

## CHAPTER-IV

### AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

#### 4.1 Fraudulent drawal/misappropriation/embezzlement/losses

##### *SCHOOL AND MASS EDUCATION DEPARTMENT*

##### *4.1.1 Loss due to obsolescence of Nationalised Text (NT) books printed in excess of requirement*

**Excess printing of 12.65 lakh NT books by the Director, TBPM without due assessment caused loss of Rs.73.55 lakh.**

The Director, Text Book Production and Marketing (TBPM), Orissa, Bhubaneswar was responsible for printing and supply of Nationalised Text (NT) Books for the school students of Class I to VII of the State. The requirement of books was to be worked out based on indents received from the Orissa Primary Education Authority (OPEPA), Director of Elementary Education, Scheduled Tribes and Scheduled Castes Department and Inspector of Schools at Block level.

At the end of the academic session 2002-03, 12.65 lakh NT books of 18 titles meant for different classes with sale value of Rs.78.10 lakh were lying in the book store (10.34 lakh) and in 75 Blocks (2.31 lakh). There could be other such books lying in the remaining 239 Blocks for which information was not available with the TBPM (April 2005). With the decision (November 2002) of the Government to introduce revised text books from the 2003-04 academic session, all the 12.65 lakh books became obsolete. Out of these, 10.11 lakh books worth Rs.59.17 lakh were sold as waste paper for Rs.4.55 lakh resulting in loss of Rs.54.62 lakh.

Scrutiny of records (November 2003 and February 2005) of the Director, TBPM revealed that though the work of printing and supply of books were to be completed by April 2002, orders were also placed with private firms for printing of 9.54 lakh books in September 2002, who continued to supply the same till January 2003. Of these 3.23 lakh books worth Rs.27.05 lakh had become obsolete. Similarly, 3.41 lakh books worth Rs.14.55 lakh, after their printing in the private firms during 1999-2001 were found to be obsolete. The TBPM did not observe any schedule for receipt of indents for assessing the actual requirement and for arranging printing and supply. As a result, the

printing of books for the 2002-03 academic session continued up to January 2003 although the decision for revision of textbooks for the following academic session was taken in November 2002.

Thus, indiscriminate printing of NT Books led to loss of Rs.73.55 lakh to the State exchequer. The Director, TBPM stated (April 2005) that discrepancy in data from SC/ST Department and delayed receipt of indent from others led to excess printing of books. Nevertheless, the Director, TBPM could have curtailed the printing as soon as the Government decision regarding revision of books was available.

The Commissioner-cum-Secretary, during discussion (October 2005), admitted the fact and assured that correct assessment of the actual requirement and timely printing of NT books would be ensured in future.

## **4.2 Infertuous/wasteful expenditure and overpayment**

### **AGRICULTURE DEPARTMENT**

#### **4.2.1 Wasteful expenditure due to abandonment of watershed projects**

**The ASCO, Dharmagarh abandoned four watershed projects partially developed by him under NWDPRAs scheme in rain-fed areas during 1997-2002 as the areas were found to be overlapping with the ayacut area of Upper Indravati Irrigation Project leading to wasteful expenditure of Rs.35.55 lakh.**

The National Watershed Development Project in Rain-fed Areas (NWDPRAs), a Centrally Sponsored Plan Scheme has been under implementation in the State since 1990-91. Conservation of soil and moisture, enhancement of agricultural productivity and reduction of disparity between irrigated and rain-fed areas etc also formed part of the targetted objective of NWDPRAs. The watershed projects were to be taken up in the rain-fed areas where less than 30 *per cent* arable areas are under assured means of irrigation in a block as a whole. The people's participation was to be ensured in the post-project management of the assets created under the scheme. While the Central assistance was one hundred *per cent* (Grant: 75 and loan: 25) up to 2000-01, it was 90 *per cent* (Grant: 72 and loan: 18) thereafter and the remaining 10 *per cent* was to be borne by the State Government.

