

**CHAPTER-III
PERFORMANCE REVIEWS**

**FOOD SUPPLY AND CONSUMER WELFARE
DEPARTMENT/HEALTH AND FAMILY WELFARE
DEPARTMENT**

3.1 Implementation of Acts and Rules relating to the consumer protection

Highlights

A review of the implementation of the various Acts and Rules relating to consumer protection viz. the Consumer Protection (CP) Act 1986, the Prevention of Food Adulteration (PFA) Act, 1954 and the Standards of Weights and Measures (Enforcement) (SWM) Act 1985 during the period 2000-04 in Orissa revealed serious deficiencies in administration of the Acts, the awareness and promotional efforts of the State Government in educating the consumers about these Acts and also in timely dispensation of justice to the consumers. The State Government had largely failed to ensure simple, speedy and inexpensive redressal to the consumers as envisaged in the CP Act. Besides, the enforcement of two Acts viz. Prevention of Food Adulteration Act 1954 (PFA) and Standards of Weights and Measures (Enforcement) Act, 1985 (SWM), which protects consumers against adulterated foods and exploitation through incorrect weighment and measurement was grossly inadequate due to shortage of Inspectors and deficient monitoring at the Government level. There was no dedicated monitoring mechanism at the State level to review and evaluate the extent of successful implementation of these Acts in the State. The execution of the orders of the Consumer Courts was also very tardy.

- ◆ **There was delay of 14 months in establishment of the Consumer Disputes Redressal Commission (State Commission) and 17 to 32 months in case of the Consumer Disputes Redressal Forums (District Forums) in the State due to Government inaction.**

(Paragraph 3.1.7)

- ◆ **There were delays (three to six years) in completion of construction of buildings for the State Commission and nine District Forums. Despite availability of Central assistance, 22 District Forums still did not have their own buildings; they operated in rented accommodation.**

(Paragraph 3.1.10)

- ◆ **The Government did not initiate timely action for filling up vacancies arising out of retirement / resignation etc. in the posts of President and Members of the District Forums and State Commission leading to accumulation of large pendency of dispute cases and delay in delivering judgement. The pendency as of December 2004 was a**

* The abbreviations used in the review have been listed in the glossary in Appendix-XXXVI at page 225.

staggering 12215 cases. The survey conducted by ORG-MARG put the average time of disposal of a case at 255 days.

(Paragraph 3.1.17)

◆ In the test checked District Forums only 26 *per cent* of the consumer dispute cases averaging less than one case per day were disposed off within the prescribed 90/150 days during 2000-04. The performance of the State Commission in disposal of cases was far worse at three *per cent*, which was less than three cases per day during the period though the Government of India had prescribed minimum disposal of 10 cases per day.

(Paragraph 3.1.17)

◆ The percentage of the pendency of cases ranged from 51 to 72 in the District Forums and 85 to 92 in the State Commission during 2000-04. Even the execution of the orders of the consumer courts was extremely tardy. On an average, it took 3.2 months for a consumer to get compensation after the decree as revealed in survey conducted by ORG-MARG.

(Paragraph 3.1.17 and 3.1.20)

◆ Government had not taken any serious initiatives to create awareness about the consumer rights and the dispute redressal system. The survey revealed that 82 *per cent* of the population were unaware of the Consumer Protection Act and only 10 *per cent* were aware of consumer redressal agencies. Only 23 *per cent* of the rural population had heard about the Act.

(Paragraph 3.1.23)

◆ Adequate monitoring mechanism was not in place either at the State Commission or in the Civil Supplies Department to ensure speedy disposal of grievances. No evaluation was also conducted to assess the efficiency of the adjudication mechanism in the State.

(Paragraph 3.1.24)

3.1.1 Introduction

Various Acts have been enacted by the Parliament for providing protection to consumers against unfair trade practices, adulterated food items, sub-standard and spurious drugs, other products and articles and also against poor quality of service. The Consumer Protection (CP) Act 1986 (enforced from 1 July 1987) was aimed at providing simple, speedy and inexpensive redressal for consumers in respect of both goods purchased as well as paid services availed. It envisaged payment of compensation by traders and manufacturers and service providers etc. The Prevention of Food Adulteration (PFA) Act and the Standard, of Weights and Measures (Enforcement) (SWM) Act were enacted with a view to ensuring availability of unadulterated food and articles other than drugs to consumers and protecting them against unfair trade practices of manufacturers and against exploitation through incorrect weighment and measurement. The SWM and PFA Acts did not provide for awarding monetary compensation to consumers, they contained mostly preventive and punitive measures against defaulters. All the three Acts were Central Acts.

3.1.2 Implementation Arrangement

The CP Act stipulated establishment of separate three-tier quasi-judicial consumer dispute redressal machinery (otherwise called Consumer Courts) at the National, State and District levels. Under the Act, the State Government was responsible for creating suitable adjudication mechanism and administrative framework for efficient and effective implementation and enforcement of the provisions of the Act. The State Government also shared responsibility with the Central Government for creating adequate awareness about the provisions of the Act amongst the consumers in the State and also, ensuring adequate monitoring of the implementation of the Act. At the Government level, the Food Supplies and Consumer Welfare (FSCW) Department headed by the Commissioner-cum-Secretary administered, enforced and monitored the CP Act. He was assisted by a Director, Consumer Affairs (DCA) for the day-to-day administration, enforcement and the monitoring of the Act. Besides, the State Commission at State level and Presidents in the Districts level were responsible for implementation of the provisions of the Act.

Similarly, for the SWM Act, the Commissioner-cum-Secretary, FSCW Department was in overall charge of the Department. He was assisted by the Controller, Legal Metrology (CLM) at the State level and his deputies at the district level.

In respect of the PFA Act, the Principal Secretary, Health and Family Welfare (HFW) Department was in overall charge of the Department at the Government level, assisted by a Director, Health Services (DHS) as Head of Department and his subordinates.

3.1.3 Audit objectives

The objectives of audit examination were to assess and verify how far:

- The Government had created suitable and adequate adjudication mechanism for the three Acts;
- The Acts and Rules were adequate to provide simple, speedy and inexpensive redressal to consumer grievances (as envisaged under the CP Act);
- The administrative frame-work was adequate for efficient and effective functioning of the redressal mechanism;
- The awareness and empowerment of consumers was adequate to take advantage of the provisions of the Acts;
- The monitoring mechanism was in place;
- The impact of the adjudication mechanism was evaluated for improvement in the system;
- The enforcement mechanism was adequate for implementation of the provisions of the SWM and PFA Acts; and

- The execution (of orders and decrees) mechanism was efficient and effective in securing the rights of the consumers.

The broad performance indicators for evaluating efficient and effective implementation and enforcement of these Acts were discussed in the entry conferences with the Commissioner-cum-Secretary, FSCW Department and Principal Secretary, HFW Department in May 2005 and April 2005 respectively. All the relevant issues along with these indicators were also discussed in a context-specific special Focus Group of renowned NGOs working in this field, departmental officials and other experts on 30 May 2005 for arriving at a broad consensus on the issues involved and the standards of performance against which audit would measure performance. The performance indicators were finally agreed with the concerned departments.

3.1.4 Scope of Audit

The audit was conducted during February to July 2005 by test check of records of the administrative Departments (FSCW Department and HFW Department) and their sub-ordinate offices¹, State Commission and District Forums of seven (Boudh, Jajpur, Kandhamal, Khurda, Mayurbhanj, Puri and Sonepur) selected districts of the State. Records for the calendar years 2000-04 were scrutinised during audit.

The Comptroller and Auditor General of India also engaged ORG Centre for Social Research (a division of AC Nielsen, ORG-MARG Private Limited) to conduct a primary survey for the CP Act to capture the actual perception of the consumers about the usefulness of the Act and problems faced by them. The State Government was also informed (June 2005) of the same. The ORG-MARG conducted survey in seven² districts of the State during the second week of July to the fourth week of August 2005 covering a total of 2003 consumers spread across urban and rural areas. Besides, 450 complainants, 10 manufactures/service providers, two NGOs and one laboratory were interviewed. The summary of the findings of the survey is given at the end of this performance audit as Annexure -I.

3.1.5 Audit Methodology

The audit methodology adopted was examination of reports and returns³ of the administrative Departments (FSCW Department and HFW Department) and their subordinate offices⁴, the State Commission and the selected District

¹ (1) **FSCW Department:** (i) Director, Consumer Affairs, (ii) State Commission and (iii) President in the Districts. (2) **Legal Metrology:** (i) Controller, Legal Metrology, Bhubaneswar (ii) Assistant Controller, Weights and Measures and (iii) Inspectors of the Districts. (3) **Health and Family Welfare Department:** (i) Director of Health Services (DHS) (ii) Deputy Director-cum-Public Analyst, (iii) Chief District Medical Officers (CDMOs) and (iv) Food Inspectors in the Districts.

² Bargarh, Kalahandi, Khurda, Mayurbhanja, Nayagarh, Puri and Sonepur.

³ Quarterly Progress Report, Monthly Reports and Annual Reports, CD institution register, execution cases register, stock and store register, building register, file on awareness programme, food licence register, prosecution register, register of users.

⁴ (1) **FSCW Department:** (i) Director, Consumer Affairs (ii) State Commission and (iii) President in the Districts. (2) **Legal Metrology:** (i) Controller, Legal Metrology, Bhubaneswar, (ii) Assistant Controller, Weights and Measures and (iii) Inspectors of the Districts. (3) **Health and Family Welfare Department:** (i) Director of Health Services (DHS), (ii) Deputy Director-cum-Public Analyst, (iii) Chief District Medical Officers (CDMOs) and (iv) Food Inspectors in the Districts.

Forums as also relevant files in the offices of Controller, Legal Metrology and Inspectors (for SWM Act) and DHS, Chief District Medical Officers (CDMOs), Public Analyst and Food Inspectors (FIs) for PFA Act.

The Districts / District Forums selected for detailed audit scrutiny in respect of all the three Acts were selected through a two-stage statistical sampling process involving simple random sampling without replacement (for ORG-MARG selected districts) and probability proportional to size with replacement (for non-ORG-MARG selected districts). Also case files of 25 *per cent* of consumer dispute cases filed and case files of 10 *per cent* of the appeal cases disposed off in the State Commission were test checked.

The thrust areas covered during audit ranged from creation of suitable and adequate adjudication mechanism as prescribed in the Acts to evaluating the adequacy and efficiency of the administrative framework, the efficacy and effectiveness of the monitoring mechanism and consumer awareness and empowerment issues.

3.1.6 Budget and Expenditure

The State Government provided fund to the State Commission and District Forum, for implementation of the Act based on budget estimates of the department.

The Budget vis-à-vis expenditure during 1999-2004 was as follows.

(Rupees in lakh)

Year	Final Grants	Expenditure	Saving (-)/Excess (+)
1999-2000	129.66	143.08	(+)13.42
2000-2001	136.49	139.61	(+) 3.12
2001-2002	150.66	149.45	(-) 1.21
2002-2003	235.53	233.75	(-) 1.78
2003-2004	200.01	204.23	(+) 4.22
Total	852.35	870.12	(+) 17.77

Scrutiny of year-wise actual expenditure vis-à-vis allotment revealed that there was saving for two years and excess expenditure for three. The excess expenditure ranged from two *per cent* (Rs.4.22 lakh) to 10 *per cent* (Rs.13.42 lakh) over that allotted for the years. The department could not exercise effective control over expenditure for these years.

3.1.7 Delays in creation of suitable adjudication mechanism

Under the CP Act, the State Government was to establish separate two-tier quasi-judicial consumer dispute redressal machinery (otherwise called Consumer Courts) at the State and District levels. However there were inexplicable delays on this account.

Delay in establishment of Consumer Courts

The State Government set up the State Consumer Disputes Redressal Commission (known as State Commission) at Cuttack on 26 September 1988; but it started functioning from 24 January 1989. The District Forums in 12 districts (except Puri) were established at the district headquarters during 1988-90 and with the formation of 17 more new districts, further 19 such Forums were established during 1993-95. Thus, while there was 14 month's delay in formation of the State Commission, the delay in case of the 12 Districts' Forums ranged between 17 and 32 months from the date the Act came into force due to failure on the part of the State Government to take timely action.

Non-setting up of Circuit Benches of the State Commission

According to Section 17 (B) of the Act, Circuit Benches of the State Commission could be set up by the State Government in different geographic locations of the State so as to make fresh complaint (of the appropriate monetary value as per limit prescribed in the Act) and appeal (against orders of lower Consumer Courts) procedures/mechanism more accessible, speedy and inexpensive for the consumer. But the State Government failed to constitute these benches as of June 2005. The DCA also stated (September 2005) that no decision had been taken by the Government for setting up of circuit benches of the State Commission.

Formulation of Rules

The CP Act came into force from 1 July 1987. The State Government framed the Orissa Consumer Protection Rules in 1987 and adopted the same from March 1988. Though there was a delay in adoption of the Rules by nine months, the Rules secured uniformity in the procedures of functioning the State Commission and the District Forums.

3.1.8 Deficient and Inadequate administrative framework

Though there existed an adjudication mechanism to enforce and implement the Acts, there were serious deficiencies and inadequacies in the administrative framework including physical and logistic support and staffing of the post of adjudicators in the consumer courts to make the adjudication mechanism truly functional so that the desired level of service could be delivered to the consumers in distress.

Consumer Protection Act 1986

3.1.9 Accessibility of the consumer courts

Though the State Commission and the selected District Forums were conveniently located from the bus stand and Railway stations and therefore, easily accessible, the results of survey revealed that around 20 per cent who

were aware of any redressal agency did not, however, know of the location of the District Forum in their respective districts. This was due to deficient publicity efforts by the Government as well as the Courts/Forums.

3.1.10 Delay in construction of buildings for State Commission/District Forum

Despite receipt of one time central assistance of Rs.1.80 crore in 1995-97 towards infrastructure development (State Commission: Rs.50 lakh and Rs.10 lakh for District Forum in each of the 13 undivided districts), buildings for the State Commission and only nine (out of 13 undivided) District Forums (Cuttack, Bolangir, Ganjam, Koraput, Kandhamal, Kalahandi, Sambalpur, Keonjhar and Khurda) had been completed between March 2000 and September 2003. The delay ranging from three to six years was mainly due to delay in selection of executants and the site, delay in handing over sites to the executants, slow execution of works and delayed release of funds. There was no money left for construction of buildings for the rest of the four (13-9) District Forums. The State Government then sanctioned (2003-04) Rs.50 lakh for construction of buildings for five District Forums at Angul, Mayurbhanj, Puri, Balasore and Denkanal; the constructions were still incomplete as of June 2005. These Forums were operating from hired accommodations since their constitution.

Five⁵ out of the seven District Forums test checked were functioning in hired buildings as of July 2005. The FSCW department did not furnish the status of the construction of the buildings in respect of the remaining 17 District Forums till July 2005.

3.1.11 Non-availability of basic amenities to consumers in the Consumer Courts

Basic amenities like waiting lounge with furniture (for seating), drinking water, electricity etc. were not available in all the test checked District Forums except Sonapur. The approved building plans of the above District Forums also revealed that there was no provision of earmarked waiting room for consumers in these places. This acted as a deterrent to the aggrieved consumers for going to these consumer courts.

3.1.12 Office Infrastructure

All the District Forums were to be equipped with proper supporting official infrastructure such as library facility, computer hardware / software, xerox, fax machine, space for record room etc. Test check of records of the selected District Forums revealed that there was no provision for any of the above facilities in these District Forums (except xerox machine in three⁶ districts and record room in two⁷ districts). The xerox machine at the District Forums at Kandhamal was in-operational since January 1998 due to defects.

⁵ Mayurbhanj, Jajpur, Puri, Sonapur and Boudh.

⁶ Kandhamal, Mayurbhanj and Khurda.

⁷ Kandhamal and Khurda.

3.1.13 Support staff cadre

Scrutiny of records of the FSCW department revealed that the Consumer Courts were by and large functioning with adequate supporting staff as per their staffing pattern barring a few vacancies. But whether the sanctioned staffing pattern, itself was sufficient or not was a matter requiring urgent re-assessment by the FSCW Department as the District Forums test checked as well as the State Commission attributed (July 2005) the reasons for large pendency of consumer dispute cases for shortage of staff as discussed at paragraph below.

3.1.14 Non-uniform staffing pattern

The FSCW Department prescribed two sets of staffing pattern for the District Forums of the State. While four posts (one post each of Junior Clerk, Steno, Peon and Watchman) had been sanctioned for 14 District Forums⁸, seven posts (Senior Bench Clerk-2, Junior Clerk-1, Steno-1, Peon-2, Watchman-1) had been sanctioned for the remaining 17 District Forums. This dichotomy was sought to be explained (June 2005) away by the Department by citing different work load in different District Forums. But this assessment was found to be incorrect since districts like Kalahandi and Kandhamal though having very low receipt of complaints (around 50 per year) had been sanctioned seven posts, whereas districts like Kendrapara, Bhadrak and Bargarh were sanctioned four posts though having around 150 consumer complaint cases, on an average (during 2000-04) every year.

3.1.15 Delay in filling up of the posts of President / Members of the District Forums

According to Section 14(2) read with Section 18 of the Act, every consumer dispute proceeding was to be conducted by the President of the District Forum/State Commission and at least one member sitting together. Each Forum/State Commission was to have three adjudicators including the President. Thus, adjudication proceedings could be carried out in a District Forum only when two out of the above three adjudicators including the President (any two, not necessarily including the President, from March 2003) were present.

It was noticed that the posts of at least two adjudicators remained vacant at a time in 24 out of 31 District Forums for periods ranging from 43 to 979 days during 2000-05 due to non-filling up of vacancies arising out of retirement and/or resignation etc. This contributed to 5784 consumer dispute cases remaining pending in these Courts as of December 2004. In Kalahandi District Forum, the situation was far more alarming since posts of two members were vacant from February 2002 to March 2005 (979 days) and all the three posts remained vacant from 8 August, 2002 to 13 August, 2004 (707 days). This could have been avoided had the Government maintained panels for filling up of the posts of Presidents and members, as the case may be, and operated the

⁸ Angul, Bargarh, Bhadrak, Boudh, Deogarh, Gajapati, Jajpur, Jagatsinghpur, Jharsuguda, Malkangiri, Nuapada, Nabarangpur, Nayagarh and Sonepur

same as soon as vacancies arose due to retirement/resignation etc. The DCA stated (June 2005) that alternate arrangement was made from time to time for smooth functioning of the District Forums. The reply was not tenable since deployment of the adjudicators of other District Forums on short term basis in these Courts, as was done by the Department, had only affected the court activities of those Courts themselves.

Similarly, the posts of President, Member (male), Member (woman) remained vacant for 218 days, 81 days and 24 days respectively during 2004-05 in the State Commission. It could not discharge its adjudication activities in two spells for 78 days during 2004-05 due to two out of three posts of adjudicators lying vacant. This resulted in accumulation of pending dispute/appeal cases in the State Commission. The DCA attributed (June 2005) the delay in selection of President/Members of the district forums to non-availability of the Chairman of the Selection Committee. The reply was not acceptable since the President, State Commission, who happened to be Chairman of the Selection Committee, was available for the entire period during 2000-04 except from 22 April 2004 to 30 November 2004. Thus, the State Government was not serious in making the adjudication mechanism functional.

3.1.16 Inadequate fund allotment for day to day operation

Test check of records of the selected District Forums and State Commission revealed that there was short provision of funds in the budget under office contingencies/ service postage stamps, stationery, telephone charges, electricity charges etc. compared to the requirement projected by them. Constraint of funds to purchase service postage stamps compelled the Courts to pass on the burden of issue of notice etc. to the complainants which was improper and made the cost of litigation more expensive for the complainant while the Act aimed at providing an inexpensive grievance redressal mechanism. Survey also indicated that on an average 8.4 days were spent for registering a case and another 24.5 days for serving the notice. After this, the first hearing was held after 11.6 days only.

