

Chapter II

Compliance Audit

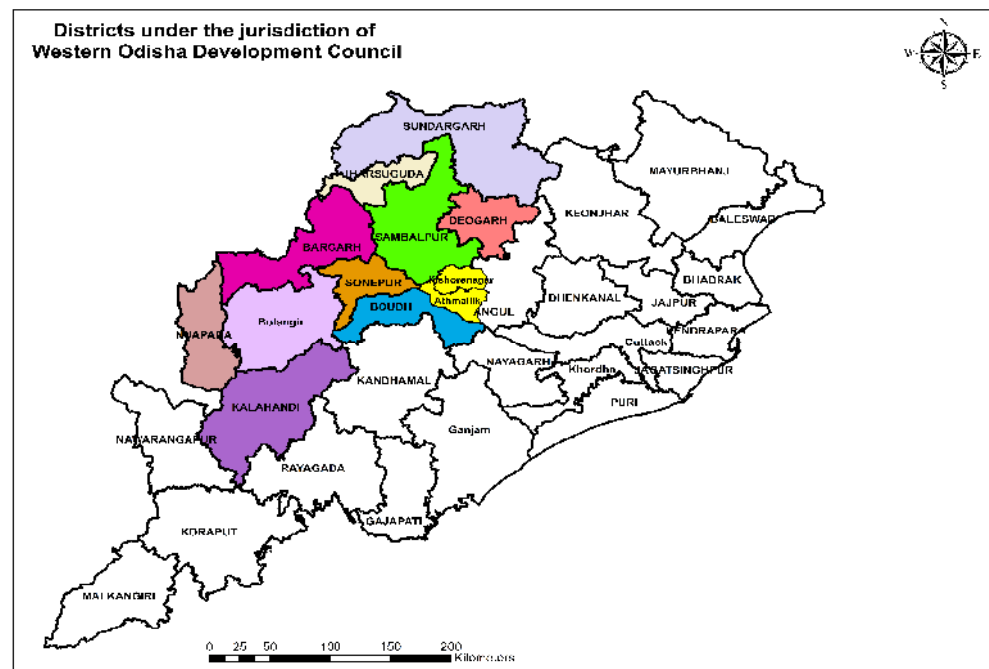
Planning and Convergence Department

2.1 Development by Western Odisha Development Council (WODC)

2.1.1 Introduction

Government of Odisha (GoO) established (November 1998) Western Odisha Development Council (WODC) with the objective of removing regional imbalances by undertaking accelerated development programmes in western Odisha. The jurisdiction of WODC spreads over 89 Blocks¹ of 10 districts of western Odisha, as shown in the map below:

Map 2.1.1: Districts under the jurisdiction of WODC



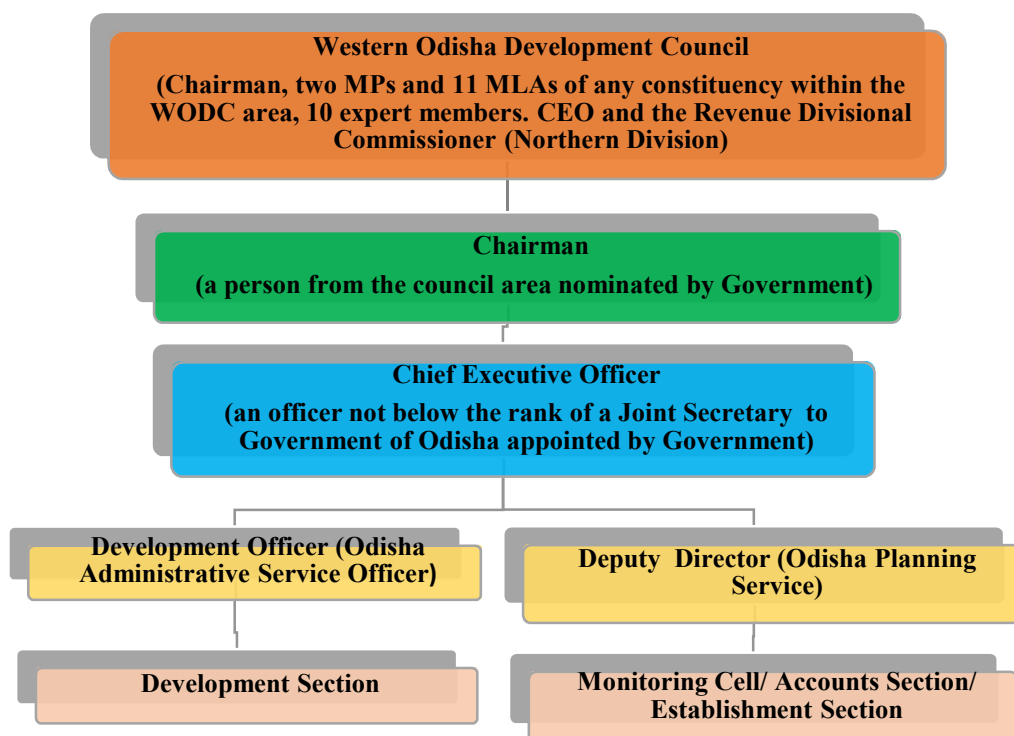
GoO enacted WODC Act, 2000 defining objectives, powers and functions as well as organizational structure of WODC. A Performance Audit on functioning of WODC was included in the C&AG's Audit Report (Civil) for the year ended March 2005. In response to the audit observations, Government had assured (November 2005) to assess the developmental imbalances and to formulate long term action plan for removal of imbalances, to carry out impact studies and evaluation of completed projects. The Public Accounts Committee (PAC) is yet to discuss the Report. Audit, however, found the shortcomings pointed out in the Audit Report still persisting, as detailed in subsequent paragraphs.

¹ 10 districts viz., Bargarh, Bolangir, Boudh, Deogarh, Jharsuguda, Kalahandi, Nuapada, Sambalpur, Subarnapur, Sundargarh and Athamalik sub-division of Angul District

2.1.2 Organisational set up

WODC functions under the administrative control of the Planning and Convergence Department. Administration of WODC was entrusted to a council comprising of 26 members² nominated by the State Government. The Council, headed by the Chairman, was responsible for formulation of action plans of WODC and the Chief Executive Officer (CEO) was responsible for the day to day affairs, WODC executed the developmental works through the concerned line departments and Block Development Officers. The organisational set up is depicted in the Chart below:

Chart 2.1.1: Organisational Chart of WODC



Audit was conducted during April to August 2018 covering the period 2015-18. Audit test-checked records of P&C Department, WODC, District Planning and Monitoring Units (DPMUs) of all 10 districts and 47 out of 216 line departments/ blocks. The units were selected on the basis of stratified random sampling method³. Audit test checked records of 943 (10 per cent) out of 9151 projects⁴. Joint physical inspections (JPI) of 456 (48 per cent) out of 943 test-checked projects were also conducted to ascertain the achievements vis-à-vis the expected outcomes.

² Nominated members: One Chairman, two MPs and 11 MLAs from the constituencies within the WODC area, 10 expert members. CEO and the Revenue Divisional Commissioner (Northern Division)

³ Twenty out of 87 Blocks, six out of 30 Urban Local Bodies (ULB), six out of 13 Roads & Buildings Divisions, three out of 20 Public Sector Undertakings, two out of five Integrated Tribal Development Agencies, two out of 11 Rural Works Divisions, two out of nine Rural Water Supply and Sanitation Divisions, two out of 16 electrical divisions, two out of seven irrigation divisions and two out of four Public Health Divisions

⁴ No. of projects under execution as of 1 April 2015: 786 and no. of projects approved during 2015-18: 8365

2.1.3 Deficient planning and institutional arrangements

2.1.3.1 Deficient planning

Government instructed (November 2013) WODC to allocate funds aiming at bridging the gaps in developmental schemes in WODC areas. Accordingly, WODC fixed (August 2013) norms for allocation of five to 40 *per cent* of funds for different sectors. Sector-wise percentage of funds allocation as per norms and actual allocation along with number of projects approved under each sector during 2015-18 are shown in **Table 2.1.1**:

Table 2.1.1: Sector-wise allocation of funds during 2015-18

Sector	Number of projects approved	Approved cost (₹ in crore)	Allocation as per Norms (in percentage)	Actual Allocation (in Percentage)
Other projects	3173	159.41	10	38.90
Roads & Communication	1965	94.35	15	23.03
Education	1351	89.14	15	21.76
Irrigation	1395	48.33	40	11.80
Drinking water	307	9.42	10	2.30
Electrification	147	6.62	5	1.62
Health	27	2.45	5	0.60
Total	8365	409.72⁵		

(Source: Information furnished by WODC)

In the above context, Audit observed the following:

2.1.3.2 Inadequate allocation of funds to priority sectors

Contrary to the decision of WODC in August 2013 to give highest priority to Irrigation sector, Irrigation sector had not been given priority. Further, all other sectors were also not allocated funds as per the norm. ‘Other projects’⁶ which were not critical to the development of the region, were given highest priority and funds to the tune of ₹ 159.41 crore (39 *per cent*) were allocated. For instance, construction of 77 community centres in Rourkela Municipal Corporation (RMC) were approved at ₹ 3.03 crore during 2015-18 though the city was being developed as a ‘Smart City’ and did not need allocation from WODC. Further, ₹ 0.32 crore was allotted (2014-15) for installation of seven statues in RMC area, which were not critical activities and violated the instructions of the Government, issued in November 2013. The amount could have been utilised in the critical projects, which could not be completed due to paucity of funds.

The P&C Department stated (October 2018) that those projects had been sanctioned in view of public demand. The fact, however, was that the sectoral allocation norm approved by WODC was not followed in allocation of funds.

⁵ Grant-in-aid of ₹ 300 crore provided by GoO during 2015-18 and the balance ₹ 109.72 crore represent interest and unspent funds of the earlier periods

⁶ Like community centres, kalyan-mandap, kirtan-mandap, mahima ashram, religious institutions, installation of statues *etc.*

2.1.3.3 Non-assessment of critical gaps and non-preparation of perspective/ annual plan

As per Section 11 of WODC Act, WODC was to prepare long term/short-term plans and conduct impact assessment studies of various developmental programmes. P&C Department selected (November 2013) Poverty and Human Development Management Agency⁷ (PHDMA) to assess critical gaps and suggest remedial measures for socio-economic, cultural and educational development of western Odisha. WODC authorised (December 2013) the CEO to co-ordinate and execute agreement with PHDMA for the purpose. The CEO, however, neither took up the matter with PHDMA nor did P&C Department take any step in that regard. As a result, no annual/ perspective plan could be prepared and projects were approved as recommended by MPs, MLAs, CEO and other members of WODC, ignoring critical gaps. Besides, no impact study/ evaluation was conducted by WODC in respect of 26,690 projects completed as of March 2018. Some instances of projects selected without plan and not critical for development of western Odisha are detailed below:

- WODC approved digging of 39 tube wells by four⁸ Executing Agencies (EAs) at ₹ 29.22 lakh. Out of these, 10 tube wells were dug in areas where there was supply of more than 40 litre drinking water per capita per day and were referred as ‘fully covered areas’ instead of in ‘partially covered areas’, where there was supply of 10-40 litre drinking water per capita per day, and ‘un-covered areas’ where there was supply of less than 10 litre drinking water per capita per day. Besides, as per the terms of the agreement entered with the contractors, required chemical tests were to be conducted and final payments to the contractors were to be made after testing the work to the satisfaction of the Engineer-in-Charge. The EAs, however, had not conducted any chemical test but released final payments to the contractors. Non-conduct of chemical test did not assure of supplying safe drinking water in these areas.
- **Inadmissible assistance:** As per Government instruction (November 2013), WODC funds should not be allocated for projects which were eligible to be funded under other programmes/ schemes. Further, financial assistance to the private educational institutions are governed under the provisions of Orissa Education Act, 1969. Section 7 (c) (4) of the Act envisages that no grant-in-aid shall be paid to any educational institutions except in accordance with an order or rule made under this Act. Contrary to these instructions, WODC provided ₹ 9.11 crore during 2014-15 to 2017-18 to 193 certain private educational institutions. The management/ trustees of these institutions charged fees for imparting education to students. Such assistance was not permissible under WODC as these projects are covered under MPLAD/ MLALAD schemes. Further, in absence of any specific order/ rule framed under the Orissa Education Act, extension of such financial assistance was irregular.

⁷ A society working under the administrative control of P&C Department

⁸ EE, Rural Water Supply and Sanitation Divisions, Bargarh and Boudh; EE, Public Health Divisions of Rourkela and Sambalpur

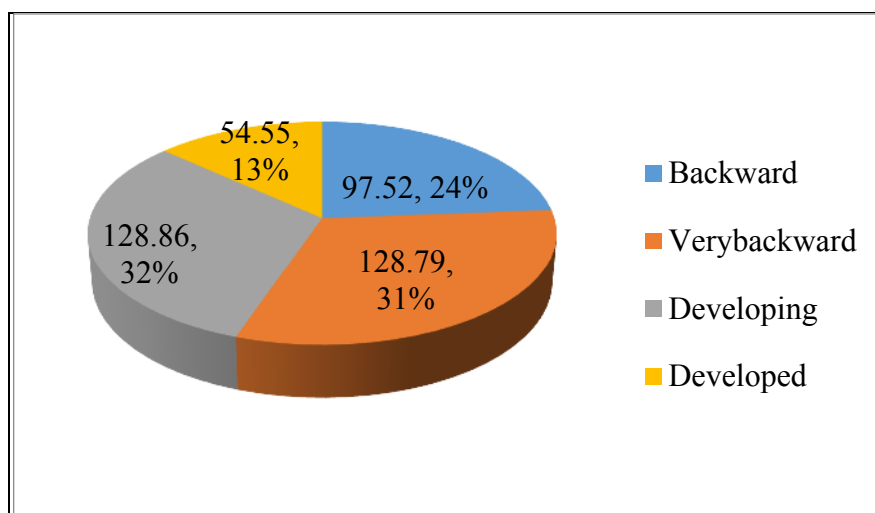
P&C Department stated (October 2018) that assistance to private educational institutions was part of effort to bridge critical gaps since funds provided under MP/ MLALAD were insufficient to provide quality education. The Department also assured to identify critical gaps to assess felt needs of the area. The reply is not acceptable since as per Section 7-C (4) of the Orissa Education Act, 1969 no amount shall be paid to any private educational institution, except in accordance with an order or rule made under the Act. In the instant cases, no order or rule had been framed to extend such financial assistance.

Recommendation: To achieve the objectives set out for WODC it needs to identify the critical gaps in development and prepare long/ short term perspective plans to bridge these gaps, for implementation.

2.1.3.4 Inadequate priority to backward and very backward areas

Out of 89 blocks coming under WODC, 34 blocks (38 per cent) were very backward and 25 blocks (28 per cent) were backward⁹. GoO instructed (June 2013) to give more priority to very backward and backward blocks. Funds allocated to different categories of blocks during 2015-18 are depicted in the **Chart 2.1.2** below:

Chart 2.1.2 showing category-wise allocation of funds during the years 2015-18 (in crore)



Out of total outlay of ₹ 409.72 crore, during the years 2015-18, ₹ 183.41 crore (45 per cent) had been allotted for developing and developed blocks, while only ₹ 128.79 crore (31 per cent) had been allotted for very backward and ₹ 97.52 crore (24 per cent) for backward blocks. Thus, the backward and very backward blocks were not given priority in allocation of funds.

P&C Department while admitting (October 2018) the fact stated that there were backward or very backward areas in some developed blocks to which projects had been sanctioned. The fact, however, remains that there was no study or report on the basis of which such areas had been treated as backward areas contrary to the Ghadai Committee Report.

