account

Period	Number of days	Amount (In Rupees)	3.5% interest foregone (In Rupees)
10.05.2006 to 28.07.2006	80	1,19,55,900.00	91,717.00
29.07.2006 to 29.01.2007	185	1,04,55,900.00	1,85,485.00
30.01.2007 to 02.05.2007	93	91,85,069.00	81,911.00
03.05.2007 to 11.05.2007	9	89,85,069.00	7,754.00
12.05.2007 to 31.07.2007	81	81,85,069.00	63,574.00
01.08.2007 to 08.01.2008	161	38,85,069.00	59,980.00
09.01.2008 to 14.01.2008	6	37,18,194.00	2,143.00
15.01.2008 to 25.03.2008	71	32,18,194.00	21,910.00
26.03.2008 to 30.04.2008	36	18,64,194.00	6,436.00
01.05.2008 to 11.07.2008	72	6,64,194.00	4,586.00
TOTAL			5,25,496.00

Appendix 2.16

(Refer paragraph 2.2.6 at page 33)

Statement showing outstanding advances under NHM

(A) Against departmental staff

(In Rupees)

Sl.No.	Year of payment of Advance	No. of occasions on which advance was paid	Amount of advance	Amount adjusted	Balance
1.	2005-06	4	20000	Nil	20000
2.	2006-07	16	250888	63390	187498
3.	2007-08	68	2694636	765659	1928977
4.	2008-09	21	1147500	237801	909699
Total		109	4113024	1066850	3046174

(B) Against other agencies

(In rupees)

Sl.No.	Date of Advance	Paid to	Purpose	Amount of advance	Amount adjusted	Balance
1.	02/11/06	OSSC Limited	Supply of Vegetable Mini Kit	10000000	6565767	3434233
2.	31/03/07	OSSC Limited	Supply of Cashew grafts	14000000	0	14000000
3.	30/04/07	NAFED	Supply of tuberose	3000000	0	3000000
4.	20/09/07	NAFED	Supply of tuberose	1491550	0	1491550
5.	2/11/07	OUAT	To conduct Seminar	50000	0	50000
6.	05/11/08	Horticulture Congress	Stall charges	46500	0	46500
Total				28588050	6565767	22022283

Appendix 2.18

(Refer paragraph 2.2.8 at page 34)
Representation of SC/ST/Women beneficiaries in NHM activities

Name of the Horticulturist	2007-08				2008-09			
	Total number of beneficiaries	Percentage of			Total no. of beneficiaries	Percentage of		
		SC	ST	Women		SC	ST	Women
Koraput	1006	5.9	44.73	1.09	1009	4.36	58.97	1.48
Jeypore	2712	6.82	51.95	24.52	1695	5.84	63.12	6.84
Titlagarh	429	9.79	33.56	6.75	--	--	--	--
Patnagarh	1030	4.56	27.37	7.67	--	--	--	--
Bolangir	911	7.24	17.56	0.66	--	--	--	--
Dharmagarh	465	8.38	37.84	3.22	--	--	--	--
Bhawaniapatna	1012	10.67	26.79	3.65	1032	10.46	25.38	3.48

Appendix 2.20
(Refer paragraph 2.2.10.3 at page 36)
Statement showing details of non-collection of token money

(In rupees)

Name of the office	Plantation					Vegetable Mini-kit				
	2005-06	2006-07	2007-08	2008-09	Total	2005-06	2006-07	2007-08	2008-09	Total
Horticulturist, Jeypore	2199	14546	15390	208780	240915	0	1900	0	0	1900
Horticulturist, Koraput	3478	0	960	89344	93782	0	0	0	2940	2940
Horticulturist, Bhawanipatna	0	19545	550	171920	192015	46170	11050	1000	850	59070
Horticulturist, Bolangir	0	0	0	0	0	18320	24860	0	0	43180
Horticulturist, Titlagarh	0	259550	274485	188482	722517	0	33900	51000	50000	134900
Horticulturist Balasore	1215	0	0	0	1215	0	0	0	0	0
AHO, Nilgiri	360	55248	56778	4896	117282	0	51990	1000	0	52990
Horticulturist, Rairangpur	0	0	8900	0	8900	0	0	0	0	0
Horticulturist, Patnagarh	0	0	0	68140	68140	0	0	0	340	340
Horticulturist, Dharmagarh	0	0	0	64952	64952	0	0	0	0	0
AHO, Kalikaprasad	0	0	0	35700	35700	0	0	0	2040	2040
Horticulturist, Sundergarh	0	0	0	0	0	0	0	0	8420	8420
Horticulturist, Panposh	0	0	0	0	0	0	0	0	3700	3700
Horticulturist, Baripada	0	0	6000	0	6000	0	0	0		0
Horticulturist, Karanjia	0	0	0	20000	20000	0	0	0	0	0
Horticulturist, Udala	0	0	0	5512	5512	0	0	0	4080	4080
TOTAL	7252	348889	363063	857726	1576930	64490	123700	53000	72370	313560
DSMS, Koraput	180000	210250	171000	0	561250	0	0	0	0	0
GRAND TOTAL	187252	559139	534063	857726	2138180	64490	123700	53000	72370	313560

Appendix 2.23

(Refer paragraph 2.3.8.2 at page 49)

Statement showing non recovery of Government dues and excess payments to contractors

(Rupees in crore)

Sl. No.	Observation in brief	Name of the project	Amount
i	<p>The contractor after executing work valuing Rs 1.45 crore stopped the work. The EE directed (May 2000) him to complete two bottom slabs and the walls and not to remove the shuttering of fifth and sixth slabs before onset of monsoon to avoid erosion to reinforcement bars. The contractor, however, removed the shuttering without the knowledge of the department and finally abandoned the work from June 2000. As a result, cracks developed at the bottom of the slab endangering safety of the structure. As per actual work executed the relative position of tender was vitiated and the second lowest bidder became the lowest with involvement of extra cost of Rs 3.07 lakh.</p> <p>The balance work was awarded (February 2008) to OCC¹³ at a cost of Rs 2.40 crore for completion by April 2009. Though OCC was paid (March 2008) an advance of Rs 1.50 crore, the work was not commenced as of May 2009. The award of balance work involved extra cost of Rs 1.68 crore which was recoverable from the defaulting contractor as per the conditions of contract. Apart from the above, the contractor was issued machinery and materials for Rs 3.15 lakh. There was also excess payment of Rs 0.12 lakh to the contractor in the final bill. The total recoverable dues from the defaulting contractor for Rs 1.72 crore were neither recovered nor was the contract closed (June 2009).</p> <p>The Government assured (November 2009) that the contract would be terminated within a month's time and also the enquiry report on the development of cracks in the bottom of the aqueduct slab would be obtained shortly for fixing responsibility on the defaulting persons.</p>	Subarnarekha Irrigation Project - Construction of aqueduct at 37365 M of SMC	1.72
ii	<p>The contracts of five works awarded to three contractors included 7.16 lakh cum of burrow area stripping for Rs 2.17 crore. This was not admissible. The contractors were paid Rs 1.02 crore for 3.53 lakh cum of stripping of unsuitable earth in the burrow area.</p> <p>The Government stated (November 2009) that the EE, Right Canal Division No.II, Junagarh recovered Rs 75 lakh and balance Rs 13 lakh was adjusted from the performance security of the contractors. The adjustment against SD was not acceptable since the SD was retained to ensure rectification of defective works, if any, executed and was refundable after defect</p>	Construction of earth dam from 00 to 1110 M, 1950 to 2940 M and 3000 to 3460 M - Kanupur Irrigation Project. Constn of Extn of RMC from 00 to 960 M (Reach-I), 960 to 2130 M (Reach-II) and 2130 to 2610 M	3.53