Deficient redressal mechanism

3.1.17 Functioning of Consumer Courts

The Act provides for speedy and inexpensive redressal to consumer disputes within the time frame prescribed. Rule 4(9) of Orissa Consumer Protection Rules 1987 (effective from 24 March 1988) stipulated that endeavour was to be made to decide the complaint within a period of three months (90) days from the date of receipt of notice by opposite party, where the complaint does not require analysis or testing of commodities and five months (150 days) if it required analysis or testing of the commodities.

The position of consumer dispute cases filed and disposed of during the year 2000 to 2004 in respect of the State Commission and District Forums was as below:

(In number)

Calendar year	State Commission					District forums				
	Cases pending prior to the year (opening balance)	Cases filed during the year	Total	Disposal during the year (percentage)	Cases pending to the end of the year (closing balance)	Cases pertaining prior to the year (Opening balance)	Cases filed during the year	Total	Disposal during the year (Percentage)	Cases pending to the end of the year (closing balance)
2000	3788	776	4564	457(10)	4107	2588	5473	8061	3953(49)	4108
2001	4107	942	5049	533(11)	4516	4108	4446	8554	4586(53)	3968
2002	4516	1122	5638	856(15)	4782	3968	4139	8107	4718(58)	3389
2003	4782	1772	6554	742(11)	5812	3389	5108	8497	4805 (57)	3692
2004	5812	1157	6969	538(8)	6431	3692	4317	8009	2225(28)	5784
Total	3788	5769		3126	6431		23483		20287	5784

It can be seen from the table above that during the period 2000-04, disposal of cases by the State Commission ranged between eight *per cent* (2004) and 15 *per cent* (2002) with less than three cases per day during the period taking into account 240 working days in a year. The percentage of disposal in the District Forums ranged between 28 (2004) and 58 (2002). It was also noticed that the percentage of disposal of complaint cases (of the cases filed) during the period by the district forums within the prescribed 90/150 days ranged from four to 40 during 2000-04 while the performance of the State Commission during the same period ranged from one to five *per cent* only with less than three cases per day. The disposal was far below the prescribed (by the GOI in March 1996) 10 consumer cases per day. Thus due to low disposal of cases, the number of pending cases in the State Commission increased from 4107 in 2000 to 6431 in 2004 while the increase in the District Forums was from 4108 in 2000 to 5784 in 2004.

The year wise break up of pending cases in the State Commission was as detailed below:

Type of cases	Less than six months old	Six months to one year old	Two years old	Three years old	Five years old	Seven years old	Ten years old	More than 10 years old	Total
CD cases	48	51	236	126	166	98	46	7	778
Appeal cases	498	504	1012	742	1201	1121	551	24	5653
Total	546	555	1248	868	1367	1219	597	31	6431

Thus, about 50 *per cent* of the cases were five or more years old and about 10 *per cent* were pending for ten or more years. The survey also indicated that the pendency of cases ranged from six to 67 months (more than five and half years).

The Secretary, State Commission attributed (July 2005) the reasons for delay in timely disposal of the cases were due to the number of adjournments allowed to filing of large number of cases each day, lack of infrastructure like non-filling up of vacancies, non-posting of quality staff and non-constitution of additional Benches by the Government though the National Commission had suggested for setting up of four Benches.

However, in the test checked districts the disposal of cases ranged between 24 *per cent* (2004) and 47 *per cent* (2000) as may be seen from the table below.

Calendar year	Cases pertaining prior to the year (Opening balance)	Cases filed during the year	Total	Disposal during the year (Percentage)	Cases pertaining to the end of the year
2000	754	996	1750	831(47)	919
2001	919	875	1794	686 (38)	1108
2002	1108	921	2029	912(45)	1117
2003	1117	1319	2436	951(39)	1485
2004	1485	1158	2643	641(24)	2002

It was also noticed that the percentage of disposal of complaint cases (of the cases filed) during 2000-04 within the prescribed 90/150 days in the test checked district forums ranged from 20 to 34 *per cent* at an average of less than one case per day.

The survey revealed that about 77 *per cent* of complainants resided in urban areas and 98 *per cent* were the educated lot and earned a monthly household income of Rs.11248. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.

3.1.18 Non-disposal of cases within the prescribed time limit

Audit analysis of 25 percentage of cases selected at random

As stated earlier the Section 13 (3A) of the CP Act 1986 as amended in 2002 (effective from 15 March 2003) read with Rule 4(9) of Orissa Consumer Protection Rules 1987 (effective from 24 March 1988) stipulated that endeavour was to be made to decide the complaint within a period of three months (90 days) from the date of receipt of notice by opposite party where the complaint does not require analysis or testing of commodities and within five months (150 days) if it required analysis or testing of the commodities. It was further provided that no adjournment (maximum of one adjournment as per rule) should be ordinarily granted by the District Forum. In the event of non-disposal of complaint within the time so specified, the District Forum was to record in writing the reasons for delay at the time of final disposal. Similar provision existed (Section 19 -A and Rule 8 *ibid*) for disposal of appeal cases within 90 days by the State Commission.

In order to probe the reasons for delay in disposal and large pendency of complaint cases, 1230 complaint cases from the selected district forums and 199 cases of the State Commission were selected at random for detailed scrutiny.

It was seen that out of 1230 cases, 695 cases (49 *per cent*) (District Forums: 650⁹ and State Commission: 45) were decided beyond the stipulated time period of 90/150 days. Further, out of 920 cases decided by the District Forums, 597 cases (65 *per cent*) were dismissed (withdrawn / dropped) during 2000-2004 beyond the prescribed time limit of 90/150 days. There were 310 cases pending for disposal.

⁹ (i) Up to six months: 300 cases, (ii) Up to one year: 198 cases, (iii) Up to three years: 144 cases and (iv) Up to five years: eight cases.

Similarly, in the State Commission, out of 199 cases, only 58 cases were disposed off. Of these, the delivery of judgement was delayed in 45 cases beyond the stipulated time. Scrutiny revealed that neither the District Forums nor the State Commission had recorded the reasons for delay in disposal of cases beyond the specified time in the case file, though the same was required under Section 13 (3-A) of the Act.

Test check of case records further revealed that the cases were adjourned one to 57 times due to non-appearance of complainants/opposite parties on the summon dates, non-submission of versions of the case by the defendants within the time allowed, time petition filed by the complainants /opposite parties etc. as against one adjournment allowable under Rule 4(a) of the Orissa Consumer Rules, 1987 and no adjournment permitted under Section 13 (3A) of the Act. Similarly, test check of 106 appeal case records in the State Commission revealed that only 16 of these (15 *per cent*) were disposed off in time; the remaining 90 disposed off beyond the stipulated period. The delay ranging up to four years from the due date of disposal, was once again mainly due to several adjournments (two to 23 times) being granted. The results of survey also indicated that on an average, three hearings were required to resolve a case.

President, Kandhamal District Forum contended (June 2005) that in order to ensure proper dispensation of justice, a number of adjournments were allowed under unavoidable circumstances. Presidents of Jajpur, Sonepur and Boudh District Forums pointed out (June 2005) that the adjournments were made due to filing of number of time petitions by both the parties, and due to giving opportunity to the parties to file their counters for ends of justice and amicable settlement of disputes.

Secretary, State Commission was of the view (July 2005) that due to non increase of staff, non constitution of additional bench, non availability of infrastructure and shortage of staff, the appeals could not be disposed off in time and pendency considerably increased. However, scrutiny revealed that there was no overall vacancy in the support staff cadre other than the adjudicators during the last five years (2000-04) in the State Commission. Instead, had it been possible for the State Commission to dispose off 10 Consumer Dispute Cases per day ($240 \times 10 = 2400$ cases per year) as per the prescription (March 1996) of Government of India, there would not have any pendency since the average annual receipt of cases (complaints, appeals, miscellaneous) was around 1200 from the inception to date (June 2005) with exception of the year 2003 in which 1772 cases were received in the State Commission.

3.1.19 Deficiencies in the Court order issued

Under Section 14 (2) and 14 (2A) of the Act, every order made by the District Forum was to be signed by its President and member or members who conducted the proceeding. However, the Presidents of District Forums,

Mayurbhanj and Jajpur decided 17¹⁰ Consumer Dispute cases passing the order only under their seal and signature without obtaining the signature of the other attending Member(s).

3.1.20 Execution of Orders decreed by the Consumer Courts

Delay in enforcement

Under Section 25 of the Act, the District Forum or the State Commission, as the case may be, could order attachment of the property of the person not complying with any interim order made under the Act and award such damages as it thinks fit to the complainant out of sale proceeds of such attached property.

Test check of records of seven selected districts revealed that at the beginning of 2000-01, there were 298 cases pending for execution. Further, during 2000-2005 verdicts/decrees were awarded in favour of 1606 complainants out of which 592 decree-holders filed petition in the same District Forum for execution of its orders, thus aggregating 890 cases in all requiring execution during this period. Of the above, 158 execution cases had been disposed off leaving 732 petitions still pending for execution as of June 2005.

Similarly, in the case of State Commission, the Court awarded decrees in favour of 78 complainants during 2000-2004 out of which 40 decree-holders filed petition in the same court for execution as the opposite parties did not comply with orders of the Court. Only 14 out of these 40 cases had been disposed off leaving 26 cases still pending for execution as of June 2005.

Year wise analysis of pendency of execution cases is as follows.

Name of the courts	Less than one year old	More than one year old	More than two years old	More than three years old	More than four years old	More than five years old	Total
District Forums	63	86	96	91	98	298	732
State Commission	Nil	4	5	9	8	Nil	26

Of the 732 cases pending with the District Forums, 420 cases were pending in the State Commission due to grant of stay as of May 2005; 312 cases were pending with the District Forums themselves. Pendency of large number of cases in the District Forums was due to inaction of police, grant of time to opposite party, non-discharge of postal expenses by the complainants etc. The Consumer Courts had no inherent powers to carry out the attachment of property under themselves as they did not have dedicated power or other executing force/authorities with them.

As can be seen from the above, as large as 41 *per cent* of execution cases were still pending for more than five years in the District Forums for execution of their orders/decrees meaning thereby that the complainants were still to get

¹⁰ Mayurbhanj C.D. Cases No.:-1/2001, 58/01, 113/01, 74/01, Jajpur District Forum CD Cases No. 47/2000, 14/2000, 144/2000, 155/2000, 81/2000, 104/2000, 126/2000, 171/2000, 199/2000, 196/2000, 186/2000, 92/2000, 21/2002.

any compensation. Thus, the ends of justice had been completely subverted and the ultimate objective of enacting the Act to bring simple and speedy justice to the consumers was completely frustrated. The results of the survey also revealed that on an average, the compensation was done for 15 months. Even those who received compensation, the same was received within an average period of 3.2 months.

Irregular retention of award money of Rs. 42.05 lakh payable to the decree-holders

Scrutiny of records of the State Commission revealed that in 92 cases (consumer dispute: 12 and appeal: 80), the judgement debtors complied with the interim stay orders of the State Commission by remitting Rs.42.05 lakh (as awarded in the lower Courts in favour of the complainants) to the State Commission in shape of bank drafts, cheques, pay orders, fixed deposit receipts etc. for payment to the decree-holders. Above payments related to the complaints / appeals filed during 1992 to 2001 and the instruments related to the period from 1994-2004. It was seen that although 60 out of the 92 cases had since been disposed off by the State Commission, payment / refund to the appellants / respondents were not effected. Test check of 19 such disposed cases revealed that although these were disposed off by the Commission between January 1994 and July 2005, the amount of Rs.9.94 lakh deposited by the appellants were still lying with the Commission as of July 2005. They had not been sent to the respective District Forums where the related execution cases were pending directly or to the decree-holders due to shortage of staff as stated (July 2005) by State Commission. As a result, execution cases filed before the lower courts, the District Forums, also remained pending in so far as the complainant was concerned.

The survey also came across 33 cases out of 130 cases where even though the decree was passed, compensation was yet to be received for periods ranging from one to 60 months.

**Other Acts relating to protection of consumers interest-
The Prevention of Food Adulteration (PFA) Act 1954 and the
Standards of Weights and Measures (Enforcement) (SWM) Act
1985**

The enforcement mechanism in other concerned departments for implementation of the other allied Acts (PFA and SWM Acts) was also deficient to safeguard the interest of consumers as discussed below:

3.1.21 Prevention of Food Adulteration (PFA) 1954 Act

Non/short collection of samples for analysis

Rule 9 (a) of the PFA Rules 1955 envisaged that the Food Inspector (FI) was to inspect as frequently as may be prescribed by the Food (Health) Authority (DHS) or local authority (CDMOs), all establishments licensed for the

manufacture, storage or sale of an article of food within the area assigned to him. Besides, the Inspector was to procure and send suspected samples to the Public Analyst who was to analyse the sample and send the same to the concerned local health authorities as per Rule 7 *ibid*.

Non-empowerment of FIs in new Districts

DHS in August 1986 prescribed targets for collection of samples for analysis for 33 FIs working in the undivided 13 districts and municipal bodies. But consequent upon reorganisation and splitting up (1992-94) of the undivided districts from 13 to 30, the Government had not yet (more than 10 years by now) notified (by publication in the official gazette as mandated) designated FIs to be functioning as FIs (duly authorised and empowered to act in terms of provisions of the PFA Act) in these new districts (“geographic areas”) despite repeated correspondence from the DHS. The DHS was, therefore, not able to re-allocate the targets amongst the FIs for the new districts. As a result, there was confusion as regards the power of FIs to collect samples and take appropriate action in case the samples were found sub-standard/spurious etc. in these new districts (17 in number). In the selected districts, while FI in charge of Jajpur district had not taken any samples for the last ten years on this plea, FI in charge of Sonepur had taken 30 samples during 2001 to 2004-05 though both Jajpur and Sonepur were new districts. As regards the other selected districts, FIs of Mayurbhanj, Puri and Khurda (Municipal Corporation, Bhubaneswar) collected 504 samples against the target of 888 samples during 2000-05. FI, Kandhamal collected only 50 samples during 2000-02 against the target of 90. The CDMOs of Kandhamal and Boudh could not furnish information on the matter as of June 2005.

Vacancy in the posts of Food Inspectors and Public Analyst

Scrutiny of records of the DHS and State Public Laboratory revealed that nine out of 33 sanctioned posts of Food Inspectors were vacant for over 11 years as of February 2005 due to complete ban on filling up any posts in Government imposed by the Finance Department. Though a suggestion for re-deployment of suitable candidates from out of the existing staff having requisite qualification was mooted by the DHS in October 2004, the HFW Department had not responded to the same as of June 2005. Similarly, the post of Public Analyst was vacant for 518 days¹¹ out of 1461 days during July 2001 to June 2005. When asked (February 2005), the Department failed to furnish any reply as of June 2005. Surprisingly, even the DHS issued (November 2004) orders to the CDMOs/Health Officers of the municipal bodies not to collect food samples due to vacancy caused in the post of Public Analyst with effect from 1 December 2004.

Thus, failure to fill the above key posts implied with failure to notify and empower at least the existing FIs for drawing samples in the new districts led to short collection of samples and inability on the part of the Laboratory to conduct analysis, leading to the possibility of adulterated food articles sold in

¹¹ July 2001 to September 2001, 1 October 2002 to 27 February 2003, 27 February 2004 to 31 May 2004, December 2004 to June 2005.

the market remaining undetected. All this together with a depleted State Public Health Laboratory resulted in 41 food samples still awaiting analysis since June 2001.

3.1.22 Standards of Weights and Measures (Enforcement) Act

Non fixation of target for Inspector, Legal Metrology and vacancies

Rule 15 (7) of the Orissa Standards of Weights and Measures (Enforcement) (SWM) Rules 1993 stipulated that an Inspector shall visit as frequently as possible every premises within the local limits of his jurisdiction to inspect and test weights and measures which were under use in any transaction or for industrial production or for protection. However, it was noticed that the Government had not fixed any target for inspection for the Inspectors. Only 10 mobile Courts could be held by the FSCW Department in the whole of the State during five years (2000-2005). Besides, the Government did not also sanction the posts of Inspectors for the enforcement squad at the Headquarters and for the different Zones. However, the Department had set up stalls at various market places of Cuttack and Bhubaneswar cities for 55 days during the year 2004-05 under the consumer awareness programme though it left the other places of the State unattended.

Vacancy in the posts of Inspector/Senior Inspector, Legal Metrology

Test check of records of Controller, Legal Metrology, Bhubaneswar revealed that vacancy in the cadres of Inspectors/Senior Inspectors increased from three in 2002-03 to 17 in 2004-05 against the sanctioned strength of 105 posts resulting in grossly deficient enforcement/raid activities.

Inadequate strengthening of the only Laboratory

The FSCW Department had not set up any laboratory for analysis of samples of goods sent by consumers in a disputed case though it is an essential requirement for implementation and administration of the CP Act. However, the two laboratories functioning under the Health and Family Welfare Department viz., the State Public Health Laboratory and the State Drug Testing and Research Laboratory had been enlisted for testing of the drugs, food items and beverages. For other consumer items, the State Government had intimated the State Commission and the District Forums to refer samples to laboratories recommended by the Bureau of Indian Standards and the Department of Consumer Affairs, GOI.

But when the Health and Family Welfare (H&FW) Department, received assistance of Rs.39 lakh¹² from the GOI during 1991-2002 for purchase of 20 items of laboratory equipment for strengthening the State Public Health Laboratory it has kept parked Rs.31.64 lakh in the Civil Deposit head as of March 2005 after spending Rs.7.36 lakh during 1993-99 as purchase formalities for the remaining items could not be finalised by the departmental purchase committee. This was commented in Comptroller and Auditor

¹² 1991-92: Rs.9 lakh, 1997-98: Rs.16 lakh, 2000-01: Rs.9 lakh and 2001-02: Rs.5 lakh.

General's Report (Civil) for the years ending March 1997 and March 2000. Thus, even if samples of any item were collected, the result of analysis could be questioned besides entailing delay in intimating the results of sample analysis to the proper enforcement/redressal authorities.

Awareness and empowerment of consumers

One of the key elements of Government intention in the consumer movement was promoting the concept of consumer rights and empowering the consumer through well thought of awareness and campaign programmes to take full advantage of the redressal mechanism provided under the CP Act. But both the Central and the State Governments were found severely wanting on this aspect which was also confirmed in the ORG-MARG survey. That the spread of awareness was grossly inadequate is also revealed in succeeding paragraph and in table one under paragraph 3.1.17 above where it is clear that the number of dispute cases getting filed every year in the State as a whole and in the selected districts either remained more or less constant through out 2000-04 or only marginally increased. Amongst other fall-outs this also resulted in a large number of CD cases getting disallowed/rejected/dismissed/withdrawn by the consumer courts at the admission stage itself as already revealed in paragraph 3.1.18 above.

3.1.23 Non-existent mechanism for spreading consumer awareness

Non-constitution of State/District Consumer Protection Councils

According to Section 7 of the CP Act, the State Government was to establish a Consumer Protection Council at the State level to "promote and protect" the rights of the consumers. Similarly, Section 8A of the Act (effective from 15 March 2003) provided for constitution of District Consumer Protection Councils for similar purpose at the district level.

Scrutiny of the records of the FSCW department revealed that the State Council was last reconstituted in September 1998 and functioned up to March 2001 after which it had not been constituted as of June 2005. Similarly, no steps had been taken to constitute the Councils at the district level as of June 2005. It was only during the period of audit that the Government amended (March 2005) the Orissa Consumer Protection Rules, 1988 to include the details of the procedure under which these Councils were to be constituted. Further, the DCA stated (March 2005) that the matter of constitution of the Councils was under the active consideration of the Government.

Non-implementation of "Jagrit Sivir Yojana" scheme

The State Government failed to utilise Rs.3 lakh received (March 2003) from the GOI for organisation of awareness programme in the six districts of Mayurbhanj, Sambalpur, Khurda, Nayagarh, Angul and Ganjam due to non-constitution of the Monitoring Committee at the district level as of June 2005.

This indicated that the awareness programme was not carried out to the desired extent even at the district level.

