

Chapter 2

Performance Audits

This chapter contains the findings of performance audits on Acquisition and allotment of land (2.1), Scheme for Modernisation of Police Force in the State (2.2), Jawaharlal Nehru National Urban Renewal Mission (JNNURM) (2.3) and Construction of major Roads and Bridges (2.4).

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

2.1 Acquisition and allotment of land

Executive Summary

Performance audit of 'Land Acquisition and Management' covering six districts of the State was reported in Audit Report (Civil) for the year ending 31 March 2010. However, as many other issues such as whether the acquisition served any public purpose as defined in the Land Acquisition (LA) Act 1894, invoking of emergency provisions, adequacy of monitoring mechanism, timely payment of compensation, fairness and transparency in acquisition and allotment of land etc. were not covered, so we conducted performance audit of 'Acquisition and allotment of land' covering these issues during March to September 2011 in another six districts of the State.

The performance audit revealed that area under cultivation in the State reduced by 1.17 lakh hectares during 2005-10 while land put to non-agricultural use increased by 2.99 lakh hectares in the State during the same period. The Revenue and Disaster Management Department allotted 50276.887 acres of land including 33355.127 acres (66.34 per cent) of acquired private land to 107 promoters / companies for setting up of industries in 16 districts.

Despite declaration in State's Industrial Policy Resolutions (IPRs) of 2001 and 2007 for creating a land bank and framing a land policy, same were not formulated and even no land use plan was prepared for the State (November 2011). Comprehensive and centralised data on acquisition and allotment of land was not maintained by the Department at State level. Scale for assessing the requirement of land for different industries of different capacity was not prescribed (November 2011).

Our scrutiny in six districts in respect of promoters / companies / PPP leaves enough doubt regarding fulfilment of the "public purpose" as defined in the LA Act, in case of acquisition for all these promoters. The Department misused the emergency provision under section 17(4) in many instances depriving the likely land-losers of the opportunity to be heard.

Right to property under the meaning of Article 300 A of the Constitution of India was restricted in 18 villages of Kalahandi district since 2004 due to imposition of ban by the Collector on sale of land on the ground of expected expansion of an industry.

There were delays in finalising land acquisition proceedings and payment of compensation to the land-losers. Compensation towards cost of standing trees was not paid for years. In four LA cases, the compensation awards were not finalised within the statutory period of two years from the date of publication of declaration and land acquisition proceedings lapsed.

Fixing of market value of land on lower side by LAOs/Special LAOs tended to help the land buyers, most often industries, at the cost of land-losers, largely farmers. Under assessment of compensation by ₹224.29 crore was noticed in 35 LA cases for acquisition of 4003.481 acres of land for 10 entrepreneurs / industries and IDCO due to erroneous fixation of market value of land. The LAOs/Special LAOs ignored highest sales statistics close to the date of publication of notice in many instances. There was under-assessment of additional compensation by ₹9.76 crore in 18 LA cases in test checked districts.

In seven instances, though advance possession of 1105.98 acres of land valuing ₹7.89 crore was given 10 to 45 years ago to three central Government establishments, yet lease cases applied had not been finalised leading to extension of undue benefit to such possessors besides non-realisation of Government dues. No time limit was prescribed for finalisation of lease cases.

We also noticed that 1141.98 acres of Government land (approximate present market value: ₹567.31 crore) and 4151.24 acres of acquired private land (approximate present market value: ₹2064.67 crore) remained unutilised by the entrepreneurs after expiry of prescribed period and no action was taken to resume the land to the Government or returning the same to the original land-losers, very often farmers. Utilisation of allotted land for unintended purposes was also noticed.

Action for prevention of encroachment by Tahasildars was poor and deficient resulting in 1.51 lakh acres of Government land remaining under encroachment as of November 2011.

2.1.1 Introduction

Odisha has a geographical area of 155.71 lakh hectares of which 37.33 per cent (58.13 lakh hectares) are reserve forest⁴. Economic Survey 2010-11 revealed that while the area under forest has remained constant, area under cultivation has decreased from 58.45 lakh hectares in 2001-02 to 56.91 lakh hectares in 2005-06 and to 55.74 lakh hectares in 2009-10. At the same time, land under non-agricultural use increased by 29.93 per cent from 9.99 lakh hectares in 2005-06 to 12.98 lakh hectares in 2009-10, which is an average

⁴ Source: Economic Survey, Odisha 2010-11

increase of 5.99 *per cent* over the five year period. Besides, as per the statistics, area of barren and un-agriculturable land, cultivable waste land and other fallow land in the State have largely remained constant during this period indicating that agricultural land were largely diverted for non-agricultural purposes.

Article 300A of the Constitution of India envisages that no citizen can be deprived of his property except by the authority of law. Where the Government requires land, the LA Act 1894⁵, as amended from time to time, empowers the State Government to acquire land to the appropriate extent, if it is for 'public purpose'. The LA Act, however, outlines some conditions that are to be fulfilled before such acquisition, as well as procedures to be adopted in the process of acquisition which involves notifying potential land losers of Government's intent to acquire their land, consideration of any objection raised by them, determination of compensation, award, disbursement of compensation to the affected land owners and taking over possession. Apart from this, in certain emergent situations (outlined by Government vide instructions of 1985), the Government under Section 17(4) of the LA Act is also empowered to acquire land for public purpose without giving the land owners an opportunity to raise objections, if any, over the proposed acquisition of their land and advance possession of land is taken even before the compensation payable to the land losers is determined.

In Odisha, the Revenue and Disaster Management Department is the nodal department for acquisition and allotment of land for different purposes including for setting up of industries. During 1995-2011, it allotted 50276.887 acres of land including 33355.127 acres (66.34 *per cent*) of acquired private land to 107 promoters / companies for setting up of industries in 16 districts. This included 34241.02 acres of land allotted to 53 promoters who signed Memorandum of Understanding (MOU) with the State Government for establishing different medium and large/ heavy industries in the State (*Appendix-2.1.1*).

2.1.1.1 Why we selected the topic?

Land is not only a factor for industrial production, but also for agricultural production on which the food security of the country rests. Optimum utilisation of this resource is a matter of utmost significance. Considering this and the public unrest in two districts⁶ over deprivation of property rights and alleged payment of low compensation to land-losers that made land acquisition in these two districts a contentious issue and impacted in disturbed law and order situation, we had conducted performance audit of 'Land acquisition and management' during 2010-11 covering the period 2005-10 in six districts and our findings featured in the Audit Report (Civil) for the year ended 31 March 2010. Continuing public debate over similar land acquisitions in other districts prompted us to conduct such performance audit in another six districts.

⁵ a Central Act

⁶ Puri and Jagatsinghpur

2.1.1.2 Organizational structure

Revenue and Disaster Management (RDM) Department headed by the Commissioner-cum-Secretary is vested with the powers to issue notifications under various provisions of LA Act for acquisition of private land and allotment of Government as well as acquired land. He is assisted by three Revenue Divisional Commissioners (Berhampur, Cuttack and Sambalpur). At the District level, the District Collector assisted by Land Acquisition Officers (LAOs) and Tahasildars is responsible for administration of land acquisition cases as well as for allotment of Government land. In case of acquisition of land, the LAOs are responsible for assessment of market value of land and amount of compensation payable as per rule and its realisation from the requisitioning authorities with the approval of the Commissioner-cum-Secretary of the Department. LAOs are also required to ensure timely payment of compensation to the land-losers. As per the Industrial Policy Resolutions (IPRs) of the State, Odisha Industrial Infrastructure Development Corporation (IDCO) has been acting as an agency, in respect of private promoters desirous of establishing industries in the State, for collection of land premium and compensation money from them, depositing the same with the LAOs/Special LAOs, taking over possession of land after acquisition and leasing out / handing over the same to promoters.

In case of allotment of Government land, Collector, Revenue Divisional Commissioner (RDC), Member, Board of Revenue and the RDM Department can sanction lease of such land within prescribed limits⁷ (*Appendix-2.1.2*). Tahasildars concerned are responsible for assessment and collection of lease premium and other charges realisable from the allottees. It is the prime responsibility of the Tahasildar to guard against encroachment of Government land and to bring any case of encroachment to the immediate notice of the Collector, who is required to take prompt action for removal of such encroachments.

2.1.1.3 Audit objectives

The audit objectives were to determine that:

- land policy, land-use plan and scale for allotment of land was formulated as envisaged in the IPRs;
- all acquisitions were need based, for a pre-defined public purpose;
- compensation dues / land premium were assessed correctly and paid in time;
- proper procedures for acquisition as well as allotment of Government land were prescribed and followed in a transparent, fair and equitable manner;
- land acquired/ allotted was utilised for the specified purpose.

⁷ Schedule II of Rule 2 of OGLS Rules 1983

2.1.1.4 Audit Criteria

The criteria were drawn from the following documents:

<i>Activity</i>	<i>Acts and Rules etc.</i>
Acquisition of private land	(i) Land Acquisition Act 1894, (ii) Land Acquisition (Amendment) Act 1984, (iii) Executive instructions and circulars issued by the State Government and judicial pronouncements.
Allotment of Government land	(iv) Odisha Government Land Settlement Act 1962, (v) Odisha Government Land Settlement Rules 1983, (vi) Instructions/orders issued by the State Government.
Prevention of encroachment of Government land	(vii) Odisha Prevention of Land Encroachment Act 1972, (viii) Odisha Prevention of Land Encroachment Rules 1985.

2.1.1.5 Scope and methodology of Audit

We checked 208 LA cases pertaining to 14 promoters and IDCO in six⁸ selected districts and 38 files in the RDM Department pertaining to eight out of the above 14 promoters (user agencies) and covered six out of 30 Collectorates of the State and the concerned Land Acquisition Offices, six Special Land Acquisition Offices and 11 Tahasil Offices of six selected districts for the period 2006-11 during March to September 2011. Out of 50276.887 acres of land allotted to 107 promoters of industries throughout the State during 1995-2011 for setting up various industries, 34241.02 acres⁹ of land were allotted to 53 MOU¹⁰ based industries. An additional 16035.867¹¹ acres of land were allotted to 54 non-MOU based industries. Of these, acquisitions and allotments of land in respect of 10¹² MoU based and two¹³ non MoU based industries in the test checked districts was examined by us. We also covered acquisition of land for and allotment of land to Dhamara Port Company Limited, a Public Private Partnership (PPP) Project and Anil Agrawal Foundation for proposed Vedanta University. We also cross checked records of concerned Sub-Registrars to ascertain the value of land and conducted joint physical inspections in the test checked districts for verifying specified utilisation of the allotted land. Photographs were taken, wherever necessary.

⁸ Bhadrak, Ganjam, Jagatsingpur, Kalahandi, Puri and Sambalpur

⁹ 24158.42 acres acquired private land and 10082.60 acres of Government land

¹⁰ Memorandum of Understanding

¹¹ 9196.708 acres acquired private land and 6839.159 acres of Government land

¹² Shyam DRI Power Limited, Aryan Ispat and Power Limited, Rathi Steel and Power Limited, Viraj Steel and Energy Limited, ESSAR Steel Odisha Limited, POSCO India (Private) Limited, Bhushan Power and Steel Limited, Aditya Aluminium Limited, Vedanta Aluminium Limited and TISCO

¹³ IFFCO and Deepak Fertilisers & Petro Chemicals Corporation Limited

2.1.1.6 Entry and exit Conference

Entry conference was held with the Commissioner-cum-Secretary, RDM Department on 30 March 2011 wherein the objectives, scope, criteria and methodology of audit were discussed. Exit conference was conducted on 23 November 2011 and the response of the Government along with replies of the concerned Collectors, wherever received, are incorporated at appropriate places.

Audit findings

Land is a finite and scarce resource and the State has to act as a regulator in respect of land related activities. It has to balance the requirement of land for various purposes such as development of infrastructure for industries, communication, educational, cultural, social and other activities, while, at the same time, not ignoring the overarching need for ensuring food security for the citizens, maintaining sustainability of the environment and providing land to those who need it for their sustenance and livelihood. This report has been significantly informed by these issues.

Our findings are discussed in succeeding paragraphs.

2.1.2 Policy and planning

2.1.2.1 Land policy and land-use plan not formulated

Land policy and land-use plan had not been formulated by the State Government despite commitment in IPR 2007 and land bank was not set up

In the Industrial Policy Resolution (IPR) 2001, the State Government had committed itself to launching a 'Land Bank' scheme¹⁴ through IDCO by earmarking Government land and acquiring private land for setting up industries. Further, in IPR 2007, the Government had also committed itself to formulating a 'Land Policy' to address all issues concerning identification, acquisition and allotment of land for industrial and allied purposes, including creation of associated social infrastructure. However, neither was the 'Land Bank' scheme implemented nor any 'Land Policy' framed by the State Government, as of November 2011. Besides, the Government had not even prepared any land-use plan for planned development of the State accommodating therein concerns relative to both industrial and agricultural development of the State.

The Department while admitting the fact (November 2011) stated that the land use plan was not prepared as no guideline for preparation of the same had been prescribed by the State Government.

¹⁴ Para 18.1 and 18.2 of IPR 2001: Government land earmarked for industry under the 'Land Bank scheme' and other Government land wherever available would be allotted for industrial purposes. IDCO would be the competent authority in the matter of allotment of land for industrial and infrastructure projects in respect of land transferred to it under the land bank scheme.

Comprehensive and centralised data on acquisition and allotment of land was not maintained by the Department at State level

2.1.2.2 Non-availability of comprehensive data on land acquisition

We further noticed that the RDM Department did not have any consolidated data on land owned and leased or allotted by it, though most individuals and institutions, active in private and public sector, ordinarily maintain data about their land holdings. In consequence, neither utilisation of existing land resources nor the justification of acquiring additional private land, could be conclusively established at an apex level in the Department. Though the RDM Department was approving all cases of land acquisition, a comprehensive and centralised database on private land acquired, the nature of use of such land - agricultural or non-agricultural, compensation paid, private land handed over to promoters / requisitioning officers, the rate charged from the promoters for such acquired land, Government land allotted / leased to various institutions / promoters of industries and the lease premium charged by Government / IDCO / Collector was not maintained at that level. At the district level, though data on acquisition of land was available, yet it was not publicly available to enhance transparency in the acquisition process.

In the absence of such data, we were unable to assess, if acquisition of private land was at all necessary, assuming that adequate Government land was not available at a particular location. In our opinion, management of such scarce natural resource in an unplanned manner poses un-acceptable levels of risk considering that most of the private lands acquired were being used for agricultural purposes.

The Department stated (November 2011) that such database was not maintained due to shortage of staff.

2.1.2.3 Scale of land required for different categories, and sizes of industries not formalised by Government and inconsistent application of the existing non-formalised scales/norms

The Government acquires land for allotment to different promoters for setting up of steel plants and other industries based on an evaluation / assessment of their requirements projected in the MOUs signed by them with Government. Land is a scarce natural resource and while availability of land has a limit, not the demand. In the State, IPICOL¹⁵ is the State Level Nodal Agency (SLNA) under Odisha Industries (Facilitation) Act 2004 and is engaged in assessing the requirement of land for industrial purposes and liaisoning with other departments to ensure its availability. In this context IPICOL had engaged (October 2005) a consultant, MN Dastur and Company (Private) Limited (MND), for preparing norms and guidelines for allocation of land and water for steel projects of different capacities ranging from one million ton *per annum* (MTPA) to six MTPA. The consultant recommended different scales¹⁶ for steel projects of different capacities and the same was approved (August

¹⁵ Industrial Promotion and Investment Corporation of Odisha Limited, a State owned public sector unit

¹⁶ 1 MTPA: 550 to 625 acres; 2 MTPA: 975 to 1125 acres; 3 MPTA: 1575 to 1675 acres; 5 MPTA: 2250 to 2375 acree and 6 MPTA: 2800 to 3675 acres

2007) by the State Level Single Window Clearance Authority¹⁷ (SLSWCA) under intimation to Government in RDM and Industries Departments. However, the same was yet to be accepted and raised to a normative level by the State Government as of November 2011.

We ascertained from Industries as well as Steel and Mines Department that during the period 1995-2011, 208 promoters of industries had applied for 130677.886 acres of land and IPICOL recommended allotment of 120148.092 acres of land in favour of 199 promoters. In case of remaining nine promoters, 9356.144 acres of land were allotted by Collectors/IDCO even though the actual requirements of these promoters were not assessed by IPICOL.

Further, examination of land applied as well as that recommended by IPICOL revealed that:

- Land recommended (34140.102 acre) by IPICOL in respect of 81 out of 199 promoters was at par with that applied for;
- Uniform scales were not applied by IPICOL while assessing the requirement of land and in 17 cases, we observed wide variation in the quantum of land recommended by IPICOL vis-à-vis land applied for and actually allotted, thus indicating absence of a rational correlation amongst the three figures. Such variation were observed even in cases involving same type of industries of identical capacity, as indicated in table below:

Table 2.1.1: Different quantity of land assessed for industries of same capacity by IPICOL

Capacity (in MTPA)	Number of promoters	Range of land recommended by IPICOL (in acre)
0.25	10	100 acre to 370 acre
0.27	3	150 acre to 378 acre
0.30	4	210 to 350 acre

Promoter wise details are indicated at *Appendix-2.1.3*

- Though IPICOL stated that it is considering the recommendations of the consultant MND as the benchmark while assessing land requirement for industries, yet in respect of three promoters land recommended by IPICOL was 28 to 37 *per cent* more than the scale recommended by the consultant MND for the same or higher capacity steel plant, as indicated in table below:

Table 2.1.2: Land recommended by IPICOL in excess of MND recommended scale

Sl No.	Name of the promoter	Intended capacity (in MTPA)	Scale recommended by MN Dastur (in acre)	Land recommended by IPICOL (in acre)	Excess over maximum recommended scale in acre (<i>per cent</i>)
1	Arati Steels Limited, Athagarh	1	550-625	806	181 (29)

¹⁷ Constituted vide Industries Department notification No.4920 dated 9 March 2005 and headed by the **Chief Secretary** to consider the projects involving investment of ₹ 50 crore or more but less than ₹ 1000 crore

Sl No.	Name of the promoter	Intended capacity (in MTPA)	Scale recommended by MN Dastur (in acre)	Land recommended by IPICOL (in acre)	Excess over maximum recommended scale in acre (per cent)
2	Jindal Stainless Limited, Duburi	1.6	975-1125 (for 2 MTPA)	1540	415 (37)
3	Uttam Galva Steels, Keonjhar	3	1500-1675	2150	475 (28)

(Source: Steel and Mines Department and IPICOL)

In reply, IPICOL stated (January 2012) that land requirement was assessed by it considering largely the recommendations of the consultant MND as the benchmark and other infrastructural facilities envisaged in the report submitted by the applicant. The reply is only a vague rationalisation of irrational recommendations made by IPICOL for allotment of land to various promoters of industry.

2.1.2.4 Setting up of Vedanta University

Anil Agrawal Foundation signed an MOU (19 July 2006) with the Higher Education Department for setting up a proposed University at Puri and applied for 10000 acre of land for the purpose. The Government set up a core Committee headed by the Development Commissioner-cum-Additional Chief Secretary to monitor establishment of the proposed university. Higher Education Department acted as the nodal department. Audit noticed that no norm / scale had been prescribed in the State for assessing the land requirement for any university. Administrative approval for allotment of 7184.37 acre of land was, thus accorded (November 2006) without reference to any standards and without assigning any reason for reduction on lower side. Against this, 3947.85 acre¹⁸ land were actually also allotted to the Foundation up to March 2011. Neither any assessment of land requirement was made nor any justification for allotment of such huge area of land found on record. Acquisition of land for this promoter was however made under Chapter VII of the LA Act, which is meant to facilitate acquisition of land for companies. Meanwhile, the acquisition process faced public unrest and the matter is sub-judice at the level of Honourable Supreme Court (November 2011).

2.1.3 Acquisition of land

The land acquisitions that can be made by Government under the LA Act falls distinctly under two categories, viz., acquisition for public purpose and acquisition for private purpose of a restricted type. The latter covers acquisition of land for companies or businesses deemed to be companies under the LA Act for various purposes, but which are also likely to serve a 'public purpose', as explained in next paragraph.

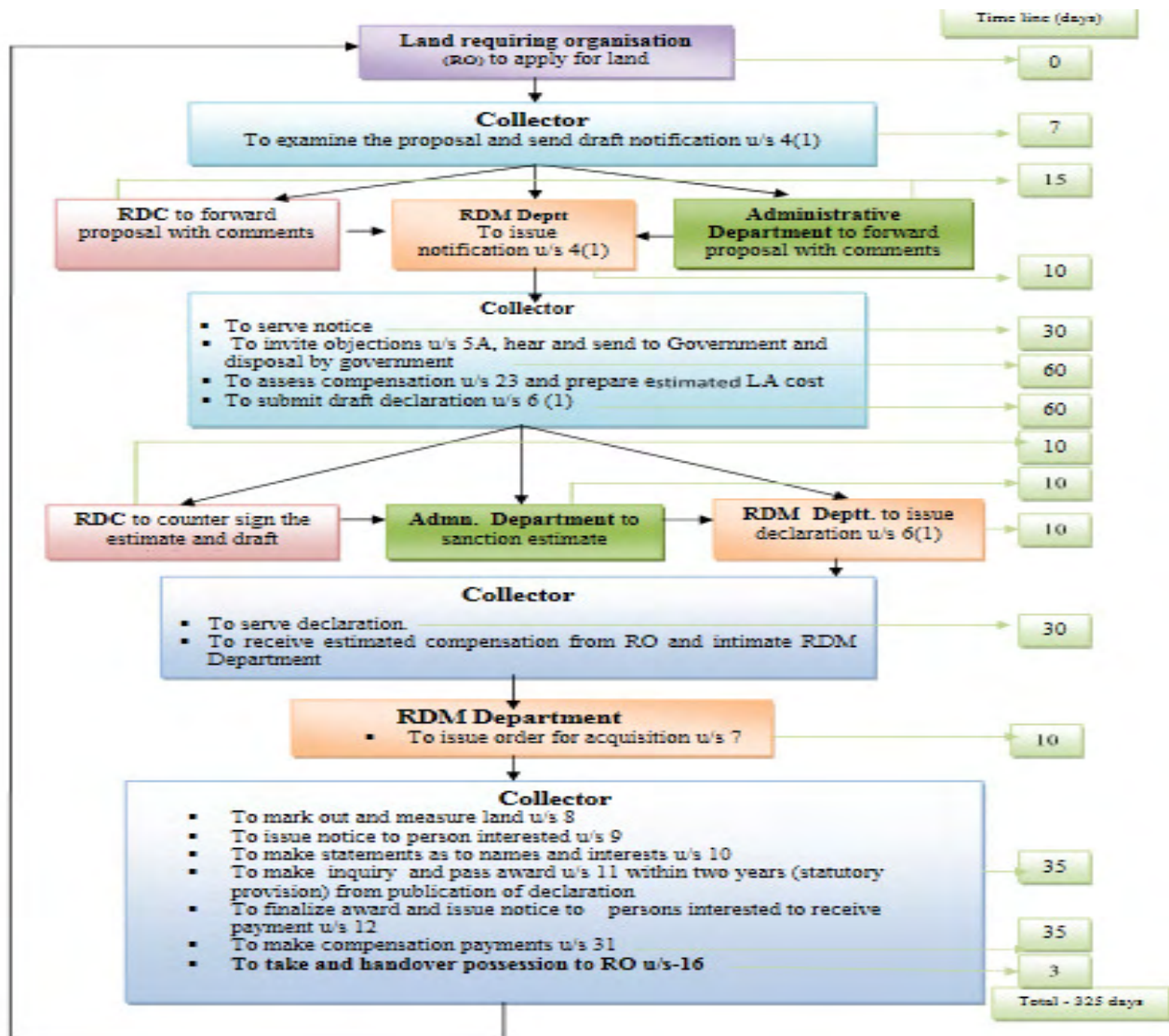
As per various judicial pronouncements¹⁹, the basic concept underlying the expression 'public purpose' was primarily and predominantly something that implies general interest of the community, which often involves an element of public utility aimed to ensure social welfare and public good.

¹⁸ Private land: 3438.45 acres, Government land 509.40 acres

¹⁹ (1971) 12 Gujarat LR 1 : AIR 1971 Gujarat 158, ILR (1966) Mysore 1013 : 7 Law Rep. 419 AIR 1968 Mysore 27(130), 2006(1) Land L.R. (Supreme Court) 564, AIR 2003 SC 3140, 2003 (4) AWC 2902 SC, JT 2003 (6) SC 256

The LA Act empowers the Government to acquire land for public purpose under Chapter II and for companies under Chapter VII and stipulates completion of the entire land acquisition process and passing of award within three years²⁰ from the date of issue of notification under Section 4(1), failing which the LA proceeding becomes invalid and lapses. However, the State Government in order to speed up the process of acquisition as also to ensure quicker payment of compensation to land losers, prescribed (July 1959 and February 2000) a time limit of one year from the date of receipt of application for acquisition to the date of handing over of possession. A stage wise block diagram of the acquisition process with prescribed time line for completion of each stage is depicted below.

Chart 1: Land acquisition process and timeline



²⁰ To be reckoned separately as (i) maximum one year between publication of notification under Section 4(1) indicating Government's intent to acquire land to the date of issue of declaration under section 6(1) indicating that the land is required for public purpose or for a company, (ii) maximum two years from the date of publication of declaration under section 6(1) to the date of issue of award of compensation under section 11

2.1.3.1 Acquisition of land for promoter of industries

The 'public purpose', is the crucial test of the desirability and bonafide of Government action in acquiring private land with or without following the normal land acquisition process. Further, under the LA Act, land acquisition for 'public purpose' has been defined at Section 3(f) as provision of land, inter-alia, for planned development in pursuance of any scheme or policy of the Government that may include improvement of existing village site, town, provision of dwelling units to poor or landless or to persons affected by natural calamities, carrying out any educational, housing, health or slum clearance schemes etc. A detailed list of conditions for fulfilment of 'public purpose' is at *Appendix-2.1.4*. Section 6(1) of the LA Act requires publication²¹ of a declaration by the Government about whether the land is required for a public purpose or for company. It, however, does not permit issue of any such declaration unless the cost of compensation is to be (i) paid by the company in case acquisition of land is for private purpose of restricted type referred to in paragraph 2.1.3 above or (ii) paid wholly or partly out of public revenues or some fund controlled or managed by a local authority, in case the acquisition is for a public purpose.

The prescribed criteria for public purpose were not fulfilled in 176 out of 184 test checked LA cases for acquisition of 8484.788 acres of land for private promoters, as the cost of compensation were neither wholly nor partly paid out of public revenue.

We test checked 184 LA cases in six test checked districts to ascertain whether the acquisition of land for promoters of industries had met, the test of 'public purpose'. Our examination of these cases revealed that in 176 LA cases (*Appendix-2.1.5*), 8484.788 acres of private land was acquired²² at ₹ 511.29 crore by the LAOs on the requisitions filed by IDCO on behalf of 12 promoters of industries and one PPP project, wherein notifications issued under Section 4(1) as well as declarations published under Section 6(1) of LA Act had indicated that the acquisitions were being made for 'public purpose' by Government at Government cost. However, on further examination of records of RDM Department and IDCO, such declaration about cost of acquisition of land being borne by the Government was found to be incorrect. Audit examination revealed that the costs of acquisition in all these cases were borne wholly by the promoters of industries and no part of the same was borne by the Government out of public revenue or any fund controlled or managed by a local authority or out of funds of any Corporation owned or controlled by the State. When the entire cost of acquisition was paid by the promoters/companies in these cases, the acquisition had to be made under Chapter VII of the LA Act, which prescribed the procedure for acquisition of land for companies for restricted purpose. Thus, prescribed criteria for public purpose were not fulfilled in all these cases.

In 10 LA cases (involving two industries²³) out of 32 LA cases (involving six promoters) test checked in RDM Department, it was noticed that notification issued under Section 4(1) even mentioned the names of the individual industries. These are indicative of the fact that proposed acquisition of land were being made specifically for private companies and Government was merely facilitating the process to overcome a legal hurdle. Three of these gazette notifications were issued after clearance by the Chief Minister and the

²¹ In official gazette, two daily news papers including one in regional language and notice at convenient places in concerned locality

²² Including under acquisition

²³ Viraj Steel and Energy Limited, POSCO (India) Private Limited

other seven cases were approved at various levels (Under Secretary to Additional Secretary) in the RDM Department.

In reply, the RDM Department stated (November 2011) that IDCO was acquiring land for industrial purposes for companies and promoters as per the provisions of the IDCO Act. Such reply was not tenable as in all such cases entire cost of compensation were paid by private promoters and no part of the same was met out of public revenue as required under Section 6(1). The Department also stated (November 2011) that to fulfill the public purpose clause, IDCO should have acquired the land, paid the compensation money out of its own fund, created a land bank, developed the land and then sold/leased the land to industries, instead of asking the promoters to deposit the compensation cost with the IDCO/LAOs. Action to streamline the process was awaited (November 2011).

2.1.3.2 Mis-use of emergency provisions under Section 17(4) of the LA Act

Emergency provisions of Section 17(4) was misused and were applied arbitrarily even without indicating detailed justification for the same and without fulfillment of prescribed conditions

Under LA Act the Government is empowered to acquire land in case of urgency, invoking provisions prescribed at Section 17 (4), without giving the land losers the opportunity to contest the propriety of acquisition and the opportunity to be heard as per Section 5A of the Act. Such acquisitions are to be made for a specific purpose subject to fulfillment of prescribed conditions²⁴ and the acquisition process is to be completed within six months.

Besides, in various judicial pronouncements²⁵, the Apex Court have held that as Section 5-A of the Act conferred a valuable right to the land-losers to file objections, they cannot be deprived of their land without their consent and so the State is required to apply its mind while deciding to invoke the emergency provisions under Section 17(4) of the LA Act. It has further been held that there can never be denial of the citizens' rights under the specious garb of urgency or necessity. Such pronouncements also required that the procedure laid down in the statute for acquisition of land must be followed to generate the feeling that rule of law prevailed.

Audit examination of 85 LA cases in which provisions of Section 17(4) of LA Act were invoked by the Government revealed that 4967.08 acres of private land valuing ₹ 165 crore (approximate present market value ₹ 901.305 crore) were acquired, between July 2002 to March 2011, for establishment of industries by six promoters as indicated in Table 2.1.3.

²⁴ (i) The 'public purpose' for which lands are acquired shall be time bound and it must be expected to be achieved within a period of **six months** or so from the date of notification under section 4 (1); (ii) The funds available for the public purpose for its construction and to meet the cost of acquisition of land, might get lapsed, if not spent within the prescribed time; (iii) The public purpose must be in the interest of general public in the nature of **public utility service**; (iv) Public purpose must be requiring assistance from Centre or States and from World bank or from any international agency; (v) Any other important reason for which the public purpose could not brook the usual delay involved in acquisition of land in ordinary procedure. **(Section 17(4) of LA Act 1894 read with Executive instructions of September 1985 issued by the Government of Odisha)**

²⁵ Chaman Lal Malhotra and others v. Union of India and others : 2006(2) Land L.R. (Pb. & Hry) 666; Hindustan Petroleum Corporation Limited. v. Darius Shapur Chenai and Ors. : 2006(1) Land L.R. (Supreme Court) 700; Vol. 26 All India Land Laws Reporter (Supp.) 169; 1969(2) Andh. WR 153; Radheshyam v. State of UP Civil appeal No.3261 of 2011.

Table 2.1.3 Details of promoter wise acquisition of land invoking emergency provision

Sl. No	Name of promoter	No of LA cases	Area in acre	LA cost (Rupees in crore)	Approximate present value of land based on highest sales statistics in the locality (Rupees in crore)	Period of delay in utilisation of land excluding six months from the date of notification under Section 4(1) as of March 2011
1	Aditya Aluminium Limited, Sambalpur	10	2021.41	95.84	335.55	5 years two months to 6 years 3 months
2	Bhusan Power and Steel Limited, Sambalpur	4	608.67	16.35	304.335	1 year 8 months to 3 years 5 months
3	Viraj Steel and Energy Limited, Sambalpur	1	2.58	0.10	0.35	2 years 5 months
4	Vedanta Aluminium Limited, Kalahandi	18	826.56	8.10	57.86	1 year 3 months to 1 year 8 months
5	Dhamara Port Company Limited, Bhadrak	45	1070.00	32.77	138.99	3 years 3 months
6	POSCO(India) Limited, Jagatsinghpur	7	437.86	11.85	64.22	5 years 2 months to 5 years 3 months
	Total	85	4967.08	165.01	901.305	

(Source: Records of test checked Tahasildars, LAOs and sub-Registrars of sample districts)

It was noticed that none of the conditions prescribed in executive instructions of September 1985 for invoking the emergency provisions were fulfilled in all these cases. Instead of giving detailed justification for applying such provision, only general remarks like ‘the project is being executed on priority basis’, ‘requirement of land was of emergent in nature’ etc were indicated in the applications by the requisitioning officers. Further, as can be seen from the above table, in all cases, the land was not put to use even after one year three months to six year three months from the date of publication of notification under section 4(1) against the stipulated²⁶ time period of six months.

During joint physical inspection (March 2011) by Audit of the land acquired for Aditya Aluminum Limited, Sambalpur, in the presence of the Tahasildar, Rengali, we observed that except a compound wall over a portion of the land and one office building on 60 decimal of land, no construction had been made on the said land though land leveling was found to be under progress.

It was also noticed in six test checked districts that in five Government projects²⁷ involving public utility though the concerned requisitioning officers had submitted detailed justification²⁸ for application of emergency clause duly endorsed by the concerned Collectors (on the ground of early completion of projects to provide irrigation), the RDM Department had not invoked the emergency clause. No justification was on record for not using the provisions of Section 17(4) in these cases.

²⁶ Executive instruction 18 notified in extraordinary gazette of Odisha in September 1985

²⁷ Salandi Sanskar Canal Project in Bhadrak district, Dhamnagar, Minor Irrigation Project (MIP), Maliguda MIP in Kalahandi, construction of Rajua Diversion Weir in Puri and Thapapali MIP in Sambalpur district

²⁸ Assistance from Central government under Accelerated Irrigation Benefit Programme, time bound project for completion by September 2010 etc.

Application of emergency clause in these cases, thus was misplaced and deprived the land losers of the opportunity to contest the propriety of such acquisition and to be heard under Section 5A of LA Act. In reply, the Department stated (November 2011) that the practice of applying emergency provision in most of the cases had been reduced.

2.1.3.3 Delay in completion of LA proceedings

In 387 out of 389 LA cases test checked in audit, there was delay in finalisation of LA cases beyond the prescribed period of one year and delay was more than two years in 149 LA cases

To ensure speedy disposal of LA cases, Government prescribed (July 1959, July 1989 and February 2000) specific time schedule of one year for completion of land acquisition proceedings. We examined 389 LA cases in 12 test checked land acquisition offices of six sample districts and noticed that only in two LA cases (0.51 *per cent*), the process was finalised within one year while in the case of remaining 99.49 *per cent* LA cases, the LA proceedings spilled beyond one year and in some cases it took as long as nine years four months to be finalised (*Appendix-2.1.6*). We also noticed that the processing delay had occurred at various stages, viz. in serving of notices under various sections, preparation of estimates, depositing of funds by requisitioning authority, issue of notification/declaration under various sections by Government, passing of award and payment of compensation etc. The cascading effect of delays occurring at various stages not only delayed the commissioning of the project but also deprived the public of the intended benefits. The RDM Department stated (November 2011) that the delay was mainly due to shortage of staff. We were unable to accept this reply, as staff shortages were a pre existing condition and should have been addressed by the RDM Department before going in for acquisitions on emergency basis. The ultimate sufferer was the land-owner who most often was a farmer. We also observed that there was nothing on record to indicate if RDM Department had carried out any due diligence to seriously address this issue. During the period 2006-11, the RDM Department had not even moved Finance Department to address shortage of staff.

2.1.3.4 Award not passed within the prescribed period resulting in lapsing of LA proceedings

Due to non-finalisation of LA cases within validity period of two years, four LA cases lapsed necessitating re-initiation of LA proceedings afresh

Section 11 A of LA Act prescribed for passing of the award within two years of publication of declaration under Section 6(1) failing which entire LA proceeding was to lapse. In such cases, the LA proceedings were to start *de-novo*.

We noticed that in four LA cases involving two²⁹ promoters of industries, LA proceedings for acquisition of private land for industrial purpose lapsed due to failure by the LAOs to pass the awards within the validity period of two years from the date of publication of declaration. We noticed that in Sambalpur, the delay was due to late issue of order for acquisition under Section 7 by the RDM Department. In Ganjam, the delay was due to protest by land-losers regarding valuation of land.

