Chapter 3

Compliance Audits

Chapter 3

Compliance Audit

Compliance audit of Departments of Government and their field formation brought out instances of lapses in management of resources and failure in observance of regularity and propriety. These have been discussed in the succeeding paragraphs.

DEPARTMENT OF AGRICULTURE

3.1 Functioning of Orissa University of Agriculture and Technology

3.1.1 Introduction

The Orissa University of Agriculture and Technology (OUAT) was established in August 1962 by the Orissa Act 20 of 1961 at Bhubaneswar for discharging functions of Education, Research and Extension Education Programme in the field of Agriculture and allied sciences in an integrated manner. The Governor of the State is the Chancellor of the university and also the Honorary Chairman of the Board of Management (BOM). The Vice-Chancellor is the Principal Executive and Academic Officer.

Audit covered activities of OUAT for the period 2009-14 and records of six controlling offices[51] were test checked. Besides, four[52] out of 10 Course Colleges, four[53] out of 14 Regional Research Technology Transfer Stations /Sub stations (RRTSs) and 10[54] out of 31 Krishi Vigyan Kendras (KVKs) located in different districts were also test checked. Sample units were selected using Stratified Random Sampling method based on annual expenditure incurred during 2009-14.

Audit objective was to assess effectiveness of academic, extension, research activities and efficiency of financial management.

Audit Findings

3.1.2 Academic Activities

3.1.2.1 Inadequate teacher strength

Indian Council of Agriculture Research (ICAR) and Veterinary Council of India (VCI) prescribed teacher student ratio of 1:8 for Agricultural Colleges and 107 teaching staff for admission of 60 students annually for Veterinary Science and Animal Husbandry (V&AH) Colleges of OUAT respectively. It was observed in audit that against the above norm, teacher student ratio of College of Agriculture, Bhawanipatna was 1:11 and in case of College of V&AH it was 62 teachers despite increase in average numbers of students

51 Registrar, Comptroller, Dean Research, Dean Extension and Education (DEE), Director Physical Plants (DPP) and Dean Student Welfare.

52 College of Agriculture and Horticulture Chipilima, College of Agriculture, Bhawanipatna, College of Fishery, Rangeilunda and College of Veterinary Science and Animal Husbandry, Bhubaneswar.

53 Bhubaneswar, Semiliguda, Chipilima and Jeypore.

54 Dhenkanal, Keonjhar, Ganjam-I, Semiliguda, Gajapati, Bargarh, Kalahandi, Nuapada, Kandhamal and Sambalpur.

from 60 to 77 as of March 2014. In college of V&AH, teacher strength ranged between 53 and 62 during 2009-14. Though VCI communicated possible derecognition of the college if sanctioned strength was not increased, neither were more posts sanctioned nor were vacant posts filled up.

Further, it was noticed that though 841 posts were approved by ICAR, VCI and Government of Odisha (GoO) for various cadres of teaching staff, only 576 posts were filled up as of 31 March 2014 leaving shortfall of 265 (32 *per cent*) teachers as detailed in ***Appendix-3.1.1***.

Government stated (October 2014) that, vacancies in the cadre of teachers had arisen due to retirements, leaving of posts by appointed persons and non availability of SC/ST candidates for selection. Despite availability of funds, vacancies in various cadres were not filled up resulting in non utilisation of central assistance as mentioned in Paragraph 3.1.6.2.

3.1.2.2 Campus placement of students

The University appointed a Placement Officer in June 2010 to provide and monitor employment opportunity for pass out students. Responsibility of the officer included contacting private and public undertakings, Corporate Houses, Pharmaceutical Industries, I.T. Industries, Agro Industries, Nationalised banks and other Government and non-Government organisations for conducting on campus and off campus interviews of students for employment. Scrutiny of records showed that average percentage of placement of students in MCA, M. Sc. Bio Informatics, M. Sc. Micro Biology and ABM courses showed a decreasing trend ranging from 46 to 23 *per cent* during 2009-14. There was no placement in one stream (MSc. Micro Biology) during 2012-14. Although placement fee at the rate of ₹ 100 was collected annually from each student in every college, there was no placement of students from other courses[55] during 2009-14.

Comptroller stated (July 2014) that as a Government Institution, OUAT could not compete with private institutions to spend for bringing companies for placement of students. But clearly more efforts were required to be made in this regard.

3.1.2.3 Inadequate hostel accommodation

For all students admitted in OUAT, accommodation in hostel is compulsory. It was noticed that in three hostels[56] for girls and one boy's hostel, more students than intake capacity were being accommodated. Excess ranged from 38 to 42 *per cent* in college of Horticulture, Chipilima, one to 37 *per cent* in college of Agriculture, Chipilima, 24 to 106 *per cent* in college of Fisheries, Rangeilunda and 10 to 17 *per cent* in case of college of Agriculture, Bhawanipatna as detailed in ***Appendix-3.1.2***. Although actual admissions in these colleges increased, intake capacity in their hostels was not augmented resulting in overcrowding.

55 Master Programme in Agriculture, Agricultural Engineering, Veterinary Science, Fishery Science and Micro Biology and Home Science.

56 College of Horticulture, Chiplima, College of Agriculture, Chiplima, College of Fishery, Rangeilunda and College of Agriculture, Bhawanipatna (Boys).

Government replied (October 2014) that majority of students come from different corners of State as well as outside the State and these needy students were accommodated in the hostels.

3.1.2.4 Commencement of Agro Polytechnic Centres

GoO created ten Agro Polytechnic Centres[57] (APCs) in May 2012 in different agro climatic zones of State under administrative control of OUAT to impart two year diploma course in Agriculture and Allied Sciences and Certificate Courses in modular form of six months/ one year duration as per market demand and need of the locality. The objective of project was to provide vocational education (diploma course) to aspirant rural youths who desire to take agriculture and allied activities as profession. These centres started to function from 1 September 2012 and 200 students (20 in each centre) were admitted till 2014.

Scrutiny of records revealed (May and June 2014) that though the centres were started from 1 September 2012 they were running without basic needs like regular teaching and non teaching staff, library, office building, class rooms, necessary equipment, laboratory and hostel for students for want of budget provision. In absence of teachers and other infrastructure, KVKs were being utilised for carrying out activities of APCs although the same is not permissible as per ICAR guideline.

Further, it was noticed that against budget proposal of ₹ 68.65 crore for five years, GoO approved ₹ 46.85 crore (for 1st to 4th years). Against ₹ 33.64 crore meant for 1st year for infrastructure, equipment and establishment expenses, GoO released only ₹ 3.28 crore (9.80 *per cent*) in 2013-14. Consequently no admission for academic year 2013-14 was made in ten APCs.

Government stated (October 2014) that due to inadequate budget provision, posting of staff and provision of necessary infrastructure in APCs were not done and OUAT was taking steps to fill up the posts in respective APCs. Thus, objective of project to provide vocational education to aspirant rural youth was largely defeated.

3.1.3 Extension activities

KVKs are district level institutions created for transfer of technological knowledge to farming community. Several programmes like capacity building of farmers, on-farm testing, seed production, front line demonstration and publication of farm literature are undertaken by KVKs.

3.1.3.1 Acquisition of land for KVKs

As per guidelines of ICAR, minimum 20 hectares of cultivable plain land was required to provide infrastructure, instructional units for demonstration of

57 Fishery Science – (College of Fishery, Rangeilunda), Agriculture Science (KVK, Dhenkanal), Horticulture Science (KVK, Keonjhar), Agriculture Science (KVK, Bhadrak), Horticulture Science (KVK, Koraput), Agriculture Science (KVK, Deogarh), Animal Science (KVK, Sambalpur), Agriculture Science (KVK, Boudh), Agriculture Science (KVK Sundargarh) and Agriculture Science (KVK, Bolangir).

various activities, farm forestry and field crops etc. for KVKs. It was noticed that, 18 out of 31 KVKs have required minimum cultivable land of 20 ha. Shortfall in possession of land in other 13[58] KVKs ranged between four and 72 *per cent*. In the test checked two[59] out of 10 KVKs, shortfall ranged between nine and 33 *per cent*. In absence of such required land, activities like Front Line Demonstration (FLD), On Farm Testing (OFT) and seed production programmes were hampered. Against target of 1,950 FLDs in a year shortfall ranged from 79 to 87 *per cent*, and against target of 312 OFTs[60] per year, shortfall ranged between 37 and 66 *per cent.* As regards seed production programme, against target of 30 quintal seeds per hectare, shortfall ranged between six and 30 *per cent* in these 13 KVKs during 2009-13.

Further, following deficiencies were also noticed in implementation of KVKs.

As per ICAR guideline, farm area should have permanent source of water supply and be well drained.

- Sites for five KVKs[61] did not have permanent source of water supply restricting crop demonstrations to Kharif season only.

- Four KVKs[62] did not develop drainage channel as of March 2014 and faced water logging problems in rainy season causing crop damage.

Government stated (October 2014) that Agriculture Department had provided land available with them and this was accepted by site selection committee appointed by ICAR. OUAT was not involved in selection of land as decision depends on site selection committee. But as per ICAR guideline, site of KVK is selected by a committee which consists of representatives of concerned State Agricultural University, Department of Agriculture and Zonal coordinator and Dean Extension Education from the University. No follow up action was taken by Government to provide required land to above 13 KVKs.

3.1.3.2 Soil and water testing laboratory

As per ICAR guidelines, each KVK should be provided with one soil and water testing laboratory for conducting soil analysis prior to FLDs. Scrutiny of records of DEE, OUAT revealed following deficiencies.

- 18 out of 31 KVKs had no soil testing laboratories. Though 13 KVKs[63] had soil testing laboratories, five of these KVKs[64] did not have Soil Scientists rendering laboratory equipment unfruitful. In absence of soil testing analysis, proper recommendation to farmers on suitability of technology/ crop could not be ensured.

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58 Angul -16 ha, Balasore -7.92 ha, Bolangir -16 ha, Boudh -17.9 ha, Jagatsinghpur-13.22 ha, Jharsuguda - 5.7 ha, Kandhamal-18.14 ha, Kendrapara 16 ha, Nuapada -13.36 ha, Puri -15.2 ha, Rayagada-12.5 ha, Sonepur - 15.45 ha and Sundargarh –II - 19.12 ha.

59 Nuapada (13.36 ha) and Kandhamal (18.14 ha).

60 As per ICAR norms each KVK should have six scientists and each scientist was to conduct two numbers of OFTs in Kharif and two numbers in Rabi.

61 Koraput, Kendrapara, Dhenkanal, Boudh and Deogarh.

62 Bolangir, Rayagada, Balasore and Jajpur.

63 Angul, Balasore, Bargarh, Bhadrak, Dhenkanal, Ganjam-I, Kalahandi, Kandhamal, Keonjhar, Kendrapara, Koraput, Nawarangpur and Jajpur.

64 Angul, Bargarh, Ganjam-I, Kendrapara and Koraput.

- It was further noticed that one Soil Scientist was posted to KVK, Ganjam - II though no soil testing laboratory was set up indicating irrational deployment of staff.

3.1.3.3 Planning and implementation of training programme

As per ICAR guidelines, KVKs had prepared five years (2007-12) Perspective Plan (PP) and also Annual Action Plan (AAP) for each year for imparting training to farmers.

Following was observed on implementation of training programme:

- Each KVK was to conduct 150 FLD each year so that farmers could realise advantages of newly introduced high yielding varieties of crops and also latest technologies. Shortfall against target ranged between 80 and 87 *per cent* in 31 KVKs during 2009-13. In test checked 10 KVKs shortfall ranged between 83 and 87 *per cent*. The Programme Coordinators of KVKs attributed shortfall to shortage of Scientists and staff. Shortfall in FLD deprived farmers, access to better crops and technology.

- Only latest varieties of crops/technologies were required to be demonstrated in FLDs. In 10 test checked KVKs, crop varieties such as Rajalaxmi, Manaswani (Paddy), Sunflower, Tarini (Brinjal), Devi (Groundnut), etc. released between 1992 and 2009 were demonstrated by KVKs during 2009-14. The Project Coordinators of KVKs stated that due to non availability of latest varieties some old varieties were selected for the programme.

3.1.3.4 Monitoring and evaluation of KVKs

At KVK level, activities were to be monitored by a Scientific Advisory Committee (SAC) consisting of 23 mandatory members[65] and were required to meet twice a year. It was observed in audit that:

- Against requirement of SAC to meet twice in a year, only one meeting was held in each of the 31 KVKs except one KVK at Bolangir where no meeting was held in 2009-10. This resulted in shortfall of 50 *per cent* during 2009-13.

- KVKs had been transferring technologies to farmers in adopted villages through FLD and OFT. To assess its impact in terms of productivity of crops, earning of additional income, evaluation by an independent agency was needed as per ICAR guidelines. No such evaluation was made in the State.

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65 Head of the host institution, Director Extension, Zonal Coordinator of the zone, Representative of the ICAR, Associate Director Research, District officers of line departments i.e Agriculture, Horticulture, Animal Husbandry, Soil Conservations, Social/Agro forestry, Sericulture, Fisheries, Irrigation, Social Welfare, Small Scale Industries, Representative of the Lead Bank of the district, Farm Radio officer in which KVK is located, two representative of farmers, two representatives of farm women and training organiser of KVKs.

3.1.4 Research activities

OUAT has 14 Regional Research and Technology Transfer Stations (RRTTSs) throughout the State for purpose of carrying out all research activities related to agriculture and allied sciences.

3.1.4.1 Seeds production programmes

The University released high yielding varieties of paddy, mustard and sesamum crops during 2009-13 for seeds production programmes under research activities. The average yield of crops per hectare for paddy decreased in 2012-13 compared to 2009-10 and Mustard and Sesamum decreased in 2011-12 compared to 2010-11.

Table No. 3.1 Average yield of seeds per hectare

(In quintal)

Name of the crop	Year	Quantity	Year	Quantity	Year	Quantity	Year	Quantity
Paddy	2009-10	27.07	2010-11	19.98	2011-12	23.12	2012-13	25.09
Mustard	2009-10	1.66	2010-11	3.48	2011-12	3.30	2012-13	2.04
Sesamum	2009-10	Not taken up	2010-11	3.75	2011-12	1.56	2012-13	2.95

Source : Information furnished by OUAT

Government attributed (October 2014) low yield to lack of assured irrigation facility, proper fencing for safeguarding from stray cattle, degradation of land over the years and absence of drainage facility during incessant rainfall.

3.1.4.2 Loss due to sale of seeds as non seeds

Research Stations were required to produce high yielding varieties of seeds which were to be sold to farmers by Odisha State Seed Corporation (OSSC). It was noticed that out of 8,222.08 quintal of seeds produced during 2009-14 by research stations, 3,109.01 quintal were not lifted by OSSC. In the absence of conditional store houses, seeds already produced were kept in godowns for a long period leading to failure in germination. As a result, 3,109.01 quintals were sold as non seeds and thereby OUAT sustained loss of ₹ 35 lakh as detailed in ***Appendix-3.1.3***.

Government stated (October 2014) that OUAT should have ensured and if needed the matter could have been brought to notice of Government. It further, stated that plea of OUAT, "due to non lifting of seeds by OSSC, quality deteriorated due to prolonged storage and seeds were sold as non seed causing loss to University" is not tenable. Apart from loss, farmers were deprived of getting high yielding varieties of seeds to that extent.

3.1.5 Activities of Engineering Wing

The University has an Engineering Wing headed by Director Physical Plants (DPP), assisted by 11 Engineers to execute various construction and maintenance works of buildings and roads. Review of records of planning and execution of construction works revealed following deficiencies.