The Government observed 24 December as National Consumer Day and 15 March as World Consumer Rights Day every year at the State Capital as well as at the District Headquarters through the respective District Forums for which Rs.1800 per year per District Forum, on an average, was sanctioned to them. The entire consumer awareness effort of the Government was limited to organising meetings on these two days only in a year. As meager funds were made available to the District Forums, the awareness programme had negligible impact on the consumers. The District Forums at Mayurbhanj and Khurda failed to even spend the entire amount of Rs.5000 each received by them from Government during 2004-05. The galling gap in spreading awareness about the Act to consumers resulting in their total lack of knowledge or incomplete information about the Act was also revealed in the survey conducted by ORG-MARG, as described below.

- Overall 89 *per cent* of the consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 37 *per cent* were not aware of consumer rights and still 82 *per cent* were even unaware of the Consumer Protection Act. Only 23 *per cent* of the rural population had heard about the Act. This was also extent from the extremely low number of cases filed in the districts of Boudh, Jajpur, Mayurbhanj, Sonapur and Kandhamal districts test checked in audit compared to Puri and Cuttack districts.
- Nearly 36 *per cent* of the aware consumers at large had come to know about the Act only in the last four years though the Act has been there for the last 19 years.
- Overall, only 10 *per cent* reported to be aware of the existence of any redressal agency. Awareness on this amongst those who were aware of consumer rights and the CP Act was obviously higher.
- Around 20 *per cent* of consumers who were aware of any redressal agency did not know the location of the district forum in their respective districts. However, among the respondents who were aware of the redressal agencies, only 18 *per cent* were aware of the financial limits of the redressal agencies.
- In response to the question as to whether the Government was making any effort in safeguarding the consumer rights, only 17 *per cent* replied positively. The remaining were either not aware of any efforts made by the Government or could not comment on the issue.
- Majority of complainants came to know about the redressal agencies through electronic media (37 *per cent*), print media (34 *per cent*) and others i.e. friends/relatives (76 *per cent*). NGOs were not a popular source of awareness (6.3 *per cent*). It was revealed in Audit that the State Government had not involved NGOs aggressively in the awareness campaign so far (September 2005).

The results of the survey also indicated that the consumers were not aware of many of the procedures in filing cases as indicated below:

- Nearly 48 *per cent* of the complainants used stamped papers to file the case and in majority of cases (88 *per cent*), the lawyers / agents advised them to do so.
- Around 18 *per cent* of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that court fee was introduced only in March 2003.
- On an average, the complainant had to spend Rs.1600 to resolve a case, of which a large proportion (average amount of Rs.1366) computed the advocates fees. Under the Act, however, engagement of an advocate for filing a case was not mandatory as a part of providing the consumer with an inexpensive redressal mechanism.

Non utilisation of funds by District Consumer Information Centres (DCIC)

District Consumer Information Centres set up by non-government organisations (NGOs) had been functioning in six¹³ out of 30 districts. The GOI sanctioned (2000-02) grant of Rs.7.5 lakh during 2000-04 in respect of three NGOs for establishment of DCICs as against 16 NGOs recommended by the State Government. The State Government had no information regarding utilisation of these grants by the NGOs as of June 2005.

Thus, with the Consumer Protection Councils having not been constituted for long both at the State and district level and the Government itself not taking up any publicity and propaganda activity at its own level, the activities relating to awareness and promotion of the consumer rights were grossly inadequate. Also, such apathy at the Government level did not augur well for the consumer movement in the State which this Act was expected to usher in.

Monitoring mechanism

The State Government did not have any separate cell for monitoring consumer related activities in the State. The proposed computer net-work interlinking all the three tiers of the consumer courts for better analysis of various data relating to receipt and disposal of consumer cases in these courts and their monitoring and their effective and transparent functioning in the interest of the consumers was yet to be put in place. Providing meetings for monitoring consumer-related activities in the State in the functioning of the courts either at the Government level or at the level of the State Commission was not evident on record. As a result, even after passing decree, the complainants had to wait from one to 60 months to receive compensation in some cases and large number of cases still remained un-disposed for over five years.

¹³ Cuttack, Puri, Angul, Balasore, Dhenkanal and Kalahandi

Impact evaluation of the adjudication mechanism for improvement of the system

Neither the Government nor the State Commission had entrusted any independent agency to evaluate the efficiency and effectiveness of the adjudication mechanism for streamlining the prevailing system through remedial action as of June 2005. Government's intention to actively take the consumer movement forward was, therefore, not too evident.

3.1.24 Conclusion

The State Government had not spread the message of consumer rights by making the consumer aware through well-thought of awareness programmes and campaigns.

Though the adjudication mechanism was put in place, they were not equipped with basic infrastructure like Xerox, Fax Machine, Computer etc. and the posts of adjudicators remained unfulfilled through out the year in various District Forums and the State Commission in different spells. The result was delay in dispensation of justice the avoidance of which was the main reason for enacting the Act. Majority complaints (73 per cent) (3878 out of 5269) were not decided within the prescribed time limit of 90/150 days. Even after decision were given by the Courts, their orders were not executed for long periods (one to more than 60 months) with the result that the consumer was finally left high and dry. In almost all the cases, consumers spent a lot of money on engaging advocates though the Act did not mandate this. In nut shell, the Government failed to provide a speedy and in-expensive redressal mechanism to the consumers though that was the basic object of the Act.

As regards the PFA and the SWM Acts, the enforcement machinery was grossly deficient with large staff vacancies and inadequate monitoring at the Government level.

Recommendations

- Government should re-constitute the Consumer Protection Councils at the State and district level expeditiously with representation given to consumer activists and consumer voluntary organisations as well as people's representatives at the grass-root level particularly from rural pockets.
- Besides these Councils, the Government itself should take initiatives to create awareness through regular publicity and propaganda from its own budget. Unique features of the CP Act in not insisting upon either engagement of advocates or use of stamp paper to file complaints, should be featured prominently in this propaganda exercise.
- Government should either file dispute cases or encourage NGOs to do the same when a large number of consumers are affected, so as to cut down the cost of litigation for the consumers.

- It should be ensured that the each District Forum disposes at least 10 consumer dispute cases in a day as recommended by the Government of India (GOI) to avoid long pendency of the cases. The National and the State Commission should monitor this aspect more closely and ensure strict adherence. The number of adjournments given in a case should be kept to the minimum for speedier dispensation of justice as envisaged under the Act.
- Proper and adequate mechanism needs to be put in place to ensure that the complainants actually receive the compensation ordered by the adjudicating machinery as quickly as possible. Execution mechanism needs to be strengthened by devolving such powers to the Consumer Courts themselves.
- Targets for inspections/raids/mobile courts and collection of food samples may be fixed for each Inspector/Assistant Controller under the PFA and SWM Acts and regularly monitored.
- The laboratory should be strengthened and the post of Public Analyst not allowed to remain vacant, though it may mean outsourcing the activity.

During discussion (November 2005), the Commissioner-cum-Secretary while appreciating the audit observations stated that there were certain constraints due to which vacancies in various posts could not be filled up in time and there were more enforcement activities under the Legal Metrology. However, he assured to take corrective measures wherever necessary.

Annexure - I

EXECUTIVE SUMMARY OF THE ORG-MARG SURVEY

In order to gain an understanding of the functional status of the Consumer Protection Act Consumer at large complainants, manufactures/service providers, NGOs and appropriate laboratories were covered under the survey. In state of Orissa a total of 2003 consumers spread across urban and rural areas were contacted. Besides 450 complainants, 10 manufactures/service providers, two NGOs and one laboratory were interviewed. The survey was conducted during 2nd week of July to 4th week of August 2005.

FINDING OF THE SURVEY

- Overall 89 *per cent* of the consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 37 *per cent* not aware of consumer rights and 82 *per cent* still unaware of Consumer Protection Act.
- The act is envisaged to benefit all the consumers in urban and rural areas but only 23 *per cent* of the rural population has heard about it.
- In response to, whether the government is making any effort in safe guarding the consumer rights, only 17 *per cent* replied positively and the remaining either carrying negative or have no idea of the same.
- Formal source of awareness- electronic and print media stand at 79 and 48 *per cent* respectively and only 0.8 *per cent* learnt about CPA from the NGOs.
- Nearly 36 *per cent* of the aware Consumers at large have come to know about the act only in the last four years whereas the act has been in existence for past 19 years.
- Overall, only 10 *per cent* reported to be aware of the existence of any redressal agency. Awareness on this among those aware of rights and CP Act was higher.
- Around 20 *per cent* aware any redressal agency did not know the location of the district forum in their respective districts.
- About 77 *per cent* of complainants resided in urban areas and 98 *per cent* were the educated lot and earned a monthly household income of 11248. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.
- Nearly 60 *per cent* of the complaints were against products such as consumer durable (31 *per cent*), apparels (27 *per cent*) and Foods and Beverages (10 *per cent*).
- Majority of complainants came to know about the redressal agencies through electronic media (37 *per cent*), print media (34 *per cent*) and others i.e. friends/relatives (76 *per cent*). NGOs were not a popular source of awareness (6.3 *per cent*).

- Nearly 48 *per cent* of the complaints used stamped papers to file the case and in majority of cases (88 *per cent*) the lawyers/agents advised them to do so.
- Around 18 *per cent* of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.
- An analysis of time taken at various stages of the cases show that on an average 8.4 days were spent for registering a case and 24.5 days were taken for serving the notice, first hearing was held after 11.6 days.
- On an average 3 hearings were required to resolve the case. Around 51 *per cent* of cases were still unresolved even after 2.5 hearings and most of these cases were against insurance services (19 *per cent*).
- To resolve a case on an average 8.5 months were spent. In case of unresolved cases the same were pending for past 36 average months.
- There were 33 cases where the decree was passed and compensation was yet to be received. On an average the compensation was due for 15 months. For those received compensation the same was received within an average period of 3.2 months.
- On an average the complainant had to spent Rs.1600 to resolve the case of which a large proportion (average amount of Rs.1366) comprised of the advocates fee.
- The manufacturers and service providers were well aware of CPA on the contrary not many consumers at large were aware of Act or the redressal system.
- The NGOs are involved in spate of activities such as consumer education, advocacy, organising seminars/camps etc. They are also facilitating the consumers in filing cases and act as agents.
- Overall all the stakeholders and the complainants perceive the redressal as simple but not very speedy and economical.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2 Orissa Health Systems Development Project

Highlights

To overcome the constraints existing in the health care system in the State, the State Government launched (September 1998), the Orissa Health Systems Development Project with financial assistance from the International Development Association (IDA) with a long term goal to ensure improvement in performance of health care system. The project scheduled to be completed by March 2004 was behind schedule due to slow spending, delayed construction of buildings, under utilisation of equipment and instruments and shortage of medical and paramedical staff.

- ◆ **The project scheduled for completion by March 2004 at a cost of Rs.415.58 crore could spend only Rs.234.30 crore (56 per cent) as of March 2005.**

(Paragraph 3.2.5)

- ◆ **Due to slow implementation, the Government of India (GOI) curtailed the project cost by Rs.110 crore which ultimately resulted in loss of IDA assistance in the form of grants of Rs.28 crore to the project.**

(Paragraph 3.2.6)

- ◆ **Out of 156 hospital buildings taken up for extension and renovation, 137 were completed with delays ranging from six to 30 months. The remaining 19 works on which Rs.16.72 crore were spent were in various stages of completion. The engagement of consultants to overcome the bottlenecks experienced in execution of works through line departments remained unfruitful.**

(Paragraph 3.2.7)

- ◆ **The construction management consultants were paid undue professional fee of Rs.3.02 crore for supervision work, which they did not perform.**

(Paragraph 3.2.8)

- ◆ **Equipment costing Rs.5.33 crore were lying idle in the test checked hospitals due to non installation and want of skilled man power.**

(Paragraph 3.2.13)

- ◆ **There was shortage of medical and paramedical staff in the project hospitals as 344 out of 807 sanctioned posts of medical officers and 151 out of 637 sanctioned posts of paramedical staff were lying vacant affecting the delivery of health care system.**

(Paragraph 3.2.17)

* The abbreviations used in the review have been listed in the glossary in Appendix-XXXVI at page 225.

◆ **Even in the concluding year of the project (2005-06), the bio-medical waste management being a serious environmental hazard was still in its take off stage despite incurring expenditure of Rs.1.28 crore on procurement of equipment.**

(Paragraph 3.2.18)

3.2.1 Introduction

The Orissa Health Systems Development Project (OHSDP) was formally launched on 18 September 1998. The project implementation plan (PIP) aimed at improving the standards of health care systems in the State by developing infrastructure and providing Equipment, Instrument and Furniture (EIF) and drugs in the identified hospitals. The project included construction and renovation of 156 hospital buildings and improvement and upgradation of water supply, drainage and electricity for functional efficiency besides recruitment of staff and training to the medical and paramedical person. The project which was scheduled for completion by 31 March 2004 was extended up to March 2006.

3.2.2 Organisational setup

The project was implemented by the Health and Family Welfare Department (HFW) through the Project Management Cell (PMC) consisting of four units i.e, Health, Engineering, Finance and Accounts and Administration headed by the Project Director (PD). Government constituted the Project Steering Committee and the Project Board headed by the Principal Secretary of the Department for smooth and timely implementation of the project. At the district level, the Zilla Swasthya Samiti (ZSS) headed by the District Collector was to implement the health care system through the Chief District Medical Officers (CDMO). At the State level the implementation of the project was to be monitored by the Project Review Committee headed by the Chief Secretary.

3.2.3 Audit objectives

The objectives of audit was to assess whether:

- selection of units under the project was justified and according to the PIP norm;
- provision of funds was adequate and its utilisation was effective;
- civil works planned had been executed timely and efficiently;
- procurement of equipment, instrument and furniture and their utilisation was effective;
- clinical systems were strengthened;
- medical and paramedical staff were imparted required training to enhance their skill;
- system for management of biomedical waste had been formulated and was working effectively; and

- health services to the indigenous group and the disadvantaged people had been provided in an effective manner.

3.2.4. Audit Methodology and Scope of audit

Records maintained in the office of the Project Director, OHSDP, Deputy Director Medical Store at Bhubaneswar, 12 District Headquarters Hospitals¹ (DHHs), seven Sub-divisional Hospitals², 18 Community Health Centres³ (CHCs) and seven⁴ Area Hospitals were test checked during February to July 2005. The coverage of audit was for the period from the inception of the project 1998-99 to 2004-05. The audit findings are discussed in succeeding paragraphs.

Funding Arrangement

The project cost of the OHSDP was Rs.415.58 crore of which the International Development Association (IDA) assistance was of Rs.348.75 crore (84 *per cent*) and the State Government share was of Rs.66.83 crore (16 *per cent*). As per the Project Appraisal Document, out of the IDA assistance of Rs.348.75 crore, 30 *per cent* was grant and 70 *per cent* was loan carrying annual interest of 11.5 *per cent* repayable over a period of 25 years. The assistance was to be reimbursed to the State Government through the Government of India (GOI) on submission of claims received in support of expenditure incurred periodically. For implementation of the project, the State Government made provision of funds in its annual budgets 1998-2005 and provided funds to PD for operation through a Personal Ledger (PL) Account.

3.2.5 Financial performance

The budget provision and expenditure incurred on the project during 1998-2005 was as under:

The State Government released only 57 per cent of the budgeted provision to the project during 1998-2005

(Rupees in crore)				
Year	Projected expenditure as per PIP	Budget provision	Funds released by the Government to the project	Actual expenditure incurred under the project / (percentage of expenditure to funds released to the project)
1998-2001	201.83	142.82	64.38	44.69 (69)
2001-02	105.88	75.60	55.80	27.03 (48)
2002-03	84.46	55.00	52.61	25.60 (49)
2003-04	23.41	105.00	74.41	57.61 (77)
2004-05	--	144.70	52.04	79.37 (153)
Total	415.58	523.12	299.24	234.30 (78)

It would be seen that the funds released by the State Government were much lower than the budgeted provisions and the shortfall in utilisation of funds ranged between 23 and 52 *per cent* during 1998-2004. Consequently, as provided in the credit agreement with IDA, the State Government was liable to

¹ District Headquarters Hospitals at Angul, Balasore, Bhadrak, Cuttack, Deogarh, Jagatsinghpur, Jajpur, Kendrapara, Khurda, Mayurbhanj, Phulbani, Sambalpur.

² Athagarh, Karanjia, Nilgiri, Pallahara, Rairangpur, Talcher, Udala.

³ (i) **CHC I:** Chandabali, G Udaygiri, Khamar, Maniabandha, Phiringia, Pattamundai, Rairakhol, Soro, Tikabali, Tihidi, (ii) **CHC II:** Aul, Charmal, Chhatabar, Indupur, Kanpur, Kuntra, Sukruli, Tato.

⁴ Baramba, Bolgarh, Jajpur Road, Khantapara, Narshingpur, Paradip, Saranga Garh.

pay commitment charges of Rs.4.94 crore to the IDA (at one half *per cent*) on the principal amount of credit not drawn from time to time. Out of the expenditure of Rs.234.30 crore, the PD submitted reimbursement claim for Rs.169.20 crore and the GOI reimbursed Rs.155.52 crore (March 2005). The expenditure included advances of Rs.3.36 crore⁵ paid to different executing agencies between May 2003 and March 2005 but were shown irregularly as final expenditure in the cash book. The PD attributed the low financial achievement to the damages caused by the super cyclone, flood and heat wave, non-release of funds by the Government in time and periodical restrictions on withdrawal of funds from PL Account, delay in handing over of sites to the contractors.

Only 62 per cent of the funds released was spent during the project period 1998-2004 leading to extension of the project up to 2005-06

The progress of expenditure against major components of the project were as below:

(Rupees in crore)

Project cost and expenditure	Major components of the project						
	Civil works	Equipment, Instrument and Furniture	Equipment maintenance	Salaries	Medicine	Others	Total
Provision	168.50	75.73	20.39	55.36	29.50	66.10	415.58
Expenditure	135.19	39.30	0.10	17.22	14.30	28.19	234.30

3.2.6 Curtailment of PIP provision of Rs.110 crore by the GOI

Inefficient spending led to curtailment of the project cost by Rs.110 crore including loss of grants of Rs.27.72 crore

The GOI curtailed (February 2005) the provision of Rs.110 crore from PIP, based on the project's performance, which was not in a position to absorb the entire provision in the PIP and also due to parking of huge balances in PL Account without incurring expenditure. Subsequent request (April 2005) of the State Government for reallocation of the above amount was not acceded (May 2005) to by the GOI. Thus, due to inefficient spending, the funds in the Project Implementation Plan got reduced to Rs.305.58 crore from the original provision of Rs.415.58 crore. As a result the project suffered loss of IDA assistance in the form of grants amounting to Rs.27.72 crore. This had restricted the improvement of the health care facilities originally envisaged under the project by curtailing components of EIF procurement (22 *per cent*) and maintenance on it (98 *per cent*), medicines (21 *per cent*) and salary (41 *per cent*).

Civil Works Construction Programme

The civil work construction programme of the project envisaged extension and utilisation of the existing infrastructure by one-time repair and renovation of 156 project hospitals at a cost of Rs.168.50 crore out of which expenditure incurred was Rs.135.19 crore as March 2005. Scrutiny of records of the PD and other test checked project hospitals revealed time over run, substandard

⁵ (i) EE, PH Divisions: Rs.3.02 crore and (ii) CESCO and NESCO: Rs.34 lakh.

execution of work by contractors, idle expenditure etc. as discussed in the succeeding paragraphs.

3.2.7 Delays in completion of civil works in hospitals

The project engaged nine design consultants (March 1999-June 2000) for preparation of drawings and designs and six construction management consultants (October 2000-July 2001) for supervision of civil works and paid Rs.8.43 crore towards professional fees. Nevertheless, the completion of civil works lagged behind schedule. Out of 156 hospitals taken up for extension and renovation, 137 were completed (March 2005) though the project originally contemplated completion of all civil works by March 2004. However, there were delay in completion of these works ranging from 6 to 30 months. The civil works of the remaining 19 project hospitals which were to be completed between May 2002 and August 2004 were in different stages of execution with expenditure of Rs.16.72 crore as of March 2005.