²⁹ Viraj Steel in Sambalpur (3 LA cases) and TISCO in Ganjam (one LA case)

While LAO, Sambalpur attributed (March 2011) the delay to shortage of staff, LAO, Chatrapur did not ascribe any reason for such delay.

2.1.3.5 Avoidable expenditure due to delay in passing of award

There was two to 25 months delay beyond the sanctioned period of 12 months leading to avoidable extra expenditure of ₹ 1.47 crore on this account

In six Government projects³⁰ involving 59 LA cases under three LAOs delay of two to 25 months beyond the permissible period of 12 months between the dates of publication of notification and the date of award of compensation had occurred. Thus, Government had to incur avoidable expenditure of ₹ 1.47 crore by way of extra additional compensation (₹ 1.27 crore) and establishment charges thereon (₹ 20.66 lakh), which was subsequently paid.

2.1.3.6 Delay in passing of award for Government projects resulting in avoidable liability

In 22 LA cases of acquisition of land for seven Government projects under three LAOs³¹, passing of award was delayed by 17 to 38 months. However, additional compensation was calculated for 12 months as against actual time gap of 17 to 38 months leading to under-assessment of additional compensation by ₹ 43.14 lakh. This created avoidable liability to the Government (November 2011). The concerned LAOs admitted the facts.

2.1.3.7 Short-payment of additional compensation amounting to ₹ 70.29 lakh because notices to land-losers for payment of compensation immediately after award were not issued

As per section 12(2) of LA Act, the Collector was to issue notice to the land-losers immediately after passing of award for payment of compensation under Section 11. It was revealed in test check that even after finalisation of award, the special LAO, Bhadrak delayed issue of notices for payment of compensation in 11 cases by 82 to 754 days which is indicative of the fact that the LAO was not in readiness to pay the compensation but passed the award merely to restrict the quantum of additional compensation payable to the land losers. This also led to delay in payment of compensation even after finalisation of award, which deprived the land-losers of additional compensation of ₹ 70.29 lakh, as additional compensation would be limited to the date of award and not till issue of notices. The Special LAO stated (September 2011) that the delay in issue of notices was due to shortage of staff. The reply is not tenable as LAO was required to make timely payment of compensation as per LA Act.

³⁰ Ret Irrigation Project (26 LA cases), Turla MIP (four LA cases), Turpi MIP (two LA cases) in Kalahandi and Salandi Sanskar Project (25 LA cases), Approach Road over Baitarani River (one LA case), Sriganga MIP (one LA case) in Bhadrak.

³¹ LAO Kalahandi (seven LA cases), LAO Ganjam (six LA cases) and LAO Puri (nine LA cases)

2.1.3.8 Compensation award passed without reckoning the cost of standing trees

Section 23 of LA Act 1894 read with notification dated 22 August 1985 provides that the award made by the Collector towards land acquisition compensation must include the value of standing trees as well as houses built thereon. Audit examination however, revealed the following deviations in adhering to this stipulation:

Due to passing of award of compensation without cost of standing trees, possession of land could not be taken despite payment of compensation of ₹ 8.12 crore for a Government project leading to unfruitful expenditure

- In case of acquisition of 815.36 acres of land³² in 10 villages³³ in Kalahandi district for Ret Irrigation Project, the Land Acquisition and Rehabilitation Officer (LA&RO) passed (January to April 2007) award of compensation of ₹ 8.33 crore excluding cost of standing trees (₹ 1.10 crore) even though the Government had approved payment of such cost. Though the compensation of ₹ 8.12 crore (97.48 per cent) had already been paid during 2007-11, yet the land could not be taken over by Collector and handed over to the project authorities as the cost of the trees had not been paid to the land-losers (November 2011). Thus, the entire expenditure of ₹ 8.12 crore incurred on payment of compensation in this case, was rendered unfruitful (November 2011). Besides, this created avoidable liability of ₹ 53.30 lakh towards additional compensation on cost of trees at 12 per cent per annum payable from date of the initial award. In reply, the LA & RO stated (March 2011) that due to misconception regarding cutting of trees without forest clearance, the award was passed excluding cost of trees. The reply was not tenable as both the LA Act and Government notification provided for passing of award inclusive of the cost of standing trees. On the other hand, cutting of trees was actually the responsibility of the project authorities and not the LAO. Thus, due to passing of an incomplete award, the project was delayed by four years and the ₹ 8.12 crore already incurred on the project become unfruitful.
- Similarly, in two other villages³⁴ the same LAO, passed (February 2007) award for acquisition of 307.97 acres of land, excluding the cost of standing trees and additional compensation thereon (₹24.08 lakh). However, on demand of the land-losers compensation towards cost of trees and up-to date additional compensation (as ex-gratia) thereon (₹36.03 lakh) was paid after three years in August 2010 and December 2010. As a result, Government had to incur avoidable expenditure of ₹11.95 lakh being the difference between the compensation paid including ex-gratia (₹ 36.03 lakh) and additional compensation payable had the award for cost of trees been passed initially at a time in February 2007 (₹ 24.08 lakh).

³² Acquisition value: ₹ 8.33 crore

³³ Padapanga: 48.95 acres, Gunduri: 32.48 acres, Hatimunda: 23.69 acres, Barangadhara: 85.95 acres, Sanabatua: 49.30 acres, Badakarli: 38.79 acres, Kumpadar: 76.49 acres, Leheda: 328.92 acres, Badabatua: 7.68 acres and Kirkapata: 23.11 acres

³⁴ Sonepur: 149.94 acres (valued at ₹ 2.20 crore) and Kerandimal: 158.03 acres (valued at ₹2.11 crore) (Ret Irrigation Project, Kalahandi)

Despite taking over advance possession of land in 1997, compensation towards cost of standing trees (₹ 6.05 crore) was not paid as of June 2011

- Besides, in the case of acquisition of private land for establishment of steel plant by TISCO at Gopalpur, the Special LAO passed (February to November 1997) award for 675.36 acres of land³⁵ in three villages³⁶ excluding the cost of standing trees. Advance possession of land was given to IDCO during February to November 1997 without compensating the land losers towards the cost of trees. However, after a lapse of 12 years the compensation was estimated by LAO at ₹6.05 crore for its payment. The sanction of Industries Department sought in June 2009 was awaited as of June 2011. As a result, such compensations were not paid to the land-losers (June 2011) despite handing over of land 14 years earlier (1997). This was indicative of indifference on the part of the LAO and RDM Department towards the right of land-losers to receive compensation for the cost of trees standing on the acquired land.

2.1.3.9 *Restriction on property rights: Irregular ban on sale of land anticipating more requirement of land for an industrial concern*

Property rights of land owners of 18 villages of Lanjigarh Tahasil was arbitrarily restricted due to imposition of ban on sale of land since March 2004 in anticipation of acquisition for expansion of an industry

As stated earlier, Article 300A of the Constitution envisaged that no citizen can be deprived of his land except with authority of law. However, it was noticed that in anticipation of acquisition of land for Sterlite Industries (India) Limited for Alumina Refinery Plant at Lanjigarh, Kalahandi district, the Collector of Kalahandi imposed (March 2004) ban on sale of land in 18 villages under Lanjigarh Tahasil with a view to prevent purchase by outsiders. However, on the ground of further expansion of the project, the ban was continued to remain in force (June 2011) thereby depriving the land-owners of their right to dispose off their property. As there was no provision in the Act prohibiting sale of land, in anticipation of further acquisition by any entrepreneur or for any other purpose, the ban restricted the property right of the citizen³⁷ and was not a fair exercise of authority, especially when as per the existing instructions of Government, no land of any person belonging to Scheduled Caste (SC) or Scheduled Tribe (ST) can be sold to non-SC/ST person without explicit permission of the concerned Sub-Collector. The continuance of ban beyond the initial spell of land acquisitions for Sterlite Industries has potentially deprived land owners of the benefit of appreciation in the value of their land and, in the absence of any registered sale and purchase of land, kept the bench marked price of land in the area at an artificial level. It would also facilitate further acquisitions of land for promoters of industry at rates below their economic value.

³⁵ Acquisition value: ₹ 8.84 crore

³⁶ Basanaputi: 182.24 acres(₹ 2.81 crore); Chamakhandi: 377.85 acres (₹ 4.32 crore) and Laxmipur: 115.27 acres (₹ 1.71 crore)

³⁷ Article 300A of the Constitution

2.1.3.10 Land Acquisition Awards passed fraudulently on back dates by manipulating the records

Special LAO MIP Jagatsinghpur fraudulently passed award of compensation after lapse of LA proceedings by manipulating records thereby depriving the land-losers of higher compensation. The action benefitted the company POSCO (India) Limited

The provisions of LA Act (Sections 6 and 11 A) provide for finalisation of LA proceedings and passing of award within two years from the date of publication of such declaration, failing which the entire LA proceeding is liable to lapse and has to be started *de-novo*. The spirit behind such provision is to ensure that the land-losers should get due and fair compensation as compared to the compensation fixed earlier, in close co-relation with the prevailing market value as the market value of their land will invariably appreciate during the pendency of acquisition proceedings.

Our test check in six selected districts indicated that :

- Except in Jagatsinghpur district, the provisions of Section 6 and 11 (A) of the LA Act had been by and large observed. However in Jagatsinghpur district, where 437.86 acres of land estimated to value ₹ 6.99 crore were to be acquired in seven villages near Paradip for a company³⁸, no award was passed during the two years when acquisition proceedings were valid.
- We noticed (May 2011) that the Special LAO, Major Industrial Projects (MIP), Jagatsinghpur had violated the provisions of Section 11 in passing awards involving acquisition of 2.585 acres of land³⁹, 54 to 265 days after the lapse of LA proceedings and paid a compensation of ₹ 6 lakh to the land losers, instead of starting the LA proceeding *de-novo*. As per the audit examination in May 2011, no award had been passed for the remaining 435.275 acres of land, a fact that had been confirmed by the concerned LAO (May 2011) while furnishing information to audit.
- In subsequent examination of records of the concerned LAO in July 2011, it was noticed that between the interregnum of two audit inspections of his office, the LAO had passed 12 awards for 8.88 acres of land⁴⁰ at ₹ 23.89 lakh but indicated in the records that these awards were passed between 25 January 2008 and 11 December 2009. Authenticity of these awards was cross checked in audit with reference to the information furnished to audit (May 2011). It was noticed that entries in the Award register were not in a chronological order. In respect of acquisition of land in village Govindpur, two awards shown as passed on 25 January 2008 were entered at serial number three and four whereas two other awards passed on latter dates of February 2010 appeared at serial number one and two in the same Award register of

³⁸ POSCO (India) Limited

³⁹ Dhinkia (valid date: 15 December 2007, award date: 06 September 2010, after lapse of 265 days), Gobindpur and Polanga (valid date: 16 December 2007, award date: 08 February 2010, after lapse of 54 days)

⁴⁰ Govindpur: two awards on 25 January 2008, Polang: two awards on 25 January 2008, Nuagaon: one award on 25 January 2008, Noliasahi: two awards on 11 December 2009; three awards on 25 January 2008, Bhuyanpal: one award on 25 March 2008, Bayanalkandha; one award on 25 March 2008

that village. Similarly, in case of land acquisition in village Polang, two awards passed on 25 January 2008 were entered at serial number four and five whereas three awards passed on latter dates of February 2010 appeared at serial number one to three in the award register concerned.

Apart from being fraudulent, this action on the part of LAO, deprived the land- losers of compensation based on current market rates and consequently transferred the benefit of differential price of land at the time of acquisition and passing of award to the company.

On this being pointed out in Audit (August 2011), the RDM Department assured (November 2011) to refer the matter to the State Vigilance. Action in this regard was awaited (January 2012).

2.1.4 Assessment and payment of compensation

The amount of compensation is assessed and demanded by the Land Acquisition Officer (LAO) from the Departments/ entrepreneurs / companies concerned and is deposited with the Land Acquisition Officer (LAO) concerned, who disburses the compensation money to the land-losers. Audit examined the assessment of compensation and related dues as well as recovery thereof and the findings are indicated below:

2.1.4.1 Under-assessment of compensation due to erroneous fixation of market value of land leading to undue favour of ₹224.29 crore to the promoters

Due to wrong computation of market value of land, there was under-assessment of compensation by ₹224.29 crore which benefited the promoters of industries at the cost of land losers

For assessing the market value of land to be acquired for payment of compensation, Section 23 of LA Act read with Government instructions (8 December 1971 and 16 April 1980) required to consider highest market value of similar land in the concerned village on the date or nearby date of publication of notification under Section 4 (1), unless there were strong circumstances justifying a different basis of assessment. In case of non-availability of sales statistics of the concerned village, the same of the neighbouring village was to be considered. Government also clarified (April 1980) that fixation of valuation of the land to be acquired on the basis of average sale statistics was not proper in assessing compensation value. Besides, the Apex Court has also ruled⁴¹ that determination of market value of acquired land on average price basis was not proper. Thus, market value prevailing on the date of publication of notification for acquisition of land was the best guidance value.

In six test checked districts⁴², we noticed that in 35, out of 208 test checked LA cases, 4003.481 acres of private land were acquired between 2006-07 and 2010-11 at ₹318.38 crore for ten private entrepreneurs/ industries⁴³ and

⁴¹ AIR 1994 SC 1160. See also 1996 LACC 219 (SC), AIR 1998 SC 781 as mentioned at page 146 of Land Acquisition Manual

⁴² Bhadrak (14), Ganjam (1), Jagatsingpur (6), Kalahandi (6), Sambalpur (6), Puri (2)

⁴³ Aryan Ispat, Bhusan Power and Steel, Aditya Aluminium, Vedanta Aluminium, POSCO (India), IFFCO, ESSAR, IDCO for Titanium Di-oxide Project, Dhamara Port Company limited, Anil Agarwal Foundation for Vedanta University, Puri

IDCO. Cross verification of records of concerned Sub-Registrars in Audit revealed under-assessment of compensation by ₹ 224.29 crore⁴⁴ due to erroneous fixation of market value of land mainly due to:

- non-consideration of the highest sales statistics close to the date of publication of notice under Section 4(1) (₹ 27.55 crore in 14 LA cases);
- adoption of annual yield method instead of considering the highest sales statistics (₹ 14 crore in six LA cases);
- adoption of average price method instead of highest sales statistics and short calculation of additional compensation (₹ 171.89 crore in three LA cases);
- suppression of the highest sales statistics by LAOs as noticed during verification of records of concerned District Sub-Registrars (₹ 6.67 crore in seven LA cases);
- arbitrary rejection of higher sale instances close to the date of publication of notification under Section 4(1) (₹ 4.17 crore in five LA cases)

Promoter wise short-assessment of compensation as worked out in Audit is indicated in Table 2.1.4 below:

Table 2.1.4: Promoter wise under assessment of compensation

Sl No.	Name of promoter	Number of LA cases	Amount of short assessment (Rupees in crore)
1	Aryan Ispat & Power (P) Limited, Sambalpur	1	0.23
2	Bhusan Power and Steel Limited	3	4.15
3	Aditya Aluminium, Sambalpur	2	0.70
4	Titanium Products Private Limited, Ganjam	1	0.12
5	ESSAR Steel Limited, Jagatsinghpur	2	20.55
6	IFFCO, Jagatsinghpur	1	11.84
7	POSCO (India) Limited, Jagatsinghpur	1	5.23
8	Dhamara Port Company Limited, Bhadrak	14	5.32
9	Vedanta Aluminium Limited, Kalahandi	6	14.00
10	Anil Agrawal Foundation, Puri	2	13.44
11	IDCO for development of township and ancillary industries near POSCO area and Paradip	2	148.71
	Total	35	224.29

(Source: Records of test checked LAOs and concerned Sub-Registrars)

This resulted in payment of less compensation of ₹ 224.29 crore to the land-losers. In all these test checked districts, the land-losers received the

⁴⁴ Actual underassessment ₹ 273.09 crore less *ex-gratia* paid ₹ 48.80 crore

compensation under protest and represented to the concerned Collectors for payment of due compensation.

In reply, the Government stated (November 2011) that RDM Department had already issued instructions to all LAOs to consider higher of the highest sales statistics or benchmark valuation as the market value of land for arriving at the compensation payable. The LAO, Sambalpur while confirming the under-assessment, stated (January 2012) that action had already been initiated for recovery of these amounts from concerned promoters. However, the fact remained that under-assessment of compensation made by LAOs not only put the land-losers at disadvantage, but also indirectly helped the private promoters in receiving the land at comparatively lesser price.

2.1.4.2 Under assessment of additional compensation

There was under assessment of additional compensation by ₹ 9.76 crore

Under Section 23(1A) of the Act, additional compensation at 12 *per cent per annum* on the market value of land was to be paid to the land-losers from the date of publication of notification to the date of award of compensation. We noticed that in 18 out of 208 LA cases shown to Audit involving six promoters of industries for acquisition of 2562.199 acres of land valued at ₹ 73.78 crore, the additional compensation was calculated for a flat period of 12 months as per estimate for compensation against actual time gap of 13 to 38 months between the date of publication of notification to the date of award of compensation. This led to short assessment of additional compensation payable to the concerned land-losers by ₹ 9.76 crore (*Appendix-2.1.7*). A company wise abstract is given in the Table below:

Table 2.1.5: Promoter wise under assessment of additional compensation

Sl No.	Name of promoter	Number of LA cases	Amount of short assessment (Rupees in crore)
1	Bhusan Power and Steel Limited	2	0.23
2	Shyam DRI Power Limited, Sambalpur	1	0.65
3	TISCO, Gopalpur	3	0.14
4	IDCO for Industries, Jagatsinghpur	3	6.57
5	POSCO (India) Limited Jagatsinghpur	2	0.73
6	IFFCO, Jagatsinghpur	1	0.61
7	Anil Agarwal Foundation, Puri	6	0.83
	Total	18	9.76

(Source: Records of test checked LAOs and sub-Registrars of sample districts)

Short assessment of compensation as above also resulted in extension of undue benefit of ₹ 9.76 crore to the concerned promoters of industries at the expense of those who lost their land.

2.1.4.3 Under-recovery of establishment charges

There was under recovery of establishment charges by ₹ 28.89 crore

Section 50(1) of the LA Act, executive instruction 185 read with instructions (October 2002) of the Government provided for realisation of establishment charges at the rate of 10 *per cent/20 per cent* of the compensation value from the private entrepreneurs / organisations. Such charges were intended to meet the establishment cost of LAO and other incidental costs in connection with the LA proceedings.

We noticed under recovery of establishment charges by ₹ 28.89 crore⁴⁵ from 12 promoters and IDCO due to under-assessment of compensation/short realisation of establishment charges as indicated below:

- Due to payment of less compensation to the land-losers in 35 LA cases as discussed at paragraph 2.1.4.1, there was under-assessment of establishment charges by ₹ 27.31 crore⁴⁶ at the rate of 10 *per cent* of the compensation due;
- Due to under assessment of additional compensation in 18 LA cases as discussed at paragraph 2.1.4.2, there was under-assessment of establishment charges by ₹ 97.57 lakh ;
- In case of acquisition of 335.76 acres of private land acquired at a cost of ₹ 36.03 crore in village Nuagarh for establishment of a steel plant by ESSAR Group, the Special LAO (MIP), Jagatsingpur under-assessed establishment charges by ₹ 46.14 lakh which was recoverable from the promoters at the rate of 10 *per cent* on additional compensation of ₹ 4.61 crore⁴⁷ due to erroneous calculation of additional compensation for 12 months instead 32 months being the time lag between the dates of publication of notification (17 March 2007) and the date of award (17 November 2009) of compensation.
- In another case (Misc case no.293/06), as against demand of ₹ 2.15 crore raised by Special Land Acquisition Officer (Dhamara Port Project), Bhadrak towards decretal compensation dues of ₹ 2.01 crore and establishment charges of ₹ 14 lakh, the user agency (Dhamara Port Company Limited) deposited only ₹ 2.01 core towards compensation as per direction of requisitioning authority (IDCO) leaving remaining ₹ 14.00 lakh recoverable towards establishment charges. This was indicative of extension of undue favour to the concerned user agency by IDCO for no recorded reasons.

These establishment charges which were the result of under-assessment of compensation need to be recovered from concerned promoters and credited to Government account.

2.1.5 Allotment of Government land

Odisha Government Land Settlement (OGLS) Act and rules read with Government instructions (February 1966, March 1978, April 1980, August

⁴⁵ **Sambalpur district:** Aryan Ispat and Power (P) Limited : ₹ 2 lakh, Bhusan Power and Steel : ₹ 44 lakh, Aditya Aluminium : ₹ 7 lakh, Shyam DRI Power Limited : ₹ 6 lakh
Ganjam district: TISCO : ₹ 1 lakh, Titanium Products (P) Limited: ₹ 1 lakh;
Jagatsingpur district: ESSAR Steel Limited : ₹ 7.40 crore, IFFCO: ₹ 1.25 crore, POSCO (India) Limited : ₹ 60 lakh and IDCO ₹ 15.53 crore ; **Bhadrak district:** Dhamara Port Company Limited : ₹ 67 lakh; **Kalahandi district:** Vedanta Aluminium Limited ₹ 1.40 crore in; **Puri district :** Anil Agarwal Foundation : ₹ 1.43 crore

⁴⁶ Establishment charges on compensation : ₹ 22.43 crore and establishment charges on additional compensation: ₹ 4.88 crore

⁴⁷ 20 *per cent* of market value of land valued at ₹ 23.07 crore

1996 and March 2002) issued thereunder, provide that Government land can be allotted to Government Department / public and non-Government / private persons / other bodies for specific purposes on payment of premium equivalent to market value of land as per the highest sales statistics, ground rent at one *per cent* of market value, cess at 0.75 *per cent* of ground rent and fee for incidental charges⁴⁸ at 10 *per cent* of the market value of land. In addition to the above, the occupier of land is liable to pay interest at 12 *per cent per annum* on the amount due to Government from the date of occupation till the date of payment of land premium.

We reviewed the allotments of land made during 2005-11 in the six test checked districts and noticed under-assessment of Government dues of ₹ 41.67 crore⁴⁹ as discussed in succeeding paragraphs.

2.1.5.1 Undue benefit to private entrepreneur worth ₹ 14.30 crore by RDM Department due to sanction of lease of Government land at concessional rate instead of fair market value as per Concession Agreement

Undue favour of ₹ 14.30 crore was extended to a private entrepreneur under PPP

Government of Odisha in Commerce and Transport Department entered (March 1997) into a MoU with International Sea-ports Private Limited (ISPL) for implementation of a port project at Dhamara and signed (April 1998) Concession Agreement on Build, Own, Operate, Share and Transfer (BOOST) basis. As per paragraph 7.2 of the said Concession Agreement (CA), the annual lease charges of Government land for port premises were payable at six *per cent per annum* of the fair market value as on the date of notification.

On test check of records of Tahasildar, Chandabali we noticed that during June 2001 to January 2006, the Collector, Bhadrak sanctioned lease of Government land measuring 875.72 acres in 38 villages in favour of IDCO for establishment of Dhamara Port Project, at the market values ranging between ₹ 26,000 to ₹ 1,20,000 per acre. Advance possession of the land was handed over to IDCO during January 2004 to March 2006 without executing the required lease deed. Subsequently the Collector, Bhadrak revalidated and revised (July 2004 to February 2006) these sanction orders with premium of ₹ 2.19 crore computed at a uniform rate of ₹ 25,000 per acre as per the IPR 2001 and executed the lease deed with IDCO in June 2008. Due to such revision in fixation of premium at concessional rate under IPR 2001, instead of as per paragraph 7.2 of the 'Concession Agreement (CA)' of April 1998 on BOOST basis, the Government sustained a loss of ₹ 14.30 crore⁵⁰. This also resulted in recurring loss of ₹ 10.72 lakh *per annum* towards cess on lease premium. Besides, incidental charges which were to be worked out at 10 *per cent* of lease premium was under assessed by ₹ 1.43 crore due to fixation of the premium on lower side on the basis of IPR 2001. As a result, undue

⁴⁸ To meet establishment cost, contingencies etc. as per OGLS Amendment Rules 2002 (lease covering 500 acres and above) and 2010 (any lease irrespective of area)

⁴⁹ Premium ₹ 24.67 crore, ground rent & cess ₹ 1.73 crore, capitalised value ₹ 34 lakh and incidental charges ₹ 11.06 crore, interest: ₹ 3.87 crore

⁵⁰ Land premium of ₹ 16.49 crore payable on the basis of highest sales statistics prevailing on the date of handing over of possession as envisaged in the CA less ₹ 2.19 crore claimed and realised as IPR Policy.

favour of ₹ 15.73 crore was extended to the private company at the cost of Government exchequer, Besides, by incorrectly extrapolating the provisions of IPR 2001 with the terms of CA the latter was virtually modified post facto to the advantage of the private party, which was irregular.

In reply, the Tahasildar admitted (September 2011) that though the market value was higher than the IPR rate, premium was still fixed under IPR 2001 as per Government instruction. The reply was not tenable since Government extended extra concession to the promoter beyond the conditions agreed to in the concession agreement (BOOST). There was nothing on record of the RDM Department to verify whether the revised rate of land premium was taken into the revenue model of the PPP project and whether the time period of the concession agreement (34 years including a maximum period of 4 years for construction) was suitably restricted considering the higher revenue flow. RDM Department stated (November 2011) that appropriate action for realisation of the amount would be taken.

2.1.5.2 Short assessment of premium on allotted land

There was short assessment of land premium by ₹ 11.28 crore

As per Government in RDM Department's orders of April 1980 and January 2008, while benchmark valuation⁵¹ was to be considered as the minimum basis for fixation of market value of land intended to be allotted to a private party, highest sales statistics was to be considered as the market value of land for fixing the land premium. Besides, as per the Government directives (January 2005), in case of land leased to Central Government organisations, capitalised value at 25 times of ground rent and cess thereon was payable to the Government. However, in twenty three lease cases involving three government agencies, we noticed short assessment of premium and other dues, as described below:

- In two lease cases of allotment of Government land (0.925 acre) to Samabalpur Development Authority for construction of a residential building and market complex, the Tahasildar Sambalpur fixed the market value of land on the basis of benchmark valuation at ₹ 38 lakh per acre whereas the highest sales statistics as per the record of concerned District Sub-Registrar, as verified in audit, was ₹ 50 lakh per acre. This resulted in short assessment of market value as well as fee recoverable to the tune of ₹ 27.75 lakh⁵².
- Government instructions (April 1980 and January 2008) provided for considering the higher of the (i) bench mark valuation, (ii) highest sales statistics, (iii) market value considered for acquisition of same category of land in same area, as the market value of land, while fixing the premium for allotment of Government land. However, in leasing of 283.35 acres of Government land of Puri Tahasil in favour of Anil Agarwal Foundation for establishment of Vedanta University, we noticed that contrary to the above provision, the Tahasildar under-

⁵¹ Value of land prescribed by Government for registration purpose and calculation of stamp duty payable during such registration

⁵² Premium ₹ 11.10 lakh and interest ₹ 16.65 lakh

assessed the land premium by ₹ 10.23 crore by assessing the premium as ₹ 5.36 crore against ₹ 15.59 crore due as indicated in *Appendix-2.1.8*. The Tahsildar not only ignored the highest sales statistics but also the market value adopted by him for acquisition of private land for same project, in the same village, earlier.

- In case of lease of 15.26 acres of Government land⁵³ in favour of Indian Coast Guards (January 2009), there was a net under-assessment of ₹ 76.67 lakh due to (i) short assessment by ₹ 2.81 lakh on account of incorrect computation of market value adopting benchmark valuation⁵⁴ instead of going for the highest sales statistics, (ii) wrong calculation of capitalised value excluding cess (₹ 33.56 lakh) and (iii) interest at 12 *per cent* from the date of advance possession to date of payment (₹ 40.30 lakh).

RDM Department stated (November 2011) that it would take appropriate action for realisation of these under-assessed and short-realised land premium.

2.1.5.3 Short recovery/ non-recovery of incidental charges, ground rent, cess and interest amounting to ₹14.66 crore from the promoters of industries due to non-compliance with OGLS Rules

There was short realisation of Government dues by ₹ 14.66 crore due to erroneous calculation of premium, ground rent, cess and incidental charges in 68 lease cases

Government instructions (August 2010) clarified that whenever land was allotted at concessional rates under the provisions of IPR, ground rent and incidental charges recoverable under the OGLS Rules 2002 (as amended) were to be charged on the market value of land. In case the market value was lower than concessional rate under IPR, the ground rent and cess was to be charged on IPR rate. Besides, in case of advance possession of land, interest at 12 *per cent per annum* is to be paid to the Government from the date of handing over of possession to the date of payment of premium.

We noticed short realisation of ₹ 14.66 crore on account of incidental charges (₹ 9.63 crore), ground rent and cess (₹ 1.73 crore) and interest (₹ 3.30 crore) as under:

- In four (Kalahandi, Ganjam, Bhadrak and Puri) out of six test checked districts, in eight out of 10 test checked lease cases involving allotment of 56.21 acres of Government land valued at ₹ 3.60 crore (*Appendix-2.1.9*), during May 2010 to March 2011, the Tahasildars did not raise demand for such incidental charges amounting to ₹ 35.95 lakh.

⁵³ Tahasildar, Chhatrapur: Lease case 6/08 (Sindurapali) - 10.00 acres; 5/08 (Matikhala) - 5.26 acres

⁵⁴ A rate fixed by the Collector for the purpose of stamp duty during registration of land. Government also clarified (January 2008) that while determining the cost of compensation/ lease value, the LAO may consider 'benchmark value' as the minimum valuation of award and not the sole guidance value.

- In three lease cases in three villages⁵⁵ under Rengali Tahasil in Sambalpur District, sanctioned (March 2008) in favour of IDCO for establishment of integrated steel plant by Bhusan Power and Steel Limited (BPSL), Government land measuring 146.18 acres and valued at ₹.10.38 crore was under possession of BPSL for three years. Audit noticed that the concerned Tahasildar (Rengali) did not levy interest (₹ 3.30 crore) and incidental charges (₹ 1.04 crore) payable on such land. Further, he short charged ground rent and cess by ₹ 52.19 lakh by computing it on the basis of IPR rate instead of market value of land. This resulted in short / non-realisation of revenue amounting to ₹ 4.86 crore. (*Appendix-2.1.10*).
- In 57 lease cases in four out of six test checked districts, 2073.90 acres of Government land valued at ₹ 94.28 crore⁵⁶ was leased to IDCO during March 2003 to June 2010 for further allotment to ten industrial establishments at ₹ 25.06 crore as per concessional rate under IPR. However, concerned Tahasildars raised demand of ground rent, cess and incidental charges, in some cases on concessional rate under IPR instead of basing it on prevailing market value. This resulted in short/non realisation of above Government dues⁵⁷ by ₹ 9.44 crore⁵⁸. In other cases no demands were raised at all.

2.1.5.4 Non-finalisation of lease cases despite handing over of advance possession

Lease deeds were to be executed with concerned authorities after allotment of Government land indicating the premium, annual ground rent, cess etc payable. We noticed that in following five instances, despite giving advance possession, lease cases were not finalised/lease deeds were not executed due to which the basis for charging premium, annual ground rent, cess etc remained un-established.

- In case of three central Government establishments involving seven lease cases, the lease proceedings were not finalised as of March 2011,

⁵⁵ Villages Thelkoloi, Dhubenchhapal, Khadiapali

⁵⁶ Market value on the date of recommendation of concerned Tahasildar for sanction of lease on the basis of the market value of land fixed for acquisition of private land in the same village (23 lease cases) prior to date of recommendation, fixed by concerned Tahasildar on the basis of sales statistics obtained from concerned Sub-Registrars' office (four lease cases), fixed by concerned Revenue Divisional Commissioner for urban land (one lease case), highest sales statistics as per the records of concerned Sub-Registrar (27 lease cases) and market value which was less than the IPR rate (two lease cases)

⁵⁷ Ground rent: ₹ 69.22 lakh; cess: ₹ 51.92 lakh and incidental charges : ₹ 8.23 crore

⁵⁸ **Sambalpur:** ₹ 1.59 crore (Aditya Aluminium-17 lease cases: ₹ 1.40 crore, BPSL-one lease case: ₹ 11.47 lakh, Hindalco-one lease case: ₹ 4.23 lakh, IDCO-one lease case: ₹ 2.88 lakh), **Kalahandi:** ₹ 64.21 lakh (Vedanta Alumina Limited:-18 cases: ₹ 62.95 lakh, Kiran Automobiles-one lease case: ₹1.26 lakh), **Jagatsinghpur:** ₹ 6.49 crore (POSCO-10 lease cases: ₹ 1.24 crore, ESSAR-one lease case: ₹ 1.27 crore, IFFCO-one lease case: ₹ 3.79 crore, IDCO-three cases: ₹ 19.73 lakh) and **Ganjam :** ₹ 71.95 lakh (Titanium Di Oxide project-three lease cases)

though advance possession of 1105.98 acres of land valued at ₹ 7.89 crore⁵⁹ (*Appendix-2.1.11*) was given 10 and 45 years earlier. Due to non-finalisation of these lease proceedings by concerned Tahasildars (Berhampur, Kujang and Kalahandi), premium, capitalised value, ground rent and interest thereon could not be assessed and realised for unduly prolonged periods even while land was being used by the allottee institutions.

- In case of other two agencies⁶⁰, advance possession of 548.33 acres of Government land was given by three Tahasildars (Berhampur, Chhatrapur and Sambalpur) six to 15 years earlier. Though ₹ 4.32 crore was demanded from the lessees towards lease premium and other Government dues payable as per the terms of sanction, no payment had been received as of June 2011. Besides, interest at 12 *per cent per annum* from the date of possession to the date of payment was also payable in these cases. In both the cases, lease deeds that were to be executed within six months of sanction remained un-executed for the last six to 15 years. In the case of the private occupier, TISCO, advance possession of 548.059 acres of land at lease value of ₹ 4.23 crore (current market value ₹ 99.47 crore) was given in May 1996, but the actual lease deed had not been signed as of March 2011, even though 15 years had elapsed. The lease value was also not paid by the allottee. This has tantamounted to extension of undue favour to a private firm and caused loss of revenue (₹ 95.24 crore) as also loss of economic advantage to the Government.

These cases, were, thus indicative of poor monitoring over allotment of Government land and realisation of premium and other charges due to Government, resulting in extension of undue favour to the private industries / promoters.

2.1.6 Utilisation of allotted land

Section 3B of Odisha Government Land Settlement Act 1962 provided that, if the allotted land or any part thereof, was not fully utilised, within the prescribed period, for the purpose for which it was allotted, then the unused land is to be resumed to Government. Similarly, MOUs with the promoters of industries required utilisation of both Government land and acquired private land for the purpose mentioned in the MOUs within a specified time period, usually three years. However, it was noticed that there was no specific mechanism/ machinery at Government level to oversee / monitor proper utilisation of either the acquired or the allotted land, for the intended purpose within the prescribed/allowed period. Irregularities involving non-compliance with the terms and conditions of MOU / sanction orders as regards utilisation of the allotted land are discussed in succeeding paragraphs.