Scrutiny of the records (October 2004) of the Assistant Soil Conservation Officer, Dharmagarh (ASCO) and information collected (March 2005) from the Chief Engineer, Upper Indravati Irrigation Project (UIIP), Khatiguda revealed that during 1997-2002 the ASCO had taken up six watershed projects<sup>1</sup> one each in six Blocks of Kalahandi district covering 3298.97 hectare

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<sup>1</sup> (i) Upper Moter Nalla (Rs.17.84 lakh) in Koksara Block, (ii) Lower Udanti Nalla (Rs.26.91 lakh) in Golamunda Block, (iii) Badkajore Nalla (Rs.19.96 lakh) in Dharmagarh Block, (iv) Kidingjore Nalla (Rs.16.20 lakh) in Junagarh Block, Kulijore Nalla (Rs.18.83 lakh) in Kalampur Block, Chhatijore Nalla (Rs.15.72 lakh) in Jaipatna Block.

at the estimated cost of Rs.1.15 crore. The ASCO abandoned (2002-03) four<sup>2</sup> out of the six projects estimated to cost Rs.70.71 lakh after incurring expenditure of Rs.35.55 lakh during 1997-2002 covering 637 out of 2034 hectares of treatable land. These were abandoned on the ground that the assured means of irrigation through the UIIP was more than 30 *per cent* in each of the blocks.

The canal system of the UIIP which was under execution by the Water Resources Department since May 1978 on the approval of the Planning Commission had also included coverage of irrigation in the above four Blocks. After completion of the work of the canal system, the Superintending Engineer, UIIP commenced (June 1999) irrigation to the ayacut areas covering the four blocks which indicated that the work relating to the canal system of UIIP started much before June 1999. These aspects were not taken into consideration by the ASCO before undertaking the watershed projects. It was noticed that people's participation in the post-management of the partially developed assets were not ensured due to which all the assets created so far except the dugout sunken structures costing Rs.3.60 lakh had become defunct (August 2005). Thus, the abandonment of the projects led to the expenditure of Rs.35.55 lakh largely wasteful which could have been fruitfully spent on needy projects in other rain-fed areas.

The ASCO stated (October 2004) that the projects were undertaken in consultation with the Soil Conservation Officer, Kalahandi who was the nodal officer and Director of Soil Conservation, Orissa and added (August 2005) that these could not be handed over to any committee as these were abandoned before completion and could not be maintained due to non-availability of funds. The fact however, remained that the projects were taken up without comprehensive planning and inter-departmental coordination regarding coverage of the ongoing major multi-purpose UIIP which led to abandonment of the same after partial execution.

The Principal Secretary, while admitting the fact during discussion (October 2005), assured to review the issue afresh and explore the possibilities of making the abandoned projects functional.

## ***INFORMATION AND PUBLIC RELATIONS DEPARTMENT***

### ***4.2.2 Infertuous expenditure on defunct Television Units***

**Television units created at Berhampur and Bhawanipatna remained non-functional and the staff had been irregularly deployed at the State headquarters and drew their pay and allowances against the defunct television units.**

With a view to covering news items relating to developmental programmes and achievement of the State Government in southern and western Orissa for telecasting in National, Regional programmes of the different television

2 (i) Badkajore Nalla (Rs.10.76 lakh) in Dharmagarh Block, (ii) Kidingjore Nalla (Rs.9.10 lakh) in Junagarh Block, (iii) Kulijore Nalla (Rs.8.28 lakh) in Kalampur Block and (iv) Chhatijore Nalla (Rs.7.41 lakh) in Jaipatna Block.

channels, Government decided (January 1994) for creation of two additional Television (TV) units under Television Extension Programme to be stationed at Berhampur and Bhawanipatna. These two units equipped with camera, videocassette recorder and vehicle etc. were to function under the administrative control of the Deputy Director, Information and Public Relation (DDIPR), Southern Division, Berhampur. Ten new posts<sup>3</sup> sanctioned (September 1994) for these units were filled up through recruitment between April 1995 and October 1998. Accordingly nine items of equipment worth Rs.45 lakh including two vehicles were procured (1994-95) by the State headquarters for both the units.

Scrutiny of records (April 2001) of the DDIPR, Southern Division, Berhampur and information collected in December 2003 and May 2005 from him as well as from the Information and Public Relation Department and the District Public Relation Officer, Bhawanipatna revealed that the TV unit at Berhampur did not function since its inception in April 1995 as the equipment like camera, video cassette recorders etc. and the services of the staff meant for the unit were utilised in the State headquarters. The TV unit at Bhawanipatna though came into effect from December 1996 started functioning from November 1998 when the vehicle with a driver and equipment were supplied to it.