3.1.5.1 Construction of Veterinary Clinic-cum-Hospital Complex

DPP prepared (January 2008) an estimate for ₹ 3.58 crore for construction of Veterinary Clinic-cum-Hospital Complex with provision for earthquake resistance based on State Schedule of Rates 2007. DPP instead of executing this, entrusted the work (June 2008) to CPWD for ₹ 6.45 crore based on their estimate on deposit work basis which resulted in extra cost of ₹ 2.87 crore.

Government stated (October 2014) that DPP section could not execute the work as adequate engineering personnel having specialisation in design and planning were not available. But, it was noticed from earlier tender committee proceedings of OUAT that DPP had already executed various works of similar nature for different institution of OUAT.

3.1.5.2 Splitting up of works in violation of codal provision

As per Appendix VII of OPWD code Vol. II, tenders should be invited for all works costing more than ₹ 50,000. In case of emergent situations such as relief works, repairs required due to damage by flood, closing of breaches in embankments on road, splitting up of work may be done in public interest for smooth and expeditious execution.

It was noticed that in violation of OPWD code, 743 construction/ special repair/improvement to building works valuing ₹ 25.02 crore were split into 5,223 F_2 agreements[66] during 2009-14 limiting value of each agreement to ₹ 50,000 thereby obviating approval of higher authority and resultantly wide publications of tenders was also not resorted to. Consequently, competitive rate for these works could not be ensured. The percentage of split up agreements to total number of agreements executed during 2009-14 ranged between 44 and 70.

Government stated (October 2014) that usually a major portion of funds is received by OUAT during later part of the financial year from ICAR for utilisation during the same year and submission of UC. So some of the repair and renovation works costing less than ₹ five lakh were executed by splitting as per provision of para 3.5.24 of OPWD Code obtaining due approval of VC on emergent basis for utilisation of funds. But records showed that OUAT had not taken up/pursued the matter with ICAR vigorously for provision of funds at the beginning of the financial year.

3.1.6 Financial management

3.1.6.1 Inadequate budget provision in State Sector

OUAT is financed through grants in aid (plan and non-plan) from Central Government, State Government, ICAR and its own resources by way of fees and fines from students, sale proceeds of publications and study materials, lease rent, etc. The details of funds received and expenditure incurred for the period from 2009-10 to 2013-14 is as detailed below:

66 F_2 Agreement- Standard contract form as per OPWD code.

Table No.3.2 Total Receipt and Expenditure funds during 2009-10 to 2013-14

(₹ in crore)

Name of scheme	Year	Opening balance	Total receipt of funds			Expen-diture	Closing balance
			Grants	Other receipts/ interest	Total funds available		
State Sector	2009-14	-2.03	431.17	57.19	486.33	499.24	-12.91
RKVY	2009-14	0.92	40.36	0	41.28	34.67	6.61
Central Plan ICAR/ GoI schemes	2009-14	13.82	301.14	0	314.96	309.73	5.23
Others - Self finance schemes	2009-14	9.36	2.51	22.77	34.64	22.33	12.31
Grand total		**22.07**	**775.18**	**79.96**	**877.21**	**865.97**	**11.24**

Source : Figures for the year 2013-14 are provisional

Deficits mentioned above in State Sector were due to inadequate budget provisions by State Government to meet expenditure towards salaries of teaching and non teaching staff which were met from internal receipts and temporary loan from revolving fund for which OUAT depends on ICAR/GoI grant for developmental activities in different institutions and research stations. Each year's unspent balances of funds received under GoI schemes, ICAR, RKVY and self finance schemes were carried over to next financial year.

Government stated (October 2014) that OUAT had requested for adequate budget provision for payment of salaries in Plan and Non Plan.

3.1.6.2 Non utilisation of central assistance

As per sanction orders of ICAR, grant in aid released in a year had to be utilised in same year for salaries of staff and research/developmental activities and any unspent balance was to be either refunded or adjusted against grants of succeeding year. It was noticed that ICAR had adjusted ₹ 59.26 crore being unspent balances during periods from 2009-14 due to non filling up of scientists/ Professors/ Associate professors and Assistant professors in various research stations/ educational institutions as mentioned in Paragraph 3.1.2.1. OUAT had not taken steps to fill up vacancies as of March 2014 resulting in non utilisation of Central Assistance, besides non imparting quality education to students.

Government stated (October 2014) that due to vacancies in Professors and Associate Professors/ equivalent and Scientist posts, ICAR/GoI grant could not be utilised.

3.1.6.3 Non release of matching share by State Government

As per Memorandum of Understanding between ICAR and OUAT, All India Research Coordinated Programmes (AIRCP) are implemented on cost sharing basis between GoI and GoO (75:25). It was noticed that, Grants in aid of ₹ 81.69 crore were received from ICAR for salary/research activities during period 2009-14, but State Government had not released its matching share of ₹ 27.23 crore.

Government stated (October 2014) that in case of shortfall in State matching share, OUAT should have been more diligent in proposing requirement of funds.

3.1.6.4 Diversion of revolving fund

As per guidelines of ICAR, KVKs were to open a separate Bank Account for purpose of revolving fund and profits of that account would be utilised for various institutional programmes like supply of agricultural inputs, wages for agricultural activities, etc. Similarly, sale proceeds of crops and other produce were to be deposited in the same fund. In violation of above guidelines, ₹ 1.26 crore received (2009-14) from 28 KVKs (which includes ₹ 0.51 crore of test checked ten KVKs) from the above sales was retained by DEE[67] in current account. Out of these amounts, DEE released (July 2010 to March 2014) ₹ 0.60 crore to Comptroller in violation of ICAR Guideline.

3.1.6.5 Delay in utilisation of scheme funds

DPP received (2009-14) ₹ 30.44 crore[68] from OUAT under Rastriya Krishi Vikas Yojana (RKVY) for creation of infrastructure in Research Stations, KVKs and Colleges located in different districts during 2009-14. The DPP stated that out of ₹ 30.44 crore, ₹ 19.18 crore was spent and utilisation certificates (UCs) for ₹ 9.98 crore[69] only was furnished as of March 2014. It was noticed further that out of ₹ 11.99 crore received during 2013-14, ₹ seven crore was received during January to March 2014 for construction of boundary wall for KVKs. Further, it was noticed that against ₹ 1.73 crore spent over entire period of 2013-14, UCs for ₹ four crore were submitted (April 2014) by Comptroller to GoO.

Government stated (October 2014) that funds under RKVY grants for 2013-14 were received during February and March 2014. Although, work orders were issued during March 2014, the works were delayed due to code of conduct for General Election of 2014. However, reply is silent on mismatch in figures of UCs.

3.1.6.6 Irregular appointment and inadmissible payment

GoO approved creation of 27 Programme Coordinators (PCs), 162 Subject Matter Specialists (SMSs) and 81 Programme Assistants (PAs) in existing KVKs with stipulation that incumbents who were continuing on contractual basis but in regular scale of pay without getting any increment and other service benefits shall continue on probation till completion of six years of contractual appointment. On completion of six years, incumbents shall move over to corresponding time-scale of pay in newly created posts and their services will not be counted for purposes of any service benefits including terminal benefits. All posts and appointments were stated to be prospective

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67 Dean Extension Education (DEE) – 31 KVKs function under direct control of DEE who is declared as controlling head of the KVKs for controlling, monitoring and supervising extension activities of KVKs functioning under OUAT.

68 2009-10 ₹ 1.30 crore, 2010-11 ₹ 6.04 crore, 2011-12 ₹ 6.78 crore, 2012-13 ₹ 4.33 crore and 2013-14 ₹ 11.99 crore.

69 2010-11 ₹ 1.75 crore, 2012-13 ₹ 4.23 crore and 2013-14 ₹ 4 crore.

and hence regularisation of previous appointments was not possible. It was noticed that OUAT regularised 128 contractual employees i.e 84 SMSs (December 2010) and 44 PAs (December 2010) from date of their contractual appointment with pay protection and other service benefits with retrospective effect in violation of conditions of contractual appointment. This resulted in inadmissible payment of ₹ 70 lakh towards arrear payments of pay and allowances of contractual period. Though Finance Department (FD) had directed (July 2011) Department of Agriculture for necessary rectification in this regard, neither did Department of Agriculture nor OUAT carry it out and incumbents were allowed to draw pay and allowances in their regular scale of pay.

Government stated (October 2014) that contractual staff of KVKs were regularised as per the communication made by Agriculture Department during October 2010. But the fact remains that payments were made in disregard to instruction of FD and no steps were taken so far for rectification of the same.

3.1.6.7 Excess payment of arrear to KVK staff

As per order of ICAR (November 2010), the University would not make any arrear payment to staff of KVKs or any other staff not covered under this scheme towards arrear payments due to revision of Central Sixth Pay Commission. The sanction was also subject to condition that liability of arrear payment was limited to posts which were filled up prior to 1 January 2006. As such, arrear payments for posts filled up after 1 January 2006 is inadmissible.

It was noticed that arrear payment of ₹ 2.21 crore was made to 89 employees of KVKs though those posts were filled up after 1 January 2006.

Government stated (October 2014) that as intimated by Zonal Project Director, JNKVV, Jabalpur during March 2011 as per MOU, OUAT may treat KVKs staffs at par for the purpose of privileges, amenities and facilities permissible to other staffs of OUAT. As KVK is funded cent *per cent* by ICAR, all KVKs staff had been paid at par without liability to State Government. However, payment of arrears to KVKs staffs was not admissible as these staff had joined after 1 January 2006.

3.1.6.8 Improper maintenance of Main Cash Book

As per Financial and Accounts Manual of OUAT, Cash Book shall be maintained as per OUAT Form I. All transactions through bank as well as cash will be incorporated in Cash Book and closed daily recording closing balance. Besides, only sum total for cash transactions made in Subsidiary Cash Books for each day should be entered in Main Cash Book to avoid any repetition. At the end of each week, a bank reconciliation statement should be drawn up and appended to the cash book itself showing dates and difference if any existing between actual bank balance and bank balance shown in Cash Book. It was noticed that:

- Main Cash Book of Comptroller was closed only up to March 2013 as on date of audit (July 2014) in violation of above provisions of Finance and Accounts Manual.
- Reconciliations were not made with bank statements at the end of each week or each month and there were discrepancies to the tune of ₹ 22.86 crore noticed in five bank accounts of Main Cash Book at the end of March 2013.
- Internal Audit wing had not conducted physical verification of cash for which main cash book was not closed since April 2013.

Government stated (October 2014) that steps were being taken for reconciliation of cash books.

But since Cash Books were not maintained as required and reconciliation with bank balances was in arrears, possibility of misappropriation of funds cannot be ruled out.

3.1.7 Conclusion

Non filling up post of teachers in colleges/ research stations led to non utilisation of central assistance, besides non imparting of quality education to students in absence of faculty. Ten Agro Polytechnic centres were created without ensuring teachers and basic infrastructure. As a result, infrastructure and establishment of KVKs were utilised for Agro Polytechnic centres in violation of ICAR guidelines. Balance land required for KVKs was not provided, resulting in non achievement of KVKs objectives.

DEPARTMENT OF WATER RESOURCES

3.2 Idle investment

Execution of head works of Minor Irrigation Projects without acquiring land for distribution canal systems led to idle investment of ₹ 5.50 crore

As per Para 3.2.1 of OPWD code, there are three essential pre-requisites for commencement of public works, namely (i) administrative approval, (ii) technical sanction and (iii) allotment of funds. For obtaining administrative approval, Detailed Project Report (DPR) has to be prepared and accordingly steps should be taken for land acquisitions (LA), forest clearances, detailed alignment drawings and estimates. For any project requiring land, the Divisional Officer should submit the matter to competent Revenue Officer for acquisition of land under LA Act and only with probable cost of land can estimate be sanctioned.

Check of records of Executive Engineer (EE), Kalahandi Minor Irrigation (MI) Division, Bhawanipatna revealed that five MIPs had been sanctioned during 2007-08 and 2008-09 at a cost of ₹ 8.45 crore to be funded with loan assistance from National Bank for Agriculture and Rural Development (NABARD) under Rural Infrastructure Development Fund XIII and XIV to provide irrigation facilities to 752 hectares of ayacut, but processes for acquisition of land for distribution canal systems commenced only in 2011-12, 2012-13 and 2013-14 as detailed in ***Appendix - 3.2.1***. It was also noticed that the above land acquisition processes were at initial 4 (i) notification stage of LA Act, 1894 as of June 2014. The civil works for head works in the above five MIPs were completed between August 2009 and January 2011 at a cost of ₹ 5.50 crore. The head works could not be brought to beneficial use for over three years due to non completion of distribution canal systems for want of acquisition of land.

Thus, failure of EE to ensure acquisition of land for canal systems before commencing project works led to idle investment of ₹ 5.50 crore on head works of five MIPs.

Government stated (October 2014) that head works of projects were completed in all respect and progress of achievement in LA also depends on cooperation of other departments. Expeditious steps were being taken to finalise LA cases and complete projects shortly to achieve targeted irrigation.

3.3 Undue benefit to contractors

Unwarranted provision of manual excavation instead of mechanical means led to undue benefit of ₹ 1.79 crore to contractor

Para 3.4.10 (i) of OPWD Code stipulates that estimates should be prepared on the basis of Schedule of Rates (SoR) and provision of the item rates in estimate should be prepared in economical manner.

Estimates for the work "Rehabilitation, extension and modernisation of minor canals of Taladanda canal system from RD 41.935 km to 79.020 km" (two reaches) and "Improvement and flood protection to OAE No 95(B) on Surua left embankment from RD 00 km to 16.00 km" were sanctioned (between September 2010 and May 2012) by the CE&BM, Lower Mahanadi Basin for ₹ 21.10 crore as detailed in ***Appendix - 3.3.1***. The projects were to be funded by Asian Development Bank (ADB) and NABARD respectively. The works were awarded (between December 2012 and February 2013) to two contractors for ₹ 25.81 crore for completion between January 2014 and August 2014. The works were in progress (November 2013) with expenditure of ₹ 10.13 crore.

Check of records of EE, Mahanadi South Division, Cuttack revealed (December 2013) that estimates for above works provided an item "excavation of any approved type of soil in burrow area" and specification of the item stipulated that both excavation and transportation of earth were to be done by mechanical means and earth to be obtained from burrow areas was to be arranged by contractors at their own cost and risk. But, it was noticed from analysis of item rates of estimates that rates for excavation of earth were derived with costs applicable for engagement of labourers and transportation by mechanical means. EEs adoption of rates for manual excavation of earth at the rate of ₹ 33.48 to ₹ 43.77 per cum was in deviation to description of items of work to be done by mechanical means at an admissible rate of ₹ 15.38 per cum as per SoR. Adoption of unwarranted manual excavation rates for total quantity of 5.76 lakh cum of earth led to escalation of item rates from ₹ 18.10 to ₹ 28.39 per cum in three estimates. The total extra cost due to such escalation was ₹ 1.79 crore which resulted in undue benefit to contractors. For execution of 3,62,393.17 cum of earth work as of December 2013, ₹ 1.11 crore had already been paid on to contractors.

Government stated (August 2014) that provision of excavation of earth work by manual means and transportation by mechanical means from burrow area was made in estimates due to non identification of burrow area as no Government land was available in nearby areas. Earth was also required to be arranged from paddy fields where cultivators did not allow deep cutting by machinery. In view of such constraint, excavation of earth work by manual means was provided in estimates.

But the contractors were responsible for arranging earth from burrow areas at their own cost and risk as per the agreement.