¹³ Orissa Construction Corporation

Sl. No.	Observation in brief	Name of the project	Amount
	liability period of six months. The other EEs did not recover the inadmissible amount (November 2009).	(Reach-III) - Upper Indravati Irrigation Project	
iii	<p>In seven works of SIP awarded to four contractors, the EE paid escalation charges of Rs 1.06 crore to the contractors for the first year of the agreements. In construction of three reaches of Golamunda Distributory, the EE also paid escalation charges of Rs 6.89 lakh to the contractor for the first year. This was not admissible.</p> <p>Further, in construction of spillway of LIIP, the escalation charges on labour component was calculated adopting the basic labour rate of Rs 42.50 against Rs 44.09 actually adopted in the offer. This resulted in excess payment of Rs 14.48 lakh. Besides, escalation charges of Rs 30.32 lakh was paid to OCC on overhead charges which was not admissible. The total excess payment/liability was Rs 1.72 crore.</p> <p>The Government stated (November 2009) that Rs 34.78 lakh was recovered from the contractors executing works in SIP and assured to recover the escalation on overhead charges in respect of LIIP. Government further stated that escalation on labour component was paid as per escalation clauses in the contract in respect of spillway of LIIP. This was not acceptable since the offer rate included labour charges of Rs 44.09 against minimum wages of Rs 42.50.</p>	Subarnarekha Irrigation Project - Restoration work with canal section from 37000 to 44660 M, 44660 to 45522 M and 45522 to 46500 M, of SMC, CC lining to BBC from 00 to 9 km, 9000 to 17965 M and 18000 to 23540 M, & Constn of Jambhira earth dam from truncated to ultimate height (Reach-I and II).	1.57
iv	<p>The accepted offer of OCC stipulated execution of 1.54 lakh cum of cement concrete and 0.41 lakh cum of RCC mixed in batching and mixing plant. The analysis of offer rate included Rs 36.70 per cum towards hire charges of Batching Plant and labour for feeding the batching plant. OCC, however, did not use batching plant in the work. Thus, the cost for hire charges and labour required for feeding the batching plant was not admissible. This resulted in inadmissible payment of Rs 71.33 lakh. The CE ordered (January 2007) to recover the amount but the amount remained unrecovered as June 2009.</p> <p>The Government stated (November 2009) that the OCC executed the CC work by concrete mixture due to frequent power failure and the cost of execution through concrete mixture was higher. This was not acceptable since analysis of item rate was made with provision of batching plant. The hire charges and the labour for feeding the batching plant were not admissible.</p>	Lower Indra Irrigation Project- Construction of spillway	0.71
	Total		7.53

Appendix -2.24

(Refer paragraph 2.3.8.3 at page 49)
Statement of undue benefit to contractors

(Rupees in crore)

Sl. No.	Observation in brief	Name of the project	Amount
i	<p>During execution of Syphon aqueduct, the sinking of well was revised to 7 metres dia against 6.75 metres dia provided in the agreement. Although the item was payable at rates between Rs 0.22 lakh and Rs 2.06 lakh per metre as per the agreement, it was paid at rates between Rs 0.28 lakh and Rs 2.65 lakh under extra item resulting in undue benefit to OCC.</p> <p>The Government stated (November 2009) that the extra cost was calculated arithmetically without considering the SoR. This was not acceptable since the extra cost was arrived as per calculation made in the sanctioned estimate which was increased proportionately.</p>	UIIP – Syphon aqueduct over river Sagada Right Extension Main Canal	0.90
ii	<p>As per orders, works can be allotted to OCC at market price without any overhead charges. OCC was eligible to overhead charges separately at 15 per cent on the value of work executed. They were however, allowed 15 per cent overhead charges on materials and machinery components in addition to 15 per cent overhead charges on value of work executed. This resulted in undue benefit.</p> <p>The Government assured (November 2009) to re-examine the ambiguity in allowing 15 per cent overhead charges to OCC, on material and machinery components in addition to the 15 per cent overhead charges normally paid to it on the overall value of work done and modify the Government policy.</p>	Telengiri Irrigation Project	4.78
		Lower Indra Irrigation Project	1.78
		Upper Indravati Irrigation Project (Syphon Aqueduct)	0.30
iii	<p>Providing of higher lead for obtaining sand and stone products resulted in undue benefit to the contractors.</p> <p>The Government stated (November 2009) that the higher lead than the lead provided in the project report was adopted in the offer of OCC after physical verification. This was not acceptable since the project report was prepared after verification of quarry and other works of the project were also executed with the lead provided in DPR.</p>	Telengiri Irrigation Project	6.06
iv	<p>Although burrow earth was available within a lead of 4.5 km, the item rate for earth work was computed with 5 km lead leading to undue benefit to contractor.</p> <p>The Government stated (November 2009) that the required quantity of earth may not be available within 4.5 km. As such average lead of 5 km was provided. The reply was not acceptable since in another reach of the same work lead of 4.5 km was provided.</p>	Kanupur Irrigation Project	1.60

Sl. No.	Observation in brief	Name of the project	Amount
v	<p>The SoR provided for overhead charges of 10 <i>per cent</i>. Despite that, the item rates were computed providing additional 2 <i>per cent</i> towards sundries/T&P though not admissible. This resulted in undue benefit to the contractor.</p> <p>The Government stated (November 2009) that the estimate did not form part of the tender document and the contractor quoted his rate considering field requirement and technique adopted by them. This was not acceptable since the SoR did not provide for such inclusion (2 <i>per cent</i> T&P) in the analysis. This inflated the project cost leading to undue payment.</p>	Anandpur Barrage Project	1.66
	<p>The foundation of structures were filled in with sand though specification provided for filling with excavated materials. This resulted in undue benefit to contractors.</p> <p>The Government stated (November 2009) that the filling required cohesionless material as per approved drawing and availability of such material depended on quality tests. Necessary tests would be conducted and materials excavated from foundation utilised in the back filling to avoid extra cost.</p>	Anandpur Barrage Project	2.08
vi	Inclusion of sales tax component in the item rates despite inadmissibility led to undue benefit to contractor.	Lower Indra Irrigation Project	1.85
	Total		21.01

Appendix 2.25

(Refer paragraph 2.3.8.4 at page 50)

Statement of extra expenditure

(Rupees in crore)

Sl. No.	Observation in brief	Name of the project	Amount
i	<p>The displaced families (1239) of Jambhira Reservoir of SIP were paid Rs 6.78 crore towards land and rehabilitation assistance as per applicable norm. Extra compensation of Rs 32.97 crore was further paid to them as per revised policy made applicable from a subsequent date.</p> <p>The Government stated (November 2009) that the release of water from Bihar was not sure due to unsound financial condition of that State. As such the construction work was limited to create irrigation potential for 3500 ha CCA only. After assurance of release of water from Jharkhand and availability of funds, the balance works were taken up for which rehabilitation assistance was paid on revised rate. This was not acceptable since AIBP funds were made available during 1996-97 and delay in payment of rehabilitation assistance involved extra cost.</p>	Subarnarekha Irrigation Project	32.97
ii	<p>Due to delay for over eight years in identification of land for settlement of the DPs and payment of compensation, the DPs became entitled to compensation as per revised policy involving extra payment.</p> <p>The Government stated (November 2009) that most of the people are residing on Government land without having records of rights and pattas. They demanded payment of compensation which requires approval of Government. This was not acceptable since the RR issues should be settled before commencement of work and delay in obtaining approval involved extra cost.</p>	Telengiri Irrigation Project	16.64
iii	<p>Providing of reinforcement at 4.39 per cent of the volume of concrete against one per cent admissible as per norms led to extra expenditure of Rs 2.04 crore.</p> <p>The Government stated (November 2009) that the consumption is made as per actuals based on approved drawing and design. No payment is made as per estimated provision. This was not acceptable since the actual utilised quantity was also more than the prescribed norm. Adoption of extra provision led to extra cost.</p>	Lower Indra Irrigation Project	1.92
iv	<p>Non-execution of cement concrete lining works simultaneously with the construction of the canal necessitated removal of silt and debris from the canal bed resulting in extra expenditure.</p>	Subarnarekha Irrigation Project	2.09
v	<p>The cement concrete item rates of M-15, M-20 and M-25 were computed with higher requirement of cement compared to the provisions of IRC code, resulting in extra expenditure.</p>	Anandpur Barrage Project	3.66

Sl. No.	Observation in brief	Name of the project	Amount
	The Government stated (November 2009) that the estimates were prepared as per SoR and work executed after invitation of tender. This was not acceptable since non adoption of cement in analysis as per IRC inflated the project cost.		
vi	Failure to acquire land within the validity period of a tender, facilitated the bidder not to extend the validity warranting retender of the work with extra cost.	UIIP- Tipiguda Minor	1.97
	Total		59.25

Appendix 2.26

(Refer paragraph 2.4.3.1 at page-55)

Statement showing requirement and allotment of funds for development of PTGs

(Rupees in crore)

