

Chapter II

2. Performance Audit relating to Government Companies

2.1 Odisha Tourism Development Corporation Limited and Department of Tourism, Government of Odisha

Activities of Odisha Tourism Development Corporation Limited and Department of Tourism, Government of Odisha in promoting tourism in the State

Executive Summary

Odisha Tourism Development Corporation Limited (OTDC) was incorporated in September 1979 as a wholly owned Government Company pursuant to Government of Odisha (GoO) resolution of 27 March 1979. As per the above resolution, while Department of Tourism (DoT) of GoO is responsible for policy planning, project evaluation, promotion and publicity of tourism etc., OTDC is responsible for providing accommodation to tourists, developing places of tourist interest, providing transport services to tourists, creating different facilities for the interest and convenience of tourists and adopting methods and devices necessary to attract tourists in large numbers. Performance Audit was conducted to assess activities of OTDC and DoT in promoting tourism in the State. As of March 2014, OTDC had 20 tourist hotels alongwith facilities like catering, surface transport, restaurant, air ticketing, bars and beer parlours and DoT had 17 Panthasalas.

Planning for Projects

Odisha Tourism Policies formulated by GoO did not spell out the role of OTDC for implementation of the policies/projects. No long-term perspective plan/corporate plan was prepared by GoO or OTDC for development of tourism in the State. Though, GoO identified 336 tourist centres in the State, no master plan was prepared for sustainable development of these tourist centres.

Physical and Financial Performance

State's share of foreign tourists was below one per cent of the tourists who visited India. Due to inadequate facilities, out of 429.98 lakh tourists who visited the State during 2009-14, only 5.60 lakh stayed in the accommodation units of DoT/OTDC. As per overall country tourism statistics, State's national rank for attracting domestic tourists reduced from 17th in 2010 to 19th in 2012.

From Budgeted Plan allocation of ₹257.18 crore for DoT during 2009-14, an amount of ₹251.48 crore though stated as spent, ₹58.51 crore was lying with OTDC. For want of Administrative Approvals and non-availability of land, ₹22.33 crore released to OTDC for execution of 26 works remained unutilised. OTDC misused ₹26.02 crore, interest accrued on project fund of Central/State sponsored projects.

Implementation of Tourism Projects

Out of 21 Centrally Sponsored Projects (CSPs) of 11th Plan period, OTDC could execute works valued at ₹74.95 crore as of March 2014 and completed three works only with a delay of 41 to 68 months. Ongoing projects were also delayed upto 71 months. In 13 projects, GoO dropped project components of ₹15.32 crore due to non-availability of suitable land and want of forest clearance. Due to non-completion of CSPs, GoO refunded ₹24.59 crore and diverted ₹21.95 crore from the State budget to complete balance work. The State sacrificed Central Financial Assistance of ₹37.42 crore for five projects due to non-submission of Utilisation Certificate (UC). In absence of any time limit for execution, 43 State Sponsored Projects (₹29.30 crore) had not commenced as of July 2014.

Tourism Projects under PPP mode

Development of tourism projects in the State under PPP mode was ineffective due to lack of commercial viability study. Even after lapse of 18 years, GoO failed to develop required infrastructure despite incurring an expenditure of ₹35.13 crore for development of Shamuka Beach project.

Operational Performance

DoT incurred a loss of ₹7.90 crore in operation of Panthasalas. Three out of twenty hotels of OTDC incurred continuous losses during 2009-14 and only 1 to 4 hotels could achieve the National average of occupancy. Non achievement of targeted food cost ratio resulted in excess consumption of raw material valued at ₹1.94 crore. OTDC could utilise 43.13 to 62.26 per cent of available days of operation of its tourist buses and incurred a loss of ₹4.35 crore during 2009-14. Operation of Hop on Hop off bus service on Public Private Partnership mode was also failed for which OTDC sustained loss of ₹1.05 crore. There was low utilisation of big boats (48.60 to 50.41 per cent) and floating restaurant (4.49 per cent) at Barkul.

Marketing Strategy and Business Promotion

Despite spending ₹17.87 crore during 2009-14 towards promotion and publicity at international level, flow of foreign tourists to State did not increase significantly. Upgradation of three Panthanivases into 3-Star Hotels did not come up so far.

Project Monitoring and Internal control

Deficient monitoring and internal control system of DoT/OTDC resulted in delayed/non-execution of tourist projects, low operational performance and inadequate promotion of tourism.

Recommendations

Performance Audit contains recommendations to prepare a strategic corporate plan defining the role and activities as per the tourism policy; create a credible database to assess return on investment in tourism sector; develop a suitable mechanism to monitor and oversee utilisation of Central/State assistance towards completion of projects in a time bound manner; and adopt effective marketing and publicity practices to improve State's national rank in tourist attraction.

Introduction

2.1.1 Odisha Tourism Development Corporation Limited (OTDC) was incorporated in September 1979 as a wholly owned Government Company pursuant to Government of Odisha (GoO) resolution of 27 March 1979. As per the above resolution, while Department of Tourism (DoT) of GoO is responsible for policy planning, project evaluation, promotion and publicity of tourism etc., OTDC is responsible for providing accommodation to tourists, developing places of tourist interest, providing transport services to tourists, creating different facilities for the interest and convenience of tourists and adopting methods and devices necessary to attract tourists in large numbers. With creation of OTDC, tourist facilities like accommodation and transport, hitherto operated by DoT of GoO were entrusted (September 1980) to OTDC to operate on commercial basis.

2.1.2 OTDC is under the administrative control of DoT of GoO. Management of OTDC is vested in the Board of Directors (BoD) consisting of eight members appointed/nominated by GoO. Managing Director (MD), Chief Executive of OTDC is assisted by General Manager, Finance Controller, Company Secretary, Superintending Engineer and Divisional Managers for

different business segments at the head office of OTDC. The tourist hotels are managed by Senior Managers/Managers.

As of March 2014, OTDC had 20 tourist hotels (Panthanivases) with catering services, two surface transport units, one restaurant and one air ticketing unit. It had boating facilities at four Panthanivases, Bars at two Panthanivases and Beer Parlours at four Panthanivases. DoT had 17 operational tourist lodges²² managed departmentally. Details of the units of OTDC and DoT are given in **Annexure 7**.

Scope and Methodology of Audit

2.1.3 The present Performance Audit conducted during April to July 2014 covers the activities of OTDC in promoting tourism in the State during 2009-14. Audit findings are based on test check of records of head office of OTDC and 10 out of its 20 hotels, and 9 out of 30 District Tourist Offices apart from records of DoT. Hotels and tourist offices were selected through stratified random sampling method with average turnover and number of identified tourist centres located under each tourist office respectively as a size measure.

Performance Audit on Hotel and Transport activities of OTDC was earlier included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007 (Commercial), GoO.

Audit explained its objectives, criteria, scope and methodology to DoT and OTDC during an Entry Conference held on 2 May 2014. Audit findings were reported (1 September 2014) to OTDC and GoO and discussed in the Exit Conference held on 3 November 2014. Entry and Exit Conferences were attended by the Director and Additional Secretary of Department of Tourism & Culture and Finance Controller of OTDC. Views expressed by them and replies furnished (October 2014) by GoO were considered while finalising this report.

Audit Objectives

2.1.4 Performance Audit was conducted with a view to assess whether:

- planning and strategies adopted for development of tourism in the State were as per the extant tourism policies of Government of India (GoI)/GoO;
- tourism infrastructure development projects/schemes sanctioned by GoI/GoO were implemented economically, efficiently and effectively;
- development of tourism projects in the State under Public Private Partnership (PPP) mode was effective and intended benefits were achieved;

²² Named as Panthasala, Panthika, Wayside Amenities Centre (WAC) etc.

- utilisation of existing tourism infrastructure like tourist accommodation units, transport facilities, catering services etc., were optimum and operational efficiency was achieved;
- there existed a well defined marketing strategy for promotion and publicity of tourism to tap prospective tourists; and
- monitoring and internal control mechanism was effective.

Audit Criteria

2.1.5 Audit criteria adopted for assessing the achievement of audit objectives were sourced from the following:

- Tourism Policies of GoI/GoO and State PPP Policy 2007;
- Performance Budgets, statistical bulletins and annual activity reports of DoT;
- Odisha Public Works Department Code, Odisha Fiscal Responsibility and Budget Management Act, 2005, MoUs signed between DoT and OTDC, Corporate Governance Manual prescribed by GoO;
- Guidelines of GoI/GoO for sponsored schemes; and
- Targets/norms fixed by OTDC/DoT for operational performances.

Audit Findings

Planning

State Tourism Policy

2.1.6 GoO formulated (February 1998/April 2013) Odisha Tourism Policy (OTP)-1997 and OTP-2013, main objectives of which include:

- optimum harnessing of the resources to attract maximum number of tourists with increased average duration of their stay in the State;
- development of tourism related industries and generation of employment opportunities; and
- involvement of private sectors, autonomous bodies and local authorities by offering financial incentives and creation of land bank.

As implementation/execution of most of the policies/projects rests with OTDC, audit observed that OTPs did not spell out the role of OTDC for implementation of the policies/projects.

In the Exit Conference, Government while accepting the audit observations, stated that due care would be taken during revision of policy.

Deficiencies noticed in implementation of OTPs are discussed in following paragraphs.

Strategic Plan

2.1.7 Audit noticed that apart from the master plan of GoO for 1992-2002, no long-term perspective plan/corporate plan was prepared by GoO or OTDC for development of tourism in the State as required under OTP 1997 and Corporate Governance Manual of GoO of November 2009.

Government stated (October 2014) that perspective plan would be prepared after finalisation of business plan of OTDC based on the report submitted by the consultant. However, the draft report submitted (December 2013) by the consultant was not placed before BoD (October 2014).

Identification and development of potential tourist centres

2.1.8 OTP 1997 envisaged review of identified tourist centres in the State for shortlisting of viable ones for their development. As of March 2014, State Government identified and recognised 336 tourist centres in 30 districts of the State. No master plan for these identified tourist centres was prepared for their sustainable development even after lapse of 1 to 41 years of their identification. It was also noticed that no investment was made in 92 tourist centres in 17 districts since their identification.

While accepting the fact, Government stated that steps would be taken to prepare master plan for remaining 92 locations and developmental work would be taken up in a phased manner keeping in view availability of resources. However, fact remained that no master plan was prepared for 336 tourist centres.

Creation of land bank

2.1.9 Industrial Policy Resolution 2001/2007 envisaged creation of land bank through Odisha Industrial Infrastructure Development Corporation (IDCO), which was to provide land at concessional rate for industrial projects including tourism. OTP 2013 also emphasised the same. So far, no land bank has been created, resulting in delay in execution of many tourism infrastructure projects as discussed in **Paragraphs 2.1.16, 2.1.22, 2.1.24, 2.1.29 and 2.1.32.**

In the Exit Conference, Government while accepting the fact of non-creation of land bank stated that recently all departments were directed to prepare specific plans which were under progress.

Extension of financial incentives

2.1.10 As per OTP 2013, a new tourism unit or expansion of an existing tourism unit promoted by a tourism undertaking is eligible for incentives in form of subsidy and exemption of taxes and duties, etc.

Audit noticed that out of GoO's budgetary provision of ₹ 2 crore for providing various incentives to tourism undertakings during 2011-14, ₹ 1.50 crore was parked in OTDC and balance was surrendered (2013-14). Though DoT

received 68 proposals from different promoters mainly for establishment of new hotels, no proposal was recommended by the task force constituted for the purpose and instead, it instructed (May 2014) DoT to appoint Nodal Officer for each district for field survey and project scrutiny and resubmit the proposals.

While accepting the fact of parking funds in OTDC, Government stated that as per OTP 2013, all fiscal incentives other than incentives given for marketing are due only after three years from date of approval of the projects or commercial date of operation whichever is later.

Restructuring Plan

2.1.11 Based on the decision taken in Inter-Ministerial Review meeting (September 2005), OTDC entrusted the preparation of a Comprehensive Reform Plan to a consultant earlier appointed by DoT. The consultant suggested (January 2007) that OTDC should develop 14 out of its 22 hotel units through PPP mode and act as catalyst for development of tourism with private participation.

Audit noticed that restructuring plan approved (March 2007) by BoD was not implemented so far (October 2014), for reasons not on record, except transfer of only two hotel units²³ to private parties under PPP mode. Further, on the request of OTDC, Public Enterprises department appointed a consultant in November 2011 to assess the manpower requirement and draft organisational structure of OTDC. The consultant in its draft business plan (December 2013) proposed for capacity enhancement of four²⁴ panthanivases, retention of eight²⁵ panthanivases with limited investments towards upkeep of facilities and disinvestment/closure of eight²⁶ units. The same was neither appraised to BoD nor final Business Plan prepared (July 2014). Thus, reform plans formulated by engagement of consultants did not fructify.

While confirming facts and figures Government stated that draft business plan would be placed before the next Board meeting of OTDC.

Physical and Financial Performance

Physical Performance

Collection of tourist statistics

2.1.12 MoT, GoI instructed (January 2003) GoO to collect tourist centre wise data from all accommodation units relating to visit of domestic and foreign tourists on monthly basis and furnish compiled data monthly to MoT for formulation of policy and decision making.

Audit observed that as of March 2014, though GoO identified 336 tourist centres in the State, tourist centre wise accommodation units were not

²³ Mahodadhi Nivas at Puri and Panthanivas at Dhenkanal

²⁴ Bhubaneswar, Keonjhar, Puri and Sambalpur

²⁵ Barkul, Chandipur, Gopalpur, Panchalingeswar, Paradip, Rambha, Rourkela and Taptapani

²⁶ Balasore, Chandabali, Chandaneswar, Cuttack, Dhauri, Dhenkanal, Konark and Satapada

identified. Further, data collected did not include all accommodation units as directed by GoI and thus, was not reliable.

Government stated that out of 336 identified tourist centres in the State, 118 centres have accommodation facilities and due to shortage of manpower, statistical data was collected in some centres through sampling technique.

Growth of tourist traffic in Odisha

2.1.13 As per overall country tourism statistics, the State's rank for tourism attractiveness within the country reduced from 17th in 2010 to 19th in 2012 for domestic tourists.

State's share of foreign tourists was even below 1 per cent of national level

Despite spending ₹ 17.87 crore during 2009-14 for promotion and publicity of tourism at international level, State failed to attract foreign tourists as the annual growth rate decreased to 3.08 per cent in 2013-14 from 18.86 per cent in 2011-12. State's share was even below one per cent of total number of foreign tourists who visited the Country. Further, the State's rank in the country hovered between 19th to 20th during 2010 to 2012 for foreign tourists. Reasons for low growth, both for domestic and foreign tourists were not analysed by DoT/OTDC.

While accepting the fact, Government stated that lower tourism attractiveness was due to spreading of Left Wing Extremist activities, restriction of tourist entry into Particularly Vulnerable Tribal Group area and inadequate air/rail connectivity.

- Out of 429.98 lakh tourists who visited the State (2009-14), only 5.60 lakh tourists (1.30 per cent) stayed in the accommodation units of DoT/OTDC inclusive of 1.86 per cent stayal of foreign tourists. This points to inadequate facilities in the tourist accommodations available with DoT/OTDC as discussed in **Paragraphs 2.1.41 and 2.1.51.**

Government stated that most of the hotels operated by OTDC/DoT are in lesser known tourist destinations where the tourist traffic was mostly seasonal and availability of rooms was only 1.63 per cent of the rooms available in the entire State.

Capacity Building for Service Providers

2.1.14 Ministry of Tourism (MoT), GoI, launched Hunar Se Rozgar Tak (HSRT) Scheme during 2009 under Capacity Building for Service Providers for arranging training programme for interested youth under the age group of 18-28 years with a minimum education standard of 8th class to create their employable skills. Under the scheme, financial assistance of ₹ 9,375 to ₹ 12,012 per trainee was to be provided for training of 6 to 8 weeks duration and at least twice in a year on different subjects. The programme was to be financed by MoT based on the number of persons trained. Fifty per cent of the sanctioned amount would be released as 1st instalment and subsequent instalment would be released after submission of Utilisation Certificate (UC) against 1st instalment. GoO and the implementing institutes were to make conscious effort to facilitate employment of the passed out candidates from

this programme. Funds sanctioned by MoT during 2010-14 and utilisation thereof were as follows:

(₹ in crore)

Year	Amount sanctioned by MoT	Amount released by MoT	Amount utilised	No of persons to be trained	No of persons trained	Placement
2010-11	0.53	0.53	0.50	500	475	456
2011-12	1.06	0.53	0.48	1000	454	417
2012-13	2.14	1.00	1.07	2000	1000	917
2013-14	3.24	1.62	1.62	3000	1500	1402
Total	6.97	3.68	3.67	6500	3429	3192

(Source : Data from DoT)

GoO failed to get CFA of ₹ 3.29 crore due to failure to submit UC

As against the target of 6,500 persons to be trained under HSRT Scheme, 3,429 persons (53 per cent) were trained and employment opportunity was created for 3,192 persons (49 per cent). GoO also failed to get 2nd instalment of ₹ 3.29 crore during 2011-14 due to non-submission of UC in time which resulted in non-achievement of the objective of the scheme.