EMPLOYMENT AND TECHNICAL EDUCATION AND TRAINING DEPARTMENT

3.4 Upgradation of Industrial Training Institutes through Public Private Partnership and Setting up of New Polytechnics

3.4.1 Introduction

Government of India (GoI) sponsored (2004-05) schemes (i) to upgrade existing Industrial Training Institutes (ITIs) into Centers of Excellence for producing multi skilled workforce of world standard and (ii) to improve the employment outcomes of graduates from vocational training system (VTS), by making design and delivery of training more demand responsive all over India through Public Private Partnership (PPP) mode. Out of 30 existing ITIs in Odisha, 11 ITIs were to be funded (2004-05) by GoI with World Bank Assistance (WBA) and Government of Odisha (GoO) in the ratio 75:25 and 14 ITIs were to be funded (2007-08) by GoI without WBA through PPP mode with an outlay of ₹ 1.60 crore and ₹ 2.50 crore respectively per ITI. Vocational Education and Scheme Development (VE&SD) Mission was launched in August 2007 by GoI comprising four sub-missions including one on Polytechnics viz., "Setting up of New Polytechnics". Under this Sub-mission 22 new polytechnics were to be set up throughout the State.

Director of Technical Education & Training (DTE&T) under the administrative control of Employment and Technical Education & Training Department (E&TE&T) implements various schemes for promotion of technical and vocational education in State.

Audit of upgradation of ITIs through PPP and setting up of New Polytechnics was conducted during April to June 2014 covering a period of five years ending 2013-14 to assess whether upgradation/introduction/abolition of trades were made as per Institute Development Plan (IDP); utilisation of fund was optimum; employment of graduates from the VTS and adequate monitoring and internal control system was in place. Besides, E&TE&T Department and DTE&T, records of 25 out of 30 ITIs and 22 Polytechnics were test checked.

Audit Findings

3.4.2 Upgradation of ITIs through World Bank Assistance

The objective of the scheme was to upgrade existing ITIs into "Centres of Excellence (CoE)" for producing multiskilled workforce of World standard. For this purpose, courses like Broad Based Basic Training (BBBT) of one year duration followed by advanced/specialised modular courses by adopting industry wise cluster approach, multi entry and exit provisions and PPP in the form of Institute Management Committees (IMCs) to ensure greater and active involvement of industry in all aspects of training was attempted. Scheme for upgradation of ITIs into CoE through domestic funding and World Bank assistance was implemented in 11 out of 30 ITIs of State during 2005-10 in various multiskill industrial sectors.

3.4.2.1 Planning

All ITIs which met eligibility criteria set out in Memorandum of Understanding (MoU) signed with GoI and selected for upgradation into CoE were required to submit IDP. These were developed by respective IMCs in consultation with stakeholders including local business chambers, faculty members, students and the community. Each IDP defined long-term goals of institution, issue and challenges facing the institution and strategies for dealing with them. IDP also set targets for institutional improvement, performance indicators and details of financial requirement. As per IDPs approved by Directorate General of Employment and Training (DGE&T) of GoI, for nine out of 11 ITIs, it was planned to upgrade 40 existing trades and introduce 17 trades in these selected ITIs during 2005-10 as detailed in ***Appendix-3.4.1***.

As against planned upgradation of 40 trades, only 22 trades were upgraded that too after delay of seven to 43 months and the remaining 18 trades (45 *per cent*) were yet to be upgraded. Out of 17 envisaged trades, only nine trades could be introduced with delay ranging from one to 36 months as of March 2014. Shortfall in achievements was attributed mainly to non completion of civil works and non affiliation of trades by DGE&T as discussed in paragraphs 3.4.2.3 and 3.4.2.5.

DTE&T stated (October 2014) that some trades though not proposed in IDPs had been introduced/ upgraded based on local area demand. But the reply is silent regarding non achievement of planned trades in these ITIs.

3.4.2.2 Financial Management

DGE&T had released 75 *per cent* of required funds and matching State share of 25 *per cent* was released by GoO. State Project Implementation Unit (SPIU) under DTE&T had drawn and released funds to related Roads and Building (R&B) divisions of Public Works Department for civil works and procured equipment through Odisha Small Industries Corporation Limited (OSIC). Funds released and utilised as on March 2014 are detailed in ***Appendix-3.4.2***.

Against allocation of ₹ 7.55 crore for civil works, ₹ 26.07 crore for equipment and ₹ 9.69 crore for other charges, GoI and GoO jointly released ₹ 7.55 crore, ₹ 26.13 crore and ₹ 6.61 crore respectively for these purposes as on March 2014. Of these, ₹ 7.35 crore (97 *per cent*) was spent for civil work, ₹ 17.97 crore (69 *per cent*) for procurement of equipment and ₹ 5.64 crore (85 *per cent*) was utilised towards other charges. Tools and equipment valuing ₹ 1.02 crore procured for introduction of Instrument Mechanics trade at ITI Bolangir remained unutilised since 2011 due to non affiliation of trade planned in IDP leading to blockage of funds. Short release of ₹ 3.02 crore against the allocation of ₹ 43.31 crore was due to non submission of utilisation certificate by SPIU.

DTE&T stated (October 2014) that utilisation of available funds would be made by November 2014.

3.4.2.3 Civil Works

Though, SPIU was provided funds during 2005-06 to 2009-10, release of funds to Phulbani R&B division for taking up civil works like workshop class room and library cum reading room was delayed by 20 months. Civil works like CoE for advance module and building for trade upgradation at ITI, Bhubaneswar was not completed (March 2014) even after lapse of 51 months of release of funds (December 2009). Further, 17 civil works like construction of hostel, driving field with traffic signal, library cum reading room, conference hall, auditorium, audio visual conference hall, etc. of six ITIs though planned in IDP for execution were not taken up as of March 2014 either through balance scheme funds or State funds thereby depriving trainees of proper infrastructure.

DTE&T in its reply stated (October 2014) that in case of ITI, Phulbani there was no delay in release of fund to the executing agency. In case of ITI, Bhubaneswar, Management while accepting facts stated that civil works were being carried out as per IDP approved by National Project Implementation Unit (NPIU).

3.4.2.4 Academic Performance of ITIs

Objective of the scheme was to improve employment outcomes of graduates from VTS by making the design and delivery of training more demand responsive. Key Performance Indicators (KPIs) as per scheme were to:

- improve internal efficiency by 20 *per cent* increase over five years in proportion of pass outs from a baseline of 61 (2006) to 73 *per cent* and

- improve external efficiency by 56 *per cent* increase over five years in proportion of pass outs who find employment within one year of finishing training from a baseline (2006) of 32 to 50 *per cent.*

It was noticed that eight ITIs achieved target pass out rates which ranged from 73 to 100 *per cent* for all the years. Three ITIs failed to achieve target pass out rates for one to two years.

Similarly, 50 *per cent* employment was to be achieved by 2011-12. Six ITIs[70] failed to achieve targeted employment and shortfall ranged from 30 to 50 *per cent*. While three ITIs failed to achieve base line value of 32 *per cent* for four years, two ITIs failed for three years and one ITI failed for six years indicating lack of improvement in performance as detailed below:

Table No.3.3 Non achievement of targeted employment rates

(In percentage)

Sl. No.	*Name of the ITI*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*
1.	Hirakud	22	27.47	42.17	29.51	42.16	20
2.	Balasore	21.88	32.61	51.16	18.39	24.14	0
3.	Bhubaneswar	0	0	0	0	0	14.71
4.	Rourkela	6.41	10	17.05	24.66	16.22	12.90
5.	Cuttack	39.47	26.88	18.18	32.29	7.95	5.32
6.	Ambaguda	0	0	15.91	24.35	18.44	18.90

Source : Information furnished by ITIs

Thus, employment as envisaged in the scheme guidelines could not be achieved due to lack of active and effective industry participation through signing of MoU.

DTE&T stated that shortfall in employment rate was mainly due to delay in operationalisation of mega industries and outsourcing of various activities by operational industries.

3.4.2.5 Affiliation Status

As per National Council for Vocational Training (NCVT) norms, an ITI seeking affiliation for starting a new trade had to ensure availability of necessary infrastructure and Instructors.

Scrutiny of records of 11 ITIs relating to BBBT, Advance Module (AM) courses and trades started and affiliated revealed that although ITI Hirakud started AM courses since August 2007, affiliation was not obtained till March 2014. There was delay in getting affiliation in BBBT courses ranging from 29 to 72 months in respect of eight ITIs[71] and 24 to 60 months for AM courses from their starting year due to non creation of required infrastructure. Consequently, trainees who passed during these years were deprived of getting NCVT certificates resulting in loss of better employment opportunity outside State.

Accepting audit observation, DTE&T stated that State Council of Technical Education and Vocational Training (SCTE&VT) Odisha had been requested to take appropriate action in the matter of award of National Trade Certificate to trainees.

70 Ambaguda, Balasore, Bhubaneswar, Cuttack, Hirakud and Rourkela.
71 Cuttack, Rourkela, Berhampur, Bhawanipatna, Talcher, Balasore, Bhubaneswar and Hirakud.

3.4.3 Upgradation of ITIs without World Bank assistance

As per GoI announcement (2007-08), 14 ITIs of State were to be upgraded into CoE through PPP without WBA. Salient features of Scheme included constitution of IMC led by Industry Partner, entering into Memorandum of Agreement (MoA) with GoI and Industry Partner, extension of interest free loan by GoI to IMC, manpower management of ITIs and improving quality of training leading to better employability.

3.4.3.1 Planning for implementation of programme

Each IDP sets targets for institutional improvement, KPIs and details of financial requirement. Accordingly, as per IDPs approved by DGE&T in respect of 14 ITIs, it was planned to upgrade 50 trades and introduce 56 new trades during 2007-14 as detailed in ***Appendix-3.4.3***.

It was seen that as against planned upgradation of 50 trades, 22 trades (44 *per cent*) were upgraded and out of 56 new trades, only 10 trades (18 *per cent*) could be introduced leading to shortfall in achievement of target. The reasons for shortfall were mainly due to non completion of civil works, non affiliation of trades by DGE&T, etc.

DTE&T in reply (October 2014) stated that some trades though not proposed in IDPs, had been introduced/upgraded based on local area demand. The reply is silent on shortfall in upgradation/introduction of trades planned in IDPs.

3.4.3.2 Financial Management

DGE&T released (February 2008 to June 2011) interest free loans for 14 ITIs (100 per *cent*) at the rate of ₹ 2.50 crore each directly to IMCs electronically, based on MoA signed between Industry Partner, GoO and GoI. Of these funds, 25 *per cent* was for civil works, 25 *per cent* for equipment and 50 *per cent* was to be kept in any Nationalised Bank as long term deposits for earning interest. The funds released and utilised as on March 2014 are detailed in ***Appendix-3.4.4.***

It was noticed that as against release of ₹ 17.50 crore for civil works and procurement of equipment during 2007-12, only ₹ 11.06 crore (63 *per cent*) could be utilised as of March 2014. This was mainly due to non commencement of civil works in four ITIs[72]. Further, ₹ 17.50 crore being 50 *per cent* of released amount was not invested in fixed deposits immediately after release by 13 IMCs. Delay in deposits ranged from 39 to 566 days and this resulted in loss of interest amounting to ₹ 0.48 crore as detailed in ***Appendix-3.4.5***.

Accepting audit observation, DTE&T stated that revised guidelines for implementation of scheme had been issued (July 2014) by DGE&T which had been taken up for implementation.

72 Baripada, Boudh, Umerkote and Malkangiri.

3.4.3.3 Civil works

GoI released (2007-12) ₹ 8.75 crore to 14 ITIs for civil works (₹ 62.5 lakh for each) for completion in initial two years. Delay in completion of these works is detailed below:

- In case of three ITIs[73], ₹ 1.88 crore released to IMCs during March 2009 to October 2010, were not passed on to R&B Divisions for civil infrastructure works even after lapse of 41 to 60 months.

- Funds released to eight ITIs[74] during February 2008 to June 2011, were passed on to R&B divisions with delay ranging from 14 to 71 months.

- Though funds were released by IMCs during June 2010 to October 2013 to R&B Divisions, civil works of four ITIs[75] could not be completed till March 2014 even after lapse of five to 45 months due to inadequate coordination by IMCs.

Thus, due to delay in release of funds by IMCs and non completion of works by R&B divisions, trades upgradation / introduction could not be taken up in time. Benefits of training programmes and generation of revenue for repayment of loan as envisaged in IDPs remained unachieved**.**

DTE&T while accepting the audit observation stated that IMCs have been sensitised to pay proper attention for completion of civil works under the scheme without any further delay.

3.4.3.4 Academic Performance of ITIs

As per IDPs, pass and employment rates were to be achieved as per year-wise targets fixed.

- As against targeted pass rate ranging from 75 to 100 *per cent* for a period of five years, achievements ranged from 19 to 98 *per cent* except in ITI, Chhatrapur where the achievement was 100 *per cent* during 2008-09. Three ITIs failed to achieve pass rate in all five years, four ITIs failed in four years, four ITIs in three years and one ITI in one year whereas two ITIs achieved target for all the years.

- Achievement of employment rate was between five to 94 *per cent* as against targeted employment rate of 40 to 100 *per cent* for five years. While three ITIs failed to achieve employment rate for all five years, three ITIs failed for four years, four ITIs failed for three years and three ITIs for two years whereas GITI, Bolangir achieved target for all the years.

DTE&T stated in reply that shortfall in employment rate was mainly due to delay in operationalisation of mega industries and outsourcing of various activities by operational industries.

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73 Boudh, Malkangiri and PCITI, Baripada.
74 Umerkote, Puri, Bolangir, Anandpur, Khariar Road, Dhenkanal, Barbil and Takatpur.
75 Khariar Road, Takatpur, Anandpur and Bolangir.

- As per IDPs, 74 trades remained unaffiliated with NCVT for want of required facilities like tools and equipment, infrastructure, etc. in 14 ITIs.

Thus, several ITIs covered under the scheme failed to achieve targeted KPIs. This was mainly attributed to lack of improvement in qualitative training in absence of required instructors, tools and equipment as discussed in subsequent paragraphs.

3.4.4 Shortage of tools and equipment

ITIs were required to maintain tools and equipment as per standard lists prescribed by NCVT. As per NCVT norms, for each trade, 17 set of tools were to be provided to trainees including one set for instructor. It was noticed that there was shortfall in availability of tools and equipment in four ITIs[76] ranging from four to 71 *per cent* mainly due to non procurement of equipment despite availability of funds. Training without required tools and equipment deprived trainees of quality training.

DTE&T stated that steps have been taken for procurement of tools and equipment conforming to the standard prescribed by NCVT for different trades/units.

3.4.5 Non Abolition of trades

As per IDP, six ITIs[77] proposed abolition of 16 unpopular trades. Against this, only six trades in four ITIs[78] were abolished and the remaining 10 trades were not abolished as of March 2014. Further, tools and equipment in these ITIs remained unused due to lack of initiative by Principals either to dispose or transfer them where such trades were available as detailed in ***Appendix-3.4.6***.

While accepting the fact, DTE&T in reply stated that steps had been taken to keep admission in abeyance against trades of redundant nature. But the reply is silent on non abolition of trades.

3.4.6 Revenue generation

For fulfilling of objectives of the scheme, IMCs were to generate sufficient funds for purchase of consumables and materials for training and for repayment of loan received. The main source of revenue generation was production and job works, self finance based short term training modules, tailor made/customised training programmes for turnkey projects, testing and certification charges, etc.

Audit noticed that 14 ITIs who availed loan assistance of ₹ 35 crore from GoI for upgradation without WBA had earned revenue of ₹ 6.74 crore during 2007-14 which included ₹ 6.52 crore interest earned on the funds available for upgradation of ITIs. While seven ITIs had earned revenue of ₹ 22.83 lakh,

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76 Bolangir, Bhawanipatna, Khariar Road and Malkangiri.
77 Takatpur, Cuttack, Anandpur, Puri, Rourkela and Bargarh.
78 Cuttack, Puri, Rourkela and Bargarh.

seven others had not undertaken any revenue generation activity. Low revenue generation was mainly due to non commencement of new trade and failure to upgrade existing trades as per IDP as discussed in the preceding paragraph No. 3.4.3.1. Due to lack of revenue generation repayment of loan after expiry of moratorium period would pose a problem.

