

Chapter 3

Compliance Audit

Compliance audit of Departments of the Government, their field formations as well as that of Autonomous Bodies brought out several instances of lapses in management of resources and failures in observance of regularity, propriety as well as absence of good governance. 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 expenditure conforms to financial rules, regulations and orders issued by competent authorities. This not only prevents irregularities, misappropriations and frauds but also helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are discussed below:

WORKS DEPARTMENT

3.1.1 Avoidable payment

Non-compliance with the agreement conditions led to litigation and avoidable payment of ₹ 4.80 crore towards *pendente-lite* interest.

Consultancy services for the World Bank assisted project of Bhubaneswar-Cuttack-Jagatpur section of NH 5 was awarded (January 1995) to a firm at a cost of ₹ 12.44 crore for completion by June 1998. Clause 1.10 of the contract provided for reimbursement of taxes, duties, fees, levies and other impositions under the applicable laws of India on the consultant and the personnel by the employer.

Test check of the records of Bhubaneswar National Highways Division revealed (March 2009) that instead of paying Income tax on behalf of the consultant, the department deducted 30 *per cent* of the sum due to him through interim payments as per the advice (October 1995) of Income Tax Department. The matter was referred to arbitration by the consultant and arbitrator awarded (April 2000) payment of ₹ 2.31 crore in favour of the consultant along with the interest at 12 *per cent* for the period from July 1999 to April 2000 and further 18 *per cent* if the award amount with interest was not paid within 90 days from the date of receipt of the award. Besides, 50 *per cent* of the legal expenses and interest thereof was also payable to the consultant. Consequent upon the decision being upheld (June 2006) by the Hon'ble High Court and the SLP (August 2006) of the Government before the Hon'ble Supreme Court being dismissed (August 2007) for lack of merit, ₹ 7.81 crore was paid (February 2008) to the firm which included an interest element of ₹ 4.80 crore for the period from July 1999 to August 2007 on account of delay in payment of arbitration award.

Thus, non-compliance with the agreement conditions led to litigation and avoidable payment of ₹ 4.80 crore on account of interest *pendente lite*¹.

The Government stated (October 2009) that the Income tax was deducted as per the advice of the Income Tax department, which was not tenable in view of the specific condition in the contract.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.2 Parking of funds outside Government account

Contrary to Government instructions, the Director of Health and Family Welfare withdrew scheme funds of ₹ 1.87 crore from Civil Deposit and kept as bank drafts for over three years during 2006-10.

The Orissa Treasury Code Vol-I (Rule 242) and Orissa Budget Manual (Rule 141) prohibit drawal of money from the treasury and keeping the same in banks without utilisation. The rules further provide that if under any special circumstances money is drawn in advance, the unspent balance so drawn should be refunded to treasury at the earliest; in any case before the end of financial year in which the amount was drawn. The Finance Department also issued instructions from time to time (latest being in March 2006) stipulating that administrative departments and their heads should permit release of funds from Civil Deposit taking into account the urgency and necessity of withdrawal in each case and the money so drawn should not be kept idle for more than seven days. Further, Finance Department's instructions (March 2006) prohibited retention of Government money outside Government accounts in the shape of Deposit at Call Receipts (DCR)/banker's cheques/bank drafts etc. after drawal of funds from treasury or Personal Ledger (PL) Account.

Test check (December 2008) of records of the Director of Health Services, Orissa (DHS) revealed that the Government sanctioned (March 2007) drawal of ₹ 1.87 crore out of the funds meant for 'Basic Minimum Services Programme-Phase II' lying unutilised in the Civil Deposit-800-Other Deposits since March 1998. The amount was to be paid to the Orissa Infrastructure Development Corporation (IDCO) towards expenditure incurred by the Corporation over and above the advances paid to it earlier for completion of construction of the Community Health Centre buildings (Non Tribal area: ₹ 1.11 crore and Tribal area: ₹ 76 lakh) entrusted to it under the programme. While conveying sanction for withdrawal of money from the Civil Deposit, Government stipulated that the amount sanctioned may be drawn in the form of banker's cheque but released only after satisfying that IDCO had handed over the buildings to the Departmental authorities. The Director, after drawal (March 2007) of the amount in the form of bank drafts did not release (March 2010) the same to IDCO since the latter failed to furnish the required information and retained the same in shape of bank drafts. Thus, drawal of money from treasury without making assessment of actual requirement and retention of the same in shape of bank drafts affected the cash balances of the

¹ *Pendente lite* – during the process of litigation

Government for over three years and led to loss of interest of ₹ 28.05 lakh² and corresponding gain of the interest amount to the bank.

The Director, stated (August 2010) that the amount was finally released more than three years later (May 2010) to IDCO. The action of the Department was contrary to the Treasury rules and Finance Department's order and led to loss of money. Moreover, the payment to IDCO was made pursuant to their request (April and October 2007) as evident from minutes of the meeting taken by the Additional Secretary of the department on 12 April 2010. *The Department could not produce any record showing that physical possession of the buildings was handed over by IDCO contrary to the condition stipulated for payment.*

The matter was referred (March 2010) to Government; reply has not been received (December 2010).

WATER RESOURCES DEPARTMENT

3.1.3 Inadmissible payment to contractors

Deliberate inclusion of the quantity of burrow area stripping under the items of earth dam led to inadmissible payment of ₹ 1.83 crore to the contractor.

Construction of an earth dam from RD³ 00 to 570 metre (Left flank) of Ret Irrigation Project was awarded (May 2007) to a firm at a cost of ₹ 26.05 crore for completion by November 2009. The agreement provided for obtaining 14.08 lakh cum of soil from the burrow areas at ₹80 per cum for formation of the earth dam. As per Clause 3.6.10.2 of the contract, stripping and removal of the undesirable materials from the burrow area for obtaining soil of the approved quality for the work were also included in the earth fill item at no extra cost. Besides, the two other items in the agreement were (i) grubbing of light jungles (12.78 lakh square metres at ₹ 10 per square metre) and (ii) excavation of dam base/cut off trench (2.80 lakh cum at ₹ 41 per cum). The work was in progress (November 2010) with payment of ₹ 11.52 crore.

Test check of the records of Ret Irrigation Division, Bhawanipatna, revealed (June 2009) that during computation of the quantity for grubbing of light jungles and excavation of the dam base, the Executive Engineer (EE) included 11.30 lakh square metre area on account of removal of undesirable materials from the burrow area and 1.70 lakh cum on account of burrow area stripping in the estimate, though separate payment for these operations in the burrow areas was not admissible. This led to creation of a liability of ₹ 1.83⁴ crore to

² Calculated at 5 per cent per annum for the period 2007-10 applicable to investment of cash balances in the Government of India treasury bills in the Reserve Bank of India.

³ RD is the reduced distance, which indicates chainage/length of a road/dam etc.

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Sl. No.	Item	Agreement quantity	Rate	Amount	Quantity executed	Excess amount paid
1	Cleaning and grubbing	11,30,000 sqm.	₹ 10	₹ 1,13,00,000	4,00,000 Sqm	₹ 40,00,000
2	Burrow area stripping	1,69,500 cum	₹ 41	₹ 69,49,500	60,000 Cum	₹ 24,60,000
				₹ 1,82,49,500		₹ 64,60,000 or ₹ 65,00,000

the contractor of which ₹ 65 lakh had already been passed on to the contractor as of November 2010.

Thus, deliberate inclusion of the operations of grubbing and stripping of burrow areas with the items of the dam base work resulted in creation of liability of ₹ 1.83 crore to the contractor.

The Government stated (September 2010) that clearing and grubbing of the light jungles and stripping of the burrow areas were included in the sanctioned estimate considering the field condition to maintain proper admissible quality of earth dam. The reply was not acceptable in Audit since these operations in the burrow areas were to be carried out by the contractor within the rate provided for the earth fill item at no extra cost.

RURAL DEVELOPMENT DEPARTMENT

3.1.4 Extra cost due to departmental lapse

Failure of the department to place the order within the validity of the offer led to extra expenditure of ₹ 1.38 crore

As per Note (iv) of para 3.5.18 of the Orissa Public Works Department Code, the validity of a tender is for 90 days from the last date of receipt of tender unless extended. If delay in deciding the tender is inevitable, the consent of the tenderer to keep the offer open for a further period should be obtained. The processing and finalisation of the tender was to be completed by the Executive Engineer (EE), Superintending Engineer (SE), Chief Engineer (CE) and the Government within 20, 15, 20 and 20 days respectively. The remaining 15 days were to be utilised by the EE for execution of the agreement.

CE, Rural Works (RW), Bhubaneswar invited (November 2007) open tenders for construction of a high level bridge over river Badanadi at 3rd km of Nahada-Gahangu road in the Ganjam district at an estimated cost of ₹ 6.45 crore. In response, a valid single tender was received from a contractor for ₹ 7.61 crore.

Test check (February 2010) of records of RW Division No. I, Ganjam revealed that the tender received on 10 December 2007 was valid upto 8 March 2008. It was evaluated and recommended by the SE on 9 January 2008 while the CE negotiated the tender value to ₹ 7.54 crore and recommended it to the Government on 31 January 2008. The Government however, approved the tender only on 8 May 2008 i.e after the expiry of the validity of the tender. The contractor who was notified on 31 May 2008 for execution of the agreement by 07 June 2008 expressed his inability (August 2008) to execute the work at his quoted rates citing expiry of the validity of the tender and rise in the cost of steel, cement and bitumen as reasons. The CE thereafter floated (September 2008) fresh tenders for the work at an estimated cost of ₹ 7.37 crore for which the last date was 22 October 2008 and in response, single tender of the same contractor was received for ₹ 8.92 crore which was

approved by Government on 16 January 2009. The work was awarded (February 2009) to the contractor at a cost of ₹ 8.92 crore for completion by February 2011. The work was under execution with payment of ₹ 4.42 crore to the contractor as of December 2010. The award of the work on re-tender to the same contractor involved extra cost of ₹ 1.38 crore.