Government stated that due to delay in sanction of funds by MoT, 2nd phase of training programme could not be conducted by DoT. However, GOI did not release 2nd instalment due to delay in submission of UCs.

Financial Performance

Budgetary Control

2.1.15 As per the Odisha Fiscal Responsibility and Budget Management Act, 2005 (OFRBM), State shall take appropriate measures for formulating budget in a realistic and objective manner with due regard to the general economic outlook and realistic revenue prospects and minimise deviations during the course of the year.

Audit noticed that out of stated expenditure of ₹ 251.48 crore of DoT during 2009-14, ₹ 58.51 crore lay with OTDC. Deficiencies noticed in sanction and release of funds are discussed in the following paragraphs.

Release of funds without administrative approval for the works

2.1.16 As per the provisions of Odisha Public Works Department Code, Administrative Approval (AA) for works is to be accorded after acquisition of land, statutory clearances, preparation of detail drawings and cost estimates.

Audit observed that, for execution of 29 different works, DoT released ₹ 23.17 crore to OTDC during 2009-14, of which ₹ 22.33 crore remained unutilised with OTDC either for want of AAs (19 works: ₹ 14.92 crore) or for AAs accorded (7 works: ₹ 7.41 crore) without ensuring the availability of land for construction.

In the Exit Conference, Government while accepting the audit observations, noted the same for future guidance.

Award of work on nomination basis

2.1.17 As per the guidelines issued (June 2001) by GoO, OTDC would be awarded construction works with estimated cost totaling upto ₹ 6 crore per year without furnishing tenders. For works beyond ₹ 6 crore, OTDC was to compete with other tenderers and may claim price preference as admissible. OTDC was to enter into an agreement in a standard form in respect of awarded works.

Audit noticed that during 2009-13, works valuing ₹ 19.16 crore were allotted to OTDC in excess of prescribed limit without calling for tenders and no agreements were executed stipulating the time schedule for completion of the works allotted to OTDC. As a result, many works remained incomplete as discussed in **Paragraphs 2.1.29 to 2.1.33**.

In the Exit Conference, Government while accepting the audit observations stated that guidelines issued in 2001 would be revised with concurrence from Finance Department.

Release of fund without monitoring the progress of work

2.1.18 As per the guidelines issued (June 2001) by GoO, funds were to be released to OTDC in suitable instalments considering the progress of work executed and all payments were to be treated as advance to OTDC.

Audit noticed that during 2008-14, DoT released ₹ 71.68 crore²⁷ to OTDC for execution of 111 projects, of which ₹ 10.59 crore was released before 02 to 584 days of commencement of work of 11 Centrally Sponsored Projects (CSPs) and ₹ 29.30 crore for 43 State Sponsored Projects (SSPs) which were not commenced so far (July 2014). Sanction orders for SSPs did not mention that the funds were released as advance for the works. Funds were released against submission of bills by OTDC before execution of works.

In the Exit Conference, Government stated that payment would be released to OTDC as advance, duly complying the financial regulations in force.

Irregular utilisation of interest

2.1.19 Guidelines issued (June 2005) by GoO on regulation of project funds required all funds received by OTDC from GoI/GoO to be kept in separate accounts in fixed deposits and interest accrued shall be spent only on tourism projects with their prior approval. OTDC should not appropriate interest or spend it for any other purpose. MoT also directed (December 2006) OTDC to utilise the interest earned out of Central Financial Assistance (CFA) only for the execution and completion of the concerned projects and unutilised amount of interest to be returned.

Audit scrutiny of records revealed that out of the accumulated interest fund of ₹ 71.98 crore with OTDC as of March 2014, it appropriated ₹ 26.02 crore towards payment of salary/consultancy, upgradation/repair and maintenance of

OTDC appropriated ₹ 26.02 crore from interest fund contrary to the guidelines of GoO/GoI

²⁷ State's matching share of 21 CSPs : ₹ 23.45 crore and 90 SSPs : ₹ 48.23 crore

hotels, execution of new State projects and fairs and festivals etc., which did not conform to the guidelines/instructions of GoI/GoO.

Government stated that all money received against projects are kept in fixed deposits in a pool instead of maintaining project wise fixed deposits as this would affect the overall interest earning. However, the guidelines prescribed maintenance of project wise separate bank account.

Non-payment of lease rent

2.1.20 GoO transferred (1998-2011) 23 tourist accommodation units to OTDC for operation and management on lease basis. Pending finalisation of the terms and conditions of lease and fixation of lease rent by GoO, OTDC, did not pay any lease rent.

Also, DoT released a sum of ₹ 6 crore during 2008-09 for purchase of tourist buses on behalf of the Government and to operate and manage them on rental basis. OTDC was operating 23 tourist buses but fixation of rent by GoO had not been done yet.

Government stated (October 2014) that OTDC has already initiated proposal for fixation of rent against these properties and buses provided by Government.

Working Results

2.1.21 OTDC finalised the accounts upto the year 2012-13 and prepared provisional accounts for 2013-14. Working results of OTDC during 2009-14 are given in **Annexure 8**.

Working Results

Revenue of OTDC i.e., income from tourist lodges, caterings, transports, bars etc. increased from ₹ 21.21 crore in 2009-10 to ₹ 28.75 crore in 2013-14 (provisional) mainly due to upward revision of room tariffs in hotels. Though OTDC earned profit of ₹ 17.21 crore before tax during 2009-14, the major contribution (66 per cent) to profit was from non-core activities i.e. supervision charges (₹ 11.43 crore) on value of works executed. Despite a commitment in the annual MoUs entered into with DoT during 2011-13 for payment of dividend of ₹ 2.88 crore and even after earning profit, it did not declare any dividend.

Implementation of Tourism Projects

Centrally Sponsored Projects

Execution of works

2.1.22 On receipt of sanction order from MoT, OTDC prepares detailed cost estimates including the State's matching contribution and submits the same to DoT for Administrative Approval (AA). After obtaining AA, OTDC executes works by engaging contractors through open tender. Year-wise execution of

works against projects sanctioned during 11th Plan period as of March 2014 was as under:

(Value: ₹ in crore)

Year	Spilled over from the previous year		Projects sanctioned		Total value of works to be executed		No of projects completed	Value of works executed		Spilled over to next year	
	No	Value	No	Value	No	Value		Amount	In per cent	No	Value
2007-08	Nil	Nil	6	34.20	6	34.20	Nil	0.12	0.94	06	34.08
2008-09	06	34.08	4	50.19	10	84.27	Nil	5.72	6.79	10	78.55
2009-10	10	78.55	5	32.28	15	110.83	Nil	16.79	15.15	15	94.04
2010-11	15	94.04	4	22.87	19	116.91	Nil	13.52	11.56	19	103.39
2011-12	19	103.39	2	12.56	21	115.95	01	7.90	6.81	20	108.05
2012-13	20	108.05	Nil	Nil	20	108.05	01	12.69	11.74	19	95.36
2013-14	19	95.36	Nil	Nil	19	95.36	01	18.21	19.09	18	77.15
Total			21	152.10			03	74.95			

(Source : Project Cost Centre data of OTDC)

Against sanctioned projects worth ₹ 152.10 crore, OTDC could execute works worth ₹ 74.95 crore (49 per cent) as of March 2014. Audit noticed that out of 21 projects sanctioned upto 2011-12, though 20 projects were scheduled to be completed by March 2014, only three projects could be completed with delay of 41 to 68 months. Execution of ongoing projects was also delayed upto 71 months. Main reasons were attributed to delay in obtaining AA, non-availability of suitable land, lack of forest clearance, etc., as discussed in following paragraphs.

Delay in obtaining AAs

2.1.23 For 21 projects sanctioned in 11th plan period, OTDC obtained AAs from GoO after delay of 55 to 609 days from the date of sanction by MoT. In six cases, AAs were accorded after delay of 26 to 244 days from the expiry of the stipulated date of completion. Commencement of 12 projects was delayed by 11 to 901 days even after obtaining AAs, for reasons not on record.

While accepting the fact, Government stated that delay in according AAs was due to delay in suitable site selection. But availability of site is a pre-requisite for sending project proposal to MoT. The reply, however, was silent on delay in commencement of 12 projects for which AAs were accorded.

Non-availability of land for construction

2.1.24 As per guidelines issued by MoT and the terms of sanction order, GoO was to provide land for construction of projects and to enclose a land availability certificate with the Detailed Project Report (DPR) while forwarding the same to MoT for sanction of projects. It was noticed that in 13 out of 21 projects, GoO dropped project components worth ₹ 15.32 crore due to non-availability of suitable land. Although GoO certified the availability of land after field survey, land could not be provided due to the same falling under forest area, belonging to private parties, etc. This indicated preparation of project proposals without adequate field survey and ensuring availability of land.

GoO sacrificed CFA of ₹ 15.32 crore due to non-availability of land for construction

While accepting the fact, Government assured it would obtain clearances of revenue authorities for availability of land before submission of project report to MoT.

Non-sanction of prioritised projects

GoO was deprived of CFA of ₹ 37.42 crore due to failure in utilisation of fund released earlier.

2.1.25 During 11th Plan (2007-08 to 2011-12), GoI sanctioned 21 projects with Central share of ₹ 125.24 crore and released ₹ 86.47 crore till March 2012 against which UC was submitted for ₹ 34.20 crore till March 2012 leaving a balance of ₹ 52.27 crore. For the year 2012-13, seven projects for the State were prioritised (January 2012) by MoT of which, DPR for five projects with estimated cost of ₹ 37.42 crore was submitted to MoT. Since utilisation of funds against projects sanctioned during 2007-08 to 2011-12 was poor, MoT did not sanction any prioritised projects for 2012-13. Thereby, the State was deprived of Central assistance of ₹ 37.42 crore.

While confirming facts and figures, Government stated that execution of projects was delayed due to projects being scattered throughout the State and delay in land alienation and statutory clearances.

Surrender of fund and submission of inflated UCs

2.1.26 MoT instructed (January 2013) GoO to refund unutilised funds with interest accrued thereon in all incomplete projects sanctioned upto 2009-10. It also stated that no funds would be released for new projects proposed by State Governments nor would second or subsequent instalments be released for ongoing projects till full utilisation of funds sanctioned upto 2010-11. During 2007-11, MoT sanctioned 19 projects with Central share of ₹ 113.82 crore and released ₹ 81.98 crore.

Due to failure in execution of projects in time, GoO refunded CFA of ₹ 24.59 crore to MoT

Audit noticed that, in the case of 10 out of the 19 projects, DoT could utilise and submit UCs for ₹ 13.13 crore against receipt of ₹ 37.73 crore as of June 2013. Though GoO requested (February 2013) MoT for extension of time upto March 2014 for completion of these projects, the same was turned down (March 2013). Consequently, GoO refunded (September 2013) unutilised fund of ₹ 24.59 crore to MoT which included adjustment of ₹ 11.82 crore being the 1st instalment of nine projects sanctioned in 2013-14. Due to refund of unutilised CFA, GoO diverted ₹ 21.95 crore to execute the balance work out of the budgetary provision of 2013-14 for different State tourism projects.

UC submitted by GoO to MoT was inflated by ₹ 12.26 crore

Audit further noticed that against 21 projects sanctioned by MoT during 2007-12, though OTDC actually executed works valuing ₹ 61.43 crore, it submitted UCs for ₹ 73.69 crore and thus UCs submitted were inflated by ₹ 12.26 crore.

Regarding diversion of ₹ 21.95 crore, Government stated that completion of some ongoing projects was found to be essential for development of tourism. Fact, however, remains that due to non-utilisation of CFA in time and refund thereof against the ongoing projects there was an additional burden on the State Government.

Implementation of Integrated Coastal Zone Management Project

2.1.27 GoO appointed Integrated Coastal Zone Management Society of Odisha as Odisha State Project Management Unit (SPMU) to implement Integrated Coastal Zone Management Projects sanctioned by Ministry of Environment and Forest for coastal stretches of Paradip to Dhamara and Gopalpur to Chilika under World Bank assistance. SPMU signed (July 2010) an MoU with DoT and OTDC to undertake responsibilities for planning, designing and executing activities relating to development of eco-tourism at Chilika and Tampara. As per MoU, approved project cost was ₹ 17.39 crore and project was to be executed by June 2015.

In absence of operational and management plan, tourism equipments worth ₹ 2.49 crore remained idle.

Audit noticed that against allotment of ₹ 14.82 crore during 2011-14, OTDC utilised ₹ 6.57 crore (44.33 per cent) only. Utilisation included ₹ 2.49 crore spent for purchase (November 2013 to February 2014) of equipments for amusement park, boats, jet ski/water scooter etc., which were lying idle in absence of operational/management plan and creation of necessary infrastructure.



Government stated that the execution of works was slow due to site problem, delay in Coastal Regulation Zone clearance and cyclone (Phailin). It also stated that Management Consultant was engaged to submit the business and management plan for operation of boats and jet skies.

Peripheral Development of Sun Temple, Konark

2.1.28 Indian Oil Foundation (IOF), established by Indian Oil Corporation Limited (IOC) for development of National Monument and National Heritage, prepared (October 2005) the development plan for Konark, being the identified (March 2001) site for development of National Monuments and National Heritage at an estimated project cost of ₹ 31.65 crore with estimated land requirement of 55.68 acres. GoO allotted 38.23 acres land for implementation of the project and assured (October 2007) eviction of all encroachers before commencement of work and nominated Director, Tourism as nodal officer for the project.

Audit noticed that although the project was conceptualised during March 2001, plan and estimate was prepared with a delay of more than four years. Though works in respect of 2 out of 5 components of the project were commenced (July 2013), the same were stopped mid way since January 2014 due to encroachment in front of main parking. This indicated ineffective monitoring of works by DoT. Works in respect of remaining three components have not yet started.

Government stated that preparation of plan, estimate and implementation of project was the responsibility of IOF. However, DoT being the nodal department should have monitored the implementation of the project effectively.

State Sponsored Tourism Projects

2.1.29 During 2009-14, GoO sanctioned 98 projects with total cost of ₹ 54.38 crore of which 90 projects were allotted to OTDC (₹ 48.23 crore) and balance to other agencies (₹ 6.15 crore) as detailed below:

(₹ in crore)

Year	Projects sanctioned		Allotment of works to				No of projects completed	Value	Percentage of utilisation
	No	Cost	OTDC		Others				
			No	Cost	No	Cost			
2009-10	31	14.70	30	14.65	01	0.05	06	1.30	8.84
2010-11	21	6.91	20	6.86	01	0.05	05	0.99	14.18
2011-12	15	8.47	14	8.14	01	0.33	05	1.65	19.48
2012-13	19	18.24	16	13.51	03	4.73	03	3.12	17.10
2013-14	12	6.06	10	5.07	02	0.99	04	2.23	36.80
Total	98	54.38	90	48.23	08	6.15	23	9.29	17.07

Out of 98 State Sponsored Projects, only 23 projects (23.47 per cent) valued at ₹ 9.29 crore were completed till March 2014 including three projects valued at ₹ 2.10 crore executed by others.

Audit noticed the following;

- In absence of any time limit in sanction orders for execution of projects, 43 project (₹ 29.30 crore) were not commenced (July 2014), of which seven projects valuing ₹ 7.41 crore could not be taken up due to non-availability of land.
- Execution of 28 projects valuing ₹ 14.23 crore was under progress whereas details of execution of four projects (₹ 1.56 crore) was not made available to audit.
- Though, sanction orders stipulated submission of UCs, the same was not complied with by OTDC.

Instances of deficient execution of SSPs are discussed below:

Construction of Wayside Amenities Centres

2.1.30 OTP 1997 envisaged establishment of Wayside Amenities Centres (WACs) at important National/State Highways side on PPP mode for providing basic amenities like restaurant, parking, toilet and transit accommodations to travelers. GoO established 23²⁸ WACs with an investment of ₹ 4.09 crore during 1986-2000 of which eight WACs were later transferred (May 1998 to February 2014) to OTDC (five) and private parties (three) and others (15) remained non-operational as no private parties took interest to run the same on PPP mode.

²⁸ Excluding four WACs for which expenditure figure not available

Despite non-operation of existing WACs, GoO released (December 2010) ₹ 2.10 crore to OTDC for construction of another seven WACs, of which three locations were not suitable. Subsequently, ₹ 3.50 crore was also released (December 2011 to February 2014) without identifying locations of WACs. Since no WACs could be taken up by OTDC, GoO further decided (May 2013) to develop six existing WACs and to construct a new one through OTDC with the available funds of ₹ 5.80 crore (includes ₹ 20 lakh released for construction of WAC, Boudh during 2009-10). However, AAs for two WACs (₹ 3.81 crore) only have been obtained so far and the works were not commenced.

Thus, due to lack of proper planning, the very objective of construction of WACs could not be achieved and ₹ 5.80 crore remained idle with OTDC. No specific reply was furnished by GoO.