3.2.8 Excess payment of professional fee of Rs.3.02 crore

Full payment of professional fee of Rs.4.12 crore despite works remaining incomplete led to excess payment of Rs.3.02 crore to the construction management consultants

The monitoring and supervision works of “new construction, one time repair and renovation” of 135 project hospitals estimated to cost Rs.133.43 crore were entrusted to five management consultants. Separate agreement was drawn with each of them between October 2000 and July 2001 for completion of works between May 2002 and January 2003 for which they were to be paid professional fee of Rs.4.19 crore. The works were however, not completed within the stipulated date.

Scrutiny of records of the PD revealed that the agreements neither provided milestones for performance by the consultants during the period nor contained any deterrent clause to make them responsible for completion of the works by the agreement period. However, the consultants were paid professional fee of Rs.4.12 crore between October 2000 and January 2003 on expiry of consultancy agreement period although the value of work supervised by them was Rs.35 crore and was only 26 per cent of the value of the 135 project hospitals. The consultants were therefore entitled to proportionate payment of Rs.1.10 crore for the work supervised by them. However, for completion of these works, supplementary agreements amounting to Rs.5.30 crore were drawn with the same consultants fixing milestones for completion of work on payment of fee.

The PD while admitting the facts stated that there was delay in issue of letter of acceptance of bids of the contractors, delay in receipt of designs and drawings from the design consultants and shifting electric, water supply and telephone lines etc. from the project sites etc.

Thus, due to lack of coordination among different wings of the project, there were delays in completion of projects and payment of fees to the consultants was unfruitful.

The building constructed for Kanpur CHC at a cost of Rs.43.44 lakh remained unutilised due to poor ground water source

3.2.9 Idle expenditure of Rs.43.44 lakh on Kanpur CHC

The construction, one time repair and renovation of Kanpur CHC-II (Cuttack district) was completed at a cost of Rs.43.44 lakh without water and power supply connections due to poor ground water source and want of service connection of electricity and the building was handed over (October 2004) to the medical officer in charge of the CHC. As a result, the building was lying unutilised as of August 2005. The PD stated (August 2005) that steps had been taken to provide water supply connection by digging a tube well at half a kilometer away from the CHC.

3.2.10 Deviation in construction of building

Instead of constructing the CHC building at Aul, the same was taken up at Derabish at a cost of Rs. 62.75 lakh while equipment worth Rs.9.23 lakh was supplied to Aul

In the Project Implementation Plan (PIP) the Community Health Centre at Aul was selected for upgradation at a cost of Rs.45 lakh. Instead, the civil works of the Community Health Centre at Derabish in the same district was taken up at a cost of Rs.62.75 lakh by the PD without approval of Government. However, after upgradation, no requisite manpower was deployed at Derabish and new equipment, instrument and furniture (EIF) worth Rs.9.23 lakh provided to the CHC at Aul were lying in packed condition as the existing building did not have the facilities to accommodate the EIF.

Thus, due to the above deviation, the expenditure of Rs.62.75 lakh incurred on civil works at Derabish and Rs.9.23 lakh on EIF supplied to Aul became unfruitful and the patients of both the hospitals were deprived of the improved health care facilities.

The PD stated that due to “unforeseen circumstances and pressure” and communication gap among the PD, the Director of Health Services and the concerned medical officer in charge, such a deviation took place.

3.2.11 Substandard construction

15 project hospitals constructed at a cost of Rs. 12.34 crore developed cracks in the walls due to substandard work

Joint verification by audit with the concerned medical officers in charge of the DHH, CHCs, and Area Hospitals etc. revealed that walls and roofs of the newly constructed buildings of 15 project hospitals had developed vertical and horizontal cracks due to poor quality of work detailed in Appendix-XXV. In the Narasinghpur Area Hospital (Cuttack district) the glazed ceramic tiles fixed on the walls of the operation theatre and the specialist’s chamber got detached, joints of new and existing buildings in most of the hospitals developed cracks. Of the 15 buildings, 10 (cost: Rs.12.34 crore) were handed over between December 2002 and November 2004 to the medical officers of the hospitals. The PD stated that the contractors would be asked to rectify the defects. The medical officers in charge of the concerned hospitals expressed their difficulties that they were facing due to non-repair of defects developed after taking over the charge of the buildings. Thus, the concerned CMCs failed to ensure the quality of works executed by the contractors while certifying the same for making payment.



Cracks in the building of Narasinghpur Area Hospital

Equipment – procurement and utilisation

The equipment, instruments and furniture (EIF) management under the project was an essential component to improve quality, efficiency and performance of health care system. This included procurement, supply to hospitals for installation, commissioning and utilisation. As against the original provision of Rs.75.73 crore for this purpose, purchase orders were placed in four phases for Rs.59.10 crore (1999-2000: Rs.10.78 crore, 2002-03: Rs.6.14 crore, 2003-04: Rs.18.88 crore and 2004-05: Rs.23.30 crore) and payments of Rs.39.30 crore were made as of March 2005. It was noticed that there were blockage of funds, uneconomical procurement, deviations from original procurement plan, purchase of obsolete equipment and excess expenditure as discussed below.

3.2.12 Excess procurement in deviations from original procurement plan

Excess procurement of EIF worth Rs.12.53 crore in deviation from original procurement plan

A High Level Working Committee prescribed norms for equipment, instruments and furniture to be provided in each type of upgraded hospital based on bed strength. Accordingly, the consultants prepared the procurement plan after assessing the requirement of each hospital. Scrutiny of records, however, revealed that, while EIF worth of Rs.10.05 crore were procured in excess of the projected requirement as detailed in the Appendix-XXVI; furniture costing Rs.2.48 crore⁶ were procured, which were not specified in the original plan. Thus, there was excess procurement of EIF worth Rs.12.53 crore (July 2005).

3.2.13 Blocking of funds in uncommissioned/idle equipment

New equipment, instruments and furniture worth Rs.5.33 crore were lying unused in the test checked project hospitals due to non-installation and non-availability of suitable manpower



Equipment lying unpacked in Talcher CHC

The purchase of EIF was not synchronized with the creation of related infrastructure. Scrutiny of records of the PD revealed that EIF worth Rs.9.25 crore was procured during 1999-2000 although not a single construction of building was completed before 2002-03 due to lack



Equipment lying idle in Deogarh DHH

of co-ordination between the Engineering and Health units. As a result, these EIF could not be installed leading to blocking of funds of Rs.9.25 crore for over three years. In the 40 test checked project hospitals in 12 districts it was revealed that the EIF worth Rs.5.33 crore procured in four phases and supplied to these units were lying in uninstalled/packed condition (805 items in 21 project units: Rs.3.02 crore) and idle after installation (546 items in 26 units: Rs.2.31 crore) due to lack of space and or absence of skilled manpower as of July 2005. Non-commissioning of EIF resulted in blockage of Rs.5.33 crore (Appendix-XXVII) besides depriving the patients of the benefits of upgraded system. The possibility of these EIF getting damaged due to prolonged storage

⁶ (i) Plastic moulded chairs (11275 numbers): Rs.55.81 lakh, (ii) Conference table (1413 numbers): Rs.45.42 lakh, (iii) Steel Almirah (679 numbers): Rs.38.19 lakh and (iv) FMG chairs (3313 numbers): Rs.1.09 crore.

and also expiry of warranty periods could not be ruled out. Since the project was implemented with financial assistance bearing interest of 11.50 *per cent*, the advance procurement had also affected the finances of the Government.

3.2.14 Procurement of out-dated equipment

The project procured 156 Air Ether Machines to be used for anesthetization of patients at a cost of Rs.31.51 lakh and supplied the same to all the project hospitals. It was seen that many of the project hospitals test checked did not put the machines to use for want of skilled manpower. However, two CDMOs, Cuttack and Sambalpur were not using the machines, as improved machines such as boyles apparatus were available in the market which were also supplied to some of the DHHs. The PD stated that these equipment could be handled by any general doctor without any anesthesia background in minor operation theatres. The contention of the PD was not correct as many of the project hospitals had not put the machines to use for want of skilled man power. In view of above, the decision to go for procurement of these equipment was injudicious.

Government discouraged use of hypodermic needles for clinical services as these act as a medium for contamination and transmission of diseases such as AIDS due to their repeated use. The project however, supplied 22704 units of hypodermic needles to various hospitals during 2004-05 though the said item was not even enlisted in original procurement plan. In one of the test checked District Hospital, it was seen during audit that the entire lot of hypodermic needles supplied to the hospital by the project authority was lying unused and as such the expenditure of Rs.22.21 lakh incurred for procurement of these needles proved to be wasteful.

3.2.15 Health Management Information system

The Health Management Information System developed by TCS at a cost of Rs.40.36 lakh became inaccessible to the end users due to faults in the software

For better monitoring of the implementation of the project, the PIP contemplated development of a Health Management Information System (HMIS) for maintenance of an integrated electronic database on civil works, equipment, drugs, communicable diseases, hospital activities etc. collecting the information from the districts in respect of all the project hospitals. The Tata Consultancy Services (TCS) was entrusted (August 2000) with the development of the software for installation in all the district hospitals and the project management cell at Bhubaneswar. The TCS completed the job (November 2002) at a cost of Rs.40.36 lakh. However, the system developed faults particularly at the district level end-users and access to the software could not be made by them. As the contract did not provide for post contract maintenance of the system by the firm, the fault in the system remained unrectified. As a result, the HMIS remained inoperative (August 2005) rendering the expenditure of Rs.40.36 lakh unfruitful. The PD stated (August 2005) that steps were being taken to make the HMIS operational by re-tendering the work on Government approval. Thus, failure to put the HMIS in place affected the monitoring of the implementation of the health care programmes under the project.

Manpower Management

The project provided substantial increase in deployment of manpower commensurate with the creation of additional infrastructure facilities. Besides, the PIP provided imparting various training programmes to different categories of staff at various levels in the health institutions to maintain and raise the performance standards. The deficiencies noticed in these aspects were as below:

3.2.16 Inadequate training to medical and paramedical staff

Though the PIP provided Rs.10.76 crore for training of personnel, the Project was sanctioned for Rs.4.07 crore of which Rs.3.50 crore only were spent for the purpose during the project period. As against 3016 slots targeted for in-service training in 12 different courses meant for medical and paramedical personnel in the State Institute of Health and Family Welfare (SHIFW), the Project could be able to conduct training for only 1064 slots (35 per cent). The shortfall under clinical updation skill of specialists course was as high as 90 per cent and skill updation course for Assistant Surgeons was 84 per cent.

The PD attributed (August 2005) the shortfall to lack of nominations by district administration, inability of training institution to conduct the programme, delay in financial transactions, delay in Government's approval, non-availability of reserved tickets at short notice for performing journeys etc.

Thus, the poor utilisation of training slots despite availability of funds indicated lack of coordinated planning and management affecting the skill upgradation of the health care system.

3.2.17 Vacancy in medical and paramedical posts

344 posts of medical officers and 151 posts of key paramedical staff were vacant as of March 2005

Keeping in view the specialised services to be provided in the project hospitals basing on the new infrastructure created, the PIP provided upgradation and creation of additional posts of medical officers and paramedical staff. However, scrutiny of records of the PD revealed that the project had 1444 sanctioned posts of staff, of which 949 were in position as of March 2005 with vacancy in 495 posts as detailed below:

Sl. No.	Category of Post		Number of posts sanctioned	Men in position	Number of posts lying vacant
Medical officers					
1.	DHH level				
	i)	CDMO and Additional CDMO	142	124	18
	ii)	Specialists (Class-I)	210	153	57
2.	Sub Divisional Hospital level				
	i)	Sub-Divisional Medical Officers	20	18	2
	ii)	Specialists (Class-I)	68	66	2
3.	CHC-I and II and Area Hospitals				
	i)	Medical Officers in-charge	67	49	18
	ii)	Specialists (Class-II)	158	32	126

Sl. No.	Category of Post	Number of posts sanctioned	Men in position	Number of posts lying vacant
4.	For all category of hospitals			
i)	Assistant Surgeons	124	13	111
ii)	Dental Surgeons	18	8	10
Para medical staff (all project hospitals)				
i)	Radiographer	62	6	56
ii)	Laboratory Technician	40	7	33
iii)	Staff Nurse	535	473	62
Total		1444	949	495

Thus, there was acute shortage of medical and paramedical staff in the project hospitals as 344 out of 807 sanctioned posts of medical officers and 151 out of 637 sanctioned posts of paramedical staff were lying vacant affecting the delivery of health care system.

Consequently, the equipment procured taking into account the upgradation of hospitals were lying idle due to vacancies in the posts of Radiographers, Anesthesia specialists and Dental surgeons and accordingly, at least 40 X-ray machines (Rs.74.40 lakh), 42 Boyles apparatus (Rs.39.31 lakh) and 12 Dental units (Rs.38.74 lakh) remained inoperative.

The PD stated (August 2005) that the vacancies were due to low remuneration offered by the project on contract basis which was not attractive to the qualified/skilled persons for filling up the posts and added that the matter would be apprised to the Government for remedial action.

3.2.18 Ineffective waste management

As per the provisions of the Biomedical (Waste Management and Handling) Rules, 1998 an occupier of a premises generating bio-medical waste was required to set up requisite facilities for treatment of such waste to be authorised by the State Pollution Control Boards. The PIP, treating the management of hospital waste a critical area of environmental hazard, provided segregation of different waste at source and transportation of these to a specified containment area with pits for dumping. The PD spent Rs.25.73 lakh towards purchase of waste bins etc. on hospital waste management and paid Rs.1.19 crore to 32 CDMOs of DHH for spending on sanitation and cleanliness of hospitals. Further, Rs.1.28 crore were spent towards purchase of 25 each of autoclaves and shredders and supplied the same to the DHH which were lying idle in the premises of the DHHs as the required infrastructure such as separate rooms of specific size for installation were not available (July 2005). It was further noticed that there was no provision in initial design, drawing and estimate of the buildings construction plan for Waste Management Systems.



Autoclave lying idle in Sambalpur DHH

Only 14 out of the 156 project hospitals were given the authorisation by the State Pollution Control Board to operate the biomedical waste management facility

Scrutiny of the records of the State Pollution Control Board revealed that only 14 out of 156 project hospitals were given the authorisation by the Board to operate the biomedical waste management facility. Of the remaining 142 hospitals, 97 hospitals were not considered for authorisation as their waste management systems were not conforming to the criteria for the mandatory certification and 45 institutions did not apply for authorisation.

In Bolgarh CHC, the waste dumped in containment area contaminated a well which was abandoned. In DHH at Sambalpur, medical waste had been dumped outside the containment area in open space exposing the environment to bio-waste hazard. The PD stated (August 2005) that the waste management in the hospitals was in initial stages of operation and four teams were deputed to different districts to ensure the proper use of waste management equipment.



Hospital waste lying scattered outside the containment area in Sambalpur DHH

3.2.19 Inadequate health services to disadvantaged groups Health Camp

The PIP provided conducting of 6000 health camps at the Gram Panchayat level in 118 tribal blocks of 12 districts⁷ to increase awareness about the health among the deprived sections of the population, provide necessary curative treatment at spot, promote early detection of diseases, motivate people to seek presumptive treatment, encourage optimum utilisation of available facilities etc. The PD advanced Rs.1.20 crore to the CDMOs of the districts between December 1999 and July 2002 for the purpose. As against the above, although 5000 camps were stated to have been organised at a cost of Rs.1.16 crore, the PD received the reports on conducting of such camps for only 2155 health camps (March 2005). The PD stated (August 2005) that the CDMOs had been requested to furnish the status on holding the camps.

Mobile Health Clinics (MHCs)

The PIP also proposed to provide nine Mobile Health Clinics (MHCs) in disaster prone and inaccessible areas of five districts⁸ to render all the basic medical services to the people involving village health guides, Anganwadi workers and non-Government organisations (NGOs) under the coordination of medical officers of CHCs. The PD advanced Rs.81.46 lakh to the concerned CDMOs for conducting the MHCs during 2001-05 without involving the NGOs. However, the PD did not have records relating to activities undertaken in respect of the MHCs in the districts.

3.2.20 Monitoring and evaluation

The implementation of the project was to be monitored by the project management cell (PMC) by evolving information system on various

⁷ Balasore (1), Gajapati (5), Kalahandi (2), Keonjhar (10), Kandhamal (12), Koraput (14), Malkanagiri (7), Mayurbhanj (26), Nawarangpur (10), Rayagada (11), Sambalpur (3) and Sundargarh (17).

⁸ Gajapati (One), Keonjhar (One), Sundargarh (Two), Kandhamal (Two) and Mayurbhanj (Three).

Monitoring of the project implementation was affected due to transfers of PD and other responsible officers of the Project Management Cell

components of the project. Overall monitoring at the State level was done by the Project Steering Committee and at the district level by the Zilla Swasthya Samitis through the CDMOs. The following deficiencies in monitoring of the project were noticed.

- The PMC was required to monitor the implementation of the project. The Project Director who was heading the PMC had been shifted during the project period and other responsible officers were also subjected to frequent transfers which affected the monitoring of the project.
- The software on HMIS was defunct and no worthwhile action was taken to revamp it. This hindered timely receipt of data on achievements under various components of the project from field units for analysis and evaluation.

3.2.21 Impact Analysis

The PIP set the performance indicators under different key activities for achievement by March 2004. However, the performance level was below the targets as of March 2005. The number of admission to the project hospitals due to pregnancy related complications were to be increased from 20 *per cent* at base line (1997-98) to 35 *per cent*. The achievement was 31.9 *per cent* only. The institutional deliveries were to be increased from 16 *per cent* at base line (1997-98) to 31 *per cent* by 2003-04. But it was low at 26.5 *per cent*. All 156 project hospitals and state headquarters were to be inter-linked with a Computerised Health Management Information System (HMIS). The HMIS data were being prepared manually. Percentage of inpatients and outpatients in institutions receiving diagnostic tests were to be increased from 10 *per cent* at base line (1997-98) to 30 *per cent* by 2003-04 against which, the achievement was only by 12 *per cent* (inpatients) and 14 *per cent* (out patients). The Waste Management Systems of 80 *per cent* of the project hospitals were targeted for authorisation by the State Pollution Control Board by 2003-04 out of which only nine *per cent* was authorised.

Thus, even with a time overrun of one year, the performance level of the project was behind the schedule affecting the fulfillment of its social commitments.

3.2.22 Conclusion

The targets in the performance indicators in the Project Implementation Plan could not be achieved. Out of 156 newly constructed buildings, only 137 were completed and handed over to the management of the hospitals. Procurement of equipment, instruments and furniture (EIF) before completion of the construction of hospital buildings resulted in their non-utilisation.

The Health Management Information System could not be put to use, as faults developed during post operation were not addressed. Large scale vacancies in the posts of Medical Officers, Specialists, Assistant Surgeons and paramedical staff affected the delivery of health care services; sophisticated equipment and instruments remained idle due to want of technical manpower to handle them.

Increase in the number of patients receiving diagnostic tests was marginal due to idling of the equipment supplied to the project hospitals. Equipment based training to the staff were not conducted. The hospital bio-medical waste management system was yet to come up. Due to slow progress in implementation of the project the GOI curtailed Rs.110 crore out of the PIP cost of Rs.415.58 crore forcing premature completion of the project.

Recommendations

- The equipment, instrument lying idle/un-commissioned should be put to use for the benefit of the patients.
- Optimum utilisation of various training slots should be ensured for strengthening the clinical system.
- The HMIS need to be revamped early to process and analyse data for better monitoring of the delivery of health care system.
- The biomedical waste management system should be put to use in every project hospital after due authorisation from the State Pollution Control Board.

The Principal Secretary during discussion (November 2005) stated that factual position would be confirmed from the field offices and appropriate remedial measures would be taken wherever necessary.

RURAL DEVELOPMENT DEPARTMENT

3.3 Construction of Rural Roads

Highlights

Rural Development Department (RDD) was entrusted with the construction, improvement and maintenance of 27,759 km of rural roads. The objective of establishing all-weather village road communications remained unfulfilled due to lack of a consolidated plan and implementation of the schemes in an un-coordinated manner. Several roads and bridge projects remained incomplete due to lack of quality control and monitoring during execution, frequent change in design and failure to prioritise the works. Poor management of contracts resulted in losses, excess payments and avoidable burden on the State exchequer. As of March 2005, 55 *per cent* of the total road length still remained in metal and earthen track that too with many missing links.