⁵⁹ As assessed by concerned Tahasildar at the time of processing of lease

⁶⁰ (i) Sambalpur Development Authority: 0.30 acre (advance possession: May 2005; lease sanction: October 2010 and demand: ₹ 3.86 lakh), (ii) IDCO for TISCO: 548.03 acres under two Tahasils Chatrapur and Berhampur (advance possession: May 1996 to January 1997; lease sanction : April 1996 to December 1996 and demand: ₹ 4.28 crore)

2.1.6.1 Non-utilisation of acquired and allotted land resulting in hoarding of land

5293.22 acres of land allotted to four industries were left unutilised for three to 15 years resulting in hoarding of land

We noticed that in four projects, both leased Government land (1141.98 acres) and acquired private land (4151.24 acres) valued at ₹ 66.68 crore (present market value ₹ 2631.98 crore in November 2011) handed over to IDCO for allotment to four promoters of industries (Aditya Aluminium Limited in Sambalpur, TISCO in Gopalpur, Dharani Sugar Industries in Bhadrak, Shamuka beach project at Puri) were not even put to use fully / partially for periods ranging from three to 15 years as indicated in the Table below:

Table 2.1.6: Hoarding of land by promoters

(Area in acres and value : Rupees in crore)

Name of the Industry / promoter	Year of handing over	Government land		Private land		Total acquisition and lease value	Present market value based on highest sale statistics in the acquired or nearby villages
		Allotted area	Lease value	Allotted area	Acquisition value (Year of acquisition)		
Aditya Aluminium Limited, Sambalpur,	2006-08 (Handed over by IDCO to promoters)	375.60	3.75 (2006-08)	920.52	31.86 (2006-08)	35.61	215.16
TISCO, Gopalpur	1996-97 (Handed over by IDCO to promoters)	548.059	4.23 (1996-97)	2237.66	17.69 (1996-97)	21.92	879.88
Dharani Sugar Industries, Bhadrak,	IDCO taken over possession since 1996 but retained without handing over	0.00	0.00	217.71	1.21 (1996)	1.21	26.56
Shamuka beach project, Puri	IDCO taken over possession during 2001-06 but retained without handing over	218.32	0.55 (2001-06)	775.35	7.59 (2001-06)	8.14	1510.38
Total		1141.979	8.53	4151.24	58.35	66.88	2631.98

(Source: Records of test checked Tahasildars, LAOs and sub-Registrars of sample districts)

Out of the above four cases in one case (Aditya Aluminium Limited, Sambalpur), land had been acquired invoking emergency provisions under Section 17(4) as indicated at paragraph 2.1.3.2. As cost of land was increasing day by day and the present value of such unutilised land had appreciated approximately to ₹ 2631.98 crore as against payment of ₹ 66.88 crore paid by IDCO/promoters at the time of acquisition, non-utilisation of acquired private land and leased Government land for intended purpose for long periods led to hoarding of land, a precious scarce resource by the promoters and IDCO without being put to any economic use. The current market value of this land which could be much higher, could not be exactly assessed by us due to limited sales statistics in the acquired villages. Besides, we observed that there was practically no monitoring of utilisation of land by the Government in RDM Department after the MoUs are signed and allotments of land are made.

2.1.6.2 *No time frame fixed for utilisation of leased Government land*

It was noticed during test check that 1142.979 acres of Government land leased at ₹ 8.68 crores (current market value: ₹ 567.46 crore) allotted during 1995 to 2006 to Root Corporation Limited, Mumbai (one acre) and IDCO for in turn allotment to three promoters of industries (1141.979 acres) were lying unutilised for five to 15 years as of March 2011, as indicated at *Appendix-2.1.12*. No time frame for utilisation of land was specified by the concerned Collectors while leasing out Government land to IDCO for transfer to the private promoters excepting in the case of Sipasarubali Samuka Beach project in respect of which a six months time limit was fixed by the Collector. However, no action had been taken by Government for resumption of land allotted for these projects, as required under Rule 3(b) of OGLS Rules 1983.

2.1.6.3 *Utilisation of leased land for unauthorised purposes*

Joint physical inspection (March- May 2011) of leased land in the presence of Tahasildar, Kalahandi revealed that in three cases 1.16 acres out of 1.56 acres involving five lease cases leased during June 1987 to May 2002 to two private persons⁶¹ for industrial purpose (1.12 acres valued ₹ 34.27 lakh) and one other body (Secretary, Communist Party of India (M)), Kalahandi district Committee, Bhawanipatna) were utilised for purposes other than those for



One acre of land leased to GK Mohapatra, Paramandapur Kalahandi for industrial purpose lying idle

which the same was leased. Two instances where land was allotted for industrial purpose at concessional rate (₹ 0.85 lakh) were partly used for residential / commercial purpose while remaining area was left unused.

⁶¹ Sri Kumuda Chandra Sahani for construction of cement hallow and solid brick and Sri Gopal Krushna Mohapatra for soft drink manufacturing unit : both of Paramandapur, Kalahandi

Similarly, though land was allotted to the Communist Party of India (M), for construction of office building, the allottee had used the same partly for commercial purpose like running of shops. Collector had not taken any action against the land occupiers for such misutilisation of leased land. The land was also not resumed as required under Rule 3 (b) of OGLS Rules 1983 and the terms of the sanction order.



Use of land for partly commercial purpose though leased for industrial purpose (Seepona Cement and solid Brick), Paramanandapur, Kalahandi District

2.1.6.4 Encroachment / Unauthorised occupation of Government land

As per Rule 3 of Odisha Prevention of Land Encroachment (OPLE) Rules 1985, in case of encroachment of Government land, encroachment case was to be filed against the persons unauthorisedly occupying Government land and they were to be summarily evicted under Section 7 of the said Act.

As of November 2011, 150784.62 acres of Government land remained under encroachment in the State, maximum encroachments being registered in Sundargarh district (70215 acres) and the minimum in Boudh district (156.3 acres) as per the records of the RDM Department. This included 11783.07 acres of Government land encroached in six test checked districts. However, cases of encroachment as envisaged under OPLE Act/Rules have been filed only as and when these were detected by the concerned Tahasildars or reported by the concerned Revenue Inspectors (RI) but not as a matter of routine, as is required. Thus filing of encroachment cases was completely sporadic. It was noticed during test check of nine lease cases in the test checked districts that as per reports (1983 to September 2010) of concerned RI⁶²/ Tahasildars, 59.61 acres of Government land valued at ₹ 7.74 crore have remained under unauthorised occupation by the lease applicants (***Appendix-2.1.13***) as of March 2011. However, the encroachment cases filed were not followed up and the encroachers were allowed to occupy the land for their use after applying for lease in a routine manner. There was no mechanism to monitor vacation of encroachments by identifying all cases, filing cases in each case and following them up at the district levels or at the State level. This encouraged encroachment as a modus operandi for grabbing Government land.

We further noticed from the records of Tahasildar, Lanjigarh that 67.37 acres of Government land valued at ₹ 67.72 lakh including 56.77 acres of village forest land has remained under unauthorised occupation of Vedanta Aluminum Limited (VAL) since 2004. Joint physical inspection conducted (21

⁶² Revenue Inspectors

April 2011) by Audit and Tahasildar, Lanjigarh also confirmed unauthorised occupation of 4.31 acres of community Government land (Gramya Jangal: 3.16 acres, others: 1.15 acres) by VAL. After such detection of unauthorised occupation in joint physical inspection, concerned Tahasildar directed (April 2011) concerned RI to book encroachment cases against VAL. Further action in these cases is awaited.

Similarly, as per the report (28 January 2011) of Revenue Inspector, Lanjigarh, 3.67 acres of private land remained under unauthorised occupation of VAL since February 2009 even though the LA Act did not permit taking over possession of land before issue of notification under section 4(1) and without the consent of the concerned land owners.

In reply, the RDM Department admitted (November 2011) that no monitoring mechanism was in place to watch the land-use and prevent hoarding. It also stated that no enforcement agency was available to resume the unutilised / misutilised / encroached land.

2.1.7 Conclusion

Land under cultivation in Odisha considerably decreased with increased use of agricultural land for non-agricultural purpose. There was neither any land-use policy nor any prescribed scale for arriving at the actual requirement of land for different industries of different capacities. Fulfillment of public purpose clause as defined in LA Act in acquisition of land for private promoters of industries was not beyond doubt. Non-assessment of the correct market value of land in fixing land premium/ compensation, ground rent, establishment charges tended to help the land buyers, usually promoters of industries, at the cost of land-losers and Government. There were major instances of misuse of emergency provision of Section 17(4), thereby depriving the land-losers of their legal rights to contest the propriety of such acquisition. There was delay in finalising LA proceedings ranging from two to nine years and payment of compensation even in cases of land acquisition for Government projects. Awards for compensation was passed after the lapse of LA proceedings in one project by ante-dating the award fraudulently. There were also instances of non payment of compensation for a considerable period of time thereby putting the land-losers to great disadvantage. There were instances of non /short collection of interest for delay in payment of lease premium, non-collection of premium at prescribed rate, non-collection of incidental charges and ground rent from promoters of industries by Tahasildars. Lease cases were not finalised even after 10 to 45 years of handing over of advance possession. In short, the processes and procedures ultimately tended to benefit the private buyers/industries at the expense of those who lost their land, mostly farmers. There was also no mechanism to effectively identify, monitor, and follow-up utilisation of allotted lands for intended purposes as well as of encroachments on acquired / Government land thereby indirectly encouraging such malpractices. Resumption of unused leased-land after expiry of the stipulated period was completely non-existent and monitoring of the same was absent.

2.1.8 Recommendations

Based on our findings, we recommend that Government may take adequate and efficacious steps:

- to formulate a land-use policy as well as land-use plan for the entire State (district-wise) and prescribe norms and scales for land required for different types of industries with different capacities;
- to set up an independent and representative regulatory authority to ensure strict compliance of land use norms and to ensure that there is no arbitrary deviation from such norms;
- to acquire agricultural as well as private land only for “public purposes” on instant need basis by maintaining the sanctity of its meaning as per the provisions of LA Act ;
- to prevent misuse of emergency provision in Section 17 (4) by restricting its application to very exceptional cases and for only public purpose on fulfillment of prescribed conditions and subject to review at higher levels in the Government ;
- to ensure transparency and fairness in arriving at market value of land (both for acquisition and allotment) by picking the highest sale statistics not less than the guidance benchmark value in any case and keep the interest of the land-losers in mind at all times by instituting appropriate monitoring mechanism for fair and transparent determination of market value as per law and to fix responsibility for violation of law;
- realise the short assessed compensation / Government dues from the promoters and pay the same to the concerned land-losers / Government, as the case may be, with interest, either as ex-gratia or in any other form. In case, these promoters do not pay such dues, the same may be recovered from concerned officers who, after due enquiry, are found to be responsible for such short-assessment of compensation and the amount paid to the concerned land-losers;
- to finalise LA cases including payment of compensation within the prescribed time table and strictly avoid the practice of passing awards after lapse of land acquisition proceedings;
- to resume all unused land allotted to industries after a fair assessment and to devise mechanism to return the same to land-losers, besides imposing penalty on the company/industry, within a fixed time period;
- to strengthen the monitoring mechanism for exercising constant oversight over improper use of acquired land and to prevent encroachments.

The matter was reported to the Commissioner-cum-Secretary, RDM Department in July 2011; Reply of the Government had not been received (January 2012).

HOME DEPARTMENT

2.2 Scheme for Modernisation of Police Force in the State

Executive Summary

Performance audit of 'Modernisation of Police Force' (MPF) scheme in the State revealed that long term planning to drive the scheme for modernisation of police in Odisha so as to derive optimal benefit from it was not made. The annual plans, thus, were just a wish-list of various items projected to be purchased during the year rather than being outcome-based. District wise priorities were not considered, as no feedback was obtained from concerned Superintendents of Police while preparing the plans. Planning was largely top driven, instead of being bottom up. As a result, these plans failed to establish linkages between various independent activities - weapons were procured without ensuring availability of trained personnel to use them; vehicles were purchased without recruitment of drivers. Besides, the planning did not cover any strategy for efficient intelligence gathering, investigation, human resource development and augmentation of State Forensic Science Laboratory.

Centralised procurement of weapons, equipments and vehicles had not factored competing field requirements in the Annual Action Plans leading to lopsidedness in allocations between Left Wing Extremism (LWE) affected and other districts. Even though the Annual Action Plans (AAPs) indicated clear bifurcation of the equipment and funds between LWE districts and non-LWE districts, neither separate district-wise indents nor figures of district-wise supplies were available in the office of the Director General of Police (DGP). It was, therefore, not clear as to how the Department / State Level Empowering Committee (SLEC) / State Government had balanced supply with demand, particularly in the LWE districts. Though effectively addressing LWE activities was one of the key objectives of the State police in recent times, key performance indicators for measuring the operational efficiency of the police force was neither prescribed anywhere nor even attempted in the AAPs.

While 55 per cent of total allocation was utilised on construction of buildings, merely 11.5 per cent funds were spent on important activities like communication, computerisation, forensic science and intelligence gathering which was sub-optimal, even as these were crucial to improving the operational efficiency and effectiveness of the State Police in dealing with rising LWE activities in the State.

Weapons worth ₹14.80 crore including sophisticated weapons worth ₹13.83 crore were retained at the central arms store at Cuttack without issuing these to the field units, despite 61 per cent shortages of such weapons in eight test checked districts. The shortage of trained manpower to handle sophisticated weapons in the test checked districts was 78 per cent.

Despite utilisation of ₹7.36 crore on computerisation and communication, police networking and crime data sharing and transmission remained unachieved. The communication system could not be made operational and remained an area of concern.

Despite shortage of 1288 vehicles including 423 heavy vehicles, 10 light vehicles were purchased in excess of the prescribed norm and 626 vehicles procured under the scheme were issued to training and other establishments for non-operational work. Such shortages were further compounded due to non-availability of drivers for 1343 (47 per cent) operational vehicles (31 March 2011).

Though ₹211.69 crore were released to Odisha State Police Housing and Welfare Corporation Limited (OSPHWC) for construction of 620 residential and non-residential buildings during 2004-11, yet 76 buildings were not even started due to non-finalisation of site. Three buildings constructed at a cost of ₹1.18 crore in two test checked districts were left unused after four to 14 months being handed over. No agreement was executed by the Home Department with OSPHWC in case of various infrastructural development works entrusted to it without tender. Consequently, important parameters like timely completion, quality control and timely handing over of buildings could not be ensured. By commencing construction work on forest land without requisite forest clearance, ₹46.60 lakh incurred on the project 'construction of Indian Reserve Battalion (IRBN) building, Koraput' rendered unfruitful. Interest of ₹11.38 crore earned on unspent scheme funds was retained by the OSPHWC; the Corporation was in the process of adjusting it against extra expenditure incurred on MPF works beyond the administratively approved cost. SLEC did not take any step for refund of this amount by the Corporation. Inflated utilisation certificates for ₹90.06 crore were submitted to the Government of India (GoI) without actual utilisation even as the money was actually lying in the bank account of OSPHWC and five other executing agencies.

There was eight to 25 month delay in sending analysis reports of forensic tests to police, mainly due to shortage of required technical manpower at State Forensic Science Laboratory.

The State has shortage of 43108 home guards (73 per cent). During 2004-2010, the overall acquittal rate of 1.72 per cent in filed cases by police was four times greater than the conviction rate of 0.47 per cent. This raises, doubts about the quality of investigation even when average number of crimes investigated worked out to be 52 per PS / OP per annum (one case per week) and 11 per ASI/SI per annum (about one case per month), which appeared to be fairly low.

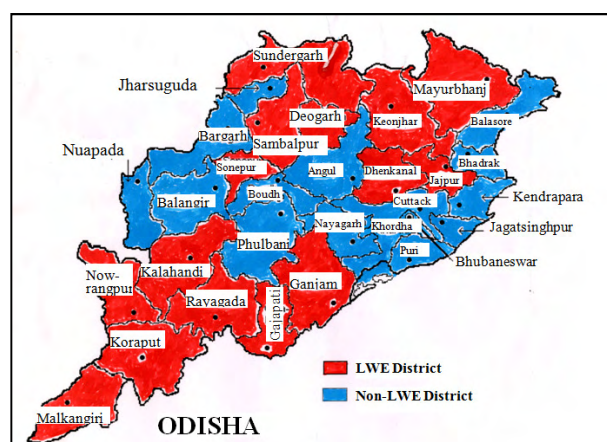
LWE attacks were on the rise from 2008 onwards. As the striking capability of State police force did not increase effectively to counter these attacks, despite various interventions through the scheme, casualties resulting from LWE had also gone up. Factors affecting the efficiency and striking capabilities of state

police was found to be large scale vacancies, insufficient training and inadequate mobility support etc. Though high lead time in procurement and below average responsiveness in construction and up-gradation activities were adversely reported in the impact analysis survey report (January - March 2010) of Bureau of Police Research and Development (BPRD), yet the issues remained largely un-addressed (November 2011).

However, the State Level Empowering Committee (SLEC) headed by the Chief Secretary, which was supposed to monitor the implementation of the scheme and give requisite directions to address critical bottlenecks in the implementation of the scheme, was found wanting in exercising requisite oversight.

2.2.1 Introduction

Government of India (GoI) introduced the scheme of 'Modernisation of Police Force' (MPF) in 1969 to improve the operational efficiency of the State police forces in the country so as to enable them to effectively face the emerging challenges to internal security. The scheme was revised in 2000-01 and extended for a period of ten years. Up to September 2003, the cost of modernising police forces in various areas was shared between the GoI and the States in the ratio of 50:50. This ratio was subsequently revised to 60:40 in October 2003 and 75:25 in September 2005⁶³. The scheme was implemented as per guidelines issued in 2001, which were intermittently revised, the last revision being in September 2005. The scheme was implemented in 36 police districts of the State (covering all the 30 revenue districts), including 17⁶⁴ police districts (15 revenue districts) identified by the State Government as affected by left wing extremism (LWE).



The State encountered 409 instances of extremist attacks during 2004-10. Such attacks were on the increase as indicated in **Appendix-2.2.1** and went up from 24 in 2004 to 149 and 130 in 2009 and 2010, respectively. In these incidents, 123 police men, 99 civilians and 64 extremists were killed while 1617 arms and 1.29 lakh ammunitions were looted. Besides, 22 vehicles including one Mine Protected Vehicle (MPV) were also destroyed. However, the police and paramilitary forces succeeded in arresting 1033 extremists during this period.

⁶³ Excepting for seven north-eastern States and 'Jammu and Kashmir' where central assistance is 100 per cent

⁶⁴ Berhampur, Deogarh, Dhenkanal, Gajapati, Ganjam, Jajpur, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Rayagada, Rourkela, Sambalpur, Sonepur and Sundargarh

2.2.1.1 Why did we take up this Audit?

The scheme was earlier reviewed by us in 2004 and the findings were included at paragraph 3.6 of the Audit Report (Civil) for the year ended 31 March 2004. The review focussed on financial management, implementation of the programme, up-gradation of Fingerprint Bureau, State Forensic Science Laboratory (SFSL) and traffic control, deficiencies in computerisation of police stations, construction of buildings, mobility support and purchase of arms and equipment. Compliance notes on this review were submitted by the State Government in February 2007 and are awaiting discussion in the Public Accounts Committee (PAC). The State Government assured (February 2007) that procedural infirmities would be addressed and delays in finalisation of tenders in respect of major components like arms, computers, traffic control reduced. They further assured to ensure timely procurement of arms and equipments and completion of buildings by OSPHWC. However, successive attacks by left-wing extremists on police stations and looting of arms and ammunitions in 2004, 2008, 2009 and 2010 cast a shadow on the state of preparedness, efficacy of intelligence gathering and striking capabilities of the State police to handle such situations despite the scheme for modernisation of police continuing for about a decade. It simultaneously impacted to internal security management in the State a high risk profile with attendant consequences on overall governance. This prompted us to conduct a fresh performance audit of the scheme.

2.2.1.2 Organisational structure

The SLEC headed by the Chief Secretary and comprised by six other members⁶⁵ represented three departments of Finance, Home and Public Works, was the apex decision making body for policy direction and designing strategies for implementation of the scheme in the State. Special Secretary (Home) was the member convener of SLEC. The Principal Secretary, Home Department, duly assisted by Special Secretary (Home) and the Director General of Police (DGP) was in charge of implementation of the scheme. The DGP, in turn, was assisted by Inspector General of Police (Modernisation), Superintendents of Police of districts and other unit heads like Commandants of Armed Battalions etc. A chart depicting the roles and responsibilities of various authorities at State and district levels is indicated at *Appendix-2.2.2*. As can be seen, this was a structure which was separate from the usual DGP's structure and was designed to involve active involvement of the top echelons of the State's bureaucracy implementing the scheme.

2.2.1.3 Audit Objectives

We took up the performance audit with the objective of assessing that:

- its financial management was efficient and effective;

⁶⁵ Principal Secretary, Home Department, Principal Secretary, Finance Department, Engineer-in-Chief-cum-Secretary, Works Department, Director General of Police (DGP), Chairman-cum Managing Director, Odisha State Police Housing and Welfare Corporation and Special Secretary (Home) as the member-convener of the SLEC

- there were proper and adequate long term and short term plans to achieve the objectives of the scheme viz; operational efficiency, capacity building and infrastructure augmentation;
- the State Police Forces acquired and used modern weapons, efficient communication systems, mobility support and other infrastructure in an efficient manner;
- the acquisition of various kind, upgraded system of intelligence gathering, investigation, traffic control and forensic testing were upto envisaged level;
- system of monitoring the implementation of the scheme was in place and effective.

2.2.1.4 Audit criteria

Criteria used to benchmark the implementation of the scheme were drawn from:

- Scheme Guidelines and instructions issued by the GoI from time to time;
- Norm and scales prescribed by Bureau of Police Research and Development (BPRD) for various operational parameters like weapons, mobility etc.;
- Instructions issued by the State Government from time to time;
- Provisions of Odisha General Financial Rules, Odisha Treasury Code, Odisha Public Works Department Code;
- Prescribed monitoring mechanism.

2.2.1.5 Audit scope and sample

We conducted the performance audit during May-June 2011 and November-December 2011 covering the period 2004-11⁶⁶. We covered eight⁶⁷ (22 *per cent*) out of 36 police districts⁶⁸ of the State, including four LWE affected districts⁶⁹. The districts were selected on the basis of Simple Random Sampling without Replacement (SRSWOR) method. Under each sampled police district, six Police Stations (PSs)/Outposts (OPs) were selected on random basis.

2.2.1.6 Audit methodology

As a part of audit methodology, we conducted test check of records of the sampled units and collected information through questionnaire. Records of

⁶⁶ Initially reviewed during March to June 2009 and also, April to June 2010

⁶⁷ SPs of Dhenkanal, Koraput, Rayagada, Sundergarh, (4 LWE districts) and SPs of Cuttack and DCP Bhubaneswar, Jharsuguda, Nayagarh (4 non-LWE districts).

⁶⁸ Covering 30 revenue districts

⁶⁹ Koraput, Rayagada, Sundergarh and Dhenkanal.

Home Department, State Police Directorate, nine other State level offices⁷⁰, eight Superintendents of Police (SsP) / Deputy Commissioner of Police (DCP) offices⁷¹ (22 per cent of the total 36 police districts⁷²) and 48⁷³ PSs / OPs including 21 LWE PSs/OPs functioning there under were test checked in Audit. Two training institutes, viz. Biju Patnaik State Police Academy (BPSPA), Bhubaneswar and Police Training College (PTC), Angul were also covered. The records of OSPHWC, the executing agency for all civil works, was also test checked. We also conducted joint physical inspection of assets created under the scheme along with departmental officials and took photographs, wherever necessary, for the purpose of evidence.

2.2.1.7 Entry and exit conference

We discussed the objectives, scope and methodology of audit with the Principal Secretary, Home Department and Director General of Police at an 'Entry Conference'. Audit findings were also discussed at 'Exit Conference' with the Commissioner-cum-Secretary, Home Department on 27 October 2011. Responses of the Government and the DGP have been included at appropriate places.

2.2.1.8 Acknowledgements

We appreciate the cooperation of the Home Department, DGP, implementing agencies and field functionaries of the State police during this performance audit.

Audit findings

2.2.2 Financial Management

Audit reviewed the financial management under the scheme in test checked units and the findings are discussed below.

⁷⁰ Director General (Home Guards); Criminal Investigation Department (Crime Branch) (CID); Special Intelligence Wing (SIW); Special Operation Group (SOG); Superintendents of Police (SP) Signal, Police Motor Transport (PMT), Security; Directors, State Forensic Laboratory (SFL) and State Crime Record Bureau (SCRB)

⁷¹ SsP of (i) Koraput, (ii) Rayagada, (iii) Nayagargh, (iv) Jharsuguda, (v) Sundergarh, (vi) Dhenkanal, (vii) Cuttack and (viii) DCP, Bhubaneswar

⁷² 34 police districts and two Railway police districts

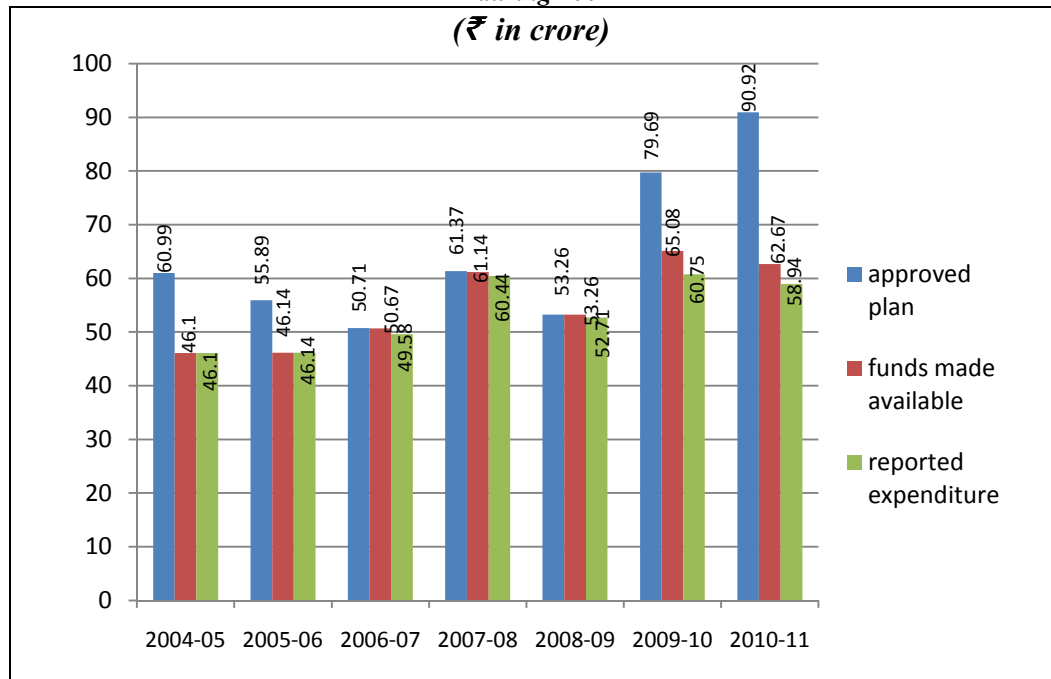
⁷³ PS / OPs : (i) **Koraput district** : Pottangi, Sunabeda, Koraput sadar, Jeypore town, Kakirigumma, Dumuriput Out post; (ii) **Rayagada district**: Padmapur, Gunupur, Bissamcuttack, Chandili, Muniguda; (iii) **Nayagargh district**: Nayagargh, Dasapalla, Odogaon, Sarankul, Nuagaon; (iv) **Jharsuguda district**: Kolabira, Jharsuguda town, Laikera, Belpahara, Brajarajnagar; (v) **Dhenkanal district**: Dhenkanal town, Balimi, Rasol, Hindol, Motanga, Kamakhyanagar, Hindol Rd. (OP), Starion Rd.(OP); (vi) **Sundergarh district**: Sundergarh town, Bhasma, Kutra, Bargaon, Talsara; (vii) **Cuttack district**: Narasinghpur, Baramba, Athagarh, Banki, Niali, Govindpur, Kishorenagar, Talabasta OP and (viii) **DCP, Bhubaneswar**: Capital, Laxmisagar, Saheednagar, Nayapalli, Baliana, Khandagiri

2.2.2.1 Fund flow mechanism and financial position

Funds under the scheme were intended to supplement the resources of the State for modernisation of police. The GoI, after approval of the Annual Action Plans of the State Government, released the Central share (75 per cent) of funds to the State Government and directly to other agencies like Ordnance Factories Board (for weapons) and OSPHWC for procurement of materials and execution of works. The State share (25 per cent) was released by the State Government to DGP / OSPHWC through the usual budgetary mechanism of the State. We observed that these multiple channels of flow of central funds, particularly those flowing directly to the implementing/executing agencies as indicated above, resulted in dilution of usual budgetary and financial controls.

During the period 2004-11, ₹ 385.06 crore were released under the scheme by the GoI (₹ 293.89 crore) and State Government (₹ 91.17 crore) of which ₹ 374.66 crore (97 per cent) was reported by the Department as utilised by March 2011. The year-wise allocation and expenditure of funds is at *Appendix-2.2.3*. A bar diagram representing the approved plan size, funds actually made available and expenditure reported to be incurred is indicated in the Chart 2.2.1 as under :

Chart 2.2.1: Year wise approved plan, fund availability and expenditure incurred under MPF during 2004-11



As may be seen from the above graph, during 2009-10 and 2010-11, there was a significantly material shortfall between the approved plan size and funds made available under the scheme. Yet, the magnitude of approved plan size in these years was higher by 16 per cent over the average approved plan size during the preceding five financial years (2004-2009). Still, the expenditure during these two years remained almost at the same level as during the preceding five years.

2.2.2.2 *Lack of integrity in financial reporting due to submission of inaccurate utilisation certificate*

Audit cross-checked the records of executing agencies to assess the integrity in financial reporting and reliability of the expenditure figures furnished by the Department. We found that the reported expenditure of ₹ 374.66 crore for which utilisation certificate had already submitted by the Department, was not correct and was, in fact, inflated by ₹ 90.06 crore. Though ₹ 100.46 crore were lying unspent with OSPHWC (₹ 96.99 crore) and five other executing agencies⁷⁴ (₹ 3.47 crore) as on 31 March 2011, the Department reported to State Government that only ₹ 10.40 crore was lying unspent on that date. Thus, the actual expenditure as on 31 March 2011 was merely ₹ 284.60 crore which was 73.91 per cent of the total available funds. This inaccurate capture of expenditure data at the level of the Department was indicative of the poor expenditure management and accounting controls. Given that most of the fund flows under this scheme were outside the usual budgetary mechanism as indicated earlier, this is fraught with the risk of loss of accountability for the expenditure incurred, apart from lack of integrity in financial reporting.

On this being pointed out by us, the Department stated (October 2011) that UC was submitted for actual expenditure incurred by State Police Headquarters (SPH). The reply was not tenable in audit as funds spent at the level of SPH did not represent entirely the expenditure actually incurred and included sums transferred to and lying unspent with OSPHWC and other executing agencies as on 31 March 2011.

2.2.2.3 *Extension of undue financial benefit to OSPHWC due to approval of inflated estimates*

We had mentioned in Paragraph 3.2.13.7 of the Audit Report (Civil) for the year ended 31 March 2007 about the unjust enrichment of OSPHWC due to irregular collection of Sales Tax in the name of ‘work contract tax’. This had been done by inflating the estimates for the buildings constructed under ‘Modernisation of Prisons’ and appropriation of the work contract tax thereupon without depositing it with the Sales Tax authorities, as the Corporation was not liable to pay any such tax. On this matter being pointed out (May 2006) in audit, the Corporation discontinued charging of such tax from October 2006. It was however, noticed that in case of construction of buildings under MPF also, the Corporation had inflated the estimates for 102 buildings prepared up to October 2006 by adding such “works contract tax” and supervision charges there on, in addition to Sales Tax, and irregularly adjusted ₹ 1.27 crore on this account from the funds placed with it during 2004-06. This too had, resulted in undue enrichment of the Corporation.

Preparation of inflated estimates by inclusion of contract tax in addition to sales tax and supervision charges

⁷⁴ Biju Patnaik State Police Academy: ₹ 1.60 crore; Criminal Investigation Department: ₹ 1 crore; DGP: ₹ 57.88 lakh; State Crime Record Bureau: ₹ 9 lakh and Superintendent of Police (Security): ₹ 19.77 lakh

The Chairman-cum-Managing Director, OSPHWC, stated (October 2011) that six *per cent* extra was added to the estimate to normalise the ‘escalation cost’ of materials and labour but was erroneously shown as contract tax in the estimate. The reply was not tenable as escalation charges and contract tax were completely different items; such contention, therefore, was not logical.

2.2.2.4 *Non-refund of interest earned on scheme funds*

As per instructions of GoI, the UCs interalia were to indicate the interest earned by the executing agencies on unspent scheme funds. In case, the implementing / construction agency had not earned any interest on GoI funds, a certificate to that effect was required to be sent to GoI. We however, noticed that in the UC submitted to GoI, interest element was not indicated at all.

Interest of ₹ 11.38 crore earned on scheme funds was retained by OSPHWC

During 2004-11, the OSPHWC received ₹ 226.69 crore directly from both Central and State Governments for construction of residential and non residential buildings (₹ 211.69 crore) and procurement of different equipment, weapons etc (₹ 15 crore). The Corporation earned an interest of ₹ 11.38 crore on the unspent scheme funds up to March 2011 which was neither accounted for under the scheme nor reported to GoI.

In reply, the DGP stated (October 2011) that the Corporation had spent unclaimed expenditure of ₹ 12.76 crore on MPF projects up to 31 March 2010 and their request for adjusting the same from interest earned was under consideration of the SLEC. The reply was not tenable as appropriation of interest was irregular and interest earned had remained unaccounted for (November 2011).

Planning

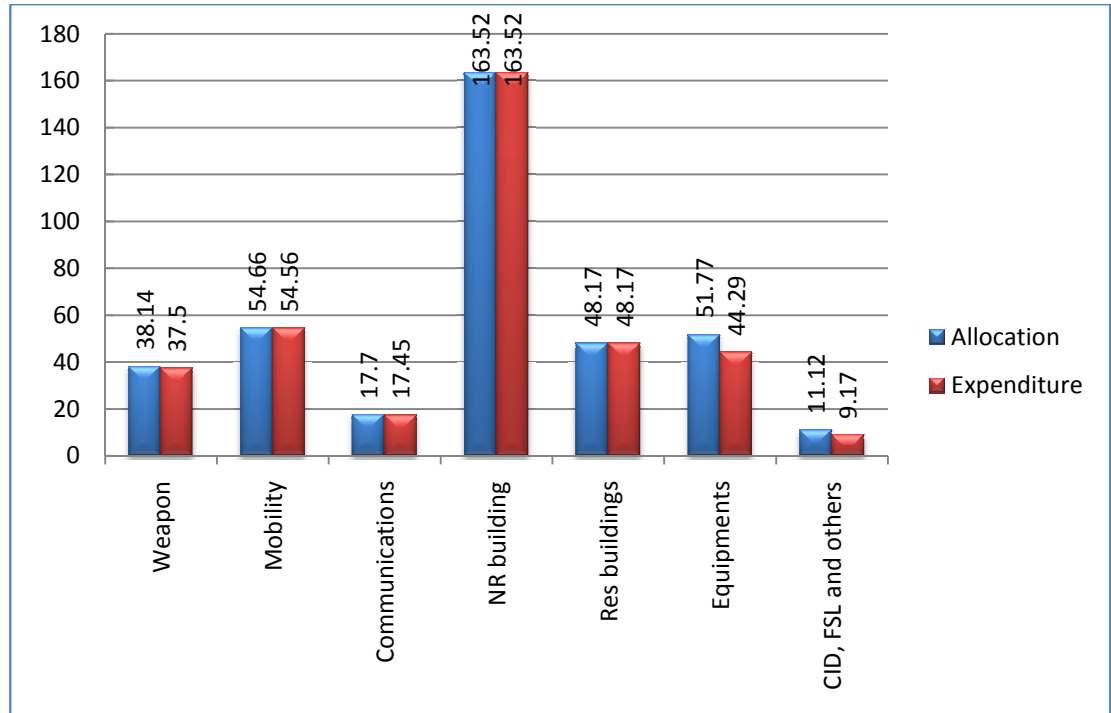
2.2.3 *Improper, inadequate and uncoordinated planning*

During 2004-11, the Department spent ₹ 374.66⁷⁵ crore under the scheme on procurement of modern weapons, vehicles, equipments, communication systems, computerisation, security/ intelligence equipments, forensic science laboratory and construction of residential and non-residential buildings for police forces⁷⁶ etc. As per information furnished by the DGP, component-wise allotment and expenditure incurred during 2004-11 are displayed in Chart 2.2.2:

⁷⁵ Actual expenditure was ₹ 284.60 crore as reported expenditure of ₹ 374.66 crore was inflated by ₹ 90.06 crore due to incorrect depiction of unspent funds of ₹ 100.46 crore as ₹ 10.40 crore only, as on 31 March 2011

⁷⁶ Reported expenditure under civil works was ₹ 208.23 crore which included unspent funds of ₹ 96.99 crore available with OSPHWC on 31 March 2011

Chart 2.2.2: Component wise allocation and expenditure under MPF during 2004-11 (Rupees in crore)



(Source : Information furnished by the Department), Res: Residential, NR: Non-residential

As may be seen from the above chart, while 55 per cent of total allocation was allotted and spent for construction of residential and non-residential buildings through OSPHWC functioning under the same Department, only a meagre 11.5 per cent of allocation was provided for important activities like communication, computerisation, forensic science and intelligence gathering, improving investigation and human resource development.

