

CHAPTER-III

Compliance Audit Observations

COMPLIANCE AUDIT OBSERVATIONS

Important audit findings emerging from test check of transactions of the State PSUs/Corporations are included in this Chapter.

ODISHA POWER GENERATION CORPORATION LIMITED

3.1 *Avoidable expenditure*

Avoidable expenditure of ₹24.72 crore on procurement of coal

The Odisha Power Generation Corporation Limited (OPGC) had two thermal power generating units, of 210 MW (unit 1 and 2) each, under operation, since 1994. OPGC purchased coal from the Mahanadi Coalfield Limited (MCL)⁸⁶, for units 1 and 2, under a coal supply agreement. For transportation of coal from MCL, the Company had its own set of railway lines, namely the Merry Go Round (MGR) railway system. OPGC started construction of its expansion project with two additional generating units *viz.*, unit 3 and 4 (660 MW each) in February 2014. In the mean time, in addition to the source of MCL coal, Government of India allocated (August 2015) two coal blocks, *i.e.*, (i) Manoharpur and (ii) Dip-side of Manoharpur, to the Odisha Coal and Power Limited (OCPL), a subsidiary of OPGC, for catering to the captive consumption of OPGC power plants.

In order to cater to the additional requirement of coal till operationalisation of the new blocks and completion of required infrastructure for transportation, OPGC executed (March 2019) an agreement with MCL, under the Bridge linkage scheme (BLS)⁸⁷ of the Ministry of Coal, for offtake of 101.55 lakh MT⁸⁸ (50.775 lakh MT each for units 3 and 4) of coal, from 2019-20 to 2021-22.

For transportation of coal from OCPL, the Company was constructing an MGR railway system, from the Manoharpur mine to the power plant, through the Charla railway siding⁸⁹. Due to delay in completion of the MGR railway system, OPGC initially hired (May 2021) a private railway siding (of M/s. ACB Limited), for one month, for offtake of OCPL coal, from the Manoharpur coal mine. OCPL transported coal from the mine to the private railway siding and then from that siding to the power plants, through Indian Railways. This Road-cum-Rail (RCR) mode arrangement continued up to March 2022 during which period OPGC procured 23.06 lakh MT coal from

⁸⁶ A central public sector undertaking under the Ministry of Coal, GoI

⁸⁷ The 'Bridge linkage' scheme is a short term linkage to bridge the gap between the requirement of coal of a specified end use plant of Central and State PSUs and the start of production from the linked allotted coal mine/block. It is granted for a fixed period of three years from the date of allotment of the coal mine/block

⁸⁸ In 2019-20, 48.30 lakh MT; in 2020-21, 36.45 lakh MT; and in 2021-22, 16.8 lakh MT; total: 101.55 lakh MT

⁸⁹ A short railway track beside the main tracks, used for joining the main track for loading materials for transportation through rail

OCPL. Further, for 2021-22, OPGC had already agreed to lift 12.60 lakh MT under the BLS from MCL and the scheme was valid for that year only. In this connection it was revealed that the procurement cost of OCPL coal under RCR mode was higher than the MCL coal under the BLS. Hence, considering the comparative cost advantage, OPGC should have exhausted the BLS quota for 2021-22 against which it had lifted only 7.91 lakh MT. By short lifting of 4.69 lakh MT of the BLS quota, OPGC incurred an avoidable expenditure of ₹24.72 crore as below:

Table 3.1: Excess expenditure on procurement of coal

Year	Agreed qty as per agreement with MCL (MT)	Actual qty procured from MCL (MT)	Shortfall in procurement of coal (MT)	Cost of coal procured from MCL including transportation (₹/MT)	Cost of OCPL coal procured through RCR mode including transportation (₹/MT)	Excess cost of coal (₹/MT)	Excess expenditure (₹ in crore)
(1)	(2)	(3)	(4)=(2-3)	(5)	(6)	(7)=(6-5)	(8)=(7x4)
2021-22	12,60,000	7,90,907	4,69,093	1,751	2,278	527	24.72

(Source: Information provided by OPGC)

As may be observed from the above, OPGC procured coal through RCR mode by incurring extra expenditure of ₹24.72 crore which it could have avoided by procuring the balance 4.69 lakh MT coal from MCL under BLS.

The Government stated (April 2024) that the new units (*i.e.*, unit 3 and 4) have been designed for firing better quality coal, as compared to unit 1 and 2, which can be handled by inferior quality of coal. Firing of inferior quality of MCL coal could lead to stoppage of new units due to ash handling issues.