◆ **Though the department made budget provisions for Rs.243.03 crore during 2002-03 and 2003-04, but the funds released by the Finance Department was only Rs.137.68 crore. Critical Intervention Fund (CIF) provided in 2000-01 remained parked in civil deposits as of March 2005. Rs.68.38 crore meant for construction and improvement works were diverted to road repairs.**

(Paragraph 3.3.6)

◆ **During 2000-01 to 2004-05, Rs.625.66 crore were spent on construction/maintenance of rural roads, yet 55 *per cent* of the total road length was still metal or earthen tracks and that too with missing links.**

(Paragraph 3.3.9)

◆ **Twenty seven bridge projects remained incomplete with cost overrun by Rs.14.35 crore and eleven bridges completed at a cost of Rs.13.44 crore remained inoperative for want of approach roads.**

(Paragraphs 3.3.9 and 3.3.10)

◆ **Wrong computation of item rates of Cement concrete works, evasion of ST and other unwarranted favours led to undue benefit of Rs.20.88 crore to contractors.**

(Paragraphs 3.3.11 to 3.3.17)

◆ **Non-commencement of work and lapses in processing of tenders led to extra cost of Rs.3.22 crore.**

(Paragraphs 3.3.18 and 3.3.19)

◆ **Unproductive and ineffective expenditure of Rs.2.07 crore on cyclone damaged roads abandoned midway.**

(Paragraphs 3.3.20 and 3.3.21)

* The abbreviations used in the review have been listed in the glossary in Appendix-XXXVI at page 225.

3.3.1 Introduction

The total road length in the State was 2.37 lakh km. Of the above, Rural Development Department was entrusted with the construction, improvement and maintenance of 27,759 km rural roads with 531 bridges and 35,648 cross drainages. These roads receive traffic from several rural link roads or a long chain of rural habitations and lead it to marketing centres/district headquarters either directly or through the higher category roads. Since the roads were not at the tail end and were directly not connecting a habitation or a group of habitations, these were not eligible for inclusion under the Pradhan Mantri Gram Sadak Yojana (PMGSY). They were constructed and maintained from State Budget, loans from NABARD, Central Assistances.

3.3.2 Organisational set-up

The Commissioner-cum-Secretary to Government was over all in charge of the Department assisted by two Chief Engineers (CE). At the field level, there were 30 Executive Engineers (EE) under supervision of five Superintending Engineers (SE).

3.3.3 Scope of Audit

The audit was conducted (February-August 2005) by the test check of records of Administrative Department, CE Rural Works (RW) and 10 EEs out of 30 EEs for the period 2000-01 to 2004-05 covering implementation of various schemes/programmes (other than PMGSY) for the construction/ improvement and maintenance of rural roads.

3.3.4 Audit objective

Audit objective was to assess

- Efficiency in management of programmes/schemes vis-à-vis achievements.
- Effectiveness of the programmes/schemes in delivery of the desired output in establishing sustainable all weather roads in rural areas.
- Quality control issues, planning and monitoring of the execution of works.

3.3.5 Audit Methodology

Programme/scheme norms, tender documents, agreements, quality control reports, inspection reports of higher authorities, budget documents and expenditure statements were reviewed and discussions were held with the EE and CE, RW in arriving at the conclusions and assessing the impact of the programmes/schemes. Audit also physically inspected some of the sites and held discussions with the local beneficiaries.

Financial Management

3.3.6 Financial outlay

The budget provisions vis-à-vis expenditure on rural roads were as follows:

(Rupees in crore)

Year	Budget Provision			Expenditure			Excess (+) Savings (-) (Percentage)	
	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue
2000-01	71.06	60.35	131.41	71.06	63.00	134.06	--	(+) 2.65 (4)
2001-02	57.91	64.15	122.06	57.91	52.68	110.59	--	(-) 11.47 (18)
2002-03	106.90	55.39	162.29	71.21	52.15	123.36	(-) 35.69 (33)	(-) 3.24 (6)
2003-04	136.13	55.78	191.91	66.47	44.40	110.87	(-) 65.11 (48)	(-) 11.38 (20)
2004-05	117.29	61.23	178.52	104.75	42.03	146.78	(-) 12.54 (11)	(-) 19.20 (31)
Total	489.29	296.90	786.19	371.40	254.26	625.66	(-) 117.89 (24)	(-) 42.64 (14)

Though the department made budget provisions for Rs.243.03 crore during 2002-03 and 2003-04 under capital sector, but funds for Rs.137.68 crore was only released

The provisions under Capital Sector were for creation of assets by way of construction of rural roads and bridges and improvement of rural roads. The provisions under Revenue Sector were for operation and maintenance of the rural roads.

The budget provisions under capital sector was increased from the year 2002-03 by more than 100 *per cent* of the provisions for the year 2001-02 without identifying the source of funding. The total allocation under capital sector during 2002-03 and 2003-04 was Rs.243.03 crore. Though the department made budget provisions for Rs.243.03 crore, but the funds released by the Finance Department was only Rs.137.68 crore. The expenditure under capital sector included loans from Rural Infrastructure Development Fund (RIDF-NABARD): Rs.128.88 crore, Revised Long Term Action Plan-Central Assistances (RLTAP): Rs.43.61 crore, World Bank loan Cyclone Damage Repairs (CDR): Rs.51.04 crore and State Plan inclusive of Constituency-wise Allotment (CWA): Rs.147.87 crore.

The expenditure of Rs.254.26 crore under Revenue Sector during 2000-05 comprised expenditure on regular establishment: Rs.84.30 crore (33 *per cent*), wages of NMR/DLR staff : Rs.51.13 crore (20 *per cent*) and on maintenance of roads including deployment of casual labours : Rs.118.83 crore (47 *per cent*). The following points were also noticed during test check.

3.3.7 Diversion of LoC

LoC of Rs.18.04 crore was diverted

Government of Orissa (GoO) introduced the system of Letter of Credit (LoC) to ensure expenditure with reference to financial authorisation. LoC was granted during 2002-05 for the gross value of the works instead of for the net amounts without deducting the income tax (2 *per cent*) to be statutorily deducted from contractors' bills. This resulted in excess LoC of Rs.14.77 crore to the EEs.

Similarly, the Sales Tax (ST) of Rs.1.50 crore on work component and royalty of Rs.1.77 crore on construction materials recovered from the contractors' bills were not paid to the concerned authorities and retained in the deposit account. The LoC received for these payments was diverted. The total diversion was thus Rs.18.04 crore.

3.3.8 Non-utilisation of funds

CIF funds for Rs.5 crore parked in civil deposits and SCA for Rs.1.05 crore remained unutilised

Out of Rs.6 crore provided (2000-01) from Critical Intervention Fund for improvement of rural roads, Rs.5 crore were drawn by the EE, RW Division, Bhubaneswar and parked under 8443-Civil Deposits. The amount remained locked up as of March 2005.

Government of India (GoI) provided Special Central Assistance (SCA) of Rs.2.71 crore during 2002-03 for 15 road/bridge projects in Rayagada district. The EE completed 4 projects during 2002-03 with Rs.1.66 crore and Rs.1.05 crore remained unutilised due to the failure to get the works executed. The SCA of Rs.1.05 crore was surrendered in March 2003 by the EE.

Planning and policy formulation

3.3.9 Lack of planning

Lack of integration among schemes and failure to prioritise roads on common development plan led to 55 per cent of roads remaining in metal and earthen track

GoI/GoO had emphasised in the tenth plan period for the establishment of all weather communication of rural roads and provided funds under different programmes/schemes viz: RIDF-NABARD loan, CWA, RLTA, loans from World Bank for CDR, and repair grants. The department, however, did not work out any consolidated plan for these schemes. The schemes were implemented in a fragmented manner and there was no integration among the schemes/programmes.

The department had prepared a core network during 2002-03 indicating the status of all roads in each block/district for facilitating prioritisation and selection of roads for coverage under PMGSY. Even these core net works were not used for prioitisation and selection of projects for coverage under the above schemes to achieve maximum connectivity in a systematic and cost effective manner.

The surface status of the rural roads during 2000-05 was as follows.

(In kilometre)

Year	Total		Surface status		
	Number of roads	Kms.	Black top	Metal	Moorum/ Earthen
2000-01	3465	29222	8960	12999	7263
2001-02	3465	29221	9648	12533	7040
2002-03	3584	28350	10618	11001	6731
2003-04	3584	28350	11186	11228	5936
2004-05	3584	27759 ¹	12573	10146	5040

¹ The length was reduced due to transfer of roads to the control of Works Department.

The objective of providing all weather communication in rural roads remained unfulfilled and out of 27,759 km of rural roads under the department, 15,186 km (55 *per cent*) still remained in metal and earthen track due to uncoordinated implementation of the schemes. Further, Audit noticed that 960 km in 101 roads were also not in all weather condition due to incomplete bridges in 27 roads, lack of approach roads to 12 completed bridges in 12 roads and 38 km of missing links ranging between 100 metres and 10 km in 62 roads. Thus, the effective use of roads in all weather condition was only 11,613 km (42 *per cent*).

The department also did not set any target for CWA and repair grants. The provisions for repair grants were made on lump sum basis. Due to absence of approved plan, the EEs spent the funds of Rs.68.38 crore under CWA-capital sector provided for original works on road repairs and no assets were created. Besides, Rs.169.96 crore provided for repairs (excluding staff cost of Rs.84.30 crore) were also spent by the EEs on repair of the roads selecting roads at their level.

The targets vis-à-vis achievements against other schemes viz: RIDF, RLTA and CDR were as follows:

(Rupees in crore)

Scheme	Targets (2000-05)		Achievements (2000-05)		Shortfall		Percentage of shortfall in financial terms
	Number of Projects	Cost	Number of Projects	Cost	Number of Projects	Cost	
RIDF (NABARD)	205	249.25	126	128.88	79	120.37	48
RLTAP	329	68.08	271	43.61	58	24.43	36
CDR	60	65.10	48	51.04	12	14.06	21
Total	594	382.43	445	217.60	149	164.83	43

The shortfall in achievements against the targets in these schemes ranged between 21 and 48 *per cent* mainly due to non-acquisition of land and change in designs during execution attributed to inadequate survey and investigation and default in execution by the contractors.

Of the incomplete projects under RIDF, the cost of 27 bridges amounting to Rs.63.18 crore was revised to Rs. 77.53 crore on account of change in designs and rise in the prices of labour, materials and POL resulting in cost overrun by Rs.14.35 crore due to time over run. Besides, during 2000-05, Rs.3.02 crore were spent on the maintenance and improvement in patches on the roads leading to these bridges but due to the bridges remaining incomplete, connectivity was not achieved.

**Substantial cost over
run of Rs.14.35 crore**

Audit checks also disclosed the following:

3.3.10 Lack of synchronisation in construction activities

Bridges constructed at a cost of Rs.13.44 crore could not be opened to traffic due to non-completion of their approach roads

The construction of a bridge and its approach road were to be synchronized to ensure establishment of all weather connectivity on completion of the bridge. However, 11 bridges constructed at a cost of Rs.13.44 crore during 2000-05 could not be opened to traffic due to non-completion of their approach roads attributed to failure in synchronizing the construction of the approaches with the progress of completion of the bridges and delay in acquisition of land. Besides, during 2000-05, the EEs incurred expenditure of Rs.2.00 crore for improvement/maintenance of the roads leading to these bridges but all weather surface on these roads was not established due to non-completion of approach roads to bridges.

Non-establishment of connectivity due to missing links.

Missing links in 62 roads (472 km) were not planned for completion on priority with available resources and instead Rs.9.31 crore was spent on these roads during 2000-05 on improvement and maintenance in patches but continuous all weather surface was still not established.

Management of contracts

Audit check disclosed poor management of contracts resulting in avoidable extra expenditure and undue benefits to contractors for Rs.20.88 crore as mentioned below.

3.3.11 Inadmissible and unauthorised payment to contractors

Unauthorised payment of Rs.5.39 crore at post tender stage and inadmissible payment of Rs.48.35 lakh due to wrong calculation of escalation charges

Construction of a high level bridge over river Luna on Gop-Kalapada –Akhua road was awarded (January 2000) to a contractor at a cost of Rs.9.19 crore for completion by January 2003. The contractor completed the work in November 2002 and was paid Rs.14.58 crore till March 2003 due to increase/decrease in quantities of work attributed to change in design. As per codal provisions, any increase/decrease over/below the contract value during execution were to be carefully investigated and required approval obtained prior to payment. Despite that, the EE, RW Division, Kendrapara had paid Rs.5.39 crore to the contractor excess over the contracted value of Rs.9.19 crore at post tender stage without approval of competent authority and without investigating the claims resulting in unauthorised payments. The proposal submitted by him in December 2002 was not sanctioned by Government (March 2005).

Besides, though as per the terms of contract, escalation on material component was payable on 20 per cent of value of work executed, such charges were computed on 65 per cent of the value of the work resulting in inadmissible benefit of Rs.48.35 lakh. The total unauthorised payment and inadmissible benefit was Rs.5.87 crore.

Unwarranted benefit of Rs.3.71 crore due to excess provision of cement in cement concrete items

3.3.12 Undue benefit towards excess provision of cement

Construction works of 63 high level / submersible bridges were awarded (May 1998-July 2004) to 60 contractors at a total cost of Rs.63.47 crore for completion between July 2000 and September 2006. The contracts, inter-alia, provided for execution of Cement Concrete (CC) items of strength M-150 (40,109 cum), M-200 (40,816 cum), M-250 (6,974 cum) and M-300 (8,023 cum) using minimum quantity of cement as prescribed in Indian Road Congress (IRC) Code. The works were under execution (March 2005).

According to the IRC Code, 250 kg, 310 kg, 360 kg and 380 kg of cement per cum were required for execution of CC items of strength of M-150, M-200, M-250 and M-300 respectively. However, the item rates of the contractors were inbuilt with 323 kg, 411 kg, 571 kg and 645 kg per cum respectively based on the State Analysis of Rates provided for execution of CC on volumetric mix violating the terms of contract which provided for specified strength of CC. The item rates were not scaled down during the course of execution of the works. This led to unwarranted benefit of Rs.3.71 crore to the contractors.

3.3.13 Undue benefit to contractors

Undue benefit of Rs.1.37 crore to contractors on inadmissible items like sump filling, soil exploration, removal of silt and rectification of defects

Construction works of 10 high level bridges² were awarded (November 1994/January 2003) to eight contractors at a cost of Rs.71.62 crore for completion between May 1997 and January 2006 stipulating that any sump below the cutting edge level was to be filled up with cement concrete of M-250 at the cost and risk of the contractors. Similarly, sub soil exploration, geo-technical evaluation of the foundation rock strata, removal of silt from working area and rectification of tilt & shift of wells during execution constituted the cost and risk of the contractors. However, in seven of the 10 bridges, the sump portions below the cutting edge level were filled up with 1906 cum of cement concrete and the EEs paid Rs.1.02 crore to the contractors for the purpose resulting in undue benefit to them.

Further, in four bridges the EEs had carried out the soil exploration works through other contractors between March 2000 and March 2005 and incurred expenditure of Rs.23.16 lakh and removed the silt from working area and rectified the tilt/shifts of wells by incurring expenditure of Rs.55.17 lakh. The total undue favour to contractors was thus Rs.1.80 crore. At the instance of Audit, claim for Rs.42.81 lakh for sump filling was disallowed in respect of the contract for bridge over river Mahanadi on sump filling, but recoveries for Rs.1.37 crore in nine other bridges were not effected as of March 2005.

² H.L. Bridge over river Luna on Gop-Kalapoda-Akhua road, river Gobari at 10th km on Angulai -Orata road, river Chitrotpola at Lachipada, river Baitarani at 3rd km on Champua Fogu road, over Rusikulya on Chhanagadipadar-AP border road, river Gobari at 3rd km on Boro and Angulai road, over Chitrotpola at Patkura, river Kani on Aul-Bhuinpur road, over Mahanadi on Gadama-Kishannagar road and over Loharkhandi on DS road.

3.3.14 Extra payment to contractor

Extra payment of Rs.47.90 lakh to contractor due to delayed acceptance of tender

Rules provided that tenders should be finalised within 90 days from the date of their receipt. Tender for construction of high level bridge over river Kani at 6th km on Aul-Bhuinpur road in Kendrapara district was received on 15 April 1999 and the CE recommended (1 June 1999) the negotiated lowest tender of a contractor for Rs.5.99 crore. The Tender Committee (TC) considered (10 June 1999) it on the higher side and directed the CE for further negotiation to bring down to the level of local market rate (Rs.5.53 crore) worked out by the department. The contractor did not (9 July 1999) agree to reduce the rates but extended the validity of his tender to 31 July 1999. However, no decision on the tender was taken even after expiry of extended validity period whereby the contractor claimed (17 August 1999) 10 *per cent* extra rate in each item on the ground of construction of island and Foot Bridge for transportation of construction materials. The TC recommended (September 1999) that in case the contractor did not agree to execute the work at the tender amount of Rs.5.99 crore the tender should be cancelled. The contractor did not accept the recommended amount and claimed (December 1999) 10 *per cent* over and above the recommended amount.

Subsequently, the TC decided (January 2000) that the CE should visit the site and furnish his views. Although the contract provision allowed for escalation to compensate the hike in cost of labour, material and POL from the date of opening of the tender, the CE recommended (June 2000) 10 *per cent* extra over the negotiated tender amount on the ground that the rates of the materials and labour had increased in the area. The TC recommended (July 2000) 8 *per cent* increase over the negotiated tender amount which was approved (May 2001) by the Government. The work was awarded (May 2001) to the contractor at a cost of Rs.5.79 crore plus 8 *per cent* extra which worked out to Rs.47.90 lakh for completion by May 2004.

The failure of Government to accept the negotiated tender even within the extended validity period (July 1999) facilitated the contractor to claim extra rates and despite the existing contract provision for payment of escalation to compensate hike in cost of labour, materials and POL from the date of opening (April 1999) of the tender, Government approved 8 *per cent* extra over the negotiated tender resulting in extra benefit of Rs.47.90 lakh to the contractor.

3.3.15 Non-recovery of Government dues from contractors

Non-recovery of Government dues of Rs.6.15 crore levied towards default in execution, cost of materials and rectification of defects

Construction works of 5 bridges³ were awarded to 5 Contractors between October 1991 and October 2000 at a cost of Rs.6.16 crore for completion between October 1993 and September 2002. The contracts stipulated that the works should be completed within the target dates and for delay, liquidated compensation upto 10 *per cent* of contract value was to be realised. In case of failure to complete the works or on abandonment, the left over works would

³ Over river Baitarani on Champua-Fagu road, over Bajore nullah on R.Udayagiri-Sambalpur road, over Nilamguda on Suludi-Nilamguda road, over Baghua at 2nd km on Balamchandarpur-Kanchei road and over Kudianallah-Chandabali-Aredi road.

be completed through other agencies at the cost and risk of the defaulting contractors.

The contractors failed to complete the above bridges and abandoned the site after executing work worth Rs.2.88 crore. Government terminated their contracts with levy of penalty and the left over works for Rs.3.28 crore were awarded (January 2002 - July 2005) to other contractors at a cost of Rs.5.58 crore on re-tender for completion between January 2003 and July 2006. The works were under execution (March 2005). The award of the works on retender involved extra cost of Rs.2.30 crore. No action was initiated for realisation of extra cost from the defaulting contractors (March 2005). Besides, the defaulting contractors retained materials costing Rs.1.04 crore which had also not been recovered.

Thirty one other bridge/road projects stipulated for completion between May 1997 and October 2004 at a cost of Rs.28.08 crore were not completed by the contractors within the stipulated dates. Extension of time was also not sanctioned in their favour. Liquidated compensation of Rs.2.81 crore was, however, not realized as of March 2005.