Thus, failure to finalise the tender within the validity period led to re-tender of the work involving extra cost of ₹ 1.38 crore within a span of about one year.

Government stated (July 2010) that the first time tender was approved in May 2008, by which time the validity of the tender was over and the contractor expressed inability to execute the work at his quoted rate, warranting re-tender of the work.

The reply of the Government is not acceptable since the first time tender which was 17 *per cent* excess over the estimated cost had not been accepted within the validity period while the second time tender which was 20 *per cent* excess was approved. Thus the delay in finalisation of the tender conferred an avoidable financial benefit of ₹ 1.38 crore to the bidder at the cost of public money.

WATER RESOURCES DEPARTMENT

3.1.5 Extra cost on construction of an aqueduct

Non-acceptance of lowest tender within the validity period led to extra expenditure of ₹ 1.14 crore.

As per Note (iv) of Para 3.5.18 of the Orissa Public Works Department Code, a tender is valid for 90 days from the last date of receipt of the tender unless extended. The processing and finalisation of the tender is 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 are to be utilised by the EE for execution of the agreement with the successful bidder.

Chief Engineer & Basin Manager (CE&BM), Brahmani Right Basin, Dhenkanal invited (January 2006) open tenders for construction of an aqueduct over Badajore Nullah at RD 5.680 km of Gondia Branch Canal of Right Bank Canal of Rengali Irrigation Project at an estimated cost of ₹ 5.27 crore. The last date of receipt of tenders was 01 March 2006 with opening of bids on 02 March 2006. In response, two tenders were received from National Projects Construction Corporation (NPCC) for ₹ 5.38 crore and another from Orissa Construction Corporation (OCC) for ₹ 6.52 crore which was (24 *per cent*) above the estimated cost. These bids were valid up to 29 May 2006.

The EE submitted the tenders to the SE on 17 May 2006 after a delay of two months. The SE sent the tenders to the CE&BM on 27 May 2006. The CE&BM recommended (31 May 2006) acceptance of the bid of NPCC for ₹ 5.38 crore, by which time the validity of the bid was over. Since both the bidders refused to extend the validity, the tender committee (TC) recommended (July 2006) rejection of the bids. Before any decision was taken

by the Government, OCC extended (August 2006) the validity of their bid upto December 2006. NPCC was not approached for extension of validity. The TC observed (August 2006) that the bid value of OCC was higher and suggested for negotiation to match with the rates of NPCC. OCC, however, refused (January, 2007) to negotiate the rates. The CE&BM revised (February 2007) the estimate to ₹ 6.39 crore and justified acceptance of the bid of OCC stating that it was only 2.08 *per cent* excess over the revised estimated cost. Government accorded approval in April 2007 and the work was awarded (October 2007) to OCC for completion by April 2009. The work was under execution with payment of ₹ 2.31 crore to OCC as of March 2010.

Test check of the records of Rengali Right Canal Division No.II, Dhenkanal disclosed (July 2008) that the original estimate provided for obtaining soil from burrow area located at 2 km from the worksite. The notice inviting tenders (NIT) stipulated that the bidders were required to visit the site and satisfy themselves of availability of adequate materials at the required lead. Any misjudgement at a later stage was not to be considered. The CE&BM, however, revised the estimate by increasing the lead for obtaining soil from two to five km on the basis of OCC's letter of January 2007 mentioning that required soil was not available within two km lead and recommended consideration of the tender of OCC for ₹ 6.52 crore justifying that the tender was only 2.08 *per cent* excess over the revised estimated cost. This facilitated acceptance of the unreasonably high bid of OCC by the Government.

Thus, failure to finalise the tenders within the validity period, allowing extension of time to OCC only and unjustified upward revision of the estimated cost in the meantime by adopting extra lead for burrowing soil paved the way for acceptance of the higher bid of OCC involving extra cost of ₹ 1.14 crore, which included ₹ 55 lakh on account of adopting extra lead not originally provided in the estimate.

The Government stated (November 2009) that 15 *per cent* overhead charges would have been allowed to OCC on allotted works and so the excess *percentage* allowed to it was not unreasonable. This was not acceptable since OCC was not entitled to any overhead charges on the works awarded through tender. Therefore, the delay in acceptance of the tender within the validity period by the Government primarily led to the lowest bidder withdrawing from the process. Besides, revising the estimated cost unjustifiably at post tender stage was unfair to the lowest bidder as it led to denial of equal opportunity to the two bidders creating doubts on the transparency of the bidding process.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.1.6 Irregular payment of advance

The DSWO, Nuapada extended undue financial benefit to an individual by irregularly sanctioning advance of ₹ 50.57 lakh.
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Orissa Treasury Code Vol-I (Rule 509) provides that advances granted under special circumstances for departmental or allied activities may be drawn on the responsibility of Government officers against whom such sanction is issued subject to adjustment of the advances by submission of detailed account along

with vouchers or by refund/recovery as the case may be. Orissa General Financial Rules (Rule 267) further stipulate that if adjustment bill is not submitted in time, advances may be recovered in lump sum from the officer immediately on expiry of such time limit. During 2006-09, the State Government sanctioned ₹ 92.15 lakh⁵ in favour of the District Social Welfare Officer (DSWO), Nuapada for undertaking new construction and maintenance and repair of office and Anganwadi Centre buildings etc. The sanction orders of the Government and the instructions (September 2007) of the Finance Department required that the above works were to be got done through the Panchayat Samities.

Test check (October 2009) of records of DSWO Nuapada, revealed that in violation of above orders of Government, the DSWO on 11 occasions paid (September 2007 - August 2008) advances aggregating ₹ 50.57 lakh⁶ to the Junior Engineer (JE) of the Notified Area Council (NAC), Khariar for undertaking construction of nine office/residential buildings and addition/alteration/renovation of 94 Anganawadi Centers (AWCs) at different places of the district despite his jurisdiction being limited to the area under the NAC. The advances were paid to the JE on the orders of the district collector on the ground that the JE completed a work in time which was entrusted to him during 2007-08 on a location within his jurisdiction. The JE was asked to complete the works within three months of the receipt of advances and to submit utilisation certificates (UCs), measurement books (MBs) and vouchers in time for release of further funds. However, the JE did not submit any voucher and related documents in support of execution even after lapse of two years from the date of receipt of last advance despite issue of several reminders and instructions (May and July 2010) from collector's office. Scrutiny also revealed that the advances for construction of AWC buildings were entrusted to him even before technical and administrative sanction were accorded and site selected. Thus, the DSWO did not observe the prescribed procedure while paying advance to the Junior Engineer. In reply DSWO stated (September 2010) that the district collector decided to entrust the works to the JE, as Panchyat Samities made no progress on similar works for which advances of ₹ 1.45 crore were given to them during 2006-08. Further, as per eye estimates of field formations, the JE had completed three works worth ₹ 9.22 lakh. The reply was not convincing since the JE had not submitted the vouchers and other related documents and the advances continue to remain unadjusted (September 2010). The Executive Officer of the NAC under whom the JE worked was also not kept informed about the advance before making payment.

⁵ (1) **Non plan** (i) 2006-07 : ₹ 6.30 lakh, (ii) 2007-08 : ₹ 18.10 lakh and 2008-09 : ₹ 15.25 lakh for repair and maintenance of CDPO and AWC buildings and (2) **State plan** (i) 2006-07 : ₹ 40 lakh, (ii) 2007-08 : ₹ 7.50 lakh and (iii) ₹ 5 lakh for construction of Anganwadi Centre (AWC) buildings.

⁶ (i) ₹ 4.22 lakh for Office-cum godown building of Khariar ICDS covering three occasions (September – December 2007), (ii) ₹ 13.30 lakh for construction of residential building of CDPOs, Khariar and Boden covering four occasions (March-July 2008), (iii) ₹ 18.05 lakh for Repair of 94 Anganwadi Centres covering three occasions (May-July 2008) and (iv) ₹ 15 lakh for Construction of six Anganwadi Centres (August 2008).

The Government, while confirming (July 2010) the facts, stated that the matter was under examination and the position would be intimated in due course. There has been no response from the Government as of December 2010.

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 own money and should enforce financial order and strict economy at every step. Audit detected instances of impropriety and extra expenditure, some of which are discussed below:

WATER RESOURCES DEPARTMENT

3.2.1 Unfruitful expenditure

Non-completion of a Minor Irrigation Project rendered the expenditure of ₹ 6.52 crore unfruitful.

The Government accorded administrative approval (February 2004) for construction of Utalijore Minor Irrigation Project (MIP) at a cost of ₹ 11.73 crore with loan assistance from NABARD under Rural Infrastructure Development Fund (RIDF-VIII) for irrigating 1416 ha of cultivable command area (CCA) during *khari* and 101 ha of CCA during *rabi* in the Bargarh district

Test check of records of the Executive Engineer (EE), Minor Irrigation Division, Padampur revealed (October 2009) that the head-works of the project were completed in July 2008 at a cost of ₹ 6.20 crore, but the canal system taken up in June 2008 was abandoned midway from May 2009 after incurring an expenditure of ₹ 32 lakh due to non-acquisition of private land for the purpose.

As per para 3.7.4 of the Orissa Public Works Department Code Volume-I, no work should be commenced on land which has not been duly made over by a responsible Civil Officer. Audit observed that, in violation of the rules, even head works were commenced without acquisition of the required land and the land acquisition proposals for 1455.33 acres of private land required for the canal system were at different stages of notification. As land was not acquired as of November 2010, the agreement was closed, without completion of the distribution system.

Thus, despite completion of the head-works of the project at a cost of ₹6.52 crore for the last two years and partial execution of the canal system the entire expenditure of ₹ 6.52 crore proved unfruitful. Interest liability payable for RIDF loan on the nugatory investment at 6.5 per cent per annum works out to ₹ 42 lakh per year.