Accepting the point, DTE&T stated that ITIs had been advised to conduct various short term MES courses, undertake production activities as Training-cum-Production Centre with DIC registration to generate sufficient internal revenue for such repayment of loan.

3.4.7 Manpower

As per schemes guidelines, State Government was to ensure that sanctioned strength of instructors in ITIs were always filled up and in no case were the vacancies to exceed 10 *per cent* of sanctioned strength at any point of time.

Audit noticed that there were vacancies as detailed in ***Appendix-3.4.7*** in technical cadre in 25 ITIs and percentage of vacancy ranged from 50 to 100 which affected quality of training imparted and achievement of KPI to some extent as discussed in para 3.4.3.4.

DTE&T stated that filling up of ATO post (contractual) for VTIP and other ITIs through OSSC Bhubaneswar was in process.

3.4.8 Monitoring

As per WBA scheme the project is guided by a State Steering Committee (SSC), headed by Principal Secretary/Secretary/Commissioner for vocational training which include significant senior level representation from industry. SSC will review project implementation throughout the life of the project. SSC is assisted by a SPIU with adequate fulltime officials/consultant and support staff. The same committee may be used for scheme without WBA with additional role and responsibility. According to the WBA scheme GoO should conduct SSC meeting every quarter to take stock of the scheme. For the scheme without WBA, GoO should conduct regular SSC meeting every two months to sort out issues related to low utilisation, coordination between Principal and Industry partner, vacancy position and monitor the performance of ITIs with respect to KPIs as specified in MoAs/IDPs. Audit observed various deficiencies in monitoring of schemes as described below:

- SSC constituted for the scheme was formed by GoO in March 2005. Subsequently it was reconstituted (July 2007) as required for upgradation of ITIs into CoE. First meeting of SSC was held in March 2005 and after that, six more meetings were held (October 2006, July 2007, October 2008, May 2009, September 2010 and March 2012). Thus, only seven meetings were conducted as of March 2014 for WBA scheme against required 36 meetings and against requirement of 42 meetings as per the scheme without WBA, only four meetings were conducted as of March 2014.

- GoO established (November 2008) SPIU under DTE&T to function in conformity with Project Implementation Plan (PIP) of GoI as outlined in different schemes with objectives to *inter alia* monitor and review implementation of GoI Schemes at institutes and take remedial measures, to receive funds from GoI and other sources and maintain proper books of accounts, etc. For above purpose, GoI and GoO released ₹ 46.40 lakh but only ₹ 14.12 lakh was utilised as of March 2014.

- The Governing Body (GB) and Executive Committee (EC) of SPIU were to meet at least once in every six months and three months respectively to review the implementation of schemes in institutes and take remedial measures. Since the formation of SPIU, no meetings of GB and EC had been convened (March 2014). Thus, purpose of creation of SPIU for close monitoring and speedy implementation of different Schemes of GoI was defeated.

DTE&T while accepting this stated that action was being taken to convene meetings of Managing Committee and Governing Body of SPIU Society at regular intervals as per provisions contained in Bye Law of the Society.

3.4.9 Management Information System

Management Information System (MIS) was to link all ITIs, Central Institutes, State Directorates at State level and NPIU at National level. Various modules viz., ITI, State Directorate, Placement, Apprenticeship Training, Affiliation, System Administration, Central Institution and DGE&T were part of the MIS. GoI sanctioned (March 2011) ₹ 41.53 lakh for implementation of MIS application for reforms and improvement in Vocational Training Services rendered by the State and Central Government under WB assisted VTIP at project and non project ITIs. An amount of ₹ 34.14 lakh was drawn (May 2011 and October 2011) by SPIU for procurement of computers and its accessories for implementation of MIS application at 27 ITIs and at SPIU of DTE&T.

Audit observed that though hardware was purchased and installed in different ITIs, web based portal was not developed (March 2014) defeating purpose of creation of MIS.

DTE&T stated that a Nodal Team had been created (September 2014) for MIS Application.

3.4.10 Internal Control

As per scheme guidelines, IMC constituted for each ITI was required to submit quarterly report on implementation of Scheme to SSC through SIC (SPIU), which in turn was to submit a consolidated report to NSC about all ITIs covered under scheme. In case of unsatisfactory performance in achieving KPIs, IMC was to submit a detailed report to SSC within 30 days of receipt of a notice in this regard, indicating reasons for failure and measures required to be taken. SSC was to forward this report to NSC with their comments. NSC was to fix responsibility for such failure and ensure that necessary corrective action was taken. Additional Director (SPIU) further instructed (July 2011) the Principal of these ITIs to ensure submission of the quarterly progress report by 5th day of the succeeding month of every quarter. Audit observed that none of the test checked ITIs were regular in submitting quarterly progress reports.

DTE&T had accepted the fact and noted observation for future guidance.

3.4.11 Setting up of new polytechnics

GoI decided to establish new polytechnics as a component of the Sub-mission on Polytechnics in unserved and underserved districts in the country during 11th Plan period with financial assistance of ₹ 12.30 crore per polytechnic of which ₹ eight crore would be spent on civil works and ₹ 4.30 crore would be spent on equipment, machinery, furniture, transport and learning resource materials. The objective of scheme was to enhance employment oriented skilled manpower through polytechnics. Land required for the projects with development charges as well as 100 *per cent* recurring expenditure was to be borne by State Government. Sanctioned strength of teachers in polytechnics was to be filled up and in no case would vacancies be allowed to exceed five *per cent* of sanctioned strength.

Based on the proposal of GoO, Ministry of Human Resources Development (MHRD) sanctioned 22 polytechnics in 22 unserved districts[79] of Odisha in three phases during 2008-09 to 2009-10. The projects were to be executed through DTE&T. As against project cost of ₹ 270.60 crore, GoI released (2010-14) ₹ 181.47 crore to GoO which was subsequently released (2010-14) to DTE&T. As of March 2014, DTE&T submitted UCs for ₹ 98.16 crore for civil works and ₹ 5.30 crore for procurement of equipment leaving an unspent balance of ₹ 78.01 crore. Out of 22 new polytechnics only eight[80] were operational during the academic session 2013-14 in four trades (60 students in each of four trades of each polytechnic). As against intake capacity of 1,920 students (240 students for each of the eight polytechnics), 1,413 students were admitted in different trades of above polytechnics resulting in shortfall in enrollment of students ranging from 6.67 to 100 *per cent*.

DTE&T stated that shortfall in enrolment was due to lack of awareness among DET aspirants. However, the department had not created any awareness among DET aspirants.

3.4.11.1 Civil works

As against ₹ 161.47 crore released for 22 polytechnics by GoI for civil works, DTE&T released sum of ₹ 152.47 crore to executing agencies (Roads & Building Divisions, Industrial Infrastructure Development Corporation of Odisha and Odisha Small Industries Corporation) during 2010-11 (₹ 138.72

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79 Phase-I:Gajapati, Boudh, Sambalpur and Malkangiri vide letter dated 31.12.2008. Phase-II Deogarh, Nabarangpur, Jajpur, Nayagarh, Kalahandi, Nuapada, Sonepur, Kendrapara, Jagatsinghpur, Puri vide letter dated 23.07.2009. Phase-III Angul, Bolangir, Mayurbhanj, Bargarh, Koraput, Bhadrak, Balasore, Kandhamal vide letter dated 29.09.2009.

80 Government Polytechnics, viz. Bolangir, Balasore, Gajapati, Kandhamal, Kendrapara, Nabarangpur, Sambalpur and Sonepur.

crore), 2012-13 (₹ 11.25 crore) and 2013-14 (₹ 2.50 crore). As of March 2014, ₹ 54.31crore was lying with those agencies and ₹ nine crore remained with DTE&T. In this connection, Audit observed the following;

- In three polytechnics[81], the concerned agencies (OSIC and R&B) had not started construction works till June 2014 even after lapse of 15 to 34 months of handing over of the land. In other 19 cases, the percentage of utilisation of fund ranged between two and 88 as detailed in ***Appendix-3.4.8***.

  DTE&T replied that lands at Deogarh and Mayurbhanj were challenged in Court and land at Bhadrak was encroached by local people.

- In Deogarh and Jagatsinghpur, lands were handed over to executing agencies (March and May 2013) after scheduled date of completion (2011-12).

  DTE&T replied that handing over of land in case of Jagatsinghpur was due to different opinions from various quarters.

- There was cost overrun of ₹ 11.04 crore in case of nine[82] out of 22 polytechnics due to change in scope of work, tender premium, etc.

- In 11 out of 22 polytechnics, DTE&T released ₹ 56 crore to executing agencies during 2010-11 before handing over land for construction of civil works resulting in undue benefits to these agencies as detailed in ***Appendix-3.4.9***.

DTE&T stated that funds were to be kept in current account which fetches no interest. The reply is however, silent on release of funds before handing over of land.

3.4.11.2 Procurement of equipment

GoI released ₹ 20 crore upto March 2014 for 10 polytechnics[83]. DTE&T issued purchase orders worth ₹ 15.49 crore during 2012-13 and 2013-14 for procurement of equipment for eight polytechnics[84] proposed to be operational during Academic Session 2013-14. However, materials valuing ₹ 5.30 crore only were received till March 2014 although these Polytechnics were made operational since 2013.

DTE&T stated that equipment for 1st year would be procured and procurement for subsequent years would be made later. The fact remains that procurement of equipment was not made before commencement of courses which led to training being imparted without required equipment.

81 Bhadrak, Deogarh, and Mayurbhanj.
82 Balasore, Bolangir, Boudh, Gajapati, Kandhamal, Malkangiri, Kendrapara, Nayagarh and Puri.
83 Balasore, Bolangir, Gajapati, Nayagarh, Nabarangpur, Sonepur, Kendrapara, Kandhamal, Sambalpur and Malakangiri.
84 Bolangir, Balasore, Gajapati, Kandhamal, Kendrapara, Nabarangpur, Sambalpur and Sonepur.

3.4.11.3 Manpower

The sanctioned posts of the eight operational polytechnics and men in position were as follows;

Table No.3.4 Vacancy position in operational polytechnics

Sl. No.	Staff category	Sanctioned post	Men in position	Vacancy	Percentage of vacancy
1	Principal	08	Nil	08	100
2	Senior Lecturer	56	18	38	68
3	Lecture	120	28	92	77
4	Junior Clerk (Contractual)	24	Nil	24	100
5	Junior Librarian (Contractual)	08	Nil	08	100
6	Laboratory Assistant (Contractual)	56	Nil	56	100

Source : Information furnished by DTE&T

As could be seen from the above, percentages of vacancies in different posts ranged from 68 to 100 which is not in consonance with GoI stipulation that extent of vacancies shall not exceed five *per cent* of sanctioned strength. Despite this, State Government had not initiated any step for filling up the vacancies.

DTE&T replied that Principals in charge had been deployed.

3.4.11.4 Monitoring

As per the scheme guidelines issued by MHRD, for effective monitoring and implementation, each State was to constitute a SLC comprising Secretary (Technical Education) as Chairman, DTE, two experts to be nominated by MHRD and Director/ DEA (T), MHRD as members to oversee utilisation of grants sanctioned by MHRD and monitoring the scheme. Though the scheme was implemented since 2008-09, no such committee was constituted till the date of Audit (June 2014).

DTE&T replied that no instructions/guidelines were issued by GoI. But guidelines issued by MHRD stipulate constitution of SLC.

DEPARTMENT OF FOREST AND ENVIRONMENT

3.5 Implementation and effectiveness of plantation

3.5.1 Introduction

One of the basic objectives of National Forest Policy 1988 was to increase substantially forest/tree cover in the country through massive afforestation and social forestry programmes, especially on denuded, degraded and unproductive lands. Forest cover of Odisha was 50,347 square kilometre constituting 32 *per cent* of geographical area based on India State of Forest

Report 2013. Forest Department had taken up various plantation programmes such as economic plantation, plantation under 13th Finance Commission grant, bald hill plantation, Avenue Plantation, Urban tree plantation, besides afforestation programmes under different deposit schemes. Audit examined effectiveness of planning, implementation and monitoring of plantation programmes, from May to July 2014 in 13[85] out of 50 Forest Divisions (FDs) covering period from 2011-12 to 2013-14. Records of Principal Chief Conservator of Forest (PCCF), Odisha and Department of Forest and Environment were also test checked.

Audit findings

3.5.2 Planning

3.5.2.1 Plantation target

Under Rule 16 of Forest Plantation Manual, plantation areas covered by working plans or schemes shall be carried out strictly in accordance with prescriptions in such plans or schemes. Under Rule 17, where plantations are taken up in areas not covered under working plans sanctions to deviation from the working plan prescription shall be obtained from the appropriate authority. Under Rule 195, DFO shall submit his budget for plantation works for the following year and a revised estimate for the current year which will be forwarded by the Chief Conservator of Forest (CCF)/Regional Chief Conservator of Forests (RCCF) to PCCF for release of funds.

Scrutiny of records revealed that PCCF had fixed targets for plantation for FDs during 2011-14 without getting any specific proposal or feasibility report. Due to non availability of reserve forest area, four divisions[86] expressed their inability to carry out economic plantations during 2012-14. Despite this, PCCF instructed FDs to take steps to achieve targets. As a result, FDs carried out plantation in unsuitable places.

Scrutiny of records in test checked divisions revealed the following:

- Economic Plantation was to be done in Reserve Forest (RF). However, in three FDs[87] plantations were carried out in Protected Forests (PF) and Demarcated Protected Forest (DPF).
- In three divisions[88] urban plantations were to be carried out in and around City. However, plantations were done in hilly area and RFs.
- Block plantation is to be carried out in contiguous patches in vacant areas. However, in four divisions[89] block plantations[90] were carried out in areas where valuable old species already existed.
- As per Rule 179 of Forest Plantation Manual, 1977, a plantation watcher is provided for each 25 hectares of new plantation. In two divisions[91]

85 Athagarh, Cuttack, Dhenkanal, Sonepur, Sambalpur (South), Jharsuguda, Berhampur, Ghumsar (North), Phulbani, Baliguda, Rayagada, Koraput and Puri (Wild Life).
86 Rairangpur, Bhubaneswar, Baripada and Ghumusar (S).
87 Berhampur, Jharsuguda and Cuttack.
88 Berhampur, Rayagada and Koraput.
89 Sambalpur, Jharsuguda, Athagarh and Sonepur.
90 Plantation of 1600 plants in a hectare.
91 Baliguda and Phulbani.

plantations in small areas of three to 10 hectares were carried out to achieve targets and in view of smaller size plantations, watch and ward could not be provided throughout the year.

While accepting the audit observation Government stated (October 2014) that there was no scope for taking up of economic plantations in RFs as there was no vacant space. Out of three FDs, in Berhampur urban plantation were carried out in shape of block plantation mode, in Koraput it was taken up within the Notified Area Council and in Rayagada the plantation was taken up in a portion of Barijhola RF which comes under Rayagada Municipality. The block plantations were carried out in vacant spaces within forest areas, as contiguous suitable forest patches were not available.

But, the fact remains that plantations were carried out in unsuitable places to achieve targets in violation of plantation norms.