We observed (September 2011) that despite such interventions, the state of preparedness, striking capabilities and operational efficiency of State police were deficient as demonstrated by low indices of crime investigation, low conviction rate and rising LWE activities as discussed paragraphs 2.2.1, 2.2.9.1, 2.2.9.2 and 2.2.9.4 in this report.

2.2.3.1 Long term plan missing

The GoI guidelines for MPF required the State Government to prepare five year Perspective Plans. Annual Action Plans (AAPs) were to flow from these Perspective Plans and got approved by the State Level Empowered Committee (SLEC) before submission to GoI. We noticed that the State Government prepared a five-year Perspective Plan for the period 2000-05. However, it did not prepare such plans for the periods 2005-10 and 2011-15. There was nothing on record to indicate if the State Government or the DGP had laid out any long-term strategy to improve the operational efficiency of the State police, particularly for tackling the growing left-wing extremism in the State.

2.2.3.2 Framing of procurement based Annual Action Plans (AAPs)

Audit further noticed that while planning was limited to preparation of Annual Action Plans, even these looked more like an annual purchase / procurement and construction wish-list. Neither long term goals and benchmarks were spelt out in any form in the Annual Plans nor pre-defined key performance indicator (KPIs) like response time to reach the crime place, time to register First Information Reports (FIR), average time taken for detection of different categories of crime, number of investigations of different kinds to be conducted by a police official per day and per month, number of cases to be finalised after investigation per officer per month, number of samples to be checked in the FSL per month, number of preventive combing operations to be done in LWE infested districts in a month etc. for measuring the operational efficiency of the police force were prescribed by the department. In fact, there was no baseline data on operational efficiency. On this being pointed out, the Secretary assured (October 2011) to start with a few KPIs, from the next annual plan.

Though the AAPs of 2008-09 and 2009-10 clearly stated (in the introduction) that an exercise was undertaken for formulating a realistic action plan for up-gradation of capabilities and strengthening of police stations, training, mobility, communication and scientific aid etc., we observed that due diligence in the preparation of such plans was inadequate. The plans were largely top driven with practically no input from police districts. Examination of records in the offices of DGP and Home Department revealed (November 2011) that though SPs had submitted their requirements, yet the same were not considered while preparing annual plans and that SPs were not adequately and proactively consulted in the planning process. Moreover, the annual plans for 2007-08 and 2008-09 were submitted to GoI without approval of the SLEC. From the evidence made available in the course of audit, it was unclear how, in the absence of any documented projection of the requirements by the district police units in regard to weapons, equipments, vehicles etc., the DGP and the Government had split up State's requirement in to LWE affected districts and the remaining districts.

Besides the plans did not indicate any linkage between the various activities that converged on the same objective as indicated by the chart below:

Chart 2 : Relational chart

Objective	Linked chain of activities	Whether planned and strategised
Improving striking capabilities	Procurement of modern weapons	Yes
	Availability of trained personnel to handle sophisticated weapons	Not commensurate with weapons purchased
Improving mobility	Procurement of vehicles	Yes

Objective	Linked chain of activities	Whether planned and strategised
	Recruitment of drivers	Not commensurate with vehicles purchased and available
Improving the quality of investigations	Procurement of equipments for State Forensic Laboratory and Mobile Forensic Laboratories	Yes
	Filling up vacant posts of Scientific Officers and Laboratory Assistants	No
	Procurement of equipments for Handwriting Bureau of CID	Yes
	Posting of technical personnel to handle the same	No
Upgrading physical infrastructure	Construction of police buildings and staff quarters	Yes
	Fortification of police buildings in LWE areas	Yes (very few)
Traffic control	Purchase of mobile cranes	Yes
	Posting of drivers	No
Improving timeliness in crime investigation	Filling up of vacancies	No
Support to Police (Home guards)	Filling up vacancies	No

(Source: Audit analysis)

Considering gross deficiencies in planning as indicated above, the extent and impact of diligence that was being exercised by the Principal Secretary, Home Department and the SLEC in appraising these plans before sending them to GoI was below par. In fact, the planning efforts was completely adhoc and intuitive rather than based on scientific analysis of baseline data and exception reports. Plans and strategies to address the deficiencies pointed out in earlier CAG's Report (ending 31 March 2004) appeared to have not been factored in to these AAPs as discussed in succeeding paragraphs.

In reply, the Secretary agreed (October 2011) that annual plans needed to be bottom-up as well as outcome based and not top-driven. He agreed that there must be due linkages with complementing or contrasting activities so that the planning process can be more outcome-oriented and amenable to effective monitoring at a later stage. Action in this regard was awaited (December 2011).

2.2.3.3 Shortage of manpower - vacant posts were not filled up

There was no provision for meeting expenses towards salary of State police personnel from the MPF scheme funds. Such expenses were to be met out of State funds. The sanctioned strength (SS) and person in position (PIP) of various categories of police personnel during 2004-11 for the State as a whole is indicated in table below:

Table: 2.2.1: Statement showing sanctioned strength and person-in-position of police personnel in the State with percentage of vacancies in brackets

Year	Group-A			Group-B			Group-C			Group-D		
	SS	PIP	Vacancy	SS	PIP	Vacancy/	SS	PIP	Vacancy/	SS	PIP	Vacancy/
2004-05	379	354	25 (7)	828	706	122 (15)	38788	35514	3274 (8)	2389	2052	337 (14)
2005-06	400	337	63 (15)	851	712	139 (16)	39515	35612	3903 (10)	2441	1966	475 (19)
2006-07	411	327	84 (20)	860	728	132 (15)	40408	35138	5270 (13)	2468	1939	529 (21)
2007-08	467	298	169 (36)	973	774	199 (20)	45406	38803	6603 (15)	3260	1989	1271 (39)
2008-09	511	323	188 (37)	1046	757	289 (28)	47159	38178	8981 (19)	2928	1890	1038 (35)
2009-10	748	514	234 (31)	1290	898	392 (30)	52012	40535	11477 (22)	3386	1930	1456 (43)
2010-11	826	584	242 (29)	1257	867	390 (31)	53279	41687	11592 (22)	3468	1893	1575 (45)

SS: sanctioned strength and PIP: person in position, (Source: Information furnished by the DGP)

It was noticed that though both the sanctioned strength and PIP gradually increased in absolute numbers between from 2004-05 (40034 and 38626) and 2010-11(58830 and 45031), the gap between the SS and PIP in all groups of personnel (A-D) had widened at the same time. Under Group A category, the gap between SS and PIP had increased from seven *per cent* during 2004-05 to 29 *per cent* during 2010-11. Similarly, the gap for Group B, C and D officials had increased from 15 *per cent*, 8 *per cent* and 14 *per cent* during 2004-05 to 31 *per cent*, 22 *per cent* and 45 *per cent* respectively during 2010-11. About 34 *per cent* posts of Inspecting Officers⁷⁷ remained vacant as of March 2011.

In the test checked 48 PSs / OPs, as against the sanctioned strength of 503 constables, only 376 (75 *per cent*) were in position as on 31 March 2011. Vacancy at the level of Assistant Sub-Inspector (ASI), Sub-Inspector (SI) and Inspectors in these 48 PSs and OPs was 50 (25 *per cent*), seven (six *per cent*) and three (eight *per cent*) respectively.

We observed that, specific planning and strategies to address growing shortage of personnel had not been factored in while projecting requirement of funds to GoI for procurement of weapons, vehicles, equipments etc. in the AAPs. In reply, the Department stated (October 2011) that the large scale vacancies were due to litigations affecting recruitment and promotions and assured that appropriate action would be taken in the matter.

⁷⁷ Sub-inspectors and Inspectors

2.2.3.4 Shortfall in training

Training was an important component of the scheme that aimed to build capacity of the police personnel so as to increase the operational performance of State Police Force. Examination of utilisation of training slots in police training institutes revealed that:

- Number of police personnel trained in handling sophisticated weapons in the State as on 31 March 2011, was not available with the Department.
- In the eight test checked police districts, only 1054 police personnel⁷⁸ (22 *per cent*) out of 4896 in position had undergone training in handling sophisticated weapons during 2004-11.
- Shortfall in utilisation of training slots assigned to the State in BPSPA during 2004-2010 for training personnel in use of weapons was 39 *per cent*⁷⁹.

In reply, the Department, stated (October 2011) that with the setting up of three more police training colleges, each of 1500 capacity, the problem of non-availability of trained manpower was being sorted out.

2.2.3.5 Non-preparation of separate sub-plan for Home Guards

Home guard organisation plays an important role in lending support to State police forces thereby increasing the operational efficiency of the State police. GoI instructed (March 2004 and April 2007) the States to include in the AAPs a separate sub-plan for Home Guard organisation and to earmark a minimum of five *per cent* of total outlay under the scheme for this purpose. However, no sub-plans for home guards organisation were prepared and included in the AAPs during the period 2004-08. Thereafter, though separate sub plan, were prepared for HG organisation and included in the AAP 2008-09 to 2010-11, yet, only ₹ 4.90 crore i.e. 2.9 *per cent* of total allocation of ₹ 180.56 crore, was provided for the purpose during the same period whereas five *per cent* of funds were required to be provided.

2.2.3.6 Shortage of Home Guards

Home Guard (HG) Volunteers are auxiliary to State Police Force and play an important role in maintenance of internal security, enforcement of law and order, prevention of crime and criminal activities, ensuring VIP security, traffic control, night patrolling and guard duty etc. They are also deployed for rendering voluntary service during natural calamities like floods, cyclones etc.

⁷⁸ (i) SP, Koraput :49 out of 954 (5 *per cent*), (ii) Rayagada : 38 out of 626 (5 *per cent*), (iii) Nayagarh : 110 out of 259 (42 *per cent*) (iv) Jharsuguda: 42 out of 140 (30 *per cent*) (v) Sundargarh: 89 out 288 (31 *per cent*) (vi) Dhenkanal: 76 out of 364 (21 *per cent*) (vii) Cuttack: 612 out of 612 (100 *per cent*) and (viii) DCP, Bhubaneswar: 38 out of 1553 (2 *per cent*)

⁷⁹ BPSPA: 2004-10: Target 3330 in 111 batches, achievement: 2040, shortfall: 1290

Home Guards' Compendium of Instructions 2007 issued by the GoI, prescribed the norm of 110 HGs for every rural block and equal number for every population segments of 25000 in the urban areas. At this norm, requirement of home guards in 314 rural blocks of the State was 34540. Simultaneously, in urban areas 24276⁸⁰ home guards were required. Against the total normative requirement of 58816 HGs, the State had only 15708 HGs, which included 1188 women in position. Though the available number of home guards was equal to the sanctioned strength, there was a shortage of 43108 (73 per cent) HGs in the State (March 2011) against the prescribed norm.

In reply, the Department stated (October 2011) that Government had been moved (July 2009) for increasing the sanctioned strength of Home Guards from 15708 to 19708 and the same was under consideration of the Government. Final action in this regard was awaited (November 2011).

Programme implementation

The scheme aimed to strengthen infrastructure base of State police in areas like weaponry, communication system, computerisation, mobility, security / intelligence /traffic control equipments, residential and non-residential buildings and other infrastructure. Audit reviewed in the test checked units, the procurement and construction processes related to creation of such infrastructure and its subsequent use. Audit findings in these aspects are discussed in succeeding paragraphs.

2.2.4 Weaponry

The scheme provided for replacement of outdated and unserviceable weapons with sophisticated ones. A committee constituted by MHA (GoI), in consultation with the State Government, recommended (June 2004) specific scales of modern weapons⁸¹ like 7.62 mm rifles / 5.56 INSAS rifles, AK 47 rifles, 9 mm pistol/ 0.38 mm revolver, tear gas gun, VL pistol, 7.52 mm Light Machine Guns, 51mm mortar, sniper rifle, grenade launcher to be provided to each police station so as to enhance their striking capabilities. GoI also advised (June 2004) the State Governments to factor in the said scales while projecting the requirement of weaponry in the annual plans under the modernisation scheme. During 2004-11, out of ₹ 38.14 crore allocated for purchase of weapons, ₹ 37.50 crore⁸² was utilised on procurement of modern weapons. Audit analysis of requirement, availability and utilisation of modern weapons revealed the following deficiencies.

⁸⁰ Urban population of 5517238 ÷ 25000 x 110

⁸¹ **Per PS:** AK 47 rifles: 20 per cent of constable strength and 100 per cent of head constable strength; 7.62 mm rifles / 5.56 mm INSAS rifles: 80 per cent of constable strength and 25 per cent of ASIs and above ; Pistols: 50 per cent of ASIs and above; carbine sten: 25 per cent of ASIs and above; tear gas gun: 3; VL pistol: 2; Granade launcher: one etc

⁸² ₹ 20.73 crore on purchase from Ordnance Factory Board, Kolkata and ₹ 16.77 crore from other ordnance factories

2.2.4.1 Shortage of modern weapons in the State

Shortage of modern weapons in the State remained at 72 per cent

Examination of records of the State Police Headquarters revealed that the requirement of weapons for the State (36 police districts) as per the recommended scale of MHA was not assessed. Considering all the operational PSs, 57161 number of modern weapons were required for 36 police districts in the State as per the recommended scale of MHA. Against this requirement only 15877 such weapons (*Appendix-2.2.4*) were available in the State as on 31 March 2011. Thus, there was 72 per cent shortage of modern weapons in the State. This shortage would further increase, as the above assessment does not factor in the weapon required for the armed police battalions. Shortages were mostly noticed in INSAS Rifle, AK 47 rifles and Light machine guns (LMG).

Availability of other weapons like 303 rifles (7736), 303 truncated gun (65), 12 bore pump action gun (1454), 410 musket (3065), glock pistol (181) etc. in the State was relatively better through these included some old and obsolete weapons.

In eight test checked police districts including four LWE affected ones, we noticed that only 2796 modern weapons were available as on 31 March 2011 against the requirement of 7221 as assessed by us at the GoI norm. Shortage of 4425 weapons constituted 61 per cent of the total requirement in these districts (*Appendix-2.2.5*). Shortage of modern weapons against the requirement was maximum in Cuttack police district (84 per cent) and minimum in Sundargarh district (40 per cent), among test checked districts.

2.2.4.2 Idle weaponry at State provincial store and district armouries

Audit noticed that while on the one side there was shortage of weapons, on the other side modern weapons purchased under the scheme were not issued to PSs and were kept idle either at the State provincial store or at the district armouries, as under:

Sophisticated weapons were kept in central store and district armoury without being supplied to police stations and outposts

- Weapons numbering 10594 (value: ₹ 14.80 crore) including 5596 modern weapons⁸³ (35 per cent)⁸⁴ valued ₹ 13.83 crore as indicated at Appendix-2.2.4 were retained in the State provincial store at Cuttack as of 31 March 2011 unissued on the ground of non-availability of trained staff to handle these weapons. All these weapons meant for countering LWE activities were not supplied even to the field units in LWE affected districts And included about 47 per cent of the total available AK 47 rifles remained idle (March 2011) at the State provincial store. Besides, while issuing the equipments the district wise requirements were also not considered by the department.
- Similarly, in 36 police districts, despite availability of 28814 weapons valuing ₹ 35.18 crore in its armouries, including 10281 modern

There was an acute shortage of trained manpower to handle sophisticated weapons

⁸³ 5.56 mm INSAS Rifles (758), 7.62 mm AK-47 rifles (4536), Under-Barrel Grenade Launcher(203) etc.

⁸⁴ 5596/15877 modern weapons available in the State

weapons⁸⁵, the same were not issued to police stations and outposts (OPs) on the ground of non-availability of trained staff to handle these weapons.

- Records of 48 test checked PSs /OPs in the eight test checked police districts revealed (October/November 2011) that while no weapon were available in 13 police stations⁸⁶ and four outposts, one pistol each was available in three PSs (Nuagaon, Laikera and Bargaon); modern weapons like AK 47 rifles (5) were available in only two PS (Pottangi and Motanga) and INSAS rifles (26) were available only in one PS (Pottangi). In remaining, 26 PSs, old weapons like musket, bayonet and revolvers were available. This resulted in the field level police officials, who were actually responsible for operations, remaining either unequipped with any weapon or dependent on old weapons.

In reply, the Department stated (October 2011) that weapons would be issued to district armouries after proper fortification of police stations and out posts and receipt of requisition from concerned SPs.

Availability of modern weapons in sufficient numbers was a key requirement in modernising the police force in the State and a morale booster in their operations against LWE. The State Police Organisation not procured adequate numbers of such weapons and issued only a fraction of such weapons to operational forces for the reason that were avoidable if sufficient and timely measures had been taken to train staff in the use and to fortify police stations.

2.2.5 *Communication system*

Transmission of intelligence data on crime and criminals and other information in shortest possible time is of paramount importance for the State police and it requires a reliable and efficient communication system. Review of the police communication system revealed the following deficiencies:

2.2.5.1 *POLNET partially operationalised*

A cohesive electronic communication network for the benefit of efficient and effective investigation of crime and transmission of crime related data, finger prints, images, photographs etc was envisaged in the Police Telecommunication network (POLNET) of the MPF scheme. GoI procured and delivered the equipments to the States, the selection of sites and installation was left to the States. Under



Abandoned MART Towers at Muniguda PS of Rayagada district

⁸⁵ 5.56 mm INSAS Rifles / 7.62 mm SLR (5458), AK-47 rifles (904), Under-Barrel Grenade Launcher(6), 9mm pistol/revolver (2674) etc.

⁸⁶ Nayapalli, Sahidnagar, Narasingpur, Badamba, Padmapur, Chandili, Sunabeda, Koraput sadar, Sarankul, Daspalla, Kolabira, Kutra, Bhasma

the scheme it was intended to connect all the PSs in the country with concerned District Police Offices through Multi Access Radio Telephony (MART), independent of Department of Telecom (DoT), as well as to provide voice and data communication to connect DGP office with SP offices through installation of Very Small Aperture Terminals (VSAT). Besides, Very High Frequency (VHF) and Ultra High Frequency (UHF) trans-receiver sets were also to be provided to Police stations/ personnel.

Audit, however, noticed (September 2011) that such communication network was established only partially in the State covering data communication only from State level to district level under V SAT. The required voice connectivity could not be established (May 2011) due to insufficient voice bandwidth. Even such partially functional POLNET system was not available in two LWE affected districts of Nayagarh and Dhenkanal, despite the former having already seen violent extremist attacks during February 2008. Besides, 148 MARTs installed at a cost of ₹ 4.20 crore⁸⁷ through OSPHWC were not made operational (May 2011). SP (Signals) attributed this (May 2011) to line of sight problems. Evidently, technical adaptability of MART in the State had not been ascertained upfront.

In reply, the Department stated (October 2011) that connectivity from district headquarters to police stations through MART technology was withdrawn by the GoI. The department also stated that all the deficiencies were expected to be addressed under Crime and Criminal Tracking Networking System (CCTNS) connectivity, another system under implementation by GoI since 2008-09. (See paragraph 2.2.5.3)

2.2.5.2 Midway closure of implementation of Common Integrated Police Application (CIPA)

For sharing and transmission of crime related data amongst police stations within the State and across the country the GoI introduced a computerised project 'Common Integrated Police Application (CIPA)' in 2003-04 for implementation through the National Informatics Centre in two phases (Phase I and Phase II) and the Director, State Crime Record Bureau (SCRB) was responsible for co-ordinating implementation of the project in the State.

CIPA project phase-I implemented at an expenditure of ₹ 1.11 crore remained partially operational

The Phase I of CIPA consisted of software modules for registration, investigation, prosecution, information, outputs and administration of crime and criminals. Audit noticed that this computer based crime-data communication programme was implemented (November 2006-January 2007) by installation



CIPA II infrastructure used as a rest room at Chandili PS of Rayagada district

⁸⁷ ₹ 1.15 crore released by the GoI to DGP and ₹ 3.05 crore directly to OSPHWC

of hard and software in 45 PSs of five districts⁸⁸ at a cost of ₹ 1.11 crore. However, the same were made partially operational (October 2011).

Expenditure of ₹ 1.54 crore incurred on site preparation for computerisation of police stations under CIPPA II rendered unfruitful

Under Phase II, ₹ 2.05 crore were received⁸⁹ from GoI for site preparation at 431 PSs, of which 309 were completed, 102 were partially completed and work in respect of remaining 20 PSs was not initiated (May 2011). In the meantime, CIPA was discontinued (August 2008) by GoI advising the State Government to complete the left over work from its own budget. However, no further fund was provided by the State Government for the project and assets acquired at an expenditure of ₹ 2.05 crore, were not put to any use (October 2011).

As a result, the objective of computerisation of police stations and sharing and transmission of crime related data remained unachieved (May 2011). During a joint physical inspection of four Police Stations, we noticed (November-December 2011) that the infrastructure created⁹⁰ was either being used as office space for higher officers (one case) or remained unused (three cases).

In reply, the Director, SCRB stated (May 2011) that the issue of on line connectivity among the police stations and higher offices would be taken care of in the ongoing CCTNS project.

2.2.5.3 Slow implementation of CCTNS project

Crime and Criminal Tracking Networking System (CCTNS) was conceptualised as a substitute for CIPA and was sponsored by the MHA in a mission mode to enhance outcomes in crime investigation and criminal tracking. The National Crime Records Bureau (NCRB) was the central level nodal implementing agency responsible for managing the project and at the State level, Director, SCRB was responsible for its implementation.

However, our audit examination revealed (November 2011) slow implementation of this project and low expenditure. Only ₹ 45.59 lakh (9.4 per cent) were spent out of ₹ 4.87 crore released by GoI during 2008-09 (₹ 3.96 crore) and 2009-10 (₹ 91 lakh) for this project. As per the project guidelines, a State Project Management Consultant (SPMC) was to be appointed to provide technical support for the implementation of the project and one System Integrator provided to assure the end to end CCTNS solution in the State. We noticed that while National Institute for Smart Governance, Hyderabad was appointed (26 July 2010 and revised on 7 May 2011) as State Project Management Consultant (SPMC) yet no System Integrator had been engaged (October 2011) as there was no response to the request for proposal floated in April 2011. These issues had not been addressed as of October 2011 as confirmed by the Director, SCRB.

⁸⁸ Anugul, Cuttack, Ganjam, Khurda and Puri

⁸⁹ (i) From GoI (₹ 1.94 crore) in November 2007 and State Government (₹ 11 lakh in August 2008

⁹⁰ Renovated room, computer chairs and tables

Above deficiencies in implementation of POLNET, CIPA and CCTNS, apart from indicating absence of proper planning and coordination also resulted in an investment of ₹ 6.25 crore on establishment of MART, VSAT and CIPA remaining unfruitful. That such vital and game changing projects, were being handled at the level of SP (Signals) with no evidence of the project being monitored at higher echelons of State Police Headquarters or in the SLEC indicated low degree of ownership in the projects on the part of State Government despite being faced with serious internal security challenges like LWE. Thus, police communication system still remained an area of concern (November 2011).

2.2.6 Mobility

Mobility of police forces is essential for enhancing its operational efficiency, in tackling law and order situations as well as for prevention and detection of crimes and ensuring security and surveillance against 'Left Wing Extremism' (LWE). Increased mobility reduces response time and enhances operational efficiency of police forces. Audit examined the procurement and utilisation of vehicles and noticed the following deficiencies.

2.2.6.1 Shortage of vehicles as per BPRD norm

BPRD scales⁹¹ for operational vehicles are the guiding factor in procurement of vehicles. We noticed that as per the BPRD scale there was shortage of 1288 vehicles in the State as on 31 March 2011 as indicated in Table 2.2.2. Though the shortages persisted year after year during 2004-11, the position had considerably improved over the years. The shortage which was as high as 2287 (42 per cent) on 1 April 2004 had come down to 1288 (20 per cent) by 31 March 2011 due to intervention under the scheme, the details of which given in *Appendix-2.2.6*.

There was shortage of 1288 vehicles, against the requirement as per BPRD norms

Table 2.2.2: Requirement vis-a-vis availability of vehicles with State police

Particulars	Heavy	Medium	Light	Motor cycle	Total
Requirement as on 1 April 2004 as per BPRD norm (A)	567	708	1511	2662	5448
Additional requirement for new PSs/OPs during 2004-11 (B)	190	150	370	315	1025
Condemned during 2004-11 (C)	45	78	258	238	619
Gross requirement as on 31 March 2011 (D) = (A + B + C)	802	936	2139	3215	7092
Available as on 1 April 2004 (E)	232	455	1348	756	2791
Net requirement as on 31 March 2011 (F) = (D - E)	570	481	791	2459	4301
Purchased during 2004-11 (G)	147	257	801	1808	3013
Net shortage of vehicles as on 31 March 2011 (F) - (G)	423	224	(-10)	651	1288
Vehicle available as on 31 March 2011	334	634	1891	2326	5185

(Source: Data furnished by SP, Police Motor Transport, Cuttack)

⁹¹ BPRD norm for operational vehicles: **Per PS**: Two light vehicles and three motor cycles, **OP**: Two motor cycles, **Police district**: nine heavy, 17 medium, 14 light and seven motor cycles, **Armed battalion**: 29 heavy, eight medium, 13 light and five motor cycles

During 2004-11, 3013 vehicles⁹² were purchased by the department at ₹ 54.56 crore. Against the requirement of 6473 vehicles assessed as per BPRD norms as on 31 March 2011, 5185 vehicles were available leading to an overall shortage (20 per cent) of 1288 vehicles. Shortage was maximum in heavy vehicle category (56 per cent). In eight test checked police districts, shortage of vehicles (161) was noticed to be 25 per cent. Out of eight test checked police districts, the shortage was maximum in DCP, Bhubaneswar.

Audit examination in test checked districts revealed that though SP of Rayagada, which is a major LEW affected district, had requisitioned (October 2008) three mine protected vehicles, three PCR vans and 80 motor cycles, yet only 25 motor cycles were supplied to the SP during 2006-11 even though during the same period 24 motor cycles and seven light vehicles have already been condemned and were awaiting auction (November 2011).

Though Department confirmed (October 2011) the fact, he did not indicate any specific plan to address the shortage of vehicles particularly in LWE affected districts within a definite timeframe.

2.2.6.2 *Unjustified issue of vehicles to establishments other than those in charge of operation*

Despite shortage of 1288 vehicles, 626 vehicles were supplied to establishment not covered under BPRD norms

As per BPRD norm, vehicles purchased under the scheme were to be utilised in PSs, armed battalions and district reserve police. Audit examination revealed that despite shortage of 1288 vehicles in the State 626 vehicles (about 49 per cent) including 278 motor cycles out of 3013 vehicles purchased during 2004-11 were provided to different establishments / offices⁹³ like training wings, range IGP and DIGs, SFSL, security, signals wing, crime branch and special branch etc. which were not connected with operation.

In reply, the Department stated that vehicles purchased under the scheme were provided to other establishments for assistance and supervision work with a view to ultimately enhance the overall efficiency of the police force. The reply was not tenable as the fund available under the scheme were required to be used for supply of vehicles to the PSs, armed battalions and district reserve police which were in charge of operation.

2.2.6.3 *Shortfall in recruitment of drivers*

Apart from facing shortage of vehicles (*see paragraph 2.2.6.1*), as per BPRD norms, the Department did not have sufficient drivers to run the available vehicles. As against availability of 2859 vehicles⁹⁴ (heavy: 334, medium: 634 and light: 1891), only 1169 regular drivers (41 per cent) were in position as on 31 March 2011. In absence of drivers, 1343 vehicles⁹⁵ remained largely idle.

⁹² heavy vehicles: 147; medium: 257; light: 801; motor cycles: 1808

⁹³ (i) SP (PMT), (ii) SP (Signal), (iii) SP (CID), (iv) SP (Spl Branch), (v) SP (Security), (vi) SP (SIW), (vii) Comdt (SOG), (viii) Director (BPSPA), (ix) Principal (PTC), (x) Principal (PTS), (xi) Principal (TTI), (xii) Director (SCRB), (xiii) Director (SFSL), (xiv) Addl DGP (HRPC) and (xv) Range offices

⁹⁴ 5185 vehicles less 2326 motor cycles

⁹⁵ 2859 vehicles less 347 issued to other establishments less 1169 drivers

In eight test checked districts, sanctioned strength of drivers (306) did not match the availability of vehicles (463) and men-in-position (252) as of March 2011 were even less. The maximum shortage was noticed in the LWE affected Rayagada district where only 15 drivers were available for 60 running vehicles. The SP, Rayagada stated (November 2011) that the position had not been improved despite repeated request to the DGP since November 2005. Given the fact that there was overall shortage of vehicles as discussed in paragraph 2.2.6.1 above, the AAPs which ought to have factored in the possibility of such mismatch of resources while providing for augmentation of vehicle, had left the issue unaddressed.

In reply, Department stated (October 2011) that actual availability of drivers had improved gradually with the induction of 56 surplus drivers from other Departments (2006) and appointment of 86 regular assistant drivers and 84 contractual assistant drivers in 2008. Department also stated that proposal for creation of 811 posts in the rank of assistant drivers and 272 posts of driver-havildars to fill up the vacancies was pending for consideration of the Finance Department since January 2011. But given that the SLEC which was chaired by Chief Secretary as the supreme monitoring authority for implementing the scheme and in which Principal Secretary, Finance Department was also a member, had not met since February 2010, an important avenue for expediting such proposals could not be used.

2.2.7 Construction of residential and non-residential buildings

Construction of well secured police station buildings and residential quarters for police personnel close to the police stations was one of the thrust areas of the scheme. The State Government/DGP accorded high priority to this component and allotted about 55 *per cent* of the allocation from the AAPs for this component of the scheme. The OSPHWC was designated as the executing agency for civil works and the GoI as well as State Government placed requisite funds directly with the Corporation, as per the approved AAPs. During 2004-11, ₹ 211.69 crore (for non-residential buildings: ₹ 163.52 crore and for residential buildings: ₹ 48.17 crore) were placed with it for execution of different works. Audit, however, noticed several instances of delays in taking up construction work, completed buildings lying unused for long periods, unfruitful expenditure etc. as discussed in succeeding paragraphs.

2.2.7.1 Entrusting execution of construction works to OSPHWC without any MOU/ agreement

No MOU/
agreement was
executed with
OSPHWC for
execution of civil
works

Timely completion of police buildings and fortification works was paramount for availing the full benefits of the MPF scheme. Though time is the essence of any contract yet no formal MOU / agreement was signed between the Government/ Home Department/ DGP and the OSPHWC stipulating date(s) of completion of different works, penalty for delayed execution, quality control, payment of supervision charges, carrying deposit of scheme funds in separate bank accounts, refund of interest etc. This left the entire arrangement open ended whereby OSPHWC carried no contractual obligation nor any

accountability for timely completion of entrusted works within the approved estimated cost and qualitative parameters. In the absence of controls and obligations usually imposed by an agreement/contract/MOU, it was not clear as to how the Department / SLEC monitored the physical progress and quality of construction of these projects. The Home Department, while sanctioning funds, also did not make any such stipulation. Though the Secretary, Home is a member of the Board of Directors of the company, he had at no stage raised these matters in the meeting of the Board. The Corporation was not tied to contractual obligations even though it received funds for various construction works just like a contractor, most of it paid in advance directly by the GoI. In our opinion, direct payment to the Corporation without an agreement diluted the usual expenditure and monitoring control mechanism that ought to be exercised by a principal over the client. The virtual conflict of interest situation that existed in the arrangement under which Secretary, Home Department was also a member of the Board of Directors of the OSPHWC had, obviously, blurred the normal relationship of contractor and a client thus denuding it of all the control features in absence of which the company had not been fully accountable for the funds assigned to it with specific objectives.

2.2.7.2 *Shortage of staff quarters and low satisfaction level*

In the test checked DPOs, against 6288 police personnel in position, 4397 (70 per cent) did not have residential accommodation

The National Police Commission had recommended (1981) 100 per cent accommodation for police personnel. Against the sanctioned strength of 59946 police personnel in the State, person-in-position as on 31 March 2011 was 45065 for whom only 10603 staff quarters were available in the State. With the shortage of 34462 staff quarters the satisfaction level was only 24 per cent. In the test checked eight police districts, against the sanctioned strength of 7022 police personnel, the satisfaction level was 30 per cent. As against men in position of 6288, only 1891⁹⁶ quarters were available as on 31 March 2011 resulting in shortage of 4397 quarters (70 per cent). The Department had taken up construction of 178 residential building projects under the scheme during 2004-11 of which 118 (66 per cent) were completed, 53 (30 per cent) were under progress and work had not commenced in respect of remaining seven works as of November 2011. The Department stated (October 2011) that construction of staff quarters had slowed down due to reduced allocation under the scheme for the building sector. The reply was not tenable because as much as ₹ 96.99 crore including interest of ₹ 11.38 crore were lying unspent with the OSPHWC, as on 31 March 2011.

2.2.7.3 *Delay in commencement of works and handing over of completed buildings*

Construction of 76 buildings were even not started

The Corporation was entrusted with construction of 620 building projects (non-residential: 442 and residential: 178) during 2004-11. Out of 442 non-residential buildings, 239 (54 per cent) were completed at an expenditure of ₹ 71.62 crore, 134 were under progress and work had not commenced in case of 69 projects as of March 2011. Similarly, 118 (66 per cent) out of the 178 residential building projects were completed, 53 (30 per cent) were under

⁹⁶ Including 420 quarters in dilapidated condition

progress and work had not commenced in respect of remaining seven works as of March 2011. Non-commencement of 76 buildings (69 non-residential and seven residential) estimated to cost ₹ 39.95 crore was attributed (May 2011) by the Corporation to non-availability of site and change of building plans by the Department. However, we noted that in case of all the 76 buildings, administrative approval to the estimate had been accorded without finalising the site. The year-wise details are given in *Appendix-2.2.7*. Of the 357 completed buildings, 50 buildings (non-residential: 33, residential: 17) completed during 2004-11 at a cost of ₹ 14.30 crore were neither handed over nor put to use by the Department as of May 2011 due to in-complete electrification as well as inability of the Department to achieve planned deployment of forces in the stations where residential accommodation was constructed, rendering the entire expenditure unfruitful. However, by January 2012 OSPHWC had handed over 34 of these completed buildings.

In eight test checked districts, out of 130 buildings⁹⁷ taken up during 2006-11, only 65 were completed⁹⁸ and 45 were under progress⁹⁹ while remaining 20¹⁰⁰ were not taken up (November 2011). Besides, three completed buildings¹⁰¹ constructed at a cost of ₹ 1.18 crore had been left unused (November 2011) even after four to 14 months of being handed over because of non-deployment of forces. Besides, construction of five other important building works¹⁰² at an estimated cost of ₹ 3.26 crore was also held up for want of clearance from Forest Department, at Koraput.

Joint physical inspection during August/September 2010 and November 2011 of 28 assets (*Appendix-2.2.8*) constructed or under construction under MPF revealed that 13 buildings constructed at a cost of ₹ 71 lakh were not taken over by Police Department even after 15 months of completion¹⁰³.

The Secretary, Home Department assured (October 2011) that the matter of having an agreement with the OSPHWC and fixing specific time limits for completion of various projects being executed by them would be looked in to.

⁹⁷ residential : 20, non-residential: 110

⁹⁸ residential : 10, non-residential: 55

⁹⁹ residential: 07, non-residential: 38

¹⁰⁰ residential: 03 non-residential:17

¹⁰¹ Administrative building for Special Security Battalion at Koraput handed over in July 2011: ₹ 36.52 lakh ; 30- men barrack at Odagaon PS handed over in July 2010: ₹ 41 lakh and 30-men barrack at Sarankul PS during August 2010: ₹ 41 lakh

¹⁰² Two Administrative buildings sanctioned during 2006-07 and 2007-08, one armoury building sanctioned in 2003-04, one 100 men barrack and a 200 men barrack sanctioned in 2006-07

¹⁰³ 2 blocks of 6 F type quarters (old model) for 8th Battalion, Chhatrapur completed since 29 May 2009: ₹ 30 lakh; PS Building at Koraput completed in July 2011: ₹ 41 lakh

2.2.7.4 *Shortfall in fortification of police units*

As per GoI's instruction (April 2007), the State Government was to secure and strengthen the police stations in LWE affected areas by fortifying their premises. The State Government identified 17 police districts as LWE affected in which 470 police units were functioning. Subsequently, five more police districts were identified to be covered under fortification.

In four test-checked LWE affected districts¹⁰⁴, we found (November 2011) that out of 65 PSs, only 20 PSs were fortified and fortification of two PSs was under progress. Similarly, out of 37 OPs, only five had been fortified. Fortification of remaining 43 PSs and 32 OPs were not planned (November 2011). We also found on joint physical inspection (August 2010/ November 2011) that sentry posts constructed under fortification in Jeypore Police Station and Koraput Sadar PS were used as cycle garage as shown in the photograph on previous page.