Confirming the Audit findings, the EE stated (November 2010) that the canal works were stopped and the contracts closed due to land acquisition problems. The matter was reported (March 2010) to Government; their reply has not been received.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.2.2 Blockage of funds on urban water supply scheme

Advance procurement of pipes worth ₹ 5.05 crore by the EE resulted in blockage of funds as civil works connected with urban water supply got delayed.

As per provisions of Orissa Public Works Department Code⁷, no work should be commenced on land which has not been duly made over by a responsible Civil Officer. No work shall be commenced or liability incurred in connection with it unless properly detailed designed estimates have been technically sanctioned. Further, in case of lump sum contracts, detailed drawings, designs and specifications are to be approved by the competent authority and realistic cost assessment is made before tenders are called for.

Augmentation of water supply to the Angul municipality was accorded administrative approval (March 2008) by the Government for ₹ 12.92 crore. The work involved construction of intake arrangements and head works at Derjung with laying of raw water rising main and clear water rising main, construction of three each of reinforced cement concrete (RCC) elevated storage reservoirs (ESR) and RCC ground storage reservoirs (GSR), provision of pumping arrangements, laying of main distribution pipe lines and external electrification. The Executive Engineer (EE), Public Health (PH) Division-II, Cuttack was provided ₹ 11.17 crore (₹ 5.55 crore during 2008-09 and ₹ 5.62 crore during 2009-10) for the purpose. Cast iron/polyvinyl chloride/mild steel pipes of different diameters for ₹ 5.05 crore were procured by the EE between June and August 2009 but the work could not start due to lack of response to the tender notices.

Test check of the records of the EE, P.H. Division-II, Cuttack revealed (April 2010) that the estimate for the project was prepared for the ESR and GSR on a per litre capacity lump sum rate and for water treatment plant (WTP) and intake well per million litre capacity. The estimate was technically sanctioned (September 2008) by the Chief Engineer (CE) Public Health for ₹ 14.19 crore and accordingly the tender was floated in November 2008. Since no response to the tender call notice was received, Government accorded approval (February 2009) for execution of the work by splitting the estimate into eight packages. The pipes were procured under package-III and the work under package-II involving laying of the pipes was awarded (December 2009) to a contractor for ₹ 79.02 lakh. The contractor had executed only laying of 500 metre of 300mm diameter pipes with payment of ₹ 15.63 lakh as of June 2010. The work of construction of the head-works, GSR, ESR and WTP were,

⁷ Paragraphs 3.7.4, 3.5.5 (III) (e), 3.4.1 and 3.7.1 (a) (ii)

however, not taken up as of November 2010. Even 3.50 acres of land required for the pump house had not been acquired (November 2010).

Thus, invitation of bids for the water supply project on unrealistic cost estimates resulted in lack of response to the tender call notice leading to non execution of the works. The available funds were spent on advance procurement of the pipes causing blockage of public money worth ₹ 5.05 crore as well as non-availment of guarantee/warranty.

Government stated (August 2010) that the works of the augmentation of water supply to the Angul Municipality was split-up due to lack of response to the tender floated for the whole project. Initial funds received were utilised for procurement of pipes. Even after splitting-up, the tender for headworks did not evoke response. It had been re-tendered, with relaxed criteria, which was stated to be under finalisation at Government level. It was further stated (December 2010) that Revenue authorities had been moved for alienation of Government land and the Collector had assured for early alienation of the same.

The fact remains that the advance procurement of pipes worth ₹ 5.05 crore resulted in blockage of funds without execution of civil works.

WATER RESOURCES DEPARTMENT

3.2.3 Unfruitful expenditure on an Irrigation Project

Non-release of water from a project rendered the expenditure of ₹ 4.28 crore unfruitful.

Poichandia diversion weir, a part of the integrated Bahuda Irrigation Project in Ganjam district, was completed in 1977 with reduced scope. The length of canal was curtailed to 14.74 km for irrigating 766 ha of land against the designed length of 19.47 km with irrigation potential of 1502 ha due to non-availability of sufficient water in the catchment. Subsequently, *ex-post-facto* administrative approval was accorded (December 2004) by the Government for ₹ 2.94 crore for extending scope for an additional irrigation potential of 736 ha by extension of the main canal for further 4.73 km. The works taken up in 2001-02 were completed in 2005-06 with an expenditure of ₹ 4.28 crore which included NABARD loan of ₹ 2.94 crore. The project, however, failed to provide the additional irrigation due to non release of water from the Baghalati Irrigation project (November 2010).

Test check of the records of Chikiti Irrigation Division revealed (May 2010) that the extension of the scope of the project involved renovation of the existing 14.74 km canal to carry the extra flow of 0.6 cusecs of water and construction of four minors for field irrigation. The additional water was proposed to be drawn from the Baghalati Irrigation Project by cement concrete lining to its right canal to increase its carrying capacity. The additional water was to be picked up by the Poichandia diversion weir through a cross regulator (CR) - cum - head regulator (HR) at RD 4.13 km. As reported by E.E, Chikiti Irrigation Division (June 2007) the original project report of Poichandia extension was approved on the condition that the Baghalati Irrigation Project would supplement the extra demand of the extension ayacut. The cement

concrete lining works for ₹ one crore and the regulators (₹ nine lakh) were to be executed by the EE, Baghalati Irrigation Division and all the other works (₹ 2.94 crore) were to be executed by the EE of Chikiti Irrigation Division. The works under the Chikiti Irrigation Division were completed in 2005-06 with an expenditure of ₹ 4.28 crore. The lining works taken up by the Baghalati division were not completed and even the work of construction of CR-cum-HR did not commence as of November 2010. Consequently, no water was released from the Baghalati Irrigation project for the Poichandia system. Thus, due to non-synchronisation of the work of construction of CR-cum-HR alongwith cement concreting works of the Right Main canal of Baghalati Irrigation project with the works of extension of Poichandia canal, the Poichandia project completed since 2005-06 failed to provide the planned additional irrigation. There was also crop failure in the *ayacut*⁸ area of Poichandia project during 2008-09 due to scanty rain which could have been avoided had the connected works been completed timely and the additional water released for the Poichandia project.

Thus, due to non-release of required water from Baghalati Irrigation Project, the Poichandia extension system completed since 2005-06 failed to provide additional irrigation resulting in unfruitful expenditure of ₹ 4.28 crore.

The EE, Chikiti Irrigation Division stated (May 2010) that the matter was under correspondence. However, the EE, Baghalati Irrigation Division stated (December 2010) that the work of cement concrete (C.C.) lining from RD 00 to 1980 m had been completed in June 2006 and the C.C. lining from 1980 m to 4130 m was not completed as the contractor abandoned the work. He further stated that the work of construction of CR-cum-HR at RD 4.130 km of the Right main canal could not be taken up due to public agitation. As per the report (January/October 2009) of the Superintending Engineer, Southern Irrigation Circle, Berhampur the lining works and the CR-cum-HR were not completed due to non-compliance of directions of the Chief Engineer and Basin Manager as well as the Superintending Engineer by the EE, Baghalati Irrigation Division which ultimately led to non-availment of the benefits of the extended project.

The matter was reported to the Government in June 2010, their reply has not been received (November 2010).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.2.4 Blockage of funds

Two packages sanctioned for shifting of the water supply pipelines had not been executed due to non-acquisition of land resulting in blockage of funds of ₹ 3.25 crore.

As per provision of Orissa Public Works Department Code (paragraph 3.7.4), no work should be commenced on land which has not been duly made over by a responsible Civil Officer.

⁸ Ayacut is a Tamil name for culturable area.

The work of widening and strengthening of State Highway (SH) No.7 under World Bank assistance involved execution of civil works and shifting of the piped water supply lines. As a part of the above project, the Engineer-in-Chief (Civil), Orissa accorded (August 2007/January 2008) administrative approval for shifting of existing 400 mm diameter cast iron (CI) and 350 mm diameter pressure water supply pipe lines from Dakhinapur water treatment plant to first gate and from Maulabhanja to Punjikaya Chhak at a cost of ₹ five⁹ crore. The works were to be completed by the Executive Engineer (EE), Public Health (PH) Division, Berhampur in nine calendar months. Acquisition of land for laying the pipe lines was the responsibility of the Chief Engineer (CE), World Bank (WB) project. A sum of ₹ 4.84 crore was provided by the CE, WB Projects for shifting of the water supply pipe lines during 2007-08.

Test check of the records of PH Division, Berhampur revealed (April 2010) that out of ₹ 4.84 crore provided by the CE, WB, the EE procured (November 2008/July 2009) pipes worth ₹ 3.25 crore but did not execute the work of laying of the new pipe lines as agreements were not drawn though tenders for ₹ 60.10 lakh were finalised in February 2009/February 2010, due to non-handing over of the corridors by the CE, WB project. The road improvement works however started in November 2008, but the work of shifting the pipe line was not executed as of June 2010.

Thus, the projects sanctioned for shifting of the existing water supply pipelines were not executed due to non-acquisition of land resulting in blockage of ₹ 3.25 crore spent on advance procurement of pipes.

Government stated (August 2010) that the pipes were procured in advance since the Chief Engineer, WB Project pressed for early completion of the work. Although, different authorities of Public Works Department (PWD) have been requested time and again by EE (PH) and CE PH (Urban) to provide and demarcate the encroachment free corridor for laying of pipes, the PWD authorities failed to provide the complete corridor, as a result of which the laying of pipe line could not be started.

The fact, however, remained that the advance procurement of pipes led to blockage of public funds for ₹ 3.25 crore.

WORKS DEPARTMENT

3.2.5 Unfruitful expenditure on a bridge

Inclusion of an unwarranted clause in the agreement facilitated abandonment of the work by the contractor midway with sub-standard execution of work resulting in unfruitful expenditure of ₹ 99 lakh.