The reply was not acceptable, because as per the Fuel Supply Agreement with OCPL, G-14 grade coal was envisaged for supply to the unit 3 and 4. As per the agreement under BLS with M/s MCL, the grade required to be supplied was G-12/G-13 during FY 2021-22. It was observed that during 2021-22, MCL supplied mostly G-12 and G-13 grade coal under BLS which was higher in quality than G-14 grade. Hence, the reply of the Government contradicts the factual position regarding the quality of coal supplied by MCL. As such, short lifting of 4.69 lakh MT coal from MCL, under the BLS, was not financially prudent which led to extra expenditure of ₹24.72 crore on procurement of coal.

3.2 Avoidable interest burden

Extension of interest-free mobilisation advance, led to avoidable interest burden of ₹13.60 crore

The Odisha Power Generation Corporation Limited (OPGC) is a Government of Odisha (GoO) undertaking, generating power at its thermal plant in the Jharsuguda district. This plant had two thermal power units with total installed capacity of 420 MW (210 MW x 2). Subsequently, OPGC implemented its expansion project by addition of two more thermal power units with an installed capacity of 1,320 MW (660 MW x 2). Finances for this expansion project were arranged by raising loans from the Power Finance Corporation

Limited (PFC) and Rural Electrification Corporation Limited (REC)⁹⁰. The expansion project and the related facilities like construction of a Twin Township, construction of Ash Pond *etc.*, were implemented through a tendering process followed by award of contracts.

Contracts for “Construction of a Twin township” (first contract in April 2014) and “Construction of an ash pond at Tilia village” (second contract in December 2016), were examined by Audit, wherein the following were noticed:

- OPGC had given interest-free mobilisation advances, amounting to 10 *per cent* of the contract value, to contractors in the aforesaid two contracts.
- In the first contract for ‘Construction of twin township’ OPGC had paid a mobilisation advance of ₹13.02 crore in May 2014 to M/s. NCC Limited, against a contract value of ₹130.23 crore.
- In the second contract, OPGC had paid a mobilisation advance of ₹19.98 crore (July 2017), against the contract price of ₹199.75 crore, to M/s. Shree Balaji Engicons Limited, for the work of ‘Construction of Ash Pond at Tilia Village’.
- Both these advances were interest free.
- The scheduled completion period for both contracts was 24 months, *i.e.*, from April 2014 to April 2016 (for construction of twin township) and from May 2017 to May 2019 (for construction of ash pond at Tilia village).

In this regard, Audit observed that:

- The Odisha Public Works Department (OPWD) code, Vol. I (Para 3.7.21) prohibited payment of mobilisation advances to contractors. However, in some exceptional circumstances, it specified that such advances shall be interest bearing. Further, Works Department of GoO, in its Standard Bidding Document, permits extension of mobilisation advances, at an interest of 10 *per cent* per annum. Thus, making provisions in the tender and contract documents for giving interest free advances was not in conformity with these guidelines.
- OPGC had taken loans from the PFC and REC, for implementation of the aforesaid expansion project with related facilities. The loans had been taken (2016-17 to 2020-21) at rates of interest ranging from 10.30 to 10.80 *per cent*. Thus, extension of interest free mobilisation advances to the contractors was financially imprudent, while OPGC itself was paying interest on this amount to the lending companies. Further, this was also not in conformity with the guidelines laid down

⁹⁰ PFC and REC are two Central Public Sector Enterprises registered with RBI as non-banking finance company for financing power sector entities

in the OPWD code and Standard Bidding Document of the Works Department of GoO, as stated above.

- It was seen that in the first contract with M/s. NCC Limited, the advance of ₹13.02 crore had been recovered, through 59 running account bills, till March 2021. In case of the second contract with M/s. Shree Balaji Engicons Limited, ₹9.59 crore had been recovered, out of the advance amount of ₹19.98 crore, till November 2021. However, the balance advance of ₹10.39 crore with interest could not be recovered as the matter was under arbitration.

Thus, extension of interest-free mobilisation advances out of interest bearing loans availed, resulted in blockage of ₹10.39 crore and avoidable interest burden of ₹13.60 crore⁹¹ (*Appendix 25*) for OPGC.

The Government insisted (April 2024) that interest free advance was paid as per the provisions of the tender and contract agreement. The reply of the Government was not acceptable because OPWD code as well as Standard Bidding Document of Works Department of GoO, permits extension of interest bearing mobilisation advances only. Further, OPGC itself issued “Manual for Contracts and Materials Sourcing” in May 2022 and Para 9.1 of it also stipulated a provision for only interest-bearing mobilisation advance. Hence, OPGC did not adhere to the established norms set by State Government in sanctioning mobilisation advances, which led to avoidable interest burden of ₹13.60 crore.