Development of light and sound show project at Dhauli

2.1.31 GoO submitted (October 2012) a DPR for development of light and sound show at Dhauli to MoT with a project cost of ₹ 6.06 crore (Central share: ₹ 5 crore and State share: ₹ 1.06 crore). Before sanction of the project and release of fund by MoT, GoO released (January 2013) ₹ 4.75 crore²⁹ to OTDC for eventual payment to India Tourism Development Corporation Limited (ITDC) to execute the project. Subsequently, MoT sanctioned (September 2013) ₹ 5 crore against the project and released ₹ 1 crore to OTDC for payment to ITDC. GoO also released (February 2014) its share of ₹ 1.06 crore for the project.

Audit noticed that GoO released ₹ 4.75 crore to OTDC without waiting for the approval of the DPR. After obtaining approval of MoT, GoO released ₹ 1.06 crore without adjusting the same against ₹ 4.75 crore released earlier. This resulted in idling of ₹ 4.75 crore with OTDC. The project, however, has not been commenced so far.

Government stated that unutilised fund with OTDC would be adjusted/utilised against other on-going projects during the current year.

Development of Tourism Plaza/Visiting Centre at Bhubaneswar

2.1.32 GoO allotted (November 2006) 2.92 acres of land at Unit-II, Bhubaneswar for construction of Tourism Plaza. DoT accorded (February 2010) AA for the project for ₹ 5 crore and released the same to OTDC for execution of the work. Since the land could not be available for construction, GoO decided (January 2011) to allot three acres of land at New Bus Stand, Baramunda for the proposed project. However, no land was allotted so far (October 2014) resulting in non-commencement of the project even after lapse of four years.

²⁹ Includes ₹ 2.25 crore released (April 2013) on diversion from Lotus Pond project at Gokamika

Similarly for construction of tourist visiting centre project at Bhubaneswar, DoT released (January 2013) ₹ 1.35 crore to OTDC without ensuring availability of land and no AA was accorded so far.

Thus, release of funds without ensuring availability of land not only resulted in idling of funds but the intended benefits were also not achieved.

Government stated that the project would start soon after finalisation of site.

Construction/furnishing and renovation of Tourist Offices

2.1.33 During 2009-14, DoT sanctioned 21 works for construction of new tourist offices, repair & renovation of Paryatan Bhawan and furnishing of existing tourist offices/counters and released ₹ 7.66 crore to OTDC for execution of works.

Audit noticed that as of March 2014, OTDC had spent ₹ 2.52 crore against nine works, out of which two were completed (₹ 0.35 crore) and seven were in progress. Remaining 12 works were yet to be commenced (October 2014).

Development of Tourism Projects under PPP mode

2.1.34 OTP 1997/2013 envisaged private sector participation in tourism development of the State. Odisha PPP Policy 2007 also included private participation in tourism sector. GoO constituted (September 2007) an Empowered Committee on Infrastructure (ECI) to finalise PPP projects. Deficiencies noticed in development of projects under PPP mode are discussed in the following paragraphs:

Development of Aquarium-cum-Ocean Conservation and Education Park

2.1.35 DoT signed (February 2013) an MoU with Centre for Environment Education³⁰ (CEE), Ahmedabad for development of Aquarium-cum-Ocean Conservation and Education Park Complex at Puri in PPP mode with tentative project cost of ₹ 7.19 crore after obtaining (March 2012) in principle approval of ECI. As per the terms of MoU, CEE was to design, construct and fabricate the Complex and also maintain and operate it for initial period of five years which may be extended further by mutual agreement. Apart from making land available for the project, DoT was to bear entire project cost and also pay CEE, annual operation and maintenance cost of the aquarium being net of revenue generated. The project was to be implemented within 16 months.

Audit noticed the following:

- ECI accorded in principle approval for issue of notice inviting Expression of Interest (EoI) for obtaining views of interested bidders. However, DoT instead of inviting EoI selected CEE on nomination basis.

³⁰ A registered Society of the Ministry of Environment & Forests, GoI

- No specific provision was included in MoU for non-performance/delay in performance, non-adherence to quality standard during construction etc. MoU was also silent on the issue of transfer of project assets after expiry of MoU period. Absence of these provisions in MoU make it vulnerable to advantaged position of other partner.
- Although in principle approval was obtained from ECI during March 2012, DoT released (February 2009 and 2010) ₹ 5 crore to OTDC against the project, out of which ₹ 50 lakh was paid (February 2013) to CEE and the balance was lying with OTDC. The project was still in preliminary stage of execution.

In the Exit Conference, Government stated that deficiencies in the MoU would be taken care of at the time of entering into final agreement.

Development of Shamuka Beach Project

2.1.36 GoO decided (August 1996) to develop a Special Tourism Area (STA) towards South of Puri town over an area of 3,500 acres of land extending upto Chilika lake as a premier International Tourist Destination with different facilities. GoO also constituted (August 1996) Special Tourism Authority, Puri, an apex body to formulate guidelines for overall promotion of tourism in STA. Odisha Industrial Infrastructure Development Corporation (IDCO) was declared as the implementing agency for development of STA. Subsequently the project was transferred (May 2007) to OTDC for management in the name of Shamuka Beach Project and it was decided (April 2008) to develop the project through PPP mode with top most priority.

GoO provided (February 2009 to June 2013) ₹ 24.33 crore to IDCO for development of infrastructure like construction of roads, boundary walls, electricity and water facilities and acquisition of 621.69 acres land at Sipasarubali mouza, apart from providing ₹ 10.80 crore against 1,016.51 acres of land acquired earlier.

Even after lapse of 18 years and spending ₹ 35.13 crore, Shamuka Beach Project could not come up

Audit noticed that even after lapse of 18 years since the date of GoO decision, DoT failed to prepare DPR and detailed road map for development of required infrastructure despite incurring an expenditure of ₹ 35.13 crore towards acquisition of land, construction of road/boundary wall, electricity and water facility. Due to time overrun, infrastructure cost, as estimated (₹ 166.64 crore) by CEPT escalated to ₹ 234.48 crore as of March 2014.

Government stated that the project was delayed mainly because of economic downturn coupled with delay in physical progress of the infrastructure committed by them.

Development of Eco-Resort Centre at Ramachandi

2.1.37 GoO decided (July 2008) to operate and manage Eco-Resort Centre (ERC) at Ramachandi, created out of CFA (₹ 1.47 crore), through PPP mode and nominated OTDC as implementing agency. Based on the approval (July 2008) of ECI, OTDC selected Kamat Hotel India Limited (KHIL)

through tender as preferred bidder with highest up-front fee of ₹ 10 lakh and annual lease rent of ₹ 16.20 lakh for initial period of five years and ₹ 18.12 lakh for subsequent five years. OTDC also signed (March 2009) Lease-cum-Operation Agreement (LOA) with KHIL for a period of 10 years and handed over (March 2009) the properties to KHIL. The design and layout for upgradation were to be developed in consultation with OTDC.

Audit noticed the following:

- KHIL did not submit drawings, designs, layout and detail plan and estimates for upgradation and development of infrastructure as per the scope of work. OTDC also did not insist on the same.
- No periodical inspection was done to watch progress of work as per LOA except once (August 2013) by the Chairman of OTDC who found that except addition of seven more cottages as against 20, KHIL had not done the development work as per LOA. It also violated the environment and pollution norms and encroached forest and Government land. No action against KHIL was taken by OTDC so far (October 2014).
- Though KHIL was selected on the basis of the highest upfront fees and annual rents, investment required to be made by them was not estimated and no financial commitment was obtained in shape of Bank Guarantee as per the terms of LOA.
- Prior permission of GoI was not obtained to lease out the ERC to KHIL as required under the terms of sanction of CFA out of which the project was created.

Regarding non-fulfilment of terms of LOA, GoO stated that there is hardly any scope to put up further cottages without disturbing ecology as out of 5 acres of land, 1.5 acres has been eroded by sea. Reply indicates that, no feasibility study was undertaken before creating the infrastructure.

Management of Tourism Assets

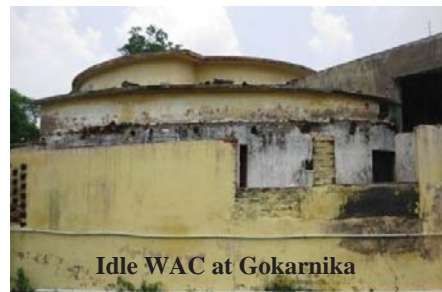
2.1.38 GoO was required to execute an agreement with GoI to the effect that it would upkeep, maintain and operate the project assets created out of CFA and submit an undertaking that the facility and land on which the assets were created would not be transferred/sold/alienated in any manner without approval of GoI and the assets should be used only for tourism purposes. DoT created tourism assets at different locations in the State out of CFA as well as from State fund.

Audit noticed the following:

- DoT did not update/properly maintain any records/register showing the full particulars of the assets created, investments made and location of those assets.

In absence of operational and management plan 36 accommodation units of DoT remained idle

- Out of 89 accommodation units, constructed by DoT during 1976-2002, 23 units were transferred to OTDC on management lease basis and 14 units were leased out to private parties under PPP mode. Out of the balance units, DoT operated 16 units and other 36 units remained idle in absence of any operational and management plan.



- DoT also incurred an expenditure of ₹ 85.34 lakh towards watch and ward charges of 7 out of 36 idle accommodation units whereas others were unmanned.

Thus, there was deficient monitoring of effective use of assets created.

Government while accepting the fact of non-maintenance, assured it would maintain district-wise asset register. It also stated that OTDC was providing watch and ward at 29 accommodation units. However, the details of expenditure incurred by OTDC towards watch and ward could not be furnished though called for (July 2014).

Operational Performance of Panthasalas/Hotels

Operational performance of panthasalas

2.1.39 As of March 2009, DoT had 24 panthasalas under operation, out of which six were transferred to private parties during 2012-14 on PPP mode, one unit was transferred to OTDC during 2012-13 leaving 17 panthasalas under its operation till March 2014.

GoO incurred loss of ₹ 7.90 crore in operation of panthasalas

During 2009-14, DoT incurred loss of ₹ 7.90 crore in operation of panthasalas against revenue generation of ₹ 0.67 crore mainly due to low occupancy ranging between 1 to 62 *per cent*. Further, occupancy of 8 units in 2009-11, 9 units in 2011-12, 10 units in 2012-13 and 9 units in 2013-14 being nil, led to payment of idle wages of ₹ 2.27 crore. Audit noticed that the reasons for low/nil occupancy were mainly due to non-fixation of targets, non-availability of catering services and non-upgradation and poor maintenance of panthasalas.

Government stated that due to resource crunch and shortage of man power few such properties were operated and occupancy was low mainly due to lesser tourist traffic and low potentiality.

Management of hotels

2.1.40 The operational performances of OTDC hotels during 2009-14 were as under:

(₹ in crore)

Year	Profit earning Units			Percentage of profit to revenue	Loss incurring Units			Percentage of loss to revenue
	No	Revenue earned	Profit		No	Revenue earned	Loss	
2009-10	11	9.81	0.95	9.68	09	4.91	0.34	6.92
2010-11	12	13.15	1.65	12.50	08	3.32	0.34	10.24
2011-12	16	16.63	1.82	10.94	05	1.60	0.13	8.12
2012-13	13	14.24	1.70	11.94	08	4.77	0.35	7.34
2013-14	9	10.60	0.98	9.25	12	8.70	0.90	10.34
Total		64.43	7.10	11.02		23.30	2.06	8.84

(Source : Data provided by OTDC)

Although OTDC earned an overall profit of ₹ 5.04 crore from operation of hotels during 2009-14, 5 to 12 hotels incurred losses including three³¹ hotels which incurred continuous losses despite increase in average room tariff from ₹ 991 in 2009-10 to ₹ 1,562 in 2013-14. Out of six hotels³² which continuously earned profit in all the five years, revenue of two hotels was mainly from sale of liquors/beer.

Government stated that most of the loss making hotels are in remote places where OTDC is the sole player and except peak season, tourist arrivals in those places are very scanty. Fact, however, remains that five³³ loss making hotels were neither at remote places nor was OTDC the sole player there.

Occupancy of hotels

2.1.41 Occupancy targets fixed by OTDC during 2009-14 and achievement thereof were as follows:

Particular	2009-10	2010-11	2011-12	2012-13	2013-14
No of tourist hotels	20	20	21	21	20
No of rooms	494	519	511	500	503
No of beds	1081	1137	1118	1092	1072
Bed nights available	361715	366787	363922	355410	360022
Bed nights sold	156387	156221	153488	141521	137117
Overall national targets	60	62	61	60	NA
Overall average targets fixed	47	50	52	55	55
Overall occupancy	43	43	42	40	38
No of hotels who achieved the targets	06	04	01	01	01
No of hotels who did not achieve the targets	14	16	20	20	19
No. of hotels that achieved average occupancy of hotels in same locality	4	4	4	3	NA

(Source : Data as furnished by OTDC)

³¹ Balasore, Dhenkanal and Dhauli

³² Chandipur, Gopalpur, Puri, Rambha, Rourkela and Taptapani

³³ Balasore, Cuttack, Chandabali, Dhenkanal and Konark,

Despite fixation of low targets compared to national targets, the achievement came down from 43 *per cent* in 2009-10 to 38 *per cent* in 2013-14 due to continuous fall in sale of bed nights. Though 1 to 6 hotels achieved the targets fixed, only 1 to 4 hotels could achieve the national average and only 3 to 4 hotels achieved the average occupancy of other private hotels in the same locality.

Despite spending ₹ 9.94 crore for upgradation of hotels the occupancy of hotels did not improve

Audit further observed that despite incurring expenditure of ₹ 9.94 crore during 2009-14 towards repair and maintenance, and upgradation and renovation of these hotels, occupancy did not improve. None of the hotels had star-grade facilities to attract foreign tourists.

Government stated that low occupancy was due to the fact that OTDC hotels are located in remote places and except peak season, tourists arrival in those places are very scanty. But the fact remains that, most of the OTDC hotels are located at strategic locations.

Performance of catering services

2.1.42 OTDC provides self-managed catering service in the hotels and also runs one restaurant at Nandankanan Zoological Park. Although BoD decided (September 2000) to treat the catering units as profit centres, OTDC did not work out the operating profit/loss of the catering units separately.

Further, during 2009-14, OTDC had fixed target for food cost at 40 *per cent* of catering sales for all the years. However, the overall actual food cost was 45.54 *per cent* of catering sales due to excess consumption of raw materials valuing ₹ 1.94 crore. Targeted food cost could be achieved by five³⁴ hotels only during different years. The restaurant at Nandankanan Zoological Park incurred a loss of ₹ 45.57 lakh during 2009-14 due to high food cost ranging between 51.62 to 59.24 *per cent*.

Government stated that steps are being taken to reduce food cost by deploying trained food and beverage personnel, periodical stock verification, revision of standard recipe and periodical revision of menu prices.

Operational Performance of Tourist Transport

Operation of tourist buses

2.1.43 OTDC had surface transport units at Bhubaneswar and Puri to provide transport facilities to tourists for sightseeing and also to provide vehicles on hire basis to tourists, tour operators and others. As of March 2014, OTDC had a fleet of 28 tourist buses. The operational performance of transport units during 2009-14 were as follows:

³⁴ Taptapani (2009-10), Bhubaneswar (2011-12 and 2013-14), Paradip (2013-14), Chandabali (2013-14) and Sambalpur (2013-14)

(₹ in lakh)

Particular	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue from transport sale (A)	144.65	192.54	257.45	277.07	263.80
Expenditure incurred (B)	111.67	138.73	180.87	182.61	205.88
Profit before Depreciation (A-B)	32.98	53.81	76.58	94.46	57.92
Depreciation	171.69	157.56	94.53	56.66	33.99
HO overhead apportioned	33.26	34.43	49.82	58.41	60.38
Profit (+)/Loss(-) from operation	(-171.97)	(-138.18)	(-67.77)	(-20.61)	(-36.45)

(Source : Annual Accounts and data furnished by the Management)

OTDC incurred a loss of ₹ 4.35 crore in operation of tourist buses

OTDC incurred a loss of ₹ 4.35 crore from operation of tourist buses during 2009-14. The reasons for losses were mainly due to idle buses as detailed below:

Unit	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Bhubaneswar	Available days for operation	3571	3802	4643	6131	6576
	Actual days operated	1657	2367	2590	2547	2836
	Kilometres run	235424	270875	290277	287126	337969
	Percentage of utilisation of available days	46.40	62.26	55.78	41.54	43.13
	No of buses	13	11	16	18	20
Puri	Available days for operation	2318	2386	3019	2901	2892
	Actual days operated	1251	1484	1575	1582	1331
	Kilometres run	209592	244712	261600	294918	220829
	Percentage of utilisation of available days	53.97	62.20	52.17	54.53	46.02
	No of buses	10	12	11	8	8

(Source : Data provided by OTDC)

OTDC could utilise 43.13 to 62.26 per cent of available days of operation. The reasons for poor utilisation are mainly low operation of buses and inadequate operating staff, since against total fleet of 40 vehicles (including non-commercial vehicles), OTDC had only 18 drivers.

Government while attributing low capacity utilisation to seasonal nature of business and dependence on charter booking than regular sightseeing, stated that OTDC was trying to increase the deployment by introducing more package tour, roping in more Corporate and Government clients etc. Reply indicates that there was lack of operational planning before and after procurement of buses.