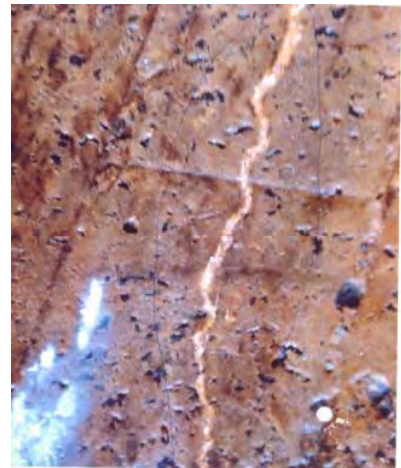
In order to provide all weather connectivity to the people of Bhuban block (Dhenkanal district), the Government accorded administrative approval (January 2002) for construction of a high level bridge over Rangamatia Nullah

⁹ Dakhinapur water supply treatment plant to 1st Gate = ₹ 3,92,17,000
Maulabhanja to Punjikaya Chhak = ₹ 1,07,87,117
Total = ₹ 5,00,04,117 or say ₹ 5 crore

at 4th km on Bhuban – Nilakanthapur road at a cost of ₹ 1.73 crore. The work was awarded (November 2002) to a contractor at a cost of ₹ 1.47 crore on a standard F₂ agreement form for completion by September 2003.

Clause 10 of the agreement stipulated that the Engineer-in-Charge had the powers to make alterations or additions to the original designs and specifications and such changes were not to invalidate the agreement. Additional works or variations in the quantities for the items already provided in the agreement on account of the above changes were to be executed by the contractor at the same rates, terms and conditions on which the contractor agreed to execute the main work. In addition to the above standardised clause, the Executive Engineer (EE), Dhenkanal (R&B) Division, however, incorporated an unwarranted special condition in the agreement of the bridge work that neither extra items nor deviations beyond the agreement quantities would be allowed.

During the course of sinking of pier wells, soft rock was reportedly encountered at a higher level which required excavation through blasting. The item rate for sinking of the pier wells thus needed revision and the work got executed as an extra item. This could not be done in view of the special condition incorporated in the agreement denying execution of any extra item. At the request (June 2007) of the contractor, the agreement was short closed (August 2007) by which time the contractor had been paid ₹ 74 lakh for the work executed. The balance work for ₹ 73 lakh was awarded (April 2008) to another contractor on re-tender, at a cost of ₹ 1.97 crore for completion by March 2009.



Vertical Crack on the well of HL Bridge over Rangamatia Nullah

Test check of the records of Dhenkanal (R&B) Division disclosed (March 2010) that despite execution of the agreement for the balance work, the second contractor executed works worth ₹ 14.45 lakh till March 2010. The EE reported (May 2009) to the Chief Engineer (DPI&R) that during removal of silt from the foundation for commencement of the balance work, vertical cracks were noticed on the already sunk wells which contractor attributed to defective construction procedure adopted by the earlier contractor. Subsequently, a technical team led by the Superintending Engineer, Central (R&B) Circle inspected the site (August 2009) and noticed that the joints between different lifts of concrete were not continuous/not in axis and leaking profusely. Besides, the sunken wells rested on soft rock.

The team recommended further investigation into the cause of failure. Such investigation was neither done nor was any remedial measures taken to rehabilitate the bridge. The bridge was left incomplete (May 2010) after incurring an expenditure of ₹ 99 lakh.

Thus, incorporation of an unwarranted clause in the agreement led to closure of the contract without getting the defects rectified by the contractor. This also led to the bridge remaining incomplete with unfruitful expenditure of ₹ 99 lakh. No action was taken against the officers responsible for the sub-standard work executed by the earlier contractor.

The EE stated (November 2010) that as per the decision of the Technical Committee, boring on the outside of pier well on upstream and downstream was taken up to determine the sub-soil strata from the borelogs. As there was presence of hard rock, the contractor was instructed to remove the hard rock by chiselling to facilitate sinking of well up to founding level and that the chiselling work was going on at present.

The matter was reported (March 2010) to the Government; their reply is awaited (December 2010).

WATER RESOURCES DEPARTMENT

3.2.6 Avoidable expenditure on surplus staff

Due to non-finalisation of modalities of disengagement by the Government, 63 surplus staff and 20 NMRs working in WALMI continued to draw pay and allowances for six years resulting in avoidable expenditure of ₹ 3.66 crore.

The Water and Land Management Institute (WALMI) was established (1984) as an autonomous body to impart advanced training in the areas of water and land management to enhance agricultural production. The creation of posts and appointments of staff for the institute were made with the approval of the Governing Council (GC) of WALMI and all expenditure including the salary of the staff were met from the Grants-in-Aid (GIA) of the State Government.

Test check (October 2009) of records of WALMI revealed that, to bring down the expenditure on staff salaries, the Government formed a staff strength restructuring committee in December 2002. The Committee identified (May 2003) 123 excess posts for abolition and suggested retrenchment of 63 persons from the above excess posts and disengagement of 20 nominal muster rolls (NMRs) staff. The report was approved (January 2004) by the Government and adopted by the GC in their 28th Meeting (January 2004) *in toto* and GC decided that the modalities for disengagement would be worked out by Water Resources Department (WRD), in consultation with the Finance Department. Though the Government was intimated (March 2004), no action was taken by WRD so far (August 2010) nor did WALMI pursue the matter with WRD. The Government has been extending GIA regularly to WALMI for payment of pay and allowances to the 63 surplus staff and 20 NMRs. An amount of ₹ 3.66 crore has been paid as GIA during last six years (February 2004 - May 2010). Director, WALMI stated (July 2010) that compared to the earlier years (2002-04) when staff restructuring was proposed and approved for adoption, remarkable expansion of activities had taken place in recent years (2007-10) in the institute by utilising the services of the staff identified by the committee as surplus. Director, WALMI's reply is not convincing. If there was any

expansion in WALMI's activities, why the GC was not approached for reconsideration of their order for retrenchment has not been explained. The response is therefore evasive and not tenable. The above facts were brought to the notice of Government (March 2010) and followed by a reminder (December 2010) to furnish their comment on the issue. The Government has however, only furnished a copy of WALMI's response.

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.

FOREST AND ENVIRONMENT DEPARTMENT

3.3.1 Non-realisation of Wildlife Management Plan cost

Non-realisation of ₹ 7.70 crore towards cost of Wildlife Management Plan

In order to improve the quality of wildlife habitats in the mining leasehold areas, the Government of Orissa approved (December 2005) implementation of a Comprehensive Wildlife Management Plan (to be implemented over a period of ten years) with the funds raised from the mining leaseholders in the State at the rate of ₹ 15000 per hectare of the mining lease areas in Bonai and Keonjhar Forest Divisions. The Government further revised the rate of deposit per hectare to ₹ 20000 with effect from April 2008 which was extended to all other districts of the State, where occurrence of Wildlife is observed in the ML area. The funds realised under Wildlife Management Plan are credited to the Compensatory Afforestation Management Plan Account (CAMPA) Fund of Orissa alongwith Net Present Value (NPV) and Compensation Afforestation Cost. The fund is monitored by the Ministry of Environment and Forest, Government of India. A sum of ₹ 87.13 crore was collected from users under this fund till November 2010 and credited to CAMPA.

Test check of records of the Divisional Forest Officers (DFOs), Angul and Dhenkanal revealed (August 2009) that the Government of India had approved (between November 2004 and June 2009) diversion of forest lands measuring 3586.97 ha of mining lease areas in favour of Mahanadi Coalfield Limited for open cast and underground coal mining and 377.78 ha of leasehold areas in favour of Ferro Alloys Corporation Ltd. (FACOR) and Orissa Mining Corporation Limited for extraction of chromite ore. The project reports indicated existence of wildlife species in all the forest lands diverted for the mining purpose. Accordingly, the

lessees should have deposited ₹ 7.93¹⁰ crore towards the cost of implementation of Wildlife Management Plan. But, neither had the user agencies deposited the amount nor had the DFOs raised the demand for these amounts.

On this being pointed out in Audit, it was stated (August 2010) by the Principal Chief Conservator of Forests, Orissa that demands had been raised and in the meanwhile, ₹ 23 lakh was realised from FACOR leaving out a balance of ₹ 7.70 crore still to be realised from the other lessees.

The matter was reported to the Government (March 2010); their reply is awaited (November 2010).

WATER RESOURCES DEPARTMENT

3.3.2 Over payment to defaulting contractors and non recovery of Government dues

Despite default in execution, ₹ 1.38 crore have not been recovered from two contractors.

As per clauses 2 (A) and 2 (B) (i) of the condition of the standard F₂ contract, time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and in case of delay the contractor shall pay as compensation upto 10 *per cent* of the estimated cost of the work. To rescind the contract in case of default by the contractor, 20 *per cent* of the value of left over work will be realised from the contractor as penalty.

3.3.2.1 Test check of the records of Rengali Right Canal Division No.IV, Gudiakateni revealed (January 2010) that construction of service road and cement concrete lining from 43.56 to 45.98 km and 56 to 57.89 km of right bank canal of Rengali Irrigation Project was awarded (June 2006/April 2007) to a contractor under two F₂ agreements at a cost of ₹ 4.12 crore stipulating completion by May 2007/March 2008. The contractor failed to execute the works as per the work programme despite issue of notices, but LD was not levied by the Executive Engineer (EE) to ensure completion of the works. The contractor after receiving payment (between December 2007 and March 2008) for ₹ 1.57 crore had abandoned (March 2008) the works. After lapse of one year and six months, Government terminated (September 2009) the contracts with levy of penalty for recovery of 20 *per cent* of the value of the works not completed and also instructed to cancel the contractor's licence. Against value of works for ₹ 1.35 crore actually executed by the contractor, he was paid ₹ 1.57 crore by the EE on the running account bills on the basis of incorrect and excess measurements resulting in excess payment of ₹ 22¹¹ lakh. Besides, LD for ₹ 37.44 lakh¹² and penalty of ₹ 55.40 lakh¹³ towards

¹⁰ $3586.97 + 377.78 = 3964.75 \times ₹ 20000/\text{ha.} = ₹ 7.93 \text{ crore}$

¹¹ Amount actually paid ₹ 1.57 cr
Value of work done & measured ₹ 1.35 cr
Excess payment ₹ 0.22 cr

¹² 10% of the Estimated cost of ₹ (3.74Cr) 37.44 lakh.