3.3 Loss of revenue

Loss of revenue due to non-marketing of cenosphere ₹1.09 crore

In thermal power plants, during the course of generation of power, a substance namely cenosphere is generated as by-product. This cenosphere is commercially useful, compatible with cement and other building materials such as coatings and composites and is used in a wide variety of products, including sports equipment, insulators, automobile bodies, marine craft bodies, paints *etc.* It was noted that several thermal power plants *viz.*, National Thermal Power Corporation Limited’s Power plants (in Odisha, Andhra Pradesh, Telangana), Chhattisgarh State Power Generation Company Limited, Telangana State Power Generation Corporation Limited, West Bengal Power Development Corporation Limited, Damodar Valley Corporation (Jharkhand) were selling cenosphere by engaging agencies.

Odisha Power Generation Corporation Limited (OPGC) a Government of Odisha public sector undertaking has been generating cenosphere at its thermal power plant in Jharsuguda district. During 2005-06 to 2021-22, a total of 1,890 MT of cenosphere was generated in this plant, but this was not collected and sold by the Company. Review of related records revealed that OPGC had floated two tenders (March 2020 and December 2020), for

⁹¹ Interest loss was calculated at 10 *per cent*, being the rate of interest prescribed in the Standard Bidding Document of Works Department, GoO

collection and sale of cenosphere from its ash ponds. In the first tender (March 2020), three bidders participated but the tender was abruptly cancelled (June 2020). Reason for cancellation of the tender was not recorded. In case of the second tender, no further progress was made after publication (December 2020) of tender notice. Thereafter, no action taken by OPGC was found on record for collection and sale of cenosphere, which is being marketed and sold by other thermal power PSUs. Nothing was found on record indicating how the cenosphere was being disposed of, if not collected and sold.

Audit observed that, due to non-marketing of cenosphere, OPGC had been losing revenue for a long period. Considering the latest available market price and generation of cenosphere during the last five years⁹², OPGC has incurred a potential revenue loss to the extent of ₹1.09 crore⁹³.

The Government, while accepting the audit observation stated (September 2023) that OPGC has been trying to commercialise the collection of cenosphere since 2005-06 through some agencies but the same was not successful due to resistance from the periphery villagers. The Government also stated that all effort will be made for sale of cenosphere through tendering in future. However, no specific or concrete plan for preventing this recurring loss of revenue was shared with Audit.

ODISHA POWER TRANSMISSION CORPORATION LIMITED

3.4 *Infructuous Expenditure*

Infructuous expenditure of ₹5.37 crore for implementation of Advance Metering Infrastructure System

The Odisha Power Transmission Corporation Limited (OPTCL) being a State Transmission Utility is responsible for installation of special energy meters at the peripheries⁹⁴ of States and regions according to metering regulations notified by the Central Electricity Authority, Ministry of Power, Government of India. The Company is also responsible for collecting and processing the meter data for validation/accounting purposes. Since its incorporation, OPTCL has been using a manual system for reading meter data. In September 2011, the Odisha Electricity Regulatory Commission directed the Corporation to automate the manual process of meter reading and collection of meter data from the sub-stations across Odisha. The online automatic system of data collection was meant to facilitate implementation of the intra-state Availability Based Tariff, by downloading meter data from all the sub-stations. For this, OPTCL decided (December 2012) to implement the Advance Metering Infrastructure (AMI) system. The implementation of AMI system included procurement and installation of Special Energy Meters, a Data Collecting Unit

⁹² From 2017-18 to 2021-22

⁹³ 412 MT X ₹26,383 per MT. The rate of cenosphere of ₹26,383 per MT has been considered as lowest price discovered through e-auction by MSTC limited for Chhattisgarh State Power Generation Company in 2022, which was adjacent state to the OPGC power plant in Jharsuguda.

⁹⁴ Interface points of transmission and distribution network of the State

at each sub-station, a Central Data collecting system/Central Servers, communication system *etc.*

Accordingly, a contract for implementation of AMI was awarded by OPTCL (February 2014) to M/s Tata Consultancy Services Limited (TCS) on turnkey basis at a cost of ₹5.62 crore⁹⁵. The scheduled completion date of the project was August 2015, which was subsequently extended to July 2016. Within this period, all supplies and installation of AMI were to be completed. User Acceptance Testing (UAT), as per technical specifications of the project, was a pre-requisite for completion of the system. However, it was seen that UAT could not be completed within the above period, due to which further extension was allowed upto March 2020. During the period from 2014-15 to 2018-19, a total payment of ₹5.37 crore was made to TCS for this project.