⁹ As per the Ghadai Committee Report 1991, Very backward: 34, Backward: 25, Developing: 25 and Developed: 5 blocks

Recommendation: Priority should be accorded to very backward and backward blocks in allotment of funds, so as to bring these blocks at par with developed blocks.

2.1.3.5 Approval of projects without feasibility study

WODC constituted (August 2014) a Project Screening Committee to verify feasibility/ necessity of projects to be taken up. Despite setting up of the committee it was noticed that projects were approved without verifying their feasibility/ necessity. As a result, 1,009 (4 per cent) out of 27,910 projects with outlay of ₹ 61.15 crore approved during 2004-2018 were found unnecessary since these projects had been executed under other schemes. These projects were cancelled during December 2013 to March 2018 and substituted with 1,033 new projects of same/ different nature.

P&C Department while admitting (October 2018) the fact attributed reasons for non-conducting of feasibility study to non-availability of technical manpower with WODC. The fact, however, was that technical persons were appointed as expert members to the WODC during the above period.

2.1.3.6 Non-utilisation of assets due to improper planning

GoO instructed (April 2011) to ensure full funding of the projects taken up by WODC for timely completion. It was noticed that the WODC had approved projects without considering requirements of total funds for construction of allied infrastructure. As a result, the completed projects could not be put to use in absence of allied infrastructure as revealed during (June/ July 2018) Joint Physical Inspection (JPI). Few such instances are discussed below.

Table 2.1.2 showing idling of assets due to non-creation of allied infrastructure

Name of the project (Year of completion)	Cost of completion (₹ in crore)	Audit observation
Construction of Gangadhar Meher Memorial Auditorium-cum-Research Centre & Library Hall at Barpali College, Bargarh (September 2016).	1.08	The building could not be put to use for want of requisite furniture & fixtures as of July 2018.
Construction of 120-seated ladies hostel building at Lala Lajpat Rai Law College, Sambalpur (March 2018).	2.21	Provisions for beds, tables and chairs, etc., required for functioning of the hostel were not provided in the estimate. The Principal of the college stated during JPI (June 2018) that the college did not have adequate resources for procurement of furniture and fixtures.
Construction of Western Odisha Freedom Fighter Memorial Hall and Museum at Sambalpur (June 2016).	0.84	The building could not be put to use for want of interior furnishing ¹⁰ .
Total	4.13	

(Source: Records of sampled Executing Agencies)

¹⁰ False ceiling, partition, showcase for keeping antiquities, electrification and lighting

Thus, due to non-procurement of required furniture and fixtures, assets created at an expenditure of ₹ 4.13 crore were kept idle. The Department assured (October 2018) to make holistic assessment of needs and allocate funds accordingly for proper utilisation of assets.

2.1.3.7 Deficient institutional arrangement

Section 4 of WODC Act, 2000 authorised the State Government to nominate two members of the Lok Sabha and 11 MLAs on rotational basis from the areas coming under WODC for two years. Section 4 (c) of WODC Act stipulated that 10 persons having special knowledge in different¹¹ spheres were to be nominated to WODC for five years as expert members. In this context, Audit noted the following:

- **Non-filling up of vacant posts in the Council:** Terms of two Members of Lok Sabha and 11 MLAs had expired on 18 June 2016 which remained vacant as of March 2018. Thus, the inputs, suggestions and participative nature of the council, as envisaged, was not being fulfilled. The Department stated (October 2018) that 11 MLAs and two MPs had been nominated (August 2018) to WODC. The fact, however, was that the vacancies had not been filled in for more than two years.
- **Lack of transparency in nomination of expert members:** GoO nominated (May 2015 & March 2018) eight expert members to WODC for five years. The expertise of members in different fields and the basis of their selection were not on record. As such, the nomination of expert members to the WODC was not transparent. During exit conference, Development Commissioner took cognizance of the matter and assured to rectify the situation.

In absence of assessment of critical gaps and non-preparation of perspective plans/ annual plans, identification of projects was based only on recommendation of members. Thus, vacancy in posts of members had resulted in fewer inputs coming from the Council members, improper selection of projects (lack of expertise) as well as irrational allocation of funds among different blocks.

Recommendation: Filling in the post of members in the Council may be done timely and selection of expert members may be transparent and keeping in view of the need of areas of expertise for WODC as well as rotation amongst elected representatives of the region.

2.1.4 Financial management

GoO provided ₹100 crore per annum from 2008-09 onwards to WODC for undertaking various developmental projects. Year-wise receipt and utilisation of funds during 2015-18 are shown in **Table 2.1.3:**

¹¹ Planning, finance and accounts of Government, wide experience in public administration or social service, experts of special knowledge in different fields like education including law, technical education and vocational training, Agriculture, Industries, Irrigation, Public Health, Forestry, Mining, Public Works, Employment or management of people's problems

Table 2.1.3 : Details of receipt and utilisation of funds during 2015-18

(₹ in crore)

Year	Opening Balance	Grants in aid	Other receipts ¹²	Total	Released to Executing Agencies	Closing Balance	Percentage of Utilisation
2015-16	89.66	100.00	8.67	198.33	123.77	74.56	62.41
2016-17	74.56	100.00	9.73	184.29	140.57	43.72	76.28
2017-18	43.72	100.00	7.46	151.18	135.21	15.97	89.44
Total		300	25.86		399.55		

(Source: Information furnished by WODC)

2.1.4.1 Unspent funds

As per the conditions of sanction orders of P&C Department, funds were to be utilised during the year of sanction. Contrary to this, ₹ 15.97 crore were lying unspent with WODC as of March 2018. It was also observed that ₹ 135.71 crore¹³ was lying unspent with 10 District Planning and Monitoring Unit (DPMUs) and 46 test checked Executing Agencies (EAs) as of March 2018. Audit analysis revealed that ₹ 57.20 crore out of ₹ 151.68 crore was lying unspent for 1 to 14 years¹⁴. P&C Department stated (October 2018) that suitable instructions had been issued to the Collectors to expedite utilisation of funds.

2.1.4.2 Diversion of funds

WODC had sanctioned ₹ 1.40 crore for construction of 19 community centres and 11 other projects. 16 EAs, however, utilised the funds in construction of temples (₹ 62.83 lakh), other assets¹⁵ (₹ 62.61 lakh) and payment of salary (₹ 17 lakh), which had not been approved by WODC. P&C Department stated (October 2018) that the concerned Collectors had been instructed for taking necessary action against errant officials/ EAs.

2.1.4.3 Non-submission of utilisation certificates

Rule 173 of the Orissa General Financial Rules (OGFR) read with the conditions of sanction order of P&C Department provided that utilisation certificates (UC) should be furnished to the Department by 30th June of the succeeding year of allotment. A comment has been made vide Paragraph 3.5.2 of the C&AG's Audit Report (Civil) for the year ended March 2005 on non-receipt of UC by WODC from the executing agencies. Scrutiny of status of submission of UC by WODC revealed that WODC had not submitted UC for ₹ 200.01 crore pertaining to the grants received during 2001-02 to 2017-18

¹² Interest and funds received back from the executing agencies

¹³ 10 DPMUs (₹ 78.35 crore) and 46 executing agencies (₹ 57.36 crore)

¹⁴ One to three years (₹ 46.85 crore), four to five years (₹ 5.45 crore), more than five years (₹ 4.90 crore)

¹⁵ Badminton court, crossed drainage, boundary wall, repair of old age home, extension of college building & library, installation of electric transformer, welcome gate, etc.

though the amount had been utilised. Further, in the case of four¹⁶ test checked EAs, they had submitted UCs for ₹ 2.13 crore without utilisation of funds, which is highly irregular. P&C Department assured (October 2018) of taking corrective action.

2.1.4.4 Irregularities in tendering process

- **Procurement of material without tender:** As per the Odisha Public Works Department (OPWD) Code, cost of material exceeding ₹ 50,000 should be procured through open tender. Out of 416 cases test-checked in Audit, 350 works (84 per cent) were executed departmentally. In all 350 cases, construction materials worth ₹ 5.33 crore were procured without open tender. The concerned EAs procured the material through hand receipts from unregistered local suppliers. Further, no Material at Site Account was maintained to ensure proper accounting of receipt and utilisation of materials procured.

P&C Department stated (October 2018) that concerned district collectors had been told to enquire into the matter and report.

- **Non-recovery of penalty for delay in completion of work:** As per conditions of contract, penalty at 10 per cent (maximum) of estimated cost was to be levied on the contractor for non-achievement of proportionate progress during execution of work/ delay in completion of work. In 55 (83 per cent) out of 66 test checked works, the contractors did not achieve proportionate progress and delayed execution by 1.2 months to four years. The contractors could execute works valuing ₹ 3.48 crore against estimated cost of ₹ 13.35 crore within the stipulated period. In these cases, the delay was attributable to the contractors and no extension of time was sanctioned. Due to non-achievement of proportionate progress/ delay in execution of works, the contractors were liable for payment of penalty of ₹ 0.98 crore. But the EAs did not recover the same from the contractors. Thus, undue benefit to the tune of ₹ 0.98 crore was extended to the contractors. The EAs concerned were responsible for such non-recovery of penalty from defaulting contractors for delay in execution of works.

P&C Department stated (October 2018) that concerned district collectors had been instructed (September 2018) to effect necessary recovery.

2.1.5 Efficiency and effectiveness in implementation of schemes to achieve intended objectives

Projects approved by WODC were submitted to P&C Department for approval. After approval, WODC selected Executing Agencies (EAs) for execution of projects and released funds to the EAs through the District Collectors. The EAs were to submit utilisation certificate to WODC through

¹⁶ BDO Lathikata: ₹ 2.03 crore; BDO Jamankira: ₹ 0.03 crore; BDO Ullunda: ₹ 0.02 crore and BDO Kantamal: ₹ 0.05 crore

the District Collectors. Projects approved during 2015-18 and status of their completion as of March 2018 are shown in **Table 2.1.4**:

Table 2.1.4: Details of projects sanctioned during 2015-18

Year	Projects sanctioned		Status as of March 2018		
	No.	Outlay (₹ in crore)	Completed (percentage)	On-going (percentage)	Not started (percentage)
2015-16	2806	116.42	2328	289	189
2016-17	3052	149.39	1964	735	353
2017-18	2507	143.91	650	855	1002
Total	8365	409.72	4942 (59)	1879 (22)	1544 (18)

(Source: Information furnished by WODC)

Audit test checked records of 943 projects¹⁷ and conducted JPI of 456 projects (48 per cent). The deficiencies noticed in execution of projects are discussed below:

2.1.5.1 Road and communication sector

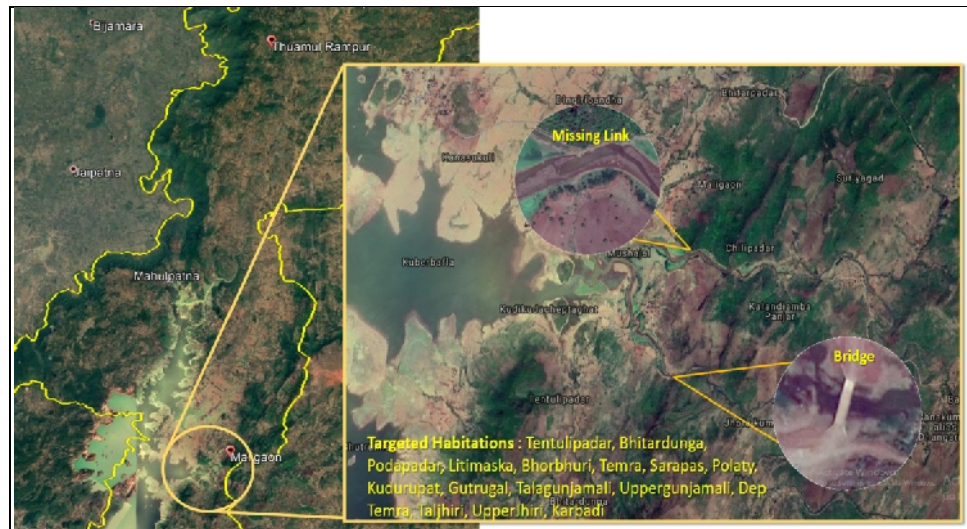
Audit test-checked 285 out of 1965 projects relating to Roads and Communications and found following discrepancies:

- **Improper survey before taking up of the project:** WODC approved (March 2016) construction of one bridge and two culverts at ₹ 2 crore near Indravati Reservoir over Sana Nadi¹⁸. As per the project report, there were 16 villages with population of more than 5000, who were depending on boats throughout the year to visit Block headquarters. The work was executed by the Project Administrator, ITDA, Thuamul Rampur and was completed (15 June 2018) at ₹ 1.80 crore. On scrutiny of records and JPI (5 July 2018) of site, Audit noticed that the bridge alone was not adequate to provide road connectivity to the targeted villagers since another bridge on another river (photograph) was required to provide complete road connectivity.

¹⁷ Projects executed during 2015-18: 659 and earlier period: 284

¹⁸ On Tentulipadar to K. Cheptaghat Village under Thuamul Rampur Block of Kalahandi District

Photograph showing bridge constructed over the river Sana



WODC, however, had not prepared any plan to construct the second bridge as of July 2018. Thus, no road connectivity could be provided to the targeted villagers despite spending ₹ 1.80 crore. The Department while admitting (October 2018) the fact stated that ₹ 5.88 crore had been sanctioned (September 2018) out of State budget for construction of another bridge to connect the missing link.

- Substandard execution of road work:** As per the model plan and estimate prepared (December 2015) by WODC for construction of cement concrete roads, metal concrete (CC 1:3:6) of 0.10 m would be laid in 2.60 mtr wide pavement. The chips concrete (CC 1:2:4) of 0.10 m would be laid in 3.05m width over metal concrete. Estimates were prepared accordingly and funds were provided to EAs. Despite this, 102 CC roads out of 156 test checked roads constructed at ₹ 4.92 crore, were found to be of lower thickness i.e., between 0.125m (5") and 0.195m (7.7"). During JPI (May to August 2018), cracks/ damages were noticed in 17 CC roads, as quality of construction was not ensured, as per norms.



Substandard work of road from Jamgaon to Mistrypada in Sinapalli Block

P&C Department stated (October 2018) that they had called for explanations from the concerned EAs.

2.1.5.2 Irrigation sector

Audit test-checked 217¹⁹ out of 1395 projects relating to irrigation sector and observed following discrepancies.

(a) Unfruitful expenditure of ₹ 7.17 crore

- Maliguda minor irrigation project (MIP) was taken up at ₹ 1.74 crore in 2001-02 to provide irrigation facility to 140 hectare land in three²⁰ villages of Lanjigarh block. Out of ₹ 85 lakh provided by WODC, the EA utilised ₹ 84.55 lakh as of November 2009. WODC did not provide the balance amount despite the request of the Executive Engineer in November 2012 and September 2015, the reasons for which were not on record. As a result, the balance²¹ work remained unexecuted and the expenditure of ₹ 84.55 lakh became wasteful and no irrigation facility could be provided.
- In respect of 30 check dams, the estimates did not provide for construction of the distribution canal. During JPI, it was noticed that the upstream of 24 check dams were filled with earth, sluices had been left open/ damaged and body walls of two check dams were broken. As a result, 24 check dams completed at ₹ 4.81 crore failed to provide irrigation facility to targeted 764.09 hectares of land.
- In case of three²² check dams, an expenditure of ₹ 56.91 lakh was incurred out of ₹ 97.26 lakh provided by WODC. Balance ₹ 40.35 lakh was diverted by the EA to other check dams approved by WODC. As a result, three projects remained incomplete. In three²³ other cases, the check dams remained incomplete after utilisation of ₹ 78.29 lakh due to insufficient fund. As a result, irrigation facility could not be provided for 240 hectares of land in these six incomplete projects.
- 24 Lift Irrigation Points (LIPs)/ repaired/ renovated at ₹ 16.26 lakh by three²⁴ test-checked EAs were lying defunct due to non-availability of electricity connections, damage to the structures, *etc.* As a result, irrigation facility could not be provided to targeted 480 hectares of land.