¹³ Value of work left : ₹ 2.77 cr
20% of it : ₹ 55.40 lakh

20 per cent of the value of works not completed were also recoverable. The total recoverable amount worked out to ₹ 1.15 crore. The balance works were under execution through other agencies (May 2010). Neither was the licence of the contractor executing the service road cancelled nor was the contractor black listed. The report of Chief Engineer & Basin Manager (CE&BM) indicates only that the possible measures would be taken to recover the Government dues without any specific mention of responsibility to be fixed on the Officers-in-charge of the works for the excess payment made.

3.3.2.2 Another work of construction of Jambhira Left Main Canal from RD 16.80 to 18.40 km was awarded (December 2004) to a contractor for ₹ 1.01 crore for completion by December 2006 but the work was abandoned (April 2006) midway after payment of ₹ 1.01 crore. Although the EE proposed (September 2008) for termination of the contract with penalty, however, ₹ 22.86 lakh on account of the penalty was still recoverable from the defaulting contractors for non-completion of the works. Despite default in execution, penalty for ₹ 1.38 crore had not been recovered from the defaulting contractors. Even the amount of ₹ 41.28 lakh on account of performance securities and work bills of Jambhira Left Main Canal not paid and available with the EEs had not been forfeited.

The CE&BM, Brahmani Right Basin, Dhenkanal stated (May 2010) that all possible measures are being taken to recover the Government dues. Actual recovery, however, had not been effected so far (November 2010).

In respect of Jambhira Left Main Canal, Government assured (September 2010) to recover the penalty from the available dues of the contractor. The recovery particulars are awaited (November 2010).

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 up-gradation 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 absence of concerted action at various levels. A few such cases have been discussed below.

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT AND HEALTH AND FAMILY WELFARE DEPARTMENTS

3.4.1 Idling of funds with the executing agencies

One time Central assistance of ₹ 4.66 crore received by two departments of the State Government during 2005-07 for implementation of different schemes remained idle for over five years.

Audit of the records of two Directorates and a drawing and disbursing officer revealed that funds under Central assistance received as one time measure were lying idle for want of finalisation of sites with the executing agencies as per following details.

3.4.1.1 Non establishment of Nursing College

For up-grading nursing education as required under National Health Policy 2002, the Government of India (GoI) invited (March 2005) proposals from the State Government for up-gradation of nursing schools, attached to medical colleges, to nursing colleges, with one-time Central assistance of ₹ 1.50 crore. The State Government was required to furnish an assurance for meeting the recurring expenses. The State Government accordingly sent (March 2005) proposal for up-gradation of the nursing school of SCB Medical College Hospital, Cuttack along with the prescribed undertaking and obtained (April 2005) required funds of ₹ 1.50 crore (Building : ₹ 60 lakh, Equipments : ₹ 90 lakh) in favour of the Superintendent of the Medical College. The Nursing College was to be established with the approval of the Indian and State Nursing Councils for starting Bachelor of Science (Nursing) programme and submit utilisation certificates within 12 months.

During audit (June 2008, February 2009 and February 2010) of the records of the Superintendent, SCB Medical College Hospital, Cuttack it was noticed that the one-time Central assistance of ₹ 1.50 crore had accumulated to ₹ 1.79 crore (June 2010) along with interest in a savings bank account without utilisation and the proposed Nursing College had not yet been established (November 2010). Audit observed that the Chief Architect of the State selected (June 2005) a site for construction of the college building which was not accepted by the Hospital Superintendent. A fresh proposal of site and plan was sent (May 2007) after nearly two years to the Chief Architect. However, the proposed site and plan of the building had not been approved by the Chief Architect (August 2010). Thus a deadlock persisted between the Medical College authorities and the Chief Architect and the necessary up-gradation of the nursing school did not materialise for more than four years. The delay in up-gradation of nursing school despite available Central assistance shows lack of concern on the part of the State Government towards providing health care services to general public and future escalation in construction costs. The interest earned and appropriated by locking-up of the GoI funds was also not desirable as it vitiated the objective of GoI behind such assistance.

3.4.1.2 Non construction of hygienic fish market complex

Claiming a quantum jump in fish production in the State and growing demand for fish in domestic market, a decision was taken by the Fisheries and Animal Resources Development Department for creation of infrastructure to facilitate eco-friendly marketing of fish by the local fishermen under the Centrally Sponsored Programme of 'Infrastructure and Post Harvest Operation' out of one time Additional Central Assistance (ACA) of ₹ 55 lakh received during 2006-07. Accordingly, an estimate was prepared and the Department sanctioned (January 2007) ₹ 55 lakh for setting up of a hygienic fish market complex at Bhubaneswar to provide value addition to the local fishermen in marketing fish caught by them.

Audit (February 2008) of records of Director of Fisheries, Orissa, Cuttack and subsequent information collected (December 2009 and June 2010) revealed that, originally, the work was to be entrusted to the Orissa Pisciculture Development Corporation (OPDC) for execution through Orissa Infrastructure Development Corporation (IDCO). However, the Director placed

(February 2007) the sanctioned ACA funds of ₹ 55 lakh with the Bhubaneswar Municipal Corporation (BMC) for execution of the project reportedly in accordance with a decision taken in a High Power Committee meeting. As the BMC failed to execute the project due to non-availability of a site, the Director got back the amount and placed (February 2009) the same with OPDC. The site for creation of the project, however, was yet to be finalised and the amount remained idle with the OPDC (August 2010). Thus, due to non-finalisation of a site, there had been delay in execution of work leading to idling of the ACA of ₹ 55 lakh for over three years and the expected infrastructure for the local fishermen could not be created.

3.4.1.3 Non implementation of fodder development programme

The Centrally sponsored 'Grassland development including grass reserve' programme of the Ministry of Agriculture envisaged (May 2005) providing hundred *per cent* one time Government of India (GoI) assistance to the State Government with the objective of improving degraded grassland so as to reduce soil erosion and minimise the gap between availability and requirement of fodder. The Director, Animal Husbandry and Veterinary Services, Orissa (Director) prepared project proposals, based on which the State Government obtained (December 2006) assistance of ₹ 2.72 crore from the GoI for implementation of 32 projects of 10 hectares each during 2006-07 at the rate of ₹ 8.50 lakh per project¹⁴ in gochar land of 31 Gram Panchayats (GPs) covering 10 districts¹⁵ of the State. The GPs after obtaining possession from district collectors were to develop and maintain the grass lands.

Audit (October 2008 and October 2009) of the records of the Director and information collected subsequently (August - September 2010) revealed that the State Government sanctioned (May 2007) ₹ 2.72 crore and the Director placed (June 2007) the same with the 31 GPs for implementation of the 32 projects and submitted (September 2007) the utilisation certificate to the GoI through the State Government. However, only 12 GPs received the required permissive possession of land and the issues of granting permissive possession of land for the rest of the projects were pending with the Revenue authorities due to which work has not commenced in these projects as of August 2010. Further scrutiny revealed that the Director, while forwarding (November 2006) the project proposals to the State Government, indicated that the District Collectors were consulted for selection of land for the proposed projects in the GPs. Neither such consultation was made nor any assurance obtained from the local Revenue authorities at the project proposal stage. Instead, the land for the projects were selected by the Chief District Veterinary Officers and District Fodder Officers of the Department in association with the villagers, non-government organisations and Sarpanchs of the concerned GPs. Thus, non-involvement of the Revenue authorities in selection of land contributed to delay in obtaining possession of land by the GPs. As a result, only ₹ 23.15 lakh out of total receipts of ₹ 2.72 crore was spent by the GPs and the Scheme remained a non starter leading to blockage of GoI assistance of ₹ 2.49 crore with the GPs for over three years (August 2010).

¹⁴ Infrastructure development: ₹ 6.50 lakh and recurring expenditure: ₹ 2 lakh per project.

¹⁵ Cuttack (19), Jajpur (2), Jagatsinghpur (1), Kendrapara (1), Jharsuguda (1), Sambalpur (3), Balasore (2), Nowrangpur (1), Kandhamal (1) and Sundergarh (1)

The issues were referred (January and March 2010) to the concerned Departments of the Government; their replies were awaited (December 2010).

HIGHER EDUCATION AND INDUSTRIES DEPARTMENTS

3.4.2 Idling of assets

Hostel building constructed at ₹ 50 lakh for the SC/ST students of the Government Women's college, Sundargarh remained unused for want of electrical service connection and Rubberised coir plant set-up at Bhubaneswar at a cost of ₹ 4.17 crore remained idle for want of working capital for over four years.

HIGHER EDUCATION DEPARTMENT

3.4.2.1 Hostel building for women lying Idle

The Government of India (GoI) provided ₹ 50 lakh during 2000-01 to the Project Administrator (PA), Integrated Tribal Development Agency (ITDA), Sundargarh for construction of a 100 seated hostel building for the Scheduled Caste/Scheduled Tribe (SC/ST) girl students in the Government Women's College, Sundargarh. ITDA, after its completion (March 2005), handed over the hostel building to the Principal, Government Women's College, Sundargarh in July 2005.