OPTCL decided to discontinue (June 2022) the implementation of the system before its completion, citing the following reasons:

- Raw un-editable meter data was absolutely necessary for billing purposes but the data generated by the AMI system was editable and prone to tampering. Therefore, it may not have been acceptable to DISCOMs or any legal forum.
- OPTCL often requires to change its existing meters due to various reasons. However, the AMI system was unable to capture the meter data in the event of change of meter in the middle of the month.
- Data generated periodically by the AMI system was observed to be inconsistent.

Audit further observed that:

- OPTCL, during project formulation, did not envisage the essential requirement of 'raw and un-editable meter data' from the AMI system and it was not specified in the contract documents. However, during a 'Requirement Analysis Workshop' held in January 2015, OPTCL conveyed the requirement to provide output file in 'emd' and 'mrd' format, for which TCS stated that the said files were meter proprietary extension files and expressed its inability to provide the same. TCS also stated that it can provide output file in 'prn', 'csv', 'npc', 'xls' and 'pdf' formats, which are editable. In this connection, Audit observed that as per Clause-7 of Technical Specifications, Volume-II, the contractor was liable to provide new features and functionality such as supporting new data format. However, OPTCL did not take any action to enforce the said clause to get the data in the required format.

⁹⁵ ₹3.31 crore for supply of AMI equipment and ₹2.31 crore for erection, testing and commissioning of the AMI project

- OPTCL continued execution of AMI system work and made payment of ₹5.37 crore (from 2014-15 to 2018-19), without resolving the matter of format of output data.
- Further, OPTCL records indicated that the meter data downloaded and processed through the AMI system could not deliver 100 *per cent* accuracy and was prone to accounting errors leading to erroneous billing.

The aforesaid lapses on the part of OPTCL resulted in scrapping of the project, rendering the related expenditure of ₹5.37 crore infructuous.

The Government accepted the audit observation and stated (March 2024) that the requirement of raw uneditable meter data from the AMI was initially not anticipated. The same was only emphasised (January 2015) after award of the project but the implementing agency expressed its inability to provide raw meter data. In the meanwhile, discussions were held to upgrade the AMI project for OPTCL network and for utilizing its existing hardware infrastructure.

However, Audit observed that OPTCL, despite having an enabling Clause⁹⁶ in the Technical Specifications of the contract agreement, did not consider enforcing the obligation on the part of TCS to provide data required for project completion. Instead, it went by the opinion of the TCS without doing any due diligence. The contention of upgrading the AMI project for OPTCL network is just an afterthought as no documentary evidence of such efforts was made available to Audit.

3.5 *Undue benefit to a DISCOM*

Non-compliance with directions of the Board of Directors of OPTCL resulted in extension of undue benefit to CESU and loss of ₹2.16 crore

The Government of Odisha (GoO) launched (25 July 2013) a scheme (Construction of 33/11 KV Sub-stations) for construction of 500 new 33/11 KV sub-stations in the State with an investment of ₹2,600 crore, which was subsequently named, the “Odisha Distribution System Strengthening Project (ODSSP)”. The Odisha Power Transmission Corporation Limited (OPTCL), a GoO undertaking incorporated in March 2004, was engaged as the implementing / nodal agency for the project. To manage the implementation of the project, the scheme provided for payment of six *per cent* of project cost to OPTCL to meet the cost of administrative expenses, setting up of project office, manpower, contingencies and fees payable to a Project Management Consultant.

In a review meeting held (April 2013) under the Chairmanship of Secretary, Department of Energy, it was decided that a multi-disciplinary team drawn

⁹⁶ Clause-7 of the Technical Specification of the Contract Agreement envisaged that AMI system shall meet the software requirement for adding new features and functionality, such as supporting new data format

from OPTCL and Distribution Companies (DISCOMs) would be assigned the work of construction of 33/11 KV sub-stations. Accordingly, OPTCL intimated (April 2013) the four DISCOMs⁹⁷ in the State, to identify a team of technical and financial executives for the multi-disciplinary team. Subsequently, the Board of Directors (BoD) of OPTCL in their 58th meeting decided (August 2013) to create a 'Project Management Unit (PMU)-33/11KV' under the functional and administrative control of Chairman-cum-Managing Director (CMD) of OPTCL to look after the work *i.e.*, from concept to commissioning of 500 new 33/11KV sub-stations. Further, it was also decided that instead of one, four multi-disciplinary teams consisting of officers drawn from OPTCL and DISCOMs would handle the contract management and associated activities of the scheme. Pay/salary of these officers was to be borne by the respective DISCOMs. Accordingly, 16 executives⁹⁸ of four DISCOMs were deployed for the multi-disciplinary teams of ODSSP.