Operation of hop on hop off bus service

2.1.44 GoO decided (May 2008) to operate hop on hop off bus services to provide tourism sightseeing tours in Bhubaneswar and instructed OTDC to explore possibilities of operating the service on PPP mode. GoO provided (October 2008) ₹ 2.33 crore to OTDC for purchase of 13 new buses with the conditions that OTDC would operate and manage the buses on commercial basis and pay rental charges to GoO. Accordingly, OTDC purchased 13 buses of which 11 were handed over (September/October 2008) to Kalinga Trade and Travels Limited (KTTL) through tender to operate for initial period of five years at an annual rental of ₹ 2 lakh for the 1st year to be increased by

10 per cent annually and 25 per cent of net profit accrued on operation. The operation started from September 2008.

Audit noticed that due to poor response of tourists, OTDC while taking back (February 2011) four buses, reduced the annual rent to ₹ 1.38 lakh and also allowed operation of buses as shuttle service between Puri and Bhubaneswar. Subsequently, due to use of buses for other purposes by KTTL, OTDC took back the buses and operated the same by itself. Thus, due to absence of feasibility study coupled with ineffective utilisation of the buses, OTDC sustained a loss of ₹ 1.05 crore³⁵.

Government stated that hop on hop off bus service which was a new venture could not be made viable inspite of all efforts.

Operation of water transport (Boats)

2.1.45 OTDC provides boating facilities to tourists at four³⁶ panthanivases located near Lake Chilika and Sea Mouth (Chandabali) by providing 26 motor boats of different seating capacities³⁷ including one floating restaurant with 50-seater capacity operated at Barkul. OTDC made operating profit of ₹ 1.34 crore from boating operations during 2009-14.

Audit scrutiny revealed the following:

- Percentage of utilisation of big boats at Barkul was between 48.60 to 50.41 per cent during 2009-14. The floating restaurant, however, was operated for only 82 days against availability of 1,825 days (365 days X 5 years) resulting in meager utilisation of 4.49 per cent only. Utilisation of medium and small boats ranged between 36.85 to 63.97 per cent and 29.66 to 62.88 per cent respectively.

Government stated that low utilisation of floating restaurant was due to objection of the local boat men for cruising and low utilisation of other boats was due to their floating at predominantly seasonal tourist destinations. However, no effective steps were taken for better utilisation of the floating restaurant/other boats.

- House boat constructed and made operational at Barkul since December 2009 at a cost of ₹ 38.24 lakh could earn revenue of ₹ 1.09 lakh only upto October 2013 when it was damaged due to cyclone (Phailin) and was beyond economical repair. The boat was not adequately covered under insurance.



³⁵ Earning : ₹ 0.47 crore (including ₹ 0.40 crore from branding) and Expenditure : ₹ 1.52 crore (excluding rent payable not finalised and demanded by DoT)

³⁶ Barkul : 12, Chandabali : 02, Rambha : 05 and Satapada : 07

³⁷ Big boats :20, medium boats : 11 to 20 and small boats : upto 10 seating capacity.

While accepting the fact that the boat was not insured, Government stated that the existing condition of Chilika was not suitable for house boat. The reply indicated lack of feasibility study before taking up such project.

- Provisions of Orissa Boat Rules, 2004 for display of registration number and maximum carrying capacity, engagement of minimum required number of crew, availability of fire extinguisher, life jackets/insulated rubber tubes etc., were not followed.

Government stated that steps are being taken to comply with the provisions of Orissa Boat Rules, 2004.

Marketing Strategy and Business Promotion

Advertisement and publicity of tourism

2.1.46 In order to promote Odisha as tourist destination, DoT carried out publicity through advertisement in print and electronic media, exhibitions, fairs and festivals etc. During 2009-14, DoT incurred ₹ 89.03 crore towards advertisement and publicity out of which ₹ 34.79 crore was released to OTDC for organisation of such events. OTDC also had a Marketing Division, which was responsible for sales, marketing and public relations by promoting its hotels and other facilities so as to gear up in the face of stiff competition from the private sector.

Audit scrutiny revealed the following:

- Without appointing OTDC as implementing agency for organisation of events and even without issuing work orders, ₹ 34.79 crore was released to OTDC. DoT/OTDC did not maintain any record showing event-wise expenditure incurred. DoT also provided financial assistance of ₹ 1.70 crore to different organisations for organising different festivals with individual grant ranging from ₹ 5,000 to ₹ 10 lakh for which no guidelines were issued.

Government stated that OTDC being the executing agency submits detail event-wise bills after completion of events for payment/adjustment. Reply is not acceptable as event-wise expenditure incurred was not made available to audit though called for and fund was released to OTDC against bills even before commencement of events.

Despite spending ₹ 17.87 crore for tourism promotion at international level, State failed to attract foreign tourists

- Despite incurring ₹ 17.87 crore during 2009-14 towards advertisement (₹ 14.66 crore) in international electronic media and for participation in different international events and road shows (₹ 3.21 crore), there was no improvement in flow of foreign tourists to State as discussed in **Paragraph 2.1.13**.
- No comprehensive promotional plan/guidelines was prepared for various modes of promotional activities in absence of which decision to promote a particular activity was taken up on case to case basis without adequate market research and identifying the source markets.

- OTDC provided ₹ 1.28 crore only (1.18 per cent) towards advertisement and publicity out of its total budget of ₹ 108.58 crore for 2009-14 and spent ₹ 0.69 crore against publication of tender notices only. Besides this, DoT had also spent ₹ 35.72 lakh on advertisement of package tours conducted by OTDC.

While accepting the fact, Government assured that due care would be taken to adhere to the suggestions in future.

Special tour of Mahaparinirvan Express to Odisha

2.1.47 To attract more tourists to the prominent Buddhist sites in Odisha, DoT requested (May 2012) Indian Railway Catering and Tourism Corporation Limited (IRCTC) to include such sites of Odisha in the itinerary of Mahaparinirvan Express (ME). IRCTC intimated (May 2012) that DoT had to pay lock in minimum guarantee of 60 per cent occupancy of the train and to assess viability of such package tour. As DoT decided to conduct two trips commencing on 20 December 2012 and 20 January 2013, IRCTC requested (October/December 2012) DoT to deposit guarantee fee of ₹ 0.95 crore and ₹ 0.89 crore respectively for the two trips. As there was no bookings from the tourists for the 1st trip, DoT cancelled (18 December 2012) the same and conducted (January 2013) road shows in Thailand/Cambodia at a cost of ₹ 0.25 crore to intensify the marketing effort for the 2nd trip. Despite road shows, only 14 tourists booked tickets for the 2nd trip for which DoT paid (January 2013) ₹ 0.87 crore to IRCTC towards guarantee fee.

Subsequently, for another trip during December 2013, DoT deposited (August/November 2013) ₹ 1.25 crore with IRCTC. Due to booking of only four tickets, DoT requested (December 2013) IRCTC to cancel the trip and refund the amount. IRCTC gave (April 2014) the option of either the refund being subject to forfeiture of ₹ 39.63 lakh or ₹ 12.53 lakh being charged as cancellation fee if the service would be availed on later date. DoT, however, had neither got the refund nor conducted any trip so far (October 2014).

Thus, without assessing the viability of operating such packages and even after conducting road shows, the package tour could not achieve its objective and instead DoT incurred wasteful expenditure of ₹ 1.12 crore besides blocking up of ₹ 1.25 crore with IRCTC.

Government in Exit Conference accepted the audit observations and agreed to look into the matter.

Branding of tourist buses

2.1.48 OTDC was operating 28 tourist buses, of which 23 were owned by GoO. OTDC offered (December 2011) the branding rights of the tourist buses to GoO at annual rent of ₹ 40 lakh for two years against which GoO released (March 2013/March 2014) ₹ 80 lakh for promotion of Odisha tourism. OTDC awarded (October 2012) the branding work to a party through tender at ₹ 70 per Sq. feet with a warranty of two years and the work was completed in March 2013 at a cost of ₹ 1.81 lakh.

Audit noticed that despite ownership of the buses remaining with DoT, it accepted the branding rights of OTDC. Before accepting offer and releasing funds to OTDC, DoT did not make any cost benefit analysis and did not ask OTDC to submit the estimated cost of advertisements. Thus, release of ₹ 80 lakh by DoT for advertisement of its tourism products for which OTDC incurred expenditure of ₹ 1.81 lakh only, lacks justification.

Government stated that though DoT owns the vehicles, OTDC has a right to claim royalty as the operational cost is borne by it. However, neither was cost benefit analysis made by DoT nor estimated cost of advertisement obtained from OTDC before accepting the branding right.

Business through travel agents

2.1.49 Travel agents play a pivotal role in the promotion of tourism by providing facilities like reservation of accommodations and travel to tourist destinations. OTDC entered into agreements with travel agents for booking of accommodation in hotels by inviting expression of interest. As of March 2014, OTDC had 16 authorised booking agents (including 14 from outside the State) as against 17 during 2009-10 (including 15 from outside the State). As per the terms of the agreements, each booking agent was to meet the annual business target of ₹ 50,000. During 2009-14, OTDC achieved a business of ₹ 1.52 crore (4.12 *per cent*) through its authorised travel agents as against its total accommodation sale of ₹ 36.93 crore.

Audit observed that 5 out of 15 outside the State travel agents did not give any business during 2009-10 for which the recognition was withdrawn. Further, four travel agents failed to achieve the annual minimum business target of ₹ 50,000 during 2009-14. OTDC neither analysed the performance of the travel agents nor interacted with them to find out the reasons for low business and to take corrective actions.

Government stated low business through travel agents was due to introduction of online reservation for OTDC hotels and greater flexibility in commission structure & tariff structure offered by private hotels.

Special Tourism Promotion Officer

2.1.50 To attract both foreign and domestic tourists to Odisha, GoO introduced (February 2009) Special Tourism Promotion Officer (STPO) scheme. The scheme aimed at enlisting the persons of Indian origin/Non-resident Odia staying outside the State/Country and enrolling interested person as STPO, who would disseminate information about tourism products and attractions of Odisha and in return, get 5 *per cent* as incentive on bookings. OTDC was nominated as nodal agency for implementation of the scheme.

Audit noticed that since introduction of the scheme, OTDC could enroll only four persons as STPO upto April 2010 and no attempt was made thereafter either by GoO or by OTDC to popularise the scheme, which resulted in failure of the scheme.

While accepting the fact, Government stated that further enrollment would be done as and when applications were received from the eligible applicants. However, the reply is silent on the reasons for failure on the part of GoO/OTDC in popularising the scheme.

Upgradation of Panthanivases into Star Hotels

2.1.51 BoD of OTDC decided (December 2009/June 2010) to upgrade three³⁸ panthanivases into 3-Star Hotels and constituted a Sub-Committee to suggest the infrastructures required to be developed to obtain the star status. The Sub-Committee suggested various infrastructure developments including engagement of supervisory and skilled staff in the proportion of 40:30 and to train the skilled staff to upgrade their skills etc. All the works were to be completed within six months for submission of required application for 3-Star status. Though OTDC directed (September 2010) its Building Project Division to prepare detailed plan and estimate for the proposed upgradation of the panthanivases, no progress was made so far (October 2014).

While accepting the fact Government stated that upgradation to star category hotels would be decided after the business plan of OTDC is finalised. Fact, however, remains that even after lapse of four years GoO/OTDC failed to up-grade the three panthanivases to star hotels

Gold Card Scheme

2.1.52 In order to promote its business, OTDC introduced (September 1999) Gold Card (GC) Scheme for its regular/repeated customers by offering incentives and discounts for availing its services. GC was to be issued to the customer on payment of ₹ 650 which was to be valid for three years and to be renewed subsequently on payment of ₹ 150. The GC customer was entitled to 10 *per cent* discount on room rent, food bills and transportation besides accidental insurance coverage of ₹ 50,000 during the validity period of the GC.

Audit noticed the following:

- During 2009-14, OTDC issued 410 GCs to new customers and renewed 168 GCs of old customers. OTDC, however, did not maintain any records showing the number of valid GC customers as on date.
- Though the GC was not transferable, it did not mention the number of persons eligible for availing discounts in one GC. Further, no time limit was prescribed for renewal of the GC after its expiry and reasons for non-renewal were not analysed.
- Business generated through GC customers was not assessed to evaluate the performance of the Scheme and to take corrective measures.

Government stated that keeping a ceiling on the number of persons entitled in one GC has not been deliberately prescribed as only 10 *per cent* discount is

³⁸ Bhubaneswar, Chandipur and Puri

allowed to GC holders. The reply, however, was not specific to the audit observations.

Project Monitoring and Internal control

2.1.53 To execute the projects economically and efficiently as well as to watch the physical and financial progress of the projects, an effective monitoring is a pre-requisite. The following deficiencies were noticed in monitoring the implementation of tourism projects sanctioned by GoI/GoO.

State Level Monitoring Committee

2.1.54 MoT instructed (August 2009) GoO to set up a State Level Monitoring Committee (SLMC) under the Chairmanship of Secretary, DoT with members from MoT, implementing agency and members preferably from NGOs, civic bodies, public interest groups for inspection and monitoring the physical and financial progress of CSPs and submit the report to MoT on regular basis. SLMC should meet quarterly. DoT constituted (December 2009) SLMC under the Chairmanship of Chief Secretary, GoO with 15 members from different Government Departments and OTDC and re-constituted (April 2010) it under the Chairmanship of Commissioner-cum-Secretary of DoT with nine other members from DoT, OTDC and MoT.

Audit noticed the following:

- As against required 18 meetings during 2009-14, SLMC met only on five occasions and no meetings were held during 2009-10 and 2011-12.
- Although the main reasons for delay/non-execution of projects were attributed to non-availability of Government land and want of forest clearances, reconstituted SLMC did not include any members from Revenue and Forest Departments to address these issues. Moreover, members from NGOs, civic bodies, public interest groups were not inducted into the SLMC.
- SLMC decided (May 2010) to form a Sub-Committee which was to visit at least two projects in a month and submit their findings/recommendations to SLMC. But the Sub-committee though constituted in May 2012, did not conduct any field inspection.

Government stated that meeting of SLMC is being held regularly from 2014-15.

Absence of project implementation plan

2.1.55 GoO stipulated (September 2005) that the schedule of implementation should be carefully planned specifying milestones for completion of different components of the projects by employing PERT and CPM. It also stipulated that a sound system of contract management is a prerequisite for timely completion of the projects.

Audit noticed that, GoO had not prepared any Project Implementation Plan (PIP) nor did it instruct OTDC to prepare the same. The GoO also did not prescribe any time schedule for execution of State sponsored projects.

Government stated that steps would be taken to prepare PIP and follow PERT and CPM in implementation of projects.

Non-preparation of Physical and Financial Progress Reports

2.1.56 The monthly physical and financial progress of the projects indicating particulars like name of the works, year of sanction, project cost, date of commencement, scheduled date of completion, etc. was neither prepared by the Department nor by OTDC for monitoring the works. The physical and financial progress of execution of works were not appraised to the BoD nor did the BoD ask for the same. Even project wise expenditure for SSPs was not maintained.

Government stated that the physical and financial progress of the projects are monitored. However, though the physical and financial progress reports were prepared after being pointed by audit, the same were not properly prepared with required detail.

Acknowledgement

Audit acknowledge co-operation and assistance extended by DoT and OTDC at various stages of conducting Performance Audit, Entry Conference and Exit Conference.

Conclusion

GoO/OTDC did not prepare any long-term perspective plan/corporate plan for development of tourism in the State as required under Odisha Tourism Policy/Corporate Governance Manual.

OTDC could execute works valuing ₹ 74.95 crore (49 per cent) as of March 2014 and completed three out of 21 works only under 11th Plan period with a delay of 41 to 68 months and ongoing projects were also delayed upto 71 months. Due to non-availability of land and delay in execution of works, GoO sacrificed CFA of ₹ 77.33 crore due to dropping project component of ₹ 15.32 crore, refunding unutilised CFA to MoT amounting to ₹ 24.59 crore and forgoing CFA of ₹ 37.42 crore against the projects prioritised for 2012-13. Out of 98 SSPs (₹ 54.38 crore) only 23 projects (23 per cent) valuing ₹ 9.29 crore were completed till March 2014 and 43 projects (₹ 29.30 crore) could not be commenced in absence of any time limit for execution and non-availability of land. OTDC also irregularly appropriated ₹ 26.02 crore out of interest accumulated on project fund.

Development of tourism projects in the State under PPP mode was ineffective due to lack of commercial viability study. DoT incurred a loss of ₹ 7.90 crore in operation of Panthasalas. Three hotels of OTDC incurred continuous losses. In operation of tourist buses, OTDC sustained

a loss of ₹ 4.35 crore. Despite incurring ₹ 17.87 crore during 2009-14 towards promotion and publicity, there was no improvement in flow of foreign tourists to State. Under the training programme launched by GoI for capacity building of service providers GoO could achieve only 53 *per cent* of the target and failed to avail CFA of ₹ 3.29 crore. There was deficient monitoring and internal control mechanism in OTDC/DoT.