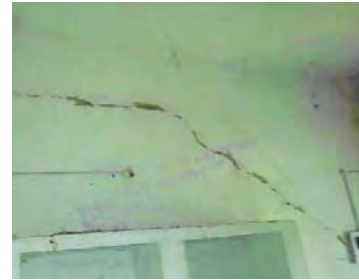
Hostel Building constructed for Government Women's college, Sundargarh lying idle

Scrutiny (June 2009) of the records of the Principal, Government Women's College, Sundargarh and subsequent information collected (July/September 2010) revealed that the Principal took possession of the building without further augmentation in the existing power supply connection under the impression that power supply to the new building could be managed with the existing external service connection of the two old hostel buildings. As the existing supply was found inadequate, Principal requested (August 2005) the Executive Engineer (EE), Electrical Division WESCO¹⁶, Sundargarh to provide electricity service connection to the new hostel building. The EE furnished (August 2006) an estimate for ₹ 1.81 lakh to PA, ITDA with the request to place funds with the Managing Director, WESCO, Burla for undertaking the above work. The Principal also requested (March/July 2007) the PA, ITDA to take prompt action on the matter as the demand for hostel accommodation by SC/ST girl students had gone up since 2005-06 academic session. When contacted by Audit, the ITDA authorities stated (July 2010) that they could not place any funds as provision for the same was not made in the original estimate and the building remained unoccupied since taking possession by the Principal. Because of non-functioning of new hostel, the existing two hostel buildings with a capacity of 150 boarders were

¹⁶ WESCO: Western Orissa Electricity Supply Company Ltd

overcrowded by accommodating 178 (SC/ST-123; General-55) students during academic sessions 2005-10. Besides, applications of other SC/ST girl students opting for hostel accommodation could not be entertained.

Physical verification (July 2010) of the building by the Hostel Superintendent in presence of Audit revealed that there were water seepages from the roof, cracks on the walls of the common room and damages to a 1000 litre capacity overhead water tank. As indicated by the Principal, the building had not been covered under maintenance of the Public Works Department (PWD) as the ITDA had not furnished copies of building plan, estimate, sanction orders etc. despite several reminders



Cracks on the walls of the common room

for registering the building in the books of the PWD. Thus, on account of negligence and lack of foresight on the part of ITDA and the Principal, Government Women's College and lack of monitoring by the district authority, the building constructed at a cost of ₹ 50 lakh remained unoccupied for over five years and the SC/ST students of the tribal belt were deprived of hostel facility during 2005-11 academic sessions.

In reply, the Principal stated (July 2010) that since the ITDA constructed the building, they had to arrange power supply to the building and added that the matter had been taken up (March 2010) with Government for sanction of funds. Government stated (December 2010) that Higher Education Department is only user of the building which was constructed by the ITDA, Sundargarh functioning under SC and ST Development Department and as such they have no role to provide any funds. The reply is not convincing because the responsibility for providing hostel facility rests with the Principal, Government Women's College. ITDA is merely acting as an agency to provide the facility. In any case in the interest of the SC/ST girl students, Government may take steps to resolve the issue for making the building operational without any further delay.

INDUSTRIES DEPARTMENT

3.4.2.2 Rubberised coir plant lying idle for want of working capital

The National Co-operative Development Corporation (NCDC) approved (March 1995) setting-up of a rubberised coir plant (RCP) at Chandaka, Bhubaneswar under Centrally sponsored scheme for development and generation of employment of coir co-operative societies in the State. The project estimated to cost ₹ 2.53 crore was to be executed by Orissa Coir Co-operative Corporation Ltd. (OCCC) for completion by March 1997. Mention was made (paragraph 3.19) in Comptroller and Auditor General's Report (Civil) on Government of Orissa for the year ended 31 March 2001 about non-completion of the project despite expenditure of ₹ 2.80 crore due to absence of provision for pollution control and latest technology and time overrun leading to escalation of costs to ₹ 4.17 crore. The NCDC sanctioned (October 2001)

the revised project at a cost of ₹ 4.17 crore as per stipulated pattern¹⁷ of assistance and instructed the State Government to complete the project by September 2002 for reimbursement of the fund.

Scrutiny (October 2009) of the records of the Industries Department and subsequent information collected (September 2010) from the Director, Handicrafts and Cottage Industries (Director) revealed that the OCCC after receipt of assistance of ₹ 3.97 crore from the State Government by 2002, completed installation (July 2006) of the plant and made successful demonstration of trial run of the individual machineries before a technical committee. But to make the plant operational, synchronised functioning of all the machineries took some more time and finally the plant was commissioned (August 2008) and started trial production with a delay of six years from the revised date of completion. But no commercial production was started since then and the RCP was lying unutilised (September 2010) for want of working capital by the OCCC.

Further scrutiny revealed that the Government, realising the financial constraints of the OCCC and absence of expertise and manpower to run the plant, proposed (October/November 2005) to the Public Enterprises Department to take action on the RCP by either leasing it on long term basis or dispose it of through outright sale. This position worsened as revealed from the minutes of OCCC's Advisory Committee meeting (July 2009) which disclosed that the OCCC was running with considerable liabilities, total absence of skilled man power due to premature retirement of 46 staff under VRS/VSS¹⁸ schemes. Audit of accounts are also in arrears and vigilance cases are pending for settlement. As per information made available to Audit, the Managing Committee of RCP decided (July 2010) to lease out the plant and accordingly expression of interest had been invited (July 2010) through news paper advertisement. Thus, a public asset created out of borrowed funds for the benefit of the community remained unproductive as of now (September 2010) due to absence of concerted effort of the Department though the plant was installed more than four years ago. The objective of generating employment was also not achieved.

The issue was brought (March 2010) to the notice of the Government; response had not been received (December 2010).

AGRICULTURE DEPARTMENT

3.4.3 Loss of Central assistance

Delay in implementation of watershed projects and non-furnishing of utilisation certificates within prescribed time led to forfeiture of GoI assistance of ₹ 2.89 crore in 20 DPAP watershed projects under DRDA, Dhenkanal.

The Centrally sponsored 'drought prone area programme' on cost sharing basis of 75:25 between the Central and State Governments is under implementation in the State for development of waste/degraded land and drought prone areas

¹⁷ NCDC assistance of ₹ 3.97 crore (Loan : ₹ 3.96 crore and Go-down subsidy : ₹ 0.85 lakh) and OCCC's contribution : ₹ 20.30 lakh

¹⁸ VRS/VSS : Voluntary Retirement Scheme/Voluntary Separation Scheme

through watershed approach. As per the programme guidelines (2001), a watershed project costing ₹ 30 lakh and covering about 500 hectares of land in a village was to be developed within five years after obtaining approval of the Ministry of Rural Development, Government of India (GoI). The District Rural Development Agencies (DRDAs) were responsible for implementation of the programme through project implementation agencies (PIAs). Funds were placed by the Central Government directly with the DRDAs over seven installments within the project period of five years. From the second installment onwards the GoI was to release funds on receipt of audited statement of accounts for the previous year and satisfactory progress report of the project.

Audit (November 2008) of the records of the Project Director, DRDA, Dhenkanal and subsequent information (May 2009 and April 2010) revealed that GoI had sanctioned (2000-03) execution of 20 watershed projects under 6th, 7th and 8th batches¹⁹ of the programme in Dhenkanal district covering treatable area of 9850 hectares at total estimated cost of ₹ 5.91 crore for completion during 2005-08. The DRDA, accordingly, received ₹ 2.04 crore (Central share: ₹ 1.54 crore²⁰ and State share: ₹ 50.62 lakh) between March 2001 and January 2006 and utilised ₹ 1.94 crore treating an area of 3255 hectares as of 2007-08 under the 20 projects. It was only in October 2009 that the DRDA, submitted proposal to the Director, State Watershed Development Mission (SWDM) to approach the GoI for release of the next installments (6th batch: 4th installment and 7th and 8th batches: 3rd installment) of the projects due to delay in receipt of utilisation certificates etc. from the concerned PIAs. But the Director, SWDM, while informing the decision of GoI, indicated (March 2010) that the latter could release the installment(s) of a project beyond the first installment, provided the proposal for release of such installment (s) had been sent within four years of the financial year in which the funds were first released by the GoI. He also indicated that all the projects for which first installment was released by GoI during or prior to 2003-05 and request for further placement of fund not preferred should be foreclosed and the unspent balances refunded to GoI along with audited statement of accounts and utilisation certificates. Thus, GoI assistance worth ₹ 2.89 crore could not be availed due to non- submission of the claims for the remaining installments before expiry of the due date and non-submission of utilisation certificates. Resultantly, all the watershed projects remained incomplete with untreated area of 6595 hectares and the intended economic development of the project areas remained unachieved.

The State Government stated (December 2010) that in many cases of the projects sanctioned upto 2002-03 (called pre-Hariyali projects) are

¹⁹ (1) 6th batch : 5 projects (Nuagaon, Patarbhaga, Lambodarapur, Gunadei and Khuntajhari) with treatable area of 2500 hectares at ₹ 1.50 crore, (2) 7th batch : 9 projects (Gaudakateni, Nadiali, Padmanavpur, Tentulipatana, Besalia, Kandabindha, Podapada, Kaunriapal, Nagiapasi) with treatable area of 4500 hectares at ₹ 2.70 crore and (3) 8th batch : 6 projects (Sogarpasi, Manipur, Regeda, gundurapasi, Haladiabahal and Beraba) with treatable area of 2850 hectares at ₹ 1.71 crore.

²⁰ (i) 6th batch : ₹ 50.20 lakh [First installment (March 2001): ₹16.87 lakh, Second installment (July 2003): ₹ 16.65 lakh and Third installment (September 2004): ₹ 16.68 lakh], (ii) 7th batch : ₹ 63.41 lakh [First installment (October 2001): ₹ 30.38 lakh and Second installment (February 2005): ₹ 33.03 lakh], (iii) 8th batch : ₹ 40.41 lakh [First installment (June 2002): ₹ 20.25 lakh and Second installment (November 2005): ₹ 19.89 lakh].

implemented beyond stipulated five year period depending on the capacity of watershed committees. He added that the proposal for release of 4th and 5th installments of the projects sanctioned under 6th batch were sent to GoI which was being considered and the 15 projects under 7th and 8th batches were foreclosed after receipt of second installment due to which the Central share amounting to ₹ 2.27 crore was not released by GoI. Besides, he stated that the untreated area under these closed projects could be taken up for sanction under the newly introduced 'Integrated Watershed Management Programme (IWMP) which has higher cost norm and project duration of 4-7 years. The untreated areas to benefit under the newly introduced IWMP must relate to projects started in 2003-04 or later whereas the projects discussed in audit relate to prior period.