Thus, due to non-construction of distribution system, non-completion of projects, damage of structures, *etc.*, irrigation facility for 1624.09 hectare land was not provided despite incurring expenditure of ₹ 7.17 crore on 55 projects. Non-sanction of additional funds by the CEO, WODC, improper estimation and maintenance by the EAs resulted in unfruitful expenditure.

¹⁹ Minor irrigation projects/ checkdams/ lift irrigation projects:98 and bandha/ kata/ tank: 119

²⁰ Kandama, Bandile and Musanal

²¹ Completion of canal system, construction of outlets, syphons, village road crossing, construction of branch canal, *etc.*

²² Latiaguda Check dam, Debriguda Check dam in Thuamul Rampur Block and Balarampur check dam in Junagarh Block

²³ Check Dam over Pearmanji Nallah in M Rampur Block, Check Dam across Satijore Nallah at Salepali in Bhawanipatna Block and Check dam over Mohrajore near village Keshrajpur in Boden Block

²⁴ EE, Odisha Lift Irrigation Corporation Limited, Sundergarh, Rourkela and Bhawanipatna Divisions

P&C Department stated (October 2018) that the main objective of check dam was to check soil erosion and ground water recharging. The fact, however, was that check dams had been constructed specifically for irrigation purpose. Regarding defunct LIPs, the Department assured to take corrective measures.

2.1.5.3 Health sector

Audit test checked records of five out of 27 projects taken up under health sector and observed the following deficiencies:

(a) *Non-commencement/ mid-way closure of medical colleges and hospitals (MCH)*

WODC invited (February 2003) expression of interest for setting up of three medical colleges at Bolangir, Kalahandi and Rourkela from trusts/ institutions having experience in the field of medical education. Accordingly, WODC inked Memorandum of Understanding (MoU) with three private parties. The objective was to provide quality healthcare facilities in the WODC area. The details of MoUs and assistance provided are given in the table below:

Table 2.1.5: showing status of Medical Colleges and Hospitals (MCH)

Name of Medical College & Hospital (MCH)	Name of private party/ Date of signing of MoU	Amenities provided by GoO/ WODC	Present status
Medical College & Hospital at Jaring, Kalahandi	Selvam Educational and Charitable Trust (SECT), Tamilnadu/ 30 January 2004	25 acre land free of premium by GoO and ₹ 10 crore by WODC.	The Medical College & Hospital admitted first batch of 100 students in 2013-14. The Medical Council of India did not grant permission from 2014-15 on account of shortage of faculty and non-availability of infrastructure ²⁵ . Consequently, the MCH stopped functioning from 2014-15.
Medical College & Hospital at Bolangir	Three ²⁶ private parties during December 2003 to October 2006	25.00 acre land free of premium by GoO and ₹ 27 lakh by WODC.	Initially WODC decided to establish MCH at Bolangir and constructed (December 2001) an administrative building for ₹ 27 lakh. Due to non fulfilment of pre-requisites ²⁷ , MCH could not be made functional. Subsequently, WODC signed MoU with three private parties for

²⁵ Blood bank, central oxygen supply, central library, hostel facility, etc.

²⁶ M/s GSL Trust, Rajahmundry, Andhra Pradesh, M/s Jassar Medical Education Health Foundation, Uttar Pradesh and Balaji Education and Charitable Trust, Puducherry) in December 2003, August 2005 and October 2006 respectively. Due to non-commencement of work, the MoUs were cancelled in December 2004, April 2006 and August 2008 respectively

²⁷ Consent/ No Objection Certificate from the concerned affiliating University and proof of ownership of land for getting permission of MCI

Name of Medical College & Hospital (MCH)	Name of private party/ Date of signing of MoU	Amenities provided by GoO/ WODC	Present status
			establishment of the MCH. The private parties, however, failed to meet the criteria of MCI regarding infrastructure. WODC cancelled MoUs in December 2004, April 2006 and August 2008. The administrative building was lying unutilised as of July 2018.
Medical College & Hospital at Rourkela	Vigyan Bharati Charitable Trust (VBCT), Bhubaneswar/ 4 July 2008	25 acre land free of premium by GoO and ₹ 7.98 crore by WODC	MCI permitted admission of 100 students from 2012-13 to 2016-17. VBCT failed to meet the infrastructural norms and as a result MCI imposed restriction on admission from 2017-18.

(Source: Records of WODC)

In this connection, Audit observed the following:

- The high level committee constituted (March 2003) by the Government for selection of private partners did not approve the case of SECT as it had no experience in running a medical college. Subsequently, on the recommendation (January 2004) of WODC, Government approved SECT as the private partner for establishment and operation of the MCH in Kalahandi. Thus, due to selection of a private partner without due diligence and without considering its background/ experience, establishment of MCH in Kalahandi became defunct.
-
- Photograph of closed Sardar Raja Medical College and Hospital, Jaring, Kalahandi*
- The private parties associated with Rourkela and Kalahandi Medical Colleges did not provide free treatment to BPL families during the period of their operation as committed in the MoU.
 - As per terms of MoU, the amount of assistance was to be recovered with interest at 10 *per cent* per annum from the private partners in case of non-fulfilment of conditions prescribed by MCI. As both the parties failed to fulfil the stipulations of MCI, they were liable to refund assistance of ₹ 17.98 crore and interest of ₹ 15.47 crore. Though

WODC had raised demand for getting refund of the amount in August 2015, the same had not been refunded by the private parties as of July 2018.

Thus, selection of SECT having no experience in running a medical college and non-fulfilment of norms of MCI led to closure of Kalahandi MCH. Similarly, VBCT failed to fulfil the norms of MCI which led to denial of permission for admission of students in MCH, Rourkela for 2017-19. Also, the MCH at Bolangir could not be made operational due to non-commencement of works by private parties. As a result, the objective of providing medical facilities to the people of WODC area could not be achieved.

The Department stated (October 2018) that they had initiated recovery process in case of MCH at Kalahandi and stopped further payment of instalment in case of MCH at Rourkela. P&C Department, however, did not furnish any reply on non- utilisation of assets created for MCH Bolangir.

(b) *Non-achievement of intended objectives of establishment of an eye hospital*

WODC entered (4 January 2014) into an MoU with the LEPRAS Society, Bhubaneswar for establishment of a 30 bedded Eye Hospital at Junagarh in Kalahandi District in Public-Private Partnership (PPP) mode. WODC provided ₹ 74.72 lakh against the commitment of ₹ 60 lakh made as per the MoU. The hospital was to perform 10,000 cataract surgeries per annum. The cataract surgeries of BPL patients were to be done free of cost.

Audit noticed that the eye hospital was functioning with one doctor, nine beds and one vehicle since September 2016, against the commitment of putting up 30 beds in the hospital as well as providing five vehicles. The hospital had conducted only 174 cataract surgeries (0.87 per cent) during last two years ending March 2018. Thus, due to inadequate human resources and infrastructure, the intended objectives were not achieved despite WODC providing assistance of ₹ 74.72 lakh to the private partner, for setting up the eye hospital. The Department stated (October 2018) that Collector, Kalahandi had been instructed for taking necessary action on the matter.


2.1.5.4 Project Implementation in Other sectors

Audit test checked 289 out of 3173 projects taken up under Other sectors (other than education, health, irrigation & road and communications) and observed following deficiencies:

(a) *Non-completion of projects due to deviation from the approved design:* 115 projects²⁸ taken up during 2008-18 at ₹ 10.95 crore by 20 EAs remained incomplete as of July 2018 as summarised below:

²⁸ Construction of community centres, kalyan mandaps, additional classrooms for school/ colleges, culverts, etc.

Table 2.1.6: showing details of projects remained incomplete due to deviation from the design

No. of projects	Period of execution	Expenditure (₹ in crore)	Reasons for non-completion
66 ²⁹	2008-09 to 2017-18	3.51	<p>During execution of works, 10 EAs had not followed the model estimate/ specific estimates approved by WODC. They had constructed the buildings with higher plinth area than the approved plinth area. As a result, the buildings remained incomplete requiring additional funds for completion.</p>  <p><i>Kalyan Mandap at Padhatikra, Bheden Block remaining incomplete since 2014-15</i></p>
38 ³⁰	2011-12 to 2017-18	1.95	Without assessing the actual requirement of funds, WODC provided ₹ 2.41 crore for 38 projects. The EAs could not complete the works due to want of funds. As a result, the assets remained incomplete.
11 ³¹	2009-10 to 2017-18	2.23	Eight EAs could not complete the works due to change in design, one due to site dispute and two due to poor quality of work.

(Source: Records of sampled EAs)

The EAs are responsible for any deviation in the assigned work/project. Due to non-completion of projects, the desired objectives could not be achieved and expenditure of ₹ 7.69 crore became unfruitful.

The Department while admitting (October 2018) the fact stated that the projects would be completed after mobilizing additional funds for the purpose.

(b) Non/ mis-utilisation of assets for intended purpose: Twelve projects completed during 2015-17 at ₹ 1.31 crore remained unutilised, as detailed in **Appendix 2.1.1**. In one case, classrooms constructed for a college in October 2016 at an expenditure of ₹ 11.43 lakh were not put to use, as the same had not been inaugurated. In another case, a community centre was being utilised by a political party.

²⁹ Community centres: 32 (₹ 92.39 lakh), kalyan mandaps: 18 (₹ 125.68 lakh), additional classrooms for school/colleges: 10 (₹ 95.89 lakh and others: 6 (₹ 36.98 lakh)

³⁰ Community centres: 8 (₹ 23.97 lakh), kalyanmandaps: 12 (₹ 47.21 lakh), additional classrooms for school/ colleges: 6 (₹ 44.61 lakh and others: 12 (₹ 79.39 lakh)

³¹ Community centre: 1 (₹ 0.86 lakh), kalyan mandap: 1 (₹ 17.33 lakh), additional classrooms for school/ colleges: 3 (₹ 12.47 lakh and others: 6 (₹ 192.45 lakh)

The Department stated (October 2018) that concerned collectors had been instructed (September 2018) for taking necessary action in the matter.

2.1.6 Sustainable Development Goals (SDGs) for WODC area

NITI Aayog of GoI monitors progress in achievement of various Sustainable Development Goals (SDGs) set under UNSDG. Based on the extent of achievement, NITI Aayog prepares an index in respect of each goal and labels the achievement as Aspirant (0-49), Performer (50-64), Front runner (65-99) and Achiever (100).

Odisha scored 58 (Front runner) as per the composite SDG index.

It was observed that there were lapses on the part of WODC in providing necessary imeptus in line with the objectives of SDGs as detailed below:

- In the matter of supply of drinking water, areas not covered under other drinking water supply schemes had not been prioritised, as discussed in *Paragraph 2.1.3.3*.
- WODC had allocated only ₹ 128.79 crore (31 per cent) for very backward and ₹ 97.52 crore (24 per cent) for backward blocks out of total outlay of ₹ 409.72 crore. Thus, the backward and very backward blocks were not given priority in allocation of funds (*Paragraph 2.1.3.4*).
- Assets created by WODC could not be put to use due to non-construction of allied infrastructure etc. This resulted in non-achievement of the very objective of bringing accelerated growth in the region (*Paragraph 2.1.5.2*).
- Advanced healthcare facilities could not be provided to the people of the region due to non-functioning of MCHs at Kalahandi, Rourkela and Bolangir. Thereby, the objective of providing medical facilities to the people of WODC area could not be achieved (*Paragraph 2.1.5.3*).

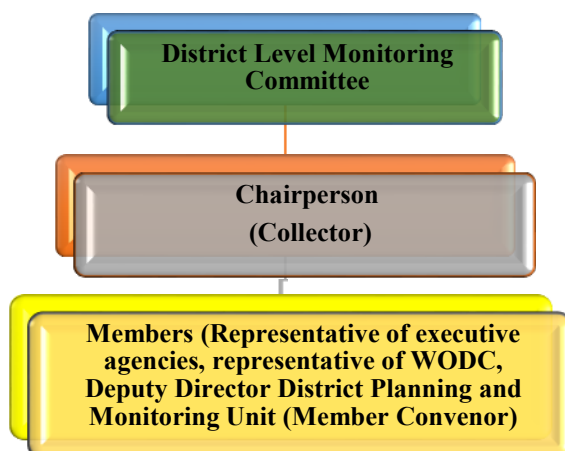
Even after 12 years of its implementation, WODC is yet to ensure proper planning to identify and fill the critical gaps and to ensure integrated development in WODC area.

Recommendation: Audit recommends that measurable targets should be set for achievement in terms of human development i.e. drinking water, resource allocation to backward areas, sustainable agriculture, health coverage, etc.

2.1.7 Monitoring mechanism

The Planning and Convergence Department constituted District Level Monitoring Committee (DLMC) in September 2011 with the main functions to review the progress of implementation of projects sanctioned by WODC. The Committee would be established in each concerned district to be headed by the respective District Collectors. The structure of the committee is presented in the chart below:

Chart 2.1.3: Organisational chart of DLMC



Audit noticed the following shortcomings:

- **Non-functional DLMC:** The P&C department constituted district level monitoring committee (DLMC) to monitor and suggest essential and need based projects for the concerned districts of WODC. This was required for funding of the projects and to help remove regional imbalances. The DLMC was to meet once every month. During the years 2015-18, the DLMC, however, remained mostly non-functional (met only 21 times (6 per cent) against requirement of 360 meetings).

As a result, 1544 projects sanctioned during 2015-18 were not started while 1879 projects remained incomplete; 115 projects remained incomplete despite incurring expenditure of sanctioned amount due to deviation of approved design by the EAs, targeted ayacut³² could not be achieved in 55 MIP/check dams/ LIPs (**Paragraph 2.1.5.2**). Thus, monitoring by WODC and DLMC was not only deficient, but also failed to give any positive impetus to project execution as envisaged by the P&C Department.

- **Non-review of progress in execution:** As per Section 11 of the WODC Act, WODC was to review, supervise, co-ordinate and monitor different projects of the Government in the WODC area including various developmental projects undertaken by WODC through EAs. WODC, however, had not undertaken any review of projects of Government in the WODC area.

P&C Department stated (October 2018) that the CEO was conducting regular reviews of WODC projects and assured convening of regular meeting of DLMCs.

Recommendation: DLMCs should meet regularly and monitor ongoing projects for ensuring their efficient and effective implementation for benefit of the public.

³² Area to be irrigated/ under irrigation

2.1.8 Conclusion

The efficiency and effectiveness of decision making activities of WODC were hampered due to non-filling of members into the Council as well as non selection of members with requisite expertise and not adopting a rotational policy. The basic objective of WODC to bridge the critical gaps could not be achieved due to non-assessment of critical gaps. Absence of a long term plan prevented WODC from adopting a focused approach to achieve specific objectives over a fixed period. As a result, misplaced priorities in utilisation of funds were observed since irrigation as a priority sector was not provided with adequate funds. Backward blocks had not been given due priority in allocation of funds. Many of the projects were not addressing the regional/ beneficiary needs since the implemented projects did not yield the intended benefits. Overlapping of objectives with other schemes was also noticed. Thus, continuance of WODC in its present form raises questions of its efficacy to meet the objectives for which it was set up, in view of serious persistent shortcomings in its functioning since its formation.