Recommendations

The DoT/OTDC may consider following recommendations:

- Prepare a strategic corporate plan defining the role and activities as per the tourism policy.
- Create a credible database to assess return on investment in tourism sector.
- Develop a suitable mechanism to monitor and oversee utilisation of Central/State assistance towards completion of projects in a time bound manner.
- Adopt effective marketing and publicity practices to improve State's national rank in tourist attraction.

Government accepted all the above recommendations.

Activities of Odisha Pisciculture Development Corporation Limited and Fisheries and Animal Resources Development Department in developing fisheries sector in the State

Executive Summary

Odisha Pisciculture Development Corporation Limited (OPDC) was incorporated as a wholly owned Government Company in May 1998 with the main objective of production and sale of quality fry/fingerlings and development of pisciculture, manufacturing and trading of fishing net, retailing of high speed diesel, motor spirit and lubricants. Fisheries potential in Odisha is 6.61 lakh MT per annum from Inland Sector (fresh water: 4.33 lakh MT, brackish water : 0.67 lakh MT) and Marine Sector (1.61 lakh MT). About 10.84 lakh population (2.95 per cent) depends upon fisheries for their livelihood.

Planning

Against budget allocation of ₹342.25 crore for Fishery Sector by GoO under State Plan (₹178.56 crore), Centrally Sponsored Plan (₹150.81 crore) and Central Plan (₹12.88 crore) during 2009-14, Fisheries and Animal Resources Development Department (FARD) surrendered ₹188.75 crore (55 per cent) which ranged from 17 to 78 per cent during this period. Surrender was mainly due to non/partial implementation of scheme works.

Implementation of Programmes/Schemes

Due to non/poor execution of different central schemes, FARD had to surrender ₹14.59 crore and also could not avail ₹92.10 crore further central assistance.

Fish Seed Production

There was shortfall in production of 17,110 lakh spawn and 5,245 lakh fry for which OPDC sustained loss of revenue of ₹11.60 crore. Against the target for development of 4,330 Ha land for brackish water aquaculture, only 2,313 Ha was developed. During 2009-14 there was shortfall in production of 7,580 MT shrimp valued at ₹163.32 crore and 0.38 lakh MT marine fish valued at ₹202.06 crore.

Welfare activities for fishermen

During 2009-14, though ₹6.63 crore was available under Saving-cum-Relief Scheme which intended to provide sustenance to 78,000 fishermen in lean period, ₹3.21 crore remained unutilised due to non-identification of eligible beneficiaries. Further, during 2009-13 due to delay in completion of low cost houses, 5,634 fishermen were deprived of availing financial assistance of ₹28.65 crore.

Infrastructure

Though National Fisheries Development Board sanctioned ₹11.65 crore for upgradation and modernisation of seven Fishing Harbours/Fish Landing Centres to provide infrastructure facilities, only one of them was completed. Construction of FLC at Balugaon remained incomplete after lapse of 11 years leading to cost overrun of ₹2.83 crore (120 per cent). Further, due to non-finalisation of land, construction of fishing harbour at Balasore District is yet to commence. Due to non-utilisation of machine hours and shortage of staff/power/working capital, there was shortfall in production of fishing net for which OPDC sustained potential revenue loss of ₹7.03 crore. In absence of estimates for reconstruction/restoration of fish firms, ₹10 crore availed from Special Relief Commissioner was refunded.

Financial Management

Against targeted lease value and royalty of ₹5.32 crore, FARD realised ₹1.85 crore only from Primary Fishermen Co-operative Societies during 2009-14. Interest earned on scheme funds of ₹1.81 crore accrued in bank accounts remained idle without refund or adjustment.

Monitoring and Control

There was deficient monitoring and internal control system with FARD/OPDC.

Recommendations

Performance Audit contains four recommendations on need to prepare realistic budget to avoid surrender of allocation; implement central schemes/programmes in time to boost pisciculture; effectively implement welfare programmes/schemes for social upliftment of fishers; and strengthen monitoring and internal control mechanism.

Introduction

2.2.1 As per long term Perspective Plan (PP) of Fisheries and Animal Resources Development Department (FARD), fisheries sector occupies an important place in socio-economic development. This sector is recognised as a powerful income and employment generator as it stimulates the growth of a number of subsidiary industries and is a source of cheap and nutritious food.

2.2.2 Odisha, situated on eastern coast of India, is endowed with a coastline of 480 km having excellent scope for development of Inland and Marine fisheries. Fisheries potential of Odisha is 6.61 lakh MT *per annum* from Inland Sector (fresh water: 4.33 lakh MT and brackish water: 0.67 lakh MT) and Marine Sector (1.61 lakh MT). About 10.84 lakh population (2.95 *per cent*) depends upon fisheries for their livelihood.

2.2.3 Odisha Pisciculture Development Corporation Limited (OPDC) was incorporated (May 1998) as a wholly owned Government Company on merger of two³⁹ companies of Government of Odisha (GoO), with the main objectives of production and sale of quality fry/fingerlings and development of pisciculture, manufacturing and trading of fishing net, retailing of High Speed Diesel (HSD), Motor Spirit (MS) and lubricants. OPDC is under administrative control of Fisheries and Animal Resources Development Department (FARD) of GoO. Management of OPDC is vested in a Board of Directors (BoD). Managing Director (MD) is the Chief Executive of OPDC who is assisted by one General Manager, one Financial Adviser & Chief Accounts Officer (FA&CAO) and two Managers. OPDC has five fish seed fish farms, one net manufacturing unit and seven diesel outlets apart from 22 fish farms transferred (June 2010) by GoO on lease basis. There are four fishing harbours, eight jetties and 51 fish landing platforms/centres under FARD. FARD is the nodal department for formulating plans, policies and programmes for fishery and their implementation.

Scope and Methodology of Audit

2.2.4 Performance Audit conducted during April to August 2014 covers activities of Odisha Pisciculture Development Corporation Limited and Fisheries and Animal Resources Development Department in developing fisheries sector in the State during 2009-14. Audit findings were based on a test check of records of Head Office of OPDC, two⁴⁰ out of its five fish seed

³⁹ Orissa Fish Seed Development Corporation Limited and Orissa Maritime & Chilika Area Development Corporation Limited

⁴⁰ Bhanjanagar and Chiplima

hatcheries, two⁴¹ out of seven diesel outlets and the net manufacturing unit and also fisheries sector of FARD/Director of Fisheries (DoF), all the three zonal offices under DoF and Fisheries Offices in eight⁴² out of 30 Districts. Units of OPDC and District Fisheries Offices (DFOs) were selected through stratified random sampling method on the basis of turnover.

Methodologies adopted for achieving the audit objectives with reference to audit criteria consisted of scrutiny of records at HO and selected units, analysis of data with reference to audit criteria, issue of audit queries etc.

Audit objectives, criteria, scope and methodology were shared with FARD/OPDC during an Entry Conference held on 13 May 2014. Subsequently, audit findings were reported (8 September 2014) to FARD and OPDC and discussed in an Exit Conference held on 18 November 2014. Entry and Exit Conferences were attended by Commissioner-cum-Secretary of FARD and MD of OPDC. Views expressed by them/replies furnished (12 November 2014) have been considered while finalising this report.

Audit Objectives

2.2.5 Performance Audit of the fisheries activities of OPDC and FARD was conducted with a view to assess whether:

- financial management was effective and efficient;
- schemes & programmes for increasing fish production were implemented effectively and economically and envisaged benefit achieved;
- activities related to welfare of fishermen were carried out effectively and efficiently; and
- internal control system and monitoring mechanism were adequate to safeguard against operational and financial irregularities.

Audit Criteria

2.2.6 Audit criteria adopted for assessing achievement of audit objectives were from following sources:

- the Orissa Marine Fishing Regulation Act, the Coastal Aquaculture Authority Act, 2005 and rules and regulations framed there under by Government of India (GoI)/GoO;
- programme/scheme guidelines issued by GOI/GoO, norms followed for fish production and funds sanction orders;
- budget documents, performance budgets, statistical bulletins and annual activity reports of FARD; and
- marketing policy and decisions of BoD.

⁴¹ Baripada and Dhamara

⁴² Balasore, Bhadrak, Deogarh, Ganjam, Jagatsinghpur, Mayurbhanj, Puri and Sambalpur

Audit Findings

Planning

2.2.7 FARD in Fisheries sector planned its activities with reference to Five Year Plans (Eleventh and Twelfth) for achievement of its goals and objectives. Annual Programmes were prepared wherein targets for various activities were fixed and budget allocations sought from Government.

Perspective Plan for Management & Development of Fisheries

2.2.8 During 2008-09, the total fish production of the State was 3.75 lakh MT (marine: 1.31 lakh MT and inland: 2.44 lakh MT) which was about 73 per cent of overall fisheries potential of 5.14 lakh MT. For fisheries management and development, FARD formulated (November 2009) a long term Perspective Plan (PP) of the Fisheries Sector in Odisha for the years 2010-20. Major objectives of PP included:

- enhancing the productivity and production of fish from inland and marine water resources;
- capacity building, technological intervention, human resource development, awareness building and education of fisherfolk and other stakeholders; and
- upgradation of infrastructural facilities in the fishery sector.

OPDC had not formulated any long term plan in line with PP of FARD

Though PP of FARD spelt out role of OPDC in development of pisciculture, OPDC had not formulated any long term plan in line with PP of FARD except preparation of annual budgets.

Budgetary Control

2.2.9 Monitoring of the progress of expenditure against well formulated budget targets is an important management function.

Non/partial implementation of scheme and non/delayed submission of UCs led to surrender of 55 per cent of budget allocation

Against provision of ₹ 342.25 crore for Fisheries Sector of FARD under State Plan (₹ 178.56 crore), Centrally Sponsored Plan (₹ 150.81 crore) and Central Plan (₹ 12.88 crore) during 2009-14, FARD could utilise only ₹ 153.50 crore (45 per cent) and surrendered ₹ 188.75 crore (55 per cent). The percentage of surrender to total provisions ranged from 17 to 78 per cent as detailed in **Annexure 9**. Surrender of fund was mainly due to non/partial implementation of schemes and non/delayed submission of utilisation certificates (UCs), as discussed in **Paragraphs 2.2.14 to 2.2.17, 2.2.22, 2.2.23, 2.2.35, 2.2.37, 2.2.38, 2.2.45 and 2.2.46**.

Non-achievement of budgeted income/expenditure

2.2.10 OPDC prepared annual budget based on annual targeted production and achievement. Following table indicates budgeted income and expenditure and achievement there against during 2009-14:

(₹ in crore)

Year	Budgeted Income	Budgeted Expenditure	Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
2009-10	56.89	56.02	0.87	63.61	63.73	(-)0.12
2010-11	80.59	80.00	0.59	76.94	76.16	0.78
2011-12	93.62	92.41	1.21	74.88	74.82	0.06
2012-13	110.63	109.08	1.55	83.93	82.96	0.97
2013-14	124.24	122.46	1.78	82.23	81.94	0.29
Total	465.97	459.97	6.00	381.59	379.61	1.98

(Source: Budget of OPDC)

The actual income did not match budgeted income from 2010 onwards. As against budgeted income and expenditure of ₹ 465.97 crore and ₹ 459.97 crore, actual achievement was ₹ 381.59 crore (82 per cent) and ₹ 379.61 crore (83 per cent) respectively during 2009-14. The reasons for shortfall were mainly attributable to low performance of hatcheries, net manufacturing unit and diesel outlets as discussed in Paragraphs 2.2.25, 2.2.47 and 2.2.48.

Implementation of Programmes/Schemes

2.2.11 Fishing sector is broadly classified into inland sector comprising fresh water and brackish water aquaculture, and marine sector. FARD implements various programmes/schemes (Annexure 10) of GoI/GoO to achieve sustainable fish production, to strengthen infrastructural facilities for fish landing and marketing and to ensure enhancing socio-economic welfare of fisherfolk. Fish production in Odisha during the last five years is as follows:

(in MT)

Year	Inland water			Marine water		
	Potentiality	Actual	Percentage of achievement	Potentiality	Actual	Percentage of achievement
2009-10	503945	241311	48	160931	129332	80
2010-11	505441	252706	50	160931	133479	83
2011-12	507638	267532	53	160931	114296	71
2012-13	511390	291832	57	160931	118311	73
2013-14	515440	285532	55	160931	120020	75
Total		1338913			615438	

(Source: Statement furnished by DoF)

Fish production from Inland sector was between 48 to 57 per cent as against potential of 5.04 to 5.15 lakh MT. Production from Marine sector was higher ranging from 71 to 83 per cent as against potential of 1.61 lakh MT during 2009-14. Audit observed various deficiencies in the two sectors which are discussed in succeeding paragraphs.

Inland Sector

Fresh Water Aquaculture

2.2.12 As of March 2009 fresh water resources of the State included water bodies like tanks and ponds (1.21 lakh Ha), reservoir (1.97 lakh Ha), swamps & jheels (1.80 lakh Ha) and rivers and canals (1.71 lakh Ha) with total water

area of 6.69 lakh Ha. Freshwater fish production potential of the State is 4.39 lakh MT/year.

Perspective Plan (November 2009) aimed at almost doubling the fish productivity from freshwater aquaculture systems from 1.76 MT/Ha to 3.00 MT/Ha in extensive farming systems and from 2.60 MT/Ha to 5 MT/Ha from semi-intensive systems, augmenting the average fish productivity from reservoirs from 10 kg/Ha to 80 kg/Ha, increasing quality fish seed production from the present level of 335 million fry to 947.5 million fingerlings during 2010-20. Deficiencies noticed in fresh water aquaculture are discussed in the following paragraphs.

Development of Fresh Water Aquaculture

2.2.13 Out of available 1.21 lakh Ha (as of March 2009) water area of fresh water aquaculture under tanks and ponds, 0.80 lakh Ha was utilised. As per the Perspective Plan, water area of 1.39 lakh⁴³ Ha would be available for fresh water aquaculture by 2013-14 of which 1.12 lakh⁴⁴ Ha water area would be utilised for pisciculture activities, by developing 8,000 Ha water areas (including existing 3,500 Ha) *per annum* during 2010-14. Water area planned for development vis-à-vis achievement under various schemes is detailed below:

(in Ha)

Period	Target for development		Percentage of target of AAP to PP	Development Achieved	Percentage of achievement to AAP	Water Area available	Water area utilised for pisciculture	Percentage of utilisation
	As per Perspective Plan (PP)	As per Annual Action Plan (AAP)						
1	2	3	4	5	6	7	8	9
2009-10	--	1500	--	820.33	55	121841.72	77116.73	63
2010-11	8000	7440	7	754.18	10	122536.84	76346.32	62
2011-12	8000	3702	54	875.24	24	123384.96	81395.44	66
2012-13	8000	3595	55	958.66	27	124306.28	74797.63	60
2013-14	8000	4070	49	1441.17	35	125665.92	72317.39	58

(Source: Target and achievement furnished by DoF and Perspective Plan)

From the table above, audit observed the following:

- Annual targets (18,807 Ha) fixed under Annual Action Plan (AAP) for development of tanks and ponds during 2010-14 were only 7 to 55 *per cent* of the targets (32,000 Ha) as envisaged in the PP. Achievements were lower between 10 to 35 *per cent* of targets under AAP too.
- FARD failed to develop the targeted water area due to delay in execution of projects, delay in submission of UCs and disbursement of funds to ineligible fishers leading to non-sanction of funds by GoI under different schemes as discussed in **Paragraphs 2.2.14 to 2.2.17**.
- Though fresh water resources available in Odisha increased from 1.22 lakh Ha in 2009-10 to 1.26 lakh Ha in 2013-14, the available total fish culture area decreased from 0.77 lakh Ha (63 *per cent*) to

⁴³ 1.21 lakh Ha plus excavation of 4,500 Ha *per annum* for four years

⁴⁴ 0.80 lakh Ha plus development of 8,000 Ha *per annum* for four years

0.72 lakh Ha (58 per cent) except an increase to 0.81 lakh Ha during 2011-12. The reasons for decrease in culture area were not on record and were not analysed by FARD.

While accepting the facts, Government stated that steps are being taken to achieve the target and to improve performance with available resources.

Non-achievement of targeted water area for development under FFDA

2.2.14 GoI and GoO provides subsidy on 75:25 sharing basis through Fish Farmers Development Agency (FFDA) to fish farmers for development of tanks and ponds under freshwater aquaculture.

Audit observed that against the targeted development of 6,250 Ha water area with budgeted subsidy assistance of ₹ 34.02 crore, FARD developed 3,204.70 Ha water area through excavation and renovation of tanks and ponds during 2009-14 with GoI/GoO assistance (1st instalment) of ₹ 9.89 crore only (29.07 per cent). Shortfall in achievement was mainly attributable to non-release of subsequent instalment (₹ 24.13 crore) by GoI due to delay in submission of UC by FARD. Further, targets for fish production were not revised in proportion to developed water area during 2009-14 except for 2012-13.

While accepting the facts, Government stated that special plan is being proposed to achieve the same with limited staff position.