Dedicated efforts in monitoring the implementation at different levels and timely submission of claims for the remaining installments regarding utilisation could have prevented foreclosure of the projects and forfeiture of the GoI assistance.

WATER RESOURCES DEPARTMENT

3.4.4 Undue benefit to a corporation

Undue benefit of ₹ 2.68 crore was extended to a corporation due to non-deletion of overhead charges on materials, machinery and other components in-built in the item rates.

As per Para 3.4.2 of Orissa Public Works Department Code estimates for execution of works should be prepared adopting State Schedule of Rates (SoR). Government prescribed one SoR under Works Department (WD) providing item rates fixed by the Rate Board for adherence by all engineering departments. The SoR included overhead charges of 12.5 *per cent* only on the labour component of the item rates.

The Water Resources (WR) Department formulated (September 1990) a procedure for execution of allotted works through Orissa Construction Corporation (OCC) which stipulated that the 12.5 *per cent* overhead charges provided in the estimates on the labour component should not be taken into account while scrutinising the rates before the award of the work to them and instead, OCC shall be paid 15 *per cent* overhead charges on the value of actual work done. The WR Department subsequently adopted their own SoR from 1 April 1994 (revised in 1998) providing overhead charges of 15 *per cent* on all the components of the work i.e. labour, materials, machinery and sundries/T&P and further 10 *per cent* towards hidden labour cost. Government revised (June 2002) the procedure for execution of allotted works through OCC wherein they specified deletion of the 15 *per cent* overhead charges from the estimates on labour component against 12.5 *per cent* mentioned in the earlier accounting procedure of September 1990, however allowing such overhead charges on the other components viz; materials and machinery etc. which were not deleted leaving scope for undue benefit to OCC.

The work of construction of earth dam and balance of the works of spillway of Manjore Irrigation Project were allotted (March 2006/June 2006) to OCC at a cost of ₹ 18.63 crore for completion by June 2007/September 2007 with the provision for payment of 15 *per cent* overhead charges on the value of work done. The works were under execution with payment of ₹ 21.83 crore (including overhead charges) as of January 2010.

Test check of the records of Manjore Irrigation Division disclosed (February 2008) that the estimated value of the works which were allotted to OCC and included 15 *per cent* overhead charges on the labour, materials, machinery and sundries/T&P component was ₹ 18.77 crore. While allotting the works to OCC, the Executive Engineer (EE) excluded 15 *per cent* overhead charges pertaining to the labour component, leaving out the in-built 15 *per cent* overheads in respect of materials, machinery and other components in the item rates.

Thus, non-deletion of the 15 *per cent* overhead charges on account of the material, machinery and other components from the estimates despite provision for payment of overhead charges at 15 *per cent* on the overall value of work done, led to undue benefit of ₹ 2.68 crore to OCC.

The Government stated (April 2009) that overhead charges on the labour component were excluded as per the Government circular and hence there was no undue benefit to OCC. This was factually not correct since OCC was allowed overhead charges twice on the materials and machinery components initially through the estimate and again on the value of the work done. The accounting procedure issued in 2002 for allotment of works to OCC thus needs immediate revision to avoid overpayments.

WORKS DEPARTMENT

3.4.5 Undue benefit to contractors

Adoption of different schedule of rates for a particular work resulted in undue benefit of ₹ 2.17 crore to the contractors.
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Government of India in principle accorded approval in 2008 for improvement to Vijayawada Ranchi corridor involving 1219 km along 12 districts in Orissa. For execution of the portion from 128 to 162.5 km (Berhampur-Phulbani portion-SH-7), the Executive Engineer (EE), Phulbani (R&B) Division submitted (April 2008) estimates split-up into four parts viz: 128 to 134 km for ₹10.99 crore, 134 to 145 km for ₹ 22.25 crore, 145 to 157 km for ₹ 22.06 crore and 157 to 162.5 km for ₹ 9.73 crore to the Chief Engineer (CE) for technical sanction. The estimates were prepared adopting the prevailing Schedule of Rates (SoR) of 2007, which was effective till 7 August 2008. The Planning and Co-ordination department of the State Government accorded (September 2008) permission to go-ahead with the works and provided budget allotment of ₹ 300 crore (Central Road Fund: ₹ 100 crore, Special Grant from Planning Commission: ₹ 100 crore and State Plan: ₹ 100 crore).

Test check of the records of EE revealed (March 2010) that the CE sanctioned (August 2008) the estimates for the first two reaches from 128 to 145 km and

invited (7 November 2008) *percentage* rate tenders, leaving the other two estimates unapproved without justified reasons. After 21 days, the CE revised (28 November 2008) the pending two estimates (145 to 162.5km) from ₹ 31.79 crore to ₹ 35.65 crore adopting the new SoR 2008 and invited *percentage* rate tenders on the same day. The Tender Committee discussed the tenders for all the four reaches in their meetings held in February 2009 and recommended for acceptance of the lowest bids without considering the impact of adoption of SoR 2008 for the latter two reaches. The tenders were approved by the Government and the works awarded (February/June 2009) to two contractors at 9.7 and 9.9 *per cent* excess over the sanctioned costs. The works were under execution (December 2010).

Thus, adoption of SoR 2008 for the latter two reaches of the work by delaying technical sanction resulted in undue benefit of ₹ 2.17 crore to the contractors, specially since the tenders were awarded on *percentage* rate basis over the estimated costs.

The Government stated (July 2010) that the works on the reaches from RD 128/0 to 134/0 km and RD 134/0 to 145/0 km were to be executed out of special grant from the Planning Commission and the remaining two reaches were to be executed under State Plan. The estimates for the first two reaches were submitted for technical approval by the Chief Engineer in August 2008 while the estimates for the other two reaches were submitted to the CE later in November 2008, and so the sanctions were on different dates and on the prevailing SoRs. Further, the intending bidders quoted their rates considering the prevailing market rates, accessibility of site, locality etc. and so no undue benefit was allowed to any contractor.

The reply is not correct since the detailed estimates based on SoR 2007 in respect of all the four reaches were submitted to the CE on 5 August 2009. Since the CE accorded technical approval for the first two reaches (August 2008) leaving out the other two estimates, the revised estimates based on SoR 2008 in respect of the latter two reaches were submitted in November 2008. Further, as the tenders for all the adjoining reaches were considered and awarded on *percentage* basis in the same month, award of the work of the latter two reaches on the estimates based on SoR 2008, as against the first two reaches estimated as per SoR 2007 led to undue benefit to the contractor to the extent of ₹ 2.17 crore which could have been avoided.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4.6 Idle expenditure on procurement of laboratory equipment

Despite receipt of sophisticated laboratory equipment costing ₹ 58.94 lakh, the Government failed to renovate old and obsolete SPHL and the testing of food and water samples as contemplated did not materialise.

The State Public Health Laboratory, Bhubaneswar (SPHL) received (2003-06) four²¹ items of equipment costing ₹ 58.94 lakh from the

²¹ (a) Perkin Ellmer Atomic Absorption Spectrophotometer (February.2003) ₹ 17.65 lakh, (b) GLC model -2010 (August 2005) ₹5.48 lakh, (c) Digital High Performance Lipid Chromatograph (HPLC) system (February 2006) ₹ 35.81 lakh and (d) UV-VIS Spectrophotometer (May 2005)-Cost not known.

Government of India (GoI) under the World Bank assisted 'Capacity Building Project on Food and Drugs' to strengthen the existing State laboratory. These were sophisticated equipment meant for testing of food and drinking water samples to ensure food safety and standards in human consumption. GoI conditions stipulated (January 2003) that the State Health authorities and Public Analyst²² prior to supply of equipment should ensure suitable space with provisions of power supply points and air conditioning facilities for installation of equipment and identify technical persons competent to handle and operate the equipment.

Scrutiny (April 2009) of the records of the Deputy Director-cum-Public Analyst, SPHL, Bhubaneswar revealed that the Department failed to provide air conditioned rooms and other infrastructure for the equipment which could not be made operational even after four to seven years of their receipt. However, subsequent information collected (June 2010) revealed that after completion of required air conditioned rooms with power supply points the equipment were re-installed but could not be made operational due to technical defects developed over prolonged period of storage. Warranty period of equipment being over, the supplier of the equipment furnished estimates of ₹ 0.34 lakh for installation and ₹ 3.62 lakh to make UV-VIS spectrometer and the HPLC operational by rectifying the defects. The Public Analyst stated (June 2010) that even after repair of the machines, the same could not be made operational due to 10 vacancies in technical staff²³ (50 per cent) which were yet to be filled up. Thus, inaction resulted in idling of equipment worth ₹ 58.94 lakh, besides, the objective of testing of food samples remaining unachieved.

The matter was brought (June 2010) to the notice of the Government; reply has not been received (December 2010).

HOME DEPARTMENT

3.4.7 Unfruitful expenditure on construction of a building in jail premises

Additional ward in Special Jail, Rourkela costing ₹ 90 lakh remained unused due to inaction.

Mention was made in Comptroller and Auditor General's Report (paragraph 3.2.7.2) on Government of Orissa for the year ended 31 March 2007 regarding non-utilisation of additional space created for different jails in the State including Special jail, Rourkela. Further examination of the progress of the utilisation of the building constructed in Special jail, Rourkela revealed that the additional building (ward) constructed at a cost of ₹ 90 lakh to accommodate 300 prisoners was still lying unused (December 2010)

Scrutiny of records in audit (May/June 2009) of the Superintendent, Special jail Rourkela revealed that, since completion (October 2006) of the building, the

²² Public Analyst is the head of the State Public Health Laboratory responsible for analysing food samples

²³ (i) Deputy Public Analyst : One, (ii) Analytical Chemists : 2, (iii) Assistant Analytical Chemist : 5 (iv) Junior Laboratory Assistant : 2

same was lying idle and the inmates were not transferred to the newly constructed unit though the existing jail was housing 591 (2008) and 612 (2009) inmates on an average against the jail's capacity to accommodate 310 prisoners. On being pointed out (5 March 2010) in Audit, the Government replied (April 2010) that the additional ward was occupied by the prisoners from 14 March 2010.