Sl. No.	Name of the Micro Project	Year	Opening Balance as on 1.4.02	Requirement of funds as per Perspective / CCD Plan	Requirement of funds projected in the Annual Action Plan	Funds sanctioned by the State Government for the projects (percentage)	Total funds available	Expenditure incurred by the Project	Unspent fund with the Project at the end of the year
1	BDA, Mudulipada	2002-03 to 2008-09	0.54	21.12	5.55	3.83(18)	4.37	2.67	1.70
2	CBDA, Sunabeda	2002-03 to 2008-09	0.05	6.48	2.00	2.07(32)	2.12	1.79	0.33
3	DDA, Kudumulgumma	2002-03 to 2008-09	0.39	10.21	3.52	3.65(36)	4.04	2.33	1.71
4	DKDA, Chatikona	2002-03 to 2008-09	0.68	22.99	3.50	3.14(14)	3.82	3.20	0.62
5	DKDA, Parsali	2002-03 to 2008-09	0.17	14.88	2.72	1.58(11)	1.75	1.47	0.28
6	HK & MDA, Jashipur	2002-03 to 2008-09	0.04	6.45	1.31	1.53(24)	1.57	1.14	0.43
7	JDA, Gonasika	2002-03 to 2008-09	0.84	9.14	5.26	4.10(45)	4.94	3.58	1.36
8	DKDA, Belghar	2002-03 to 2008-09	0.19	5.30	3.80	2.76(52)	2.95	2.86	0.09
9	KKDA, Langigarh	2002-03 to 2008-09	0.19	4.94	2.11	1.88(38)	2.07	1.86	0.21
10	LSDA, Seranga	2002-03 to 2008-09	0.18	5.47	3.06	2.98(54)	3.16	2.80	0.36
11	LSDA, Puttasingh	2002-03 to 2008-09	0.00	5.02	3.64	3.06(61)	3.06	2.40	0.66
12	LDA, Moroda	2002-03 to 2008-09	0.17	5.48	3.16	2.31(42)	2.48	2.11	0.37
13	PBDA, Jamardihi	2002-03 to 2008-09	0.56	7.81	4.35	2.90(37)	3.46	3.06	0.40
14	PBDA, Khuntagaon	2002-03 to 2008-09	0.17	8.14	4.95	2.54(31)	2.71	2.66	0.05
15	PBDA, Rugudakudar	2002-03 to 2008-09	0.46	9.38	5.83	2.76(29)	3.22	2.05	1.17
16	SDA, Chandragiri	2002-03 to 2008-09	0.12	6.86	3.13	3.53(51)	3.65	3.52	0.13
17	TDA, Tumba	2002-03 to 2008-09	0.11	6.13	3.75	2.39(39)	2.50	2.16	0.34
Grand Total			4.86	155.80	61.64	47.01	51.87	41.66	10.21

Appendix 2.27
(Refer paragraph 2.4.3.1 at page-55)
Statement showing delay in release of funds by State Government

SI No	Name of the Micro Project	Sanction order of the GOI	Year of Sanction	Release order number of funds of the State Government	Year of release	Amount (Rupees. in Crore)	Period of delay in months
1	CBDA, Sunabeda	--	2004-05	11281/06.2.06	2005-06	0.04	11
2	DKDA, Chatikona	--	2005-06			0.06	2
3	DKDA, Parsali	--	2005-06			0.05	2
4	HK & MDA, Jashipur	20025/2002	2002-03	31163/3.07.03	2003-04	0.08	4
			2005-06	20701/9.05.06	2006-07	0.03	2
5	JDA, Gonasika,	--	2003-04	14943/07.5.04	2004-05	0.16	2
6	KKDA, Belghar	--	2002-03	--	2003-04	0.09	4
			2003-04	--	2004-05	0.08	4
7	KKDA, Lanjigarh	--	2003-04	22629/28.7.04	2004-05	0.11	4
			2005-06	20700/24.5.06	2006-07	0.05	2
8	LSDA, Serang	--	2002-03	33750/25.7.03	2003-04	0.07	4
			2005-06	20700/24.5.06	2006-07	0.05	2
9	LSDA, Puttasing	--	2003-04		2005-06	0.10	12
			2005-06		2005-06	0.05	2
10	LDA, Moroda	--	2003-04	14943/7.5.04	2004-05	0.02	2
11	PBDA, Jamardihi	20025/2002	2002-03	33742/25.7.03	2003-04	0.08	4
12	PBDA, Khuntagaon	--	2003-04	14943/7.5.04	2004-05	0.15	2
13	PBDA, Rugudakudar	200/8/30.3.01	2000-01	45244/11.12.02	2002-03	0.18	9
14	SDA, Chandragiri	--	2002-03	35746/25.7.03	2002-03	0.09	4
			2005-06	20700/24.5.06	2006-07	0.04	2
15	TDA, Tumba	--	2002-03	31163/2.07.03	2003-04	0.08	4
			2005-06	20701/24.5.06	2006-07	0.04	2
Total						1.70	2 to 12

Appendix 2.28

(Refer paragraph 2.4.3.1 at page 56)
Statement showing inadmissible expenditure on establishment out of
scheme fund under SCA to TSP

(Rupees in crore)

SL.NO.	NAME OF THE MICRO-PROJECT	EXPENDITURE ON ESTABLISHMENT		
		2003-04	2004-05	TOTAL
1.	BDA, Mudulipada	0.05	0.09	0.14
2.	CBDA, Sunabeda	0.08	0.04	0.12
3.	DDA, Kudumulguma	0.04	0.04	0.08
4.	DKDA, Chatikona	0.08	0.03	0.11
5.	DKDA, Parsali	0.06	0.05	0.11
6.	HK & MDA, Jashipur	0.05	0.02	0.07
7.	JDA, Gonasika,	0.08	0.06	0.14
8.	KKDA, Belghar	0.07	0.03	0.10
9.	KKDA, Lanjigarh	0.06	0.05	0.11
10.	LSDA, Serang	0.07	0.04	0.11
11.	LSDA, Puttasing	0.06	0.02	0.08
12.	LDA, Moroda	0.04	0.02	0.06
13.	PBDA, Jamardihi	0.09	0.06	0.15
14.	PBDA, Khuntagaon	0.06	0.05	0.11
15.	PBDA, Rugudakudar	0.04	0.05	0.09
16.	SDA, Chandragiri	0.06	0.02	0.08
17.	TDA, Tumba	0.04	0.03	0.07
	TOTAL	1.03	0.70	1.73

Appendix 2.29

(Refer paragraph 2.4.3.1 at page 56)
Statement showing position of non-submission of utilisation certificate
(Rupees in crore)

Sl No	Name of the Micro Project	year	Opening Balance	Amount of GIA received	Total amount	Utilisation Certificate submitted	UCs pending		
							For GIA paid upto 2007-08	For GIA paid during 2008-09	Total
1.	BDA, Mudulipada	2008-09	1.20	1.74	2.94	0.89	0.31	1.74	2.05
2.	CBDA, Sunabeda	2008-09	Nil	0.58	0.58	0.49	--	0.09	0.09
3.	DDA, Kudumulguma	2008-09	1.64	1.67	3.31	Nil	1.64	1.67	3.31
4.	DKDA, Chatikona	2008-09	0.66	0.82	1.48	0.16	0.50	0.82	1.32
5.	DKDA, Parsali	2008-09	0.38	0.33	0.71	0.63	--	0.08	0.08
6.	HK & MDA, Jashipur	2008-09	0.11	0.35	0.46	0.18	--	0.28	0.28
7.	JDA, Gonasika,	2008-09	0.60	1.65	2.25	1.14	--	1.11	1.11
8.	KKDA, Belghar	2008-09	0.31	0.65	0.96	Nil	0.31	0.65	0.96
9.	KKDA, Lanjigarh	2008-09	0.03	0.39	0.42	.12	0.03	0.27	0.30
10.	LSDA, Serang	2008-09	0.93	0.94	1.87	0.54	0.39	0.94	1.33
11.	LSDA, Puttasing	2008-09	0.86	1.02	1.88	0.62	0.24	1.02	1.26
12.	LDA, Moroda	2008-09	0.66	0.84	1.50	0.82	--	0.68	0.68
13.	PBDA, Jamardihi	2008-09	1.57	0.76	2.33	Nil	1.57	0.76	2.33
14.	PBDA, Khuntagaon	2008-09	Nil	0.72	0.72	0.36	--	0.36	0.36
15.	PBDA, Rugudakudar	2008-09	0.50	1.06	1.56	Nil	0.50	1.06	1.56
16.	SDA, Chandragiri	2008-09	--	--	--	--	--	--	--
17.	TDA, Tumba	2008-09	1.21	0.86	2.07	Nil	1.21	0.86	2.07
	Total		10.66	14.38	25.04	5.95	6.70	12.39	19.09

Appendix 2.30

(Refer paragraph 2.4.3.2 at page-56)
Statement showing excess expenditure on Infrastructure Development Schemes (IDS)

(Financial : Rupees in lakh)