Unused sentry post at Jeypore Police Station used as cycle garage

The Department however stated (May 2011) that in 22 police districts, 194 police stations and out-posts were planned for fortification, of which 46 police stations and two out posts were fortified up to 31 March 2011. Civil works in 32 police units were not started due to non-finalisation of sites. In the exit conference, CMD, OSPHWC stated (October 2011) that apart from MPF funds, sufficient funds were available under Security Related Expenditure (SRE) and State Plan for carrying out major fortification works. The reply is not tenable as fortification of remaining 276 PSs in these 22 LWE affected districts was not even planned (November 2011).

2.2.7.5 *Unfruitful expenditure on an incomplete building constructed on forest land*

Construction of the Indian Reserve Battalion building at Koraput was stopped midway after incurring an expenditure of ₹ 46.60 lakh

OPWD code stipulates that the site of every building should be definitely settled before the detailed design and estimates are prepared and no work should be taken up unless the site has been handed over by a responsible civil officer. In respect of construction in forest land, clearance was to be obtained from the Forest and Environment (FE) Department before commencing any construction work on it. However, construction of a 100 men barrack at India Reserve Battalion (IRBN),



Abandoned administrative building at IRBN, Koraput

¹⁰⁴ Koraput, Nayagarh, Rayagada and Sundargarh

Koraput at an estimated cost of ₹ 52.19 lakh was commenced (December 2005) by OSPHWC on a piece of forest land even before obtaining forest clearance. The work was stopped (January 2008) midway by the FE Department. By this time, expenditure of ₹ 46.60 lakh had been incurred by the OSPHWC on this work. Joint physical inspection (August 2010) of said works in Audit with concerned Joint Manager of the Corporation and subsequent enquiry in May and November 2011 revealed that the work had not yet recommenced (May 2011).

In reply, the Department attributed (October 2011) the hold up in construction to the lack of communication between revenue and forest officials at the initial stages of the project. He also stated that fund required for compensatory afforestation had already been deposited and clearance of GoI for recommencing the work was awaited (November 2011). The reply is unacceptable because OSPHWC had disregarded the State Government rules that required forest clearance before construction in a forest area.

2.2.7.6 *Absence of quality control*

Estimated cost of civil works included one *per cent*¹⁰⁵ 'quality control charges'. Test check of estimates of 170 civil works (*Appendix-2.2.9*) executed by the OSPHWC at a cost of ₹ 38.31 crore revealed that no quality control tests were conducted in respect of material used in the work as well as that of cement concrete and reinforced cement concrete (RCC) works used in these works. This was also confirmed by concerned field Engineers of OSPHWC.

During Joint physical inspection during August/September 2010 and November 2011, utilisation of sub-standard bricks in walls¹⁰⁶ some of which were washed out in rain, was also noticed in two out of 28 building works inspected.

2.2.8 *Improvement in the system of intelligence gathering, investigation, traffic control and forensic tests*

The scheme gave emphasis on improving the system of intelligence gathering, investigation, forensic tests and traffic control. Emphasis was given in the AAPs to strengthen the Criminal Investigation Department (CID) for detection of crime in the State. However, we found that except purchase of some equipment, the Home department/DGP did not indicate anything in AAPs about the other facets of intelligence gathering and strategies and plans to be completed to augment the same.

¹⁰⁵ From 2006, one *per cent* contingency charged by the Corporation included quality control charges

¹⁰⁶ Construction of Reserve Office Building at Rayagada (Chandili): ₹ 50.05 lakhs and Construction of administrative building of SS Battalion at Rayagada: ₹ 42.82 lakh

We reviewed the procurement of equipments for these activities as well as efficiency in forensic tests and noticed unfruitful /wasteful expenditure due to non-utilisation of equipments procured, delay in finalising the procurement process, huge pendency of samples for forensic tests due to shortage of staff etc and non-linkage of availability of equipment with availability of trained manpower to operate such equipment as discussed in the succeeding paragraphs.

2.2.8.1 Delay in installation of 'Legal Interception Unit' purchased for Criminal Investigation Department, due to inadequate coordination

The scheme envisaged improving the quality of investigation through development of infrastructure based on usage of modern technology. Scrutiny of records of CID wing revealed that 'Legal Interception Unit' procured at a cost of rupees one crore in February 2011 was installed only in October 2011 as funds for renovation of required buildings, required to be released by the State Government from its own budget, were not released until June 2011. Mechanism of SLEC was not used to resolve the issue which was indicative of lack of adequate co-ordination between the DGP and the Home department on one hand and the Finance department on the other, despite a Special Secretary in the Home department being specifically assigned the responsibility of looking after implementation of MPF. This resulted in delay in providing to the CID improved investigation facilities in criminal cases.

2.2.8.2 Under-utilisation of CID equipment due to want of technical staff

The AAP (2004-05) provided for purchase of a Detector at a cost of ₹ 16.86 lakh. The Explosive-cum-Narcotic Detector intended to be utilised for crime detection and improving the quality of investigation by the Criminal Investigation Department (CID), was procured in May 2006 at a cost of ₹ 14.01 lakh, But the detector remained idle (October 2011) due to non deployment of the requisite technical staff. This was indicative of unplanned procurement.

The Department stated (October 2011) that the narcotics section of CID was under up-gradation and the equipments purchased would be utilised after making the new cell fully functional. The reply did not clarify why the equipment purchased in May 2006 remained idle even as its guarantee period was over.

2.2.8.3 Non-procurement of equipment for Handwriting Bureau due to lack of coordination between the purchase and technical committees

As per Rule 2 of Appendix-6 of Odisha General Financial Rules, stores and equipments were to be procured through sealed tender process giving it wide publicity. Audit noticed (May 2011) that the MHA allocated ₹ 52 lakh (April 2009) for purchase of one Video Spectral Comparator (VSC) and its accessories for use by the Handwriting Bureau of CID. The Standing Technical Committee in the office of DGP approved (February 2010) the

proposal of IGP (CID) to procure the equipment of specific make directly from the sole manufacturer, without inviting any tender. The standing Purchase Committee whose approval was required for such purchase, however, questioned (March 2010) the procurement proposal on the ground that rigorous process of evaluation of different models had not been carried out. The procurement was thus held up (May 2011). Credible effort was not made to resolve the deadlock at higher echelons of the department. Thus, initiating procurement action in haste without due approval from the purchase committee resulted in procurement of the required equipment being held up for over two years and depriving the CID wing of the benefit of the modern investigation tools, while funds remained unused. In reply, the Department stated (October 2011) that the VSC would be purchased during 2011-12.

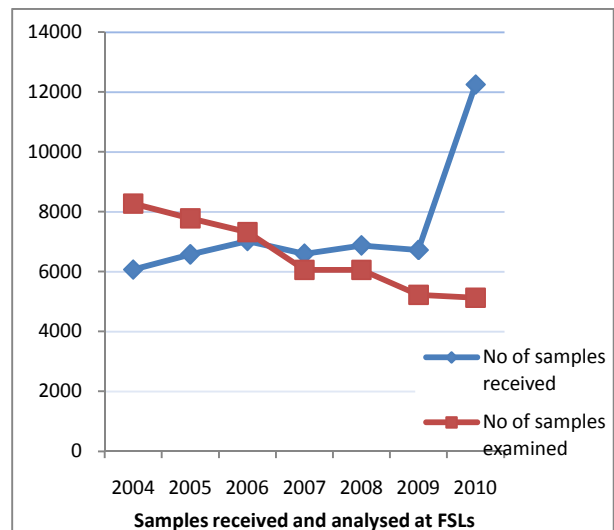
2.2.8.4 Idle forensic equipments

While approving the AAP for 2009-10, GoI observed (July 2009) that trained manpower for Forensic Science Laboratories (FSL) were to be sanctioned and put in place to handle the modern equipment to be procured under MPF scheme. The Principal Secretary, Home Department and DGP, present in High Power Committee meeting (6 February 2009), also assured MHA that manpower would be trained and made available in the State CID office. Accordingly, the CID wing procured two vehicles, two search lights and two laptops at ₹ 10.67 lakh for two proposed mobile forensic units. But the mobile laboratories could not be made operational owing to non-posting of trained manpower as of May 2011. This was indicative of lackadaisical approach towards implementing a critical component of the scheme. In reply, the Department stated (October 2011) that five sub-inspectors with computer knowledge were inducted in to CID and were provided training to man the units. We, however, observed that these mobile units had not yet become operational and no staff had been sanctioned for the purpose as of October 2011.

2.2.8.5 Delay in analysis of samples by the State and District Forensic Science Laboratories due to shortage of trained manpower

In criminal investigation, the reports of Forensic Science Laboratories (FSL), constitute an expert opinion and have legal acceptance under section 293 of Criminal Procedure Code. Therefore, for improving the quality of crime investigation by strengthening the dimension of forensic science, BPRD had recommended setting up of District Forensic Science Laboratories (DFSL) along with Mobile Forensic Science Laboratories (MFSL) in all the districts.

Declining trend in analysis of samples in SFSL led to huge pendency of samples



The results of scientific evaluation of physical clues at the site of crime were to be furnished in the form of examination reports to aid detection of crime and prosecution of offenders. Apart from the State FSL, three regional FSL, 15 DFSL and 19 MFSL were functioning in the State. Our examination of SFSL as well as DFSL and MFSL of test checked districts revealed that

- number of samples received during 2010 considerably increased (by 82 *per cent*) from 6718 in 2009 to 12241 in 2010;
- there were 25 to 29 *per cent* vacancies of the staff at various cutting edge positions such as the Laboratory Assistants (29 *per cent*) and Scientific Officers (25 *per cent*). Similarly, there were 22 vacancies at cutting edge levels staff in DFLs as on 31 March 2011, and no staff were sanctioned for MFSLs (19);
- number of samples pending analysis increased from 2722 at the end of the year 2004 to 11184 at the end of 2010;
- The number of cases analysed decreased from 8268 in 2004 to 5127 in 2010 and the average number of cases examined during a month declined from 689 in 2004 to 427 in 2010.
- On an average, there was eight to 25 months of delay in sending analysis reports to police. Such delay ranged up to eight months for serology, 10 months for chemistry, 15 months for physics and biology and 28 months under ballistics and toxicology samples.

In reply, the Department stated (October 2011) that approval of Government was required to fill the vacancy. The reply was not tenable as the matter was not even brought to the notice of SLEC of which Finance Secretary as well as DGP are members. It was obvious that the Department while approving procurement of equipment had not addressed the issue of providing appropriate and adequate human resources for the FSL. In the absence of long term perspective plan, this critical aspect should have been factored at least in the AAPs.

2.2.8.6 Low priority to traffic control

Traffic control and highway patrolling was an important operational area sought to be improved under the scheme. Audit noticed that barring 2008, the trend of road accidents in the State which are a ready barometer of the standard of traffic management and control has been ascending¹⁰⁷. However, during 2004-11, only ₹ 1.14 crore was allocated for traffic control of which 87.5 *per cent* (₹ 99.77 lakh) was utilised for purchasing PCR vans and traffic control equipments. This indicated that this activity had been given low priority in the AAPs.

¹⁰⁷ 2006: 7729; 2007: 8214; 2008: 8184 , 2009: 8892 ; 2010: 9413

2.2.8.7 *Idling of cranes*

Ten mobile cranes purchased at a cost of ₹ 2.01 crore for giving immediate relief in road accident were lying idle

The GoI (Ministry of Road, Transport and Highways) provided assistance to the State and Union Territory Governments under National Highway Accident Relief Service Scheme (NHARSS) in the form of cranes and ambulances to remove vehicles involved in accidents / break-downs and arrange immediate medical aid to the victims of road accident on the highways.

Scrutiny of records of DGP and SP (PMT), Cuttack revealed that the GoI provided (1999-2010) eight mobile cranes¹⁰⁸ worth ₹ 1.65 crore to the State Government under NHARSS. Besides, three more such cranes were purchased (2003-05) under MPF at ₹ 55 lakh. These 11 cranes worth ₹ 2.20 crore were allotted to SPs of 11 districts during May to August 2009 with the instruction to provide drivers / operators from their available manpower. However, no driver was posted and 10 out of 11 mobile cranes (except that of SP, Keonjhar) purchased at ₹ 2.01 crore remained idle (May 2011) for periods ranging from one (DCP, Cuttack) to nine years (SP, Cuttack). Besides, 10 vehicles on which cranes were mounted, were not even registered with the local transport authorities. While confirming the facts, the SP (PMT), Cuttack, the nodal officer for management of vehicles of Police Department, stated (April 2010/ May 2011) that the Government had been moved (January 2009) for creation of 16 posts of drivers for operation of mobile cranes. Further development in this regard was awaited (October 2011). Apparently, no initiative seemed to have been taken for creation of these posts soon after the supply of the first tranche of cranes supplied directly by GoI and even a good five years after the Department itself had purchased three cranes. This clearly indicated the insufficient priority that has been given to actions that were necessary to correlate procurement of vehicles / equipment to their utilisation.

2.2.9 *Crime scenario and operational efficiency of State police*

We reviewed (March to May 2011) the status of crime cases, extremists' attacks, pace and quality of investigation after intervention of MPF scheme for over a decade and it revealed increasing trend of crime, extremist attacks and low pace of investigation etc as indicated below:

2.2.9.1 *Trend of crime*

During 2004-2010, theft, burglary, riot, murder and robbery showed , an increasing trend. Category-wise and year-wise details along with status of crime cases, pace of investigations, referring of cases to Courts etc., are indicated in *Appendix-2.2.10*. In view of such rising crime cases and extremist attacks, there was need to equip the State police with modern weapons, mobility support, communication and data / information transmission network, other infrastructure and training to increase the striking capability and operational efficiency of the State police.

¹⁰⁸ Five cranes during 1999-2004: ₹ 97 lakh and three cranes during February and August 2009: ₹ 67.87 lakh

2.2.9.2 *Low conviction rate*

Higher conviction rate is indicative of quality of investigation. We however noticed that conviction rate during 2004-2010 remained as low as 0.47 per cent of the charge sheets filed (2.99 lakh) during 2004-11. On the other hand the acquittal rate (1.72 per cent) remained four times of the rate of conviction. During this period, in only 1419 cases (0.47 per cent) the accused were convicted, whereas in 5145 cases (1.7 per cent) the accused were acquitted. In eight test checked districts, conviction rate during 2009-10 ranged from 0.09 per cent (Koraput) to 2.7 per cent (Dhenkanal). This indicated that investigative efficiency of the State police did not increase much due to interventions under the MPF scheme and raises doubts about the quality of investigation.

2.2.9.3 *Norm for response time not fixed*

Increase in mobility of field policing should ordinarily result in reduction of response time¹⁰⁹. It was however seen that the Department had not fixed any norm for response time. In test checked police stations, we noticed that such information was however recorded in crime index register at the concerned PS. We examined 280 such cases in 44 test checked PSs and found that the response time of the police in arriving at the place of crime from the time of receiving the complaint ranged from 10 minutes to 45 hours. It was beyond six hours in nine cases, beyond 12 hours in 15 cases and beyond 24 hours in three cases. Thus, in more than 15 per cent cases, response time was more than six hours.

2.2.9.4 *Low pace of investigation leading to huge pendency in filing of charge sheets*

Norm for investigation of crime per officer per month was not prescribed by the department. However, we found that the pace of investigation was low as out of 4.65 lakh complaints registered in the State during 2004-2010 though 4.53 lakh complaints were found by police to be true on investigation yet charge sheet was filed in only 2.99 lakh (66 per cent) cases during the same period as shown in table below:

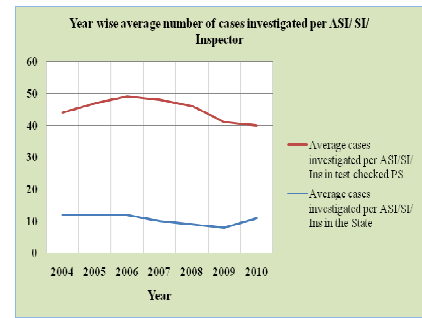
Table 2.2.3: *Year wise position of complaints filed and investigated as well as conviction and acquittal during 2004-2010*

Year	Complaints filed	Complaints found true on investigation	Charge-sheet filed	Percentage of charge-sheet filed	Cases resulting in conviction	Cases resulting in acquittal
2004	62514	60928	46847	77	220	667
2005	65029	63247	46107	73	166	708
2006	65552	63621	42200	66	254	787
2007	67034	65360	40846	62	150	769
2008	67918	66540	38914	58	136	566
2009	68471	67088	39617	59	168	699
2010	68508	66552	44230	66	325	949
Total	465026	453336	298761	66	1419	5145

Source: Information furnished by DGP and White paper prepared by Home department

¹⁰⁹ Total time taken from the time of receiving message / making First Information Report to the time the police actually reaching the crime scene

Our examination of forty four PSs of eight test checked districts also revealed that out of 54295 cases registered during 2004-10, 2484 cases (4.5 per cent) even after more than a year were still pending for investigation. The maximum pendency in DCP, Bhubaneswar (923) and minimum in Koraput district (48). Considering the average number of available PSs / OPs / Beat Houses (1091) and Assistant sub-inspector (ASI)/sub-inspectors (SI) (5012) in the State during last four years, the average number of investigation of crimes worked out to be 52 per PS / OP / BH (one case per week) and 11 per ASI/SI *per annum* (about one case per month), which appeared to be very low even while taking into account the different degrees of complexity of these cases. Test check of 44 PSs however exhibited comparatively better result where average number of crime investigation was 176 per PS (3.4 cases per week) and 31 per ASI/SI *per annum* (about 2.5 cases in a month).



2.2.9.5 FIRs filed at the instance of Courts of Law

In 44 test checked PSs, we noticed that, 51224 FIRs were registered on the basis of complaints lodged and in 3071 cases (5.7 per cent) FIRs were registered only after intervention of different courts of law. This indicated a certain degree of arbitrariness in filing FIRs by State police.

2.2.10 Monitoring and evaluation

2.2.10.1 Inadequate monitoring

The GoI guidelines *required* that Annual Action Plans (AAPs) were to be approved by the State Level Empowered Committee (SLEC) before sending the same to GoI. We, however, noticed that:

- *SLEC meetings not convened regularly*: As per GoI guidelines, the SLEC meetings were to be convened once in every quarter to monitor the preparation of AAPs, its implementation and monitoring of programmes. The SLEC, however, met only five times¹¹⁰ during 2004-11 as against the stipulated 28 meetings. No meeting was convened during August 2007 to February 2009. As a result, crucial issues like shortage of trained manpower, inadequate training and disproportionately high emphasis on construction and purchases rather than on strengthening FSL, CID, mobility and investigation, were left unaddressed and unmet. This fact is indicative of inadequate monitoring by SLEC and was one of the most important factors for poor implementation of the scheme in the State as described in the preceding paragraphs.

¹¹⁰ (i) 22 August 2004, (ii) 16 January 2007, (iii) 13 March 2009, (iv) 11 August 2009 and (v) 11 February 2010.

- *Non-approval of AAPs by SLEC:* AAPs for 2007-08 and 2008-09 were submitted by the Principal Secretary, Home Department to GoI without approval by the SLEC. The SLEC, however, approved (13 March 2009) both the AAPs post facto. Though the department confirmed (October 2011) the fact yet it could not indicate the reason for the inactiveness of the SLEC.

2.2.10.2 Impact assessment and error signals not followed up

Though the scheme has been in operation for the last 10 years, its evaluation was not undertaken at any stage by the State Government to assess its impact on the efficiency of State police. However, impact assessment of the scheme for the period 2000-10 was conducted (January to March 2010) by the BPRD through Ernst & Young Private Limited, Gurgaon. As per this study, procurement lead time was highest in three States including Odisha and the degree of responsiveness in construction and up-gradation activities was below average in three States including Odisha. We observed that follow up action taken by the department to make mid-course corrections to address these issues still remained inadequate (October 2011).

2.2.11 Conclusion

Long term planning to derive optimal benefit from the scheme by identifying the exact gaps in the operational effectiveness and state of preparedness of the State police was severely lacking. Key performance indicators for measuring the operational efficiency of the police force were not prescribed. Planning was completely adhoc and intuitive rather than based on scientific analysis of baseline data and exception reports. Evidence of emphasis on dealing with the LWE problem was nowhere to be seen in the plans as even the district wise data regarding supply of weapons, vehicles etc to different LWE districts could not be supplied to Audit. In its absence, we were not sure how the DGP/ Government were monitoring and providing direction to this aspect of the scheme. The annual plans had been prepared without considering the district wise infrastructure requirements submitted by the concerned SPs.

Despite this top driven approach, the AAPs did not indicate / establish the linkage between various activities like procurement of weapons and availability of trained man power to use them; purchase of vehicles and drivers. Similarly, the facilities at the State Forensic Laboratory were augmented without availability of trained personnel to use such equipments. There was no emphasis on improving investigation and on human resource development. Instances of submission of inflated utilisation certificates to GoI without incurring expenditure, non-refund of interest earned on scheme funds by OSPHWC and idling of most of the sophisticated weapons purchased at the central store and district armouries were also noticed. There was acute shortage of trained manpower to handle sophisticated weapons and no planning was made in this regard prior to buying the arms or equipments. While there was acute shortage of modern weapons with the State police, yet 35 per cent of the available sophisticated weapons were retained at the provincial store and about 65 per cent at the district armouries as a result of

which police personnel at Police Station level either remained unequipped or dependent upon old weapons.

Mobility of police force was adversely affected due to shortage of both vehicles and drivers. We observed that there was disproportionately high allocation of funds for construction of residential and non-residential buildings. Despite sufficient release of funds to the OSPHWC, there was no contract with the corporation binding it to quality control, timely completion and handing over of projects. Communication and computerisation of police stations for better intelligence gathering and operational efficiency envisaged under POLNET and CIPA, failed to achieve the desired result and remained an area of concern due to missing links in the network connectivity, problems of and non-availability of computers where such sites were ready. Bottlenecks in communication and computerisation, issues including augmentation of forensic science laboratories and criminal investigation department were not addressed. Equipments for police, CID, security / intelligence wings and FSL purchased out of scheme funds remained unutilised in many cases.

Large number of vacancies existed in all cadres of police personnel and home guards establishment.

Monitoring and evaluation of scheme by SLEC was completely neglected. Key bottlenecks in terms of acute shortage of staff at the level of investigation, Inspecting Officers etc and arms training were not given due priority. Overall objectives of the scheme seemed to have fallen short of the desired level of achievement in terms of improved operational efficiency through better intelligence gathering, promptness in investigation and pursuance of cases and containing of left wing extremism.

2.2.12 Recommendations

- A long term perspective plan with due linkage with other components / activities and convergence with other schemes may be prepared on priority basis; Annual Action Plans should be outcome based and reflect district wise priorities so as to make the planning process more transparent and outcome-oriented.;
- SLEC may fix some key performance indicators to measure the operational efficiency of State police so that the scheme becomes amenable to objective evaluation;
- Skill development training of police personnel including use of sophisticated weapons may be accorded top priority and shortages at various levels may be suitably addressed in a time bound manner for effective utilisation of weapons, vehicles and equipments ;
- Bottlenecks in communication and computerisation issues and augmentation of forensic science laboratories, intelligence gathering and criminal investigation wings / department may be addressed on top priority;

- Direct funding to OSPHWC may be stopped. Proper MOU / agreement may be made by the Government with the company to control quality, economy, efficiency and timeliness in execution of works entrusted to it. A system of periodical and regular monitoring may be introduced to ensure early commencement / completion of projects to obviate possibility of cost and time over run;
- SLEC may meet regularly to monitor the implementation of the scheme and error signals pointed out by BPRD during impact assessment as well as in this report may be properly followed up.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

2.3 Performance Audit of Jawaharlal Nehru National Urban Renewal Mission

Executive summary

Jawaharlal Nehru National Urban Renewal Mission (Mission) was launched by the Government of India (GoI) in December 2005 for planned development of 63 identified cities of the country including cities of Bhubaneswar and Puri in Odisha. The primary goal was to make these cities economically productive, efficient, equitable and responsive by adopting prescribed reform measures.

Performance Audit of the implementation of the Mission in the State revealed that agreed State level as well as Urban Local Bodies (ULB) level reforms were not implemented in true spirit. The Government went back on its commitment (November 2006) to transfer to ULBs all functions listed in Twelfth¹¹¹ Schedule of the Constitution along with their human resource component..

Community Participation Law to set up and empower Area Sabhas / Ward Councils to involve them in planning and monitoring of developmental activities had not been enacted. Functions like urban planning, regulation of land use, roads and bridges and water supply were yet to be devolved upon the ULBs. Odisha Municipal Accounting Manual prepared in May 2008 through a reputed consultant on the pattern of National Municipal Accounting Manual vetted by the Comptroller and Auditor General of India, was yet to be acted upon by the State Government. Provisions of Odisha Municipal Act had not been amended to pave the way for maintenance of accounts on double entry accrual based system, though it was the first mandatory ULB level reform to be introduced.

Due to its failure in achieving the committed reforms within the timeline agreed to in the Memorandum of Agreements (MoAs) and low spending, the State could not access subsequent installments of the Mission funds and could avail only assistance of ₹613.78 crore as against the aggregate cost of ₹1365.91 crore (March 2011) in respect of projects sanctioned under the Mission.

Programme funds were not managed properly and there was unauthorised diversion and misutilisation of funds, parking of funds in non-interest bearing accounts, incurring of expenditure on inadmissible components, short / delayed release of ULB share and delay in release of funds to ULBs etc.

¹¹¹ see *Appendix 2.3.2*

Project Implementation Units (PIUs) required to provide technical support to manage, co-ordinate and implement projects were not set up in the ULBs. Crucial positions in the Programme Management Unit (PMU) at State Level outsourced to Academic Staff College of India (ASCI) remained vacant for years. Except for City Bus Service, spending efficiency was poor in all components of the Mission. As of November 2011 when barely four months were left for closure of the first seven year phase of the Mission, second installment of funds earmarked for improving water supply and drainage in these cities, remained un-availed. There was also inadequate planning in prioritising the projects included in the City Development Plans (CDPs).

Programme management was deficient and ineffective. It was characterised by low pace of execution of infrastructural development works as well as the projects to construct dwelling units for the urban poor, delay in engagement of consultancy, poor monitoring of agencies and undue delay in placing requisition for land acquisition.

Error signals flashed by Independent Review and Monitoring Agency (IRMA) were not followed up. The report of a Third Party Inspection and Monitoring Agency (TPIMA) engaged in March 2011 had not been received (November 2011). Review meetings conducted on all projects by all dignitaries and executives of the State and instructions flowing from those meets were seldom attended to on priority.

2.3.1 Introduction

To cope with the rapid pace of urbanisation and difficulties being faced by the Urban Local Bodies (ULBs) in delivering basic services to the urban people, the Government of India (GoI) launched (December 2005) Jawaharlal Nehru National Urban Renewal Mission (Mission) with the twin objectives of encouraging reforms and ensuring fast track planned development of 63 identified cities that included two cities of Odisha i.e. Bhubaneswar and Puri. With an over-arching reforms agenda, the Mission expected the concerned ULBs to become financially sustainable by establishing citywide framework for planning and governance, universal access to minimum level of services, adopting modern and transparent budgeting, accounting and financial management system, e-governance in core functions and ensuring transparency and accountability in urban service delivery and management.

City Development Plans (CDP), Detailed Project Reports (DPR), prioritisation of the projects for execution and defined timelines for implementation of urban reform agenda were pre-requisites for accessing funds under the Mission. All these were to be achieved in mission mode within a period of seven years ending March 2012.

The Mission consisted of four Sub-Missions: Urban Infrastructure and Governance (UIG); Basic Services to the Urban Poor (BSUP); Integrated Housing and Slum Development Project (IHSDP); and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). In total,

61¹¹² projects with total outlay of ₹1365.91 crore were taken up under the Mission in 32 cities¹¹³ of the State. Of the 61 projects, 15 were selected to be covered under audit of the Mission. The component wise funds allocated to the State for under the Mission up to March 2011 and utilisation thereof are indicated in Table 2.3.1 below:

Table 2.3.1: *Sub-mission wise sanctioned project cost, funds received and utilisation under the Mission for 61 projects sanctioned as of March 2011*

(Rupees in crore)

Sub-mission	Number of projects	Sanctioned cost	Funds received	Funds utilised	Percentage of utilisation
BSUP	06	68.00	22.10	13.50	61.08
UIG	07	831.78	330.84	130.50	34.31
UIDSSMT	16	222.78	144.80	99.72	68.87
IHSDP	32	243.35	116.04	44.49	38.34
Total	61	1365.91	613.78	288.21	46.97

(Source: Information furnished by Housing and Urban Development Department)

2.3.1.1 Why we conducted this audit

Against the sanctioned project cost of ₹ 981.52 crore with central share of ₹ 798.82 crore, only ₹ 322.29 crore (33 per cent) was released by the GoI up to March 2011, when only one year was left for close of the Mission period (March 2012). There were frequent media reports on mismanagement in mission activities leading to slow progress and non-implementation of the reforms agenda. This prompted us to conduct a performance audit on this issue.

2.3.1.2 Organisational structure

The State Level Steering Committee (SLSC) headed by the Chief Minister and comprising Chief Secretary and Commissioner-cum-Secretary, Housing and Urban Development (H&UD) Department as members was the apex body at the State level to review and prioritise the projects for inclusion under the Mission, monitoring the execution of work and implementation of the reforms. H&UD Department acted as the State Level Nodal Agency (SLNA) to manage the Mission funds and to monitor the implementation of reforms etc. Special Secretary of the Department acted as the Nodal Officer of SLNA. The Programme Management Unit (PMU) under SLNA was outsourced to Administrative Staff College of India (ASCI), Hyderabad with the responsibility of extending strategic, technical and managerial support to SLNA to ensure effective implementation of the Mission activities. Funds and

¹¹² Seven UIG projects costing ₹831.78 crore, six BSUP projects costing ₹68 crore, 16 UIDSSMT projects costing ₹222.78 crore and 32 IHSDP projects costing ₹ 243.35 crore

¹¹³ (1) Angul, (2) Balasore (3) Bargarh (4) Baripada (5) Berhampur (6) Bhadrak, (7) Bhubaneswar, (8) Bhawanipatna (9) Biramitrapur (10) Bolangir (11) Brajaraj Nagar (12) Cuttack (13) Dhenkanal, (14) Jajpur, (15) Jatni (16) Jharsuguda, (17) Jeypore (18) Kendrapara, (19) Khariar Road (20) Khuda, (21) Koenjhar (22) Malkanagiri (23) Nayagarh (24) Nawarangapur (25) Paralakhemundi, (26) Phulbani, (27) Puri (28) Rourkela (29) Sambalpur (30) Subarnapur (31) Talcher and (32) Vyasagar

programmes under BSUP, UIDSSMT, IHSDP and UIG (preservation of water bodies and transport) were managed at ULB level while other components like Integrated Sewerage System, Storm Water Drainage and Water Supply were executed by executing arms¹¹⁴ of different line departments.

2.3.1.3 *Audit Objectives*

Audit objectives were to assess whether:

- ❖ planning was made after detailed assessment of requirements based on survey and feedback of stakeholders and was adequate and effective;
- ❖ mandatory and optional reforms were implemented within the prescribed time frame;
- ❖ financial management and control was economic, efficient and effective;
- ❖ programme implementation was efficient and economical and the intended objectives were achieved;
- ❖ inspection, monitoring and review mechanism were in place and were effective.

2.3.1.4 *Audit Criteria*

The main sources of audit criteria were:

- ❖ guidelines, instructions, circulars and orders issued by the Government of India (GoI) and the State Government;
- ❖ Memorandum of Agreements (MoA);
- ❖ Detailed Project Reports (DPRs) of selected projects;
- ❖ City Development Plans (CDPs) of the sample cities;
- ❖ Odisha Treasury Code, Odisha General Financial Rules and Odisha Public Works Department Code.

2.3.1.5 *Scope and methodology of Audit*

We conducted the Performance Audit of the implementation of the Mission during March to June 2011 covering the period 2005-11 through test check of records of H&UD Department, SLNA, ULBs of both the Mission cities i.e. Bhubaneswar Municipal Corporation (BMC) and Puri Municipality. Berhampur Municipal Corporation under IHSDP and Cuttack Municipal Corporation (CMC) under UIDSSMT were included as additional samples.

¹¹⁴ **Integrated Sewerage System, Bhubaneswar:** Odisha Water Supply and Sewerage Board, **Storm Water Drains:** Executive Engineer, Drainage Division, Cuttack and Bhubaneswar, **Water Supply:** Public Health Division, Puri; **UIDSSMT:** Executive Engineer, R&B Division, Cuttack; **IHSDP:** Berhampur Municipal Corporation

Besides, records of Bhubaneswar Development Authority (BDA) and executing agencies like Odisha Water Supply and Sewerage Board (OWSSB), Chief Engineer (Public Health), Executive Engineers of Drainage Division, Bhubaneswar and Cuttack, Irrigation Division, Puri and Roads and Building Division, Cuttack were also examined. Joint physical inspection of assets created under the scheme was conducted and photographs taken, wherever considered necessary. Beneficiary interview was also conducted at Bharatpur and Badagarh, Bhubaneswar.

Of the 61 projects, 15 projects with estimated cost of ₹ 981.52 crore were sampled to be covered under audit of the Mission. The component wise funds allocated to the State for the sampled projects up to March 2011 and utilisation thereof are indicated in Table 2.3.2 below:

Table 2:3.2: *Component-wise / project wise sanctioned project cost, funds received and utilisation as of March 2011 in respect of test checked projects*

(Rupees in crore)

Name & Numbers of the Project	Sanctioned cost	Funds received	Funds utilised	Percentage of utilisation
BSUP (Six)	68.00	22.10	13.50	61.08
UIG: Conservation of Bindusagar lake (One)	6.01	2.86	0.41	14.34
UIG: Urban Transport (Two)	19.80	16.05	16.05	100
UIG: Storm water Drains (Two)	140.15	35.41	4.09	11.55
UIG: Water Supply, Puri (One)	166.90	41.73	19.50	46.73
UIG: Integrated Sewerage System, Bhubaneswar (One)	498.91	234.79	90.45	38.52
UIDSSMT (one at Cuttack)	50.74	22.84	19.17	83.93
IHSDP (One at Berhampur)	31.01	11.61	0.00	0.00
Total (15 projects)	981.52	387.39	163.17	42.12

(Source: Information furnished by Housing and Urban Development Department)

2.3.1.6 Entry and Exit Conference

Before commencing field study, entry conference was conducted on 14 March 2011 with the Commissioner-cum-Secretary, H&UD Department in the presence of executives of the implementing units in which audit objectives, criteria, scope and methodology were discussed. Audit findings were discussed in an exit conference held on 28 November 2011. Reply of the Government and concerned ULBs, wherever received, were incorporated at appropriate places in this report.

Audit Findings

According to the census 2001¹¹⁵, Odisha with 14.97 per cent urban population was the twenty fourth least urbanised State. The urban decadal growth (1991-2001) of the State was 30.28 per cent against the overall State decadal growth

¹¹⁵ CDPs were prepared based on Census 2001.

of 14 *per cent* which indicates a significant demographic shift towards urban areas. In view of this trend, need has been felt for expansion and improvement of basic urban services as also for renewal of old cities etc. The Mission has been conceived as a major intervention to foster urban revival by bringing focus on reforms agenda, which inter alia aimed to make the ULBs financially viable and accountable to its citizens. For this purpose, it was a pre-requisite for urban centres seeking funding through the Mission to prepare CDPs considering the population growth over at least the next 30 years. Based upon CDPs, projects were to be prioritised for accessing funds under the Mission on the basis of tri-partite MoAs to be signed between the GoI, the State Government and the ULBs. As per these MoAs, flow of funds was dependent upon implementation of reforms within the timeline mentioned therein and submission of utilisation certificates for previous releases. Audit of the activities implemented under the Mission by the various test checked implementing agencies of the State revealed as follows:

2.3.2 Inadequate planning and institutional arrangements

2.3.2.1 Weak institutional arrangements

The guidelines of the Mission envisaged constitution of SLNA to apprise the GoI about the projects, obtain sanctions from the Central Sanctioning and Monitoring Committee (CSMC), manage Mission funds, operate revolving funds and monitor the progress of implementation of sanctioned projects as well as that of reforms agreed to in the MoA with the Ministry of Urban Development (MoUD) in the GoI. To assist the SLNA a PMU staffed with professionals with a minimum tenure of three years was also required to be set up. PMU was also required to provide technical and advisory support to State Government and ULBs in implementation of the projects and reforms. For assisting ULBs of Bhubaneswar and Puri, two PIUs were to be constituted at the actual execution level with job description and organisational profile identical to that of PMU.