It was observed (December 2022) in audit that although 16 executives from four DISCOMs were deployed in OPTCL for ODSSP, OPTCL released ₹2.16 crore towards pay and allowances to three executives in case of one DISCOM *i.e.*, Central Electricity Supply Utility of Odisha (CESU) (now Tata Power Central Odisha Distribution Limited - TPCODL⁹⁹) for their deployment during the period from 5 May 2013 to 02 April 2022, unlike other three DISCOMs where no such disbursement was made. Thus, despite clear instructions of the BoD of OPTCL regarding pay and allowances of executives to be borne by their respective DISCOMs, the decision of the Management to make a payment for the three executives of CESU/TPCODL was discriminatory towards the other three DISCOMs. It also resulted in extension of undue benefit to CESU/TPCODL and loss of ₹2.16 crore to OPTCL.

The Government in its reply stated (March 2024) that the drawing of pay and allowances of the three officers deputed from CESU to OPTCL for ODSSP, was allowed based on approval of CMD, OPTCL, as per terms and conditions of their deputation. The reply is not acceptable as it was against the decision taken in the 58th meeting of the BoD of OPTCL. Further, the salary of the officers of the other three DISCOMs deputed for ODSSP, was not similarly borne by OPTCL. Moreover, while making the payment of salaries of the executives drawn from CESU for the ODSSP, OPTCL, in its letter to all DISCOMs had clarified (January 2017) that salary of DISCOMs' executives engaged in other projects like DDUGJY¹⁰⁰, SCRIPS¹⁰¹ and IPDS¹⁰² would not be borne by the OPTCL and would have to be met by respective DISCOMs in

⁹⁷ Central Electricity Supply Utility of Odisha (CESU), North Eastern Electricity Supply Company of Odisha Limited (NESCO), Southern Electricity Supply Company of Odisha Limited (SOUTHCO) and Western Electricity Supply Company of Odisha Limited (WESCO)

⁹⁸ Three executives of Central Electricity Supply Utility of Odisha (CESU), Four executives of North Eastern Electricity Supply Company of Odisha Limited (NESCO), three executives of Southern Electricity Supply Company of Odisha Limited (SOUTHCO) and six executives of Western Electricity Supply Company of Odisha Limited (WESCO)

⁹⁹ Under the orders of OERC the utilities CESU were vested with the TPCODL with effect from 1 June 2020.

¹⁰⁰ Deen Dayal Upadhyaya Gram Jyoti Yojana

¹⁰¹ State Capital Region Improvement of Power System

¹⁰² Integrated Power Development Scheme

line with the decision taken at the 58th BoD meeting, as in case of ODSSP. Hence, the action of OPTCL was self-contradictory.

Thus, due to payment of pay and allowances to three executives of CESU/TPCODL in violation of the BoD's decision, OPTCL did not safeguard its financial interests and suffered a loss of ₹2.16 crore.

3.6 Undue benefit to a private beneficiary of shifting of EHT lines

Undue benefit to Shri Mahavir Ferro Alloys Private Limited as a result of non-realisation of revenue loss of ₹1.49 crore due to shut down of lines

Odisha Power Transmission Corporation Limited (OPTCL) owns extra high voltage transmission system comprising transmission lines and sub-stations. For diversion of these extra high tension (EHT) lines for construction of new railway lines by Indian Railways and new EHT lines of other beneficiaries, shut down permissions are to be taken from OPTCL by the beneficiaries. Due to these shutdowns, OPTCL and GRIDCO Limited¹⁰³ incur revenue losses due to non-supply of electricity during the period. The Board of Directors (BoD) of OPTCL in their 73rd meeting (23 September 2015) decided to recover such losses from beneficiaries and approved a generic formula for calculation of the amount of loss.

Shri Mahavir Ferro Alloys Private Limited (SMFAPL), Rourkela sought (August 2017) permission from OPTCL for "Diversion of 132 KV Tarkera-Rajgangpur circuit-I and II and 132 KV Kalunga-Budhipadar circuit passing through their premises". OPTCL accorded (07 June 2019) technical sanction for the same at an estimated cost of ₹5.28 crore including GST. As per the technical sanction order, the work was to be executed by the beneficiary *i.e.*, SMFAPL under supervision of EHT (Operation and Maintenance) Division, OPTCL, Rourkela, after deposit of ₹1.74 crore¹⁰⁴ towards loss of revenue, supervision charges *etc.*, (out of the total of ₹5.28 crore). The amount of loss of revenue due to shut down of EHT lines was calculated on the basis of the generic formula approved by the BoD of OPTCL.