Sl. No.	Name of the micro project	Year	Opening Balance	Allotment Under SCA To TSP	Total Amount	Expenditure on IDS	Allowable on IDS(30%)	Excess expenditure on IDS
1	DDA, Kudu-mulguma, Malkangiri	2002-03	39.67	8.41	48.08	26.32	14.42	11.90
		2003-04	14.45	12.62	27.07	5.90	8.12	(-) 2.22
		2004-05	5.89	14.45	20.34	14.07	6.10	7.97
		2006-07	10.01	29.01	39.02	12.10	11.71	0.39
		TOTAL	70.02	64.49	134.51	58.39	40.35	18.04
2	JDA, Gonasika, Keonjhar	2002-03	81.63	9.58	91.21	33.42	27.36	6.06
		2003-04	19.44	15.86	35.30	15.77	10.59	5.18
		2004-05	--	20.44	20.44	3.78	6.13	-2.35
		2005-06	--	51.65	51.65	14.32	15.50	-1.18
		2006-07	24.40	43.98	68.38	35.08	20.51	14.57
TOTAL	125.47	141.51	266.98	102.37	80.09	22.28		
3	KKDA, Belghar, Kandhamal	2002-03	19.52	15.87	35.39	2.50	10.62	(-) 8.12
		2003-04	8.48	13.82	22.30	27.83	6.69	21.14
		2004-05	11.42	14.38	25.80	16.68	7.74	8.94
		2005-06	12.62	38.05	50.67	11.08	15.20	(-)4.12
		2006-07	31.63	28.24	59.87	36.12	17.96	18.16
		2007-08	10.38	14.84	25.22	25.22	7.57	17.65
TOTAL	94.05	125.20	219.25	119.43	65.78	53.65		
4	KKDA, Lanjigarh, Kalahandi	2002-03	--	12.67	12.67	12.62	3.80	8.82
		2003-04	--	8.24	8.24	8.24	2.47	5.77
		2004-05	--	14.35	14.35	9.36	4.31	5.05
		2005-06	4.99	17.75	22.74	11.45	6.82	4.63
		2006-07	--	14.77	14.77	6.88	4.43	2.45
TOTAL	4.99	67.78	72.77	48.55	21.83	26.72		
5	LDA, Moroda, Mayurbhanj	2002-03	16.19	5.94	22.13	18.13	6.64	11.49
		2003-04	8.81	3.51	12.32	7.14	3.70	3.44
		2004-05	2.48	5.95	8.43	3.87	2.53	1.34
		2005-06	3.66	5.95	9.61	3.48	2.88	0.60
		2006-07	4.48	16.91	21.39	6.31	6.42	-0.11
TOTAL	35.62	38.26	73.88	38.93	22.17	16.76		
6	PBDA, Khuntgaon, Sundergarh	2002-03	17.33	21.21	38.54	33.39	11.56	21.83
		2003-04	17.07	11.17	28.24	0.71	8.47	-7.76
		2004-05	8.01	10.77	18.78	0.30	5.63	-5.33
		2005-06	13.99	27.33	41.32	11.39	12.39	-1.00
		2006-07	30.71	23.13	53.84	37.54	16.15	21.39
TOTAL	87.11	93.61	180.72	83.33	54.20	29.13		
7	PBDA, Rugudakudar	2005-06	3.63	42.63	46.26	33.24	13.88	19.36
	Total		3.63	42.63	46.26	33.24	13.88	19.36
	Grand Total		420.89	573.48	994.37	484.24	298.30	185.94

Appendix 2.31
(Refer paragraph 2.4.4.1 at page 57)
Statement showing implementation of Income Generating Schemes in respect of 12
micro projects

(Financial : Rupees in lakhs)

Sl No	Name of the components	Target as per perspective plan and CCD plan (2002-09)		Achievement (2002-09)		Shortfall	
		Physical	Financial	Physical (per cent)	Financial (per cent)	Physical	Financial
A. PROVISION OF AGRO INPUTS							
1	Land development (In acres)	7338	437.15	707(10)	60.44 (14)	6631	376.71
2	Distribution of agriculture Implements (In units)	859	410.60	156(18)	57.39 (14)	703	353.21
3	Input assistance (In households)	1873	216.91	441(24)	15.01(7)	1432	201.90
4	Crop demonstration (In acres)	1940	91.96	241 (12)	19.24 (21)	1699	72.72
5	Cultivation of cash crops (In acres)	250	12.50	Nil	Nil	250	12.50
6	Agro-forestry (In acre)	100	50.60	Nil	Nil	100	50.60
Total			1219.72		152.08 (12)		1067.64
B. HORTICULTURE							
7	Vegetable cultivation (In acre)	1016	117.47	120 (12)	11.96 (10)	896	105.51
8	Cashew plantation(In acre)	813	99.52	47 (06)	5.66 (6)	766	93.86
9	Mango, Lichi plantation(In acre)	684	105.69	40 (06)	5.79 (5)	644	99.90
10	Backyard plantation (Number of families)	363	54.47	185 (51)	2.78 (5)	178	51.69
11	Banana plantation(In acre)	35	3.49	NA	2.07 (59)	--	1.42
12	Horticultural programme(In acre)	823	71.78	80 (10)	6.02 (8)	743	65.76
13	Nursery (In numbers)	310	50.19	6 (02)	0.94 (02)	304	49.25
Total			502.61		35.22 (07)		467.39
C. IRRIGATION							
14	Const. of water harvesting structures and cross bonds (Project numbers)	119	152.53	42 (35)	104.03 (68)	77	48.50
15	Diversion weirs & field channels (In numbers)	313	460.23	60 (19)	280.76(61)	253	179.47
16	Dug wells(In numbers)	720	73.61	147 (20)	15.04 (20)	573	58.57
17	Renovation of tanks(In numbers)	46	29.50	20 (43)	22.70(77)	26	6.80
18	Supply of pumps(In numbers)	447	73.66	95 (21)	11.91(16)	352	61.75
19	Minor irrigation projects(In numbers)	63	57.10	45 (71)	41.57(73)	18	15.53
Total			846.63		476.01(56)		370.62
D. ANIMAL HUSBANDRY							
20	Supply of poultry (In units)	3785	61.73	300 (08)	5.66 (9)	3485	56.07
21	Goat rearing (In units)	2630	175.70	101 (04)	8.07 (5)	2529	167.63
22	Pig rearing (In units)	1751	67.99	74 (04)	6.64 (10)	1677	61.35
23	Supply of duck units(In units)	2084	20.84	32 (02)	0.39 (2)	2052	20.45
24	Supply of milch cow(In numbers)	353	26.49	2 (0.5)	0.10 (0.5)	351	26.39
Total			352.75		20.86 (6)		331.89
E. PETTY BUSINESS							
25	Opening of small shops(In numbers)	340	69.83	3 (01)	0.60 (01)	337	69.23
26	Rope business (In units)	159	19.19	8 (05)	3.35 (17)	151	15.84
27	Supply of sowing and tailoring machines (In numbers)	228	16.13	53 (23)	3.75 (23)	175	12.38
28	Installation of machines for making plates with leaves (In numbers)	89	25.93	6 (07)	1.69 (7)	83	24.24
29	Installation of rope making machines (In numbers)	65	6.50	3 (05)	0.32 (5)	62	6.18
30	Collection of minor forest produce	NA	6.05	Nil	Nil	NA	6.05
Total			143.63		9.71 (7)		133.92
Grand Total			3065.34		693.88		2371.46

Appendix 2.32
(Refer paragraph 2.4.4.2 at page 57)

Statement showing number of SHGs existing in micro projects

Sl No	Name of the Micro Projects	No. of SHGs
1.	BDA, Mudulipada	65
2.	CBDA, Sunabeda	53
3.	DDA, Kudumulguma	58
4.	DKDA, Chatikona	105
5.	DKDA, Parsali	50
6.	HK & MDA, Jashipur	22
7.	JDA, Gonasika,	96
8.	KKDA, Belghar	58
9.	KKDA, Lanjigarh	53
10.	LSDA, Serang	10
11.	LSDA, Puttasing	56
12.	LDA, Moroda	31
13.	PBDA, Jamardihi	66
14.	PBDA, Khuntagaon	38
15.	PBDA, Rugudakudar	59
16.	SDA, Chandragiri	35
17.	TDA, Tumba	19
	Total	874

Appendix 2.33

(Refer paragraph 2.4.5 at page 58)

Statement showing implementation of Infrastructure Development Schemes in respect of 12 micro projects

(Financial : Rupees in lakh)