3.5.3 Implementation of plantation programme

Review of records of 20 point programme files on target and achievement, plantation journals and monthly accounts on implementation showed the following:

3.5.3.1 Shortfall in achievement of targets

In order to increase forest and tree cover as envisaged in National Forest Policy, Ministry of Forest and Environment (MoEF) fixed targets State-wise under 20 point programme. Details of targets fixed for afforestation and actual achievements during 2011-12 to 2013-14 are given below:

Table No.3.5 Shortfall in targets fixed for afforestation

Year	Targets fixed by MoEF for afforestation in hectare	Actual achievement in hectare	Shortfall in achievement	
			In hectare	Percentage of shortfall
2011-12	215000	182186	32814	15
2012-13	173300	107287	66013	38
2013-14	172920	117667	55253	32

Source: Information furnished by DoFE

The State Government achieved 85 *per cent* during 2011-12. In subsequent year shortfall increased. Reasons for shortfall were not on record. However, target could not be achieved even after full utilisation of funds allotted under various schemes except in Compensatory Afforestation Fund Management and Planning Authority (CAMPA) as discussed in para 3.5.4.

While accepting the fact, Government stated (October 2014) that shortfall in achieving plantation target was due to late approval of proposal, delay in release of funds and issue of muster rolls and non availability of job card holders under MGNREGS.

3.5.3.2 Plantations in deviation of conditions of grant

Grants received under 13th Finance Commission (FC) envisaged Artificial Regeneration (AR) Plantation of 1,600 seedlings per hectare over 5,500 hectares every year from 2011-12 to 2014-15. As such 16,500 hectares were to be covered during 2011-14. Plantations were to be implemented in Plantation Working Circle (PWC) only. During audit following irregularities were noticed.

- PCCF fixed targets for block plantation as well as gap plantation during 2011-14 instead of AR plantation.
- Divisional Forest Officers (DFOs) implemented AR plantation in 10,587 hectares (i.e block plantation providing 1,600 seedlings per hectare). Besides this, DFOs carried out plantation of 9,242 hectares as Assisted Natural Regeneration (ANR) plantation providing gap plantation of 200 seedlings per hectare.
- Further, instead of carrying out plantations in plantation working circle, maintenance with gap plantation was also done in rehabilitation working circle.

While accepting the fact, Government stated (October 2014) that as per the prescription of working plan palatable forest area was not found due to massive plantation taken up under Odisha Forestry Sector Development Project (OFSDP) and MGNREGS. Hence, plantation under 13th FC grant was reduced to 12,075 hectares and the balance target of plantation was achieved in degraded forest areas of rehabilitation working circle and podu rehabilitation working circle under ANR with gap plantation of 200 plants per ha.

3.5.3.3 Execution of plantation works through contractors

Rule 329 (6) of Odisha Forest Department Code do not permit plantation activities through contracts, which are to be done departmentally through labour. Scrutiny of records revealed that in test checked FDs various plantation activities like raising nursery, alignment, stacking, pitting, watering, soil working, weeding, soil moisture conservation, watch and ward were executed through contractors and payment of ₹ 4.34 crore made during 2011-14 as detailed in ***Appendix-3.5.1***.

Government stated (October 2014) that due to shortage of staff and acute labour problem, works were executed by engaging labour through labour head man of the village though they were not registered contractors within the Forest Department.

3.5.3.4 Non adherence to time schedule in plantation activities

Plantation Manual stipulates specific time schedules for different components of plantation works like survey and demarcation, site clearance, alignment, stacking, pitting, manuring, weeding out, soil working, etc. Audit observed following deficiencies in eight[92] out of 13 test checked FDs:

- In 27 plantation areas under six FDs[93], survey, demarcation, pitting works were done with delay ranging from 17 days to five months.
- In 14 plantation areas under four FDs[94], weeding and soil working were done with delay ranging from one to two months.
- As per provisions contained in Forest Plantation Manual, casualty replacement was to be carried out during 1st and 2nd year of plantation after verification of survival by Range Officers and norm prescribed by PCCF for replacement was 10 *per cent*. Scrutiny of records revealed that replacement of casualty of 10 *per cent* was shown in all plantations and no report on verification of survival of plants was on record. This indicated that replacement was made without any survey.
- As per norm prescribed by PCCF, watch and ward was to be provided from October to March in 1st year and for whole year during 2nd and subsequent years. In 17 plantation areas it was noticed that under six FDs[95], watch and ward personnel were not deployed round the year. The period of non deployment was two to six months.

Government stated (October 2014) that delay in plantation activities was due to delay in approval of schemes and release of funds. But request for providing funds in time was not made by DFOs to PCCF.

3.5.3.5 Purchase of inputs for plantation activities

As per Para 43 of Plantation Manual, seeds required for plantation programmes were to be collected by FDs from forest. Silvicultural Divisions (SDs) were also required to supply quality seeds and stumps as per Rule 198 of OFD Code.

Scrutiny of records revealed that in selected 13 FDs stumps and seeds required for plantation programmes available in forest areas were neither collected nor obtained from SDs to ensure quality. Instead, seedlings were raised in nursery by procuring stumps and seeds without testing quality from private parties and expenditure of ₹ 2.07 crore was incurred during 2011-14. Further departmentally raised seedlings in nine FDs[96] were not utilised although available in permanent Nursery for one to two years. Four FDs[97] did not furnish required information on production and utilisation of seedlings raised in their permanent Nursery.

Government stated (October 2014) that quality planting materials (QPM) were raised in the SDs and as per plantation target communicated, DFOs were utilising QPMs as per their target. Further, departmental seedlings were raised in the permanent/central nursery to be used for buffer stock zone of plantation

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92 Athagarh, Berhampur, Cuttack, Dhenkanal, Ghumsar (N), Jharsuguda, Sambalpur and Sonepur.
93 Athagarh, Dhenkanal, Ghumsar (N), Jharsuguda, Sambalpur and Sonepur.
94 Berhampur, Ghumsar (N), Jharsuguda and Sambalpur.
95 Berhampur, Cuttack, Dhenkanal, Jharsuguda, Sambalpur and Sonepur.
96 Athagarh, Berhampur, Baliguda, Dhenkanal, Ghumsar (N), Phulbani, Rayagada, Sambalpur and Sonepur.
97 Cuttack, Koraput, Jharsuguda and Puri (WL).

activities if funds were released late in particular scheme. Reply is silent on other issues.

3.5.4 Financial Management

The Department received funds from GoI and GoO under various schemes, grants under 13th FC and CAMPA of State schemes as detailed below.

Table No. 3.6 Receipt and expenditure of funds under various schemes

(₹ in crore)

Year	*Name of the scheme*	*Funds received*	*Expenditure*
2011-12	Plantation under 13th FC	36.17	36.11
	Urban plantation	6.82	6.82
	Economic Plantation	6.05	6.05
	Bald hill plantation	5.43	5.43
	CAMPA APO 2011-12	18.56	10.64
2012-13	Plantation under 13th FC	72.34	71.17
	Urban plantation	16.58	16.58
	Economic plantation	9.60	9.60
	Bald hill plantation	6.00	6.00
2013-14	Plantation under 13th FC	81.46	81.42
	Urban plantation	36.29	36.29
	Economic plantation	11.75	11.75
	Bald hill plantation	11.10	11.10
Total		**318.15**	**308.96**

Source: Information furnished by PCCF

As can be seen from above table, though department utilised funds allotted under various schemes (except in CAMPA), it failed to achieve physical target as commented upon in Para 3.5.3.1. Further, ₹ 48.86 lakh had been spent on other purposes as mentioned in para 3.5.4.1.

3.5.4.1 Diversion of Funds

Scheme guidelines stipulated that expenditure shall be incurred for the purpose for which sanction was accorded. In eight[98] out of 13 test checked FDs, funds earmarked for plantation programmes were spent for non plantation items such as stationary, telephone charges, fuel for vehicles and construction of water tank/walls/roads in nursery. Such unauthorised expenditure amounted to ₹ 48.86 lakh as detailed in ***Appendix-3.5.2.***

Government stated (October 2014) that as per the approved cost norm of different plantation modules there is a contingency head to meet the unforeseen expenditure like stationery, communication charges including POL and nursery related activities. But there was no such provision for contingency in block plantation cost norms and the expenditure incurred towards

98 Athagarh, Berhampur, Cuttack, Dhenkanal, Ghumsur (N), Jharsuguda, Sambalpur and Sonepur.

construction of water tank/walls/roads was not related to plantation programmes.

3.5.4.2 Excess expenditure on payment of wages

In terms of Gazette Notification dated 6 October 2012 of Labour and Employees State Insurance Department, wage rate for Agriculture sector was fixed at ₹ 126 for non ploughing and ₹ 150 for ploughing. Agriculture Sector includes Agriculture, Animal Husbandry, Fishery and Forestry. However, in selected FDs wages were paid at the rate of ₹ 150 from November 2012. Since plantation activities are of non ploughing nature, payment made at ploughing rate was not justified and this resulted in excess expenditure of ₹ 3.98 crore towards payment of wages undertaken in respect of Economic plantation, plantation under 13th FC grant, Avenue plantation and Urban plantation up to March 2014 as detailed in ***Appendix-3.5.3***.

After this was pointed out in audit, Government stated (October 2014) that wage rate of ₹ 150 prescribed for bamboo forest establishment and for ploughing category in agricultural sector was taken and wage rate was finalised by a committee. Fact remains that deviation from the notification made by Labour & ESI Department should have been brought to their notice for ratification which was not done.

3.5.5 Other observations

Instances of lack of internal control and irregularities in free distribution of seedlings in test checked divisions are discussed below:

- As per rule 197 of Forest Plantation Manual, a permanent register incorporating plantation works carried out in a division/range shall be maintained in prescribed form. A map in prescribed scale showing precise boundaries shall also be affixed against each entry on register and a reference to scheme or plan shall also be given. However, it was noticed that plantation registers were not maintained in four Divisions[99] and Ranges under them. Further, in seven divisions[100], registers with maps showing boundaries were not maintained.

Government stated (October 2014) that in view of the audit observation directions are issued to DFOs to take appropriate action to maintain prescribed records of plantation carried out and record observations during their field inspection.

- As per Action Plan under 13th Finance Commission grant, tree cover outside designated forest area was to be increased to reduce pressure on forest. Scheme provides for raising saplings for farm forestry, agro-forestry, avenue plantation, canal bank plantation, planting inside

99 Jharsuguda, Puri, Sambalpur and Sonepur.
100 Berhampur, Dhenkanal, Ghumsur (N), Phulbani, Rayagada, Koraput and Baliguda.

institutional premises, etc. for free distribution. During 2011-14, more than two crore saplings were distributed free of cost to general public and institutions. No wide publicity for such free distribution was arranged in divisions. Audit noticed that after issue of saplings to individuals and institutions, no monitoring was done to ensure actual plantation.

Government stated (October 2014) that while distributing seedlings to general public, institutions and NGOs a register was being maintained at the nursery showing name of beneficiary, address, identity proof and location of planting site. But the reply is silent on follow up action to ensure actual plantation.

- Under Sambalpur Division, economic plantation over 20 hectares was done in Beheramal RF during 2012-13. Due to lack of supervision and monitoring, plants were uprooted and taken away by local people (July 2013).

Government stated (October 2014) that the DFO had been instructed to undertake a detailed investigation for the reason of failure/damage to plantation and submit report for taking appropriate action.

3.5.6 Monitoring and evaluation

As per Rule 207 of Plantation Manual, each plantation shall be visited by Range Officers (ROs) once in October/January/June who shall submit report on 5th of November/February/July every year on condition of plantation such as maximum height, average height, total number of surviving plants, survival percentage, cause of mortality, etc. However, it was noticed in all 13 test checked FDs that above reports were not being submitted and higher authorities had also not insisted on the same. Further, in response to audit query regarding survival percentage, nine DFOs[101] stated that survival percentage of plants was 60 to 100 but without any documentary evidence. In absence of effective monitoring, no evaluation of plantation could be done by the department.

Government stated (October 2014) that as per the guidelines, monitoring and evaluation of plantations was being conducted at Division, Circle as well as at head office level.

3.5.7 Conclusion

There were instances of plantation activities being carried out by Divisions as per targets fixed by PCCF without fully checking site conditions. In some cases, plantation activities were carried out on contract basis and not departmentally as required. In plantation activities, time schedules were not adhered to. Stumps and seeds were procured from private parties without testing quality instead of collecting departmentally or obtaining from Silvicultural Divisions. Periodical supervisions by ROs, DFOs and higher authorities were not conducted to ensure successful plantation.

101 Athagarh, Baliguda, Berhampur, Cuttack, Dhenkanal, Ghumsur (N), Puri, Sambalpur and Sonepur.

3.6 Short realisation of Net Present Value

Short realisation of Net Present Value of ₹ 1.22 crore for diversion of forest land for non forestry activities

Under the provisions of Forest (Conservation) Act, 1980, forest land may be diverted for non forest activities with the approval of GoI on payment of Net Present Value (NPV) of forest land. As per guideline issued by GoI in October 2006, NPV is required to be recovered from the user agencies in all cases approved by it after 30 October 2002 irrespective of date of clearance (i.e. stage – I clearance granted for projects before or after 30.10.2002). As ordered by the Hon'ble Supreme Court of India in November 2002, Government of Odisha adopted the rates of NPV ranging from ₹ 5.80 lakh to ₹ 9.20 lakh per hectare depending on density of forest. This was revised ranging from ₹ 6.26 lakh to ₹ 10.43 lakh with effect from 28 March 2008.

Test check of records of two Divisional Forest Offices[102] (DFOs) (March to December 2013) revealed that 72.0572 hectare of forest land was diverted to two user agencies for non-forestry activities without realising NPV at applicable rate. As against NPV realisable for ₹ six crore from user agencies, a sum of ₹ 4.78 crore was realised resulting in short realisation of ₹ 1.22 crore (detailed in ***Appendix-3.6.1***). Neither did the user agencies deposit the differential dues of NPV nor did the DFOs issue demand notices against them for recovery of balance NPV.

Government stated (October 2014) that differential amount of ₹ 20.36 lakh was realised (November 2013) from IOCL by DFO, Rairakhol and in case of DFO, Khurdha demand had been raised (July 2014). In another case, DFO, Rairakhol had also raised demand (July 2014) for realisation of differential amount of ₹ 99.99 lakh.

3.7 Non disposal of timber

Non disposal of timber and poles seized in undetected forest offence cases

The Government of Odisha issued instruction in August 2005 to Forest and Environment Department for disposal of timber and poles seized in undetected (UD) forest offence cases either by public auction or by prompt delivery to the Odisha Forest Development Corporation (OFDC) Limited within two months from the date of seizure in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage. The rates of royalty on timber regular and irregular lots for the year 2012-13 and 2013-14 were fixed by Government in Forest and Environment Department in joint meeting of Principal Conservator of Forests, Odisha and Managing Director, OFDC Ltd held during October 2012 and November 2013 respectively.

Check of records of 24 forest divisions during 2012-13 and 2013-14 revealed that timber and forest produce valued at ₹ 39.25 lakhs which were seized under 9,857 UD forest offence cases during 2011-12 and 2012-13 as detailed

102 DFOs, Khordha and Rairakhol.

in ***Appendix-3.7.1*** lay undisposed (March 2014) and resulted in blockage of revenue of ₹ 39.25 lakh.

Government stated (October 2014) that action would be taken to dispose timber seized in UD cases.

INDUSTRIES DEPARTMENT

3.8 Implementation of Single Window Mechanism and Financial Incentives under Industrial Policy Resolution 2007

3.8.1 Introduction

In order to extend faster and one point project clearance with single point dissemination of project related information to prospective entrepreneurs Single Window Mechanism was introduced under Industrial Policy Resolution (IPR) 2001. For giving effect to these provisions of IPR 2001, the Orissa Industries Facilitation Act (OIFA) was enacted in 2004. The corresponding Rules namely the Orissa Industries Facilitation Rules (OIFR) were notified in March 2005. IPR 2007 effective from 2 March 2007 includes operationalisation of Single Window mechanism to facilitate setting up of industries and extension of financial incentives to industrial units. In pursuance of OIFA, Industries Department appointed (March 2005) IPICOL as the State Level Nodal Agency (SLNA) and District Industries Centre (DIC) as the District Level Nodal Agency (DLNA). It also constituted following three authorities:

(i) District Level Single Window Clearance Authority (DLSWCA) comprising of District Collector as Chairman and 11 other members to examine and consider proposals where the amount of investment is less than ₹ 50 crore.