Accordingly, SMFAPL was asked (18 June 2019) to deposit ₹1.74 crore in favour of Chief General Manager (CGM) (Finance), OPTCL, Bhubaneswar. It was also intimated that the work would be allowed to be executed after deposit of the amount. SMFAPL deposited (February 2020) only ₹0.25 crore¹⁰⁵ towards supervision fees and requested (03 November 2020) OPTCL to waive off the claim of ₹ 1.49 crore towards revenue loss. While rejecting (29 December 2020) the request for waiver of claim, OPTCL asked SMFAPL to

¹⁰³ GRIDCO Limited is presently engaged in business of bulk purchase and bulk sale of power to the four Distribution Companies inside the State

¹⁰⁴ 6 per cent supervision charges on supply and erection cost (₹21,22,405), 18 per cent GST on supervision charge (₹3,82,033), loss of revenue to GRIDCO and OPTCL due to shut down of line (₹1,48,73,424), cost of survey including GST (₹2,36,000) with adjustment of payment already received for survey (-₹2,16,000)

¹⁰⁵ Six per cent supervision charges on supply and erection cost (₹21,22,405) plus 18 per cent GST on supervision charge (₹3,82,033)

deposit ₹0.30 crore as advance towards revenue loss before executing shutdown for diversion of lines. SMFAPL was also asked to submit an undertaking to deposit the balance amount, if any, on actual revenue loss calculation after completion of the work. It was seen that SMFAPL deposited (March 2021) ₹0.30 crore towards revenue loss but no undertaking was submitted to OPTCL. After completion of work, the actual loss of revenue due to shut down during the execution of work was calculated by OPTCL as ₹1.79 crore, but the same was not claimed from SMFAPL, although completion certificate was issued (30 March 2022) to the beneficiary.

Thus, wrongful issuance of completion certificate by OPTCL and inaction towards claiming the balance amount of ₹1.49 crore (₹1.79 crore - ₹0.30 crore), resulted in extension of undue benefit to SMFAPL.

The Government stated (March 2024) that the loss of revenue of ₹1.49 crore due to shutdown was a theoretical loss and there was no actual revenue loss occurring during the shutdown period. The reply was not tenable because the loss of revenue amounting to ₹1.79 crore had been calculated by OPTCL itself on the basis of actual hours of shutdown. Further, OPTCL had stated (August 2023) that necessary action had been taken to recover the differential amount of ₹1.49 crore from SMFAPL.

3.7 Avoidable Expenditure

Avoidable expenditure towards Penal Net Present Value ₹0.69 crore

The Odisha Power Transmission Corporation Limited (OPTCL), a wholly owned Government of Odisha (GoO) undertaking, submitted (August 2016) a proposal to the Forest and Environment Department, GoO for diversion of 18.5 hectares of revenue forest land for construction of 220 KV SC Transmission Line from Grid Sub-station at Balimela to Grid Sub-station at Malkangiri. The diversion proposal was submitted in pursuance to section 2(ii) of the FC Act, 1980 which stipulates that prior approval from Ministry of Environment, Forest and Climate Change (MoEF&CC), Government of India (GoI) is required for non-forest use of forest land. The total length of the transmission line was 21.217 km, which included 5.290 km passing through forest area.

In pursuance of the order (October 2002) of the Supreme Court, Net Present Value (NPV) of the forest land diverted for non-forest purpose was to be paid by the user agency. Further, in terms of the directive issued (January 2018) by MoEF&CC, any portion of the forest land diverted for non-forest purpose without approval of Government of India, was liable for a payment of penal NPV apart from the NPV. It was seen that OPTCL commenced (January 2018) construction of the transmission line without prior approval from MoEF&CC, due to which penal NPV of ₹0.69 crore was paid by the Corporation.

In this connection audit observed that:

- While dealing with the diversion proposal of OPTCL, Divisional Forest Officer (DFO), Malkangiri, requested (September 2017) OPTCL, not to start any work in the forest area without prior approval from GoI. The DFO also stated that taking up work without approval would lead to future complications and OPTCL would be held responsible for the same.
- The diversion proposal of OPTCL was discussed by the Regional Empowered Committee (Eastern Zone), MoEF&CC in its 24th meeting (20 February 2018). As the construction work was already completed without prior approval, the Committee approved the proposal for grant of Stage-I approval¹⁰⁶ with imposition of penalty for the violation. The Committee decided that Stage-I approval would be issued after submission of details of commencement and completion of the transmission line. The Stage-I approval was granted in July 2020, due to delay in submission of above details by OPTCL between February 2018 and July 2020 (29 months).
- As per the conditions of the Stage-I approval, DFO, Malkangiri, raised (September 2020) a demand of penal NPV ₹0.69 crore. The Penal NPV was paid by OPTCL in December 2022.