Sl No	Name of the components	Target as per perspective plan and CCD plan (2002-09)		Achievement (2002-09)		Shortfall	
		Physical	Financial	Physical (per cent)	Financial (per cent)	Physical	Financial
A. PROVISION OF ALL WEATHER ROADS							
1	Construction and repair of roads (In Kilometres)	623	1315.41	168 (27)	420.99 (32)	455	894.42
2	Improvement of roads (In Kilometres)	140	163.88	10.8 (08)	16.18 (10)	129.2	147.70
3	Construction of culverts and cause ways (In numbers)	41	29.00	2 (18)	1.49 (5)	39	27.51
Total			1508.29		438.66 (29)		1069.63
B. EDUCATION							
4	Construction and repair of Gyanmandir (In numbers)	87	180.33	16 (18)	32.65 (18)	71	147.68
5	Remuneration to Multi-purpose Co-ordinator(In numbers)	102	142.77	8 (08)	7.84 (5)	94	134.93
6	Supply of reading and writing materials (Number of students)	8720	43.60	1470 (17)	7.34 (17)	7250	36.26
7	Supply of dresses (Number of students)	8150	16.30	810 (10)	1.62 (10)	7340	14.68
8	Education Complex(In numbers)	17	352.88	15 (88)	240.73 (68)	2	112.15
9	Provision for stipend	NA	28.37	NA	0.50	--	27.87
10	Remuneration to parents	NA	5.75	Nil	Nil	Nil	5.75
11	Higher Education	NA	36.50	Nil	Nil	Nil	36.50
Total			806.50		290.68 (36)		515.82
C. HEALTH, SANITATION AND SAFE DRINKING WATER FACILITIES							
12	Reimbursement of costs of medicines (Number of beneficiaries)	3800	29.81	856 (23)	6.95 (23)	2944	22.86
13	Organisation of health (In numbers)	4107	137.87	338 (08)	11.13 (8)	3769	126.74
14	Provision for sanitary wells(In numbers)	684	171.11	33 (05)	8.35 (5)	651	162.76
15	Piped water supply (Number of projects)	15	72.60	3 (20)	13.85 (19)	12	58.75
16	Sinking of tube wells (In numbers)	336	227.57	34 (10)	11.28 (12)	302	216.29
17	Sinking of open wells (In numbers)	62	34.05	5 (08)	2.47 (01)	57	31.58
Total			673.01		54.03 (08)		618.98
D. HOUSING							
18	Construction of houses (In numbers)	1313	328.25	226 (17)	56.48 (17)	1087	271.77
19	Repair of houses (In numbers)	350	17.50	80 (23)	4.00 (23)	270	13.50
20	Supply of fire proof roofing materials (In numbers)	2315	526.94	373 (16)	127.15 (24)	1942	399.79
21	Construction of clubs and community centres (In numbers).	5	5.30	4 (80)	4.12 (78)	1	1.18
Total			877.99		191.75 (22)		686.24
Grand Total			3865.79		975.12		2890.67

Appendix 2.34

(Refer paragraph 2.4.8 at page 59)

Statement showing sanction strength and men in position of the micro projects

Sl No	Designation of post	Sanctioned strength	Men in position	Vacancy as on 31 March 2007
1	Special Officer	17	17	0
2	Junior Agriculture Officer / Assistant Soil Conservation Officer	19	11	08
3	Junior engineer	05	04	01
4	Welfare Extension Officer	12	12	0
5	Senior Clerk	13	09	04
6	Junior Clerk	12	09	03
7	Field Assistant	12	12	0
8	Driver	13	12	01
9	Amin	08	05	03
10	Chainman	07	06	01
11	Peon	29	25	04
	Total	147	122	25

Appendix -3.1

(Refer paragraph 3.1.2 at page 78)

**Statement showing excess payment of medical allowances for the period
from 1992-1993 to 2008-09**

Year	No. of employees to whom medical allowance was paid	Rate of medical allowance per employee per annum	Amount payable @ Rs. 1000 per annum as per Government order	Amount actually paid (In Rupees)	Excess paid (In Rupees)
1992-93	730	1320	730000	954134	224134
1993-94	713	1500	713000	1069500	356500
1994-95	756	1800	756000	1360800	604800
1995-96	712	2000	712000	1424000	712000
1996-97	701	2500	701000	1751485	1050485
1997-98	724	2500	724000	1803646	1079646
1998-99	723	2500	723000	1798390	1075390
1999-2000	711	3000	711000	2126152	1415152
2000-01	697	3000	697000	2088774	1391774
2001-02	682	3000	682000	2047887	1365887
2002-03	665	3300	665000	2194500	1529500
2003-04	649	3300	649000	2141700	1492700
2004-05	618	3300	618000	2018299	1400299
2005-06	619	3000	619000	1695531	1076531
2006-07	604	3000	604000	1734685	1130685
2007-08	580	3000	580000	1710000	1130000
2008-09	539	3000	539000	1672050	1133050
Total			11423000	29591533	18168533

Appendix 3.2

(Refer paragraph 3.1.4 at page 80)
Statement showing shortage of cash

Sl. No.	Name of the GP/PS	Audit findings in brief
1.	Champeipal GP PS-Dasarathpur, Distt.-Jajpur	An amount of Rs 14000 was shown as diverted from SGRY cash book to EFC cash book on 16 January 2006. It was, however, noticed that only Rs 12000 was accounted for in the cash book leading to short account of Rs 2,000.
		An amount of Rs 10000 was shown to have been diverted from EFC cash book to SGRY cash book on 18 July 2006. The amount was not accounted for in the SGRY cash book.
		An amount of Rs 64000 drawn from Savings Bank account of SGRY scheme (1 May 2006 : Rs 30,000 ; 13 June 2006 : Rs 29,000 and 26 September 2006 : Rs 5,000) was neither accounted for in the SGRY cash book nor vouchers, if any, were available in support of expenditure incurred. The PEO, Champeipal noted the audit observations.
2.	Rayan Ramachandrapur GP PS-Jaleshwar Dist.-Balasore	An amount of Rs 45000 was drawn from the SB account by the Secretary of the GP under SGRY on 21 October 2006 and the same was shown to have been diverted to IAY. But the same was neither accounted for in the IAY cash book nor vouchers in support of expenditure, if any, were available. The PEO, Rayan Ramachandrapur did not furnish any specific reply.
3.	Sorisapal GP PS-Bangiriposhi Dist.-Mayurbhanj	An amount of Rs 7858 was diverted from SGRY cash book on 14 August 2003 to GP cash book. But, the amount was neither accounted for in the GP cash book nor vouchers were maintained in support of expenditure incurred if any. PEO, Sorispal GP agreed (March 2007) to take steps after examination of the matter.
4	Thuamul Rampur PS District: Kalahandi	During physical verification of cash in presence of audit on 16 January 2009, against the book balance of cash of Rs 441436.50, only Rs 308850.50 was actually available and the balance amount of Rs 132586 was found short. The BDO, Thuamul Rampur stated (January 2009) that after examination, action would be taken.
5	Jujmara PS, District: Sambalpur	During physical verification of cash on 24 November 2008, against available book balance of Rs 8167, actual cash found was Rs 3950 and the balance amount of Rs 4217 was found short which was attributed by the BDO to a theft occurred in 1994. The relevant records of theft of cash was not produced to audit. Also, no formal report thereof to higher authority or to Police was found available on record.
6.	Mariwada GP PS-Korkonda Dist. -Malkangiri	During physical verification (November 2007) of closing cash balance, it was found that an amount of Rs 31522.30 was shown outstanding against ex-Sarpanch and ex-Secretary. Despite issue of notices by the GP, the concerned Sarpanch and Secretary had not deposited the money till date which as such was treated as misappropriation. The Executive Officer, Mariwada GP stated (March 2009) that notices had been served to the persons concerned for refund of the amounts.

Appendix 3.3

(Refer paragraph 3.1.5 at page 81)
Statement showing details of food grains misutilised under SGRY/NFFW programmes
(Quantity in quintals and amount in Rupees)

Sl.No	Name of the PRIs	Scheme	Period	Quantity Issued	Quantity utilised	Quantity misutilised	Cost of rice issued at FCI economic cost	Cost of misutilised rice at FCI economic cost	Cost recovered at subsidised rate	Cost less recovered (Col 9 - Col 10)
1	2	3	4	5	6	7	8	9	10	11
1	Bandhu-gaon	NFFW P	2004-06	1175.00	888.85	286.15	1519125	364087	180274	183813
2	Hindol	SGRY	2004-07	991.35	502.68	488.67	1337611	664102	307862	356240
3	Jajpur	SGRY	2005-07	770.00	391.60	378.40	1072400	521733	238392	283341
4	Kuliana	NFFW P	2004-06	864.00	680.00	184.00	1125680	239705	115920	123785
5	Pattam-undai	SGRY	2005-07	2658.00	513.69	2144.31	4024535	3252818	1350537	1902281
6	Phiringia	NFFW P	2005-06	295.00	54.82	240.18	404150	329047	151313	177734
7	Sinapali	SGRY	2004-06	1474.00	694.78	779.22	2006880	1060208	490909	569299
8	Sukinda	SGRY	2004-07	6997.71	2384.51	4613.20	10243213	6799480	2906316	3893164
9	Tigiria	SGRY	2005-07	3355.00	497.10	2857.90	4988350	4255401	1800477	2454924
10	Tirtol	SGRY	2004-07	8179.00	1635.32	6543.68	11491980	9214366	4122518	5091848
11	Turekela	NFFW P	2004-06	1526.23	273.16	1253.07	1324506	1613120	735569	877551
	Total (A)			28285.29	8516.51	19768.78	39538430	28314067	12400087	15913980
1	Barsar	SGRY	2006-07	279.20	96.12	183.08	391254	255681	115025	140656
2	Khaladi	SGRY	2004-05	135.60	39.00	96.60	168822	120267	60858	59409
3	Paliabindha	SGRY	2006-07	185.00	35.90	149.10	285825	230360	93933	136427
	Total (B)			599.80	171.02	428.78	845901	606308	269816	336492
Grand Total (A + B)				28885.09	8687.53	20197.56	40384331	28920375	12669903	16250472