Science & Technology Department, Energy Department and Housing & Urban Development Department

2.2 Development and popularisation of Renewable Energy in the State

2.2.1 Introduction

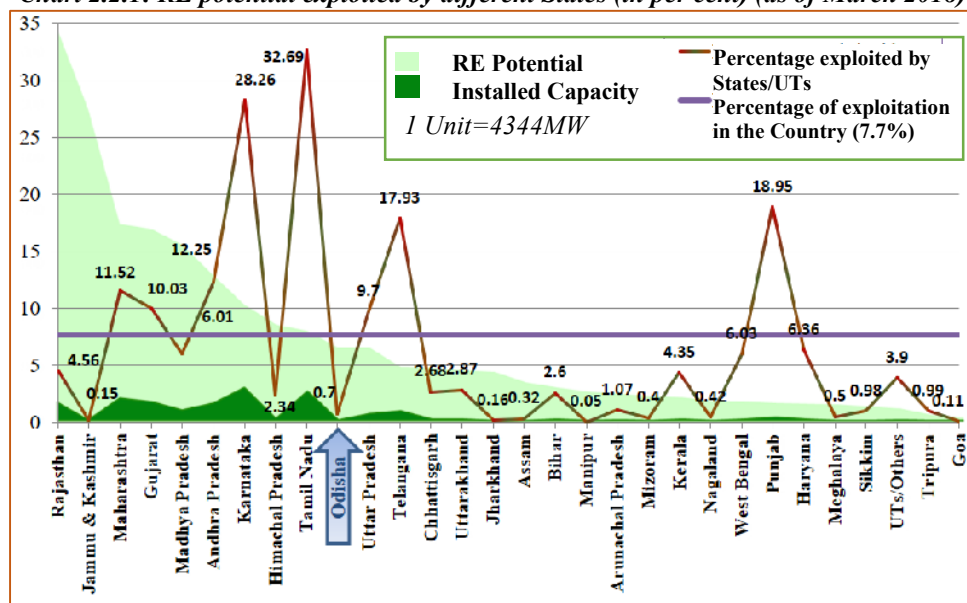
Renewable energy (RE) is energy, which is naturally replenished on a human timescale. The sources of RE are sunlight, wind, bio-mass, rain, tides, waves, geothermal, heat, *etc.* The National Action Plan for Climate Change (NAPCC)³³ of Government of India envisaged to increase share of RE in the total energy mix by 2020. The Ministry of New and Renewable Energy (MNRE), GoI assessed RE potential of the country as 897 GW. MNRE set (2015-16) a target of creating 175 GW RE generating capacity by 2022 against 35.78 GW³⁴ created by the end of 2015. Against this, the RE capacity created by end of March 2018 was 69.02 GW (7.70 *per cent* of RE potential).

³³ India's first response to climate change issues, issued in 2008 by Government of India to deal with rising emissions and its effect on development .

³⁴ Solar-3743.97 MW, Wind-23444 MW, Bio power-4533.63 MW, SHEP-4055.36 MW

State-wise RE potential and exploited capacity as of March 2018 is shown in **Chart 2.2.1**.

Chart 2.2.1: RE potential exploited by different States (in per cent) (as of March 2018)



(Source: MNRE/ Central Electricity Authority)

As per the assessment of MNRE, GoI and Central Electric Authority, GoI, the RE potential of the State is 27,727 MW. Consistent with NAPCC, the GoO formulated State Action Plan for Climate Change in 2010 and framed the RE Policy of the State in November 2016. In the RE Policy, the target to create RE capacity was set at 2,750 MW, to be achieved by 2022. Against this, RE capacity of the State stood at 195 MW at the end of 2018, which was 7.09 per cent of the target. RE capacity (195 MW) constituted 2.66 per cent of the total power generating capacity (7338 MW) from RE and non-RE sources in the State.

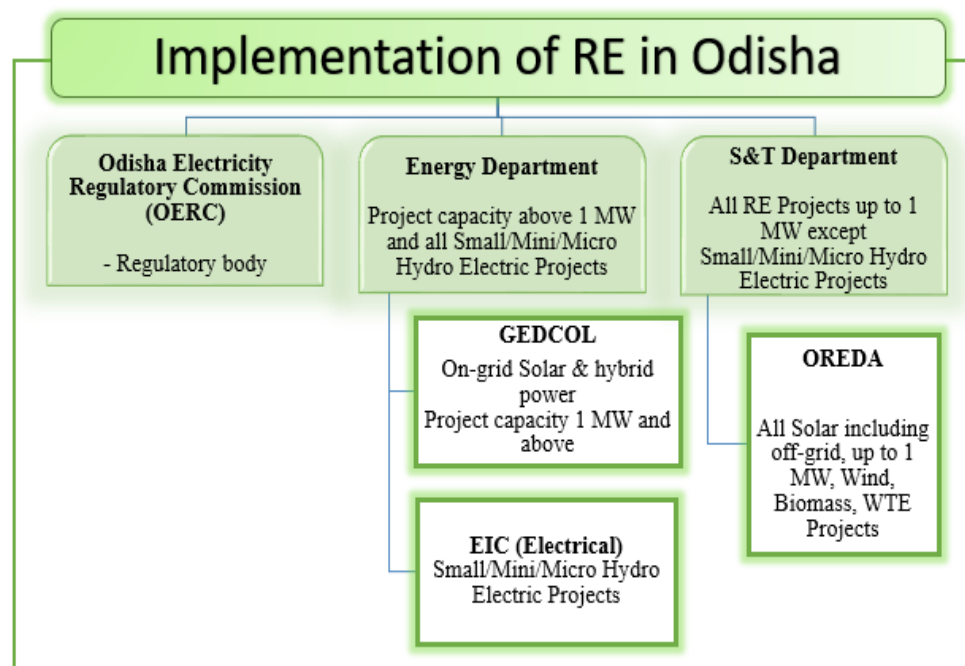
In the State, Odisha Renewable Energy Development Agency (OREDA) is the State Nodal Agency to develop, promote, exploit, extend and popularise non-conventional/ renewable sources of energy. Under the Odisha Renewable Energy Policy 2016, (i) Green Energy Development Corporation Limited (GEDCOL) was designated as the nodal agency for developing all on-grid solar and hybrid³⁵ power projects of 1 MW and above, (ii) Engineer-In-Chief (EIC), Electricity was designated as the authority for Small Hydro Electric Projects³⁶ (SHEPs) and (iii) OREDA was responsible for developing other RE projects³⁷. Functions of associated entities for creation of RE capacity in the State are depicted in **Chart 2.2.2**.

³⁵ A Project combination of multiple RE sources

³⁶ The hydro projects with a generating capacity up to 25 MW

³⁷ Solar, biomass, waste to energy and wind

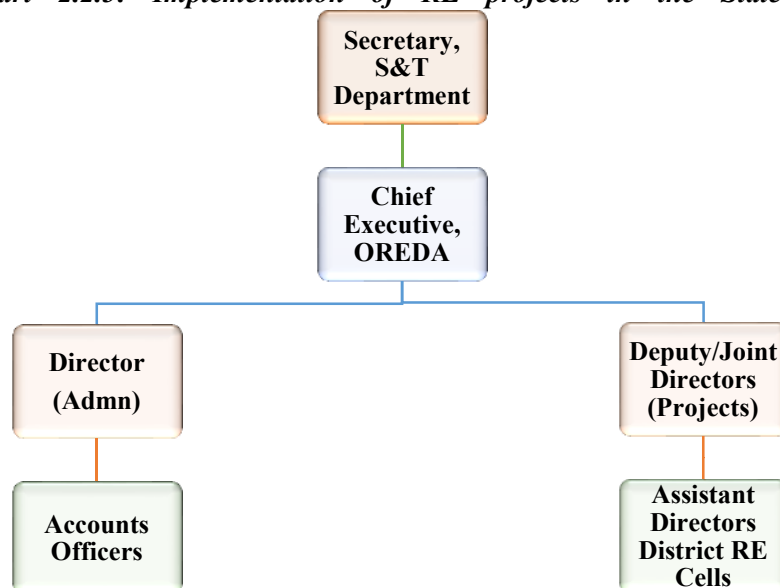
Chart 2.2.2: Implementation of RE projects in the States by different entities.



Audit was conducted from April to August 2018 covering the period from 2013 to 2018 with the objective of examining efficiency in implementation of projects. Audit test checked records in Science & Technology (S&T), Energy and Housing and Urban Development Departments and nine agencies³⁸ involved in implementation and accounting of RE projects in the State. Audit also conducted joint physical inspection (JPI) of assets in the presence of authorised officials. An organogram depicting the organisational hierarchy of OREDA is at **Chart 2.2.3** below:

³⁸ Odisha Renewable Energy Development Agency (OREDA), Green Energy Development Corporation (GEDCOL), Engineer-in-Chief, Electricity, Odisha, Grid Corporation of Odisha Limited (GRIDCO), Odisha Electricity Regulatory Commission, State Load Dispatch Centre, Bhubaneswar Municipal Corporation, Odisha Lift Irrigation Corporation (OLIC), and Director of Agriculture and Farmers Empowerment (DA&FE).

Chart 2.2.3: Implementation of RE projects in the States by OREDA



2.2.2 Development of Renewable Energy Projects

The RE Policy of 2016 was to remain in place till 31st March 2022 or till a new policy was announced. The Government envisaged to achieve the following targets for addition (2750 MW) of RE capacity in the State by the year 2022. (Table 2.2.1):

Table 2.2.1: Showing percentage of capacity addition of RE in the state (in MW)

Sl. No.	RE Source	National potential	State potential	Target for addition by 2022 in State	Capacity as of March 2018	Capacity addition during 2016 to March 18	Percentage (Capacity addition to target)
1	Solar	748990	25780	2200	71.75	23.75	1.07
2	Wind	102772	1384	200	0	0	0
3	SHEP	19749	295	150	58.15	0	0
4	Biomass	17536	246	180	50.40	0	0
5	WTE	2554	22	20	0	0	0
Total		891601	27727	2750	180.30³⁹	23.75	0.86

(Source: MNRE, State RE Policy, OREDA, GEDCOL and EIC)

During 2016 to 2018, the State could make capacity addition of only 23.75 MW (0.86 per cent) and as of March 2018, the total RE installed capacity was 180.30 MW (6.56 per cent). In terms of exploitation of the solar potential, Odisha ranked⁴⁰ 17th among 29 States. In respect of energy from wind, small hydel, biomass and waste sources, no capacity addition had been made.

It was observed that GoO though constituted Odisha Renewable Energy Empowered Committee in January 2017, the Committee did not meet once to review the implementation of the RE policy. The implementing agencies viz., GEDCOL, OREDA and EIC had also not prepared their own targets to achieve the State target.

³⁹ Capacity existing as of March 2016 was 156.55 MW

⁴⁰ Source: Annual Report of MNRE for the year 2017-18

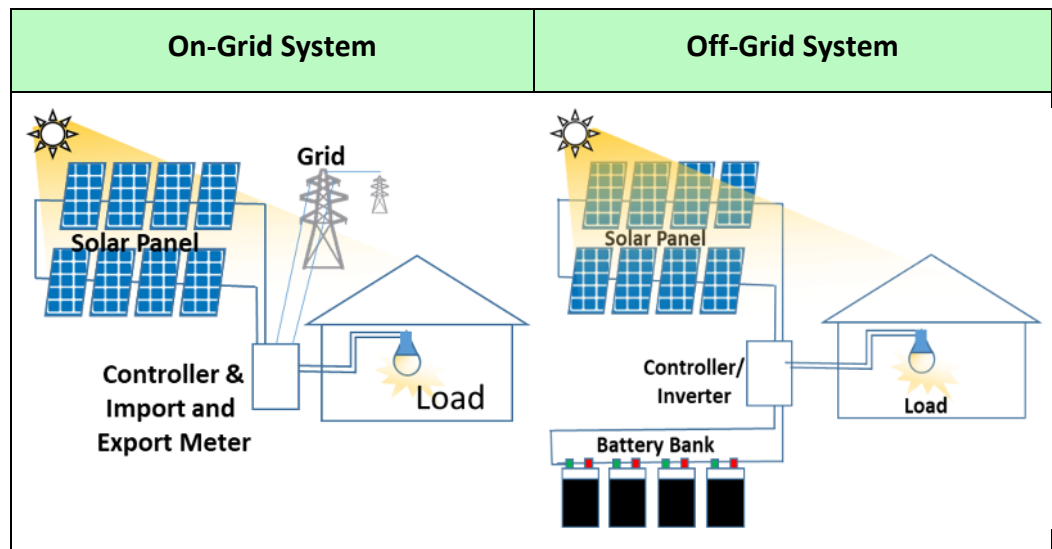
The Government stated (December 2018) that 121.25 MW had been further added to the solar capacity by August 2018 and 1220 MW project were in the pipeline to meet the target by 2022. The fact, however, remained that the achievement was only 0.86 *per cent* of the target at the end of two years of policy period indicating slow pace of implementation. Also, even after accounting for the further additions the achievement would still be short of the target by 1228.45 MW (2750 MW – 1521.55 MW⁴¹).

Audit analysed efforts made to develop projects under various RE sources and observed the following:

2.2.3 Solar Energy

The Odisha Renewable Energy Policy, 2016 had framed policies for the Centralised ‘On Grid’ (Grid Connected) and Decentralised ‘Off-Grid’ Renewable Energy projects. On-grid RE projects are connected to utility grid and the excess electricity generated above the required load is fed to the grid. The Mega Solar Power Plants/ Roof Top Solar Power Plants, *etc.*, are examples of on-Grid systems. On the other hand, independent solar backup system used as standalone power system for domestic use are off-grid. Batteries are used to store electricity generated for RE source. However, excess electricity generated during day time above the required load is not used, as the system is not connected to utility Grid. Solar inverters, solar lanterns, solar streetlights, *etc.*, are off-grid systems (**Chart 2.2.4**).

Chart 2.2.4: Solar Grid System



2.2.4 Renewable Purchase Obligation by GRIDCO

In order to promote generation of electricity from renewable sources of energy in the State, Orissa Electricity Regulatory Commission (OERC) issued OERC (Renewable and Co-Generation Purchase Obligation and its Compliance)

⁴¹ Upto March 2018 – 180.30 MW + 121.25 MW (Reply of Department) + 1220 MW (Proposed) = 1521.55MW

Regulations, 2010. Large consumers⁴² of electricity were required to procure one to 2.3 per cent⁴³ of their annual energy consumption during 2010-16 from RE sources i.e., through Renewable Purchase Obligation (RPO). OERC again notified RPO percentage from 2015-16 to 2019-20 through its Regulation 2015⁴⁴. As of March 2018, GRIDCO was the sole buyer and distributor of power in Odisha. OERC designated (August 2015) OREDA as State Agency for accrediting and recommending RE projects as well as developing protocol to ensure compliance of RPO. In line with this, State Government also framed Odisha Renewable Energy Policy 2016 targeting addition of 2750 MW capacity from RE sources by 2022. During 2013-14 to 2017-18 capacity addition was only 83.75 MW⁴⁵.