Thus, violation of provisions of FC Act, 1980 by OPTCL, despite being a PSU, resulted in avoidable payment of penal NPV of ₹0.69 crore.

Government stated (November 2023) that for providing reliable and quality power supply to Left Wing Extremism affected areas and hospitals in Malkangiri district, construction of transmission lines was undertaken. Reply was not acceptable because there was delay on the part of OPTCL, as the latter took more than two years to comply with the conditions of the Regional Empowered Committee. Moreover, OPTCL had violated the statutory norms by starting the work without forest clearance.

ODISHA BRIDGE AND CONSTRUCTION CORPORATION LIMITED

3.8 Avoidable payment

Delayed payment of GST with consequential payment of interest amounting to ₹2.56 crore

The Odisha Bridge and Construction Corporation Limited (OBCC), a Government of Odisha (GoO) undertaking is engaged in providing works

¹⁰⁶ Prior approval of central government under the FC Act, 1980 is given in two stages. In Stage-I, approval the proposal is agreed to in-principle with conditions relating to transfer, mutation of non-forest land, payment of compensatory afforestation, realization of NPV *etc.*, are stipulated. After receipt of compliance report from the State Government in respect of the stipulated conditions, formal approval (Stage-II) under the FC Act is issued.

contract services to the Works Department, GoO, in consideration of applicable supervision charges (*i.e.*, eight *per cent* of actual expenditure of work). As per notifications (June 2017) of the Ministry of Finance, Government of India and Finance Department, GoO, OBCC is liable to pay GST on works contract projects executed by it. Although OBCC was paying GST on contract value through the contractor engaged by it, it had not been paying GST on supervision charges since the inception of the GST Act. As interpreted by OBCC, supervision charges are used to meet its day-to-day operations relating to the works and GST was not leviable on the supervision charges.

Audit observed that:

- As per section 50 (1) of OGST Act, 2017 in case of failure to pay GST within the prescribed period, the defaulter is liable to pay interest at the rate of 18 *per cent* for the period for which the tax remains unpaid. As OBCC did not pay GST, the CT&GST Officer, Bhubaneswar-II, initiated statutory proceedings for the period from Financial Year (FY) 2017-18 to FY 2021-22 and issued orders for payment of ₹231.05 crore¹⁰⁷ which included interest and penalty. The demand of tax was made on the total contract price received by OBCC from the Works Department, GoO, which included eight *per cent* as supervision charges on works undertaken by OBCC. As against this order, OBCC filed (April 2021) an appeal before the Appellate Authority (*i.e.*, Joint Commissioner of State Tax-Appeal). The Appellate Authority quashed (May 2022) the appeal and ordered that OBCC is liable to pay tax unless exempted by a separate notification.
- The above liability of ₹231.05 crore upto 2021-22 was deliberated upon in a high level meeting held (July 2022) in the presence of Chief Secretary, GoO, and Commissioner of CT&GST. In that meeting it was decided that henceforth OBCC had to pay GST just like other corporations on overhead charges/corporation charges to GST authorities. Referring to the said meeting, Works Department intimated that the Finance Department, GoO had clarified (July 2022) that OBCC, as a State PSU, is liable to pay GST as per the provisions of the OGST Act, 2017.
- Accordingly, OBCC computed GST of ₹5.46 crore on supervision charges and interest ₹2.56 crore for the FY 2017-18 to FY 2020-21 and the same was paid in July 2022. From FY 2022-23 onwards, OBCC has been filing GST returns and paying GST as per the provisions of GST Act.
- However, Audit observed that while computing the GST, OBCC did not consider the GST liability for FY 2021-22 for no reasons on record. Audit calculated the liability towards GST at ₹3.59 crore for

¹⁰⁷ Demand of ₹231.05 crore included GST of ₹131.42 crore, interest of ₹25.41 crore and penalty of ₹74.21 crore

the FY 2021-22 and interest thereon as ₹0.86 crore¹⁰⁸. Further delay in payment of the outstanding GST for the FY 2021-22 would likely increase the liability towards interest.

Thus, non-compliance of the statutory requirement of timely remittance of GST on supervision charges received by OBCC on the works executed, resulted in avoidable payment of ₹2.56 crore on account of interest for belated remittance of GST.