Appendix 3.4

(Refer Paragraph 3.1.6 at page 82)
Statement showing details of rice available in stock register and shortages noticed during physical verification of godowns

Name of the Panchayat Samiti(PS)/ Gram Panchayat(GP)	Name of the scheme	Quantity of rice in stock register (In quintals)	Results of physical verification		Shortage	Remarks
			Date	Quantity of rice available (In quintals)		
LAKHANPUR BLOCK						
Pinthinda GP	NFFWP	12.78.550	20.11.2008	12.78.550	NIL	The entire stock was found colour fed and unfit for human consumption
	SGRY	02.00.000	20.11.2008	02.00.000	NIL	-do-
Bhikampali GP	NFFWP	111.84.100	19.11.2008	111.84.100	NIL	-d0-
Lakhanpur GP	SGRY	3.97.500	19.11.2008	0	3.97.500	
Kanaktura GP	NFFWP	94.96.000	20.11.2008	0	94.96.000	
Panchagaon GP	SGRY	99.18.025	21.11.2008	0	99.18.025	
Kumbharbandh GP	SGRY	11.55.975	21.11.2008	0	11.55.975	
Remta GP	NFFWP	265.38.600	21.11.2008	0	265.38.600	
Kusaralo GP	SGRY	50.00.000	22.11.2008	0	50.00.000	
	NFFWP	519.75.880	22.11.2008	0	519.75.880	
Sarandamal GP	NFFWP	08.62.345	22.11.2008	0	08.62.345	
Samarbaga GP	NFFWP	18.00.750	21.11.2008	0	18.00.750	
Telenpali GP	SGRY	226.11.000	22.11.2008	0	226.11.000	
Kandikela GP	SGRY	39.67.100	22.11.2008	0	39.67.100	
	NFFWP	277.16.200	22.11.2008	0	277.16.200	
Lakhanpur PS	SGRY	1001.73.820	21.11.2008	0	1001.73.820	
	NFFWP	423.84.910	21.11.2008	0	423.84.910	
	Mission Danapani	33.50.800	21.11.2008	0	33.50.800	
Total		3200.11.555		126.62.650	3073.48.905	

Name of the Panchayat Samiti(PS)/ Gram Panchayat(GP)	Name of the scheme	Quantity of rice in stock register (In quintals)	Results of physical verification		Shortage	Remarks
			Date	Quantity of rice available (In quintals)		
KANTAMAL BLOCK						
Block godown	SGRY/ NFFWP	183.89.000	21.01.2008		183.89.000	
Bilaspur GP	SGRY/ NFFWP	103.52.000	22.01.2008	1.20.000	102.32.000	Foodgrains available was not in good condition
Total		287.41.000		1.20.000	286.21.000	
MADANPUR RAMPUR BLOCK						
Nunpur GP	NFFWP	70.50.700	05.01.2008	NIL	70.50.700	
Madanpur GP	NFFWP	29.51.000	05.01.2008	NIL	29.51.000	
Ainlatara GP	NFFWP	176.21.500	05.01.2008	NIL	176.21.500	
Bamak GP	NFFWP	40.00.000	08.01.2008	NIL	40.00.000	
Gochhadengen GP	NFFWP	222.40.400	07.01.2008	NIL	222.40.400	
Muding GP	NFFWP	90.20.000	08.01.2008	NIL	90.20.000	
Urladani GP	SGRY/ NFFWP	180.00.000	07.01.2008	NIL	180.00.000	
Total		808.83.600			808.83.600	
Grand Total		4296.36.155		127.82.650	4168.53.505	

Total cost of rice found short: 4169 x Rs 1370 (FCI economic cost price 2005-06) = Rs 57.11 lakh

Appendix 3.5
(Refer paragraph 3.5.1 at page 109)
Statement showing the position of Outstanding Inspection Reports/Paragraphs

Sl. No.	Name of the Department	Reports awaiting settlement (up to June 2009)		Reports awaiting settlement for more than 10 years		Reports to which even first reply has not been received
		No. of Reports	No. of Paragraphs	No. of Reports	No. of Paragraphs	No. of Reports
1.	Industries	288	891	74	160	30
2.	Textile & Handloom	80	204	24	34	10
3.	Fisheries & Animal Resources Development	570	1596	142	223	87
4.	Excise	76	107	25	45	41
5.	Scheduled Tribe & Scheduled Caste Development	329	928	101	199	45
6.	Commerce & Transport	192	360	42	91	49
7.	Revenue	1277	3242	387	848	135
8.	Women & Child Development	924	3616	486	1565	72
9.	Panchayati Raj	1958	9700	644	2883	257
10.	Works	664	1778	292	616	35
11.	Home	292	729	59	99	49
12.	Law	102	259	18	30	26
13.	Food Supplies & Consumer Welfare	12	35	03	04	03
14.	General Administration	42	108	08	13	09
15.	Finance	195	342	121	213	27
16.	Information & Public Relation	72	244	11	43	18
17.	Energy	28	72	15	37	04
18.	Science & Technology	01	03	0	0	0
19.	Water Resources	1294	3774	505	1186	35
20.	Agriculture	1332	4172	335	863	213
21.	Health & Family Welfare	1569	5088	749	2269	257
22.	Labour & Employment	81	156	26	44	23
23.	Planning & Co-ordination	74	224	19	52	27
24.	Co-operation	99	266	21	36	25
25.	Tourism & Culture	85	232	29	70	09
26.	Sports & Youth Services	29	87	08	17	05
27.	Steel & Mines	16	27	01	01	03
28.	Housing & Urban Development	113	262	38	64	15
29.	School & Mass Education	1367	4095	461	1155	159
30.	Higher Education	341	979	67	139	87
31.	Parliamentary Affairs	15	37	05	13	04
32.	Rural Development	586	1712	203	356	56
33.	Miscellaneous	383	858	164	352	157
Total		14486	46183	5083	13720	1972

Appendix 3.6
(Refer paragraph 3.5.1 at page 109)

Statement showing the year-wise break-up of outstanding IRs / Paragraphs issued up to March 2009 but not cleared by June 2009

Year	Inspection Reports	Paragraphs
1979-80	06	09
1980-81	30	89
1981-82	27	68
1982-83	32	52
1983-84	33	57
1984-85	34	68
1985-86	47	91
1986-87	99	184
1987-88	123	253
1988-89	125	261
1989-90	169	397
1990-91	229	551
1991-92	277	678
1992-93	377	920
1993-94	405	1010
1994-95	481	1243
1995-96	632	1945
1996-97	657	1916
1997-98	592	1736
1998-99	708	2192
1999-2000	840	2531
2000-01	815	2470
2001-02	871	2774
2002-03	896	2889
2003-04	920	2815
2004-05	825	2444
2005-06	757	2121
2006-07	1019	3425
2007-08	1190	4911
2008-09	1270	6083
TOTAL	14486	46183

Appendix 3.7

(Refer paragraph 3.5.1 at page 109)

Statement showing serious irregularities noticed and reported

Sl. No.	Name of the Irregularities	No. of Paragraphs	Amount (Rupees in crore)
1.	In fructuous /unfruitful/avoidable/irregular expenditure/extra liability/excess expenditure	483	1436.91
2.	Excess payment to Firms/Contractors	49	59.07
3.	Idle store/Surplus/Unserviceable store/blockage of Government money	209	1939.36
4.	Irregular purchase/Non-accountal of stock/Non-adjustment of cost of material	86	424.74
5.	Non-recovery of dues from firms/contractors and others	190	79.35
6.	Non-submission of UCs	202	617.25
7.	Amount kept in Civil Deposits	67	115.46
8.	Loss, Misappropriation and shortage of stores	121	16.33
9.	Unauthorised expenditure	136	132.71
10.	Retention of undisbursed amount	117	194.411
11.	Inadmissible/irregular payment	102	16.02
12.	Advance payment/Less recovery of advance/interest/royalty and Income Tax	104	268.18
13.	Under-utilisation of departmental machinery	34	23.41
14.	Demurrage/Penalty	81	48.697
15.	Undue financial aid to contractors/firms	80	89.17
16.	Miscellaneous/doubtful expenditure/non-submission of vouchers/overdrawal etc.	537	272.35
17.	Stamped Receipt/Acknowledgement wanting	116	99.71
18.	Loans/Advances not recovered	457	265.58
19.	Short/Non-realisation of Government dues	198	354.97
	Total	3369	6453.678

Appendix 3.8

(Refer paragraph 3.5.1 at page 109)