The unit became defunct in September 2000 due to damage caused to the vehicle along with the equipment including a video camera costing Rs.9.01 lakh in a road accident. The staff of the this unit thereafter were also deployed at the state headquarters except the Sound Recordist who continues to be in position at Bhawanipatna (September 2005). However, as per the instruction of the Government from time to time the pay and allowances of these staff were drawn by the DDIPR, Berhampur against the respective units although those units were not functional. No steps were taken to repair the damaged vehicle and the camera of the Bhawanipatna unit to make the unit functional.

Thus, creation of the Berhampur unit without providing the required equipment and irregular deployment of staff of the newly created units at the headquarters office without taking steps to make the units functional affected the objective of telecasting the developmental activities in southern and western part of the State. Besides, the Department had incurred expenditure of Rs. 54.89 lakh towards the salary of the diverted staff between April 1995 and April 2005, which was continuing (September 2005).

The Commissioner-cum-Secretary, during discussion (October 2005) stated that the staff of the units were temporarily deployed at the State headquarters and assured to take appropriate measures to remedy the present position.

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<sup>3</sup> Assistant Programme Coordinator: 2, Senior Cameraman: 2, Sound Recordist: 2, Driver: 2 and Lightman: 2.

### 4.3 Violation of contractual obligations/undue favour to contractors

#### WATER RESOURCES DEPARTMENT

##### 4.3.1 Extra expenditure and non-recovery of liquidated damage from contractor due to departmental lapses

**Failure of the CE to reject the inadmissible claim of the contractor initially resulted in extra expenditure of Rs.0.71 crore on price escalation and non-imposition of liquidated damages on the contractor for Rs.1.21 crore.**

The Executive Engineer, OECF Division No.1 Badajhara (EE) awarded (December 1997) construction of Left Bank Canal from RD 35.50 to 38.50 km. of Rengali Irrigation Project to a contractor for Rs.12.13 crore stipulating completion by December 1999. The contract provided, inter alia, for excavation of 6.98 lakh cum in medium hard rock at Rs.85.10 per cum which included the cost of dewatering with running charges of pumps and accessories, providing coffer dam and diverting the water away from the structure. In course of execution, the contractor claimed (February 1999) extra rate for excavation on the ground of involvement of extensive dewatering. Though the excavation rate was inclusive of the cost of dewatering, the Chief Engineer (CE) recommended (March 1999) a much higher rate of Rs.250 per cum for 3.07 lakh cum of excavation.

After a lapse of 19 months, the Tender Committee, rejected (October 2000) the claim of the contractor for higher rate in view of the contract conditions. Meanwhile, the contractor stopped work since December 1999 after executing work valuing Rs.8.36 crore. On communicating (January 2001) the decision of the Tender Committee, the contractor agreed to execute the item of work at his agreement rate. The CE granted (April 2000 and September 2001) extension of time up to December 2001 without prejudice to Government's right to levy compensation and without benefit of price escalation. Government, however, granted (February 2003) further extension of time up to July 2003 with benefit of price escalation on the ground that delay in taking a decision on the contractor's claim was not attributable to the contractor.

The EE paid Rs.11.89 crore (February 2004) to the contractor (value of work Rs.10.97 crore + escalation Rs.0.92 crore) which included Rs.0.71 crore towards escalation for the work executed during the extended period. Against contract value of Rs.12.66 crore including approved quantity of variation for Rs.0.53 crore, work valuing Rs.1.69 crore remained unexecuted and extension of time applied for by the contractor up to June 2005 was not sanctioned as of April 2005.

Further, liquidated damages of Rs.1.21 crore for delay in execution of the work could not be levied on the contractor as per contract conditions, due to failure of the CE/Government to reject the inadmissible claim of the contractor in time.

Thus, the CE's failure to reject, *ab initio*, the contractor's claim for higher rate for excavation and the decision of the Government in allowing the benefit of escalation by absolving contractor of the fault of an untenable claim and stopping of work midway resulted in extra expenditure of Rs.0.71 crore besides non imposition of liquidated compensation of Rs.1.21 crore for the delay. This resulted in extra expenditure of Rs.0.71 crore and non-imposition of liquidated damages of Rs.1.21 crore on the contractor besides delay in the execution of the work.

The matter was reported to the Government in May 2005; their reply was awaited.