Further scrutiny (June 2010) of records of the jail revealed that 134 prisoners were actually shifted during 30 March to 2 April 2010. It was also noticed that one Observation Home-cum-Special Home under Women and Child Development (W&CD) Department was functioning near the additional ward having a common passage from the Special Jail for both these buildings and the Special Home had been housing about 100 juveniles under Juvenile Justice (Care and Protection of Children) Act, 2000 despite possessing (February 1991) a building of its own elsewhere in the township. As such, apprehending threat to the juveniles from the adult prisoners after their shifting to the additional building, the District Magistrate, Sundargarh by an order (28 April 2010) sealed the passage and thereby the entry of adult prisoners to additional building was stopped. So, the inmates who were transferred to the said building were withdrawn and again put in the existing Special Jail on 28 April 2010. Though the matter was under correspondence for about nine years for shifting the Special Home from the jail complex to its own building, the Government failed to take a decision on the issue. Thus, neither the Special Home was shifted nor the building constructed at an expenditure of ₹ 90 lakh was put to use for more than three years after completion, defeating the objective of the Government to reduce overcrowding in the existing jail.

While admitting the facts Government stated (September 2010) that due to circumstantial constraints, the building remained unused and a proposal (August 2010) of the District Collector for use of the building with alternate arrangement was under examination of the Department. The fact remains that despite overcrowding in the Jail, additional ward constructed at a cost of ₹ 90 lakh in Special Jail, Rourkela remained unused for long.

3.5 General

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 and their field offices 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 upto March 2010 pertaining to 3926 offices of 35 departments showed that 38681 paragraphs relating to 12324 IRs were outstanding at the end of June 2010. Of these, 3783 IRs containing 9844 paragraphs had not been settled for more than 10 years (*Appendix 3.1*). Even first reply from the Heads of Offices which was to be furnished within one month was not received in respect of 2044 IRs issued upto March 2010. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix 3.2*. For speedy settlement of outstanding IRs and paragraphs, 51 Triangular Committee (TC) meetings consisting of the representatives of the Administrative departments, office of the Principal Accountant General (Civil Audit) and the respective Financial Advisors and were held during 2009-10 at different district headquarters in which a total of 214 IRs and 963 paragraphs relating to 320 offices of seven departments were settled (*Appendix 3.3*).

However, various serious irregularities commented upon in these IRs had not been settled as of June 2010 (*Appendix 3.4*) and serious financial irregularities as brought out by audit did not receive proper attention of Government. The same are categorised as under.

Table 3.1 - Category of paragraphs *(Rupees in crore)*

Sl No.	Broad objective heads	Number of paragraphs	Amount
(1)	Non compliance with rules and regulations	647	1225.23
(2)	Audit against propriety/expenditure without justification	284	165.92
(3)	Persistent/pervasive irregularities	2547	2613.11
(4)	Failure of oversight/governance	255	476.47
	Total	3733	4480.73

(Source: Records maintained by the office of the Principal Accountant General (Civil Audit), Orissa and Accountant General (CW&RA), Orissa)

Following course of action is recommended:

(a) Reply may be furnished to audit on the spot or within stipulated period of one month from receipt of Inspection Reports, (b) Audit observations may be discussed in the meeting of officers at district level for taking corrective action and (c) Recovery of advances and outstanding dues brought out by Audit may be effected.

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 (Civil) that are presented to the State Legislature. According to the Finance Department instructions (December 1993), the Administrative Departments are required to furnish the explanatory notes on the transaction paragraphs, reviews/performance audits etc., included

in the Audit Reports within three months of their presentation to the State Legislature.

It was noticed that in respect of Audit Reports from the year 1997-98 to 2008-09 as indicated below (Table-3.2), 18 out of 38 departments, which were commented upon, did not submit explanatory notes on paragraphs and reviews as of October 2010.

Table 3.2 - Position of Paragraphs and reviews (In Number)

Year of Audit Report	Total number of paragraphs including paragraphs on State Finances and Allocative Priorities and Appropriation etc.	Individual paragraphs/reviews/others			Number of performance audits/Reviews and individual transaction audit paragraphs for which explanatory notes were not submitted (October 2010)	
		Individual paragraphs	Reviews/Performance Audits	Others	Individual paragraphs	Reviews
1	2	3	4	5	6	7
1997-98	97	58	6	33	-	2
1998-99	92	58	6	28	1	-
1999-00	83	48	6	29	1	-
2000-01	83	47	7	29	1	1
2001-02	61	29	4	28	2	1
2002-03	59	33	6	20	1	3
2003-04	60	31	6	23	3	2
2004-05	49	21	6	22	-	1
2005-06	61	29	7	25	1	1
2006-07	65	36	6	23	7	4
2007-08	59	29	6	24	12	6
2008-09	66	32	6	28	32	6
Total	835	451	72	312	61	27

(Source: Records maintained by the office of the Principal Accountant General (Civil Audit), Orissa and Accountant General (CW&RA), Orissa)

The 61 individual transaction audit paragraphs on which compliance has not been submitted to the Orissa Legislative Assembly can be categorised under (i) non-compliance with rules and regulations (20), (ii) audit against propriety/expenditure without justification (21), (iii) persistent/pervasive irregularities (6) and failure of oversight and governance (14). The department-wise analysis as in the *Appendix-3.5* shows that the departments largely responsible for non-submission of explanatory notes were Water Resources, Health and Family Welfare, Rural Development, Works, Forest & Environment, Panchayati Raj followed by Fisheries & Animal Resources, School & Mass Education etc.

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

The Public Accounts Committee 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 Government Departments in the form of Action Taken Notes (ATNs). The Orissa Legislative Assembly (OLA) Secretariat issued

(May 1966) instructions to all Departments of the State Government to submit Action Taken Notes (ATNs) on 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 instructions 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 from six to four months by OLA (April 2005)²⁴.

However, out of 1353 recommendations (*Appendix-3.6*) relating to Audit Report (Civil) made by the PAC from the first Report of 10th Assembly (1990-95) to 40th Report of 13th Assembly (2004-09) final action on 205 recommendations were awaited (October 2010). The Departments largely responsible for non-submission of ATNS were Water Resources, Health & Family Welfare, Rural Development, Law, General Administration followed by Forest & Environment and Agriculture.

3.5.2.2 *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 (DMCs) have been formed (between May 2000 and February 2002) in all the departments of the Government headed by the Departmental Secretary to monitor the follow up action on Audit Reports, PAC recommendations and Inspection Reports 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 22 departments²⁵ for the year 2009-10.

Review Committee

A Review Committee has been formed (December 1992) comprising Principal Secretary, Finance Department, Principal Accountant General (Civil Audit), Accountant General (Commercial, Works & Receipt Audit) and Secretary to Government of concerned departments to review the progress as well as the adequacy of action taken on the Reports of Comptroller and Auditor General of India (C&AG) and recommendations of Public Accounts Committee (PAC) in order to facilitate the examination of such Reports/Recommendations by the State Public Accounts Committee.

The last Review Committee meeting chaired by the Chief Secretary was convened on 6 January 2009. It was decided in the meeting that all the Administrative Departments should reconcile the position of pendency position with the Accountants General, Orissa on the Action Taken Notes,

²⁴ Rule 213-B(1) of Rules of procedure and Conduct of Business in the Orissa Legislative Assembly

²⁵ **Name of the Departments :** Energy, Fisheries and Animal Resources Development, Forest and Environment, Health and Family Welfare, Higher Education, Information and Public relation, Industries, Information Technology, Law, Parliamentary Affairs, Planning and Coordination, Public Enterprises, Sports and Youth Services, SC and ST Development, Revenue and Disaster Management, Rural Development, Science and Technology, Transport and Commerce, Tourism and Culture, Water Resources, Works, Women and Child Development.

compliance to paragraphs of C&AG's Reports and list of excess expenditure pending for regularisation for different years and take follow up action within the prescribed time frame by holding Departmental Monitoring Committee Meetings.

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 Secretary of five other departments (Water Resources, Home, Panchayati Raj, Agriculture and Revenue as members and Additional Secretary, Finance (Audit & Accounts) as member convener. 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 to Public Accounts Committee, (ii) review periodically the Action Taken on C&AG's Reports by the department of the Government and (iii) sort-out bottlenecks for prompt action to be taken by all the departments of the Government on audit observations. The committee would sit half-yearly. The committee in its meeting (March 2010) where all Departmental Secretaries were present reviewed the position of holding of DMC meetings during 2009-10 which fell short of the target as many of the Departments did not convene the same at all despite pendency of compliance to paragraphs of C&AG's Audit Reports, Inspection Reports and ATNs on PAC Reports. Following decisions were taken in the meeting:

- All the departments to hold Departmental Monitoring Committee meetings once in every month;
- ATNs on recommendations of PAC relating to 10th and 11th Assembly should be attended to avoid adverse remarks of Hon'ble PAC;
- Compliance to outstanding paragraphs of C&AG's Reports should be furnished by end of April 2010;
- All the departments to attend to the draft paragraphs immediately on receipt of the same from the Accountants General;
- Compliance to paragraphs in the Inspection Reports of the Accountants General is to be attended promptly and triangular committee meetings should be held regularly to settle outstanding Inspection Reports/ paragraphs.

Despite such instructions, compliance to paragraphs of C&AG's Reports relating to earlier years and ATNs on PAC recommendations (10th and 11th Assembly) were pending with the departments as indicated in the ***Appendices 3.5 and 3.6*** (December 2010) respectively. Besides, replies to 11 out of 29 paragraphs (including performance audits, sub paragraphs etc.) relating to this Report referred to different departments of Government between January-October 2010 were not received as of December 2010.