Low development of water area under NFDB

2.2.15 National Fisheries Development Board (NFDB) was providing 20/25⁴⁵ per cent subsidy of unit cost per Ha to the fish farmers since 2010-11 for development of fresh water aquaculture in ponds and tanks. As per NFDB guidelines, FARD recommends the cases to NFDB for sanction of subsidy in favour of the applicant after obtaining consent of the bank to provide loan/declaration of the farmer for own source funding.

Audit scrutiny revealed that, against targeted development of 1,600 Ha water area through intensive aquaculture in ponds and tanks under NFDB, achievement was only 387.69 Ha (24.23 per cent) during 2010-14. Non-achievement of target was mainly due to non-submission of list of beneficiaries, disbursement of funds to non-eligible farmers and delayed submission of UCs leading to non-availment of subsidy of ₹ 9.34 crore by FARD for extending the same to the fish farmers for development of 1,212.31 Ha of water area during 2010-14. This resulted in loss of potential fish production of 10,646.20 MT valuing ₹ 92.65 crore during 2011-14.

In the Exit Conference, Government stated that list of beneficiaries would be prepared in advance and submitted to NFDB for release of funds for more development of water area.

Low development of water area under NFDB led to non-availment of subsidy of ₹ 9.34 crore with consequential loss of potential fish production of 10,646.20 MT

⁴⁵ 20 per cent for all farmers and 25 per cent for SC/ST & NE States' farmers

Shortfall in development of targeted water area under NMPS

2.2.16 GoI introduced (2011-12) National Mission for Protein Supplements (NMPS) to encourage fisheries development in the areas like reservoir fisheries development and intensive aquaculture in ponds and tanks. As per the schematic provisions water area of 500 Ha *per annum* was to be developed for which subsidy of 40 *per cent* of unit cost per Ha (₹ 4 lakh) would be provided involving fish farmers who were trained in undertaking scientific aquaculture through capacity building. It also expected an average productivity of five MT per Ha. The year-wise target and achievement of area developed *vis-à-vis* utilisation of fund during 2011-14 is detailed in the following table:

Year	Fund Received (₹ in crore)	Target (in Ha)	Achievement (in Ha)	Percentage of Achievement	Shortfall (in Ha)	Potential Loss of fish production (in MT)	Revenue loss (₹ in crore)
2011-12	5.70	380	63.64	16.75	316.36	*	*
2012-13	5.84	475	203.37	42.81	271.63	1581.80	14.24
2013-14	--	700	401.32	57.33	298.68	2939.95	26.46
Total	11.54	1555.00	668.33	42.98	886.67	4521.75	40.70

(Source :Targets and achievement furnished by DoF)

* Area developed during the year will yield fish production from next year

Shortfall in development of targeted water area under NMPS led to non-availment of CFA of ₹ 8 crore

As against targeted development of 1,555 Ha during 2011-14, achievement was only 668.33 Ha (43 *per cent*). Poor performance was attributable to non/low sponsoring of cases to bank for availing finance, delay in utilisation of available fund (₹ 7.64 crore as of March 2013) and non-submission of UCs. As a result, FARD failed to avail central financial assistance (CFA) of ₹ 8 crore during 2013-14 for extending the same to fish farmers. Shortfall in developing the targeted water area resulted in potential loss of fish production of 4,522 MT valuing ₹ 40.70 crore.

Government stated that the issue had now been sorted out and would be taken care of in future.

Poor implementation of MGNREGS

2.2.17 GoO decided to implement (January 2010) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through FARD for providing employment to rural households by excavation of 50⁴⁶ multi-purpose farm pond of 0.20 Ha water area under each block in the lands of SC/ST/small/marginal farmers for taking-up of pisciculture activities. Beneficiaries identified by DFOs, on approval of District Collector-cum-DPC concerned, would be extended financial assistance upto ₹ 1.50 lakh.

Audit scrutiny revealed the following:

- During 2010-14, for development of 39,250 ponds of 7,850 Ha water area at an estimated cost of ₹ 375.61 crore, 33,211 beneficiaries were identified, leaving a shortfall of 6,039 due to their non-identification in 23 blocks during 2011-14. Out of identified beneficiaries, 26,088 were approved and the remaining (7,123) were rejected by District

⁴⁶ Reduced to 25 from 2012-13

Collector-cum-DPC due to non-fulfilment of required criteria under the scheme.

Due to poor implementation of MGNREGS, only 16.86 per cent of pond excavation work could be completed

- Out of 26,088 approved beneficiaries, 17,482 work orders were issued and balance applications were pending with FARD. Against the work orders issued, only 2,947 were completed (16.86 per cent) with water area of 589 Ha (7.50 per cent) leaving 14,535 works not started/in progress due to delay in identification of beneficiaries, scarcity of labour and non-posting of JEs for measurement of works. As a result FARD could utilise ₹ 46.60 crore only (12.41 per cent) out of estimated cost of ₹ 375.61 crore during 2010-14.

Thus, due to poor implementation, envisaged benefits of the scheme could not be extended to rural households.

While accepting the fact in Exit Conference, Government stated that in future efforts would be made to increase number of beneficiaries.

Utilisation of fish farms

2.2.18 There are 106⁴⁷ fish farms (FF) under DoF with gross area of 692 Ha and water area of 328 Ha. As per norm fixed by DoF, 75 lakh spawn per Ha of water area can be reared to produce 22.50 lakh fry.

Audit observed that during 2009-14, in the eight test checked districts, out of 103 Ha water area in 45 FFs, water area ranging from 37.47 Ha to 46.80 Ha remained un-utilised due to poor pond management and weed infestation. This resulted in loss of ₹ 3.17 crore towards non-production of 47.88 crore fry.



There was encroachment of water area in four⁴⁸ out of eight test checked districts which were not addressed in annual review meetings of DFOs. Further, under Swarnajayanti Gram Swarozgar Yojana (SGSY), though ₹ 2.23 crore was released for infrastructure development of 12 farms in these eight districts, the details of area excavated/renovated was not found/maintained.

In the Exit Conference, Government stated that efforts would be made to increase the water area for rearing of spawn.

Upgradation and modernisation of fish farms under RKVY

2.2.19 Govt. of India launched Rashtriya Krishi Vikas Yojana (RKVY) from 2007-08 for ensuring inclusive and integrated development of agriculture and

⁴⁷ Includes 22 FFs transferred to OPDC and 57 leased out to private parties

⁴⁸ Bhadrak, Deogarh, Jagatsinghpur and Sambalpur

allied sector which included fisheries sector. As per the guidelines RKVY is a State Plan scheme where funds would be provided to the States as 100 per cent grant by GoI.

GoO sanctioned (October 2008) ₹ 1.96 crore under RKVY for upgradation and modernisation of fish seed farms comprising of development of 23 Ha water area, two magur hatcheries, and electrification/water supply/boundary wall of eight hatcheries with an objective to enhance fingerling production by 140 lakh *per annum*. Out of these works, OPDC was entrusted (November 2008) with development of 10 Ha water area of two hatcheries including one magur hatchery at a cost of ₹ 84.29 lakh.

OPDC awarded (May 2009) work of development of tank, electrification/construction of boundary wall (₹ 20.82 lakh) and construction of magur hatchery (₹ 32.93 lakh) at Chiplima to a contractor at ₹ 53.75 lakh, which were to be completed within 90 days. Audit observed that, even after lapse of more than five years, work of only ₹ 27.06 lakh⁴⁹ has been completed. Similarly, development of tank, electrification and construction of boundary wall at Bhanjanagar was awarded (November 2009) to another contractor at ₹ 19.30 lakh to be completed within 90 days. As of August 2014 construction work of boundary wall was completed at a cost of ₹ 16.72 lakh. Despite non-completion of these works, OPDC had not taken any action against the contractors. It was further observed that, though the works had not been completed, OPDC submitted UCs for the entire amount. Thus, due to non-completion of the works, OPDC failed to produce additional 1,500 lakh spawn, 225 lakh fry and 81 lakh fingerlings valuing ₹ 1.21 crore during 2010-14.



Further, though DoF developed 13 Ha water area during 2010-12, it had not revised the production target of spawn to recover enhanced fingerlings resulting in unfruitful expenditure of ₹ 36.29 lakh on development of fish farms which could have produced 750 lakh spawn, 112.50 lakh fry and 40.50 lakh fingerlings valuing ₹ 0.60 crore in 2010-14.

While accepting the facts, Government stated that steps are being taken to rectify the shortcomings and the balance work is under progress.

Under utilisation of available water area

2.2.20 OPDC has five⁵⁰ own hatcheries with a total water area of 103.60 Ha, comprising of nursery tank (82.63 Ha) and brooder tank (20.50 Ha).

⁴⁹ ₹ 3.08 lakh for tank development and ₹ 23.98 lakh for magur hatchery

⁵⁰ Bayasagar, Bhanjanagar, Binika, Chiplima and Sarmanga

Audit scrutiny revealed that out of 35 tanks at Bhanjanagar 6 tanks of 2 Ha remained unutilised due to partial heavy infestation with submerged as well as floating weeds causing hindrance to production. Similarly out of total water area of 32 Ha in Chiplima, 5 Ha (11 nursery tanks) remained unutilised for more than 11 years due to non availability of water system. Though, project proposals and estimates were submitted for enhancement of water area utilisation, OPDC did not prepare any time bound plan to make those tanks usable and failed to pursue FARD to avail funds in time under RKVY/SGSY schemes for renovation/modernisation of ponds for their optimal utilisation and enhanced production.

Thus, under utilisation of 7 Ha water area for such long period resulted in loss of production of 10.50 crore fry and potential revenue to the extent of ₹ 0.95 crore during 2009-14.

Government stated that steps are being taken for renovation of tanks.

Reservoirs

2.2.21 Reservoirs form an important source of inland fish production in India. FARD introduced ‘State Reservoir Fishery Policy’ in 2003 (revised in 2012) to augment fish production from the vast untapped/under tapped reservoir resources, to generate gainful rural employment with reference to fishing communities and to generate substantial revenue for the State.

Non achievement of NFDB potentiality

2.2.22 As per NFDB guidelines, fingerling stocking should be 2,000/Ha in small reservoirs, 1,000/Ha in medium reservoirs and 500/Ha in large reservoirs and NFDB would provide ₹ 1 per fingerling stocking. Guidelines also stipulate that average productivity from reservoirs could be increased to a level of 100 to 500 kg per Ha *per annum* depending on their size⁵¹ through proper fingerling stocking programmes.

Audit observed that against sanction of ₹ 22.93 crore under NFDB and SC/ST schemes for stocking of 22.93 crore fingerlings (including 9.52 crore by OPDC) during 2009-14, FARD could stock only 11.91 crore fingerlings including 6.74 crore by OPDC in various reservoirs. The shortfall in stocking was due to delay in construction of captive nurseries and non-completion of captive hatcheries. This resulted in short supply of 11.02 crore fingerlings with consequential refund of available amount of ₹ 2.69 crore and non-availment of ₹ 8.33 crore along with shortfall in achievement of NFDB potentiality (33,881 MT *per annum*) by 92,169 MT during 2009-14.

Shortfall in stocking of fingerlings led to refund of ₹ 2.69 crore and non-availment of ₹ 8.33 crore from NFDB

While accepting the facts, Government stated that steps are being taken to increase performance under the scheme.

⁵¹ 500 kg/Ha/yr from small reservoirs; 200 kg/Ha/yr from medium reservoirs; and 100-150 kg/Ha/yr from the large reservoirs

Non-construction of Captive Hatcheries/Nurseries and Fry Rearing Centres

2.2.23 DoF proposed to NFDB (July 2010) establishment of 10 Captive Hatcheries (CH), 60 Ha of Captive Nurseries (CN) and 40 Ha of Fry Rearing Centres (FRCs) to ensure spawn production from CH and spawn so produced to be reared for production of fingerlings in the CNs/FRCs. NFDB/GoO sanctioned (August 2010) ₹ 4.20 crore (revised to ₹ 5.82 crore in January 2011) and released (2010-12) ₹ 2.77 crore with stipulation to release subsequent instalments after submission of UC.

Audit observed that:

- Against targeted development of 10 CHs and 40 Ha of FRCs during 2010-14, DoF failed to develop any CH/FRC due to non-selection of site.
- DoF developed 53.30 Ha of CNs against targeted development of 60 Ha of CNs, and produced 0.40 crore fingerlings in the developed CNs against envisaged production of 1.33 crore due to inadequate stocking of spawn/fry.
- Due to non-completion of the balance projects, DoF refunded ₹ 30.46 lakh and ₹ 3.05 crore lapsed leading to non-achievement of production of 60 crore spawn and 2.10 crore fingerlings in 2012-14, and failed to provide employment opportunities to 284 persons and to generate revenue of ₹ 3.70 crore.

In the Exit Conference, Government stated that proposals would be prepared more realistically in future.

Fish Seed Production by OPDC

2.2.24 For expansion of aquaculture in the State, fish seed is the primary requisite. Odisha has designed capacity to produce 3,551 million spawn from 97 hatcheries. Fish seed production involves three main stages viz., (i) maintenance of brood fish for breeding in ponds, (ii) hatching of eggs and (iii) rearing of young fish at various stages like spawn, fry and fingerlings. Deficiencies noticed in fish seed production are discussed in the following paragraph.

Shortfall in production of spawn and fry

2.2.25 OPDC is engaged in the business of rearing/raising of spawn/fry and sale of fry/fingerlings to the farmers and Government reservoirs. It produces spawn/fry in its 27 FFs, including 22 FFs transferred (June 2010) from FARD on lease basis. As per norm adopted by OPDC, fry recovery is 30 *per cent* of spawn production. Similarly, for 41-80 mm size and 81 mm and above size fingerling recovery rate is 60 and 36 *per cent* of fry respectively. Spawn produced at OPDC FFs are sold by converting to fry/fingerling. Following table indicates the target and achievement of spawn/fry production during 2009-14.

(in lakh)

Year	Spawn				Fry			
	Target	Achievement	Shortfall	Percentage of achievement	Target	Achievement	Shortfall	Percentage of achievement
2009-10	8654	6226	2428	72	2596	1784	812	69
2010-11	14044	8677	5367	62	4280	2245	2035	52
2011-12	11017	7641	3376	69	2809	1884	925	67
2012-13	11017	8729	2288	79	2885	2347	538	81
2013-14	13340	9689	3651	73	3195	2260	935	71
Total	58072	40962	17110	71	15765	10520	5245	67

(Source : Target and achievement file and proceedings of Annual Activity meetings)

As may be seen from the table, percentage of achievement of spawn and fry was between 62 to 79 and 52 to 81 respectively. Reasons for shortfall in production were attributable to poor tank maintenance, interruption in water supply from the reservoir during peak breeding time, weeds infestation, poor supply of inputs etc. No remedial measures were taken to overcome the hindrances despite direction of BoD from time to time. Due to shortfall in production, OPDC sustained loss of revenue of ₹ 11.60 crore.

Further scrutiny of records revealed that, OPDC has shown achievement of fry production as 8,392.60 lakh in its annual fish seed production report for the period 2009-14 by converting fingerlings to fry adopting financial conversion formula instead of physical conversion. As per norms, the fry production was computed to 5,692.67 lakh. Thus, adoption of financial conversion formula instead of physical conversion inflated the fry production by 2,699.93 lakh.

Government stated that steps had been initiated for renovation of tank, breeder management, water management facility to increase production of spawn and fry. However, the reply is silent about the inflated figures of production of fry.

Brackish Water Aquaculture

2.2.26 Brackish water resources, suitable for shrimp farming, are confined to seven⁵² coastal districts of the State. Total brackish water area of the State was around 4.18 lakh Ha including shrimp culture area, estuaries, brackish water lake and back waters. Brackish Water Fisheries Development Agencies identified 32,587 Ha as suitable for prawn culture. Annual productivity of brackish water shrimp culture ranged from 337 to 406 kg/Ha against average annual potentiality of 1,000 kg/Ha and estuaries productivity ranging from 9 to 14 kg/Ha against potentiality of 80 kg/Ha. Deficiencies noticed are discussed in the following paragraphs.

Non-achievement of target of shrimp production

2.2.27 As per PP 2009, major goals are to bring 10,000 Ha additional brackish water area under coastal aquaculture, to benefit 7,150 trained beneficiaries and to realise additional shrimp and fish production of 26,900 MT *per annum* in seven coastal districts of Odisha during next 10 years.

⁵² Balasore, Bhadrak, Ganjam, Jagatsinghpur, Kendrapara, Khurda and Puri

Audit observed that as against the target of developing 4,330 Ha land, only 2,313 Ha could be developed during 2009-14. The percentage of achievement varied from 2.26 to 80.59 in six districts, whereas in Khurda it was nil. Further, against the targeted shrimp production of 68,000 MT, achievement was 60,420 MT leaving a shortfall of 7,580 MT during 2009-14. The reasons for shortfall were attributable to non-bringing out of coastal aquaculture in 2017 Ha of water area under brackish water and less imparting of training to farmers regarding brackish water fish farming. This resulted in potential revenue of loss of ₹ 163.32 crore.

It was also observed that during 2009-14, only 795 beneficiaries were imparted training against target of 1,860. No farmer was imparted training in Khurda district and four districts⁵³ did not achieve their target. Achievement of six districts varied from 27.85 to 93.94 *per cent*.