**Non-recovery of
Rs.84.69 lakh from
defaulting
contractors**

Repair and reconstruction of cyclone damaged Aunri-Garia, Palodhubandha-Aunri, Narkrala-Marchipur roads under Jagatsinghpur district were awarded (November/December 2000) to three contractors at a cost of Rs.2.53 crore for completion by June/July 2001. As per the conditions of the tenders, extra items requiring execution were not to vitiate the contracts and the same were to be executed at negotiable rates. Before commencement of execution of the works, the CE visited the site in November 2000 and apprehending CBR value of the soil not more than 2, directed the EE to provide coarse sand 0.30m thick below the sub base. Without conducting the soil test and ascertaining the actual CBR value, the EE executed (September 2001) supplementary agreements for providing sand filling below the sub-base. The contractors after executing work valuing Rs.61.92 lakh left the works in March/April 2002 and two of the contracts were terminated (July 2002) with levy of penalty but the third contract was terminated in July 2002 without levy of penalty.

The remaining works were completed through other agencies at an extra expenditure of Rs.84.69 lakh which has not yet been recovered from defaulting contractors. Against the above recoverable dues, Bank Guarantees of Rs.10.50 lakh though was available with the department for possible adjustment against Aunri-Garia and Palodhubandha-Aunri roads, their validity was not extended beyond July 2002.

3.3.16 Undue benefit to contractors

**Undue benefit of
Rs.2.06 crore due to
irregular issue of
subsidised rice after
completion of works**

GoI launched the Food for Work Programme during 2002 with a view to augmenting food security through wage employment. The scheme provided for supply of 5 kg of rice per day at subsidized rate of Rs.5.65 per kg and payment of balance wages in cash. To ensure that the benefit of subsidy reached the labourer and as a safe guard against the sale of rice at higher rate in the market, the scheme stipulated that rice should be supplied to the labourers at the work site along with cash component on muster rolls in presence of the local representatives.

However, 8 EEs issued 4057 tonnes of rice to contractors after completion of works executed through 1092 agreements between 2001-02 and 2004-05. The delays ranged between 7 days and 18 months. Since distribution of rice to daily wage workers after completion of the works was not practicable, the subsidy of Rs.2.06 crore provided by GoI was not passed on to the labourers and instead led to undue benefit to the contractors.

3.3.17 Non-recovery of Sales tax

Loss of Rs.38.99 lakh due to non-recovery of ST on tender paper.

As per ST Act, 12 *per cent* ST was leviable on the cost of tender papers. 11 EEs did not recover ST on the cost of tender papers for Rs.3.25 crore sold to contractors during 2002-05 resulting in loss of ST of Rs.38.99 lakh.

Wasteful expenditure due to avoidable delays

Lack of efficiency in management of project and lapses in processing tender resulted in extra and avoidable cost of Rs.3.22 crore as discussed below:

3.3.18 Cost and time over run on construction of a bridge

Cost over run by Rs.2.61 crore due to frequent revision of designs and non finalisation of tender

A bridge over Satiguda Nullah at 7th km on Jeypore-Balia-Boipariguda road constructed in 1984 collapsed in August 1991 due to scouring of the open foundation. The hanging foot bridge constructed by the Irrigation Department was used by pedestrians and two wheelers. Government approved (September 1993) construction of a high level bridge with a middle span of 30 metres and two shore spans of 14.50 metres each at a cost of Rs.98.20 lakh and provided Rs.49.10 lakh during 1994-95 for the purpose. The lowest tender received (October 1994) for Rs.47.38 lakh for construction of the bridge was cancelled on the ground of inadequate publicity to the notice and also expiry of validity of the offer on the date of consideration of the tender. No action was taken thereafter to invite fresh tender.

The designs for the bridge was thereafter modified (August 1999/March 2002) twice in rearranging the span number and length and finally shifting the alignment 250 metres upstream. The first lowest offer of OCC for Rs.3.07 crore received as per revised designs, too, was not approved although administrative approval was accorded in September 1993. The validity of the tender expired in April 2004.

Thus, construction of a high level bridge contemplated to replace the collapsed one for re-establishing connectivity on a rural road though approved in 1994-95 did not commence even after lapse of 10 years due to non finalisation of tender and revision of designs despite administrative approval, denying the benefit of connectivity of rural population. Besides, the cost has already over run by Rs.2.61 crore and is likely to further go up as balance work commences.

Extra cost of Rs.61 lakh due to lapses in processing tenders

3.3.19 Extra cost due to lapses in processing tenders

As per codal provisions, the tender should be processed and accepted within 90 days from its receipt failing which the tender would be invalid unless its validity suitably extended by the bidder. In response to the tender notice of January 2003 for repair and reconstruction of Ibrisingh-Alnaran-Laxminagar Gudu Road from RD 00 to 17 km, two bids were received in April 2003. The bids were not finalised even within the extended validity period of December 2003 and after expiry of 273 days from the date of receipt, the second lowest bid for Rs.2.92 crore was accepted (January 2004) obtaining further extension to the validity of his bid and rejecting the valid lowest bid of Rs.2.31 crore on the ground of expiry of its validity. This led to extra liability of Rs.61 lakh.

Unfruitful outlay on abandoned projects

Some of the projects were abandoned mid way resulting in non-accrual of intended benefits rendering expenditure of Rs.2.07 crore spent on the projects unfruitful as discussed below:

3.3.20 Repair and reconstruction of cyclone damaged Erasama-Chatua road in Jagatsinghpur district was awarded (January 2001) to a contractor at a cost of Rs.80.43 lakh with stipulation for completion by August 2001 without testing CBR value of soil. The CE visited the site in November 2000 and apprehending that the CBR value of the soil being less than 2 advised for provision of sand core of 0.30 metre below hard crust. The EE conducted soil test in August 2001 which disclosed the CBR value at three locations between 2.4 and 2.6 and at two locations 1.7 and the EE proposed the sand core. The highway engineer of World Bank however, expressed his concern that the sand core was not to be treated as part of pavement thickness since it was not a recognized structural pavement. The estimate was thereafter, revised (August 2002) increasing thickness of GSB and providing of sand drain at Rs.300 per cum.

Due to delay in finalisation of designs/rates for extra items, the contractor demanded (August 2002) higher rates. This, too, was not finalised quickly and the Adjudicator appointed for the purpose revised the rates of the extra items as late as in June 2003. The contractor still demanded (May 2004) further extra rates and finally abandoned the work in June 2004 after executing work worth Rs.1.04 crore. His contract was terminated in August 2004 but the remaining works were not taken up (March 2005).

Thus, award of work without soil testing led to post tender complication and resulted in non-establishment of all weather communication on the road even after six years of damage, rendering an expenditure of Rs.1.04 crore unfruitful.

Wasteful expenditure and non-recovery of Rs.2.07 crore on abandonment of cyclone damaged road midway

3.3.21 Repair and reconstruction of cyclone damaged Dhunkapada-Nachunibadi road from RD.00 to 16.30 km in Ganjam District was awarded (December 2002) to a contractor at a cost of Rs.2.17 crore for completion by March 2004. The contractor after executing earth work for 8.12 km with metalling in haphazard condition for Rs.79.13 lakh abandoned it in March 2004.

The quality monitoring consultant observed in August 2004 that the road was damaged rendering it unfit for movement of vehicular traffic due to execution of haphazard work and leaving the road without maintenance. The EE, RW Division No-I, Ganjam, estimated Rs.2.26 crore for completion of the left over work including Rs.65.88 lakh required for finishing the damages to the road due to leaving the work incomplete. No action was taken for completion of the work rendering expenditure of Rs.79.13 lakh already incurred on the road wasteful.

Liquidated compensation for Rs.23.68 lakh was also not levied on the defaulting contractor. The road severely damaged in the super cyclone of 1999 was not made trafficable as of March 2005.

3.3.22 *Quality control measures*

Poor quality control measures

Although ensuring of quality and specification during execution were the basic requirements for sustainable road construction, the department had neither any specialized quality control wing nor streamlined quality control measures to ensure specified quality of materials and the workmanship. The quality control testing in respect of World Bank Assisted projects was done through private consultants. Routine checks for cement concrete items in bridge works were carried out through private consultants and other departmental laboratory as and when necessary. Specific mix design for cement concrete works and testing of concrete cubes to confirm execution of controlled cement concrete items as per specifications were not made mandatory.

3.3.23 *Inventory control*

Poor inventory management led to retention of surplus stores for Rs.1.84 crore besides shortages for Rs.67.29 lakh

Government ordered (January 1996) discontinuance of procurement of stores from April 1996 and directed that the works be executed by contractors on finished item rate contract providing stores at their own cost and risk. Government also ordered for immediate stocktaking of the existing materials and exploring the possibility of their *utilisation*/disposal. Despite lapse of nine years, such stock taking was yet to be completed (March 2005). Test check in Audit in nine districts revealed that the department retained surplus stores of 537 tonnes steel and 66 tonnes bitumen worth Rs.1.84 crore. No action was taken to utilize/dispose of the same (March 2005).

3.3.24 *Shortage of stock materials*

Departmental rules provided verification of ground balance of stock materials by the EE at least once in a year and by the Sub-Divisional Officer (SDO) at least twice a year. Further, in case of transfer of charge, the EE should scrutinise the charge report and any discrepancy in the accounts of store should be set right within one month of receipt of charge report. In RW Division, Sambalpur, ground balance of stock materials was neither verified by the EE nor by the SDO since April 1993 despite repeated audit comments.

A Junior Engineer (JE) who held charge of RW store section (Central store) between August 1990 and August 1994 was relieved in August 1994 but he handed over charge only in October 1994. JE's charge report mentioned

shortage of stock materials, but the EE did not scrutinize the charge report until audit pointed out the shortage through the inspection reports between 1994-95 and 1998-99. Verification (September 2001) of stock materials by EE disclosed shortage of materials valuing Rs.67.29 lakh. The JE was asked (September 2001) to reconcile the shortage but shortages were not reconciled nor any action was taken to realise the cost of materials from JE even as of March 2005. With the retirement of the JE in November 2001, the possibility of recovery of Government money was remote leading to loss of Rs.67.29 lakh.

3.3.25 Monitoring

Monitoring and evaluation of projects were poor resulting in massive cost and time over run

Despite implementation of several programmes/schemes for improvement of rural roads, monitoring of the works/programmes were not regularly done. No reports on monitoring and evaluation of programmes/projects were ever submitted by the CE. The Progress Reports though were submitted by the EEs to the CE under CWA, Special repairs and deposit works but these progress reports were not comprehensive and there was no periodicity or format prescribed for such progress reports. The poor monitoring reflected in cost and time overrun in completion of the projects.

3.3.26 Conclusions

Despite emphasis in the plan periods for establishing all weather village road communication and in spite of providing resources by GoI and GoO from different sources, the objective remained unfulfilled due to lack of a consolidated plan integrating the supports available from different sources for governance of different schemes. The department did not utilise the core net works prepared since 2002-03 for each block/district for prioritisation and selection of roads to achieve maximum connectivity in a systematic and cost effective manner. Several roads and bridge projects remained incomplete due to lack of monitoring during execution and frequent change in designs. The poor management of contracts resulted in losses, excess payments and avoidable burden on the State exchequer. As of March 2005, 55 per cent of the total road length still remained in metal and earthen track, that too, with many missing links. There was no organized set up for quality assurance.

Recommendations

- The database (core networks) should be used for preparation of a consolidated plan for prioritisation and selection of projects for execution.
- Care should be taken to complete missing links, incomplete/abandoned bridges etc. on priority basis.
- Contract management and monitoring of projects should be strengthened to ensure strict adherence to clauses of works agreements.
- Systematic quality control measures should be put in place.

The matter was referred to Government in August 2005; their reply had not been received.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4 Indian Systems of Medicine and Homoeopathy

3.4.1 Introduction

Programmes of the Government under the health sector envisaged provision of quality health care services through the Indian Systems of Medicine and Homoeopathy (ISMH) in addition to the Allopathy system.

Audit of the working of the ISMH system in the State in the offices of the Director of Indian Medicine and Homoeopathy (DIMH), Bhubaneswar, four medical colleges¹ and three Circles each of Ayurveda and Homoeopathy (Balasore, Berhampur and Sambalpur) entrusted with the supervision of dispensaries under their jurisdiction revealed several shortcomings in the form of negligible provision of funds for medicine, diet and equipment and poor infrastructure of hospitals and dispensaries.

Vacancies in the posts of teaching staff in the medical colleges affected the quality of education imparted to the students. The provisions of the Drugs and Cosmetics Acts, 1940 for ensuring quality of ISMH drugs were not adhered to.

3.4.2 Inadequate funding of ISMH

The Health and Family Welfare (HFW) Department provided Rs.157 crore including Government of India grant of Rs.2.14 crore for ISMH during the years 2000-05. Out of the total expenditure of Rs.151.70 crore under ISMH the expenditure on establishment was Rs.146.42 crore (97 *per cent*) and the expenditure on health care facilities like medicine, equipment etc. was Rs.5.28 crore (three *per cent*) during the five- year period.

3.4.3 Limited number of ISMH hospitals

The hospital services provided in the State were limited only to five Ayurveda and four Homoeopathy Hospitals functioning in seven out of the 30 districts as of May 2005. Thus, 23 districts with 67 *per cent* of State's population (2001 census) did not have the benefit of hospital treatment under ISMH. As of May 2005, the Government had no plans for opening of more such hospitals.

* The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI at page 225.

¹ (i) **Ayurveda:** Government Ayurvedic College, Bolangir and Gopabandhu Ayurveda Mahavidyalaya, Puri;
(ii) **Homoeopathy:** Dr. A.C.Homoeopathic Medical College, Bhubaneswar and Biju Patnaik Homoeopathic College, Berhampur.

3.4.4 Deficiencies in health care services in hospitals

In the hospital at Bolangir, eight beds were operated under an asbestos roof

Test check of two Ayurvedic hospitals (Puri and Bolangir) out of five in the State and one Homoeopathic hospital (Bhubaneswar) out of four in the State revealed that the Puri hospital operated 72 out of sanctioned 80 beds during 2000-05 and the Bolangir hospital operated 18 out of sanctioned 30 beds for want of accommodation. In the hospital at Bolangir, eight beds were operated under an asbestos roof and the hospital did not have basic amenities like toilet, labour room, sewerage and drainage system and regular water supply. Thus, the availability of infrastructure was not commensurate with the number of beds sanctioned.

The supply of medicine to an indoor patient per day in ayurvedic and homoeopathic system was Rs.2.50 and Re.0.50 respectively as per the Government's norm fixed in October 1979. The rates were too low to supply essential medicines to the patients. The diet costing Rs. 10 per day/patient fixed by the Government in April 2001 was similarly inadequate. The X-ray machine (Rs.5.05 lakh) of Homoeopathic Medical College Hospital at Bhubaneswar remained idle since January 1998 for want of a sanctioned post of technician. The OT of the Ayurvedic Medical College Hospital at Puri was also not provided with essential equipment (Dental chair, Boyle's apparatus, orthopedic bed with traction etc.) and medicines.

Thus, non-revision of norms for medicine and diet and non-availability of essential equipment and amenities deprived the patients of quality health care services

3.4.5 Functioning of Dispensaries

According to the norms prescribed by the Government of India there should be at least a dispensary under any one of the systems of medicines for 30000 population in plain area and 20000 population in the tribal and hilly areas which the State Government also decided (August 1990) to adopt in the State.

Following the above norms the State Government under the Tenth Plan targeted opening of 200 new dispensaries (100 each under Ayurveda and Homoeopathy) by 2003-04. Since the Government were unable to provide infrastructure for all the dispensaries, the Inspectors of the concerned circles were instructed from time to time to arrange the accommodation which were to be provided free of cost by the local people.

However, as against the above target, only 85 ayurvedic and 77 homoeopathic dispensaries could be opened by March 2005 raising the total number of dispensaries in existence to 1150 (Ayurveda: 604, Unani: 9 and Homoeopathy: 537) as of May 2005. The remaining 15 Ayurvedic dispensaries in three circles² and 23 Homoeopathic dispensaries in six circles³ were not opened, as the concerned Inspectors failed to arrange accommodations.

² Bhubaneswar: 3, Berhampur: 1 and Rayagada: 11.

³ Bhubaneswar: 1, Berhampur: 1, Sambalpur: 1, Bhawanipatna: 2, Baripada: 1 and Koraput: 17.

3.4.6 *Inadequate infrastructure and facilities*

132 out of 390 test checked dispensaries functioned in one-roomed buildings instead of the prescribed three rooms

As per the specifications of the DIMH, a dispensary should have three rooms (minor operation room, Medical Officer's room and waiting space including toilet) over an area of 786 sq. ft. Test check of records of three ayurvedic and three homoeopathic Inspectorates revealed that 132 out of 390 dispensaries under their jurisdiction had been functioning in one-room only. Besides, basic facilities like electricity and water supply were not available in 335 and 383 dispensaries respectively. The DIMH stated (August 2005) that the Government was constructing the buildings phase-wise as per availability of funds to accommodate the dispensaries functioning in one room. The fact however remained that 55 out of these 132 dispensaries had been functioning in one room for over 20 years since their establishment.

3.4.7 *Shortage of Manpower in dispensaries*

Eighteen dispensaries in four homoeopathy circles did not have doctors for periods ranging from 24 to 45 months as of May 2005

As per the staffing pattern of the Government, each ISMH dispensary should have posts of one Medical Officer (MO) and one Ayurvedic Distributor (AD) or Homoeopathic Assistant (HA) as the case may be. Scrutiny revealed that for the 1150 (Ayurveda and Unani: 613 and Homoeopathy: 537) dispensaries in existence, 591 ADs/HAs were in position. As a result, Medical Officers of 559 dispensaries, were to manage the dispensaries without the assistance of AD or HA. Eighteen⁴ out of 219 dispensaries in four homoeopathy circles did not have MOs for periods ranging from 24 months to 45 months as of May 2005.

3.4.8 *Posting of Ayurvedic Medical officer in Unani Dispensary*

One Ayurvedic Medical Officer posted in a Unani Dispensary was prescribing Unani medicines

One Ayurvedic Medical Officer was posted (June 1999) against the post of Unani Medical Officer at the Unani Dispensary, Balasore and used to prescribe Unani medicines to the patients. The DIMH stated (August 2005) that due to non-availability of a Unani Medical Officer, such an arrangement had been made.

3.4.9 *Dispensaries without essential clinical instruments*

Seventy one test checked dispensaries did not have the full set of required clinical instruments

The DIMH identified 25 essential clinical instruments for a dispensary under ISMH. All the 71 dispensaries test checked (Ayurvedic: 39 and Homoeopathic: 32) out of 390 functioning under the six circles, did not have the full set of identified instruments with them; the shortfall ranged from one to sixteen instruments and related to ENT diagnostic set, ear syringe, ear speculum, dental elevator, D&C set, BP instrument etc. The DIMH stated (May 2005) that instruments were provided as per the funds available.

3.4.10 *Inadequate supply of medicine to dispensaries*

As per orders of the DIMH, ayurvedic medicines required for dispensaries were being manufactured in Government Ayurvedic pharmacies and supplied

⁴ (i) Koraput Circle: 7 (from 2003-04), (ii) Berhampur circle: 1 (from September 2001), (iii) Sambalpur circle: 6 (Bisipara, Jaloi, Kumbhoo, Sundergarh town, Kushakella and Kuibahal) (from June 2003) and (iv) Bhawanipatna circle: 4 (from 2003-04).

to the Inspectors of the circles for distribution to the dispensaries under their jurisdiction. However, the quantity and varieties of the medicines supplied were not based on actual requirement of the dispensaries as equal quantities were supplied to all the dispensaries without considering dispensary-wise turnout of patients. The Ayurvedic Medical Officers of the test checked dispensaries stated (April/May 2005) that the supply of medicines even for some common ailments such as malaria, acidity, common cold and cough, fever, arthritis and gynecological disorders was inadequate.