(ii) State Level Single Window Clearance Authority (SLSWCA) comprising of Chief Secretary, Odisha as Chairman and 16 other members to examine and consider proposals where the amount of investment is more than or equal to ₹ 50 crore but less than ₹ 1,000 crore.

(iii) High Level Clearance Authority (HLCA) comprising of Chief Minister, Odisha and 12 other members to examine and consider proposals where the amount of investment is more than or equal to ₹ 1,000 crore.

Besides, OIFA also provided for constitution of Special Single Window Clearance Committees (SSWCC) for promotion and development of industries in IT, Information Technology Enabled Services (ITES) and Tourism Sector. The OIFR provides timeframe ranging from seven to 120 days for issue of as many as 22 categories of approvals/ clearances/ registration.

Audit of implementation of Single Window Mechanism and Financial Incentives under IPR 2007 was conducted between May and June 2014 covering period 2007-14. Audit test checked records at Industries

Department, Micro, Small and Medium Enterprises (MSME) Department, one out of two Directorates[103] of MSME Department and the Industrial Promotion and Investment Corporation of Odisha Limited (IPICOL). Besides, eight[104] out of 31 DICs/ Regional Industries Centres (RICs) under the control of Director of Industries, Odisha (DI) were also selected on the basis of both most and least industrialised districts considering the number of units gone into production and amount of investment. Further, since IPR 2007 provides that financial benefit extended under earlier IPR would continue during the tenure of IPR 2007, such cases were also reviewed. Audit was conducted to assess whether IPICOL/DICs had arranged required clearances for projects approved by competent authorities timely and assisted entrepreneurs to set up industries, eligibility of industrial units for extending financial incentives was determined as per IPRs, incentives were disbursed in time, and adequate monitoring and internal control mechanism was in place and effective.

Audit findings

3.8.2 Implementation of Single Window Mechanism

3.8.2.1 Implementation of Single Window Mechanism at State/High Level

Functioning of HLCA

As per Para 7.1 of IPR 2007, HLCA, shall meet at least once in a quarter to review implementation of the IPR 2007 viz., issues pertaining to industrial development such as promotion of foreign direct investment, environment management, land policy, peripheral development, ancillary and downstream development, promotion of frontier industries etc. Besides giving overall direction to industrial development efforts made by Team Orissa[105], the HLCA may give specific direction(s) wherever required.

Audit observed:

- No meeting of HLCA was held after September 2012 upto March 2014. Eleven proposals for setting up industries with investment of ₹ 59,491.64 crore were delayed by one to 18 months. Issues such as industrial development promotion of foreign direct investment, environment management, land policy, peripheral development, ancillary and downstream development, promotion of frontier industries did not find mention in the minutes.

  Government stated (October 2014) that date of convening of HLCA is based on various factors, convenience of committee, sufficiency of proposals etc.

- As per Para 7.2 of IPR 2007, though DI proposed to (August 2007) Industries Department for constitution of sub-committee/expert bodies of HLCA on issues relating to Foreign Direct Investment (FDI),

103 Directorate of Industries and Directorate of Export Promotion and Marketing.
104 Cuttack, Deogarh, Dhenkanal, Ganjam, Jajpur (At Kalinganagar), Jharsuguda, Khordha and Sundargarh.
105 Team Orissa means the broad institutional framework of the Government that is engaged in industrial facilitation and investment promotion in all key areas of economic growth.

environment management, land policy, periphery development, ancillary and downstream development, promotion of frontier industries the proposal was not appraised to HLCA. Thus, benefit of valuable advice of resource persons on industrial development in respective fields could not be availed.

- As per Para 12.4 of IPR 2007, SLSWCA/HLCA was to review implementation of provisions relating to (i) amalgamation of different records, registers and returns required to be maintained under various Labour Laws; and (ii) introduction and implementation of a system of joint inspection by various regulatory agencies which would reduce the transaction cost for establishment and post entry operations of the industries. But no such review was conducted.

3.8.2.2 Functioning of SLNA and clearance of project proposals by SLSWCA

As per OIFA, functions of SLNA included issue and receipt of Combined Application Form (CAFs) from entrepreneurs and arranging required clearance from Department or Authorities concerned within specified time limit; State's image building to attract investments and guiding, assisting entrepreneurs to set up industries in State. During 2007-14, IPICOL as SLNA received 378 proposals for setting up of industries in various sectors. The year-wise position of receipt of CAFs and their status of processing/appraisal/ approval by SLSWCA/HLCA is given in ***Appendix-3.8.1***. Audit observed the following;

- There has been a steady decline in number of CAFs from 2010-11 onwards. As against 87 CAFs received in 2010-11, SLNA received 48 in 2011-12, 20 in 2012-13 and 26 in 2013-14. Further upto 2013-14, 52 proposals involving investment of ₹ 2,66,545 crore were deferred by SLSWCA without assigning any recorded reasons and 62 proposals involving investment of ₹ 54,541 crore were not yet put up to SLSWCA for want of further information from entrepreneurs even after one to eight years.

Government stated that SLSWCA had not mentioned the reason for deferment and it was due to matters related to policy issues, paucity of time for deliberation of proposal etc.

- As per Schedule-VI of Odisha Industries Facilitation Rules, 2005, time limit for assurance of IDCO land is 30 days and allotment of Government land is 65 days. Further, as per OIFA, 2004, SLNA is responsible for arranging required clearance from Department or Authorities concerned within specified time limit. Out of 172 proposals involving potential investment of ₹ 5,73,525 crore approved by SLSWCA/ HLCA only 38 projects (22 *per cent*) with an investment of ₹ 92,645 crore had gone into production till 2013-14. Further, 16 projects were under construction and in 55 cases process of land acquisition was in progress even after expiry of 18 to 68 months of their approval. In case of 63 proposals there was no progress in setting up of industrial units. But after clearance of proposals, SLNA has not followed up the implementation of projects through setting up of task force (TF) consisting of senior level representatives from key Departments and Authorities to review periodically status of implementation of projects and to sort out problems, if any.

- On receipt of CAFs, SLNA send copies of CAFs to respective clearance granting authorities such as Directorate of Factory and Boilers, State Pollution Control Board, IDCO etc., for their views regarding clearance for setting up of industries. After obtaining approval of SLSWCA/HLCA, SLNA communicates the conditions of approval to entrepreneurs. Audit scrutiny revealed that SLNA did not arrange the required clearances as envisaged in IPR 2007 from respective departments, instead directed entrepreneurs to approach various clearance granting authorities directly for issue of clearances and thereby defeating the objective of single window mechanism.

Government (October 2014) stated that SLSWCA/HLCA accord in principle approval only which means detailed proposal in the appropriate format need to be filed before department/agencies concerned for detailed examination and formal approval at their end. But SLNA had not facilitated time bound arrangement of clearance from clearance granting authorities for setting up of industries as envisaged in IPR 2007.

- Para 6.1 of IPR 2007 provides that IPICOL, as SLNA shall establish a Comprehensive Industrial Data Bank on medium and large scale industries with the help of a professional agency. No such data bank, however, was established.

Government stated that IPICOL was in the process of establishing such Data Bank by appointing a professional agency.

- Para 6.4 of IPR 2007 envisaged IPICOL to develop and implement a web enabled Project Monitoring and Information System (PMIS) to facilitate time bound clearance to investment proposals, facility for e-filing of CAF and e-payment of processing fees and virtual single window interface between investors and different clearance authorities. This was not implemented till the date of audit. Non-implementation of PMIS thus defeated the objective of online interface of investors with nodal agencies for time bound clearance of investment proposals.

Government (October 2014) stated that for online filing of CAF, IPICOL had already started the work.

3.8.2.3 Implementation of Single Window Mechanism at District Level

Functioning of District Level Nodal Agency

In order to implement Single Window mechanism as envisaged in IPR 2007, GoO sanctioned ₹ 12.25 crore towards 'Implementation of Single Window System under DI' (₹ 8.09 crore), 'Restructuring of DICs' (₹ 1.83 crore) and 'Formation of RICs' (₹ 2.33 crore) during 2007-14. In this connection Audit observed the following:

- GoO sanctioned ₹ 2.33 crore during 2008-14 for creation of five RICs[106] by upgrading DICs and directed DI to place fund with IDCO, a GoO undertaking for creation of necessary infrastructure. Though GoO notified (March 2011) upgradation of five DICs to RICs, IDCO could not commence work till date of audit due to non finalisation of modalities and scope of work by Government. Thus, very objective of creation of infrastructure for RICs remained unfulfilled and this led to avoidable blockage of ₹ 2.33 crore. The role to be played by RICs including specific activities to be carried out after upgradation had also not been approved by GoO till date (June 2014).

On being pointed out, DI (August 2014) stated that the matter was being taken up with IDCO to execute the work with available funds.

- During 2009-14, ₹ 1.55 crore out of ₹ 1.83 crore was placed with IDCO under the scheme "Restructuring of DICs" for face lifting, renovation of conference hall, internal furnishing, etc. for 12 DICs and DI. Out of this, administrative approval for ₹ 0.10 crore (six *per cent* only) was only accorded and for remaining work, no estimate was prepared by IDCO till date.

On being pointed out, in reply DI stated (August 2014) that IDCO indicated its unwillingness to take up work at certain locations which were being reallocated to Odisha Small Industries Corporation (OSIC).

- During 2007-14, under the scheme for "Implementation of Single Window under DI", ₹ 5.48 crore was given to IDCO for construction/ renovation of buildings and creation of facilitation cell in 29 DICs. Out of this, ₹ 3.84 crore related to construction of office building for 11 DICs. Against this, only two DIC buildings were completed. In respect of other nine DICs involving funds of ₹ 3.04 crore, there was no significant progress of work. Similarly, out of balance 18 DICs, though creation of business facilitation cell was completed in 11 DICs, the same was not completed in seven DICs/RICs.

  In reply (August 2014), DI while accepting the fact stated that though progress was reviewed regularly, work of buildings and facilitation cells were not complete**.**

Non completion/commencement of work was mainly due to non finalisation of modalities and scope of work, delay in acquisition of land and non submission of estimate by IDCO. As a result, necessary infrastructure for formation of RIC, restructuring of DIC and implementation of Single Window could not be created even after seven years of implementation of IPR.

3.8.2.4 Clearance of Project Proposals at District Level

DICs act as Nodal Agencies at District Level to undertake industrial promotion activities and to facilitate investments. As per Section 5(4) of OIFA, DLSWCA shall examine proposals brought before it for setting up Industrial Units and other projects and communicate its decision to Entrepreneurs within prescribed time limit.

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106 Dhenkanal, Sambalpur, Kalinganagar (Jajpur), Rayagada and Rourkela.

The year-wise position of receipt of CAFs during 2007-14 by eight selected DICs/RICs and their status are given in ***Appendix-3.8.2***. In eight selected DICs/RICs, Audit observed the following:

- There has been a steady decline in number of CAFs from 2010-11 onwards. As against 214 CAFs received in 2009-10, DLNAs received 196 in 2010-11, 189 in 2011-12, 89 in 2012-13 and 84 in 2013-14. Further 65 proposals involving investment of ₹ 159.34 crore received during 2009-10 to 2013-14 were pending for approval without assigning any recorded reasons. Out of 1,087 CAFs received during the period covered under audit, only 802 proposals were approved. Of the approved proposals, registration of commercial production (Enterprises Memorandum-II (EM-II) certificate) was issued to 90 industrial units only in selected DICs/RICs.

- Further, DLNAs received proposals seeking 1,440 clearances of various types in eight selected DICs/RICs as of March 2014 for setting up of industries out of which 492 were cleared, 609 were rejected and 339 were pending. Out of these pending cases, major portion is related to allotment of land i.e., IDCO land (234 cases) and Government land (68 cases).

- Though GoO time and again issued instructions to hold monthly meeting of DLSWCA, six to 22 meetings were held in eight selected DICs/RICs against 84 stipulated for each district during 2007-14. Non holding of meeting at regular interval weakened the effectiveness of Single Window Mechanism.

- DLSWCA, Jajpur[107] approved 10 cases of land allotment in March 2007 and 85 cases in May 2007 and recommended them to IDCO for allotment in Kalinganagar Growth Centre, against which IDCO issued provisional allotment letters in 76 cases. However, after a delay of four years Land Allotment Committee (LAC) of IDCO decided (April 2011) to return these cases (July 2011) to Collector, Jajpur for re-examination with reference to their value addition, forward and backward linkages with major industries situated at Kalinganagar. Records relating to these cases remained pending at Collectorate, Jajpur without any action for over 23 months and were finally handed over to RIC, Kalinganagar only in March 2013. Allotment of land in these cases was not yet finalised. The entire exercise over a period of more than six years for allotment of land in 76 cases thus yielded no results and was against the spirit of OIFA for faster clearance of projects.

In reply (August 2014), DI stated that amendment of OIFA, 2004 was under process.

107 Located at Jagatpur.

3.8.2.5 Functioning of Special Single Window Clearance Committee (SSWCC)

Odisha Industrial Facilitation Act, 2004 provided for constitution of SSWCC by Government for any specified purpose, area or sector. Two Committees namely State Level SSWCC for promotion and development of industries in the IT/ITES and related sectors and State Level SSWCC in the Department of Tourism for promotion and development of Tourism were constituted (February 2008) by GoO. Subsequently, SSWCC for Tourism was rescinded (June 2012) and fresh notification was issued (November 2012). As per this notification, all tourism related project proposals above ₹ five crore shall be processed by SLNA and placed before SLSWCA through Task Force on Tourism. GoO during November 2013 reconstituted SSWCC on tourism. Though SSWCC for tourism sector was constituted late in November 2013, no meetings were convened till March 2014. As a result 14 project proposals involving project cost of ₹ 584.35 crore were pending for approval since June 2011.

Government in reply stated that SSWCC would be convened after receipt of recommendation of the Task Force.

3.8.2.6 Deemed Approval

Emphasising timely issue of clearances under Single Window mechanism, OIFA provided for issue of deemed clearances to entrepreneurs in case of failure of Departments or Authorities concerned to issue the required clearances within specified time limit.

Scrutiny of project proposal files at SLNA revealed that there were no recorded reasons for delay in issue of clearances. Further, scrutiny of 45 and five proposals at two clearance authority level i.e., State Pollution Control Board and Director of Factory and Boilers revealed that as against the specified time limit of 120 and 30 days, clearance were issued with period ranging from 160 and 1,425 days and 68 to 934 days respectively. Though there was delay in issue of clearances, SLNA had not issued Deemed Clearance to any of the project as provided in OIFA.

Government stated that clearances in respective departments require specific information and processing fees and also subject to availability of required quantity of land and water, entrepreneurs were advised to apply to respective departments to obtain the same. Therefore, allowing deemed approval as per provision to entrepreneurs by IPCOL was not feasible.

3.8.2.7 Collection and utilisation of processing fees

As per OIFR, 2005 every applicant, seeking clearance for establishment of an industry, shall apply in CAF along with the requisite fees varying from ₹ 1,000 to ₹ one lakh for processing of application. Processing fee being Government revenue, unless otherwise specifically permitted, should have been duly deposited into Government Account as required under Rule 6(1) of

Odisha Treasury Code (OTC) Vol. I. Audit observed following irregularities in collection and utilisation of processing fees:

- Processing fees of ₹ 12 lakh, collected with CAFs in eight selected DIC/RICs during 2007-14 were kept in Drawing and Disbursement Officer's (DDO) Current account. This resulted in irregular retention of government money outside Government account.