We noticed that the State Government had decided (September 2009) to outsource professionals for PMU from the ASCI. The professionals¹¹⁶ including Specialists in Public Works, Public Health, Housing and Slum Development etc were engaged (November 2009 and October 2010) on renewable annual contracts extending up to three years. Two of the six professional staff initially deployed left their job after rendering services for 15 to 19 months. Despite 61 projects having been sanctioned for execution during April 2007 to March 2009 at estimated cost of ₹ 1365.91¹¹⁷ crore under the Mission, no other professionals viz. public works and public health as well as Project Specialist (housing and slum development) were posted in the PMU before November 2009. Specialist (Social Development) left the assignment in January 2011 and the post could be filled up only six months later, in

¹¹⁶ Information System (IS) Expert, Social Development Expert, Project Specialist (Housing and Slum Development), Research and Training Support Officer in November 2009 and Project Management and Procurement Specialist and Municipal Financial Expert in October 2010

¹¹⁷ BSUP: ₹ 68 crore (5 *per cent*), UIG: ₹ 831.78 crore (61 *per cent*), UIDSSMT: ₹ 222.78 crore (16 *per cent*) and IHSDP: ₹ 243.35 crore (18 *per cent*)

August 2011. In the absence of specialists of desired field and experience, PMU was rendered weak and deficient. We noticed that the SLNA had shown little inclination to sort out these problems.

It was also noticed in audit that despite Government in H&UD Department having instructed (June 2010) both the ULBs of Bhubaneswar and Puri to immediately set up PIUs in respective ULBs and having recommended the names of five professionals for that purpose, no PIU had been set up as of October 2011 in either of the two ULBs. Funds (₹ 31 lakh) sanctioned by GoI for operationalising the PIUs in these two ULBs were, therefore, lying unspent with the H&UD Department. Special Secretary-cum-Nodal Officer, SLNA stated (November 2011) that the professionals selected for the two PIUs had not responded to offers made to them. Considering that the BMC and Puri Municipality managed to spend only ₹ 116.55 crore and ₹ 3.93 crore, respectively, during the four year period 2002-06 it was obvious that in the absence of a PIU and consequent lack of professional supports capacity for implementing projects of high magnitude, as envisaged under the CDP, had continued to remain abysmally low.

2.3.2.2 *Inadequate City Development Plans*

Under the Mission, CDP has been conceived as a comprehensive plan for sustainable development of a city. As per GoI guidelines, CDPs were to be prepared by ULBs factoring in data collected by carrying out surveys of various stakeholders of the city. For this, adequate awareness was to be created amongst the stakeholders through pamphlets, street-plays, meetings etc. The CDP was to have a fixed implementation time frame and was to be followed up by an analytical study to ascertain the impact of implementation of the CDP so as to suggest midcourse corrections, if required. We, however, observed that no exercise was undertaken to create awareness amongst citizens or to foster their involvement in preparation of the CDPs for Bhubaneswar and Puri cities. CDPs sent to the H&UD Department for approval were not based on any scientific survey of all the stakeholders. The plan was, merely, discussed in a workshop organised by H&UD Department at Bhubaneswar, during 2006. After the workshop no additional inputs or feedback was sought from the stakeholders / participants of the workshop. As no concrete data had been collected on various relevant parameters, even these discussions remained restricted to generalities. Annual review of capacity building, institutional reforms, capital investment plan, investible surplus, financial operating plan etc, as were required under the Mission guidelines during the first five years, were not carried out because these were not stipulated in the CDPs. Though CDP of Bhubaneswar had discussed and taken into account SWOT (strength, weaknesses, opportunities and threats) analysis of the city, no such analysis was done in the CDP of Puri city. In consequence, selection and prioritisation of projects incorporated in CDP of Puri and the capacity of the local body to execute these projects economically, efficiently and effectively and to absorb funds, was not amenable to a fair assessment.

Due importance was not given for preparation of CDPs and when prepared, GoI guidelines were not considered.

2.3.2.3 *Non-prioritisation of the projects*

The Mission guidelines stipulated that the CDPs would include shelf of projects that would be prioritised for execution keeping in view the identified infrastructure gaps.

Though CDP of Bhubaneswar projected the requirement of ₹ 3039.61 crore¹¹⁸, of which ₹1401.65 crore (46 *per cent*) was projected to be sourced from the Mission funds, due priority was not given to augment the water supply system which given highest priority in the CDP. On the other hand, the funds from the Mission were drawn for the following project which were all low in priority:

- ❖ Conservation of Heritage Tank of Bindusagar;
- ❖ Storm water drains.

Similarly, in the case of Puri which was selected for inclusion under the Mission based on its religious history and its tourism potential, no DPRs for conservation of heritage was prepared, even though 54.65 *per cent* of the required funds of the investment projected in the CDPs was earmarked for this purpose. On the other hand, the following projects which as per CDP were low in priority were taken up for execution.

- ❖ Round the clock piped water supply to Puri town (serial 22 of priority list);
- ❖ Storm water Drainage Project (serial 29 of priority list);
- ❖ City bus Service (serial 41 of priority list) and
- ❖ Slum Development projects in Matitota and Mishra Nolia Sahi (Phase I & II) (serial 34 of priority list).

The Joint Secretary, SLNA stated (November 2011) that the projects, where feasible reports were readily available were proposed first under the Mission. This was indicative of the fact that even if, the projects were prioritised a different priorities was followed, while proposing projects for inclusion under the Mission.

2.3.2.4 *Incomplete Detailed Project Report*

The DPR is an essential building block for the Mission in creating infrastructure and in enabling sustainable quality in service delivery. It is to be prepared carefully and sufficient detail to ensure appraisal, approval, and subsequent project implementation in a timely and efficient manner.

¹¹⁸ Water supply (₹ 691.26 crore), Sewerage system (₹ 596.29 crore), Road, traffic and transport (₹ 1008.37 crore), Storm water drains (₹ 129.62 crore), Street lighting (₹ 28.92 crore), Solid waste management (₹ 83.01 crore), Conservation of water bodies (₹ 53 crore) heritage conservation (₹ 114.95 crore) etc.

We noticed that work order for preparation of DPR for the Storm water Drainage Project was issued (June 2008) to Voyant Solutions Private Limited, stipulating completion by January 2009 at ₹67.34 lakh.

The Agreement¹¹⁹ executed with the consultant provided preparation of a Comprehensive Master Plan (CMP) and a DPR containing detailed survey report on drains, flood prone areas, plan for rehabilitation, estimation of flood discharge and hydraulic design, analysis of socio-environmental impact, soil investigation and details of private / Government land/ forest land, wherever required for the project. Check of the DPR submitted by the consultant however, revealed that land schedule for acquisition of land required for execution of the project, rehabilitation plan, socio-environmental impact analysis as well as soil investigation report etc were not included in the DPR..

On this being pointed out in audit, the E.E (Drainage), Bhubaneswar assured (May 2011) that the consultant would be asked to furnish the actual land schedule, soil investigation report and rehabilitation plan etc. However, action in this regard was still awaited (November 2011).

2.3.2.5 Infructuous expenditure in preparation of incomplete DPR

The EE (Drainage Division), Cuttack awarded (June 2008), the consultancy service for preparation of DPR with CMP for drainage system in Bhubaneswar city, to be executed in two phases, to a consultant Meinhardt, a Singapore based firm, at the negotiated cost of ₹ 2.30 crore. The stipulated completion date of the work was January 2009. Out of two phases, the consultant completed the preparation of DPR for phase-I and was paid ₹ 1.42 crore for that purpose(March 2011) .

Scrutiny of records revealed that land requirement of 29.31 acres depicted in DPR was for only four¹²⁰ out of 10 drains proposed to be constructed under the project. Actual requirement of land for construction of remaining six drains had not been assessed by the consultant. Further, Superintending Engineer (Drainage), Cuttack had observed that the drawings prepared by the agency did not matched with the site conditions of the work, indicating thereby inadequate survey and investigation of actual site conditions. Consequently, the drawing prepared by the consultant were revised (May 2010) by the SE. This is indicative of the fact that the consultant had failed to deliver as per the requirement. But no action was taken against the consultant, for such deficiencies.

2.3.3 Implementation of reforms at the State level and Urban Local Body level

The core agenda of the Mission was focused on reforming the frame work and processes of the governance at the level of ULBs. This included changes in the statute consolidating the functions, responsibilities and powers of the ULBs so as to empower and enable them to prepare and execute development plans,

¹¹⁹ Clause 3 of Terms of Reference (ToR)

¹²⁰ Drain Number 5, 6, 7 and 10

bring about greater citizen participation and transparency in planning and execution to institute meaningful financial reporting system and to bring about greater accountability in the functioning of ULBs.

As per MoU between State Government and GoI, these reforms were to be initiated at two levels viz; the State Government and the ULB. We ascertained the status of these reforms and the impact created by such reforms. Our findings are as follows.

2.3.3.1 State level Reforms

The State Government in a Resolution (November 2006) committed to undertake 17 reforms that included seven mandatory and ten optional reforms as indicated in *Appendix 2.3.1* by 31 March 2011 as the State level reforms. However, as of November 2011, only three mandatory reforms and four optional reforms had been carried out at the State level. Item wise State level reforms, timelines set for their completion and the exact reported status of achievement as verified in the field, are indicated in the said Appendix.

2.3.3.2 Mandatory reforms

Mandatory reforms to be implemented across the ULBs of the State basically related to full 'implementation of the Seventy-fourth Constitutional Amendment Act and other matters relating to:

- Devolution of fund, function and functionaries in respect of 18 functions listed in 12th Schedule to ULBs;
- Convergence of City Planning functions: Involvement of ULBs in City Planning and delivery of Urban infrastructure development and management functions;
- Amendment to Rent Control Legislation for balancing interest of landlords and tenants;
- Rationalisation of stamp duty;
- Repealing of Urban Land Ceiling and Regulation Act;
- Enactment of Public Disclosure Law;
- Enactment of Community Participation Law.

Review of the status of implementation of these mandatory State level reforms disclosed the following:

Partial implementation of 74th Constitutional amendment Act

The Department reported (March 2010) to the GoI that it had devolved 17 out of 18 functions to ULBs except the activity related to construction and maintenance of 'roads and bridges'. We, however, noticed that of these, seven functions¹²¹ had not been devolved in their real sense as the functions actually

¹²¹ Urban planning including town planning, Regulation of land-use and construction of buildings, Roads and bridges, Water supply for domestic, industrial and commercial purposes, Fire services, Urban forestry, protection of environment and promotion of ecological aspects, Safeguarding the interest of weaker sections of society including handicapped and mentally retarded

continued to be discharged by various line departments of the State Government. The other 10 functions like public health and sanitation, slum improvement, urban poverty alleviation, promotion of cultural, educational and aesthetic aspects, burials and burial grounds, maintenance of vital statistics etc. were already being handled by ULBs even before the Mission was launched. Thus, in effect, little change had come about after the Mission was adopted in the State. In our opinion, the position incorporated in the MoA and reported to GoI periodically thereafter, was factually inaccurate. The Nodal Officer, SLNA stated (September 2011) that devolution of functions to ULBs was not possible due to non availability of technical man power with such bodies and their inability to manage the additional responsibilities under the Mission. He however, did not mention why this was not taken into account while making the commitments to the GoI. Moreover, the explanation offered by the Nodal Officer overlooked the fact that the core objective of the Mission was to enable and empower ULBs in addressing problems of governance at the cutting edge level by breaking the vicious circle of low empowerment, low capacity and limited service delivery. In this case the Government had actually backtracked on its commitments, made in November 2006, after getting the first installment of funds from GoI (March 2007). The exact status of devolution of all the 18 functions listed in the Twelfth Schedule of the Constitution to ULBs as reported to GoI and verified in audit, is indicated in *Appendix 2.3.2.*

As per the Mission guidelines, the State Govt. was to review and repeal or amend its municipal laws in order to empower ULBs with such power and authority as would be necessary to enable them to function as institutions of self-governance in general and a single window for delivery of urban services to citizens. Though, CDP of Bhubaneswar envisaged (2006) bringing subjects like urban planning, town planning, land use regulation and construction of building, water supply for domestic/ industrial/commercial purposes, public health and sanitation, fire services and planning for economic and social development within the ambit of the Odisha Municipal Corporation Act (OMCA) 2003 so as to transfer these related powers to the ULBs, the Act was yet to be suitably amended (November 2011). Currently, an unelected body, BDA, therefore, continues to deal with responsibilities of urban planning and approval of building plans and, similarly, the Public Health Engineering Department continues to be responsible for supply of drinking water. Similar was the status of Puri Municipality and Municipal Corporations of Berhampur and Cuttack. On the other hand, downstream activities like sewerage and solid waste management are being dealt with by the ULBs without any say in regulating upstream activities like urban planning, land-use regulation, drinking water supply and drainage. Had the reforms been implemented, the ULBs would have been solely responsible for all the services within the city and may well have contributed to more efficient and effective implementation of related projects under the Mission and achievement of underlying projections.

Thus, the goals for which the GoI had launched the Mission have been frustrated in Odisha due to non-implementation of reform measures (including mandatory reforms) promised by the State Government.

We also noticed that the District Planning Committee though constituted, was yet to become functional as envisaged under the Mission. The existing town planning laws had not been appropriately modified (October 2011) on the basis of the Model Urban and Regional Planning and Development Law prepared by the Union Ministry of Urban Development, thus, constraining District Planning Committee from exercising full authority and assuming full responsibility in regard to matters of town and regional planning. Absence of legal and statutory provisions in this regard, resulted in non institutionalisation of participatory governance in the spatial planning and development of infrastructure, as envisaged under the Mission.

Community Participation Law not enacted

The Community Participation Law (CPL) that was required to be enacted to institutionalise citizen participation by creating three-tiered (*Municipalities/ Ward Committee/ Area Sabha*) decision-making units for municipal functions, had not been enacted till November 2011. The draft bill on the subject has been pending with Select Committee of State Legislature since March 2010. In the absence of such laws, the CDPs prepared by the ULBs not only lacked the force of law but also could not capture the needs of the actual city dwellers and continued to remain top-driven.

Stamp duty

We observed that though the State Government reduced (August 2008) stamp duty to five *per cent* with effect from August 2008, a professional body with appropriate autonomy for fixation of guidance value had not been established till November 2011, as envisaged. The modalities of revision in the guidance value had not been worked out. So, revision of stamp duty as a reform measure only partially addressed the problem of stamp duty evasion through registration of properties at low values.

Public Disclosure Law

Provisions under the Mission envisaged the enactment of a Public Disclosure Law (PDL) to ensure release of quarterly performance information to all stakeholders. Though PDL was notified in February 2009 and information on budget, scheme, services and all letters issued were placed by CMC, Cuttack and BMC, Bhubaneswar on their web-site, yet no such information was hosted by Puri Municipality and Berhampur Municipal Corporation. Thus, the objective of easy and *suo-motu* disclosure of information to stakeholders was not achieved in these two ULBs. In the absence of such facility, participatory monitoring of all the works being executed under the Mission in Puri and Bhubaneswar by the stakeholders as envisaged, was not even possible.

Non implementation of reform in Rent control

The GoI had directed (January 2009) the State Government to adopt State Urban Housing and Habitat Policy in conformity with the National Urban Housing and Habitat policy 2007 and as part of that, to frame an appropriate Rent Act. The Odisha State Housing Board which was entrusted with the task of framing State Urban Housing and Habitat policy had not done anything in this regard (November 2011).

2.3.3.3 *Optional reforms*

The status of various optional reforms that had to be undertaken by the State Government was as under.

- Introduction of property title certification system in ULBs was committed to be undertaken by 2008-09 in the State. But the same had not been introduced in ULBs as of November 2011;
- It had been agreed to revise bye-laws for regulating building plan approval process and to make rain water harvesting mandatory there under by March 2010. Since those powers were not vested in the ULBs by March 2010, the H&UD Department had instructed all Development Authorities and Town Planning Units /Improvement Trusts to insist on rain harvesting mandatory as a part of building plan. Yet the instructions were followed only by the BDA.
- Though at least 20-25 *per cent* of developed land in all housing projects (both public and private agencies) for EWS/ LIG¹²² category was to be earmarked by amending the Odisha Municipal (OM) Act 2003 and Odisha Development Authority Act 1982. This was not done.
- Simplification of legal and procedural framework for conversion of agricultural land for non-agricultural purpose was committed to be achieved by March 2010 even as such procedure had already been established under the Odisha Land Reforms (OLR) Act.
- Computerised process of registration of land and property by March 2009, the introduction of which was committed by the Government of Odisha was achieved only partly due to absence of requisite technical manpower.
- As part of administrative reforms agreed to by the State Government under the Mission, 75 *per cent* base level posts have been abolished by State Government. In addition, need based training was being imparted for operationalising e-municipality, national e-governance initiative at the ULB level. Efforts were also under way to create a district cadre of staff for ULBs.

¹²² Economic Weaker Sections and Lower Income Groups

- To encourage project execution in PPP mode, projects like integrated commercial-cum-residential complex at Chandrasekharpur and construction of truck terminal at Cuttack were under implementation.

2.3.3.4 *ULB Level Reforms*

Four out of six mandatory reforms and eight out of 10 optional reforms were not implemented by the ULBs of both the Mission cities as of October 2011 and none of the reforms had been implemented by the ULBs at Berhampur and Cuttack

As per Mission guidelines, ULBs were also required to implement all the mandatory reforms (seven) and optional reforms (10) within a specified period. Each ULB was required to choose for implementation of at least two optional reforms each year. Audit scrutiny of four ULBs revealed the following:

Table 2.3.3: Reforms achieved by four ULBs up to March 2011

Name of the ULB	Milestones achieved	
	Mandatory reforms	Optional reforms
Bhubaneswar and Puri	i. Registration of death and birth introduced ii. Internal earmarking for basic services to the urban poor provided in the budget	i. introduction of computerised process of registration of land and property. ii. Encouraging public private partnership
Berhampur and Cuttack	No mandatory or optional reforms had been implemented so far (October 2011)	

(Source: Information furnished by concerned ULBs and result of audit scrutiny)

Since the State Government had done nothing, ULBs had also been lackadaisical in introducing reforms at their level. Thus, State Government had sent a muted message down the line and had been less than proactive. The thrust on reforms was practically lost at the ULB level.

Item wise ULB level reforms, timeline set, commitments and achievements in case of two sample ULBs¹²³ are also indicated at *Appendix 2.3.3*.

2.3.3.5 *Urban transport reforms*

Urban Transport reforms mandated setting up of a dedicated Urban Transport Fund (UTF), change of bye laws and master plan of cities, setting up of a regulatory mechanism, a parking policy and a Traffic Information and Management Centre etc by the State / ULBs.

Scrutiny of records at SLNA revealed that the transport reforms were not implemented either at the State or at ULB level in the Mission cities of Bhubaneswar and Puri. No action was taken by Nodal Officer, SLNA to create dedicated UTF as a result of which provisions for new projects for urban transport, replacement of assets under transport companies, extension of various concessions to encourage public transport, could not be generated. In fact, undertaking of transport reforms was not included in the CDPs of both Bhubaneswar and Puri.

¹²³ (i) Bhubaneswar Municipal Corporation, Bhubaneswar (ii) Puri Municipality

2.3.4 Non-creation of Revolving fund

Revolving fund not set up due to inaction of SLNA and this will affect the upkeep of the assets created under Mission after the Mission period

According to the Mission guidelines, grant-cum-loan was to be sanctioned for projects being implemented under the Mission in such a manner that 10 per cent and 25 per cent of Central and State grant put together in respect of BSUP and UIG projects, respectively, would be recovered and ploughed into a distinct revolving fund. The objective was to leverage market funds for financing additional investment in infrastructure projects as well as to fund operation and maintenance (O&M) of the assets already created. The Revolving Fund (RF) was to be graduated to a State Urban Infrastructure Fund in case of projects under UIG and “State level Basic Services to the Urban Poor Fund” in case of BSUP. As against a total release of ₹ 340.32 crore including State Share, an amount of ₹ 81.76 crore was to be ploughed towards the RF as tabulated below:

Table 2.3.4: Status of fund to be earmarked for revolving fund up to March 2011

(₹ in crore)

Projects/Component	BSUP			UIG		
	Central	State	Total	Central	State	Total
Sources of Fund						
Funds received	15.60	6.50	22.10	276.07	42.15	318.22
Percentage to be earmarked for RF	10			25		
Fund to be earmarked for RF	2.21			79.55		
Purpose for which Revolving Fund to be used	Operation and maintenance (O&M) of the assets already created					

(Source: Information furnished by SLNA and audit scrutiny)

However, we observed that due to inaction by the SLNA such a fund was yet to be set up as of November 2011. The absence of such funds will affect the upkeep of the assets created under the mission and erode their utility after the mission period is over. This also would generally constrain the power of the ULBs to raise money from the market thus constraining them in leveraging financial market for further development of infrastructure in this sector.

In reply, Nodal Officer, SLNA stated (November 2011) that the Department had already initiated action for establishing “Odisha Urban Infrastructure Development Fund” on the line of revolving fund with financial assistance of ₹ 368 crore and technical support for the purpose was being provided by KFW (a German bank).

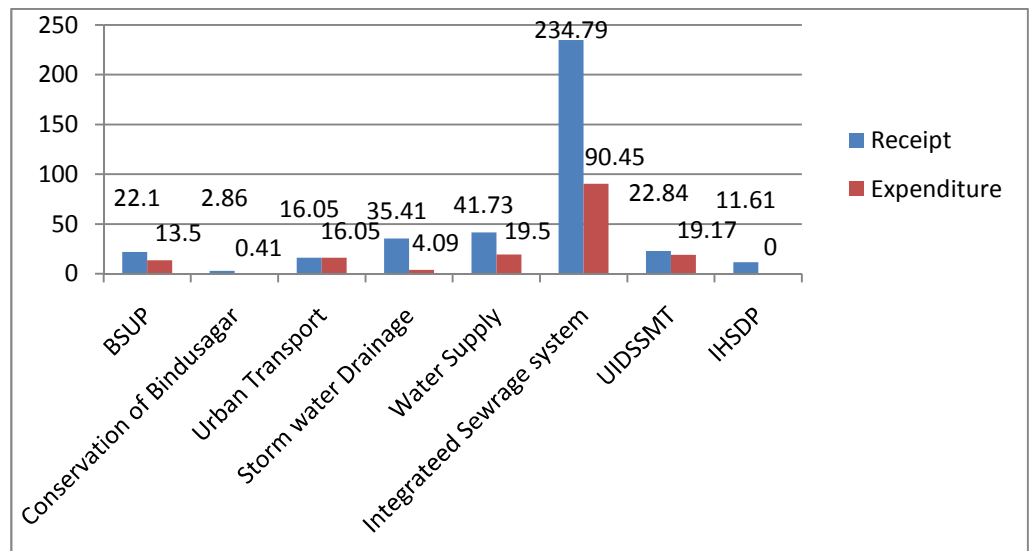
2.3.5 Irregularities in Financial Management

Against central assistance of ₹ 784.92 crore due on total project cost of ₹ 981.52 crore, only ₹ 322.29 crore could be availed up to March 2011

During 2005-11, 61 projects were sanctioned with a total outlay of ₹ 1365.91 crore against which ₹ 1092.73 was to be provided by GoI as central assistance. Audit scrutiny of 15 projects in operation under the Mission in ULBs of Bhubaneswar, Puri, Cuttack and Berhampur revealed that against total project cost of ₹ 981.52 crore, only ₹ 387.39 crore was released up to March 2011 towards Central share (₹ 322.29 crore), State share (₹ 52.48 crore) and ULB share (₹ 12.62 crore). Of that, a sum of ₹ 163.17 crore (42 per cent) was utilised up to 31 March 2011 and utilisation certificates were furnished to the GoI for ₹ 147.87 crore. Project wise fund released, expenditure incurred are indicated in the Bar chart given below.

Chart-1

Receipt and utilisation of funds under JNNURM during 2005-11



Review of the management of funds under the programme revealed delay in release of State share, short release/non-release of ULB share, diversion/misutilisation of scheme funds, parking of funds in non-interest bearing accounts, irregular advance to contractors etc as indicated in the following table.

Table 2.3.5: Irregularities in management of funds during 2005-11

Sl. No	Issue	Amount (₹ in crore)	Cause and effect
1	Delay in release of funds to the ULBs	1.20 and 51.58	As per GoI sanction order, the Central assistance along with State share was to be released to ULBs immediately. However, funds were retained with the State Government and released to ULBs with delay ranging from 151 days to 301 days which resulted in delayed commencement of most of the projects as indicated at <i>Appendix 2.3.4</i> .

Sl. No	Issue	Amount (₹ in crore)	Cause and effect
2	Short release of ULB share	28.74	As per Mission guidelines, while Central Government would release 80 <i>per cent</i> of the project cost under UIG, both the State Government and ULB have to contribute 10 <i>per cent</i> of the project cost each. We noticed that against central release of ₹ 330.84 crore under UIG up to 31 March 2011, one ULB (Bhubaneswar) paid only ₹ 12.62 crore as its share against ₹ 33.51 crore due on this account while Puri Municipality had not paid its share of ₹ 7.85 crore. This resulted in short release of ULB share by ₹ 28.74 crore. as indicated at Appendix 2.3.5.
3	Irregular parking of funds in non-interest bearing accounts	0.40	As per Mission guideline, the funds received under the scheme should be kept in savings bank account with nationalised banks. We noticed that, the GoO deposited ₹ 23.42 crore in civil deposit with treasury instead in separate savings bank account resulting in loss of interest of ₹40.30 lakh up to March 2011. Nodal Officer, SLNA attributed retention of Mission funds in civil deposit to delay in receipt of administrative approval and non provision of fund in State budget.
4	Irregular meeting of state tax out of Mission fund	1.86	As per Mission guidelines, State tax was either to be reimbursed by State Government or to be waived off for the project under Urban Transport. Yet, ₹1.86 crore was paid to the supplier towards State taxes like value added tax, entry tax etc. Nodal Officer assured to obtain reimbursement of the said taxes paid, from the Finance Department. Final reimbursement is awaited (November 2011).
5	Interest earned/ accrued out of Mission funds not reported to GoI	13.33	Mission guidelines states that the interest earned on scheme funds were to be reported to GoI for adjustment of the same while releasing subsequent installments. We noticed that, the interest of ₹1.06 crore earned on bank deposits and ₹12.25 crore accrued up to June 2011 were not reported to the Government of India in violation of the Mission guidelines.
6	Diversions of Mission fund for the purpose of land acquisition not admissible under the Mission	26.39	Mission guidelines provided that, no money should be spent out of scheme funds towards acquisition of land except for North-eastern States. We noticed that, ₹ 26.39 crore was diverted from scheme funds towards land acquisition in Bhubaneswar (₹ 18.73 crore) and Puri (₹ 7.66 crore) which were yet to be recouped (January 2012).
7	Undue aid to the Contractor by issue of interest free advance.	11.02	A Government company, OCC was paid interest free advance of ₹11.02 crore in March 2010 in violation to codal provisions (Para 3.7.21 of OPWD Code-Vol-I). The Nodal Officer, SLNA stated that advance was paid to OCC not as a private contractor but as a Government company. The reply was not tenable in audit, as supervision/ overhead charges at 15 <i>per cent</i> of value of work executed by OCC was also paid to OCC in-addition.

(Source: Audit scrutiny at Government, ULBs and executing agencies): GoO : Government of Odisha

Inefficient and uneconomical programme implementation

Review of implementation of the sub-components of the Mission indicated markedly low utilisation of funds, low pace of execution of works, non-achievement of targets etc. raising serious doubts about eligibility of the State to receive second/balance installment of central share, which in turn, may lead to projects remaining incomplete unless the scheme period is extended or the State Government earmark sufficient funds under the State Plan. This would also result in infructuous expenditure and non-achievement of desired objectives as discussed in the succeeding paragraphs.

2.3.6 Urban Infrastructure and Governance

Under Sub-Mission UIG, seven projects costing ₹ 831.77 crore were taken up against which ₹ 330.84 crore (40 *per cent*) were released by GoI and ₹ 130.50 crore (39 *per cent*) was utilised by the State Government/ ULBs up to 31 March 2011. We observed that only 16 *per cent* of the total project cost had actually been incurred during the entire period of the Mission. The Nodal Officer, SLNA attributed (November 2011) low levels of expenditure and slow progress of work to delay in land acquisition (Puri water supply project, Integrated Sewerage System, Bhubaneswar), delay in finalisation/non-finalisation of tender and award of work (Integrated sewerage, storm water drainage), site related problems viz; encountering rock strata and high ground water table in low lying areas, (Integrated Sewerage Project, storm water drainage) and delay in obtaining road cutting permission and re-planning of projects. The reply was not tenable as all these constraints were pre-existing and should have been foreseen while preparing the DPRs and ought to have been handled by way of effective programme management. We also observed absence of synchronisation in awarding work for different components of the same project as discussed below.

2.3.6.1 Slow pace of implementation of 'Integrated Sewerage System'

Considering that the projected sewerage generation at 126 lpcd¹²⁴ by 2039 and as the sewerages disposal capacity of 82 million litre per day (MLD) in Bhubaneswar was to be increased to 219 MLD by the end of Mission period, development of sewerage disposal system in Bhubaneswar city was identified as a priority under the Mission. At the same time, sewerage collection system potential was to be enhanced from the present 35 *per cent* to 85 *per cent* as per the norms of the Central Public Health Environmental Engineering Organisation (CPHEEO). Accordingly, ₹ 498.91 crore¹²⁵ were sanctioned for the project which involved various components as indicated in Table 2.3.6 next page.

¹²⁴ Litre *per capita* per day

¹²⁵ GoI (80 *per cent*): ₹ 399.13 crore and State Government and ULB: 10 *per cent* each

**Table: 2.3.6: Component wise status of Integrated Sewerage Project , Bhubaneswar
(Rupees in crore)**

<i>Component</i>	<i>Sanctioned cost</i>	<i>Amount spent</i>	<i>Status of execution</i>
Design, construction, testing and commissioning of gravity sewers in one sewerage district i.e. District-III	111.00	90.45	Only 68 km of sewerage line out of 193 km envisaged, was completed as of September 2011.
Pumping stations	50.09	0.00	Tenders were not invited as of October 2011 due to non-acquisition of land as well as delay in appointment of Project Management Consultant.
Sewerage treatment plants in six sewerage districts ¹²⁶	92.35		
Sewer laying in three sewerage districts	122.40		
Renovation and replacement of old sewers in five sewerage districts	116.11		
Construction of low cost sanitation units in six sewerage districts	6.96		
Total	498.91	90.45	

(Source: Information furnished by OWSSB)

As of 31 March 2011, ₹ 234.79 crore were received for execution of various components mentioned in the table. The entire expenditure of ₹ 90.45 crores, however, incurred on a single component viz., ‘construction of gravity sewers in one district (District III)’. This work was awarded (25 May 2008) at ₹ 150 crore to a contractor (ECCI Limited) stipulating completion by 27 November 2010. However, as of September 2011, only 68 km of sewerages line out of required 193 km were completed. Even though the stipulated date of completion was over, extension of time allowed to the contractor had also expired in July 2011 and the work was yet to be completed (October 2011).

Works under Integrated Sewerage Project, Bhubaneswar was not synchronised.

The delay in execution was attributed by Member Secretary, OWSSB (October 2011) to delay in obtaining permission from Railway/National Highway / PWD/ BMC / BDA authorities for road cutting required at different points. Had the plan and DPR been made properly after due consultation with all these organisations / other stakeholders as required under the scheme. such delay and lack of coordination could have been avoided to a very large extent. Also, had reforms taken place, then permission for such multiplicity of organisations would have been avoided as the ULB themselves would have served as the single-window agency responsible for execution of the project. In the instant case, even the detailed engineering design had to be made afresh to ensure hydraulic connectivity for the uncovered areas requiring additional sewer length of about 145 kms due to the expansion of city in different directions. Tender for other components like construction of pumping stations, sewerage treatment plants, laying of sewers etc. had not been invited (October 2011) due to non-completion of land acquisition. We also noticed that there was delay of 31 months¹²⁷ in appointment of Project Management Consultant (PMC) and in initiating proposal for land acquisition, which resulted in delay

¹²⁶ Bhubaneswar city has been divided into six sewerage districts by OWSSB

¹²⁷ From the date of sanction of the Project

in construction of crucial components like construction of STP, pumping stations, laying of sewers etc. The following Table 2.3.7 indicates the component-wise extent of execution of the work.

Table 2.3.7: *Status of execution of Integrated Sewerage Project. Bhubaneswar in district III where contract has been awarded*

Sl No.	Component of work	Unit	Total to be constructed	Execution up to 31 March 2011	Status of completion in percentage
1	Survey and design	Kilometer	193.50	224.308	116
2	Sewer line	Kilometer	193.50	67.764	35
3	Manhole chamber	Number	7149	2842	35
4	Connecting chamber	Number	12876	4515	35
5	Inspecting chamber	Number	23687	1389	6
6	House sewers	Kilometer	237	15.50	6.5

(Source: Information furnished by OSSWB)

As a result, the entire expenditure of ₹ 90.45 crore incurred on this project so far, was likely to be unfruitful, as all the components of the project needed to be completed for achieving the intended throughput.

2.3.6.2 Delay in initiating land acquisition proceedings led to time and cost over- run

As per GoI guidelines¹²⁸, land acquisition for the proposed projects was to be completed prior to application for financial support under Mission. The land acquisition including payment of compensation was to be met by the State Government. However, in case of the 'Integrated Sewerage Project', Bhubaneswar, the process of land acquisition was initiated (February 2009) by the OWSSB after 21 months of receipt of the first installment from the GoI, even as it involved acquisition of 191.716 acres of private land. We noticed that possession of only 42.242 acres of land had been taken as of August 2011; the remaining land was at various stages of acquisition. This was indicative of lackadaisical approach of the OWSSB and poor oversight by the PMU. As a result, tender for none of the components of the project excepting one could be invited. Thus, due to belated acquisition of land, not only was there time and cost over-run in implementing the project but also the denizens of the city were likely to be deprived of the intended benefit of the project for a long time. Besides, belated acquisition made the State Government liable to pay compensation of ₹ 96.49 crore against the original estimated compensation of ₹ 65.42 crore provided in DPR resulting in creation of extra financial burden / liability of ₹ 31.07 crore on the state exchequer; though it would have no impact on the expenditure to be funded under Mission.

¹²⁸ Toolkit on preparation of project report (clause 3.1)

2.3.6.3 Delay in implementation of water supply projects

Water supply projects were not synchronised and even land acquisition for WTP, pumping station, ESRs not completed

ULB, Puri had accorded top most priority to the augmentation of drinking water supply system at Puri town which at 127 lpcd as against the norm of 150 lpcd fixed by the CPHEEO has been facing an acute shortage of drinking water. Presently, no water treatment facility exists in the town. Out of the total project cost of ₹ 166.90 crore sanctioned in July 2008, 80 per cent (₹ 133.52 crore) was to be released by the GoI and ₹16.69 crore each was to be borne by the State Government and the Municipality of Puri. As of March 2011, ₹ 41.73 crore was made available for the project that included central share of ₹33.38 crore¹²⁹, of which ₹ 19.50 crore (47 per cent) was shown as utilised. The project included components such as construction of six control structures, intake well, rising main, Water Treatment Plant (WTP), eight Elevated Service Reservoir (ESR) and two On Ground Reservoirs (OGR). For smooth execution, the proposal was splitted up (May 2011) into 23 packages by SLNA with estimated cost of ₹ 90.50 crore excluding the design and construction of control structures. Package wise status of work as of November 2011, is furnished in Table 2.3.8 below:

Table 2.3.8: Status of execution of water supply project at Puri as on 31 March 2011

Package	Type of work	Sanctioned cost / expenditure (Rupees in crore)	Status of work	Reasons for delay
1	Intake well, Pump house, Raw water pumping etc	3.03	Not started	Delay in taking up land acquisition.
2	Raw water rising main and clear water rising main	3.26	Not started	Delay in taking up land acquisition.
3	Water treatment plant, clear water sump and pump house	23.50	Not started	Delay in taking up land acquisition.
4,19	Construction and renovation of Elevated Service Reservoirs (ESRs)	35.32	Not started	Delay in inviting as well as finalising tender. Pending at Chief Engineer level since September 2011.
5,6,7	Procurement of cast iron, valves, pipes etc	17.40	Not started	Dependent on package 1,2,3 which were not commenced..
9,10,11,12,13,,14,15, 16	Reclamation of ESR sites (Eight packages)	0.57	Seven completed	One package under progress.
18,20,21,22,23	Replacement of house service connection	7.22	Not started	Dependent on package 1,2,3 which were not commenced..
17	Construction of pump chamber	0.05	Under progress	Under progress.
8	Construction of 0.5ML capacity OGR	0.15	Under progress	Under progress.
	Total	90.50		

(Source: Information furnished by Chief Engineer, Public Health, Odisha and result of audit scrutiny)

¹²⁹ Released on 23 February 2009

As may be seen from above table, work on most of the components has not started due to delay in land acquisition. Only the work ‘construction of one 75 MLD control structure at Gabakunda’ was awarded (March 2010) to OCC, a state owned company, at negotiated price of ₹ 19.97 crore¹³⁰ stipulating completion by March 2012. No tenders were, however, invited for the work. As of November 2011, only 21 *per cent* of the work had been completed.