It was, however, observed that OREDA submitted protocol⁴⁶ in November 2017 to OERC outlining the procedure for enforcement of RPO. The same was pending for approval of OERC (July 2018). As such, OREDA did not identify the obligatory entities for enforcing the RPO. Even, GRIDCO (the sole bulk purchaser of electricity in the State) too failed to comply with the RPO.

2.2.4.1 Solar RPO Compliance

As per Odisha RE Policy 2016, the target for capacity addition in Solar was 2200 MW by 2022. The requirement of RPO ranged from 0.20 per cent in 2013-14 to 3 per cent in 2017-18. Based on the annual consumption of electricity, the obligation to purchase energy from solar sources, by GRIDCO vis-à-vis compliance is as below:

Table 2.2.2: Showing solar obligation and compliance to solar and non-solar energy by GRIDCO

Year	Obligation Solar (percentage of consumption)	Obligation Solar (MU)	Cumulative Installed Capacity (MW)	Compliance Solar (MU)	Percentage of Compliance Solar
2013-14	0.20	42.02	124.05	37.09	88
2014-15	0.25	58.89	131.55	59.78	102
2015-16	0.50	98.95	156.55	159.05	161
2016-17	1.50	353.10	176.60	231.80	66
2017-18	3.00	738.06	180.30	226.52	31

(Source : Records of OREDA/ GRIDCO/ GEDCOL)

⁴² Consuming 5 MW and above during 2010-2016; 1 MW and above during 2016-2020 from conventional sources

⁴³ 2010-11: 1.00, 2011-12: 1.3, 2012-13: 1.55, 2013-14: 1.80 2014-15 : 2.05 and 2015-16 (up to July 2015) : 2.3 per cent

⁴⁴ 2015-16: 3, 2016-17: 4.5, 2017-18: 7.5, 2018-19: 9.5 and 2019-20: 11 per cent

⁴⁵ Capacity Addition - 2013-14 : 27.5 MW, 2014-15:7.5 MW, 2015-16:25 MW, 2016-17:20.05 MW and 2017-18:3.7 MW.

⁴⁶ Procedure for collection of information from various sources such as RE generating companies, obligatory entities, State Load Dispatch Centre, etc., on regular basis and compile such information to compute the compliance of RPO target by obligatory entities

The compliance was satisfactory in the years 2014-15 and 2015-16. However, as the RPO increased to 353.10 MU and 738.06 MU in 2016-17 and 2017-18 respectively, the compliance reduced to 66 *per cent* and 31 *per cent* in 2016-17 and 2017-18 respectively. The installed capacity did not increase at par with RPO percentage.

2.2.5 “On-Grid” Solar Projects

GoI initiated Jawaharlal Nehru National Solar Mission (JNNSM) in 2010. Under the mission, different schemes for development of Solar Parks, Grid Connected⁴⁷ Solar Photo Voltaic (SPV) projects, Rooftop Solar Photo Voltaic projects and off-grid solar programmes were launched by the GoI with the objective of generating 100 GW solar energy by 2022. GoI has been providing central assistance in terms of Generation Based Incentives⁴⁸ (2010-2013), Capital Subsidy⁴⁹ and loans under these schemes. Government of Odisha had set a target for addition of solar energy capacity of 2200 MW by 2022 in the State. Audit observed that, GoO could not implement any of the projects successfully or timely, as detailed below:

2.2.5.1 Non-establishment of Solar Park

Under JNNSM, MNRE, GoI, introduced (December 2014) “Development of Solar Parks and Ultra Mega Solar Power Projects (UMSPP)” of 500 MW capacity for creating a concentrated zone with required infrastructure for development of solar power generation projects by the prospective developers. The scheme period was 2014-19 within which MNRE, GoI would provide financial assistance of ₹ 20 lakh per MW or 30 *per cent* of the project cost, whichever is less. The timeline for completion of the solar park was 18 months from the issue of administrative approval by the MNRE, GoI.

GEDCOL requested (July 2015) MNRE, GoI for developing smaller solar parks of 20-100 MW capacity in multiple locations since acquiring landmass of 2500 acres⁵⁰ in single patch would be difficult. MNRE, GoI approved (October 2015) the request of GEDCOL for development of 1000 MW in different solar parks. GEDCOL submitted (March 2016) combined DPR of seven⁵¹ solar parks of 1000 MW. MNRE, GoI, however, accepted DPR for 650 MW only and instructed (April 2016) GEDCOL to submit complete revised DPR. Due to delay in identification of sites, GEDCOL could submit (April 2018) DPR for only six solar parks⁵² aggregating to 275 MW capacity with a project cost of ₹ 153.18 crore in Phase-I. It deposited ₹ 9.40 crore with Odisha Infrastructure Development Corporation⁵³ in July 2018 towards land cost. No further development on the matter had taken place till September 2018.

⁴⁷ Electricity generating SPV power system that is connected to the utility grid

⁴⁸ The GBI would be equal to the difference between tariff determined by the CERC and the base rate of ₹ 5.50. GBI shall be payable for 25 years from date of commissioning

⁴⁹ Fixed percentage of the capital cost (30 *per cent*)

⁵⁰ 5 acres of land required for 1 MW

⁵¹ Bhograi: 400 MW, Bahanaga: 250 MW and Keonjhar, Deogarh, Boudh, Kalahandi & Angul: 350 MW

⁵² Kadampal:24 MW, Junani & Ghulgulapadar:31 MW (Boudh district), Beldungri: 116 MW, Niladungari:57 MW and Katurajori:47 MW (Sambalpur district)

⁵³ A Government of Odisha undertaking, responsible for creating land bank and providing land for establishment of industries/ institutions

It was observed that though MNRE, GoI accorded approval for establishment of solar parks in October 2015 which were to be established within 18 months of approval, GEDCOL could not acquire land even after 34 months (up to September 2018). Further, Government had not constituted Odisha Renewable Energy Empowered Committee, as envisaged in the RE Policy, to monitor progress in execution of solar projects. As a result, no capacity addition could be made under UMSP.

Government in Energy Department accepted (December 2018) the delay and attributed the same to difficulties in identifying suitable land.

2.2.5.2 Non-Implementation of Grid Connected Solar Photo Voltaic projects

The objective of the programme under JNNSM was to create renewable energy infrastructure, enable electricity distribution companies to procure power from RE sources and supplement the programme of Roof-Top Solar (RTS) plant on Government buildings. GoI released ₹ 38.10 crore in March 2015⁵⁴ in favour of Government of Odisha towards “Incentive for Grid connected Renewable Energy”. Finance Department, GoO decided (November 2015) to invest the amount in Solar Power Plants through GEDCOL. GoO approved the proposal of GEDCOL to install 16.4 MW solar plant at land available at seven grid substations and generating sites⁵⁵ of Odisha Power Transmission Corporation Limited (OPTCL) as well as Odisha Hydro Power Corporation Limited (OHPC). It was observed that OPTCL granted (April 2018) permission for only three locations⁵⁶ on the grounds of its future expansion and OHPC for one location only, aggregating to 6.2 MW.

It was noticed that GEDCOL had neither taken steps to establish solar plants in agreed four locations nor had initiated action to acquire land at other suitable locations. Such inaction on the part of GEDCOL led to non-establishment of the proposed solar plants despite Central grant of ₹ 38.10 crore remaining unutilised for last three years (July 2018).

Energy Department stated (December 2018) that tender would be floated shortly. The fact, however, remained that capacity addition could not be made by GEDCOL to fulfil the target set by GoO.

2.2.5.3 Non-implementation of Solar City Programme

Case I: MNRE, GoI, launched (February 2008) a programme, namely, Development of Solar Cities. The broad objective of the programme was to encourage and assist Urban Local bodies to generate electricity from RE sources to meet their own requirements. MNRE, GoI, would provide assistance up to ₹ 50 lakh to each ULB, depending on population. The duration of the programme was five years *i.e.*, 2008-13. The interested ULBs were to submit proposals to MNRE, GoI, and upon approval, they were to submit a master plan within 12 months. The State Nodal Agency *i.e.*, OREDA, would monitor the progress of implementation.

⁵⁴ Under 13th Finance Commission award

⁵⁵ Seven Locations: Rairangpur-1MW, Baripada-1.2 MW, Jayanagar-5.5 MW, New Bolangir-3.5 MW, Old Duburi-1.5 MW, New Duburi-2.5 and OHPC (Mukhiguda)-1.2 MW

⁵⁶ Three locations: Baripada (5 acres-1MW), Jayanagar (10 Acres-2 MW) and New Bolangir (10 Acres-2 MW)

Only Bhubaneswar Municipal Corporation (BMC) expressed interest to implement the programme. MNRE, GoI, intimated (September 2009) BMC to submit proposal for release of funds for preparation of the Master Plan. BMC submitted the proposal in June 2011 through OREDA. MNRE, GoI, sanctioned ₹ 47.37 lakh and released ₹ 3.69 lakh (September 2011) for preparation of the Master plan.

BMC submitted the Master plan to MNRE, GoI, in May 2014 (after a delay of 20 months) and after complying with the observations of MNRE, GoI, submitted a revised master plan in March 2015 *i.e.*, after lapse of two years of the programme period. BMC projected to generate 110.34 million units of electricity from RE sources. MNRE, GoI, had not approved the master plan as of July 2018.

Case II: MNRE, GoI, added (January 2014) a component namely, 'Model Solar City' in the Development of Solar City programme to be implemented by ULBs. MNRE, GoI, would provide ₹ 9.50 crore to each ULB for installation of RE generating devices in Government buildings. MNRE, GoI, sanctioned the proposal of OREDA (October 2015) to include Bhubaneswar under the program and sanctioned (February 2016) ₹ 9.50 crore. The master plan was, however, not approved by MNRE, GoI and hence, no funds were released under the programme.

BMC failed to implement the programme of generating power from RE sources despite assured financial assistance from GoI. Hence, the programme for Development of Solar Cities remained a non-starter in the State.

Government in S&T Department confirmed (December 2018) that GoI neither communicated formal approval of the master plan nor communicated reasons for not approving thereof. It was added that Model Solar City Programme was different from Development of Solar City programme and some of the projects had been implemented under the former.

2.2.6 Off-Grid Solar Projects

The State had created 16.7 MW capacity through implementation of various off grid solar application programmes during 2013-18, as shown in *Appendix 2.2.1*. In this context, the following was observed:

2.2.6.1 Implementation of Rural Electrification programme

OREDA was to provide electricity to 485 villages⁵⁷ from RE sources during 2014-17. As of July 2018, OREDA could complete electrification of 340 villages and works for the remaining villages were under progress. OREDA awarded (December 2016) design, engineering and commissioning of Solar Photo Voltaic (SPV) standalone system⁵⁸ in 68 villages to M/s Gayatri Engineering Construction and Consultancy Private Limited (M/s Gayatri) at ₹ 19.55 crore with stipulation to complete the work by 22 May 2017, later extended up to September 2017. M/s Gayatri could complete electrification of only two villages by September 2017. OREDA cancelled and re-awarded the works of 51 villages in October 2017 to another firm at ₹ 13.65 crore and

⁵⁷ Rural Electrification Corporation (under Deen Dayal Upadhyay Grameen Jyoti Yojana): 208 and GoI: 277

⁵⁸ An independent solar power based electric system not connected with the power grid

dropped the works for the remaining 15 villages. The work was under progress as of July 2018. Audit observed that M/s Gayatri had earlier defaulted in execution of the project 'Electrification of Government Building' (June 2014). Despite unsatisfactory past performance, OREDA awarded the work to the same firm leading to non-completion of the work. Further, the Chief Executive, OREDA had not obtained the required Performance Security of ₹ 32.88 lakh from M/s Gayatri despite provision in the tender as well as in the work order.

S&T Department without offering any specific reply on awarding the work to M/s Gayatri despite its past poor performance, stated that the work order was cancelled. Regarding non-obtaining of Performance Security, the Department stated that M/s Gayatri was to deposit the amount within 20 days of issue of work order. Since the firm did not deposit within the due time, the work order was cancelled and ₹ 32.88 lakh was adjusted from the pending bills. The fact, however, was that OREDA had awarded the work to M/s Gayatri overlooking its unsatisfactory past performance and the work remained incomplete.

2.2.6.2 Delay in implementation of Solar Powered Pump for irrigation

MNRE, GoI launched (September 2014) Solar Pumping Programme for irrigation. GoI would provide financial assistance of 30 *per cent* of the project cost. The duration of the project was 24 months from date of sanction. MNRE, GoI, approved (December 2014) 2,560 projects at an estimated cost of ₹ 31.42 crore and released ₹ 9.34 crore (December 2014 and February 2015). Odisha Lift Irrigation Corporation Limited (OLIC) was to select beneficiaries and OREDA was to implement the project. The beneficiary list was to be furnished to OREDA by March 2016. Subsequently, the Directorate of Agriculture and Food Production (DA&FP) was also asked to select the beneficiaries. Both OLIC and DA&FP could select 2169 beneficiaries by November 2016. Of this, OREDA could commission 536 projects only (25 *per cent*) by December 2016. Due to non-completion of projects within the scheduled period, OREDA had to refund ₹ 2.76 crore to MNRE, GoI, in January 2017 after spending ₹ 6.58 crore. Thus, due to delay in identification of beneficiaries 1633 solar powered irrigation projects could not be commissioned in the State.

S&T Department stated (December 2018) that due to onset of monsoon and unsuitable field conditions, the remaining projects could not be completed within the stipulated period. The fact, however, was that the onset of monsoon was predictable. Lack of urgency to identify the beneficiaries had resulted in non-implementation of the projects.

2.2.6.3 Non-implementation of High Mast/ Street Lighting System

Block Development Officers (BDOs) of 10 Blocks of Mayurbhanj district placed (December 2016) ₹ 4.21 crore with OREDA for supply, installation and commissioning of 902 High Mast/ Street Lighting Systems. OREDA awarded (December 2016) the work to M/s Gayatri, despite its unsatisfactory performance in past, for ₹ 1.33 crore for 135 systems. The works were to be completed by March 2017. The firm had not commenced the work in any of the villages as of July 2018. OREDA had also not taken any steps for imposing penalty as per the terms of the provision of the agreement.

S&T Department stated (December 2018) that penalty amounting to ₹ 92,087 had been recovered from M/s Gayatri for 17 systems and orders for 118 systems had been cancelled. The fact, however, was that selection of a vendor overlooking its repeated unsatisfactory past performances resulted in non-completion of works.

2.2.6.4 Non-delivery of solar lanterns

Director of Handicraft and Cottage Industries placed (January 2016) ₹ 4.01 crore⁵⁹ with OREDA for distribution of solar lanterns among artisans with a view to increase their productivity. OREDA floated open tender in January 2016 for supply, installation, commissioning and maintenance on standard rate contract basis of Solar Photo Voltaic System, which included solar lantern, for a period of one year. The validity of offer was one year from the date of opening of the technical bid *i.e.*, up to 25 February 2017. The technical bids were opened on 25 February 2016 and 21 bidders were found eligible. Finance Bid of the eligible bidders were opened (18 May 2016) and price quoted by M/s Greenco System Private Limited at ₹ 2133 per lantern was the lowest. Apart from M/s Greenco, another firm viz., M/s Powertronix agreed to supply at the lowest price⁶⁰. Accordingly, OREDA empanelled these two firms for supply of solar lanterns.