  In reply (August 2014) DI stated that proposal for depositing processing fees to the State exchequer is under consideration of MSME/Industries Department.

- Similarly, IPICOL received ₹ 3.20 crore as processing fees of 378 CAFs during 2007-14 which was taken to its accounts as income without specific sanction from GoO in violation of provision of OTC and OIFR.

Government stated that there is no instruction issued to IPICOL to park the funds received as processing fees in any specified account. But processing fee collected with CAFs from entrepreneurs being Government revenue should have been duly deposited into Government Account.

3.8.3 Financial Incentives

IPR 2007 provides for extension of incentives, concessions etc. to new industries as per detailed guidelines/statutory notifications issued by Administrative Departments. Budgeted incentives (VAT reimbursement, interest subsidy etc.) are generally processed, sanctioned and disbursed at DIC/RICs and DI level. For incentives like concession of land premium on conversion, Stamp Duty, Electricity Duty which are not routed through budget, DI and DICs/RICs/IPICOL as the case may be determine the eligibility and issue eligibility certificates to industrial units. On the basis of the eligibility certificate industrial units avail benefits from authorities concerned. Audit observed following irregularities:

3.8.3.1 Exemption from payment of premium for conversion of agricultural land for industrial use

IPR 2007 provides that new industrial units and existing industrial units taking up expansion/modernisation/diversification will be granted exemption from payment of premium at 50 to 100 *per cent* on conversion of agricultural land for industrial use on production of eligibility certificate from DI for Large and Medium Enterprises and from GM, DIC for Micro and Small Enterprises. The GoO issued (May 2007) notification to give effect to this provision of IPR. New industrial unit as defined under IPR 2007 is one where fixed capital investment has commenced on or after the effective date and which goes into commercial production within two years for micro, small and medium enterprises and three years for the rest, from the date of starting first fixed capital investment.

Audit observed that DI during 2007-14 issued eligibility certificates to 27[108] industrial units for conversion of 959.880 acres of land under large and medium sector. Similarly, in respect of eight selected DICs/RICs, eligibility certificates were issued to 106 industrial units for 201.535 acres of land under micro and small sector. As per IPR, commercial production of these units should have commenced within two years for micro, small and medium enterprises and three years for others from date of first fixed capital investment. Considering the date of commencement of fixed capital investment of these units, 108 units (out of 133 units) against which exemption had been granted for 830.645 acre of land should have achieved commercial production to be eligible for incentive. However, status of commercial production of these units had not been ascertained to ensure that they were eligible for incentive.

In reply (August 2014) DI stated that all RICs/DICs were advised to initiate action against the industrial units which had not started commercial production within the stipulated period.

3.8.3.2 Exemption of Stamp Duty for Micro, Small and Medium sector

IPR-2007 provides that in respect of transfer of land/shed by Government, IDCO etc., to new and existing Industrial Units taking up expansion/ modernisation/ diversification they are eligible for exemption of stamp duty ranging from 25 to 100 *per cent*.

GoO issued (May 2007) notification to give effect to this provision of the IPR according to which General Manager (GM), DIC and Managing Director (MD), IPICOL are authorities for recommending exemption of stamp duty in respect of Micro/Small/Medium/Priority/Thrust Sectors and large sector units respectively. During 2007-14, GMs recommended transfer of 72.287 acres of land in respect of 27 industrial units declaring units eligible for exemption from payment of stamp duty. As per the procedure stipulated in the circular issued (May 2009) by the DI for exemption of stamp duty, it shall become repayable with interest in case the unit is not set up within two years for Micro and small industries and three years for others.

Audit observed that actual date of commercial production had however not been ascertained so as to make recovery from defaulting units.

In reply (August 2014) DI stated that review and monitoring of units under implementation was being taken up for recovery from those units.

3.8.3.3 Exemption of Stamp Duty for large sector industrial units

On applications from large industrial units and prior to execution of lease deed for transfer of land, IDCO refers cases to IPICOL for authentication on the body of the conveyance deed for allowing concession on stamp duty. Though IPICOL recommends stamp duty exemption, no records are maintained at IPICOL regarding the list of industrial units who were recommended their

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108 2007-08 - 5 cases, 2008-09 - 5 cases , 2009-10 - 4 cases, 2010-11 - 4 cases, 2011-12 - 6 cases, 2012-13 - 2 cases and 2013-14 - one case.

date of first fixed capital investment and date of commercial production etc. In absence of this, audit test checked three cases of Stamp Duty exemption recommended by IPICOL and observed the following:

- IPICOL recommended (March 2009 to April 2011) two large sector industrial units for exemption of Stamp Duty on transfer of 1,191.27 acres of land valued at ₹ 61.86 crore. The units, however, could not start commercial production within stipulated period of three years from date of first fixed capital investment. As such the industrial units were not eligible for exemption of ₹ 77 lakh towards SD.
- IPICOL recommended (September 2011) one large industrial unit for availing stamp duty exemption for 125.34 acres of land valuing ₹ 5.37 crore. The unit was ineligible for stamp duty exemption under IPR 2007 amounting to ₹ seven lakh as the commercial production was started (September 2006) before effective date (2 March 2007).

  Government stated that action was being initiated against the projects who had failed to commence production within three years from date of first fixed capital investment.

3.8.3.4 Reimbursement of Value Added Tax

IPR 2007 (Clause 18.4) provides for reimbursement of 50 to 75 *per cent* net VAT paid by eligible units for a period of 5 to 10 years from date of starting commercial production limited to 100 to 200 *per cent* of fixed capital investment. GoO also issued (March 2010/May 2010) related operational guidelines for reimbursement of VAT.

Scrutiny of records revealed that GM, RIC, Rourkela sanctioned (February 2012 to July 2013) ₹ 38.55 lakh for 50 *per cent* reimbursement of VAT in favour of Plastic Company, Rourkela for 2010-13. Accordingly, disbursement of ₹ 35.50 lakh was made (April 2012 to July 2013).

Audit observed that first fixed Capital Investment was made by industrial unit on 10 December 2007. The unit, however, commenced its commercial production on 20 October 2010. Being a small sector unit and because it failed to commence commercial production within two years from date of its first fixed capital investment, it cannot be considered a new unit to be eligible for reimbursement of VAT under IPR 2007. Inappropriate determination of eligibility thus led to reimbursement of VAT of ₹ 35.50 lakh with additional sanctioned liability of` ₹ 3.05 lakh.

In reply (August 2014) DI stated that ₹ 14.00 lakh had been recovered and recovery of rest amount was in progress.

3.8.3.5 Extension of undue benefit under Special Industrial Promotional Assistance

Clause 4.2A of IPR 2001 provides for special package of incentives to new mega industrial projects which include Special Industrial Promotional Assistance (SIPA) of 50 *per cent* of Sales Tax/VAT paid in the preceding year on sale of finished products.

DI recommended (30 March 2006) a unit at Paradip to be eligible to get SIPA and sanctioned (February 2008 and February 2013) ₹ 10.21 crore for reimbursement of VAT for years 2004-11, out of which it disbursed ₹ 9.70 crore. Audit observed the following:

- As per the guidelines, reimbursement of VAT is on sale of finished product manufactured by the Unit. Although the unit at Paradip was involved both in manufacturing and trading activities, VAT reimbursement was made on sale value including trading products without bifurcating sale value of manufactured products.
- Under the Orissa VAT Act, 2004, the unit as a registered dealer is entitled to input tax credit against output tax payable. Reimbursement of VAT, thus should have been limited to 50 *per cent* of net tax liability. DI had, however, sanctioned ₹ 4.72 crore for the year 2008-11 without considering input tax credit of ₹ 1.35 crore. Reimbursement of 50 *per cent* of full amount of output tax (VAT payable) thus led to excess reimbursement of ₹ 0.67 crore on account of input tax credit (50 *per cent* of ₹ 1.35 crore) for years 2008-11.

In reply (August 2014), DI stated that the beneficiary unit had been advised to arrange VAT audit of the industrial unit for every year for certifying VAT paid on sale of finished product exclusively manufactured by the units during past period of claims. They further stated that extension of incentive was stopped till settlement of matter.

3.8.3.6 Exemption of Electricity Duty to Captive Power Plants

Para 20.2 of IPR 2007 provides that new industrial units setting up captive power plants (CPP) shall be exempted from payment of Electricity Duty (ED) for a period of five years for self-consumption only from date of its commissioning. GoO in Department of Energy on 8 August 2008 issued Operational Guidelines for this.

During 2007-14 three applications were received for exemption of ED on CPPs under IPR-2007 and all these applications were under process at DI, Odisha. During the same period, DI on the basis of proposal submitted by nine DICs had recommended ED exemption to 24 industrial units under IPR-2001. On test check of 10 out of these 24 cases, Audit observed following irregularities in determination of eligibility for exemption of ED:

- DI recommended nine units of CPP of 135 MW each of an Aluminium Plant[109] in four phases during 2009-13 for exemption of ED for five years from the respective date of commissioning of each unit to the extent of captive use. The eligibility for exemption of ED for all nine units was determined under IPR 2001 on the basis of date of first fixed capital investment furnished by unit.

  Audit observed that the unit signed (April 2007) Memorandum of Understanding (MoU) with GoO for establishment of CPP of 675 MW with investment in IDCO land on 15 February 2007. Further, expansion proposal for enhancement of capacity of Aluminium plant

109 Vedanta Aluminium Limited (VAL).

including that of CPP from 675 MW to 1,350 MW was submitted to the SLNA (IPICOL) on 27 November 2008. Thus, there was no proposal of unit to establish expanded capacity of CPP during IPR 2001 and the unit planned expanded capacity only during effective period of IPR-2007. Hence, expanded capacity was ineligible for incentive amounting to ₹ 314.40 crore on 15,720.03 million unit (MU) of electricity under IPR 2001 as well as under IPR 2007.

DI in reply (August 2014) stated that the unit made investment in IDCO land on 15 February 2007 i.e., under IPR 2001 and hence, exemption from ED was recommended as per provisions of IPR 2001. But there was no proposal for expansion of CPP capacity to 1,350 MW during IPR 2001 as MoU was signed with GoO in April 2007 and CAF for project was submitted to SLNA (IPICOL) on 27 November 2008 after IPR 2007 came into effect.

- DI recommended exemption from payment of ED to a Steel Plant[110], Sambalpur against six units of CPP for a total capacity of 376 MW in four phases between 14 June 2006 and 25 October 2011 for a period of five years from respective date of commissioning of each unit to the extent of captive use.

  Audit observed that though, it was to set up CPPs of 270 MW in two phases of 135 MW each as per MoU (May 2002) with GoO, it established CPPs of 246 MW (5 units of 40 MW + 60 MW + 2X8 MW + 130 MW) till September 2009. However, no approval was sought from SLSWCA/HLCA regarding proposal for expanded capacity of 130 MW (376 MW-246 MW). Further, for expansion of CPP capacity, it obtained (29 March 2007) environmental clearance from Ministry of Environment & Forest (MoEF) which was the pre-condition for such industry. Thus, recommendation for 130 MW additional unit by DI for exemption of ED for which NOC from MoEF was obtained beyond effective date of IPR 2001 was not in order.

  Hence, expanded capacity was ineligible for incentive amounting to ₹ 38.56 crore on 1,927.74 MU of electricity consumed under IPR 2001 as well as under IPR 2007.

DI in reply (August 2014) stated that 1st fixed capital investment for the entire project started on 09 April 2003 i.e., during IPR 2001 and did not debar the unit to come up in phases. But MoU signed with GoO was for 270 MW. Further, for expanded capacity of CPP, no proposal was submitted to SLNA and environmental clearances (EC) from MoEF as stipulated in earlier EC for any further expansion of the project was also obtained during the effective period of IPR 2007, thus the unit was ineligible under IPR 2001.

- DI recommended exemption from payment of ED to a Power Plant[111], Jharsuguda for five years from respective date of commissioning of two units of CPP (12 MW + 25 MW) in two phases under IPR 2001.

110 Bhushan Power and Steel Limited (BPSL).
111 Action Ispat and Power (P) Limited (AIPPL).

> Audit observed that eligibility of 25 MW CPP was determined considering date of first capital investment as of 27 February 2007 i.e. dates of making advance payment to suppliers of Plant and Machinery. Further, CPP unit was an additional/expanded capacity under Industrial Entrepreneur Memorandum (IEM) (20 October 2007) and consent to establish was obtained from State Pollution Control Board (SPCB), Odisha on 03 December 2008. Hence, commencement of fixed capital investment for this CPP cannot be said to have been made during effective period of IPR 2001 to make this unit (25 MW) eligible for exemption of ED of ₹ 12.06 crore.

DI in reply (August 2014) stated that 1st fixed capital investment in land was made on August 2004 thus eligible for ED exemption under IPR 2001. But as the unit got IEM for expanded capacity during October 2007 and consent to establish was obtained from SPCB, Odisha during December 2008, the unit was ineligible for ED exemption under IPR 2001.

3.8.4 Monitoring and Internal Control

The following deficiencies in Monitoring and Internal Control system were noticed in audit.

3.8.4.1 Monitoring

OIFA, 2004 provided that IPICOL shall set up Task Force (TF) consisting of senior level representatives from key Departments and Authorities to review periodically status of implementation of projects and to sort out problems, if any. The Act also provided for constitution of TF by DLNA.

Based on this Act, IPICOL constituted (August 2005) a TF under Chairmanship of CMD, IDCO. However, details of meetings held by TF were not on record. Further, GoO constituted (November 2009) TF at IDCO under Chairmanship of Secretary to Government, ID with nine other members including CMD, IDCO as Member Convener. Audit observed the following:

- During the period September 2009 to August 2010, 14 TF Meetings were convened. No meetings, however, were conducted thereafter to review the status of projects, possibly contributing to 134 projects approved by SLSWCA/HLCA pending for implementation as on March 2014.

TF at district level as envisaged in OIFA was not set up.

3.8.4.2 Monthly Progress Report

As decided (24 September 2011) in Conference of GMs, RICs/DICs, RICs/DICs had to furnish monthly report on implementation of Single window in revised format. As on March 2014, six RICs/DICs had not furnished MPR September 2011 onwards and 13 DICs/RICs had not furnished Monthly Progress Report (MPR) for three to 22 months. But there was no pursuance from DI.

3.8.5 Non submission of UCs under Single Window

Audit observed that DI released funds of ₹ 88.16 lakh towards internet connectivity under the scheme Implementation of Single Window to OCAC (₹ 43.37 lakh) and different RICs/DICs (₹ 44.79 lakh) during 2007-14, out of which, UCs for only ₹ 18 lakh were submitted by RICs/DICs.

3.8.6 Conclusion

IPR a policy framework for industrial promotion and investment facilitation including operationalisation of Single Window mechanism was introduced in the State with effect from 2 March 2007 to facilitate setting up of industries and extension of financial incentives to industrial units. Audit revealed that the numbers of CAFs declined over years. Further, finalisation of CAFs received during the period 2007-14 was delayed due to non holding of SLSWCA/ HLCA/DLSWCA and lack of monitoring on the part of IPICOL. Audit further, noticed deficiencies in implementation of various incentive schemes provided in the IPR such as exemption from stamp duty, reimbursement of value added tax, exemption of electricity duty, etc. which were extended to ineligible units. Monitoring and internal control required improvement.

WORKS DEPARTMENT

3.9 Extra cost due to inflated rate in estimate

Unwarranted deviation in estimate led to extra cost of ₹ 1.48 crore resulting in undue benefit to contractor

As per para 3.4.10 of OPWD Code the estimates should be prepared using the sanction schedule of rates and in most economical manner. Work of "Improvement to Sankarkhole - Khajuripada from RD 0/0 to 21/150 Km" was awarded (August 2013) to a contractor on percentage (1.2 *per cent* less) tender basis for ₹ 25.80 crore to be completed by August 2015. The work was in progress as of March 2014.