The Nodal Officer, SLNA stated (November 2011) that since the water supply work was executed by both Irrigation and H&UD Department and different technical parameters for different components of work were involved, it was desirable to put different components of the work to tender at different stages considering availability of land, site clearance and fund availability etc. The reply was not tenable as our scrutiny revealed that the work of preparation of DPR awarded to Tata Consulting Engineers, was also delayed by eight months thus, affecting the execution of the project to that extent. Though the cost of land acquisition amounting to ₹ 7.66 crore was deposited with the LAO, Puri between December 2010 and May 2011; land was yet to be handed over by the Revenue Department as acquisition proceedings were pending (November 2011) at various stages for finalisation.

Due to delay in implementation of the project, not only the inhabitants of the city were deprived of adequate drinking water of acceptable quality as envisaged under the scheme, but also the ULB failed to access the second installment of Mission funds because the actual expenditure had remained below 70 *per cent* even after two years of receipt of GoI share. Unless the GoI extends the duration of the scheme or the State Government chooses to complete the remaining works through State Plan funds, the un-welcome prospect of an investment blocked in an incomplete project and further infructuous expenditure cannot be ruled out.

2.3.6.4 Delay in execution of storm water drainage projects in the Mission cities of Bhubaneswar and Puri

As the catchment area of major drains was 35 *per cent* in Puri town and 85 *per cent* in Bhubaneswar city, as against the CPHEO benchmark of 100 *per cent*, development of storm water drains of both the Mission cities of the State was considered a priority area. Projects for this purpose were approved at a total project cost of ₹ 140.15 crore¹³¹. Up to March 2011, an amount of ₹ 35.41 crore was released for the two projects that included GoI share of ₹ 26.50 crore¹³². Of this, only ₹ 4.09 crore (12 *per cent*) was utilised up to March 2011.

In Bhubaneswar city, out of 10 drains, DPR of one drain (Ghatikia) had not yet been prepared (September 2011) while works were under progress in four

¹³⁰ Work: ₹ 17.37 crore and Overhead charges (supervision to OCC): ₹ 2.60 crore = ₹ 19.97 crore

¹³¹ Puri: ₹71.82 crore; Bhubaneswar: ₹ 68.33 crore

¹³² Bhubaneswar: released during May 2009 ₹ 13.67 crore; Puri: released during June 2009 : ₹ 12.83 crore

drains. Tender for remaining five drains¹³³ was yet to be invited (September 2011). Tendered cost (₹ 74.74 crore) of four drains being executed, exceeded the project cost (₹ 68.33 crore) by ₹ 5.41 crore. Nodal Officer, SLNA stated (November 2011) that due to fund constraints, these five drains would be constructed by BDA out of its own funds. Only 12 *per cent* (2.362 km out of total 20.246 km) of drain were constructed as of September 2011. We noticed (November 2011) that, the construction work had been obstructed due to encroachment of land by private people, non-eviction of roadside slums by the ULB and non-provision of private land as well as Government land to the implementing agency by the Revenue authorities.

In Puri town, construction of primary and supplementary drains for eight works estimated at ₹ 88.50 crore were awarded during January 2011 to February 2011 at ₹ 96.08 crore for completion by June to August 2012. The contract value thus exceeded the project cost by ₹ 7.58 crore. We noticed that, not even a single patch out of eight patches of primary and secondary drain, had yet been completed though the work had been awarded in all the zones/patches. The progress had suffered due to non-acquisition of land, non-shifting of existing utility infrastructure such as telephone and electric poles, underground cables, non-finalisation of drawing and designs before award of the works and consequential delay in handing over of the drawings and sites timely to the contractors etc.

The Chief Engineer (PH) stated (October 2011) that the work at Puri was delayed as the site was thickly populated with narrow roads and heavy traffic throughout the day and night and that the work was also held up for months due to the car festival. Similarly in respect of Bhubaneswar, Nodal Officer, SLNA stated (November 2011) that as catchment area of each drain was different, DPRs were prepared and works were tendered drain wise. Both the arguments were not acceptable since all these challenges were pre-existing and should have been taken into account while preparing the DPRs and meet before awarding the works. Further, no separate funds either by the State Government or by the concerned ULBs to meet this extra cost of ₹12.49 crore¹³⁴ had been provided / earmarked to ensure smooth completion of the projects.

2.3.6.5 Delay in development of Bindusagar Lake

Bindu Sagar Lake is a major water body within the limits of Bhubaneswar city. A significant portion of the lake is in the vicinity of Lingaraj Temple where rituals are regularly performed. In respect of the work "conservation and management of Bindusagar lake including restoration and development of lake periphery" estimated to cost ₹ 6.01 crore, CSMC



¹³³ Drain V (Laxmisagar), Drain VI (Badagarh), Drain VII (Kedargouri), Drain VIII (Airport area),

¹³⁴ Bhubaneswar: ₹5.41 crore & Puri: ₹ 7.58 crore

sanctioned two installments of ₹ 1.20 crore each in March 2007 and November 2010.

The first installment was sanctioned with the conditions that before release of the second installment, mechanisms were to be put in place for recovery of operation and maintenance (O&M) cost through PPP mode to aerate the water thereby ensuring abatement of pollution. We observed as under:

- BMC awarded (October 2008) the work of “treatment of lake water through bio-remediation technique on turnkey basis including design, construction and subsequent operation and maintenance for three years” on tender basis to ACE Housing and Construction at ₹ 1.04 crore for completion within 12 months. After execution of work worth ₹ 29.04 lakh (March 2009), the contract was rescinded (February 2011) due to insufficient progress in execution of work by the contractor. No step was taken to execute the remaining portion of the work (November 2011). This rendered the entire expenditure unfruitful. Besides, the intended objectives of the Mission had remained unachieved.
- Though street lights were to be provided on the periphery of the lake at an estimated cost of ₹ 11.75 lakh, process for tendering the work had not yet been initiated (November 2011).
- No production well had been constructed to pump ground water to maintain the freshness of water.
- Contrary to the guidelines of GoI, the Municipal Commissioner instead of establishing a PPP arrangement for carrying out the O&M work, entrusted the same to Lingaraj Temple Administration. The Temple Administration had not taken up the O&M of the lake due to non completion of aeration work.
- Though user charges were fixed for performance of religious rituals being carried out on the banks of the lake (March 2010), no such charges had yet been realised on that account as the same had not been notified (November 2011) by the Municipal Commissioner.

Thus, due to non fulfilment of relevant pre-conditions, the possibility of subsequent installments of ₹ 2.41 crore being released by the GoI appeared to be remote putting the utility of the project in jeopardy. This was attributable to unexplained inaction on the part of the Municipal authorities.

2.3.6.6 Partial operationalisation of Urban Transport

To address the issue of poor quality public transport in the two cities of Bhubaneswar and Puri, the department submitted to GoI, DPR for ₹ 95.85 crore for sanction of funds under the Mission. The CSMC sanctioned (February 2009) ₹ 19.80 crore to purchase 125 buses, 100 of these for Bhubaneswar and the balance 25 for Puri. Against the project cost of ₹ 19.80 crore to procure 125 buses, ₹ 16.05 crore was released and the entire amount

was utilised up to March 2011. The H&UD Department committed to set up one depot-cum-terminal and develop seven bus Origin-Destination (OD) terminals in two cities.

To implement the project, Special purpose vehicle (SPV) had been created as per GoI guidelines. The SPV called Bhubaneswar-Puri Transport Services Limited (BPTSL) has been incorporated (15 February 2010) under Companies Act 1956 and is responsible for identifying the routes and monitoring the demand and quality of services.



Idle Buses at Master Canteen Depot, Bhubaneswar

Out of 125 buses ordered to be procured, 97 buses had since been received as of November 2011. BPTSL has reported that of these, 90 buses were operational¹³⁵. Remaining seven buses (including five mini buses) purchased at a cost of ₹ 84 lakh have remained idle. The balance 28 buses (13 standard and 15 mini buses) ordered in November 2009 were yet to be delivered by the suppliers despite payment of full cost of ₹ 3.75 crore. The Nodal Officer, SLNA stated (November 2011) that though as per the intimation of the supplier, all these 28 buses were ready for delivery, the BPTSL had not taken delivery of the same because the required facilities like depot, route etc had not been finalised (November 2011).

We further observed that most of the infrastructure required for efficient and effective operation of the urban transport services such as depot-cum-terminal at Pokhariput and allotment of land by General Administration Department at VSS Nagar, Dumduma, Chandrasekharpur, Nuagaon/ Sum Hospital and Kalinganagar and at seven other locations¹³⁶ for development of Origin Destination (OD) terminals were not in place. Even the stoppages for passengers for boarding to and alighting from the buses on all the routes in Bhubaneswar and Puri had not been identified as of October 2011.

Nodal Officer, SLNA stated (April 2011) that land for the development of depot-cum-terminal at Bhubaneswar had been identified which was indicative of the degree of apathy with which a priority project that was conceived as an essential source for the city dwellers in the DPR was being handled by authorities with all the levels including Government in the H&UD department.

¹³⁵ At Bhubaneswar from October 2010 and at Puri from June 2011

¹³⁶ Sikharchandi, KIIT Campus, Nandankanan, Kalinganagar, Ghatikia, Niladrivihar, Uttara/Balakati and Puri

2.3.7 Delay in providing Basic Services for the Urban Poor (BSUP)

Basic Services for the Urban Poor (BSUP), an important Sub-Mission of the Mission, was intended to achieving integrated development of slums including housing and related infrastructure and providing them with civic amenities. It was also aimed at providing to the urban poor universal access to basic services to achieve for them convergence of health, education and social security schemes. As per CDPs, there were 192 slums (Bhubaneswar: 146 and Puri: 46) in these two cities. The total slum population of Bhubaneswar and Puri was 2 lakh and 47770, respectively constituting 30 per cent and 25 per cent of the city population. Six projects¹³⁷ at a total cost of ₹ 68 crore was sanctioned under the Mission for construction of 2508 dwelling units¹³⁸ and related infrastructure. As of March 2011, ₹ 22 crore was released including central share of ₹ 15.60 crore. Of this, only ₹ 13.50 crore (61 per cent) was utilised and UC for ₹ 13.73 crore had been submitted. Audit observed the following deficiencies in implementation of the Sub-Mission.



Delay in completion of dwelling units at Bharatpur slum noticed on 12 Sept. 2011

2.3.7.1 Housing for urban poor

Only 448 out of 2508 targeted dwelling units could be completed as of March 2011.

Out of 2153 dwelling units to be completed in Bhubaneswar by 31st August 2009, 439 units were actually completed, 1164 were under progress and construction of 550 units was not commenced as of November 2011. Though the funds required for construction of dwelling units in *Bharatpur, Dumduma and Nayapalli Sabarsahi* were given to BMC in March 2008, the progress of completion of these units ranged from 11 to 51 per cent. The delay in completion of such projects in Bhubaneswar was attributed to rejection of tenders of the higher bid followed by no response to fresh tenders. Subsequently, the works were executed through the beneficiaries. In respect of Damana-Gadakana project, the BDA was entrusted (April 2010) with the work of constructing 192 units in Bhubaneswar. Though the work was to be completed within 12 months, construction of not a single unit has been completed (November 2011). The delay was attributed by the BDA to encroachment in the construction area, presence of solid waste (garbage)



Absence of common infrastructure in Bharatpur slum noticed on 12 Sept 2011

¹³⁷ Bhubaneswar : 4 (Nayapalli Sabarasahi, Dumuduma, Bharatpur/ Bikashnagar and 'Damana -Gadakana, Puri: 2 (Matitota and Mishra Nolia Sahi)

¹³⁸ Bhubaneswar: 2153 and Puri: 355

dumped by BMC in a major portion of the allotted land and passing of a high tension electrical line over the area. The reply was not acceptable since BDA had not even identified the beneficiaries, which was the first step to be taken before commencement of the work. Besides, the other irritants pointed out by them were known to both H&UD and BDA prior to taking up the work and yet no contingency plans had been made to overcome such irritants.

In Puri, 355 dwelling units were required to be constructed. The work for construction of 352 units was awarded (May 2009-May 2010) to three contractors¹³⁹. We found that only nine (3 *per cent*) units were completed as of October 2011. One contractor (Sri T P Rath) was given (March 2009) work order for 46 units in the Tikarpada slum against which he had completed only a single unit as of October 2011. The work order was cancelled (July 2011) but the work was not retendered. Similarly, another contractor (Satyanarayan Engineering) was given a work order (May 2009) for constructing 28 dwelling units at 'Chamar Sahi' slum. The contractor stopped work (May 2011) without completing even a single unit. Though, the contractor was given a show cause (August 2011) to resume the work as of November 2011, the work had not been resumed. The details of status and progress of construction of dwelling units in all the related slums in Bhubaneswar and Puri is indicated in *Appendix 2.3.6*.

Lack of close monitoring and supervision by the Executive Officer, Puri Municipality over construction of these dwelling units and laxity on the part of implementing authorities had resulted in chronic delays in completion of the project and non availability of dwelling units for the slum dwellers in the two cities.

2.3.7.2 Non-creation of infrastructure facilities in slum areas

The 26th meeting of CSMC of Sub-Mission on BSUP under the Mission had suggested that, at least, 40 to 50 *per cent* of the project cost should be on account of infrastructure development in slum areas. Accordingly, a sum of ₹33.08 crore was provided in the DPR for creation of such facilities in Bharatpur Bikash Nagar slum. We noticed that no infrastructure facilities were created in and around the slum area except for construction of one Community Centre and a water supply project. Joint physical inspection (June 2011) of the said slum area revealed that no drainage and sewerage facility existed in the area resulting in water logging inside the said slum and making the living conditions extremely difficult and unhygienic. This indicated that the development of the slums, as intended under the scheme, was still characterised by inadequate planning and lack of coordination across agencies and Departments responsible for slum development.

¹³⁹ Sri T P Rath, Satyanarayan Engg. & Sasmita Behera

2.3.7.3 *Allotment of dwelling units with lower floor area*

In 22 cases, dwelling units were allotted for floor area less than 25 square meters, though not permissible under the GoI guidelines

The Mission guidelines required that the minimum floor area of dwelling units proposed to be constructed should not be less than 25 square meters so as to provide sufficient scope for constructing two rooms, a kitchen and a toilet as per specifications. However, in 22 out of 182 cases in *Chamar Sahi* and *Matitota nolia Sahi* slums, work orders were issued by the Executive Officer, Puri Municipality in respect of beneficiaries possessing less than 25 square meters of area, resulting in irregular financial commitment of ₹ 37.40 lakh, as the persons proposed to be benefitted were not eligible for such benefits under the BSUP as indicated in *Appendix-2.3.7*.

2.3.8 *Delay in execution of the UIDSSMT projects in Cuttack city*

Under UIDSSMT, 14 projects were sanctioned (February 2008) for up-gradation of roads in Cuttack city at a total cost of ₹ 50.74 crore. The first installment of ₹ 25.44 crore was released in favour of the EE, Roads and Building Division, Cuttack in December 2007. Works for all the approved patches were awarded between May 2008 and December 2010 and were scheduled for completion between September 2008 and May 2011. Scrutiny in audit revealed that out of 17 works under 14 projects relating to up-gradation of roads and drains; only three had been completed as of September 2011. One drain work (OMP square –Bijupatnaik Chhak via Howrah Motor) awarded during December 2010 and scheduled for completion by May 2011, had yet to be commenced (November 2011). No action was taken by the EE against any of the defaulting contractors on the ground that the works had not been completed /commenced because of one or the other constraint such as encroachment on the berm of the road, telephone cables/underground pipelines/electric poles etc. not having been shifted. None of these reasons were justified as the EE should have taken all these constraints into account at the time of preparation of DPR and awarded work only after completing these formalities. Further examination of records by us revealed that as against a provision of ₹76.75 lakh earmarked in the DPR towards shifting of utilities related to existing infrastructure, the actual expenditure of ₹4.22 crore incurred up to May 2011 was many fold. The expenditure may further rise with delay in completion of the work. On being pointed out, the EE, R&B Division No.1, Cuttack stated (May 2011) that though the expenditure exhibited in the DPR was less than the entire expenditure incurred was reimbursable under the Mission. The reply was not tenable because the GoI had already approved the projected cost as estimated in the DPR and the scheme was likely to be completed in March 2012. In such circumstances, chances of a revision of costs and reimbursement of the extra cost appeared remote. Thus, the delay in implementation of the project had resulted in creation of extra liability of ₹ 3.45 crore to the State exchequer. Besides, the major component of UIDSSMT had remained incomplete so far (October 2011).

2.3.9 Delay in implementation of IHSDP project in Berhampur city

The DPR on Housing and Slum Development in Berhampur city under IHSDP was approved by CSMC (February 2009) at a projected cost of ₹ 31.01 crore. The ULB received an amount of ₹ 11.61 crore (Central share of ₹ 10.32 crore and State share of ₹ 1.29 crore) during August 2009 but failed to commence execution till May 2011. Three tenders floated between June 2010 and December 2010 could not be finalised within the validity period of 90 days. Tenders were subsequently re-invited repeatedly (June 2010, July 2010 and December 2010) in anticipation of a more competitive response / participation even as each time the response was limited. Finally, the ULB decided to take up the housing component through concerned beneficiaries by awarding individual work orders. Not a single beneficiary had however, taken up (November 2011) the offer and the entire fund of ₹11.95 crore had been lying in two savings bank accounts since September 2009.

2.3.10 Ineffective Monitoring and Evaluation

Efficient and effective monitoring is the key to successful implementation of any Mission. The PMU and PIUs were included in the Mission guidelines to provide quality resource personnel to extend strategic, technical and managerial support to SLNA for effective implementation of the projects. But it was noticed that PIUs were not made operational at the level of ULBs and the PMU operating at State level was not having requisite manpower at a time when just a few months out of the seven years Mission period was only left. This is indicative of inadequate monitoring of human resources on the part of the Nodal Officer, SLNA.

2.3.10.1 Ineffective monitoring

The role of the SLSC is to invite project proposals, appraise them and manage and monitor the Mission. We observed that the projects had not been prioritised in the manner that was advised under the Mission. The SLSC had only met three times from the commencement of the Mission in last six years. Though no prescribed norm of GoI was there as to how many times the SLSC was to review the activities, yet it was well known that the project was being implemented in a Mission mode and hence had to be monitored not only closely, but also frequently. It was, however, noticed that no review was there in 2005-06 and 2008-09. Non-fixing of any periodicity for review for this policy making body under the Mission either by the Center or by the State was a real constraint indicating ineffective policy planning and monitoring. However, SLNA had conducted as many as 26 review meetings and in all meetings, instructions only, flew top down without any resultant effect. Scrutiny of the last two review meetings chaired by the CM during January 2011 and May 2011 revealed that none of the instructions of the CM had been carried out as of November 2011, clearly indicating the least effect of such reviews on expediting the pace of implementation of the projects of the mission.

So far as monitoring of implementation was concerned, we observed that though the scheduled period of completion had already been exceeded, no action was initiated against the contractors for the cases of contracts awarded under the Mission. In case of one such contract, no penalty had yet been imposed on the contractor though the contract had been rescinded in writing to the contractor by Municipal Engineer, BMC. This clearly established that monitoring mechanism was either not in place for management of the contracts which resulted in non-completion of the projects in time or even if there, was inadequate or non-functional.

Financial monitoring was also deficient as the released funds on central share were kept blocked in bank accounts without any utilisation. State was set to lose further financing for failure to utilise the money and to furnish utilisation certificates. There was also delay in release of the central funds to the implementing agencies. There was no specific budgetary provision to meet the land acquisition cost from the State budget; even though it was well known that the State Government had to meet all such costs. Thus, land acquisition process was allowed to cause delay in implementation of some of the non crucial projects. Even after we observed these lapses, and communicated the same to them, no step was taken to rectify the deficiencies which were indicative of lack of proper and adequate linkages between the Government and the implementing agencies.

2.3.10.2 Evaluation and error signals not followed up

As per GoI guidelines, SLNA appointed IRMA for independent review of implementation of Mission activities. Besides, TPIMA was also to be engaged for review and monitoring of BSUP. We observed that IRMA had reviewed three projects (City Bus Service, Integrated Sewerage System and UIDSSMT) out of eight projects in operation in the three cities (Bhubaneswar, Puri and Cuttack) of the State while TPIMA was not engaged until March 2011.

- IRMA reported (December 2010) extremely slow progress of execution (30 *per cent*) in the 'Integrated Sewerage System' project due to non-tendering for STP, pumping station, sewer lines, Project Management Consultant (PMC) lagging behind in design of various components and likely cost overrun. Yet we ascertained from the records of OWSSB that these issues remained unaddressed (June 2011).
- Report of IRMA on implementation of UDISSMT at Cuttack indicated (May 2011) that there was lack of seriousness in executing the packages in a timely fashion and there were no compulsion on the contractor to complete the work in time.
- CSMC approved (March 2011) engagement of BLG Construction Services (Private) Limited as TPIMA for monitoring and evaluation of 32 IHSDP projects and six BSUP projects under the Mission. However, report of TPIMA was awaited (November 2011).

In reply, the Nodal Officer, SLNA stated (November 2011) that implementing agencies had been requested to take necessary follow up action. This is indicative of the casual approach of SLNA in addressing these issues.

2.3.11 Conclusions

Pace of implementation of JNNURM in the State was low and ineffective. Weak institutional arrangements due to inordinate delay in appointment of consultancy agencies, tendering and implementation affected execution of all projects. Low spending efficiency coupled with slow/non-implementation of prescribed reforms not only deprived the State of availing full sanctioned project costs but most significantly, also contributed to coordination problems amongst multiple executing agencies thereby delaying most projects and retarding their progress. Excepting in two projects, the State could not access second installment of central assistance. Devolution of fund, function and functionaries in respect of seven out of 18 functions listed in 12th Schedule of the Constitution had not been made over to ULBs. Community Participation Law was yet to be enacted. Modern accrual based double entry municipal accounting system had not been introduced. Four out of six mandatory reforms and eight out of 10 optional reforms were not implemented in ULBs of both the mission cities. Management of funds was poor and there were diversion and misutilisation of Mission funds. Execution of water supply, drainage as well as sewerage projects were non-synchronised resulting in haphazard progress of work. Even tender for major components of the Integrated Sewerage Project like sewerage treatment plant in all sewerage districts, laying of sewers in four sewerage districts (district III, IV, V & VI), pumping stations (34 in number) in Bhubaneswar and Water Treatment Plant, intake well, elevated service reservoirs and pump houses at Puri had not been floated as of November 2011 though only less than five months of the mission period of seven years was left. Deficiencies pointed out by IRMA were not attended to by SLNA despite such alarming state of affairs as far as implementation of the project was concerned.

2.3.12 Recommendations

The Government may consider the following steps to improve the programme implementation under the Mission even though only a few months were left for the scheme to come to an end:

- All steps (both mandatory and optional) of the reforms process may be expedited which would converge most aspects of project implementation at the ULB level instead of a multiplicity of organisations. This would ensure democratic involvement of the stakeholders in not only preparation of the CDPs but also community monitoring of implementation of the project.
- PMU may be strengthened and made more effective. Project Implementation Units at the ULBs level may be set up to monitor and oversee utilisation of Central assistance towards timely completion of projects as was envisaged under the scheme.

- Immediate and effective steps may be taken to acquire required land for all UIG Projects. Road cutting permission may also be obtained, *a priori*, from the respective authorities for smooth and timely implementation of the projects.
- Odisha Municipal Accounting Manual may be adopted to enable ULBs migrate to double entry accrual based municipal accounting system.
- The SLSC headed by the Chief Secretary and SLNA headed by the Special Secretary would have to devise ways and means of resurrecting the sagging projects / scheme through more pro-active and frequent interventions into the implementation of the various projects under the scheme including field visits.

WORKS DEPARTMENT

2.4 Construction of major Roads and Bridges

Executive Summary

The Works Department is responsible for construction and maintenance of State Highways (SH-3687 km) and District roads (Major District Roads-MDR-4057 km and Other District Roads-ODR-6813 km) which provide all weather road communication. These roads, constructed and improved with funds provided by Government of India (GoI), State Plan/Non-plan and with loans from NABARD through Rural Infrastructure Development Fund (RIDF), are one of the principal elements of economic development.

We conducted a performance audit of two major roads Naranpur-Duburi a Centrally sponsored project with 50:50 cost sharing between GoI and State Government and Cuttack-Paradeep funded by GoI, State Plan and through deposits made by Odisha Mining Corporation(OMC) and Paradeep Port Trust (PPT) and of 42 out of other 161 projects for construction of 19 bridges and 371 km of roads financed from RIDF loan. These audits were conducted in 16 out of 37 field units. The samples were selected using stratified random sampling method. The objective was to assess the planning process of identification/prioritisation of projects, achievement of the desired objective by the stipulated time frame and economy, efficiency and effectiveness in implementation of the projects.

We noticed that the Naranpur-Duburi and Cuttack-Paradeep road projects were consultant driven. The objective of providing smooth riding surface on these roads by July 2009 / October 2010 remained unachieved as of December 2011 due to default in execution by the contractors and non-obtaining of forest clearance. The projects taken up in 2006-07/2007-08 under RIDF and targeted for completion by March 2011 had progressed only up to 55 per cent.

Institutional strengthening action plan (ISAP) approved in 2008 with the objective of developing a State wide perspective plan for expanding and strengthening road network in the State was implemented only to the extent of outsourcing technical assistance service for establishing an assets management service. With this limited action only and without translating broad plan parameters into actionable goals, ISAP had remained practically dormant as of February 2012.

The CE prioritised the projects at his level without obtaining appropriate inputs from the EEs who were primarily responsible for the implementation of the projects. Consequently, selection of the road stretches for improvement without considering the missing links led to five projects either being stopped midway or all-weather communication not getting established.

For three projects (two major roads and one bridge project), the CE adopted varied agreement formats as different from the codified F₂ item rate format of the State Government. The concurrence of the Finance and Law Departments, though mandatory, was not obtained for this deviation for two projects. In the other project concurrence of only Finance Department was obtained and approval of the Law Department was not obtained. Despite departure from standardised agreement formats and conditions which facilitated extra benefit to the contractors, competitiveness of the bids was not enhanced.

The total excess payment/undue benefit to contractors and extra expenditure and unfruitful expenditure on implementation of the two roads and NABARD assisted projects was ₹407.48 crore.

2.4.1 Introduction

The Works Department is responsible for construction and maintenance of the roads in the State. State Highways (SH)-3687 km, Major District Roads (MDR)-4057 km and Other District Roads (ODR)-6813 km are the important feeders to the 3594 km of National Highways criss-crossing the State. These feeder roads carry bulk of the traffic operating in the State. Construction and improvement of the roads are implemented out of the funds provided under State Plan/Non plan, various centrally assisted schemes¹⁴⁰ and with loans under Rural Infrastructure Development Fund (RIDF) from NABARD.

Records/data for five years (2006-11) maintained by the Works Department, CE offices and in 16 out of 37 divisional offices executing 42 projects covering 19 bridges and 371 km MDRs/ODRs out of 161 projects financed from NABARD loan assistance under tranches XII to XVI and two major roads viz; Improvement of Naranpur-Duburi road - 91 km and Improvement of Cuttack-Paradeep road - 82 km funded by Government of India (GoI), State plan and deposits by OMC and PPT were test checked by audit during the period April 2011 to July 2011. Projects were selected using stratified random sampling method.

In the entry conference which was held with the Engineer in Chief cum Secretary, Works Department on 27 May 2011, the audit objective, criteria and methodology were explained. Monitoring, evaluation and quality control reports were studied. Physical inspection of the some of the project sites was also conducted and photographs were taken by audit in arriving at the conclusions.

The exit conference was held with the Engineer in Chief cum Secretary to Government, Works Department on 14 February 2012 wherein the department accepted the factual position mentioned in the report.

Timely providing of information/data to audit on the implementation of the projects and confirmation of the factual position mentioned in the Performance Audit report are vital for smooth and timely completion of the audit work and

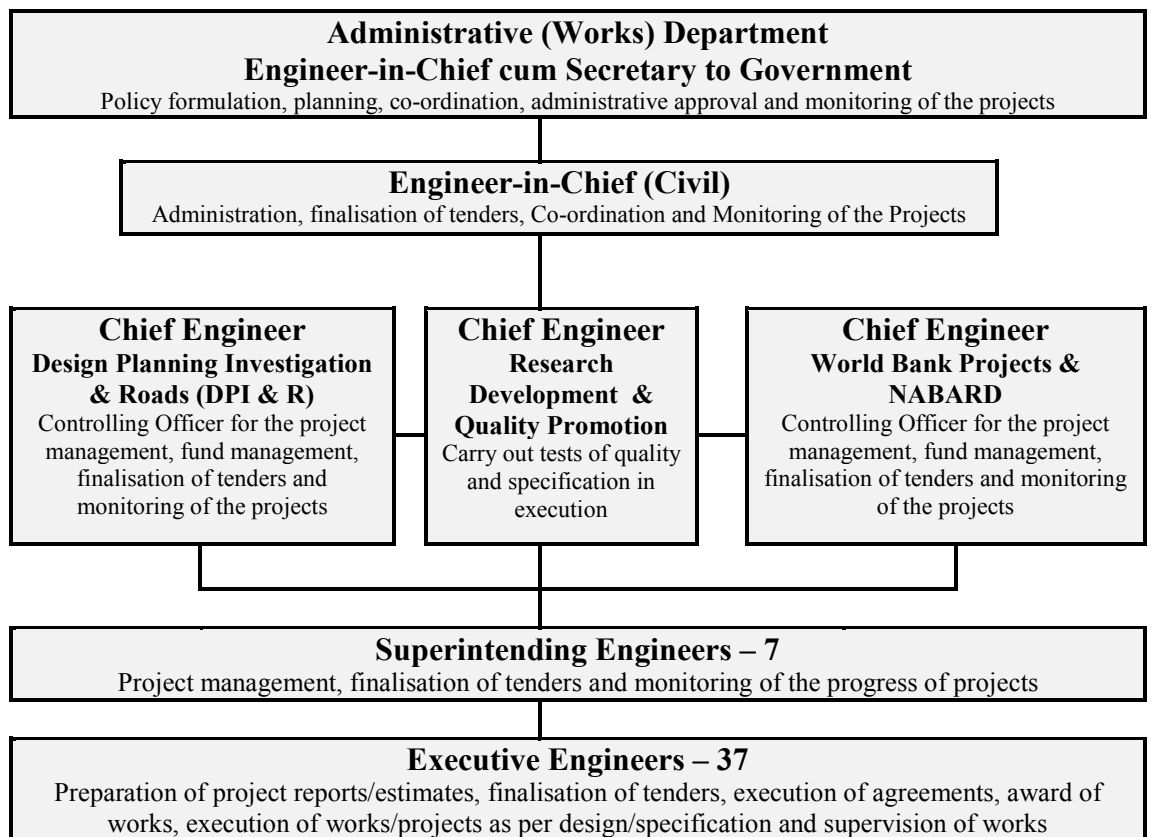
¹⁴⁰ Central Road Fund, Externally aided projects, Central assistance, Economic Importance and Interstate connectivity

also to facilitate discussions of the report by the Public Accounts Committee. Information/data called for (April 2011) from the department on the implementation of the projects have not been provided as of February 2012. The report has been finalised on the basis of the data/information gathered by the Audit team during scrutiny of the records. Further, although the performance audit report was issued to the Department in August 2011 for confirmation of the factual position and offering views on the points incorporated in the report within six weeks, the views of the Government were provided only on the date of exit conference (14 February 2012). The Government views have, however, been suitably incorporated in the report.

We acknowledge the cooperation and assistance extended by different levels of the management at various stages of conducting the performance audit.

2.4.2 Organisational structure

The organisational set-up for carrying out the above responsibility was as under:



Finance Department was the nodal agency for management of funds received from GoI and for procurement of the loans and their repayment. The Chief Engineers (CE) were responsible for the implementation of the approved works.

2.4.3 *Audit objectives*

The performance audit was conducted to assess that

- The planning process ensured proper identification/prioritisation of projects/works and achievement of desired target
- Overall management of funds received was effective
- The projects were implemented with economy, efficiency and effectiveness
- Contract management was effective and efficient
- Effective quality control mechanism was in place and followed efficiently
- The monitoring/evaluation and internal control system were adequate

2.4.4 *Audit criteria*

The audit criteria considered for assessing the extent of achievement of audit objectives were sourced from:

- Norms for selection of the projects
- Investment appraisal and planning
- Detailed project reports, standard specifications and contract conditions
- Policy, guidelines and manner of implementation of the projects
- Schedule of Rates and Analysis of Rates
- Terms and conditions of NABARD loan agreement
- Odisha Public Works Department Code

Planning

2.4.5 *Improvement of Naranpur-Duburi and Cuttack-Paradeep roads*

Naranpur-Duburi road (91km) an existing single lane of 3.5 metre width was approved for up-gradation to a two lane road of the standard of a National Highway. This project was to be completed in three years mainly to facilitate transportation of minerals to the Paradeep Port. The project was taken up under the centrally sponsored scheme of economic importance with 50 *per cent* share of GoI. The GoI approved (May 2007) the project outlay of ₹ 302.09 crore with GoI share of ₹ 143.07 crore and ₹ 159.02 crore of State

Government. The CE (DPI&R) accorded sanction to the detailed estimate of ₹ 307.43 crore in July 2007. In anticipation of that, the tender notice had been floated in July 2006 against which though seven bidders who had pre-qualified were requested to submit the financial bid, only one bidder M/s Gayatri-RNS Joint Venture (JV) submitted the bid. This bid price of ₹ 332.43 crore submitted by the bidder was negotiated down to ₹ 311.89 crore that was 1.45 *per cent* more than the cost put to tender. The CE and Tender Committee evaluating the bid recommended acceptance of the bid. The bid was approved by the Government in August 2007. The work was awarded (October 2007) to them for completion by October 2010.

The objective of completing the roads by July 2009/ October 2010 was not achieved due to default in execution by the contractor.

Up gradation of Cuttack-Paradeep road (82 km), which was broadly a sub standard double lane flexible (bitumen) pavement carriageway to a two lane rigid (cement concrete) pavement type was approved by Government to be executed in two years to facilitate transportation of materials to the Paradeep port. The entire project cost of ₹ 193.06 crore was to be funded partly by GoI (₹ 26.47 crore), State Plan (₹ 134.59 crore) and partly through deposits (₹ 32.00 crore) from the Odisha Mining Corporation (OMC) and Paradeep Port Trust. The CE (DPI&R) accorded sanction (November 2006) to a detailed estimate for ₹ 195.58 crore. As the work was split up into two packages, two bids from M/s Simplex Infrastructure Limited, Mumbai and M/s Niraj-ARSS JV, Mumbai were received for each of the packages. The bid notice stipulated that one of the criteria for qualifying for the work was that the contractor should have completed at least one similar work of value not less than ₹ 36.00 crore in the last five years. M/s Niraj-ARSS JV was lower in both the packages using the previous experience of M/s Niraj to have executed similar work of ₹ 83.79 crore and the bidder qualified on the capacity of JV. No work experience was furnished for M/s ARSS. The bid price of both the packages was negotiated by the CE and the Tender Committee from ₹ 118.37 crore to ₹ 112.70 crore in one package and from ₹ 113.24 crore to ₹ 112.11 crore in the second which was higher than the estimated cost of these packages by 22.71 and 17.85 *per cent* respectively. The bids were approved in April 2007 by the Government and the works were awarded in July/August 2007 to M/s Niraj-ARSS JV for an aggregate amount of ₹ 224.81 crore for completion by June/July 2009.