### **WORKS DEPARTMENT**

#### **4.3.2 Undue favour to a Corporation**

**Drawal of fresh agreement involving extra expenditure of Rs.1.41 crore without invoking contract conditions for rectification of damaged work led to extension of undue favour to OBCC.**

Government allotted (April 2001) the balance of work abandoned by a contractor of casting of three spans, sinking of 2.955 metres of right abutment well and rectification of tilt of a High Level Bridge over river Chitrotpala at Narendrapur to Orissa Bridge and Construction Corporation Ltd. (OBCC) for Rs.1.03 crore (including 15 *per cent* over head charges).

Check of records of the Executive Engineer, Kendrapara R & B Division (EE) revealed (December 2004) that the OBCC had subcontracted the work in violation of the rules regulating allotment of works. While removing silt from the incomplete right abutment well by the sub-contractor, the "grab" of the crane slipped (June 2001) into the well which was not removed. Damage was caused due to non-removal of the grab from the incomplete well for over 20 months by the sub-contractor. This led to abandonment of the well and revision of the bridge drawing providing one additional pier with one more span connecting the newly located abutment. Though this was due to failure of OBCC to monitor the same, the department did not initiate any action against the Corporation and on the other hand M/s. OBCC had already been paid Rs.0.45 crore. The balance of work valuing Rs.0.58 crore, as per allotment to OBCC, was re-estimated to cost Rs.1.74 crore after taking into account the additions and alterations necessitated due to the damage suffered and was entrusted (February 2004) to OBCC on a fresh agreement at Rs.1.99 crore (including over-head charges). OBCC completed the work and received Rs.1.33 crore as of March 2005. Since the contract condition stipulated that the OBCC was required to rectify the defects/damages caused to the work during execution at their cost and risk, drawal of fresh agreement by the EE involving an extra expenditure of Rs.1.41 crore without invoking the clauses of the agreement led to undue favour to OBCC.

The matter was referred to the Government in May 2005; their reply was awaited.

### 4.3.3 Non-recovery of dues

**EE failed to recover the extra cost and other dues amounting to Rs. 71.71 lakh from a contractor on abandonment of NH work and there was unnecessary expenditure of Rs.11.19 lakh.**

The Executive Engineer (EE), National Highway Division, Sambalpur awarded (December 2001) the work of 'Strengthening two lane pavement from 548/2 to 558/0 km of NH 6 (excluding 551/0 to 552/0 km)' to a contractor for Rs.2.54 crore for completion by June 2003. The contractor executed work worth Rs.1.05 crore during the contractual period and applied (May 2003) for extension of time up to March 2004 on grounds of self-illness and rainy season, which was rejected by the Superintending Engineer NH Circle, Sambalpur. But the EE, on the instruction of Chief Engineer provisionally allowed the contractor to execute the work beyond the stipulated date. The contractor, however, left (December 2003) the work after executing work valuing Rs.1.21 crore. Ex-parte final measurement was recorded (April 2004) and the contract was closed (November 2004) by the Government at the cost and risk of the contractor along with forfeiture of securities. The balance of work, on re-tender, was entrusted to another contractor for Rs.2.17 crore for completion by June 2005 with involvement of extra cost of Rs.77.57 lakh recoverable from the defaulting contractor. The work was in progress as of April 2005.

Check of records of the EE further revealed (February 2005) that as per the contract conditions, the contractor was required to maintain, repair and rectify the damaged portions of the road during currency of the contract to ensure uninterrupted passage of traffic. Since the contractor did not respond, the department got the works executed with an expenditure of Rs.11.78 lakh between March 2002 and November 2004, which was also recoverable from the first contractor.

Thus, a sum of Rs.89.35 lakh was recoverable from the first contractor.

Against the recoverable dues of Rs.89.35 lakh from the contractor, an amount of Rs.6.54 lakh towards dues of the contractor and Rs.11.10 lakh towards security deposit was available with the department for adjustment. No action was taken as of April 2005 to recover the dues from the contractor.

Further, as per tender conditions, a layer of primer coat was to be applied over the entire finished surface of water bound macadam (WBM) followed by bituminous course comprising built up spray grout, premixed carpet and seal coating in successive layers for achieving finished section of the road work. Without obtaining approval of Ministry of Road Transport and Highways (MORTH) and in absence of specific provision in the sanctioned estimate, the EE spent Rs.11.19 lakh (upto December 2003) for an extra layer of first coat surface dressing over the WBM surface (in addition to primer coat) for 34972.57 Sqm. on grounds of strengthening the newly laid WBM surface for allowing traffic on it, which resulted in unnecessary expenditure of Rs.11.19 lakh

The EE accepted the factual position and agreed to recover the outstanding dues from the defaulting contractor.