Scrutiny of estimate for above work prepared by Executive Engineer (EE), Roads & Building (R&B) Division, Phulbani and sanctioned (November 2012) by Chief Engineer (CE), World Bank project for ₹ 26.12 crore under NABARD assistance RIDF-XVIII revealed (December 2013) that an item "roadway excavation" at the rate of ₹ 86.70 per cum for 2,12,291 cum was included with provision of ₹ 1.84 crore. Analysis of rates revealed that the rate was for "earth work in excavation in hard soil by labourers".

In another work "Improvement to Manamunda-Kantamal-Ghantapada-Sindhiguda road (SH-41) from 2/700 to 5/650 Km" prepared by the above Division and sanctioned in July 2011, it was noticed that the item rate provided for excavation of earth work of 3,596 cum by mechanical means. The difference in rate per cum from ₹ 16.36 to ₹ 86.70 in November 2012 was due to change in mode of execution of work from mechanical means to manual means. But it was noticed during joint physical inspection of the work by audit team with Assistant Engineer, South (R&B) Section, Phulbani that excavation work was being done by the contractor with mechanical means.

Thus, the deviation in estimate of excavation work from mechanical to manual means had the effect of inflating the item rate involving extra cost of ₹ 1.49 crore. As the work was awarded to the contractor on the basis of percentage rate with 1.2 *per cent* less than the estimated cost, the extra cost and undue benefit to the contractor was ₹ 1.48 crore (1.2 *per cent* less of ₹ 1.49 crore), out of which ₹ 22.10 lakh had already been paid to the contractor for execution of 31,416 cum of earth work (March 2014).

Accepting the audit observation, Government stated (October 2014) that EE was instructed to process deviation proposal for execution of earth work by using hydraulic excavator.

3.10 Non recovery of Government dues from the defaulting contractor

Despite default in execution of the works, penalty and LD of ₹ 1.52 crore were not recovered from the contractor

As per clauses 2 (a) and 2 (b) (i) of the condition of the standard F_2 contract, time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and in case of delay the contractor shall pay as compensation upto 10 *per cent* of the estimated cost of the work. In case of failure to complete the work, the contract shall be rescinded and 20 *per cent* of the value of left over work will be realised from the contractor as penalty.

Test check of records of Executive Engineer[112] (EE), revealed that the work "Improvement to Gop - Balighai Road from 00 to 18/00 Km in the District of Puri under RIDF-V" was awarded (June 2010) to a contractor at a cost of ₹ 6.22 crore for completion by June 2011. The contractor failed to execute the works as per the work programme despite issue of several notices by EE and executed works valuing ₹ 1.48 crore only within scheduled date of completion. Despite this, compensation in shape of Liquidated Damages (LD) to ₹ 0.67 crore as stipulated in clause 2 (a) of the contract were not levied by EEs to ensure timely completion of works.

After receiving payment of ₹ 1.24 crore, contractor abandoned (October 2011) work leaving balance of works valued at ₹ 5.26 crore. Government terminated (August 2012) contract with instructions to recover penalty of 20 *per cent* of the value of works not completed by contractor. As such a sum of ₹ 0.67 crore being 10 *per cent* of the estimated cost as LD and penalty of ₹ 1.05 crore being 20 *per cent* of the value of left over works ₹ 1.72 crore was recoverable from the contractor as per the terms and conditions of agreements. Only a sum of ₹ 19.80 lakh was forfeited (November 2012) from contractor and balance LD and penalty of ₹ 1.52 crore remained unrecovered (February 2014).

EE paid (December 2011) ₹ 24 lakh to the contractor before finalisation of the contract which could have been adjusted towards LD and penalty.

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112 Roads and Buildings (R&B) Division, Puri.

While accepting facts Government stated (October 2014) that due to non availability of funds in the account of contractor, CE moved to Government for recovery of balance dues. Further, it was stated that EE was advised to issue fresh demand note against contractor for recovery of penalty and LD charges.

3.11 Extra cost due to non finalisation of tender within extended validity period

Non finalisation of a tender within the extended validity period resulted in extra cost of ₹ 1.11 crore on retender

As per Note (iv) below para 3.5.18 of OPWD Code Volume I, the tenders should be finalised within three months from the last date prescribed for receipt of tenders. If delay in deciding the tender is inevitable, the consent of the tenderer to keep the offer open for a further period should be obtained.

Check of records of Executive Engineer (EE), Khordha R&B division revealed (November 2013) that tender for the work "Improvement to Khandapada -Fategarh road from 20.700 km to 39.000 km in the district of Nayagarh under NABARD assistance (RIDF-XVII)" was invited (March 2011) by Chief Engineer (CE), World Bank Project. The last date for receipt of tender was 28 April 2011. In response to tender call notice, eight bids were received and validity of tender was upto 27 July 2011. The CE recommended (2 June 2011) the first lowest bid of ₹ 8.83 crore being 15 *per cent* less than the estimated cost of ₹ 10.39 crore. However, Government did not finalise the tender within its validity period and the lowest bidder was asked to extend the validity. In response, the lowest bidder extended the validity period twice (from 28 July 2011 to 28 September 2011 and 29 September 2011 to 28 November 2011). Instead of finalising the tender within the extended validity period, Chief Engineer requested for further extension which was not agreed to by the contractor. Next two lowest bidders also refused to extend the validity of their offers. The reasons for non finalisation of tender within the extended validity period were also not on record. Finally, Government approved (February 2012) cancellation of the above tender and instructed invitation of fresh tender. On retender (March 2012), the work was awarded (August 2012) to a single bidder at a cost of ₹ 9.94 crore for completion by February 2014 and work was in progress.

Thus, non finalisation of tender even during the extended validity period not only resulted in extra cost of ₹ 1.11 crore but also delayed improvement of road.

Government stated (July 2014) that the work was completed in all respect after retendering but is silent on aspect of delay in finalisation of 1st tender.

3.12 Extra cost due to non execution of agreement within validity period

Non execution of agreement within the validity period resulted in extra cost of ₹ 4.73 crore on retender

As per Note (iv) below para 3.5.18 of OPWD Code Volume I, the tenders should be finalised within three months from the last date prescribed for receipt of the tenders. If delay in deciding the tender is inevitable, the consent of the tenderer to keep the offer open for a further period absolutely required should be obtained.

Chief Engineer (CE), World Bank Project, Odisha invited tender (5 April 2013) for the work "widening of Titilagarh - Phapsi PWD road in the district of Bolangir under NABARD assistance RIDF-XVIII". Last date for receipt of tender was 6 May 2013 and validity was upto 4 August 2013. Scrutiny of the records of EE revealed that though the technical bid was opened on 14 May 2013, the evaluation of tender was done by the committee under the Chairmanship of Engineer-in-Chief on 13 June 2013 i.e after one month. When the price bids of the three qualified bidders were opened on 18 June 2013, it was found that the lowest quote was for ₹ 19.23 crore being 15.7 *per cent* less than the estimated cost of ₹ 22.81 crore. On 2 July 2013, Tender Committee under the Chairmanship of Engineer-in-chief cum Secretary to Government considered the above facts and recommended lowest tender for approval of Government which was received by the CE on 01 August 2013 i.e after four weeks. The lowest bidder was communicated by registered post on 06 August 2013 to sign the agreement. Although the lowest bidder had given (25 June 2013) his willingness to extend the validity period upto 3 September 2013, he expressed (07 September 2013) his inability to do the work at quoted rate due to non receipt of the work order (till 7 September 2013) and also abnormal increase in rates of goods and labour.

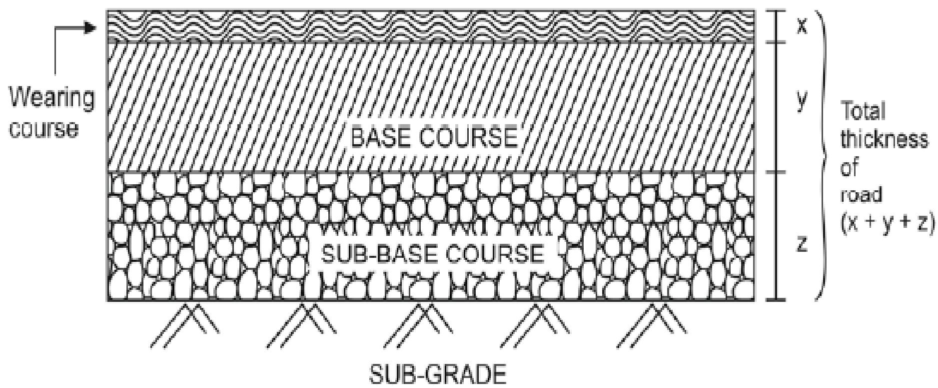
The second lowest bidder also declined to extend the validity of tender further as the Government had published revised SoR which was approximately five to six *per cent* higher. The work was awarded (February 2014) on retender to a contractor at a cost of ₹ 23.96 crore to complete the work by February 2016. Thus, delay at each stage of tender finalisation led to non execution of agreement within the extended validity period and extra cost of ₹ 4.73 crore for execution work through retender.

Government stated (October 2014) in reply that all action had been taken as per codal provision. Though the tender has been finalised within bid validity period and letter of award communicated within extended validity period, the successful bidder has intentionally avoided entering into contract. But the fact remains that the process could have been expeditiously completed instead of delaying till last stages.

3.13 Avoidable extra expenditure

Non adherence to Indian Road Congress guidelines resulted in avoidable extra expenditure of ₹ 7.54 crore on capping layer of sand

According to Indian Road Congress (IRC) norms, pavement layer of a road consists of three layers viz. sub-base course, base course and surfacing/ wearing course laid in successive layers over subgrade surface, as shown in the diagram below.



Depending on the strength of subgrade soil in terms of California Bearing Ratio (CBR) and on the basis of projected number of commercial vehicles Million Standard Axles (MSA), thickness of pavement of road is to be designed to ensure load bearing capacity of the road. According to IRC guidelines (4.2.1.5), preferably the subgrade soil should have a CBR of two *per cent.* Where the CBR value of the subgrade soil is less than two *per cent*, the design should be based on subgrade CBR value of two *per cent* and a capping layer of 150 mm thickness of material with minimum CBR of 10 *per cent* shall be provided in addition to the sub-base.

Check of records in six Roads and Bridges (R&B) Divisions[113] revealed that Chief Engineer (CE), World Bank Projects had sanctioned (between July 2010 and October 2013) estimates for ₹ 196.86 crore for 11 road works. It was observed from the records that though CBR values of subgrade soil were more than the requisite two *per cent* (i.e. three to 10 *per cent*) indicating adequate load bearing capacity, divisions provided capping layer of sand with thickness ranging from 150 mm to 500 mm as detailed in ***Appendix-3.13.1*** and ***3.13.2***. Further, thickness of GSB actually provided in these works were not uniform as per the IRC specification as in 10 works it was less and in one work it was more than the required IRC code.

Thus, unwarranted provision of capping layer of sand and reducing the thickness of GSB resulted in avoidable extra expenditure of ₹ 7.54 crore as detailed in ***Appendix-3.13.2.***

113 R & B Divisions, Rourkela, Angul, Dhenkanal, No.II Berhampur, Bhadrak and Puri.

Government stated (October 2014) that total quantity of sand included quantity provided in crust portion as well as in shoulder portion while quantity under crust further consists of thickness required for drainage and thickness required in place of GSB close graded grading III material. While drainage layer of 150 mm thick is required for performance of pavement, the extra quantity below crust is a substitute of GSB grading III and there is saving in cost. But the guidelines of IRC-37 provide for provision of capping layer of sand preferably where the CBR value of the subgrade soil is less than two *per cent* which was not the case here. The drainage layer is required only under the shoulders of the road at the subgrade level and not for the entire road as per para 5.5 of IRC guidelines.

FINANCE DEPARTMENT

3.14 Response to Audit

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

Principal Accountant General (E&RSA) Odisha conducts periodical inspection of Government departments and their field offices to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the Heads of offices and the next higher authorities. Defects and omissions are expected to be attended promptly and compliance reported to the Principal Accountant General. A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of IRs issued upto March 2014 pertaining to 17 departments showed that 18,940 paragraphs relating to 5,471 IRs were outstanding at the end of June 2014. Of these, 1,848 IRs containing 5,222 paragraphs are outstanding for more than 10 years **(*Appendix-3.14.1*)**. Even first reply from the Heads of Offices which was to be furnished within one month was not received in respect of 1,115 IRs issued upto March 2014. Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix-3.14.2***.

Serious irregularities commented upon in these IRs had not been settled as of June 2014 **(*Appendix-3.14.3*)**. Number of paragraphs and amount involved in these irregularities is categorised below.

Table No. 3.7 Category of paragraphs

(₹ in crore)

Sl. No.	***Broad objective heads***	***Number of paragraphs***	***Amount***
1	Non compliance with rules and regulations	22	551.22
2	Audit against propriety/expenditure without justification	15	407.50
3	Persistent/pervasive irregularities	18	438.30
4	Failure of oversight/governance	06	237.29
	Total	**61**	**1634.31**

Source : As per records of the PAG (E&RSA)

3.14.1 Follow up action on earlier Audit Reports

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

It was noticed that in respect of Audit Reports from the year 1997-98 to 2011-12 as indicated below (Table), seven[114] out of 17 departments, which were commented upon, did not submit explanatory notes on paragraphs and reviews as of March 2014.

Table No.3.8 No. of paragraphs for which explanatory notes not received

Year of Audit Report	*Total number of paragraphs*	*Individual paragraphs/reviews*		*Number of paragraphs/reviews for which explanatory notes were not submitted (March 2014)*	
		Individual paragraphs	*Reviews/ Performance Audits*	*Individual paragraphs*	*Reviews/ Performance Audits*
1	*2*	*3*	*4*	*5*	*6*
1997-98	32	28	04	05	03
1998-99	34	32	02	01	00
1999-00	26	23	03	00	01
2000-01	32	29	03	01	01
2001-02	17	16	01	00	01
2002-03	23	21	02	00	02
2003-04	23	23	00	03	00
2004-05	18	18	00	01	00
2005-06	20	17	03	00	00
2006-07	28	27	01	02	00
2007-08	19	16	03	02	02
2008-09	15	12	03	04	02
2009-10	15	15	00	00	00
2010-11	10	08	02	01	02
2011-12	14	12	02	08	02
Total	**326**	**297**	**29**	**28**	**16**

Source : As per records of the PAG (E&RSA)

28 individual transaction audit paragraphs and 16 reviews on which compliance has not been submitted to the Odisha Legislative Assembly can be categorised under (i) non compliance with rules and regulations (ii) audit against propriety/ expenditure without justification, (iii) persistent/pervasive irregularities and failure of oversight and governance. Departments largely

114 Works, Water Resources, Agriculture, Energy, Fisheries and Animal Resources, Industries and Forest and Environment Departments.

responsible for non submission of explanatory notes were Water Resources, Works and Agriculture.

3.14.2 Response of Departments to recommendations of the Public Accounts Committee

Public Accounts Committee Reports/Recommendations are the principal medium by which Legislature enforces financial accountability of the executive to the Legislature and it is appropriate that they elicit timely response from the Government Departments in the form of Action Taken Notes (ATNs). The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all Departments of the State Government to submit ATNs on suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within six months after presentation of PAC Reports to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. Time limit for submission of ATNs had since been reduced from six to four months by OLA (April 2005).

Out of 573 recommendations relating to Audit Reports made by the PAC from the first Report of 10th Assembly (1990-95) to 40th Report of 13th Assembly (2004-09), final action on 89 recommendations were awaited (March 2014).

Bhubaneswar **(Sunil S. Dadhe)**
The **Principal Accountant General (E&RSA)**
Odisha

Countersigned

New Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**