OREDA placed (September 2016) work orders on both M/s Greenco and M/s Powertronix to supply 461 and 321 lanterns respectively, by 27 September 2016. M/s Powertronix expressed inability to supply the lanterns citing reason of short time for delivery. M/s Greenco supplied the lanterns in time. OREDA again placed (November 2016) on both the firms for supply of 1509 and 2698 lanterns respectively. This time also, M/s Powertronix expressed its inability (17 November 2016) to supply lanterns by December 2016. In spite of the repeated denial to supply the lanterns, OREDA once again placed (21 November 2016) work order for 4000 lanterns on M/s Powertronix. OREDA also placed work order (21 November 2016) on M/s Greenco for 4767 solar lanterns. As per the terms of the order, supply was to be completed by 21 December 2016. On the request of M/s Greenco, OREDA extended delivery period up to 15 May 2017. Greenco supplied 6329 out of 6737 lanterns⁶¹ by September 2017. On the other hand, M/s Powertronix neither supplied lanterns by the stipulated delivery period nor sought extension of time. Rather than issuing show cause notice on M/s Powertronix, OREDA issued another order on 21 February 2017, which the firm refused to comply citing that it had not ever accepted the supply order.

Audit noticed that M/s Powertronix had earlier refused twice in September 2016 and November 2016 to supply 321 and 2698 lanterns respectively. So, after November 2016 in view of its unsatisfactory performance in the past and failure to even commence supply by the stipulated delivery date and validity of offer (24 February 2017), OREDA should have cancelled the empanelment of M/s Powertronix and assigned the rest of contract to M/s Greenco. OREDA

⁵⁹ ₹ 2,57 crore (January 2016) and unspent balance of 2014-15 of ₹ 1.44 crore = ₹ 4.01 crore

⁶⁰ Division of patronage had been disclosed at tendering stage. As per Clause 7.6 of the tender call notice, all successful bidders accepting L₁ price would be duly empaneled and arranged in the order of their quoted price as L₁, L₂, L₃ likewise and would execute the project at L₁ price.

⁶¹ M/s Greenco had not delivered 408 solar lanterns due to non-submission of list of beneficiaries by Director, Handicrafts and Cottage Industries. However, OREDA had issued work order for those.

failed in taking timely action for cancelling the order placed on M/s Powertronix and assigning the same to M/s Greenco. As a result, OREDA had to go for a fresh tender in March 2017 and the lowest price quotation found was ₹ 2894 per lantern, which was ₹ 761 (35 per cent) more than the previous lowest price. Based on the revised tender, OREDA placed supply order on four firms⁶² for 6698 lanterns of which 6513 lanterns were received by July 2018. Consequently, OREDA incurred an excess expenditure of ₹ 49.56 lakh as of July 2018.

Thus, injudicious decision on the part of OREDA in not cancelling the supply order to M/s Powertronix despite repeated non-compliance and not placing the same on M/s Greenco resulted in extra expenditure of ₹ 49.56 lakh.

S&T Department stated (December 2018) that since M/s Powertronix refused to supply citing less price, OREDA had no option but to invite fresh tender. The fact, however, remains that OREDA had not taken into consideration repeated refusal of M/s Powertronix before placing supply orders again and again on the firm. Further, the validity of offer of M/s Greenco was up to February 2017 and therefore OREDA should have placed order on M/s Greenco after receiving refusal from M/s Powertronix for the second time in November 2016 itself.

2.2.6.5 Arbitrary cancellation of lowest bidder

Chief Executive (CE), OREDA invited tender (January 2014) for rate contract for procurement, installation, commissioning and maintenance of solar photovoltaic systems including solar lanterns. OREDA rejected (February 2014) two bidders on technical grounds out of eight bids received. OREDA opened (February 2014) the price bids of the six bidders and made a comparative statement showing M/s Jain Irrigation as L₁ with rate as ₹ 2820 per solar lantern. The Financial Committee⁶³, in its meeting (3 PM on 24 April 2014) approved the bid of M/s Jain Irrigation Systems Limited, being the lowest bidder. Audit noticed another proceeding of meeting of the same Financial Committee in the file which was signed by all members of the Committee except AFA-cum-Under Secretary, S&T Department. The committee recommended cancellation of the financial bid of M/s Jain Irrigation as it had mentioned 'Taxes not applicable' in the price bid. Audit, however, observed from the records that M/s Jain Irrigation had clarified on 24 April 2014 (12.48 PM) that since their quoted price was inclusive of all taxes and duties, they had mentioned 'Taxes not applicable' in the price bid. The Financial Committee, however, did not consider the clarification of the firm and rejected the price bid. On rejection of the offer, the price quoted by M/s Shanti at the rate of ₹ 3336 per lantern became the lowest. The Financial Committee recommended (June 2014) to empanel bidders who could supply at the lowest price. In response, five out of six bidders agreed to supply at ₹ 3336 per lantern. OREDA procured 45483 solar lanterns and paid ₹ 15.17 crore during 2014-15 to 2016-17.

⁶² M/s Greenco Systems Pvt Ltd, M/s Jain Irrigation, M/s Kirti Solar and M/s Shanti Associates

⁶³ Finance Committee comprised of Head of Regional Office, MNRE, Bhubaneswar; AFA-cum-Under Secretary to Government, S&T Department; Deputy Directors (Technical); Chief Executive, OREDA

Audit observed that the proceedings of the Financial Committee was not conducted in a transparent manner since the two proceedings were contradictory to each other i.e. one proceeding qualified M/s Jain Irrigation as L₁ and the other rejected the bid of M/s Jain. Rejection of offer of M/s Jain was arbitrary since after receipt of clarification on the tax component, it was amply clear that the price quoted by the firm was the lowest. As such, rejection of the lowest bid in a purported proceeding of the Financial Committee and acceptance of higher price, OREDA incurred extra expenditure of ₹ 2.35 crore in procurement of 45483 solar lanterns. Further, rejection of the bid of M/s Jain Irrigation had not been made on sufficient premises since the clarification of the bidder on taxes and duties had not been considered at the time of evaluation of the bid.

S&T Department stated (December 2018) that explanation had already been sought for from the concerned dealing officer for not bringing the clarification of M/s Jain Irrigation before the committee. The fact, however, remained that the tender committee had evaluated bids on the basis of incomplete documents leading to inappropriate rejection of valid bids, resulting in extra expenditure of ₹ 2.35 crore.

2.2.7 Non-Solar Energy

2.2.7.1 Non-Solar RPO Compliance

As per Odisha RE Policy 2016, the target for capacity addition in Non-Solar was 550 MW⁶⁴ by 2022 in addition to the existing capacity of 108.55 MW. The requirement of RPO in respect of non-solar energy ranged from 1.60 *per cent* in 2013-14 to 4.50 *per cent* in 2017-18. Based on the annual consumption of electricity, the obligation to purchase energy from non-solar sources by GRIDCO is as below:

Table 2.2.3: Showing non-solar obligation and compliance to solar and non-solar energy by GRIDCO

Year	Obligation Non-Solar (percentage)	Obligation Non-Solar (MU)	Cumulative Installed Capacity (MW)	Compliance Non-Solar (MU)	Percentage of Compliance Non-Solar
2013-14	1.60	336.13	108.55	336.57	100
2014-15	1.80	424.00	108.55	286.58	68
2015-16	2.50	544.23	108.55	287.1	53
2016-17	3.00	706.20	108.55	297.08	42
2017-18	4.50	1107.09	108.55	317.79	29

(Source: Records of OREDA/GRIDCO/ GEDCOL)

From 2013-14 to 2017-18, there was no addition to the non-solar capacity. Also, the compliance consistently decreased from 68 *per cent* in 2014-15 to 29 *per cent* in 2017-18. The RE policy of 2016 envisaged the following addition (in MW): Wind – 200, Small Hydro – 150, Biomass – 180, Waste to Energy (WTE) – 20. Since 2013-14, the Government had not made any addition to the existing capacity.

⁶⁴ Wind – 200 MW, Small - 150 MW, Biomass - 180 MW and WTE - 20 MW

2.2.7.2 Wind Energy

As per the RE Policy, 2016, State would install 200 MW capacity plants to generate energy from wind power by 2022. Against this, no capacity addition had been made as of July 2018. Audit observed the following.

- ***Non-implementation of National Wind Resource Assessment Programme:*** Centre for Wind Energy Technology (CWET) identified (2011-13) 20 locations in the State for installation of Wind Monitoring Stations (WMS) to assess the wind resources. OREDA installed (2011-15) WMSs in 10 locations at an expenditure of ₹ 1.63 crore⁶⁵. CWET approved (July 2015) establishment of wind power project at one site⁶⁶ and hybrid systems at two sites⁶⁷. OREDA had, however, not invited expression of interest for selection of firms even after more than two years of approval of potential sites as of July 2018.

S&T Department stated (December 2018) that Paradip, being on the sea coast and prone to cyclonic disturbances, would require additional investment for safety of the plant and machinery. It further stated that Odisha was considered to be non-windy state for wind power generation as transpired from state-wise target allocation done by MNRE till 2022 wherein no target was kept for Odisha out of 60,000 MW for the entire country. The fact, however, is that a target of 200 MW was set under the RE Policy 2016 to generate power from wind sources

2.2.7.3 Small Hydro Electric Projects (SHEP)

As of 2009, generating capacity of Small Hydro Electric Projects (SHEP) stood at 58.15 MW. As per the RE Policy, 2016, State was to create 150 MW capacity by 2022. Against this, no capacity addition had been made as of July 2018.

Audit noticed that GoO had framed guidelines in 2003 for setting up of Micro/Mini/ Small⁶⁸ hydro-electric projects. As per the guidelines, the EIC, (Electricity) would advertise every year (January) seeking developers for the feasible SHEPs. Besides, the interested developers may identify, investigate, prepare pre-feasibility report of potential sites and seek approval of the Government. If an allotted project fails to achieve financial closure within six months of notification of RE Policy 2016, it would be liable for cancellation. In this respect, Audit observed the following:

- EIC had identified 69 sites feasible for SHEPs prior to 2013-14. Government executed Memorandum of Understanding (MoUs) (September 2005 to October 2016) with six⁶⁹ developers. Later, EIC recommended (May 2018) cancellation of five MoUs due to non-achievement of financial closure by the concerned developers. The remaining one⁷⁰ project was pending for approval of the Department of

⁶⁵ CWET (renamed as National Institute of Wind Technology): ₹ 0.64 crore and GoO: ₹ 0.99 crore

⁶⁶ Paradip (Jagatsinghpur)

⁶⁷ Dhilipanbandha (Rayagada) and Paradip (Jagatsinghpur)

⁶⁸ Hydroelectric scheme with total installed capacity up to 100 KW (Micro), 2000 KW (Mini), 25 MW (Small)

⁶⁹ Kanpur, Lower Indra, Banjhari, Indravati, Raniturga, Hatipathar

⁷⁰ Indravati

Water Resources, Government of Odisha as of July 2018. The EIC, however, did not take any steps for implementation of remaining 63 projects for reasons not on record.

- In respect of self-identified projects, developers had expressed interest in 114 projects. Application for 102⁷¹ projects were cancelled/ recommended for cancellation (July 2013 to May 2018) since the developers failed to achieve financial closure within six months of the issue of the RE Policy 2016. Two⁷² projects were under progress and the remaining 10⁷³ projects could not be executed due to subsequent decision to execute these under multipurpose projects, non-obtaining of clearance and non-receipt of DPR, etc., by EIC as of July 2018.

It is evident from the above that the efforts of GoO in tapping hydel resources were deficient. As a result, no capacity addition could be made after 2009. In reply (December 2018), S&T Department accepted attributing it to delay in approval of project proposal by State Technical Committee and compliance to STC by the project developers.

2.2.7.4 Biomass

As per the RE Policy, 2016, State would install 180 MW capacity biomass plants by 2022. There was, however, no addition during 2015-18 to the 50.4 MW capacity, which was installed in 2013. It was noticed that Government released (March 2014) ₹ 3.50 crore to OREDA to conduct resource assessment studies and identification of catchments for development of biomass based power projects. OREDA had not taken any steps in this regard. As a result, no capacity for generation of electricity from biomass could be added and the entire amount was lying unutilised (July 2018).

The State Government in December 2018 stated that in the case of biomass also, MNRE had kept no target for Odisha out of 10,000 MW allotted for entire country which implied that Odisha was considered as a less potential state in biomass sector. However, the rice millers had been encouraged for setting up of captive rice husk based power project. Six rice millers had installed rice husk based biomass power projects with a total capacity of 3.415 MW for self-consumption. The fact, however, is that a target of 180 MW was set under the RE Policy, 2016 to generate power from biomass.

2.2.7.5 Waste to Energy (WTE)

As per the RE Policy, 2016, State would create 20 MW capacity to generate energy from waste by 2022. Against this, no capacity addition could be made as of July 2018.

It was noticed that under the RE Policy, the ULBs would select the project developer and allot projects. OREDA, in liaison with the ULBs, would facilitate the process for supply of solid waste to the developers. Of the 112 ULBs in the State, none of the ULBs had set up plants for generation of energy from waste. BMC had executed (May 2014) an agreement with M/s Essel Infra Project Limited for establishment of 11.5 MW capacity plant under

⁷¹ Cancelled: 82, recommended for cancellation: 20

⁷² Lower Baitarani and Sapatdhara

⁷³ Kharag-I, II, IIA & III, Salki-I,II & III, Cheligada, Dumajhori and Bargarh Head Regulator

PPP mode, the same could not be set up due to resistance of the local people. BMC also did not identify any alternate site for the plant.

Thus, the objective of generating energy from waste could not be achieved due to failure of BMC in identifying sites for the plant. S & T Department did not furnish any reply.

2.2.8 Conclusion

The Renewable Purchase Obligation fixed for the large consumers of electricity could be complied only in 2014-15 and 2015-16 in respect of solar energy and only in 2013-14 in respect of non-solar energy. The reason for non-compliance was non-finalisation of the protocol to identify large consumers to comply the obligation.

In the RE Policy of the State, the target to add RE capacity was set at 2750 MW, to be achieved by 2022. Against this, RE capacity of the State stood at 195 MW at the end of 2018, which was 7.09 *per cent* of the target. RE capacity (195 MW) constituted 2.66 *per cent* of the total power generating capacity from RE and non-RE (7338 MW) of the State.

Though Government of Odisha had set a target for addition of solar energy capacity of 2200 MW by 2022 in the State, it could achieve only 71.75 MW by the end of 2018. The Government failed to implement the 650 MW Ultra Mega Solar Power Projects even after 34 months of approval due to difficulties in identifying suitable land. Inaction on the part of GEDCOL led to non-establishment of the proposed solar plants despite Central grant of ₹ 38.10 crore remaining unutilised for last three years (July 2018). Solar City and Model Solar City programme also could not be implemented in the state since September 2011 and October 2015 respectively.

RE Policy envisaged to generate 200 MW from Wind Energy, 150 MW from Small Hydro Electricity Projects and 180 MW from Biomass by 2022. No project had, however, been implemented due to lack of efforts by the Energy Department and OREDA.

In essence, achieving the target of addition of RE capacity of 2,750 MW by 2022 remained a distant goal. It could be gauged from the fact that Odisha ranks 21st in exploring renewable among the 29 States.

Electronics and Information Technology Department

2.3 Development of Infocity-II-IT-SEZ

As per the Special Economic Zone (SEZ) Act, 2005, SEZ is a specifically demarcated zone for conducting business activities governed by separate laws and rules. The objective of establishing SEZ is to promote trade and business by offering concession/ relaxation in tax, cess, import, export, *etc.* The Odisha Industrial Infrastructure Development Corporation (IDCO) is primarily responsible for development of industrial infrastructure in the State. Electronics and Information Technology (E&IT) Department in the Government of Odisha requested (May 2006) IDCO to develop an Information Technology (IT) based SEZ named, Infocity-II- IT SEZ. Accordingly, IDCO

requested (August 2006) GoI for approval of establishment of SEZ in Bhubaneswar exclusively for IT industries. The objective of establishing IT-SEZ were to attract investment in IT Sector to the State, create 28,000 direct/indirect employment opportunities and achieve export turnover of ₹ 6,600 crore by 2019.