The status of execution of the works (June 2011) in these two roads (Naranpur-Duburi and Cuttack Paradeep) was as under.

Table No.2.4.1 *Status of execution of two road works (₹ in crore)*

Name of the road	Awarded Cost		Date of commencement	Stipulated date for completion	Status of execution		Percentage of progress	
	Length (km)	Cost			Length (km)	Cost	Physical	Financial
Naranpur-Duburi	91	311.89	October 2007	October 2010	47	124.82	52	40
Cuttack-Paradeep	82	224.81	July/August 2007	June/July 2009	37	136.49	45	61
Total	173	536.70			84	261.31		

Source: Progress reports

The works were scheduled for completion by June/July 2009 and October 2010. Despite fact that the progress of the works of the projects were being reviewed by the Superintending Engineer (SE), Chief Engineer (CE) and

Engineer-in-Chief cum Secretary to Works Department, the completion time of the projects was overrun by almost two years. The financial/physical progress of works of these roads was 40/61 *per cent* and 52/45 *per cent* as of June 2011 mainly due to the default in execution by the contractors and forest clearance for 13.60 km of Naranpur-Duburi road passing through reserve forest not being received from the GoI, Ministry of Environment and Forest.

The agreements provided that the contractors are to ensure completion of the works by the stipulated dates failing which liquidated damages (LD) up to 10 *per cent* of the agreement values was recoverable from them. Further price adjustment would apply for the work done from the start date to end of initial intended completion dates as extended by the State Government. Works carried out beyond the stipulated time for reasons attributable to the contractor were not eligible for such price adjustment.

Though no extension of time has been granted for work of Naranpur-Duburi road, LD of ₹ 31.19 crore is leviable upon the contractor for the non-completion of the work, the EE has not levied the LD. As a result, the contractor did not have any disincentives for delay in completion of the work. On the contrary, the EE had reimbursed price escalation for ₹ 18.23 crore to the contractor for the period (November 2010 to May 2011) by which the completion of work was delayed without having been regularised through a valid extension of time. Thus, the payment made to the contractor was irregular.

The EEs did not recover LD for ₹ 53.67 crore and made excess payment of ₹ 20.31 crore on escalation component.

Though the Government granted (January 2011/March 2011) time extension up to May/December 2011 without benefit of price escalation during the extended period for the Cuttack-Paradeep road for the reasons cited by the contractor viz; un-seasonal rain, scarcity of stone products, breakdown of machines and execution of extra value of work, it was not accepted by the Government yet it levied LD of only ₹ 4.98 crore as against the full amount of ₹ 22.48 crore that should have been levied. Since un-seasonal rain is cyclic change of weather, the scarcity of stone products was a pre-existing condition and the breakdown of machines was the responsibility of the contractor and since the extra execution in value of the work was attributable to change in specification of sub base without any change in the quantum of work, reasons for levy of partial LD were untenable. Apart from levying a small fraction of LD, the EE did not realise even the LD of ₹ 4.98 crore imposed by Government. Only a sum ₹ 0.79 crore has been withheld from the dues of the Contractor In addition, price escalation for ₹ 2.08 crore has been reimbursed (August 2011) to the contractor for the extended period which was contrary to the terms of the extension granted by Government thus, resulting in excess payment. As a



Cuttack Paradeep Road in deplorable condition at RD 18/300 km (Date:- May 2011) Picture No.2.4.1



Cuttack Paradeep Road in deplorable condition at RD 16/00 km (Date:- May 2011) Picture No.2.4.2

result, the contractor did not have any disincentive to complete the work on time.

The two projects had a time overrun up to two years and were completed only to the extent of 52 *per cent* (Naranpur-Duburi road) and 45 *per cent* (Cuttack-Paradeep road) for which an aggregate LD of ₹ 53.67 crore was recoverable from the defaulting contractors (May 2011). Besides, condition of the road stretch from RD 00 to 42 km of Cuttack-Paradeep road has worsened since the commencement of the project, as can be seen in the picture No.2.4.1 and 2.4.2.

Government stated (February 2012) that for the Cuttack Paradeep road, deduction of LD would be effected from the next running bill and if the work does not progress, LD would be adjusted against the performance guarantee and retention money of the contractor. Government further stated that since the LD was levied in respect of mile stone-I and II, the price escalation was reimbursed in respect of the other sections. This is not acceptable since the contractor has delayed the progress of the entire work under the scope of the agreement and hence full LD is recoverable as the extension of time was sanctioned without the benefit of price escalation. The price escalation pointed out is for the payment of work executed during the extended period.

As regards Naranpur Duburi road, Government stated that the work was delayed due to left wing extremist activity in the area and forest clearance could not be obtained on time. This is not acceptable since no application of the contractor citing the above reasons was made available to audit and thus, the validity of those reasons could not be tested in audit. Further, as mentioned by the Government itself, the delay in obtaining the forest clearance has hampered the progress only in a small patch of 3 km out of 92 km of the road. No reply has, however, been furnished for the reimbursement of the price escalation during the extended period of execution.

2.4.6 Projects for construction of Roads and Bridges with NABARD loan assistance

NABARD which operates a Rural Infrastructure Development Fund (RIDF) set up by GoI provides loan up to 80 *per cent* of the cost of a project. The balance amount is provided by the State Government. The funding is achieved by way of reimbursement of expenditure incurred on the project. Each drawal is treated as a separate loan under the tranche and was required to be repaid along with interest at 6.5 *per cent* payable at quarterly basis within seven years from the date of drawal of the loan amount including a grace period of two years. The project proposals are initially placed before the High Power Committee (HPC) of Planning and Coordination Department functioning under the Chairmanship of the Development Commissioner cum Additional Chief Secretary. On clearance of the projects by the HPC, the detailed project reports (DPR) is to be sent to NABARD through the Finance Department for sanction which thereafter sanctions the projects taking into account the number of projects submitted by various departments for loan assistances as well as the borrowing capacity of the Government. After sanction from NABARD, the projects are implemented by the Administrative Department

and the projects taken up are to be completed within a stipulated time frame of three years. The Government is to submit project completion report (PCR) for the sanctioned projects to NABARD within one month of the completion and if the State Government fails to initiate the implementation of the project by issuing the necessary work order etc within a period of two years from the date of the sanction letter, the sanction of the project for RIDF loan assistance lapses.

The projects proposed by the department, sanctioned by NABARD and projects finally taken up by the department are tabulated below.

Table No.2.4.2 *Details of projects sanctioned and implemented as of 31 March 2011*

(Rupees in crore)

Sl. No.	Tranche/ Year	No of projects proposed by the department	Cost	No of projects sanctioned by NABARD	Cost	No of projects taken up (March 2011)	Cost
1	XII 2006-07	85	605.00	48	313.34	45	301.01
2	XIII 2007-08	58	469.03	30	195.49	28	181.85
3	XIV 2008-09	40	427.81	26	268.22	26	268.22
4	XV 2009-10	96	1181.81	33	401.57	33	401.57
5	XVI 2010-11	75	1094.42	29	504.91	29	504.91
	Total	354	3778.07	166	1683.53	161	1657.56

Source : Project proposals and details of sanction by NABARD

NABARD accepted only 47 per cent (166 out of 354 projects proposed) of the project proposals. Of the 78 projects sanctioned by NABARD during 2006-07 and 2007-08, five projects estimated to cost ₹ 25.97 crore were not taken up. Four¹⁴¹ of these projects for ₹ 23.93 crore did not start within two years of their sanction due to the non finalisation of the bids and one¹⁴² project for ₹ 2.04 crore was taken up from another source. Thus, the five projects lapsed. By 2011, against 73 projects (Tranche XII and XIII) which were to be completed, only 46 projects (55 per cent) were actually completed.

2.4.7 *Physical status of the sanctioned projects*

As per the general terms and conditions of the RIDF, the GoO is to take all steps to remove any legal or procedural hurdles and ensure completion of the land acquisition process in all respect for smooth implementation and completion of the projects. Odisha Public Works Department (OPWD) Code required that no work should be commenced on land which had not been duly made over by a responsible civil officer. For accelerated implementation and timely completion of the RIDF projects, Finance and Works Departments had

¹⁴¹ Construction of high level bridges over river Ramachandi nullah on Pravakarapur-Kharnasi road, over river Mantei on Digachhia-Bansada road, river Baghua near Barida on Pathara-Babanpur road and Long approach road to high level bridge over river Kharasua at Jokadia on Vyasagar Sribantpur road.

¹⁴² Improvement of Kalimela-Podia road

also issued guidelines (January 2010/March 2010) stipulating that before finalising the bids for the projects sanctioned by NABARD, Administrative Department was to ensure acquisition of required land, forest and other regulatory clearances as well as shifting of utilities. Further, responsibility of the officers concerned is to be fixed for improper preparation of drawing, designs and estimate resulting in change in the scope of work and time/cost overrun. Details of the projects sanctioned under RIDF and the status of their completion are mentioned below in the table.

Table No.2.4.3 Status of projects sanctioned under NABARD during 2006-11

(₹ in crore)

Tranche/ Year		Sanctioned Cost		Projects Completed		Percentage of completion	Expenditure incurred on projects in progress (No. of projects)	
		Km/No	Cost	Km/No	Cost			
XII/2006-07	Road (km)	482.38	176.53	273.43	133.65	57	74.19	10
	Bridge (No)	15	136.81	8	38.72	53	80.86	7
XIII/2007-08	Road (km)	358.58	158.93	64.76	56.79	18	94.32	12
	Bridge (No)	6	36.56	2	3.80	33	8.84	4
XIV/2008-09	Road (km)	353.77	191.52	36	36.57	10	112.13	16
	Bridge (No)	5	76.70	0	0	0	21.79	5
XV/2009-10	Road (km)	319.66	240.50	23	6.45	7	94.14	23
	Bridge (No)	9	161.07	0	0	0	34.80	9
XVI/2010-11	Road (km)	292.85	296.13	0	0	0	6.32	23
	Bridge (No)	6	208.78	0	0	0	0	6
Total	Road (km)	1807.24	1063.61	397.19	233.46	22	381.10	84
	Bridge (No)	41	619.92	10	42.52	24	146.29	31

Source: NABARD Progress report

The projects stipulated for completion by March 2011 had progressed only up to 55 per cent. The EEs did not recover LD for ₹ 13.86 crore

In the test checked units, out of 42 projects, 12 projects¹⁴³ (seven roads and five bridges) were not completed within the stipulated period due to delay in execution by the contractors and the time overrun was up to two years. But LD of ₹ 13.86 crore had not been levied by the EEs on the contractors to ensure completion of these projects. No responsibility was fixed on the EEs for non-levy of LD on the defaulting contractors.

Of the 19 bridge projects studied by us, five bridge projects were completed and the remaining 14 bridge projects work for ₹ 217.31 crore over which an expenditure of ₹ 119.94 crore has been incurred are incomplete due to

- revision of designs during execution (two projects - ₹ 4.83 crore)
- default in execution by the contractors (seven projects - ₹ 84.91 crore)
- delays in acquisition of land (five projects - ₹ 30.20 crore)

¹⁴³ Constn of HL Bridges over river Mahanadi at Jatamundia to Subarnapur road, over river Badanadinear Nuagaon at 80th km of Nayagarh Jagannathprasad Bhanjanagar road, over Arikul Nullah at 8th km on Pratappur Khunta Jaypore road, over river Birupa including improvement to Lalitagiri Udaygiri Ratnagiri road from RD 00 to 6 km, Baitarani on Dhamnagar-Dhobol-Sendhapur road, Improvement to NH-5 to Bhusandhapur, Sunakhala/Ayatpur road from RD 00 to 11.40 km, Baruan Balichandrapur road from RD 00 to 22 km, Dhamnagar Kothar road from RD 00 to 10 km, Kodala Chhunchipdda road from RD 00 to 10 km, Saintala Tikirapara Patnagarh road from RD 00 to 12.505 km including two nos bridges and Bagalpur Sailo Jharpara road.

Three projects were held up midway after investment of ₹ 23.19 crore due to delay in land acquisition and obtaining forest clearance.

We noticed in the test checked projects that the CE sanctioned estimates for commencement of three¹⁴⁴ bridge projects under RIDF without ensuring the availability of the land for the execution of these projects. As a result, the completion of the projects was either delayed or the projects were stopped midway. Thus despite an expenditure of ₹ 23.19 crore on the three bridge projects, the intended benefits have not accrued (*Appendix-2.4.1*).

Government while advancing general reasons viz; strike by left wing extremist, delay in acquisition of land, difficulty in well sinking of bridge works and non-response to tenders for the slow progress in RIDF projects stated (February 2012) that the EEs have been instructed to take action as per clause 2 of the contract (providing levy of LD) for slow moving works. Action, however, is yet to be taken. Further, none of the projects test checked by audit is in worst affected left wing extremist districts of the State and hence the reason furnished that the works are delayed due to strike by left wing extremist is not tenable.

2.4.8 Lack of vision in selection/prioritisation of projects

The State cabinet approved (9 June 2008) an institutional strengthening action plan (ISAP) under which a strategy which involve road sector policy, development of core road network and master plan for road management, establishing a policy for asset management as well as a management information system (MIS) based performance monitoring in the road sector was to be prepared for systematic development of the State roads.

The ISAP was not developed, as envisaged, despite the constitution (January 2009) of a steering committee chaired by Development Commissioner cum Additional Chief Secretary and a working group (December 2009) under the Chairmanship of EIC (Civil). A consultant was engaged in as late as April 2011, only for providing technical assistance to establish an asset management system. Even after lapse of three years, road master plan and road sector policy have not been prepared (December 2011). Though the department has a data base for all the roads in the State, the computerised data base of such roads indicating road stretches where major repairs were to be carried out, has not been developed.



Portion of New Jagannath Sadak in Trafficable condition - 67.60 km
Picture No.2.4.3



New Jagannath Sadak in deplorable condition - 13.60 km
Picture No.2.4.4

Five projects implemented with investment of ₹ 158.13 crore did not provide good riding surface

The EEs who were primarily responsible for the implementation of the projects were not associated in the planning process of prioritisation and selection of the projects for loan assistance from RIDF. They only communicate the overall surface

¹⁴⁴ Construction of HL bridge over river Kharasuan at Jokadia along with its short approach on Kuakhia to Jenapur ODR, HL bridge over river Baitarani at Sendhapur at 8/050 km on Dhamnagar-Dobal-Sendhapur road and HL bridge over river Badanadi at 80th km on Nayagarh-Jagannath Prasad-Nuagaon Road

status of the roads at the commencement of the financial year. The CE had prioritised the projects at his level taking into account the surface status of the roads intimated by the EEs. The EEs, however, prepared the cost estimates of these projects. Suitable proposals are submitted to the HPC through the Works Department for being forwarding in turn, to NABARD that sanctioned the projects under different tranches keeping in view the borrowing power of the Government. The road stretches and the bridge projects were selected without applying any criteria. Out of the test checked projects, five¹⁴⁵ projects were not picked up based on a comprehensive assessment of the scope of each project. Some of the roads were taken up in parts and some others taken up without making provision for constructing bridges over the rivers where required. In consequence, some projects were stopped midway or could not provide continuous good riding surface in spite of being completed. Thus, ₹ 158.13 crore invested on these projects have not brought the desired benefits so far as explained in *Appendix-2.4.2*.

Government stated (February 2012) that procurement of consultant for ISAP for preparation of road sector policy and master plan was under process and further that the road stretches which were in deplorable condition were taken up on need basis for improvement. This is not acceptable since the road sector policy and master plan for facilitating the systematic identification of the roads for improvement have not been developed for the last three years and roads were not picked up based on a comprehensive assessment of the scope of each project.

2.4.9 Financial management of the sanctioned projects

Approved project cost, loan assistance sanctioned by NABARD and the loan disbursed against the claim of Government as of March 2011 were as below.

Table No.2.4.4 Details of reimbursement claimed and disbursement by NABARD during 2006-11

(₹ in crore)

Sl. No	Tranche/ Year	No of sanctioned projects	NABARD share	State share	Total	Expenditure incurred	Reimbursement claim submitted to NABARD	Reimbursement made by NABARD
1	XII 2006-07	48	248.97	64.37	313.34	327.42	282.26	205.80
2	XIII 2007-08	30	156.39	39.10	195.49	163.76	140.82	85.68
3	XIV 2008-09	26	214.40	53.82	268.22	170.48	146.97	77.22
4	XV 2009-10	33	321.24	80.33	401.57	135.39	116.71	32.24
5	XVI 2010-11	29	383.17	121.74	504.91	6.32	5.45	0
Total		166	1324.17	359.36	1683.53	803.37	692.21	400.94

Source: Progress report on NABARD projects

¹⁴⁵ Improvement to Thakurmunda-Dangadiha-Podadhia-Udala-Manatri-Baisingha-Rupsa road (MDR 70), New Jagannath Sadak (ODR), Construction of a high level bridge over river Mahanadi at Jatamundia on Jatamundia-Subarnapur Road, High level bridge over river Birupa on Baruan Balichandrapur road and Kodala Chhunchipdda road from RD 00 to 10 km

There were excess expenditure of ₹ 14.08 crore on the projects sanctioned under Tranche-XII even when 45 percent of the projects were incomplete.

The overall expenditure of ₹ 803.37 crore incurred up to March 2011 is only 48 per cent of the sanctioned cost of the approved projects (₹ 1683.53 crore) and includes excess expenditure of ₹ 14.08 crore over the sanctioned cost of projects under tranche XII even as 45 per cent of the projects of that tranche were still incomplete. As against the reimbursement claims for ₹ 692.21 crore (86 per cent of the expenditure) submitted to NABARD reimbursement received by NABARD was ₹ 400.94 crore.

Government stated (February 2012) that the expenditure was incurred in anticipation of re-appropriation but re-appropriation was not received. This is not acceptable since the controlling officer surrendered ₹ 86.70 crore during 2006-07 and 2007-08 due to slow progress of projects as discussed below. The fact, however, remains that there has been excess expenditure over the sanctioned cost which has not been regularised with revised sanction.

2.4.9.1 Utilisation of budget grant

The CE surrendered ₹101.99 crore due to poor progress of works.

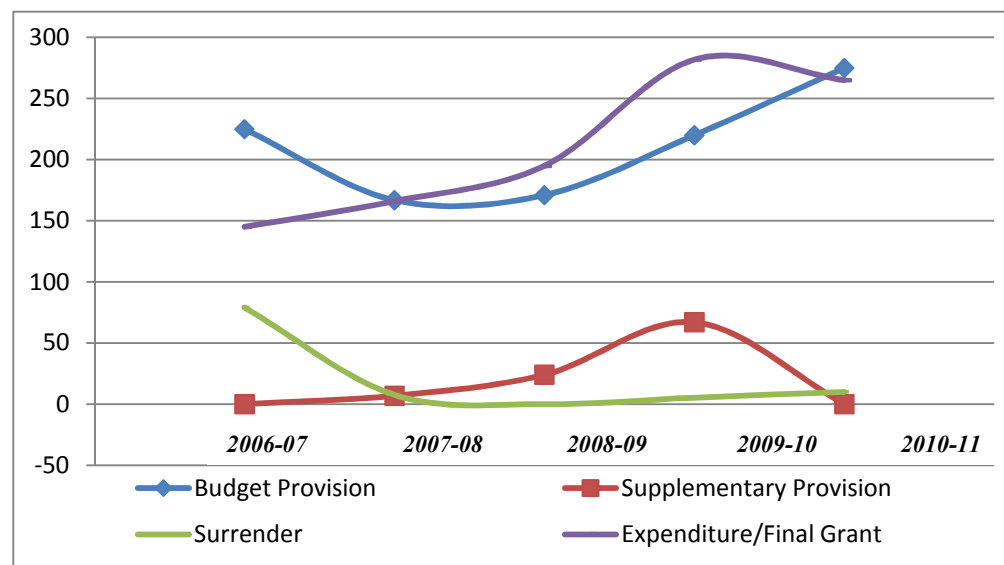
According to the Government budget Rules, in the absence of budget provision no expenditure is to be incurred or liability created. The department is, therefore, expected to prepare the budget based on actual requirement of funds for execution of various approved projects. Surrenders/savings are to be intimated in advance to enable re-appropriation of funds. The original budget provisions, re-appropriations and surrenders during 2006-2011 is as under.

Table No.2.4.5 Year wise budget / re-appropriation and surrender

(₹ in crore)

Year	Budget Provision	Supplementary Provision through re-appropriation	Total	Surrender	Expenditure/ Final Grant
2006-07	224.98	-0.80	224.18	79.09	145.09
2007-08	166.82	6.82	173.64	7.61	166.03
2008-09	170.95	24.01	194.96	0.01	194.95
2009-10	220.01	67.09	287.10	5.28	281.82
2010-11	275.00	0	275.00	10.00	265.00
Total	1057.76	97.12	1154.88	101.99	1052.89

Source: Budget document and re-appropriation/surrenders



Further, as per the general terms and conditions of the sanction of RIDF loan, the Government was to make adequate provisions in the budget for smooth implementation of the sanctioned projects. The Controlling Officer (CE) was, responsible for maximising utilisation of the budget grant for RIDF projects to ensure achievement of the physical and financial targets.

Against the original budget provision of ₹ 1057.76 crore during 2006-2011 the final grant in respect of the projects sanctioned was ₹ 1052.89 crore. The Department failed to spend the original budget provisions of ₹ 1057.76 crore.

Economy, Efficiency and Effectiveness in project implementation

2.4.10 Preparation of Detailed Project Reports (estimates)

OPWD Code provides that the estimate for a work should be prepared adopting the State SoR. It was essential that the rates in the estimates is consistently and accurately assessed to avoid loss to Government on the award of works to the contractors since the rationality of a bid value is assessed on the estimated cost of the work put to tender.

We noticed several discrepancies as discussed in *Appendix-2.4.3* in the computation of the item rates in the estimates inflating the project costs. Finalisation of the tenders compared with these inflated costs, without considering their impact on the tenders, resulted in extension of undue benefit and excess expenditure of ₹ 58.38 crore to the contractors as discussed below.

Providing of excess overheads beyond norms, inclusion of unwarranted items and adoption of higher rates of usage of machinery and lead charges for obtaining construction materials inflated the projects cost by ₹ 58.38 crore

- 21 *per cent* overheads and contractor's profit were allowed in Naranpur Duburi road as per MoRT&H against 10 *per cent* admissible as per State norms (₹ 34.31 crore)
- Provisions for stacking of the materials in the road side before using on the road which is actually not followed in execution (₹ 1.46 crore).
- Adoption of higher rates of hire charges of machines (₹ 3.57 crore).
- Providing of excess carriage charges for materials for the granular sub base and wet mix macadam (₹ 8 crore) items.
- Overloading of the item rates with charges for items not admissible as per the SoR (₹ 2.92 crore).
- Adoption of longer lead distances for obtaining the construction materials (₹ 8.12 crore).

The EIC-cum-Secretary opined in the entry conference that the estimates are the rough assessment of the project cost and inaccuracies in the estimates can not affect the rates quoted by the contractors. This assertion was not acceptable since the items and provisions in the estimates are floated to tender and the rationality of a bid value is assessed on the basis of the cost of the work put to tender. This makes it essential that the base cost for the items put

to tender are consistently and accurately assessed for cost effectiveness in execution of the works and avoid loss to Government.

2.4.10.1 Under deployment of departmental machinery

The agreements executed with the contractors provided that the machines as available with the department would be supplied on hire subject to execution of agreement. Seven¹⁴⁶ EEs (test checked) had 39 power road rollers (PRR) in working condition. Against 2.16 lakh machine hours available during the period 2006-11 the EEs had deployed these machines for only 0.17 lakh hours (i.e. 8 per cent).



Idle Power Road Roller
Picture No.2.4.5

Departmental machines were deployed only for 8 per cent of their available potential resulting in loss of ₹ 5.36 crore

The low utilisation was due to lack of provision in the agreement for utilising these PRRs. This led to idling of the rollers and loss of revenue of ₹ 5.36 crore to the Government as of March 2011 and those had not been disposed off either.

The Government stated (February 2012) that the machines had outlived their normal life and have gone beyond economic repair. This is not acceptable since the Rollers were in working condition as per their own records.

2.4.11 Tendering

2.4.11.1 Non-uniformity of agreement form

Execution of the agreements deviating from the approved formats led to undue benefit of ₹ 45.71 crore to the contractors

Cuttack-Paradeep road was approved for execution mainly with the State funds. In case of the Naranpur-Duburi road, GoI was to fund 50 per cent of the cost. As per OPWD Code, the Public Works Officers are required to sign the contract in the standard form to avoid uncertain/indefinite liability within the terms/conditions and required specifications. In case the execution demands departure from the standard form of contract prescribed by the Government or addition, deletion and modification thereof, Law Department should be specifically consulted and these should be adopted with prior consent of the Finance Department. Financial prudence, therefore, demanded that the CE adopt the item rate contract (F₂ form) prescribed in the OPWD Code. However, for execution of the agreement in respect of Naranpur-Duburi road, the CE adopted the Federation Internationale Des Ingenieurs Conseils (FIDIC) format (developed by International Federation of Consulting Engineers) and on similar pattern for the Cuttack-Paradeep road national competitive bidding (NCB) format was adopted whereas for high level bridge over river Mahanadi at Jatamundia on Jatamundia-Subarnapur road financed from NABARD standard bidding document (applicable for GoI contracts) was adopted. The mandatory concurrence of the Finance and Law Departments was not obtained for the form adopted for the Naranpur-Duburi road and the high level bridge over river Mahanadi at Jatamundia. In the Cuttack-Paradeep road concurrence

¹⁴⁶ Bhanjanagar, Ganjam-II, Jagatsinghpur, Keonjhar, Khurda, Mayurbhanj and Panikoili R&B Divisions.

of only Finance Department was obtained and approval of the Law Department was not obtained. These wholesale deviations from the prescribed form of contracts were made at the level by the CE without evaluating the financial impact and legal implication of such deviations and without obtaining approval of the Government.

These agreements provided for issue of advances either interest free or at lower rate underwriting interest charges of ₹ 23.75 crore in violation of the OPWD Code, payment of cost escalation charges at higher percentage which had a financial impact of ₹ 13.41 crore in deviation from the approved norms of Government for reimbursement of escalation charges, payment for work coordinating activities with financial impact of ₹ 5.32 crore and compensation in case of use of materials in excess over the norms, having a financial impact of ₹ 3.23 crore in deviation from the standard agreement conditions prescribed by the Government. The details are in *Appendix-2.4.4*.

Despite the above concessions, no extra competitiveness in bidding process was achieved as only one bid in case of Naranpur-Duburi Road and two bids in Cuttack-Paradeep Road were received.

Besides, the projects have progressed between 45 and 69 *per cent* only even after a period of two years, despite incentives extended to the contractors by way of the above unauthorised departures from the rules. Thus, the Department failed to take advantage and the concessions extended have been wasted.

Government stated (February 2012) that FIDIC format is adopted for high value works where bids are invited from national level bidders and that the approval of the Finance Department was obtained for adoption of the NCB in respect of the Cuttack-Paradeep road. This is not acceptable since the OPWD Code does not allow the departure from the approved format prescribed by Government without mandatory concurrence of the Law and Finance Departments and that other high value works fully funded by GoI are executed in the State under the standard format of the State Government. Besides, the original bid document of Cuttack-Paradeep road did not include provision for issue of any advance but the same was included on post tender stage by way of modification of the bid document with the approval of Finance Department and the interest charged was lower than that prescribed in the OPWD Code. No reply was, however, furnished for not consulting the Law Department for the Cuttack-Paradeep road despite modification in the conditions of the contract.

2.4.11.2 *Extra cost due to non-finalisation of tender*

Non-finalisation of a tender within its validity period led to extra cost of ₹ 4.24 crore on re-tender

Construction of high level bridge over river Baghua near Barida at 6th km of Pathara-Barida-Babanpur road in the district of Ganjam under RIDF XIII was approved for ₹ 8.73 crore in April 2008. Two bids received were disqualified (May 2008) by the technical evaluation committee. In response (June 2008) to a fresh notice, the negotiated single bid of one of the above two bidders for ₹ 8.94 crore that was 17 *per cent* above the estimated cost was recommended (November 2008) by the CE for approval. The bid was not finalised by the

administrative department within its extended validity period ending in January 2009. Eight months later (September 2009) the CE cancelled the bid on the ground that the bidder had refused to extend the validity of his bid. Based on SoR 2008, the estimated cost of the work was revised (October 2009) to ₹ 9.18 crore and put up to tender. Again a single valid bid was received from the same firm this time for 16.9 *per cent* above the estimated cost but was not approved on the ground that the bid price was high. Subsequently, on the basis of the recommendation (March 2010) of the CE, the work was allotted (May 2010) to M/s Odisha Bridge & Construction Corporation (OBCC) Limited without finalisation of rate. OBCC submitted (November 2010) estimate for ₹ 13.18 crore. The department, thus, ended up pushing the cost of the project by ₹ 4.24 crore owing to its failure to finalise a valid tender which was only marginally higher than the estimated cost within the validity period of three months.

The Government stated (February 2012) that since the bidder refused to extend the validity of his offer on the ground of increase in the cost of labour, material and POL, instruction was given to go for fresh tendering. This is not acceptable since against the original validity of the tender being October 2008, the bidder extended the validity till January 2009 but the Administrative department failed to finalise the tender even by the extended date which facilitated the bidder to back out.

2.4.12 Defective contract conditions led to undue benefit to the contractors

Providing of clauses in the agreements deviating from the rules and provisions of the DPRs facilitated undue benefit of ₹ 14.34 crore to the contractors

Adequate care is to be exercised in drafting the clauses in the contracts to make it free from ambiguity as well as to ensure that the rules and regulations prescribed by the Government are duly incorporated.

The contracts discussed in *Appendix-2.4.5* provided several clauses which were not in accordance with the rules/ regulations of the State Government. Besides, some conditions were also contrary to the provisions made in the detailed project reports and facilitated extension of undue benefit of ₹ 14.34 crore to the contractors on account of:-

- cost and carriage charges of water (₹ 8.07 crore);
- short levy of labour cess (₹ 5.37 crore) and
- non adjustment of item rates despite less consumption of cement in the works (₹ 0.90 crore).

As regards cost and carriage charges of water the Government stated (February 2012) that since the water charges were already included in the DPRs, the bidders were instructed in clause 38 of the notice inviting tender (NIT) that they should bear this charge. This is not acceptable in view of the fact that clause 54 of the NIT provided that the rates to be quoted should be inclusive of carriage of water and no claim for carriage of water what so ever was to be entertained.

Regarding short levy of labour cess, the Government stated (February 2012) that levy of cess at one *per cent* was introduced from December 2008 and accordingly the cess was being recovered from the bills of the contractors. This is not acceptable since the agreements provided for levy of cess (2 *per cent*) as per the GoI labour Act and thus, recovery at one *per cent* facilitated undue benefit to the contractors.

For non-adjustment of item rates despite less consumption of cement in the works, the Government stated (February 2012) that being Central Government funded project, the agreement was drawn on FIDIC format which provided for such compensation. This is not acceptable since the FIDIC form of the agreement was adopted without obtaining mandatory concurrence of the Law and Finance Departments and that other projects fully funded by GoI the agreements are drawn in the prescribed form of the State Government.

Contract management

2.4.13 Lack of insurance cover

The management of the contracts was the responsibility of the engineers in charge and the officers supervising the works.

As per condition of the agreement of Cuttack-Paradeep road, the contractor was to provide insurance cover in the joint names of the Employer and the contractor from the start date to the end of the defect liability period against any loss or damage to works, plants, materials, equipment, property, injury and death failing which the EE was to get the property insured and recover the premium from the dues of the contractor executing the road.

It was noticed that neither the contractor had extended the insurance cover beyond July 2009 (original date of completion of the work) nor had the EE obtained the insurance. However, the EE paid ₹ 76.03 crore to the contractor between July 2009 and March 2011 for the value of work executed without the necessary insurance cover, resulting in the payment of work bills being made in violation of the contract condition.

The Government stated (February 2012) that the contractor in the mean time furnished fresh insurance policies. But the fact remained that the insurance policies furnished were in the name of the contractor and not in the joint names and those were only for plant and machinery for reach-I and labour for reach-II expiring in June 2012 though the work is still incomplete. There has been no insurance cover for the remaining components.

2.4.14 Quality assurances

As per Odisha Public Works Department Code, the EEs are responsible to check measure at least 10 *per cent* of the works to ensure adherence to the specifications and quality/quantity in execution. The EE in charge of Naranpur Duburi road has not conducted the required check measurements and thus the quality/quantity of works executed was not assured.

The Government stated (February 2012) that the Project Director who is eventually the concerned EE authorising payment is check measuring the work. This is factually not correct since as per the reply furnished in September 2011 by the EE to audit check of all quantity measurement is done by the consultant. No evidence of any check measurement done by the EE was also furnished in support of the Government reply. The fact, therefore, remained that the department had over dependence on the consultant not only for the supervision of execution but also relied on them for the quality/quantity of work and not exercised checks which is prescribed even for routine works.

2.4.15 Internal control, monitoring and evaluation

The OPWD Code laid down the norms for the Engineering Officers (CE, SE and EE) to undertake inspection of the important works and invariably record observations in the register of inspections maintained at the site of the works so as to achieve the objective of quality assurance and completion of the works as per the prescribed specifications. The EE being the disbursing officer for the sanctioned projects has to ensure that the payments are made to the contractors as per the terms and conditions of the agreements and no excess payment is made or extra expenditure is incurred.

Regular and periodical inspection reports of the higher officers inspecting the works were not issued disclosing that the inspections to monitor the works and ensure the quality parameters adhered to. Several cases of excess payments were made and extra expenditure incurred as narrated in the report due to the failure of the EEs to ensure payment to the contractors as per the terms and conditions of the agreements disclosing poor internal control.

The State Cabinet had approved in June 2008 ISAP which included development of a programme for comprehensive MIS linked performance monitoring and evaluation of the sanctioned projects. The MIS monitoring system had not been adopted. The data/information was retained in manual mode except that the progress reports were generated in computerised typing format. The Department had a data base for all the roads. However, the computerised data base for roads requiring attention where major repairs are to be carried out had not been developed. There was no mechanism to choose and prioritise roads on a comprehensive assessment of the scope of each project for construction and maintenance and those were chosen in an ad-hoc manner. No user survey to any of the completed projects was done. This indicated not only non-compliance of the rules but also evidenced that internal control; monitoring and evaluation of the sanctioned projects were not effective.

2.4.16 Conclusion

The two major roads Naranpur-Duburi and Cuttack-Paradeep were not completed as targeted and the time overrun was up to two years as of December 2011. In addition, 166 projects covering improvement of 1,807 km roads and 41 bridges were targeted for completion with investment of ₹ 1683.53 crore during 2006-11, of which, 397 km roads and 10 bridges were

completed with expenditure of ₹ 275.98 crore as of March 2011. The remaining projects were in progress with expenditure of ₹ 527.39 crore. Thus, only 22 *per cent* of roads and 24 *per cent* of bridges were completed.

The projects taken up in 2006-07/2007-08 and targeted for completion by March 2011 were completed only up to 55 *per cent*. There was no mechanism to choose and prioritise roads on a comprehensive assessment of the scope of each project for construction and maintenance and those were chosen in an ad-hoc manner. Commencement of works on projects without ensuring the availability of land and forest clearance led to these being stopped midway. The CE adopted varied formats of FIDIC/NCB/SBD for execution of agreements for which no reasons were on record and this deviation resulted in certain undue benefits to the contractors. Non-adherence to the agreement conditions and deficiencies in management of the contracts caused loss to the government on these roads. Inaccuracies and discrepancies in the items rates also resulted in undue benefit to the contractors. The total excess payment/undue benefit to the contractors and extra expenditure/unfruitful expenditure was of the order of ₹ 407.48 crore.

2.4.17 *Recommendations*

It is therefore recommended that

- Agreement forms be made comprehensive to ensure that undue benefit does not accrue to the contractors.
- A computerised data base of roads with improvements already made be created to facilitate prioritisation and selection of road projects as per requirement and user survey of the completed roads be done.
- MIS based monitoring system be developed with scientific parameters to strengthen the internal control system.
- Base project costs be consistently and accurately assessed to avoid unwarranted advantage to the bidders.
- Contract management be strengthened by adhering to the conditions of contract during execution to prevent losses.
- Availability of land be ensured and necessary clearances obtained so as the projects are completed expeditiously.
- Quality/specification monitoring be entrusted to third party.