3.4.11 Vacancies in ISMH Medical Colleges

In Homoeopathic and Ayurvedic medical colleges, 19 posts and 26 posts of teaching staff respectively were lying vacant for periods ranging from one to eight years

The State Government maintained a four-tier⁵ staffing pattern for the teaching faculty in ISMH colleges with intake capacity of 30 (Ayurvedic) and 25 (Homoeopathic) students. However, it was noticed that out of the sanctioned posts of 78 in all the three Ayurvedic medical colleges and 98 in four Homoeopathic medical colleges of the State, 19⁶ and 26⁷ posts of teaching staff respectively were vacant for periods ranging from one to eight years (April 2005). In the Berhampur Ayurvedic College, 12 faculty members were in position in 14 departments under operation. Further, there was huge disparity between sanctioned strength of Bolangir college (30) and that of Berhampur (13) college even though the student intake capacity was 30 per year for both the above colleges. Thus, by keeping the posts of teaching staff vacant for years together, the students of the concerned colleges were deprived of quality medical education. The DIMH stated (May 2005) that while steps were being taken to fill up the vacancies for Ayurvedic posts, there was some difficulty for filling the Homoeopathic posts due to pending legal suit in High Court since the year 2000.

3.4.12 Homoeopathic Medical College without attached hospital

The Homoeopathic medical college at Berhampur did not have an attached hospital affecting the clinical exposure of the students

The Biju Patnaik Homoeopathic Medical College and Hospital, Berhampur imparting degree course⁸ with annual admission capacity of 25 students every year was functioning without an attached hospital. Clinical exposure and practical training of the students of the college were confined only to treatment of patients in the Out Patient Department (OPD). During the internship period of one year, the students attended a nearby allopathic hospital for five and half months to have practical training. However according to the norms prescribed by the Central Council of Homoeopathy, internship training was to be undertaken at the hospital attached to the college or in any other homoeopathic hospitals run by Government or local bodies. Thus, the students passed out of

⁵ (i) Ayurvedic Medical College: Demonstrator (base level post), Lecturer, Reader, Professor and (ii) Homoeopathic Medical College: Demonstrator (base level), Lecturer, Associate Professor, Professor.

⁶ (i) Puri College: 8 (one professor from December 2001, two Lecturers from December 2003 and April 2004, five Demonstrators from October 2002), (ii) Bolangir College: 10 (one Reader from February 2003, one lecturer from 1998 and eight Demonstrators posts from April 2002) and (iii) Berhampur College: one Demonstrator post from February 2003.

⁷ (i) Bhubaneswar College: 17 (one Professor from April 2004, four Associate Professors from January 2004, two Lecturers from March 2004 and 10 Demonstrators from 1997), (ii) Berhampur College: 3 (one Professor from July 2004, one Associate Professor from January 2004 and one Demonstrator from March 2003), (iii) Rourkela College: 3 (one Associate Professor from January 2004 and two Demonstrators from February 2002) and (iv) Sambalpur College: 3 (two Lecturers from February 2004 and one Demonstrator from January 2004).

⁸ Bachelor of Homoeopathic Medicine and Surgery.

this college did not have the required exposure to practical homoeopathic treatment.

3.4.13 Non-adherence to the provisions of Drugs and Cosmetics Act, 1940

As per the Drugs and Cosmetics Act, 1940 and rules made thereunder, Good Manufacturing Practice (GMP) was made mandatory for the manufacturers of Ayurveda, Siddha and Unani (ASU) drugs with effect from 7 March 2003 to ensure use of good quality and authentic raw material, evolve proper manufacturing processes and quality control of finished drugs. The DIMH being the Licensing Authority (LA) was to issue GMP certificates to licensees engaged in manufacture of ASU drugs.

162 out of 179 pharmacies in the State were not issued with Good Manufacturing Practice certificates

Test check of the records of DIMH revealed that out of 179 pharmacies (Government: 3 and Private: 176) manufacturing ASU drugs in the State, 162 were not issued with the GMP certificates (June 2005). The DIMH stated (June 2005) that the units were advised to comply with the GMP norms and apply for the certificates early. However, even after the GMP was made mandatory, 18 pharmacies were issued licenses without GMP certificates.

3.4.14 Functioning of the Government Ayurvedic pharmacy at Bolangir

The Government Ayurvedic Pharmacy (GAP) at Bolangir has been manufacturing ayurvedic medicines for supply to all Government hospitals and dispensaries of the State. Under the Centrally Sponsored Scheme "Strengthening of pharmacies", the GAP received (May 2001) Government of India grants of Rs.58.08 lakh for construction of building (Rs.18.63 lakh) and purchase of machinery (Rs.39.45 lakh). Although construction of the building was completed in December 2004, machinery worth Rs.20.76 lakh purchased in August 2004 were not commissioned as the electrical installation of the building was yet to be completed (April 2005). Besides, a laboratory was attached to the GAP for testing the quality of raw herbs and manufactured medicines. However, no tests of raw herbs and finished products were conducted since the inception of the pharmacy and the drugs were being supplied to the Government hospitals and dispensaries for use by patients.

Thus, due to supply of drugs without conducting laboratory tests, the quality control of the same was not ensured. The GAP did not follow the GMP norms and the manufacturing license of the GAP valid up to December 2003 was not renewed (May 2005).

The Superintendent of the GAP stated (May 2005) that the testing was conducted by a committee in traditional method through human senses by touching, tasting, smelling and viewing the colours and that the DIMH had been moved to issue the GMP certificate.

140 out of 179 pharmacies did not have internal facilities for testing of drugs manufactured

Similarly, 140 out of 179 pharmacies engaged in manufacturing ASU drugs in the State as of April 2005 did not have internal testing facilities for testing raw materials and finished drugs. Thus, adherence to the GMP norms by the licensees could not be ensured for manufacture of quality drugs.

3.4.15 Non-availability of facilities for testing of ISMH drugs samples

Despite receipt of Central assistance, the Ayurvedic Drug Testing Laboratory could not be made operational for over four years

The GOI sanctioned (March 2001) and paid Rs.70 lakh (May 2001: Rs.54 lakh and October 2004: Rs.16 lakh) for strengthening a Drug Testing Laboratory (DTL) located in Government Ayurvedic Hospital campus, Bhubaneswar within two years, setting a target of testing 500 drug samples per year. Mention was made in paragraph 3.2.8 of the Report of the Comptroller and Auditor General of India (Civil), Government of Orissa, for the year ended March 2003 regarding non-completion of the construction of the building of the DTL. Further scrutiny revealed that equipment worth Rs.51.67 lakh purchased in September 2004 were not installed and the remaining amount of Rs.18.33 lakh was kept unutilised (May 2005). Besides, Government had not posted any staff except designating the existing post of Scientific Officer as Analyst in respect of ASU drugs.

The Scientific Officer, DTL stated (June 2005) that delay in provision of funds for procurement of equipment and deployment of manpower led to delay in making the DTL operational. Thus, despite availability of funds, the DTL could not be made operational for over four years and the quality of the drugs under circulation could not be ensured.

There was no separate DTL in the State for testing of homoeopathic medicine and the medicines were being tested in Homoeopathic Pharmacopoeial Laboratory (HPL), Ghaziabad (UP). The Deputy Drug Controller stated (January 2005) that Government had been moved for introduction of testing facilities of Homoeopathic medicine under the Department For International Development (DFID) scheme. Thus, due to non-availability of facilities for testing of ISMH drugs, circulation of quality medicines could not be ensured.

3.4.16 Raising and cultivation of medicinal herbs and plants

While the value of herbs collected from the herbal garden at Harisankar was only Rs.1.34 lakh, the expenditure incurred on establishment was Rs.30.94 lakh

One herbal garden at Harisankar was maintained over an area of 10.25 acres of land to provide medicinal plant based raw materials to Government Ayurvedic Pharmacy, Bolangir. One Ayurvedic Medical Officer, one Agriculture Overseer, five Malis and two Attendants were engaged for the upkeep of the garden. Scrutiny revealed that no additional plantation had been made during 2000-05 and the herbal produce was collected from the existing 2781 plants. The value of herbs collected from the garden was a mere Rs.1.34 lakh against the expenditure of Rs.30.94 lakh incurred on pay and allowances of the garden staff during 2000-05.

7540 herbal plants got destroyed in the herbal garden at Sirsa during 1999-2005 for want of maintenance

Another herbal garden covering an area of 20 acres was set up at Sirsa (Mayurbhanj district) in 1990 for raising medicinal plants and collection of herbs. One Medical Officer, one Mali and one watchman were posted to look after the garden. Central assistance of Rs.7.15 lakh received in March 1995 was spent during 1995-99 for erection of compound wall (Rs.3 lakh), irrigation system (Rs.3 lakh) and procurement of equipment (Rs.1.15 lakh). Subsequently for want of maintenance, the garden became an open grazing ground for cattle due to the broken boundary wall and the irrigation system also failed. As a result, 10268 plants existing in 1998 got reduced to 2728 as of March 2005 and 49 out of 92 species planted by December 1998 got

destroyed during 1999-2005. No herbs had been collected from the garden, thus defeating the purpose of setting up the herbal garden; payment of Rs.14.92 lakh made to the staff towards their salary during 1999-2005 proved unfruitful.

3.4.17 Conclusion

The poor infrastructure in hospitals and dispensaries, non revision of norms of medicine and diet, shortage of staff in dispensaries, inadequate supply of medicines and equipment to dispensaries stood in the way of providing quality health care services through ISMH. Vacancy in the teaching staff of the medical colleges affected the standard of education imparted under the systems. In the absence of DTL in the State for testing of homoeopathy and ayurvedic medicines, the quality and standard of ISMH drugs in circulation in the State could not be ensured. Maintenance of herbal gardens was not effective and thus uneconomical.

Recommendations

- Norm of expenditure on medicine and diet fixed during 1979 and 2001 respectively for indoor patients of the hospitals is inadequate and should be revised.
- Vacancy in the posts of teaching staff of the ISMH medical colleges are to be addressed to improve the quality of medical education in the State.
- Adequate provision of funds for infrastructure development should be made in hospitals, dispensaries and colleges for their efficient functioning.
- Adherence to GMP norms by the licensees and facilities for testing of drugs should be ensured for manufacture and circulation of quality drugs.

The Principal Secretary during discussion (October 2005) assured that the facts would be confirmed from the field offices and appropriate corrective measures, wherever necessary would be taken.

PLANNING AND CO-ORDINATION DEPARTMENT

3.5 Functioning of the Western Orissa Development Council

The Western Orissa Development Council (WODC) was established in November 1998 under the WODC Act, 1998. This Act was repealed by the WODC Act, 2000 and the WODC (Amendment) Act 2001 which came into force from February 2001. The area of WODC covers ten Districts¹ and the Athmalik sub-division of Angul district.

The Council consists of a Chairman, two Members of Parliament (Lok Sabha), 11 Members of the State Legislative Assembly and ten expert members from the fields of public administration, social service, education, finance etc. nominated by the Government. Besides, the Revenue Divisional Commissioner (Northern Division) is also a member and the Chief Executive Officer (CEO) of the Council, appointed by the Government is the Member Secretary.

The objective of the Council was to prepare and implement short term and long term plans and programmes to upgrade the level of development of the Council area in order to remove regional imbalances both within the area and *vis-a-vis* the state. The Council was also to suggest long term measures for removal of imbalances and assess the impact of various development programmes undertaken within the Council area having regard to the levels of development of the State as a whole.

Test check (February - May 2005) of the records of the CEO, WODC and nine² agencies entrusted with the implementation of the programme of the Council for the period 1999-2005 under Section 14(1) of the C&AG's (DPC) Act, 1971 revealed several deficiencies in budgetary and expenditure control, programme management and monitoring as discussed below.

Financial management

3.5.1 Inadequate Budgetary and Expenditure Control

The Act provided that the council should prepare in each financial year a budget of its estimated receipts including grants-in-aid to be received and disbursements for the following financial year and submit the same to the Government three months before the presentation of the State Budget for obtaining the approval of the State Legislature. Scrutiny revealed that the

Budget estimates of the WODC contained only sector-wise lump sum estimates without supporting details of projects to be undertaken in each sector

* The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI at page 225.

¹ Districts: Bargarh, Bolangir, Boudh, Deogarh, Jharsuguda, Kalahandi, Nuapada, Sambalpur, Sonepur and Sundargarh.

² Collectors: 2 (Sambalpur and Sundargarh), EE, R&B Divisions: 2 (Sambalpur and Phulbani), EE, MI Division: 1 (Sambalpur), EE, Rural Works Divisions: 2 (Sundargarh and Bolangir), EE, RWSS Division: 1 (Bolangir), Bijayananda Cooperative Sugar Mills, Deogaon, Bolangir district.

Council did not submit the budgets for the years 1999-2002. However, the budget estimates were submitted³ to the Government from 2002-03 onwards incorporating lump sum estimates in various sectors without supporting details of projects to be undertaken. However, the State Government paid grants-in-aid to the council by making provision in the State budget during 1999-2005. The sector wise expenditure according to the utilisation certificates furnished (August 2005) by the executing agencies were (i) Roads: Rs.54.52 crore, (ii) Irrigation: Rs.33.47 crore, (iii) Health: Rs.3.15 crore, (iv) Education: Rs.5.05 crore, (v) Rural Electrification: Rs.2.44 crore, (vi) Natural calamity: Rs.2.41 crore, (vii) Rural Water Supply and Sanitation: Rs.3.97 crore, (viii) Urban Local Bodies: Rs.4.15 crore and other projects: Rs.2.38 crore.

The Chief Executive Officer, WODC stated (May 2005) that the Council had no experience in preparation of the budget as per the Budget Manual and the Council was to see the overall development of the area and adherence to procedure was of secondary importance. The reply was not tenable as non-preparation of annual / long term action plans contributed to lump sum budget provisions which was also contrary to the provisions of the Orissa Budget Manual resulting in inadequate budgetary and expenditure control.

3.5.2 Advances treated as final expenditure

The position of receipt and expenditure of the Council during 1999-2005 was as under:

(Rupees in Crore)

Year	Receipt during the year			Total expenditure			UCs submitted by the executing agencies up to August 2005 (for grants only)
	Grants	Others	Total	Establishment	Release to Executing Agencies	Total	
1999-2000	3.05	0.01	3.06	0.30	0.48	0.78	0.28
2000-01	30.00	0.05	30.05	0.18	1.73	1.91	1.51
2001-02	50.00	0.01	50.01	0.26	22.90	23.16	17.06
2002-03	50.00	0.06	50.06	0.40	39.99	40.39	38.69
2003-04	50.00	0.13	50.13	0.49	73.86	74.35	37.92
2004-05	50.00	0.15	50.15	0.54	61.96	62.50	16.08
Total	233.05	0.41	233.46	2.17	200.92	203.09	111.54

Advances of Rs.200.92 crore paid to executing agencies for developmental programmes were treated as final expenditure

During 1999-2005, the Council received grants-in-aid of Rs.233.46 crore (State Government: Rs.233.05 crore and others: Rs.0.41 crore) out of which Rs.200.92 crore⁴ advanced to various executing agencies was shown as final expenditure and Rs.2.17 crore were spent on establishment. The remaining Rs.30.37 crore was kept in the Bank Account (Rs.1.05 crore) and Personal Ledger (PL) Account of the Council (Rs.29.32 crore).

³ 2002-03: 20 December 2001, 2003-04: 17 January 2003 and 2004-05: 15 November 2003.

⁴ (i) Collectors: Rs.72.87 crore and (ii) Other executing agencies: Rs.128.05 crore (1999-2000: Rs.0.48 crore, 2000-01: Rs.1.73 crore, 2001-02: Rs.22.90 crore, 2002-03: Rs.39.99 crore, 2003-04: Rs.73.86 crore and 2004-05: Rs.61.96 crore).

The unspent balances of Rs.119.75 crore with the Council and the executing agencies constituted 51 per cent of the grants received during 1999-2005

As against Rs.200.92 crore advanced, the Council received utilisation certificates only for Rs.111.54 crore⁵ from the executing agencies and submitted the same to the Government as of August 2005. The unspent balance of Rs.89.38 crore (Collectors: Rs.36.69 crore and Others: Rs.52.69 crore) lying with the executing agencies which included of Rs.43.08 crore advanced during 2001-04, indicated the slow pace of execution of the development works.

In three test checked public works divisions, unspent balances of Rs.7.14 crore⁶ were lying in Public Works Deposits for want of letter of credit (LoC). The Chief Executive Officer (CEO) admitted the fact and stated (August 2005) that while the Collectors were requested to speed up the pace of execution of works, the procedure of LoC system had delayed the execution in case of Public Works divisions. The fact, however, remained that lack of effective monitoring mechanism after advancing funds to the executing agencies contributed to slow pace of execution of works.

3.5.3 Misutilisation of Council funds

Council funds of Rs.8.50 crore was misutilised by way of investment in cooperative institutions

As per the Act, the funds were required to be spent on developmental programmes as provided in its Budget. Scrutiny of the records revealed that the Council had invested Rs.5 crore (June 2003 and March 2004) in equity shares with M/s Bijayananda Co-operative Sugar Mills Ltd., Deogaon, Bolangir and Rs.3.50 crore (October 2003 and March 2004) with Sambalpuri Bastralaya Handloom Cooperative Society Ltd., Baragarh without any provision in its budget. This resulted in blockage of Council fund in equity affecting the developmental work in the Council area.

The Chief Executive Officer (CEO) stated (May 2005) that though there was no budget provision, the amount was invested by the Chief Executive Officer which was subsequently approved by the Council and there was no prohibitory clause in WODC Act and Rules for investment. The reply was not acceptable as the investment did not receive the approval of legislature through the budget mechanism and according to the Act, the Council fund was meant only for creation of assets for public use and the investment with the co-operative societies was contrary to the objectives of the Act.

3.5.4 Blocking of Council funds in a bank

Council funds irregularly invested in a bank resulted in blocking of Rs. 84.28 lakh as the bank did not refund the same due to its financial crisis

The Act provided that the funds were to be deposited in Personal Ledger (PL) Account of the Council to facilitate expenditure therefrom on sectoral developmental programmes through the budgetary mechanism. On a request from Orissa State Co-operative Agriculture and Rural Development Bank Ltd (OSCARD), the Council with the permission of Finance Department diverted (18 July 2002) Rs.1.37 crore from the PL Account for investment (31 July 2002) in short term deposits with the Bank till 26 June 2003. On maturity of the deposit, the Bank refunded only Rs.57 lakh along with interest of Rs.3.36

⁵ (i) Collectors: Rs.36.18 crore and (ii) Other executing agencies: Rs.75.36 crore.

⁶ (i) EE, RW Division, Bolangir: Rs.2.98 crore, (ii) EE, R&B Division, Phulbani: Rs.3.29 crore and (iii) EE, RW Division, Sundargarh: Rs.0.87 crore.

lakh between March and October 2003 and requested the Council to re-invest Rs.80 lakh with the Bank as it was passing through difficult financial situation. Although the Council did not accede to the above request, the Bank had not refunded the remaining Rs.84.28 lakh (Principal: Rs.80 lakh and Interest: Rs.4.28 lakh) as of May 2005. Thus, non-recovery of the amount affected the execution of programmes of the Council to the extent the Council funds remained un-recovered from the Bank.

The CEO stated (June 2004) that the short-term deposit was made to facilitate the bank's disbursement of agricultural loans to the farmers of Western Orissa. He added that legal action would be taken if the Bank failed to pay back the amount.

Programme Management

The Council did not formulate long term action plans as the developmental imbalances in the districts / sectors were not assessed

As per the provisions of the Act, the Council was to upgrade the levels of development for removal of regional imbalances in different sectors keeping in view the potentialities of each district within the Council area *vis-a-vis* the levels of development of the State as a whole and accordingly prepare short and long term plans and programmes for implementation. The Council was also to formulate plans and programmes for equitable arrangements in providing adequate facilities for technical, educational and vocational training for creating sufficient opportunity for employment.

3.5.5 Lack of focus in implementation of schemes

Scrutiny revealed that appropriate indicators to gauge the extent of developmental imbalances in the different districts of the region were not identified for prioritisation through long and short term action plans although relevant statistical data were available with the Planning and Coordination Department. Besides, no long term Action Plan had been prepared. So there were no clear strategy for achieving the target of removing the regional imbalance in the area.