In the Exit Conference, Government stated that comprehensive approach for better achievement of targets is under consideration.

Irregular payment of brackish water subsidy to farmers

2.2.28 As per the scheme for brackish water aquaculture, beneficiaries must be small shrimp farmer having land holding of 2 Ha or less and subsidy should be 25 *per cent* of the cost subject to maximum of ₹ 0.60 lakh per Ha. Further, as per the guidelines of Coastal Aquaculture Authority (CAA), the water spread area of a farm shall not exceed 60 *per cent* i.e., 1.20 Ha of water area of the total area of land holding of 2 Ha. Thus, a small shrimp farmer will get maximum subsidy of ₹ 0.72 lakh.

Audit observed that during 2009-14, in two⁵⁴ out of eight test checked districts, DFOs approved application of 113 beneficiaries having more than 2 Ha of land and released subsidy of ₹ 0.79 crore in violation of the schematic provision. Thus, bonafide beneficiaries were deprived of getting envisaged benefits of the scheme and undue benefit was extended to ineligible farmers.

Undue benefit of ₹ 0.79 crore was extended to 113 ineligible farmers

In Exit Conference, DoF stated that a person is eligible to get subsidy for developing five Ha of water area irrespective of his land holding. But, the fact remains that as per the guidelines, farmers are eligible to get subsidy for maximum upto 1.20 Ha of water area of the total land holding of 2 Ha. Further, the documents regarding 5 Ha of water area irrespective of land holding have not been provided to audit.

Marine Sector

2.2.29 Vast marine resources offer ample opportunity for fish production and export. Export of marine fish and prawn is one of the major export earnings of the State. Fishery Survey of India (FSI) assessed Maximum Sustainable Yield (MSY) of marine fishery potential for 1.61 lakh MT *per annum*. It is also an important source of foreign exchange earnings for the Country. Marine fishery

⁵³ Bhadrak, Jagatsinghpur, Kendrapara and Puri

⁵⁴ Balasore and Bhadrak

of Odisha is mainly carried out at seven coastal districts of the State by means of mechanised boats, medium size trawlers, traditional crafts etc. Deficiencies noticed on marine fishery are discussed in the following paragraphs.

Shortfall in production of marine fish

2.2.30 During 2009-14 as against MSY of 1.61 lakh MT *per annum*, target fixed and production achieved are detailed below:

(Qty. in MT)

Year	Target	Production	Shortfall in production
2009-10	130000	129332.35	667.65
2010-11	130000	133478.99	--
2011-12	130000	114295.59	15704.41
2012-13	130000	118311.35	11688.65
2013-14	130000	120019.83	9980.17

It may be seen from the table that:

- Despite fixation of annual targets lower than the MSY, FARD could not achieve the targeted marine fish production except in 2010-11.
- As against the target of 5.20 lakh MT the achievement was 4.82 lakh MT leaving a shortfall in fish production of 0.38 lakh MT valuing ₹ 202.06 crore (calculated on annual average sales price) during 2009-14 except in 2010-11.
- Though DoF instructed (April 2012/May 2013) Additional Fishery Officer (AFO), Marine, to investigate the reasons for shortfall this was not yet done.

In the Exit Conference, Government stated that targets would be fixed more realistically. Fact remains that potential of marine fisheries was not optimally utilized.

Operation of marine vessels in violation of OMFRA Rule

2.2.31 In order to safeguard the coastal water area in the State, Orissa Marine Fishing Regulation Act, 1982 (OMFRA) was implemented with main objective to prohibit fishing by unregistered boats, protect the interest of small fishermen and to conserve fisheries resources. Rules framed (January 1984) under OMFRA stipulate renewal of license annually on payment of requisite fee.

Audit noticed that AFOs, Marine allowed 16,467 vessels registered earlier to operate without renewal of license despite expiry of the validity of registration. This resulted in loss of ₹ 43.41 lakh to Government during 2009-13. Further, even after spending ₹ 1.55 crore towards HSD oil for patrolling, repair and maintenance of boat, arrangement of awareness camp etc., only 69 out of 16,467 boats operating illegally had been seized.

In the Exit Conference, Government stated that after verification the exact position would be appraised.

Poor implementation of E-Registration of vessels

2.2.32 GoI provided (November 2009) ₹ 38.76 lakh for registration of fishing vessels under Merchant Shipping Act, 1958 by issuing unique registration number to the vessels. Hardware and software for the purpose was installed during 2010-11 by NIC. GoO, however, implemented the scheme from 2011-12 only for security as well as for effective monitoring of fishing vessels.

Audit observed that as of March 2014, online registration was completed for 14,168 out of 17,973 vessels. Despite instructions (August 2013) of DoF to cancel the licenses of the boats for not turning up for online registration, 3,805 boats were plying with manual registration as of March 2014. Non-cancellation of licenses indicated ineffective monitoring.

While accepting the facts, Government stated that some of the boats are running under manual registration instead of e-registration due to shortage of skilled manpower.

Welfare Schemes for Fishermen

2.2.33 As per Central Marine Fisheries Research Institute (CMFRI) Survey 2011, there were 6,05,514 of marine fishermen in Odisha. GoO adopted different welfare programmes and schemes such as saving cum relief fund, safety of fishermen at sea, installation of artificial reef, low cost house projects, motorisation of traditional crafts, group accident insurance etc., for social upliftment of the fishermen. Deficiencies noticed in operation of such schemes are discussed in the following paragraphs.

Saving-cum-relief fund

2.2.34 Saving-cum-Relief (SCR) Scheme is a centrally sponsored welfare scheme to provide sustenance to the beneficiaries during lean/ban period. In the fishing season (8 months) the beneficiaries selected by the Fisheries Officer contribute ₹ 75 per month which is kept in the post office or their bank's saving account. The State and Central Government deposit equal amount (₹ 600 *per annum*) in the savings account of the beneficiary for distribution to them during the lean/ban period of four months (April to July) at ₹ 300 per month.

Audit observed the following:

- As against the target for coverage of 78,000 eligible fishermen during 2009-14, only 55,124 fishermen (71 *per cent*) were provided with SCR. District wise coverage of eligible fishermen under SCR varies from 42.56 to 93.41 *per cent* in 6⁵⁵ out of 8 test checked districts.

⁵⁵ Two districts are not coastal districts

Shortfall in coverage was mainly due to non-identification of eligible fishers.

- During 2009-14, out of ₹ 6.63 crore available towards Central and State share of SCR, only ₹ 3.42 crore was utilised due to inability of eligible fishers to deposit their own contribution.
- Pre-conditions for sanction of benefits under SCR like proof of age, income, membership of Cooperative Society etc., could not be verified due to non furnishing of related records to audit.

Thus, non identification of beneficiaries and ineffective mobilisation led to deprivation of intended benefits of the scheme to the beneficiaries.

In the Exit Conference, Government stated that specific reason for less achievement would be analysed.

Delay in implementation of CSP scheme for Safety of Fishermen at Sea

2.2.35 “Safety of Fishermen at Sea” is one of the components of “Development of Marine Fisheries, Infrastructure and Post Harvest Operations” Scheme of GoI. FARD proposed (June 2009) for supply of 1,000 Distress Alert Transmission (DAT) to the fishermen. DAT is a well equipped sophisticated electronic device and can be used as life saving kit for them. While mobile phones will work only up to a particular distance, DAT will work even when the fishermen get lost in high seas. Against proposal for 1,000 DATs valuing ₹ 115.00 lakh, GoI and GoO (75:25) released (March 2010) ₹ 50 lakh and ₹ 16.66 lakh respectively in 1st phase for purchase of 600 DATs. The fund was placed (December 2010) with OPDC being the implementing agency for the scheme. Audit noticed that:

- There was inordinate delay of more than two years (March 2010 to July 2012) for procurement of DATs due to delay in placement of funds with OPDC and finalisation of tendering process as well as providing way bills to the suppliers by OPDC. FARD, however, submitted (December 2010/August 2011) UC prior to utilisation of funds.
- Though individual DAT with beneficiary details are required to be registered with Coast Guard/Marine Rescue Co-ordination Centre (MRCC), due to non-submission of beneficiary details, 180 out of 600 DATs were not registered as of March 2014.
- FARD submitted (2010-12) further proposals for procurement of 2,000 DATs at a cost of ₹ 2.30 crore. However, since the UC for 1st instalment was submitted before purchase of 600 DATs and the UC did not contain the required details, GoI did not consider the proposal of FARD for procurement of 2,000 DATs.

Failure of FARD to submit UCs led to non-sanction of ₹ 2.30 crore for procurement of 2,000 DATs

Thus, failure of FARD to submit UC led to non-sanction of ₹ 2.30 crore for procurement of 2,000 DATs.

In the Exit Conference, Government stated that it would ensure that all boats are provided with DAT and non-functioning of DAT would be reported to audit.

Non-achievement of targeted objective of installation of Artificial Reef

2.2.36 Installation of Artificial Reefs (ARs) at selected locations along the coast of sea is effective in aggregating a variety of fish species and in holding them by providing suitable habitats which could increase fish production as well as value addition to the catch as it would accumulate high value fish by using non-destructive fishing gears.

GoI sanctioned (1995-96 & 1997-98) ₹ 12.96 lakh in two phases to GoO towards 100 *per cent* central assistance for development of suitable model of ARs and four clusters of ARs with the stipulation that subsequent fund would be released only after submission of UC. The fund was placed with Fishermen Cooperative Federation (FISHFED), Odisha for execution of the project. However, the project could not come up due to delay in being taken up and subsequent lapse of funds (₹ 8.96 lakh), parked in civil deposits. Subsequently, GoO sanctioned and released (December 2008) ₹ 74.90 lakh under Rashtriya Krishi Vikash Yojana (RKVY) for establishment of ARs at three⁵⁶ locations. In the meantime, GoO entrusted (October 2008) the work to National Institute of Ocean Technology (NIOT) and the same were installed during March 2011.

Audit observed the following:

- Due to failure of FARD to utilise GoI fund of ₹ 12.96 lakh sanctioned during 1995-96 and 1997-98, State lost the opportunity to avail further CSP funds under the scheme.
- Despite installation of ARs, marine fish production at three corresponding landing centers decreased continuously from 17,827 MT in 2010-11 to 12,881 MT in 2013-14. The reasons for this decreasing trend were not analysed.

Government stated that ARs were installed to reduce the cost of capturing fish. Fact, however, remains that, as per project proposal of NIOT, installation of ARs would be an appropriate method to increase fish production thereby reducing the cost of capturing.

Non-utilisation of fund under “Fishermen Development Rebate on HSD Oil” scheme

2.2.37 GoI introduced (2004-05) the scheme on “Fishermen Development Rebate on HSD Oil” for providing relief to mechanised fishing boats by extending subsidy on HSD oil, to be shared⁵⁷ by GOI and GoO.

Audit observed that as against provision of ₹ 560.09 lakh under CSP and ₹ 840.04 lakh under SP for subsidy on HSD oil during 2009-14, the entire

⁵⁶ Ballinolia, Chandrabhaga and Penthakata

⁵⁷ 80:20 during 2009-12 and 1:2 during 2012-14.

amount was surrendered due to decision pending with GoO regarding extension of such subsidy. It was also noticed that out of unspent subsidy of ₹ 79.58 lakh in five⁵⁸ districts as of March 2009, ₹ 58.67 lakh was utilised and balance ₹ 20.91 lakh remained unutilised in Ganjam and Puri districts as of October 2014.

Government stated that non utilisation of fund would be verified and responsibility will be fixed for such irregularities.

Delay in execution of low cost house projects

2.2.38 Low Cost Housing Scheme was a centrally sponsored scheme, being a component of National Scheme for Welfare of Fishermen, fully funded with equal share from GoI and GoO. As per the scheme, the work order for construction of low cost house would be issued to beneficiaries and the Project Officer would supervise the work and motivate the beneficiaries for timely completion of work.

Audit observed the followings:

- FARD submitted proposal for 4,026 low cost houses valuing ₹ 20.47 crore during 2009-10 (revised to ₹ 20.61 crore in March 2010). Due to delay in submission (March 2007 to October 2010) of UCs for the funds (₹ 287.88 lakh) released during 2004-08 for construction of low cost houses, the above proposal of GoO was not considered by GoI. This resulted in non-availment of benefit of the scheme for 4,026 low cost houses.
- As against proposal of ₹ 4 crore during 2011-12, GoI and GoO released (March 2012) ₹ 2.40 crore as 1st instalment for construction of 800 low cost houses. However, DoF, took up the construction of only 479 houses of which 144 houses were completed by July 2013.
- Out of ₹ 2.40 crore sanctioned in 2011-12, DoF submitted UC for ₹ 22.25 lakh only by October 2012 due to which GoI declined (December 2012) to sanction the proposal of FARD for 1,287 houses valuing ₹ 6.44 crore during 2012-13.

Due to inadequate monitoring and delayed submission of UCs, FARD failed to extend financial assistance of ₹ 28.65 crore to fishermen for construction of 5,634 houses

Thus, due to inadequate monitoring towards completion of low cost houses coupled with delayed submission of UCs, FARD failed to extend financial assistance of ₹ 28.65 crore to fishermen for construction of 5,634 low cost houses during 2009-13.

Government stated that due to low unit cost of the houses, beneficiaries could not complete the construction work in time leading to delay in submission of UCs. Fact, however, remains that there was inadequate monitoring towards completion of low cost houses.

⁵⁸ Balasore, Bhadrak, Ganjam, Jagatsinghpur and Puri

Motorisation of traditional craft

2.2.39 GoI introduced the scheme for ‘Motorisation of Traditional Craft’ under CSP to provide opportunity for the fishermen to earn more by catching more fish and arriving early at the fishing base with fresh fish. As per the scheme, subsidy is allowed at 50 *per cent* of the cost of motor limited to ₹ 30,000 per unit and to be shared equally by GoO and GoI. As per Perspective Plan for 2010-20, target for motorisation was for 6,000 traditional crafts.

Audit observed that during 2009-14, against provision of ₹ 6.01 crore by GoO for the scheme, ₹ 4.31 crore was utilised leaving an amount of ₹ 1.70 crore unspent. As a result, against the target for motorisation of 3,600 traditional crafts during 2009-14, only 2,947 were motorised. Motorisation of traditional craft was between 30 to 97 *per cent* in five districts whereas no motorisation was taken up in Bhadrak district.

While accepting the fact in Exit Conference, Government stated that shortfall in motorisation is now being cleared.

Group Accident Insurance

2.2.40 GoI introduced (2006-07) the scheme for “Group Accident Insurance for Active Fishermen” which is one component of Centrally Sponsored Scheme viz “National Scheme for Welfare of Fishermen”. Under the scheme fisherfolk, licensed/identified/registered with the State Government, would be insured for ₹ 1 lakh against death or permanent total disability and for ₹ 0.50 lakh for partial permanent disability. Insurance cover will be for a period of 12 months and policy would be taken through National Federation of Fishermen Co-operative Limited (FISHCOPFED). Annual premium payable would not exceed ₹ 30 per fisherman (including service charge of ₹ 1) to be paid to FISHCOPFED. The assistance was to be shared on 50:50 basis by the GoI and GoO.

Payment of extra premium of ₹ 25.91 lakh to the Insurance Companies against 89,331 fishers

Audit observed that during 2009-14, an amount of ₹ 13.63 crore was disbursed by GoO and GoI to the Insurance Companies. It was observed from the list of fishers for 2011-12 that, out of 9,99,500 fishers insured, names of 89,331 fishers were added twice by the respective DFOs/AFOs due to which GoO and GoI paid extra premium of ₹ 25.91 lakh to the Insurance Companies.

While accepting the fact, Government stated that necessary action would be initiated against the erring officials after detailed enquiry.

Infrastructure

Fishing Harbour and Fish Landing Centre

2.2.41 Establishment of Fishing Harbours (FHs) and Fish Landing Centres (FLCs) scheme aims at providing infrastructure facilities for safe landing, berthing and unloading of fish catches from fishing vessels, repair and renovation of existing FHs and FLCs.

There are 63 potential fishing bases (FHs/FLCs) in the 480 Kms of coastline of Odisha. As per Perspective Plan, existing FHs and FLCs were to be modernised through renovation and upgradation, since most of them were devoid of minimum basic facilities. Delay in up-gradation/modernisation of FHs/FLCs is discussed below:

Delay in up-gradation/modernisation of FHs/FLCs under NFDB assistance

2.2.42 National Fisheries Development Board (NFDB) sanctioned (July 2011 to January 2012) ₹ 11.65 crore for up-gradation and modernisation of seven⁵⁹ FHs/FLCs of the State and released ₹ 8.96 crore. As per the Memorandum of Agreements executed from time to time between NFDB and GoO, the projects should be completed within 18 months from the date of release of funds. Scrutiny of records revealed that out of seven FHs/FLCs, one FLC at Sonapur in Ganjam district was completed and the works in remaining six FHs/FLCs were in progress till the date of audit. As of August 2014, UCs were submitted for an amount of ₹ 6.55 crore. Even after lapse of 12 to 18 months from the scheduled period of completion of the projects, the physical progress of works of six projects was between 31 to 98 *per cent* till August 2014.