GoI while granting (October 2006) approval for establishment of SEZ stipulated that the project should be completed within three years *i.e.*, by October 2009 and at least one unit in the SEZ has to commence production within the stipulated period. GoI, however, extended the schedule up to April 2015 on the request of IDCO as completion of land acquisition as well as commencement of business in SEZ was not possible within October 2009. Upon acquisition of contiguous land parcel of 262.57 acres and request of IDCO, GoI notified the SEZ in January 2011. E&IT Department (GoO) provided ₹ 150 crore during 2008-18 to IDCO towards land cost and construction of infrastructure like, road, boundary wall, water supply facility, uninterrupted power supply, *etc.* As of March 2018, IDCO had utilised the entire amount⁷⁴.

Audit of E&IT Department was conducted during June to August 2018 with the objective of assessing status of development of Infocity-II-IT-SEZ and achievement of envisaged objectives. Audit findings are detailed in the subsequent paragraphs.

2.3.1 Deficient planning

Audit noticed following deficiencies in planning and development of Infocity-II-IT-SEZ:

- **Delay in provision of funds:** IDCO was to bear the cost of development of Infocity-II-IT-SEZ from its own source. Later in July 2008, State Government viewed that loading the entire cost of infrastructure on the project would make the project commercially unviable. Therefore, the State Government decided (July 2008) to bear the cost of external infrastructure like roads, sewerage system, electrical connections and lighting system, boundary wall, *etc.*, and decided to release ₹ 150 crore for the purpose. E & IT Department, however, made provision of only ₹ 2 crore in its budget of 2008-09, which was released to IDCO in January 2009. Further, the budgetary provisions for the remaining ₹ 148 crore was made in the budgets 2009-10 to 2017-18 and released to IDCO thereafter. As, the SEZ was to be completed within three years, delay in finalising sources of funds delayed project implementation. Thus, failure of IDCO in finalizing source of fund coupled with release of funds by the State Government on *piece meal* basis delayed completion of the SEZ.
- **Delay in Acquisition/ Alienation of land:** Though land measuring 262.57 acres for SEZ was alienated by October 2011, private land measuring 27.282 acres for external road linkage was acquired only by July 2015. It was noticed that though IDCO placed requisition for private land in July

⁷⁴ Acquisition/alienation of land (₹ 75.42 crore), construction of infrastructure like, road, boundary wall (₹ 31.79 crore), water supply facility (₹ 1.04 crore), uninterrupted power supply (₹ 47.19 crore), and preliminary expenses (₹ 5.15 crore). Additional funds (₹ 10.59 crore) was met by IDCO

2009/November 2010, the Land Acquisition Officer, Khurdha could acquire land during November 2014 to July 2015 *i.e.*, after lapse of four to five years.

- **Preparation of master plan:** IDCO planned to execute the industrial infrastructure project with broader area as Info valley including Integrated Township⁷⁵ and Infocity-II IT-SEZ. It felt there was need for a master plan and design to be prepared by a firm of international repute and experience in order to attract global investments. IDCO engaged (December 2013) an international company at a cost of ₹ 3.24 crore⁷⁶ to prepare a master plan by July 2014. The company submitted the master plan in March 2016 *i.e.*, with a delay of almost two years. The Chief Secretary observed (March 2016) that the master plan was not in synchronous with the Comprehensive Development Plan (CDP) of Bhubaneswar city. E&IT Department also observed (September 2016) that the master plan lacked in e-waste management plan. Due to these shortcomings, IDCO did not accept the master plan. Meanwhile, the company had been paid ₹ 3.08 crore up to January 2016. Thus, delay in preparing the master plan coupled with a defective master plan resulted in delaying the project implementation and the expenditure of ₹ 3.08 crore had become infructuous.

The slow approach to the execution of work as evident from the pace of release of funds as well as indecisive approach in preparing master plan of the Infocity-II-IT SEZ delayed the project failing to lure the prospective investors. Further, due to delay in framing SEZ policy and absence of proper measures as per the Information and Communication Technology (ICT) policy, the State failed to attract investments to the Infocity-II-IT-SEZ, as detailed in the following paragraphs.

2.3.2 Investment promotional measures

Apart from infrastructure facilities, existence of proper business ecosystem provides impetus for investment. In that direction, SEZ had been conceptualised guaranteeing some benefits to investors. Audit observed the following deficiencies in the investment promotion measures by the State Government:

- **Delay in framing SEZ policy:** GoI enacted the SEZ Act in 2005 and framed SEZ Rules thereunder in 2006. The SEZ Act envisaged that State Governments, desirous of establishing SEZ, were to frame SEZ policy outlining nature and extent of exemption from taxes or other incentives to be granted. E&IT Department informed (June 2008) IDCO to prepare a draft SEZ policy. IDCO, however, failed to prepare the draft policy. In June 2015, Industries Department in the GoO issued SEZ policy outlining incentives available for the investments made in SEZ. Thus, there was inordinate delay in framing an SEZ policy by the State resulting in lack of clarity about investment by

⁷⁵ Incubation towers, office complex, land for hotels, commercial facilities and other supporting public utilities

⁷⁶ Arrived based on exchange rate of Singapore Dollar with Indian Rupees at the rate of ₹ 49.82 on 20 December 2013 (first tranche of instalment).

prospective IT companies. In fact, by 2011, nine States in India had already framed SEZ policy. In absence of an SEZ policy, IDCO could not provide assurance to investors (April 2010) about specific incentives to be granted in the event of their investments in SEZ. Thus, delay in framing SEZ policy was one of the major hindrances in luring investors to the State.

Thus, out of total notified area for Infocity-II-IT SEZ of 262.57 acres, only 50.92 acres was allotted to one investor.

2.3.3 Non-achievement of envisaged objectives of Infocity- II- IT- SEZ

The main objectives of establishing SEZ viz., establishment of IT companies in the State, export turnover and generation of employment had limited achievement, as shown in the Table 2.3.1 below:

Table 2.3.1: Achievement vis-à-vis Target

Particulars	Target	Achievement	Percentage of achievement
Area to be leased out to business houses (acres)	262.57	50.92	19.39
Export during 2014-19 (₹ in crore)	6600	508.18 (up to 2017-18)	7.70
Employment:			
-Direct	14000	1209	8.64
-Indirect	14000	311	2.22
-Total	28000	1520	5.43

(Source: Information furnished by IDCO)

It may be observed from the above table that the basic objectives of establishing SEZ was yet to be achieved even after seven and half years of notification (2011). While it was noted that 205 SEZs notified by the Ministry of Commerce and Industry, GoI under the SEZ Act, 2005 were operational as of March 2018. Of this, 22 SEZs specific to IT/ ITES promoted by different State Governments were operational housing several IT companies. Though Infocity-II was notified in January 2011 as an IT SEZ, the same was, however, running with only one IT company⁷⁷, utilising only 19.39 per cent of the earmarked area.

Delay in establishing the SEZ, non-framing of SEZ policy and inadequate efforts for attracting investment were some of the factors responsible for the limited achievement of Infocity-II-IT-SEZ. As a result, the benefits intended to accrue to the State in terms of industrialisation, employment, export turnover, etc., was yet to be realised despite incurring an expenditure of ₹ 150 crore for establishing the IT-SEZ.

⁷⁷ Infosys Technologies Limited

2.4 Loss due to non-realisation of dues from tenants

Failure in timely raising of bills in terms of provisions of agreement, lack of monitoring in billing and collection and non-invoking of OPDRA Act by OCAC, led to loss of ₹ 2.23 crore.

Odisha Computer Application Centre (OCAC) constructed a building of 15,800 sqm plinth area in February 2014. As per the Information and Communication Technology Policy (ICT) 2014⁷⁸; the space was to be used by IT enterprises on rental basis.

OCAC had allotted 5,620 sqm space to 64 IT/ Information Technology Enabled Services companies during March 2014 to December 2017. As per the agreements with the tenants, bills towards rent, maintenance and air conditioning (AC) charges were to be raised on monthly basis. The tenants were to pay the bills on or before fifth of succeeding month. In case of default, OCAC was to charge interest at the rate of 12 *per cent* per annum on the defaulted amount. OCAC would recover outstanding dues, as a public demand, under the provisions of Orissa Public Demands Recovery (OPDR) Act, 1962.

It was noted (December 2017) that OCAC raised bills with delays ranging from 2 to 13 months. As a result, outstanding dues from 64 tenants stood at ₹ 8.35 crore as against total claims of ₹ 10.97 crore as of December 2017. Further, OCAC neither reminded the defaulting tenants to pay their outstanding dues nor charged interest in the subsequent bills. As of December 2017, 26⁷⁹ out of 64 tenants had left the premises without paying their outstanding dues of ₹ 2.23 crore⁸⁰ (*Appendix 2.4.1*). The GM, OCAC had, however, not invoked provisions of OPDR Act for recovery of outstanding dues. Thus, there is remote chance of recovering outstanding dues.

Thus, failure in timely raising of bills in terms of provisions of the agreements with the tenants, lack of monitoring in billings and collection and non-invoking of OPDR Act by OCAC, led to loss of ₹ 2.23 crore.

Department stated (June 2018) that they were considering to invoke provisions of OPDR Act. The fact, however, was that the provisions of OPDR had not been invoked in the last three years, and now chances of recovery of the outstanding dues are remote.

⁷⁸ Policy resolution issued (April 2014) by Department of Information Technology, Government of Odisha

⁷⁹ 2014-15 (Two tenants): ₹ 69,167; 2016-17 (22 tenants): ₹ 1,92,53,914 and 2017-18 (Two tenants): ₹ 30,04,505

⁸⁰ Total dues: ₹ 2,42,83,353 less dues cleared: ₹ 19,55,767

2.5 Undue favour of ₹ 2.32 crore to vendor in payment of license fee

Odisha Computer Application Centre paid ₹ 2.32 crore as license fee for use of e-despatch system despite being the copyright holder of the product. This amounted to undue favour to the vendor.

As per section 17 (d) of the Copyright Act 1957, in case of a Government work, Government shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein.

Panchayati Raj and Drinking Water (PR&DW) Department developed (2008) an e-Despatch system through Software Technology Park of India (STPI) for despatching letters through electronic media. STPI had developed the system and handed over (July 2008) the source code⁸¹ of the system to PR&DW Department. Subsequently, Odisha Computer Application Centre (OCAC), being the Technical Director of Electronics and Information Technology (E&IT) Department assumed (2009) ownership of the system. OCAC obtained copyright of the system from the Registrar of Copyrights in May 2013.

E&IT Department decided (March 2011) to introduce enterprise version of the e-Despatch system⁸² in field offices *i.e.*, Blocks, Tahasils, District Headquarters and Directorates. OCAC engaged (August 2012) M/s Cybertech Software Multimedia Limited (CSM) for the development of the system. As per the Service Level Agreement (SLA) with CSM, cost of implementation at each directorate level offices and subordinate offices was ₹ 10,000 and ₹ 7,500 respectively. The cost included ₹ 5,000 towards license fee for each directorate and subordinate offices and the remaining amount towards implementation & training cost. During 2012-17, CSM installed e-Despatch system in 4646 offices and was paid ₹ 2.32 crore towards one time license fee.

It was noted (December 2017) that the e-Despatch system had been developed only for the State Government and therefore, OCAC being the Technical Directorate of IT Department had obtained copyright of e-Despatch in May 2013. Hence, payment of license fee to CSM was irregular and amounted to undue favour to CSM.

OCAC stated (March 2018) that a Committee of Secretaries⁸³ had fixed (March 2011) cost of implementation including training and handholding for Directorate level offices and subordinate offices at ₹ 10,000 and ₹ 7,500 respectively. The cost was broken as cost of implementation as ₹ 5,000 for each of the offices and the remaining amount *i.e.*, ₹ 5,000 and ₹ 2500 as training & hand holding cost for Directorate level offices and subordinate offices. In order to make distinction between different nature of cost, the cost of implementation was named as License fee.

The reply is not based on facts since the Committee of the Secretaries had fixed two types of cost viz., (i) one time license fee and (ii) implementation &

⁸¹ A text listing of commands to be compiled or assembled into an executable computer program

⁸² A computerised system used for despatching letters through email, FAX, hosting in websites and tracking outgoing communications

⁸³ Secretaries to the Government in Home, Rural Development, Panchayatiraj, Electronics & Information Technology Departments and the Director, International Institute of Information Technology

training cost. Further, the definition of license fee cannot be different from the legally defined one, unless otherwise a separate meaning is mentioned in the agreement. The agreement with CSM, however, does not mention anything to that effect.

Thus, payment of license fee of ₹ 2.32 crore for use of e-despatch system despite being the copyright holder amounted to undue favour to the vendor.

The matter has been reported (May 2018) to Government, reply is awaited (March 2020).

Rural Development Department

2.6 Non-recovery of penalty/ liquidated damages

The Executive Engineers did not recover penalty/ liquidated damages amounting to ₹ 9 crore from the contractors upon termination of contracts on account of failure of the contractors in timely completion of works.

The Rural Development (RD) Department, Government of Odisha is responsible for construction of roads in rural areas under Pradhan Mantri Gram Sadak Yojana (PMGSY). Clause 52⁸⁴ of the general conditions of contract (GCC), *inter alia*, provided that a contract was liable for termination for unauthorised stoppage of work for 28 days by a contractor. In that case, the contractor was liable to penalty of 20 *per cent* of the cost of the balance work. Further, Clause 44.1 of GCC provided that liquidated damage (LD) at the rate of one *per cent* of initial contract prices should be withheld per week for not achieving the milestones/ delay in completion of work.

Audit observed (May 2015-August 2018) that the Executive Engineers (EE) of four⁸⁵ Rural Works Divisions, had awarded 17 road construction works⁸⁶ at ₹ 51.67 crore to nine contractors during 2008-11. The stipulated dates of completion were between March 2009 and October 2011. The contractors failed to complete the work as per the schedule, despite issue of a series of notices⁸⁷ by the EEs. This amounted to fundamental breach of contract by the contractors. The EEs proposed to terminate the contracts between 28 March 2009 and 13 September 2013. Accordingly, the Committee of Chief Engineers terminated (May 2009 - October 2014) all the contracts under Clause 52.2 of GCC. As on the date of termination, the contractors had executed works

⁸⁴ Fundamental breach of contract includes: the contractor stops the works for 28 days; the contract fails to correct a defect within a reasonable period of time; the contractor has delayed the completion of work by the number of days for which maximum amount of liquidated damage can be paid, *etc.*

⁸⁵ Jagatsinghpur, Kendrapara-I, Puri and Rourkela

⁸⁶ RW Division, Jagatsinghpur: Four road works under package No.OR-12-43(A), OR-12-65, OR-12-71 and OR-12-57; Kendrapara-I: Four road works under package No.OR-16-66, OR-16-108 and OR-16-126; Puri: Two road works under package No.OR-26-44 (B) and OR-26-145; Rourkela: Seven road works under package No.OR-30-ADB-13-11, OR-30-ADB-13-108, OR-30-ADB-13-119, OR-30-ADB-13-140, OR-30-70A/VII and OR-30-123

⁸⁷ Jagaatsinghpur: 14-12-2009 to 08-08-2013, Kendrapara-I: 07-05-2012 to 22-03-2014, Puri: 21-08-2008 to 08-04-2012 and Rourkela: 01-03-2011 to 15-09-2014

valued at ₹ 16.58 crore (32 per cent) against awarded cost of ₹ 51.67 crore. The incomplete works valuing ₹ 35.09 crore were awarded (August 2013 to November 2016) afresh for ₹ 48.04 crore resulting in additional expenditure of ₹ 12.95 crore.