Out of the 3712 projects (Rs.223.56 crore) administratively approved, 2308 projects estimated at Rs.181.19 crore (81 per cent) were for repair and maintenance of existing assets

Check of records of the Council revealed that the Council funds were directed more towards repair and maintenance of the existing assets rather than creating new assets. During 2001-04 the Council administratively approved 3712 projects estimated to cost Rs.223.56 crore for which Rs.200.92 crore were paid to 80 executing agencies. Of the above projects, 2308 projects estimated at a cost of Rs.181.19 crore (81 *per cent*) related to repair and maintenance of existing assets like roads and irrigation projects. The Council did not maintain the asset register indicating the number of projects completed and the amount of expenditure actually incurred thereon.

The CEO stated (May 2005) that the projects were selected as per the felt needs of the people.

3.5.6 Non-observance of codal provision led to delay in execution of work

Soutenjore Diversion Weir project taken up without acquisition of private land remained incomplete resulting in blockage of Rs.1.77 crore

The Orissa Public Works Department Code and the WODC Rules provided that the construction work should be carried out on the public land and no work should be executed before acquisition of private land for public purpose.

Scrutiny of the records revealed that Soutenjore Diversion Weir Project was administratively approved (November 2001) by the WODC at a cost of Rs.2.73 crore to provide irrigation in Kharif season to 650 hectares covering five villages in the Bolangir district. As per the Project Report of the Executive Engineer, Minor Irrigation Division, Bolangir (EE), the work was to be undertaken on 23.20 hectares of land (Government: five hectares and Private: 18.20 hectares) both for head-works and distribution channel. The approved estimate provided Rs.9.10 lakh for acquisition of private land which was meant for submergence (eight hectares) and distribution system (10.20 hectares). The work was entrusted (December 2001) to the EE for completion within three years and Rs.1.77 crore was paid to him between February 2002 and January 2005. It was seen that the execution of the work was stopped (January 2005) after completion of the head-works at a cost of Rs.94.40 lakh, due to non-acquisition of the private land for which Rs.27.60 lakh had been paid to the Collector, Bolangir. This led to blockage of funds of Rs.1.77 crore (May 2005) and the targeted beneficiaries were deprived of the benefit of irrigation facility.

3.5.7 Non-refund of interest money by the executing agencies to the Council

The executing agencies did not remit the interest money of Rs.25.69 lakh earned on deposit of Council funds in banks

As per the instructions (September 2003) of the Council, interest earned on deposit of Council funds in saving bank account in banks by the District Collectors and the executing agencies working for them shall be remitted to the Council and expenditure if any, incurred therefrom were to be recovered from them. Test check of three offices revealed that those offices earned interest of Rs.25.69 lakh⁷ on deposit of the Council funds in Banks during 2001-05 and retained the same with them instead of remitting to the Council (May 2005). It was further noticed that the Collector, Bolangir spent Rs.3.24 lakh out of the interest money for furnishing the Circuit House (Rs.1.42 lakh) and Conference Hall (Rs.1.82 lakh) of the Collectorate. Thus, unauthorised retention of the amount by the executing agencies led to understatement of revenue of the Council.

3.5.8 Blocking of Council Funds in Public Works Deposits

Council funds of Rs.1.75 crore remained blocked in PW deposits for over 18 months after the decision to stop the execution of a work

The Council paid (May 2003) Rs 1.75 crore to the Executive Engineer, R&B Division, Phulbani for undertaking repair work of the road from Khurda to Nuapada in two reaches. The work was not taken up as the Government of India declared (February 2004) the road as National Highway. However, the amount of Rs.1.75 crore kept in the Public works deposit by the Division had not been refunded to the Council as of May 2005.

⁷ (i) Collector, Sambalpur: Rs.9.65 lakh, (ii) District Planning Officer, Sundargarh: Rs.12.69 lakh and (iii) District Planning Officer, Bolangir: Rs.3.29 lakh.

3.5.9 Unfruitful expenditure on construction of the administrative building of a Medical College

Expenditure of Rs.29.97 lakh incurred on the partly constructed administrative building of a medical college became unfruitful due to shortage of funds to complete the work

The Council in its first meeting held on 19 August 1999 resolved to establish one Medical College and Hospital at Bolangir at a cost of Rs.153.36 crore, with intake capacity of 250 students and 1350 beds. Based on the project report submitted by the WODC, the Health and Family Welfare Department issued (November 1999) essentiality certificates required for establishment of the medical college. Advance possession for Government land measuring 40.265 acres was sanctioned (November 1999) by the Revenue Department in favour of the Council.

Scrutiny of records revealed that the Council advanced (February and August 2000) Rs.27 lakh to Orissa Bridge Construction Corporation (OBCC) for construction of the Administrative building estimated (November 1999) to cost Rs.1.15 crore. The OBCC constructed a part of the building and submitted (December 2001) a bill for Rs.29.97 lakh for the work done. However, the Council failed to arrange more funds for the Project. Efforts to raise funds of Rs.50 crore from the NRIs also did not materialise due to failure to identify them. The Council thereafter signed (January 2004) a memorandum of understanding with a private sponsor from Andhra Pradesh which was abrogated (December 2004) as no suitable permanent approach to the work site was provided by the Council. As a result, the partly constructed administrative building remained unutilised and expenditure of Rs.29.97 lakh spent on its construction became unfruitful.

3.5.10 Monitoring and Supervision

Monitoring and supervision mechanism as required under the Act was not in place resulting in low utilisation of Council funds for developmental works

As per the Act, the Council was to review, supervise, coordinate and monitor different projects of the Government in the council area including various developmental projects undertaken by itself through different agencies. For better supervision and monitoring, the Act provided for location of the Headquarters of the Council in the Council area. However, the Headquarters of the Council which was established at Bhubaneswar during the initial stages of formulation of the Council had not been shifted to the council area (May 2005). The monitoring and supervision of various works executed by different executing agencies in the council area was very poor as only 36 per cent of the total grant was utilised during the period. The Government have not yet nominated 11 MLAs and 2 MPs to the council as required under the provisions of the Act since dissolution of the State Assembly and Lok Sabha (February 2004).

The Act further envisaged formation of four Expert Committees such as Finance, Administrative, Works and the Education Committees from amongst the members of the Council for effectively discharging various powers and functions devolved upon them under the Act. But such committees had not been formed (May 2005). Besides, the Planning and Coordination Department did not supervise and evaluate the works of the Council as envisaged under the Act (May 2005).

3.5.11 Conclusion

Failure to formulate long term action plan, slow pace of execution of works despite availability of resources and the lack of monitoring and supervision of executing agencies indicated deficient governance in the Council's activities during the five years under review and non-achievement of the Council's objectives.

Recommendations

- Developmental imbalances in different districts of the council area under various sectors should be assessed and a long term action plan formulated to remove such imbalances.
- Project-wise Budget should be prepared and the approval of the State Legislature should be obtained through Government as per the provision of the Act before execution of any work.
- Council fund should be utilised only for the approved objectives set out in the Act and emphasis should be given for creation of new assets.
- The Government should carry out impact studies/evaluation of projects completed from time to time.

During discussion (November 2005), the Development Commissioner-cum-Additional Chief Secretary of the Department stated that necessary remedial measures had already been initiated.

FINANCE DEPARTMENT

3.6 Teachers' Provident Fund Accounting System

Highlights

The Controller of Accounts responsible for maintaining the General Provident Fund Accounts of employees of aided educational institutions and primary school teachers developed an application software through the National Informatics Centre which had weak general IT controls. While no IT security policy was formulated, various necessary validation controls were not incorporated in the software. Besides, huge amounts were lying in challan suspense due to lack of any system of speedy clearance depriving the subscribers of their deserved benefits.

- ◆ **In the absence of formal IT policy, Controller of Accounts procured IT hardware and software for second phase computerisation worth Rs. 21.28 lakh which was kept idle for more than seven months for want of completion of the IT infrastructure facility.**

(Paragraph 3.6.6)

- ◆ **No policy regarding IT Security including password policy exists.**

(Paragraph 3.6.6)

- ◆ **Analysis revealed an inconsistent database resulting in incomplete and unreliable data. Several validation controls were not incorporated in the software.**

(Paragraphs 3.6.7)

- ◆ **The database showed unposted GPF credits of Rs.41.82 crore under challan suspense and withdrawals of Rs.3.10 crore under voucher suspense.**

(Paragraph 3.6.8)

3.6.1 Introduction

The Controller of Accounts (CA) under the Finance Department of Government of Orissa is responsible for maintaining the General Provident Fund (GPF) Accounts of the 2.20 lakh employees of Aided Educational Institutions and Primary school teachers of the State. The Controller of

* The abbreviations used in this review have been listed in the glossary in Appendix-XXXVI at page 225.

Accounts has adopted the computerisation system from 2002 for maintaining GPF accounts of college employees for the year 1999-2000 onwards and the GPF accounts of other categories of employees for the year 2001-02 onwards. The Information Technology (IT) system was developed by National Informatics Center (NIC), Bhubaneswar who also provided technical support and guidance for its better development. As on the date of audit, the NIC not only gave guidance but also managed the entire facility under their direct supervision. Most of the responsibilities of the CA in this regard were carried out by the NIC.

3.6.2 Objective

The objective of computerisation was to ensure accuracy and speedy accounting of GPF Accounts.

3.6.3 Organisational set up

The Controller of Accounts is the head of the organisation constituted under Finance Department of the Government of Orissa and entrusted with the responsibility of maintenance of GPF accounts of employees of aided educational institutions and primary school teachers and finalising the pensionary benefits to the retired employees. He is assisted by one Deputy Controller of Accounts, three Assistant Controllers and other subordinate staff in the discharge of his duties.

3.6.4 Application Software in use

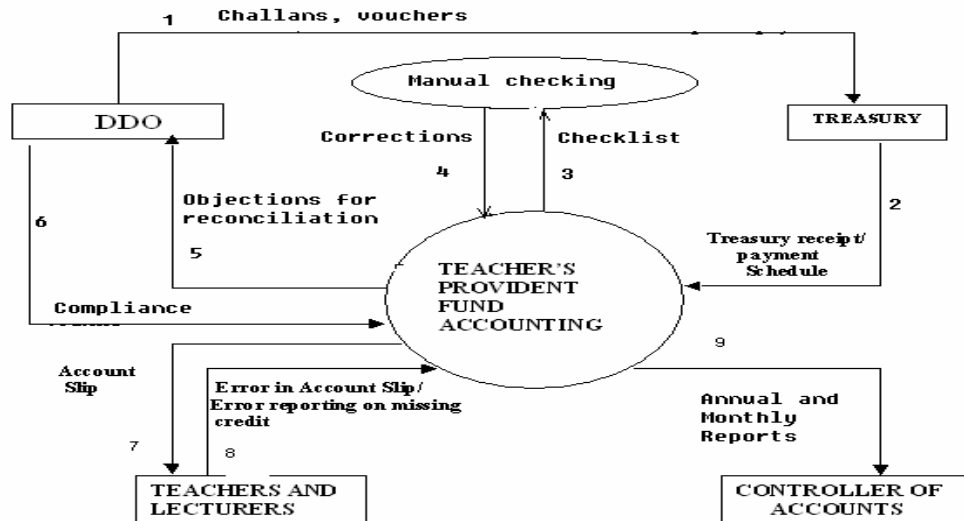
The following application systems developed through NIC are in operation in Controller of Accounts, Bhubaneswar.

Teachers' Provident Fund Accounting System (TPFAS)

The Teachers' Provident Fund Accounting System application software is used for processing the accounts and issue of statement of accounts to the subscribers of GPF.

Information on GPF subscriptions, other deposits (arrears of dearness allowances and pay) and recoveries of temporary withdrawals as furnished by the aided educational institutions, through the Treasuries in the form of debit vouchers for withdrawals and treasury challans for subscriptions of GPF are captured into the system. The system finally generates the Annual GPF Account Slip of the subscribers for transmission to the concerned institutions through their Drawing and Disbursing Officers (DDOs).

System flow diagram of Teachers Provident Fund Accounting System



The Audit covered the evaluation of general IT controls that established a framework for controlling the design, security and use of computer programmes in the organisation.

The scope of audit also included analysis of IT application controls specific to Teachers Provident Fund Accounting System (TPFAS) and data analysis using Interactive Data Extraction and Analysis (IDEA) package.

Assessment of Controls

3.6.6 Audit findings on the General IT Controls

Lack of formulated and documented IT policy

Though the Controller of Accounts had developed critical IT application, it was yet to formulate and document a formal IT policy incorporating the time frame, key performance indicators and cost benefit analysis for developing various systems. No planning/steering committee with clear roles and responsibilities existed to manage their IT systems in a systematic manner.

Lack of such policy was obvious in the manner in which the Controller of Accounts procured IT hardware and software worth Rs.21.28 lakh for second

phase of computerisation which was kept idle for more than seven months for want of completion of the requisite IT infrastructure facility. Audit scrutiny revealed that while the hardware and software was procured in July 2004, efforts to setup the infrastructure were made only in August 2004. The same was installed after seven months in April 2005.

Lack of system documentation

It was seen that no System design documentation / System Manual was made available by the developer in respect of the IT Applications making the organisation totally dependent upon the software provider for all changes/modifications to be made in the system.

Inadequate Access Control mechanism

Scrutiny revealed that there was no well-defined and documented password policy. Password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period and periodical change of passwords after certain period were non-existent.

The Controller of Accounts accepted the audit observations for future guidance.

Lack of adequate Disaster Recovery and Business Continuity Plan

There was no well documented 'Disaster Recovery and Business Continuity Plan' outlining the action to be undertaken immediately after a disaster and to effectively ensure that information processing capability can be resumed at the earliest.

Moreover, the entire data entry work is being done by a private contractor and in event of sudden stoppage of work by the contractor; the entire system would be brought to a standstill as the management did not have adequately trained manpower to handle such crisis.

The Controller of Accounts while admitting the fact noted the audit observations for future guidance.

3.6.7 Audit observations on Application Controls

Processing errors

Analysis of database of TPFAS revealed that in 18 cases, the amount credited to the accounts of concerned subscribers was less by Rs.28480 and in 34 cases the same was in excess of Rs.34957 due to totalling mistakes.

Lack of processing controls to ensure correctness of totalling in the database led to such errors.

The management stated that the GPF deduction Schedule contained subscription, recovery, other deposits and the total amount (i.e. the total of these items). In very few cases the sum of subscription, recovery and other

deposits did not agree with the figures indicated in the total column. Since the total of the figures indicated in the total column agreed with the amount credited as per the Treasury challan, the figures in the total column had been accounted for.

The reply was not tenable since the totalling mistakes did exist in the database and was also accepted by the CA indicating lack of processing controls.

Non-validation of data leading to inconsistencies

Analysis of the Master database revealed that due to non-validation of data, several inconsistencies crept into the systems which are discussed in the succeeding paragraphs.

Duplicate vouchers through same treasury amounting Rs.5.08 lakh

An analysis of the database revealed that in the case of eight vouchers, four were assigned duplicate voucher numbers with different amounts and different dates by the treasuries and were posted to the subscribers' accounts. Due to absence of data validation for non-acceptance of duplicate voucher number at the time of data entry, a treasury voucher having same number was being posted twice and remained undetected by the system.

The management stated that more than one voucher number in question had been assigned at the Treasury level. The reply was not acceptable since vouchers were to be numbered consecutively in a separate monthly series as per Rule 34 of the Orissa Treasury Code, Volume-I and the acceptance of duplicate voucher numbers by the system was due to lack of validation control.

Underage persons joining the service

As per Rule 52 A of Orissa Service Code, the minimum age limit for entry into government service shall not be below twenty-one years in the case of gazetted government servants in class-I, class-II or class-III service. Database revealed that 25361 employees joined service before attaining the age of 21 years. Absence of validation control on date of joining and date of birth fields led to inconsistent database.

The CA stated that the master database was prepared on the basis of information furnished by the DDOs. The reply was not tenable since wrong/ abnormal data were also available in the database with reference to the data furnished by the concerned DDOs.

Inconsistent Database

Test check of 105 final withdrawal cases with Master database revealed that names of 16 subscribers were not matching with the names in Master database and the details of 10 subscribers were not available in Master database. Thus the data maintained in the Master table was incomplete and unreliable which

might result in incorrect processing of transactions. The management replied that action was being taken to rectify the mistakes.

Incomplete Data

Analysis of database revealed that 76074 out of 210427 records maintained were not assigned the required treasury and DDO codes for location of the subscriber. The system does not have any validation controls for these requirements.

The CA stated that a general index of the subscribers was being maintained with permanent / non-changeable information such as account number, name of subscribers, date of birth and data variable information such as district and DDO codes were of no use. The reply was not tenable as maintenance of this information facilitates the location and identification of the subscriber along with the treasury/DDO and in respect of missing credits/debits the information was crucial.

3.6.8 Analytical Review of Database

Incorrect Status of Accounts due to challan suspense and voucher suspense

GPF subscriptions/credits received through treasury challans which remained unposted for want of details such as Account Number, name of subscriber etc. were kept under ‘suspense’ account called “challan suspense”. Analysis of TPFAS database for the period 1999-2002 revealed that GPF subscriptions/credits amounting to Rs.41.82 crore (17601 challans) pertaining to 68285 subscribers as detailed below were lying under challan suspense although the GPF accounts were finalised up to 2001-02.

Year	Number of treasury challans	Number of Subscribers involved	Total amount kept under suspense (Rupees in crore)	Total Subscribers (as per master database)	Total amount of subscription (Rupees in crore)
1999-2000	513	741	0.80	14316	38.52
2000-01	784	895	1.35	14316	42.42
2001-02	16304	66649	39.67	210427	817.12
Total	17601	68285	41.82		

Similarly, all the treasury vouchers on account of withdrawals from the GPF which could not be posted in the individual subscriber’s accounts for want of detailed information or mismatch between the name of the subscriber and the account number were being kept under the suspense account “voucher suspense”. Analysis of TPFAS database for the year 2001-02 revealed that withdrawals of Rs.3.10 crore from GPF Accounts relating to 812 vouchers (823 subscribers) were kept under voucher suspense. Keeping the vouchers unposted without debiting the subscribers’ accounts had inflated the closing balance of the concerned subscribers.

The CA replied that un-posted credits/withdrawals were due to receipt of erroneous or incomplete challans/vouchers from the DDOs or the treasuries.

The reply was not tenable as 44 cases of voucher suspense (Rs.16,52,492) were due to difference in the names between that in the database and the vouchers even though the names were identical both in the vouchers and the ledgers. This indicated that the master data had data entry errors.

Irregular keeping of final payment vouchers under suspense of Rs.17.29 lakh

The CA had been authorising the final payment of GPF to the retired/dependents of deceased subscribers after finalisation of the amount due from their accounts through the concerned DDOs. On receipt of the vouchers relating to such final payment from the treasuries, the CA had to account for the amount of final payment and close the accounts after verifying the amount authorised.

Test check of original vouchers of final payment cases for the year 2001-02 also revealed that 46 final payment vouchers amounting to Rs.17.29 lakh were kept under voucher suspense without debiting the same from the subscribers' accounts. Keeping these accounts live for long was fraught with the risk of making inadvertent authorisations again besides the risk of payments made to unauthorised persons remaining undetected.

The CA stated that the correct position of suspense figures would be arrived at after deducting the amounts drawn as final payment of GPF.

Thus, inadequate monitoring and follow up leading to increase in challan/voucher suspense is not only depriving the subscribers of getting correct account slips but was also fraught with the risk of excess withdrawals by the subscribers.

The CA stated that the challan suspense would be cleared by making a special drive and that withdrawals would be duly accounted for in course of regular maintenance of GPF accounts.

3.6.9 Conclusion

The Teachers Provident Fund Accounting System (TPFAS) has weak general IT controls. Various necessary validation controls are not incorporated in the application resulting in data inconsistency.

An IT policy including IT security policy should have been formulated and documented to ensure proper functioning and maintenance of the system. The outsourcing agency also did not furnish vital documents such as source codes and documentation of the IT System.

Huge amounts lying under Challan suspense due to lack of any system of speedy clearance of the same has deprived subscribers of their deserved benefits of timely issue of accurate account slips.

Finally, the aim and objective of computerisation since April 2002 was to ensure accuracy and speedy completion of the GPF Accounts and issuance of accounts slips to the subscribers. But the same has not yet been achieved since the management had issued the account slips to the subscribers only for 2001-02. The accounts for 2002-03 were still under progress.