Government stated that action has been initiated to expedite the work and NFDB is being requested to release the balance amount for completion of work.

Delay in construction of FLCs/FH under CSP scheme

2.2.43 Under CSP scheme, construction/modernisation/renovation of FLCs/FHs are undertaken on cost sharing basis by GoI and GoO with a stipulation to complete the works within 18 months. Deficiencies noticed in execution of CSP works are discussed below.

Construction of FLC at Balugaon

2.2.44 GoI accorded (March 2003) Administrative Approval (AA) for construction of FLC at Balugaon in Khurda district at a cost of ₹ 2.35 crore under CSP scheme on 50:50 sharing basis with GoO with a stipulation to complete the works by November 2004. Due to delay in obtaining (March 2005) statutory clearances, GoO revised (June 2005) the project cost to ₹ 2.60 crore due to escalation of labour and other costs with an undertaking to bear the additional cost. GoI released ₹ 0.62 crore out of its share of ₹ 1.18 crore. The work was partly awarded (November 2005) to a contractor at a cost of ₹ 1.37 crore with scheduled completion by October 2006. Due to resentment by local people, the work was held up and rescheduled for completion by July 2010. Due to non availability of fund, the contract was closed (July 2013) after incurring an expenditure of ₹ 1.25 crore. Subsequently GoI and GoO released (March 2013) their balance share of ₹ 1.35 crore and the project completion was rescheduled to June 2014. The project cost was again revised (April 2013) to ₹ 5.18 crore with a condition that the balance

⁵⁹ Balipatpur, Bandara, Bhusandpur, Kansabansa, Panchubisa, Paradip and Sonapur

fund (₹ 2.58 crore) would be obtained from Chilika Development Authority (CDA) against which CDA released (February 2014) ₹ 1.80 crore.

Delay in construction of FLCs for more than 11 years resulted in cost overrun of 120 per cent

Audit observed that as of December 2010, the contractor executed 48 per cent of the work at a cost of ₹ 1.25 crore which was 91 per cent of the cost of awarded work. Despite release of ₹ 4.40 crore by GoI/GoO/CDA, ₹ 1.37 crore only could be utilised as of August 2014. Thus, the project approved during March 2003 remained incomplete after a lapse of more than 11 years with a cost overrun of ₹ 2.83 crore (120 per cent) leading to non-achievement of intended benefits.

Government stated that the work was started after three years due to obstruction of local people and assured to complete the work by May 2015.

Modernisation of existing FH at Dhamara

2.2.45 GoI accorded AA (December 2009) for modernisation of existing FH at Dhamara in Bhadrak district at a cost of ₹ 13.10 crore to be shared on 75:25 basis by GoI and GoO with a stipulation to complete the works by June 2011. As of March 2012, GoI (₹ 5.50 crore) and GoO (₹ 1.83 crore) released ₹ 7.33 crore including release (December 2009) of ₹ 1.50 crore by GoI as 1st instalment.

Audit noticed that though the project was scheduled to be completed by June 2011, it could be commenced only in April 2011 even after release of 1st instalment by GoI. Further, due to delay in commencement, though GoO requested (October 2011) GoI for extension of time (EoT) upto September 2013 and release of balance share of ₹ 4.33 crore, GoI did not consider (March 2013) release of balance share (it extended completion period). This resulted in non-availment of Central assistance of ₹ 4.33 crore. The project is still in progress after incurring expenditure of ₹ 6.45 crore as of August 2014. Thus, due to delayed execution, the intended benefit of modernisation could not be achieved.

Government stated that work would be completed within a short span of time provided the balance amount is received in time. However, since GoI did not agree to release its balance share, GoO has to bear the additional burden.

Construction/Repair and Renovation of FH/FLCs

2.2.46 Ministry of Agriculture, GoI released ₹ 1 crore (March 2004) as first instalment for construction of FH at Bahabalpur in Balasore District against the project cost of ₹ 10.80 crore which was to be shared on 50:50 basis with GoO. Similarly, GoI released (March 2001) ₹ 60.25 lakh to GoO towards its 50 per cent share for repair and renovation work of seven⁶⁰ FLCs under CSP Scheme.

⁶⁰ Bahabalpur, Bhusandpur, Kansabansa, Nairy, Panchubisa, Talachua and Tantiapal

However, due to non finalisation/alienation of the required land the work was not commenced till the date of audit. Thus, ₹ 1.60 crore released by GoI remained unutilised so far leading to non-achievement of intended objective.

Government stated that pending land alienation, ₹ 1.60 crore released by GoI would be refunded. The reply indicates that the proposal was submitted without adequate planning and without ensuring encumbrance free land.

Under utilisation of Net Manufacturing Unit

2.2.47 The demand of fishing net in Odisha is about 1,500 MT *per annum* comprising nylon net (900 MT) and HDPE nets (600 MT). Net manufacturing unit of OPDC was started during 1986 by installation of four fishnet making machines with subsequent (2007 and 2009) installation of five high speed net machines to produce high quality gill net webbings for the fishermen of the State. The annual targets for production of fishing net were fixed on the basis of performance/achievements of the previous year.

Audit observed that during 2009-14, targets were fixed at the lower side ranging from 57 to 76 *per cent* against the envisaged capacity utilisation of 90 *per cent* of installed capacity of 105 MT. Even against the lower target of 360 MT during 2009-14, OPDC achieved only 278.32 MT. Thus, there was shortfall in production of 194.18 MT against envisaged capacity utilisation of 472.50 MT resulting in potential revenue loss of ₹ 7.03 crore. Reasons for shortfall in achievement were mainly due to non-utilisation of available machine hours, shortage of operating staff, frequent power problem, insufficient working capital and old unproductive net machines. Though there is enough demand for fishing net and good revenue earning potential, OPDC failed to capitalise on the same.

Shortfall in production of 194.18 MT of nylon net resulted in loss of revenue of ₹ 7.03 crore

Government stated that to overcome under utilisation of net manufacturing unit, steps have been taken for procurement of two high speed machines and deployment of skilled personnel by outsourcing.

Performance of Diesel Outlets/Filling Stations

2.2.48 OPDC has five⁶¹ Diesel Outlets (DO) at different coastal points to cater to the needs of the fishermen community operating their trawlers, motorised boats etc, besides, two Filling Stations (FS) at Baripada and Chhatrapur to provide HSD, MS and lubricants to surface transporters. The annual targets for sale of HSD, MS and lubricants are fixed on the basis of performance/achievements of the previous year.

Audit observed the following:

- During 2009-14, against targeted sale of 75,500 KL of HSD, OPDC sold only 58,695.71 KL. Percentage of achievement was between 56.64 and 94.19, except for 2009-10 when target was achieved. Due to

Shortfall in sale of 16,804.29 KL of HSD oil resulted in loss of commission of ₹ 1.43 crore

⁶¹ Astaranga, Chandipur, Dhamara, Kasafal and Penthakata

non-achievement of target, OPDC could not earn commission of ₹ 1.43 crore.

- In case of MS and lubricants, against targeted sale of 18,750 KL and 1,26,400 litres respectively, OPDC sold 16,423 KL of MS (87.59 per cent) and 1,03,210 litres of lubricants (81.65 per cent) during 2009-14.
- Though reasons like non-implementation of Government subsidy on HSD, opening of new outlets, credit sale by private parties, insufficient working capital, etc., were attributed for non-achievement of targeted sale, no corrective measures were taken nor was any suitable sales policy formulated by OPDC.

Government assured to take corrective measures.

Performance of ice plants

2.2.49 Ice plants are the important post-harvest infrastructure for reducing wastage of fish, long duration of storage, constant availability of hygienic fish, increase sale price of fishes and generate employment. Deficiencies noticed in operation of ice plants are discussed in the following paragraphs.

Non-disposal of defunct ice plants

2.2.50 Seven ice plants of FARD were inoperative prior to 2004-05. GoO decided (June 2004) to dispose these ice plants either on lease or on outright sale basis by 31 August 2004.

Audit observed that even after lapse of 10 years of the decision for disposal of defunct ice plants, none of the plants were disposed off so far. This resulted in wasteful expenditure of ₹ 1.42 crore towards staff salary, electricity, water charges and watch and ward.

Further, though Marine Products Export Development Authority (MPEDA) of GoI proposed (May 2007) renovation of the ice plants, with an offer for subsidy of ₹ 12 lakh per plant, GoO did not avail the benefits for reasons not on record.

Government stated that steps are being taken for disposal of ice plants.

Injudicious decision to set up ice plants

2.2.51 OPDC constructed a 10 MT ice plant and 5 MT cold storage at Gopalpur during 1994 at a cost of ₹ 20.37 lakh including ₹ 15.25 lakh towards cost of plant and machinery. The plant could not be operated due to non-availability of power supply and fresh water. The BoD decided (October 2002) to sell out the plant and machinery which could not be disposed off due to low offer from time to time and was finally sold (March 2013) for ₹ 2.11 lakh.

Similarly, OPDC had also constructed two buildings during 1999 for setting up of two ice plants at Paradip at a cost of ₹ 9.06 lakh on a land belonging to Paradip Port Trust. The investment became wasteful due to land dispute and the area being under high tidal zone.

Thus, injudicious decision of OPDC to set up ice plants without their feasibility study led to wasteful expenditure of ₹ 27.32 lakh.

Government offered no comments on the audit observation.

Non-utilisation of fund released from SRC

2.2.52 The Special Relief Commissioner (SRC), Odisha sanctioned and released (September 2011) ₹ 10.00 crore from National Disaster Response Fund (NDRF) for undertaking labour intensive works in 17 drought affected districts and 22 unseasonal heavy cyclonic rain affected districts in the year 2010. It was also stipulated to utilise the fund within December 2011. It was observed that as per the proposal the fund was to be spent towards reconstruction/restoration in 26 Government fish farms in fourteen districts. As FARD failed to prepare the estimate for execution of the works within due date, it refunded (April 2012) the fund to SRC and thereby the reconstruction/restoration works could not be done.

Failure in preparation of estimate within due date led to refund of ₹ 10 crore to SRC

Government accepted the facts.

Financial Management

Non-realisation of Royalty and Lease value of reservoirs

2.2.53 GoO introduced (October 2003) State Reservoir Fishery Policy (SRFP) with the main objectives to augment fish production, generate rural employment and substantial revenue from vast reservoir resources which was superseded (September 2012) with reduction of lease value of reservoirs. The reservoirs are classified into three categories i.e., Minor (40 Ha to 1,000 Ha), Medium (1,001 Ha to 5,000 Ha) and Large (above 5,000 Ha). Fishing rights of all 138 reservoirs covering 1,41,305 Ha (each above 40 Ha) was vested with FARD. As per SRFP these reservoirs are required to be leased out to Primary Fishermen Co-operative Societies (PFCS) which also stipulates that initial lease period shall be for five years which may be extended up to another five years, subject to satisfactory performance of the lessees.

Audit observed that

- Out of 138 reservoirs, 102 to 123 reservoirs were leased out to PFCS during 2009-14, and remaining 15 to 36 reservoirs were not leased out due to lack of response from the bidders and non-tendering/re-tendering.
- As against the targeted lease value and royalty of ₹ 5.32 crore for 138 reservoirs, FARD realised ₹ 1.85 crore only during 2009-14. Non/short-realisation of ₹ 3.47 crore was mainly due to non-tendering/retendering of 15 to 36 reservoirs not leased to PFCS and non-execution of bipartite agreement with PFCS to evacuate the lessee on their failure in payment of lease value and royalty.

- Even after drastic reduction in lease value, there was non-leasing of reservoirs and pendency in receipt of lease value and royalty.

Government while accepting the fact in the Exit Conference stated that reasons for not leasing out reservoir would be analysed and necessary corrective action would be taken.

Non-recovery of lease value from private entrepreneurs

2.2.54 FARD decided (August 2010) to auction 57 out of its 106 fish farms to take up fish seed/fingerling culture through private entrepreneurs on lease basis for a period of five years.

Audit observed that FARD leased out 54 fish farms to private parties during 2011-14, of which 16 farms during 2011-12 and 15 farms in 2012-14 were leased out without executing lease agreements. Further, it was noticed that lease value of ₹ 26.81 lakh was outstanding as of March 2014 with 12 parties with whom lease agreements were executed and with 15 parties with whom no lease agreement was executed. It was also noticed that ₹ 5.54 lakh out of ₹ 26.81 lakh was outstanding against seven parties in eight test checked districts. Thus, absence of proper follow up coupled with non-execution of agreement resulted in non-realisation of lease value of ₹ 26.81 lakh.

While accepting the fact and figures, Government stated that on receipt of information from its district level officers, final position would be submitted.

Unutilised accrued interest

2.2.55 As per instructions (October 2012) of GoO, scheme funds kept in saving accounts are to be deposited in flexi accounts to fetch higher return so that interest accrued could be ploughed back to expand the coverage of the scheme. Audit scrutiny revealed that in violation of the instructions of GoO, scheme funds were kept in savings bank (SB) accounts (at 4 per cent). Further, test check of Bank Pass Books and Cash Books of seven out of eight selected Districts, revealed that interest of ₹ 1.81 crore accrued in saving bank accounts as of March 2014 remained unutilised in absence of any direction/policy of GoO/GoI for utilisation of the same.

Government accepted audit observation and agreed to take necessary action.

Non remittance of sale proceeds of fish seed

2.2.56 FARD transferred (June 2010) 22 fish farms to OPDC on lease basis with condition that fish seed production and sales was to be done by existing staff of DFOs. The sale proceeds should be deposited by the DFOs in the SB Account opened in favour of OPDC soon after receipt of the same.

Test check of OPDC records revealed that out of sale proceeds of ₹ 2.96 crore from Government fish farms, DFOs deposited ₹ 2.20 crore with OPDC during 2010-14 and retained an amount of ₹ 0.76 crore as of March 2014. The DFOs

were not regular in remitting the sale proceeds to OPDC despite request of OPDC.

Though Government accepted the facts and figures, it did not furnish any reasons for irregular remittance of sale proceeds by DFOs.

Monitoring and Control

Monitoring

2.2.57 An effective monitoring mechanism is a pre-requisite for ensuring physical/financial progress and timely completion of projects under different schemes. Audit observed the following deficiencies:

- Nodal officers were required to visit fish breeding farms at regular intervals to sort out the problems at farm level as well as to review the achievement and report to DoF. Details of such visit/review/reporting were not on record.
- To improve the sales performance of diesel outlet (DO)/filling station (FS) of OPDC, though the controlling officer was required to visit the units at periodic intervals and submit visit note to MD, no such visit notes were submitted.
- BoD of OPDC held only ten meetings during 2009-14 as against 20 meetings required under the provisions of Companies Act, 1956.

Government stated that deficiency pointed out by audit will be examined for rectification and guidance after it is examined. It further stated that Board Meetings could not be held at due interval on account of over engagement of Chairman (Non-Official) and Managing Director (who is also Director of Fisheries).

Internal control

2.2.58 Internal Control System is an essential part of managerial control system. An efficient and effective Internal Control System helps the management to achieve the organisational objective effectively and efficiently. Deficiencies noticed in internal control mechanism were as follows:

- Scheme wise registers indicating name of the scheme, duration of the scheme, amount sanctioned, amount released, the fund placed, expenditure made, amount surrendered, utilisation certificate submitted, sources of fund etc., were not maintained.
- Correctness of receipt and payment were not safe vouched at the DOs/FSs by any other official than the official preparing the vouchers.
- Despite the directions (July 2008) of BoD, no marketing policy was formulated for disposal of fingerlings. Similarly no marketing policy existed to boost sales performance of DOs/FSs.
- As per the delegation of financial power, bills were to be passed by GM after being verified and authenticated by FA&CAO. In violation

of the financial rules, most of the bills were passed by GM without such authentication.

- During 2009-14 though internal audit wing of FARD recommended recovery of ₹ 9.09 crore, it was effected for ₹ 0.34 crore only and balance ₹ 8.75 crore was pending.
- There was improper maintenance of brood stock as the utilisation of breeders during 2009-14 exceeded the available stock.

Government noted the deficiencies for rectification and guidance.

Acknowledgement

Audit acknowledge co-operation and assistance extended by FARD and OPDC at various stages of conducting Performance Audit, Entry Conference and Exit Conference.

Conclusion

There were persistent and substantial surrender of budget allocation due to unrealistic budgeting. Non/poor execution of different schemes/plans of GoI for development of water areas led to non-availment/surrender of central assistance. Welfare activities under different schemes/programmes did not fulfill intended objectives. Development of available infrastructure and utilisation thereof for boosting of pisciculture was ineffective. There was deficient monitoring and internal control mechanism with FARD/OPDC.

Recommendations

Government/OPDC may consider following recommendations:

- **Budgetary provisions need be realistic to avoid substantial surrenders.**
- **Timely implementation of central schemes/programmes should be ensured so as to boost pisciculture.**
- **Welfare activities under different programmes/schemes for social upliftment of the fishers may be effectively implemented.**
- **Monitoring and internal control mechanism be strengthened.**

Government accepted all the above recommendations.