It was noted that an amount of ₹ 12.17 crore was recoverable from contractors towards penalty/ LD. Of this, divisions had retained ₹ 1.64 crore towards security/ miscellaneous deposits and recovered (May 2011 and August 2018) another ₹ 1.53 crore. Thus, ₹ 9⁸⁸ crore remained unrecovered from the contractors as of July 2018 (*Appendix 2.6.1*). The EEs had not taken any action for recovery of penalty/ LD.

Thus, due to inaction of the EEs⁸⁹ to recover penalty/ liquidated damages, the contractors were unduly benefited by ₹ 9 crore.

The EEs stated (July/ August 2018) that penalty/ LD would be recovered from the contractors.

The matter was reported (September 2018) to Government; reply is awaited (March 2020).

2.7 Unfruitful expenditure of ₹ 5.31 crore

Taking up of PMGSY road works without ensuring availability of land resulted in midway closure of works as well as rendering total expenditure of ₹ 5.31 crore infructuous.

As per Paragraph 8.4 of PMGSY guidelines, while commencing preparation of the Detailed Project Report (DPR), the most suitable alignment of roads should be determined and issues concerning availability of land and forest clearance should be sorted out. Further, Paragraph 3.2.3 read with paragraph 3.4.16 of OPWD Code provides that survey and investigation are to be done for preparation of DPRs.

In a test check of 15 out of 55 works (27 per cent) awarded by Executive Engineer (E.E) Rural Works (RW) Division, Puri, it was noticed (May 2018) that Survey/ investigation or consultation with the affected Departments had not been done before execution of works. As a result, three roads (16.995 Kms) could not be completed after spending ₹ 5.31 crore as of May 2018, which deprived 4834 people of six habitations of all-weather road connectivity, as discussed below:

- In case of ‘Rural Development (RD) road to Ura village’⁹⁰, the passage of road included four such plots⁹¹ which had been acquired by the Government earlier for the proposed Vedanta University. The Supreme Court had also ordered for maintaining *status quo* on the plots in January 2011. The DPR prepared in February 2011 was, however, silent about the availability of land. The EE awarded the work based on the faulty DPR in

⁸⁸ ₹ 12.17 crore-(₹ 1.64 crore+₹ 1.53 crore)

⁸⁹ Jagaatsinghpur: Manoranjan Pattnaik, Kendrapara-I: Girish Chandra Ray and Nalinikanta Senapati, Puri: Anadi Charaan Sahoo and Panchanan Mohanty and Rourkela: Kishore Kumar Mishra

⁹⁰ A link road connecting to Ura village/ habitation with an existing RD road

⁹¹ Plot Nos. 608, 763, 717 and 765

April 2013 for ₹ 5.41 crore. During the course of execution of works, the concerned Land Acquisition Officer (LAO) brought the status of land and orders of the Supreme Court to the notice of the EE in May 2014, to stop further construction. By that time 50.6 *per cent* work valuing ₹ 2.59 crore had been completed. The EE, however, continued execution of works valuing ₹ 1.79 crore thereafter. As of March 2017, earthwork/ bitumen work over entire stretch of 9.74 Km was done at a cost of ₹ 4.38 crore. This included earthwork of 1.94 Km over the disputed plots. Due to non-availability of land, the EE finally closed the work in May 2017. Thus, preparation of a DPR and executing the work without considering availability of land resulted in rendering expenditure of ₹ 4.38 crore infructuous. Besides, the intended objective of providing all weather road connectivity to Ura village could not be achieved.

- In case of road work 'RD Road to Satipur', the DPR prepared by the EE in September 2012, indicated availability of land. Accordingly, the EE awarded (March 2015) the work for ₹ 3.38 crore. After commencement of work, the LAO informed (May 2015) that land on which the new road under PMGSY was constructed in village Thorab and Nalihana, had already been acquired by the Collector, Puri for Vedanta University. Hon'ble Supreme Court had also directed to maintain *status quo* on the land. This indicated that the DPR was prepared without any assessment/survey about the availability of the land. Thereafter, the EE stopped (July 2015) the work and the contract was closed (February 2017). By that time, an amount of ₹ 54.78 lakh had been spent, which became infructuous.
- In case of road work 'RD road from N.J Sadak to Karamala Bhoipada', it was mentioned in the DPR (October 2008) that the existing entire road was low lying and getting submerged in rainy season. The EE, awarded (September 2009) the work for ₹ 1.74 crore to be completed by 6 September 2010. Subsequently, on the ground of water logging, the EE allowed (September 2011) extension of time up to 31 March 2012. After execution of earthwork for 1.2 km, the contractor stopped the work on 10 November 2012. Subsequently, the EE submitted (November 2014) the closure proposal stating that the site was a low lying area and used to get water logged about 11 months a year. Thus, status of the land as mentioned in the DPR was not based on proper survey and investigation. By the time of closure of the project, ₹ 38 lakh (23 *per cent* of the total amount) had been spent. As the work has been left incomplete since 2012, expenditure of ₹ 37.51 lakh incurred thereon has become infructuous.

Thus, deficient survey and investigation of the work site before taking up the road work had resulted in expenditure of ₹ 37.51 lakh becoming infructuous. Besides, people of the targeted habitations continued to be deprived of all-weather connectivity to the Karamla market centre and Brahmagiri Block headquarter.

It is evident from the above that required survey and investigation had not been carried out for preparation of DPR regarding availability of land before taking up of the road work. As a result, total expenditure of ₹ 5.31 crore became infructuous.

The EE, while admitting the fact, stated (May 2018) that Government was exploring alternative alignment to provide connectivity to Ura and Satipur villages. The reply, however, does not clarify the fact that road works were taken up without ensuring availability of land rendering expenditure incurred infructuous. Also, in case of RD Road to Ura village, the EE did not pay heed to the LAO's request in May 2014 to stop the work, wherein ₹ 1.79 crore could have been saved, by stopping the work, then and there.

The matter was reported (September 2018) to Government, reply is awaited (March 2020).

Panchayati Raj and Drinking Water Department

2.8 Misappropriation of Government money

Deficient internal control and non-reconciliation of bank pass books with cash books led to misappropriation of Government money of ₹ 1.03 crore.

As per Rule 37 of OTC Volume I, all monetary transactions are to be entered in the cash book as soon as they occur and attested by the head of the office as a token of check. The cash book is to be closed regularly and at the end of each month, the head of the office is to verify the cash balance in the cash book and record a signed and dated certificate to that effect. Further, Panchayati Raj Department instructed (July 2012) that reconciliation of office cash book with bank pass-book was to be made in the 1st week of every month by the District Panchayat Officer (DPO) in case of District Panchayat Office and a certificate to that effect was to be recorded in the cash books.

Test check of records at DPO, Nuapada revealed (September 2017) that during November and December 2016, a Senior Clerk of DPO, Nuapada had transferred ₹ 7,08,550 from State Bank of India (SBI), Nuapada to his Personal Savings Bank Account in Central Bank of India (CBI), Nuapada by presenting two fraudulent cheques. He manipulated the cheques by adding the figures on the left side of the amount already written on the body of the cheques, before presenting the same to the bank. He showed a sum of ₹ 8550 in the cash book and misappropriated the balance amount. Further, an amount of ₹ 78.72 lakh was drawn (January 2017) from the treasury on account of TA/DA bill, etc. From this amount, ₹ 68.72 lakh was deposited on 27 January 2017 in Central Bank of India (CBI), Nuapada in DPO's official Account. The balance amount of ₹ 10 lakh was deposited in the personal account of the Sr. Clerk in the same bank by direct transfer credit. The State Bank of India had intimated the DPO about the fraud on 15 February 2017. The DPO then reconciled the cash book balances with bank pass book balances and found that the Sr. Clerk had misappropriated ₹ 17.00 lakh. He lodged (28 February 2017) an FIR against the Sr. Clerk for misappropriation of Government money and subsequently suspended the official.

On the order (28 February 2017) of Collector, Nuapada, the Sub-Collector verified the transactions of SBI, Nuapada for the period from January 2014 to February 2017. He reported (March 2017) that out of ₹1.47 crore withdrawn

from SBI Account, ₹0.75 crore had been misappropriated. This misappropriated amount included ₹ 7 lakh transferred from SBI to the Sr. Clerk's personal account at CBI, Nuapada. The Committee determined total amount of misappropriation at ₹ 0.85 crore by taking into account fraudulent direct transfer credit of ₹ 10.00 lakh to the CBI Account.

It was further noticed during audit that the DPO had withdrawn ₹ 0.18 crore from seven accounts of Utkal Gramin Bank (UGB), Nuapada during May 2014 to January 2016. But the said amount had not been entered in the respective cash books. The amounts were withdrawn by the Senior Clerk and a Peon of the DPO office. The break-up of total misappropriated amount is given in the following table.

Table 2.8.1: Statement showing details of amount misappropriated

Date of drawal	Amount misappropriated (in ₹)	Designation of the Official involved
21 November 2016	200000	Senior Clerk
16 December 2016	500000	
27 January 2017	1000000	Senior Clerk
06 January 2014 to 14 February 2017	6816688	Senior Clerk
08 December 2014 to 13 February 2015	42000	Peon
12 May 2014 to 04 November 2015	275000	Senior Clerk Peon
10 November 2015 to 14 December 2015	92000	Senior Clerk Peon
30 October 2014 to 12 January 2016	296500	Peon
11 April 2015 to 18 August 2015	716000	Senior Clerk Peon
24 March 2015 to 05 December 2015	395500	Senior Clerk Peon
12 May 2014 to 29 January 2016	6000	Senior Clerk
Total	10339688	

(Source: Cash book and statement of Accounts furnished by Bank)

Audit observed that neither the DPO had regularly attested the entries in the cash book nor the monthly reconciliation between the cash book and the bank

pass book was done. This was a serious lapse in the internal control of DPO which led to the misappropriation of government money of ₹ 1.03 crore.

The DPO confirmed the facts and stated (September 2017) that the total amount had been encashed through cheques by the ex-Cashier and a Peon by forging signature and manipulating the amounts in the cheques.

Absence of a robust check and balance system as prescribed in the rules led to such huge misappropriation of government money. Action against DPO for lapse on his part in performing his duties needs to be taken.

The matter was demi-officially referred (July 2018) to the Principal Secretary, Panchayati Raj and Drinking Water Department followed by a reminder in December 2018, reply is awaited (March 2020).

2.9 Misappropriation of fund by GP officials

Old Age Pension fund of ₹ 3.28 lakh was misappropriated by the ex-Sarpanch and the ex-PEO in Kureswar GP of Nuapada.

As per Rule 93(2) of Odisha Gram Panchayat Rules 2014, the Panchayat Executive Officer (PEO) of the Gram Panchayat (GP) was to record all transactions in the cash book on the same day on which money was received or paid. As per Rule 93 (4), the Gram Panchayat Extension Officer (GPEO) was to verify the cash book and the cash-in-hand, at least once in a month. Further, as per Rule 242 of OTC Vol-I, no money was to be drawn from the treasury unless it was required for immediate disbursement.

Scrutiny of cash books (September 2017) of Kureswar GP (under Komna Panchayat Samiti in Nuapada district) for the period 2015-17 revealed that on two occasions, the cash-in-hand was misappropriated as detailed in the table below.

Table 2.9.1: Details of transaction leading to misappropriation of funds

Date of transaction	Cash-in-hand	Dealt by ⁹²	Next date of transaction	Cash-in-hand
14 July 2015	₹ 2.48 lakh	ex-Sarpanch	14 August 2015	NIL
18 December 2015	₹ 0.80 lakh	ex-PEO	12 January 2016	NIL
Total	₹ 3.28 lakh			NIL

(Source: Cash book and Bank Pass Book of Kureswar GP)

The reason for accumulation of huge cash balances was on account of drawing in excess of requirement towards Old Age Pension. Since in both the cases, the cash balance was shown as 'NIL' in the cash book, Audit checked the bank accounts and found that the amounts were not deposited into the bank accounts. There was no voucher too in support of any payment (payment of pension) from the above cash balances. This established the fact that the said amount of ₹ 3.28 lakh had been misappropriated. Both the ex-Sarpanch and ex-PEO were responsible for such misappropriation of Government money.

⁹² 1) Smt. Nepura Majhi, 2) MD. Sidque

It was also observed that the GPEO had not verified the cash book and cash-in-hand during July 2015 to June 2017. This facilitated the ex-Sarpanch and the ex-PEO to contravene the GP Rules for maintenance of GP Accounts.

In reply the concerned Executive Officer stated that notice would be issued to the Ex-Sarpanch and Ex-PEO to recover the amount and the fact would be intimated to the BDO with request to take appropriate action.

The matter was demi-officially referred (June 2018) to the Principal Secretary, Panchayati Raj and Drinking Water Department followed by a reminder in September 2018. The reply is awaited (March 2020).

2.10 Misappropriation of ₹ 2.79 lakh in disbursement of Old Age Pension

Disbursement of Old Age Pension against deceased beneficiaries in nine Panchayat Samitis led to misappropriation of ₹ 2.79 lakh.

As per provisions of Rule 16 of Madhu Babu Pension Yojana (MBPY) Rules 2008, the Executive Officer/Extension Officer of the concerned Gram Panchayat (GP)/Panchayat Samiti (PS) shall report every case of death of beneficiary immediately after occurrence to the Block Development Officer (BDO) and the Sub-Collector concerned. As per Rule 19 of MBPY and National Social Assistance Programme (NSAP) guidelines, the annual verification of beneficiaries shall be conducted by the competent authority during 1st week of April every year. Further, as per Rule 22 of MBPY, the pension shall cease to be payable from the date of disbursement following the death of the pensioner.

Audit checked (May 2017 to February 2018) Disbursement Registers and Cash Books for the period 2014-15 to 2016-17 related to 15,497 pensioners in 19 GPs under nine PSs⁹³. It was noticed that ₹ 2.79 lakh was paid as pension and arrears of pension to 150 dead beneficiaries in 72 villages. As per Death Register maintained by Community Health Centres (CHCs), they had died one to 36 months back. The Disbursing Officers (DOs) continued to make the payments without verifying the exact date of death from CHCs. The actual date of death was confirmed by Audit from the CHCs concerned and HSY⁹⁴

⁹³ Bhadrak, Bolgarh, Chilika, Kuarmunda, Kujanga, Nuagaon (Sundargah), Odgaon, Patnagarh and Sanakhemundi

⁹⁴ Harischandra Sahayata Yojana (HSY) is a scheme of State Government in which an assistance of ₹ 1,000 to ₹ 3,000 is given to the poor and destitute for conducting the last rites of their family member and for cremation of unclaimed dead bodies

Register. The DOs made disbursement of pension after death of the pensioners, on the basis of false thumb impressions of other persons in the Acquittance Roll. The PS-wise payments of pension to deceased beneficiaries are detailed in *Appendix 2.10.1*.

The misappropriation was possible on account of non-conduct of annual verification and lack of monitoring and control over the DOs by the BDOs. Action against BDO for lapses on his part in performing his duties needs to be taken.

The matter was demi-officially referred (June 2018) to the Principal Secretary, Panchayati Raj and Drinking Water Department followed by a reminder in September 2018, reply is awaited (March 2020).

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