**Statement showing results of Triangular Committee meetings held
during 2008-09**

Sl No	Name of the Department	Name of the venue	No and date of letter in which Departments were intimated about settlement of IRs and Paras	No of DDOs	No of Inspection Reports settled	No of Paras settled
1	Agriculture	Deputy Director of Agriculture, Cuttack	521/ 6.8.2009	13	5	49
2	Do	Do Phulbani	333/2.7.2009	9	5	19
3	Do	Do Bhawanipatna	348/ 13.7.2009	9	7	31
4	Do	DO Bolangir	661/ 19.11.2008	11	4	67
5	Do	Do Puri	1012 /17.3.2009	13	2	33
6	Do	Do Mayurbhanj	1015 /12.3.2009	10	7	33
7	Do	Do Sambalpur	803/14.1.2009	16	10	65
8	Do	Do Berhampur	751/8.12.2008	14	10	49
9	Do	Do Keonjhar	492/3.10.2008	6	2	26
10	Do	Do Koraput	133/March 2009	19	10	65
11	Do	Do Sundargarh	136/29.5.2009	7	11	28
12	Do	Do Dhenkanal	139/ May 2009	7	8	28
13	Do	Dy Director of Horticulture, Sambalpur	495/29.9.2008	9	14	51
14	Do	Director of Horticulture, Cuttack	683/27.11.2008	8	10	48
15	Do	Asst. Soil Conservation Officer, Phulbani	639/14.11.2008	7	95	16
16	Do	Do Baripada	294/ 10.7.2008	5	22	50
17	Labour and Employment	Director of Factories and Boilers, Bhubaneswar	45/6.5.2009	7	4	11
18	Do	Director of Employment, Bhubaneswar	50/27.4.2009	12	9	17
19	Do	Director of ESI, Bhubaneswar	1005/13.3.2009	17	8	30
20	Do	Labour Commissioner, Bhubaneswar	1007/13.3.2009	21	14	32
21	Home(Jails)	IG of Prisons, Bhubaneswar	1/ 1.4.2009	15	13	26
22	Do	Do	1274/2.9.2008	18	7	49
23	Home (Police)	State Police Hdqrs, Cuttack	994/23.6.2008	6	6	26
24	Do	Director of Fire Services, Cuttack	1113/25.7.2008	5	4	5
25	Do	Home Guard Directorate, Cuttack	1244/25.8.2008	10	7	15
26	Do	Orissa State Police Hdqrs, Cuttack	1526/29.7.2008	15	10	69
27	Do	Orissa State Police Hdqrs, Cuttack	1979/ 20.1.2009	21	25	103

Sl No	Name of the Department	Name of the venue	No and date of letter in which Departments were intimated about settlement of IRs and Paras	No of DDOs	No of Inspection Reports settled	No of Paras settled
28	Finance	Secretary to Government Finance Deptt.Bhubaneswar	1886/5.1.2009	10	4	15
29	Do	Controller of Accounts Orissa, Bhubaneswar	445/28.7.2009	1	0	1
30	Revenue	Collector, Kendrapada	OA-2/ 552/ 28.8.2008	6	3	13
31	Do	Do Khordha	OA-2/ 975/2.1.2009	4	0	5
32	Do	Do Subarnapur	OA-2/ 1042/3.2.2009	5	0	11
33	Do	Do Puri	OA-2/ 1035/27.1.2008	2	1	12
34	Do	Do Cuttack	OA-2 237/6.5.2008	6	2	18
35	Do	Do Dhenkanal	OA-2/ 439/28.8.2008	3	1	5
36	Do	Do Bolangir	OA-2/ 978/2.1.2009	4	0	10
37	Do	Do Jagatsinghpur	OA-2/ 400/8.7.2008	2	0	8
38	Do	Do Bhadrak	782/ October 2008	7	3	20
39	Do	Do Anugul	1039/3.2.2009	7	8	27
40	Do	Do Jharsuguda	1114/18.2.2009	5	4	6
41	Do	Do Mayurbhanj	1119/13.2.2009	6	5	11
42	Do	Do Balasore	1279/24.3.2009	4	4	21
43	Do	Do Keonjhar	820/October 2008	7	0	20
44	Do	Do Sundargarh	701/29.9.2008	22	9	42
45	School and Mass Education	D I of Schools, Undivided Balasore District	OA-5/ 510/5.11.2008	5	10	33
46	Do	D I of Schools, Undivided Keonjhar, District	514/31.10.2008	5	5	28
47	Do	DI of Schools, Cuttack	512/29.10.2008	6	0	24
48	Do	Circle Inspector of Schools, Puri	373/11.9.2008	7	4	25
49	Do	Do	756/12.2.2009	18	14	38
50	Do	Director,Text Book Press and Marketting, Bhubaneswar	345/4.9.2008	1	0	41
51	Higher Education	Higher Education Department, Bhubaneswar	663/6.2.2009	3	2	9
52	Health and Family Welfare	CDMO, Rayagada	831/29.2.2009	10	6	30

Sl No	Name of the Department	Name of the venue	No and date of letter in which Departments were intimated about settlement of IRs and Paras	No of DDOs	No of Inspection Reports settled	No of Paras settled
53	Industries	Director of Industries Cuttack	1049/12.2.2009	27	46	175
54	Fisheries and Animal Resources Development	Chief District veterinary Officer, Balasore	643/28.1.2009	4	7	19
55	Do	Do Rayagada	187/24.6.2008	2	2	18
56	Do	Do Phulbani	519/5.11.2008	8	4	26
57	Do	Do Nawarangpur	190/24.6.2008	9	7	49
58	Do	Do Jagatsinghpur	774/5.2.2009	1	0	5
59	Do	Do Puri	348/26.8.2008	11	10	30
60	Do	Do Keonjhar	569 /12.12.2008	4	10	23
61	Do	Do Bargarh	444/17.10.2008	3	5	9
62	Do	Do Bhawanipatna	319/20.8.2008	6	8	14
63	Do	Do Joint Director AH&VS, Chiplima	474/29.10.2008	11	11	30
64	Woman and Child Development	District Social Welfare Officer, Puri	OA-7/300 to 306/6.8.2009	6	4	23
65	Do	Child Development Project Officer Khordha	OA-7/ 493/27.10.2009	9	8	29
66	ST and SC Development	District Welfare Officer Malkangiri	OA-2/ 1060/9.2.2009	7	5	39
67	Do	Do Nayagarh	OA-2/985	3	4	12
68	Do	Do Sambalpur	1288/6.3.2009	19	7	55
69	Do	Do Nawarangpur PA/ITDA Nawarangpur	697/29.9.2008	10	6	38
70	Do	DWO, Rayagada PA/ ITDA, Rayagada	699/29.9.2008	11	6	34
71	Do	DWO Ganjam	1343/27.3.2009	2	4	17
72	Do	Do Balasore	1033/28.1.2009	6	3	27
73	Do	Do Dhenkanal	967/January 2009	7	3	27
TOTAL				632	574	2213

Appendix 3.9
(Refer paragraph 3.5.2 at page 110)
Departmental compliance note not received on reviews/audit paragraphs of C&AG's Reports
(Civil) on Government of Orissa
as on 31 October 2009

Sl. No	Name of Department	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
1	Agriculture	3.1(R)	-	-	-	-	-	-	-	-	4.5.3	4.1.4	3
2	Revenue and Disaster Management	-	-	-	-	-	-	-	-	-	5.1	3.6 (R)	02
3	School and Mass Education.	-	-	-	-	3.8	-	-	-	-	3.4(R) 4.5.2	4.4.9	4
4	S.T. and S.C. Development	-	-	-	-	-	-	-	-	-	3.1(R)	-	01
5	Health and Family Welfare	-	-	-	-	3.3	3.2(R)	4.3.4 4.5.4 3.3(R)	3.1 (R)	-	4.3.7 4.4.18 4.4.19 4.5.1	4.5.3 4.5.4	12
6	Planning and Co-ordination	-	-	-	-	-	-	-	-	-	KBK (R)	-	01
7	Panchayati Raj	-	-	-	-	-	-	-	-	-	-	4.1.2 4.4.5	02
8	Industry	-	-	-	-	-	-	3.4(R)	-	-	-	-	01
9	Water Resources	4.1 (R)	4.16	4.1(R)	4.2 (R)	-	3.4(R)	4.3.1	-	-	3.3(R)	3.2 (R) 4.1.1 4.2.1 4.2.2 4.4.1 4.4.2 4.4.3.	15
10	Commerce and Transport	-	-	-	-	-	-	4.2.2	-	-	-	-	01
11	Forest and Environment	-	-	-	-	-	-	-	-	3.6(R) 4.2.1	-	3.3. (R) 3.4 (R) 3.5 (R) 4.2.5	06
12	Fisheries and Animal Resources Development	-	-	-	-	-	-	-	-	-	-	4.5.5 4.6.1	02
13	Women and Child Development	-	-	3.17	-	3.13	-	4.3.3	-	3.2(R) 4.5.1	-	3.1 (R)	06
14	Higher Education	-	-	-	3.16	-	-	-	-	-	-	-	01
15	Works	-	-	-	-	4.1 (R)	3.6 (R)	-	-	-	-	4.3.1 4.3.2 4.3.3 4.3.4.	06
16	Rural Development	-	-	-	-	-	-	-	-	-	4.4.5	4.2.3 4.4.7 4.4.8	04
17	Home	-	-	-	-	-	-	-	-	-	-	4.5.1	01
Total		02	01	02	02	04	04	07	01	04	12	29	68

Note: As against above 68 paragraphs, 67 paragraphs were shown(October 2009) as outstanding by the Finance Department which needs reconciliation at the department level.