The Government stated (December 2023) consequent upon the decision (July 2022) of GoO, OBCC had been paying GST on supervision charges regularly from 2022-23. However, GST on supervision charges from 2017-18 to 2020-21 was paid under protest and GST on supervision charges and interest for the period 2021-22 was not payable as the same was under dispute.

The reply was not acceptable because OBCC did not comply with the provisions of GST Act and unnecessarily delayed the remittance of the GST. There was no mention in the records of OBCC regarding payment under protest. Secondly, disputing a statutory obligation for a particular year even after clarification from the GoO was imprudent.

ODISHA COAL AND POWER LIMITED

3.9 *Undue favour*

Undue favour of ₹2.39 crore to the Mine Operator by violating the Mines Service Agreement

The Odisha Coal and Power Limited (OCPL) is a Government of Odisha undertaking engaged in coal mining and supply of coal. The Manoharpur coal block was allotted (August 2015) to OCPL for supply of coal exclusively to the Odisha Power Generation Corporation Limited. For development and operation of the Manoharpur coal mine, Request for Proposal (RFP) was invited from potential Mine Operators (MO) in September 2017. The RFP stipulated¹⁰⁹ that the MO would be responsible for taking all needful action for shifting the villagers of Sanghumuda village and for taking physical possession of land for mining activities. Further, during the pre-bid process, OCPL further clarified that the MO would bear the cost of shifting of all the villagers of Sanghumuda, as stated in the RFP. Accordingly, the letter of award was issued (July 2018) to M/s BGR Mining and Infra Limited (BGR), stipulating the same terms in the scope of work for which the contract price was agreed to.

¹⁰⁸ Interest at 18 *per cent* on the GST from April 2022 to July 2023 (upto the date of audit)

¹⁰⁹ Clause (f) of Annexure-A of the RFP, regarding the mining services to be undertaken by the MO

Thereafter, OCPL executed (August 2018) the Mining Service Agreement¹¹⁰ with M/s BGR as MO. As per clause B(2)(b) of Schedule 2 of the Mining Service Agreement, the MO was responsible for shifting of all 174 villagers of the Sanghumuda village, to the Rehabilitation and Resettlement (R&R) colony constructed by the OCPL and taking physical possession of homestead land for mining activities. Further, the MO was also responsible for: (i) coordination and liaison with the project affected persons and Government authorities, (ii) relocating the villagers and (iii) taking possession of the land. Accordingly, the responsibility for shifting of the villagers of Sanghumuda, by the MO, was incorporated in the conditions of tender documents, Letter of Award and in the Mining Service Agreement.

Audit however noted that instead of executing the shifting work, in accordance with the terms of Agreement, the MO intimated (June 2019) that they had been able to undertake only the works relating to demolition of existing structures, levelling of ground, liaising with the administration, local police, electrical department *etc.* Thereupon, OCPL decided (June 2019) to execute the shifting work of the Sanghumuda villagers to the R&R colony, by engaging another agency, instead of executing the same through the MO. Accordingly, OCPL appointed (August 2019) M/s Zodiac Infrastructure Private Limited for the above work and incurred a total expenditure of ₹2.39 crore for shifting of Sanghumuda villagers.

Thus, instead of enforcing the terms of the agreement against the Mines Operator, OCPL executed the work on its own by engaging another agency, leading to avoidable expenditure of ₹2.39 crore and undue benefit of ₹2.39 crore to the MO.

The Government stated (April 2024) that MO's responsibility was facilitation and liaison, for the shifting of displaced families of Sanghumuda village, as was clarified by OCPL, in response to the pre-bid query¹¹¹. The reply of the Government was not in consonance with the facts, because during the pre-bid discussion OCPL had clarified to the bidders that the financial implications of shifting of the Sanghumuda villagers would be as per the conditions¹¹² of the

¹¹⁰ Mining Service Agreement is the contract agreement signed with M/s BGR Mining and Infra Limited for development, operation and maintenance of Manoharpur coal mine project of OCPL

¹¹¹ Query No. 146: For shifting of all 174 villagers of the Sanghumuda village, who would bear the cost for shifting? Kindly clarify.

¹¹² Response to Query No. 146: RFP condition (MO will be responsible for taking all needful action for shifting of all Sanghumuda villagers) will prevail.

RFP. Since, the scope of work for which the contract price was fixed, included the responsibility of the MO for shifting of the persons residing in Sanghumuda village, OCPL extended undue benefit of ₹2.39 crore to the MO, by executing the work at its own cost.

Bhubaneswar
The 21 JAN 2026



(ATUL PRAKASH)
Accountant General (Audit-II), Odisha

Countersigned



New Delhi
The 27 JAN 2026

(K. SANJAY MURTHY)
Comptroller and Auditor General of India