Appendix 3.10
(Refer paragraph 3.5.2 at page 111)
Statement showing PAC recommendations pending for discussion as of
31 October 2009

Sl.No.	Name of the Department	Name of the Assembly				Total
		10 th (1990-95)	11 th (1995-2000)	12 th (2000-04)	13 th (2004-09)	
1	Agriculture	24	15	15	05	59
2	Co-operation	07	00	21	00	28
3	Commerce	14	01	00	00	15
4	Transport	15	00	02	00	17
5	School and Mass Education	25	04	16	00	45
6	Higher Education	17	05	11	00	33
7	Finance	00	04	00	00	04
8	Forest and Environment	25	05	02	03	35
9	Food Supplies and Consumer Welfare	00	00	23	17	40
10	Fisheries and ARD	15	16	03	06	40
11	General Administration	13	05	00	07	25
12	ST and SC Development	00	08	00	00	08
13	Health and Family Welfare	23	35	11	17	86
14	Home	07	16	11	00	34
15	Industries	62	01	12	00	75
16	Information and Public Relation	02	07	00	00	09
17	Labour and Employment	00	00	15	01	16
18	Planning and Co-ordination	09	00	00	00	09
19	Panchayati Raj	08	01	02	02	13
20	Revenue	10	05	00	05	20
21	Steel and Mines	00	01	07	06	14
22	Tourism	00	05	00	00	05
23	Law	05	05	00	18	28
24	Science and Technology	00	07	00	00	07
25	Women and Child Development	33	01	00	00	34
26	Textile and Handloom	00	00	15	00	15
27	Public Enterprises	00	00	03	00	03
28	Energy	11	16	09	00	36
29	Housing and Urban Development	32	29	05	18	84
30	Rural Development	57	20	00	10	87
31	Water Resources	208	10	64	10	292
32	Works	72	25	13	27	137
Total		694	247	260	152	1353

Appendix 3.11
(Refer paragraph 3.5.2 at page 111)
Statement showing status of PAC recommendations on which Action Taken
Notes were not received as on 31 October 2009

Sl. No.	Name of the Department	Name of the Assembly				Total
		10 th (1990-95)	11 th (1995-2000)	12 th (2000-04)	13 th (2004-09)	
1	Agriculture	03	01	00	00	04
2	Co-operation	01	00	00	00	01
3	Commerce	00	01	00	00	01
4	Forest and Environment	04	00	00	00	04
5	Food Supplies and Consumer Welfare	00	00	01	17	18
6	Fisheries and Animal Resources Development	02	00	00	00	02
7	General Administration	06	00	00	01	07
8	Health and Family Welfare	05	19	00	06	30
9	Information and Public Relation	00	07	00	00	07
10	Panchayati Raj	01	00	00	00	01
11	Revenue and Excise	00	01	00	05	06
12	Steel and Mines	00	00	00	01	01
13	Law	00	00	00	07	07
14	Energy	00	01	00	00	01
15	Housing and Urban Development	02	00	00	03	05
16	Rural Development	20	06	00	02	28
17	Water Resources	97	01	10	02	110
18	Works	05	04	02	01	12
Total		146	41	13	45	245

As against above 245 recommendations on which ATNs were not received, the Finance Department stated (October 2009) that 234 ATNs were outstanding. This needs reconciliation at the department level.

Appendix 3.12

**(Refer paragraph 3.5.2 at page 111)
Statement showing the departments, which have not sent proceedings
of Departmental Monitoring Committee Meetings to Audit for the
year ending 31 March 2009**

Sl. No.	Name of the Department
1	Water Resources
2	Fisheries and Animal Resources Development
3	Industries
4	Excise
5	General Administration
6	Commerce and Transport
7	Women and Child Development
8	Works
9	Law
10	Scheduled Tribe and Scheduled Caste Development
11	Sport and Youth Services
12	Public Enterprises
13	Rural Development
14	Information and Public Relations
15	Food Supplies and Consumer Welfare
16	Transport
17	Panchayati Raj
18	Planning and Co-ordination
19	Co-operation
20	Housing and Urban Development
21	Textile and Handloom
22	Parliamentary Affairs
23	Information Technology
24	Steel and Mines
25	Science and Technology
26	Tourism and Culture
27	Higher Education
28	Public Grievances and Pension Administration
29	Health and Family Welfare
30	Revenue

Appendix 4.1

(Refer paragraph 4.1.10.2 at Page 123)
Statement showing number of drug purchased and not tested for quality in test checked hospitals and Directorate of ESI

Year	Director of ESI			Joint Director. Kansbahal			Joint Director Choudwar		Total		
	Items procured	Amount	Items sent for quality testing/ No. of test reports received	Items procured	Amount (Rupees in lakh)	Items sent for quality testing /No. of test reports received	Items procured	Amount (Rupees in lakh)	Items procured	Amount	Items sent for quality testing
2006-07	301	70.84	17 / 17	300	68.80	6	289	39.65	890	179.29	23
2007-08	260	53.48	12 / 6	235	70.40	NIL	240	45.00	735	168.88	12
2008-09	232	55.80	NIL	284	68.53	NIL	183	44.63	699	168.96	0

Administration of locally purchased medicines to patients without quality testing in ESI hospitals

Year	Joint Director , ESI, Rayagada		Joint Director , Kansbahal including IMO's Rajgangpur, Rourkela.I & II, Kuarmunda & Kalunga.		Joint Director , Choudwar		Total	
	Items procured	Amount (Rupees in lakh)	Items procured	Amount (Rupees in lakh)	Items procured	Amount (Rupees in lakh)	Items procured	Amount (Rupees in lakh)
2006-07	69	0.11	29	0.18	17	0.11	115	0.40
2007-08	101	0.29	42	0.39	23	0.15	166	0.83
2008-09	48	0.16	43	0.42	37	0.42	128	1.00
Total							409	2.23

Appendix 4.2
(Refer paragraph 4.1.11.2 at Page 123)

Statement showing inspection conducted and prosecution filed under various labour laws during 2006-09 (up to February 2009)

Sl. No.	Name of the Act	Establishment covered under Registration	No of Inspections conducted	No of prosecution filed	% of prosecution to inspection
1	O.S&C.E.Act 1956	115468	9486	1897	20
2	Minimum Wage Act 1986	-	75743	2104	3
3	Child Labour (PKQ) Act 1986	-	3604	270	8
4	Payment of Bonus Act 1965	-	685	38	6
5	Maternity Benefit Act 1961	-	80	2	2
6	Equal Remuneration Act 1976	-	3984	49	1
7	Contract Labour (R&A)Act 1970	4913	3639	772	21
8	B & C W (C E) Act 1966	1761	185	77	42
9	Building & other construction workers (R.E &C.S) Act 1996	-	86	-	Nil
10	Motor Transport Workers Act 1961	-	911	140	15
11	Building and other construction worker welfare Cess Act 1996	-	-	-	-

Appendix -4.3

(Refer paragraph 4.1.11.2 at page 123)

Statement showing Inspection conducted, prosecution filed and prosecution not filed during 2006-09

Sl No.	Name of the office	No of act enforced	2006-07					2007-08					2008-09				
			Inspection conducted	Violation detected	Violation rectified	Prosecution filed	Prosecution not filed	Inspection conducted	Violation detected	Violation rectified	Prosecution filed	Prosecution not filed	Inspection conducted	Violation detected	Violation rectified	Prosecution filed	Prosecution not filed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1.	DLO, Cuttack	15	4218	1944	737	291	916	4347	1912	810	290	812	3306	1607	504	307	796
2.	DLO, Angul	11	582	582	339	55	188	454	454	289	03	162	542	542	403	12	127
3.	DLO, Rourkela	10	2395	-	-	-	-	2565	-	-	-	-	2298	-	-	-	-
4.	DLO, Jeypore	07	1528	1528	1443	20	65	1641	1641	1578	17	46	1463	1463	1413	16	34
T o t a l			8723	4054	2519	366	1169	9007	4007	2677	310	1020	7609	3612	2320	335	957

Abstract

<i>Year</i>	Inspection conducted	Violation detected	Violation rectified	Prosecution filed	Prosecution not filed
2006-07	8723	4054	2519	366	1169
2007-08	9007	4007	2677	310	1020
2008-09	7609	3612	2320	335	957
T o t a l	25339	11673	7516	1011	3146