The matter was reported to Government in June 2005; their reply was not received.

#### **4.4 Avoidable/excess/unfruitful expenditure**

##### **WORKS DEPARTMENT**

##### **4.4.1 Avoidable extra cost due to non-finalisation of tenders within the validity period**

##### **Failure to finalise tenders of two bridges within the extended validity period resulted in avoidable extra cost of Rs. 1.75 crore.**

The Executive Engineer (EE), Rayagada (R&B) Division invited (October 1999) tenders for construction of two high level (HL) bridges over (i) Japakhal Nallah at 100/6-8 Km and (ii) Sankesh Nallah-II at 99/4-6 Km of Koraput-Laxmipur-Rayagada Road at an estimated cost of Rs.1.61 crore (scope reduced to Rs.1.54 crore). In response, eight tenders for Sl. No. (i) and three tenders for Sl. No. (ii) were received (December 1999). The lowest offer of a contractor for both the works for Rs.1.54 crore was recommended in July 2000 to Government for approval. Government, however, cancelled (May 2002) the tenders on the ground of unworkability of rates due to enhancement of cost of labour, material and POL<sup>5</sup> and allotted (December 2002) the works at Rs.3.29 crore to M/s Orissa Bridge and Construction Corporation (OBCC) for completion by May 2004. M/s OBCC had executed work worth Rs.2.5 crore as of October 2004.

Check of records of the E.E, Rayagada (R&B) Division revealed (June 2004) that the EE, SE<sup>6</sup>, CE and the Contract Committee took 28, 67, 123 and 687 days respectively for scrutiny and disposal of the tenders at their levels as against the codal provision of time limits of 20,15, 20 and 20 days. Though the original validity of the tenders had expired in March 2000, the contractor extended it upto February 2001. Government, however, did not finalise the tenders even within the extended validity period. Due to time over run, the lowest tendered rates became unworkable and ultimately, Government cancelled the tender after a lapse of two and half years.

Thus, the non-finalisation of tenders within the extended validity period and allotment of the works by Government to M/s OBCC at higher rates resulted in an avoidable extra cost of Rs.1.75 crore, which was even more than the initial lowest offer for the work as a whole.

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<sup>5</sup> POL: Petrol, Oil and lubricants.

<sup>6</sup> SE : Superintending Engineer.



The matter was brought to the notice of Government in July 2005; their reply was not received.

#### ***4.4.2 Extra cost due to non-finalisation of tender within validity period***

**Failure of Government to accept reasonable offer of a contractor within validity period resulted in avoidable extra cost of Rs.4.23 crore.**

The Chief Engineer (Roads) (CE) invited (March 2001) tenders for the balance of work of construction of a high level bridge over river Luna with 30 metres approach on either side and recommended (August 2001) to Government, the negotiated lowest offer of the contractor 'A' for Rs.3.20 crore for acceptance.

Though, as per codal provisions, the tenders were to be finalised within 90 days from the date of receipt of tenders, Government/CE failed to decide the tenders within the validity period without any specific reason on record. The contractor refused (June 2002) to extend the validity period of his offer which led to cancellation of the tenders.

Despite inviting fresh tenders (June 2002), due to non-participation of tenderers the work was allotted to the Orissa Bridge Construction Corporation (OBCC). Since the OBCC did not resume the work, the contract was rescinded (July 2004) and the balance of work (re-estimated at Rs.6.86 crore) was awarded (November 2004) to Contractor 'B' for Rs.7.43 crore stipulating completion by May 2006. This involved an extra cost of Rs.4.23 crore when computed at the rates of Contractor 'A'.

Thus, failure of the CE and Government to accept the reasonable offer of contractor 'A' within the validity period resulted in avoidable extra cost of Rs.4.23 crore. Moreover, construction of the bridge remained incomplete for over 13 years with expenditure of Rs.2.70 crore so far incurred on the work remaining unfruitful.

The matter was reported to the Government in May 2005; their reply was not received.

### ***WATER RESOURCES DEPARTMENT***

#### ***4.4.3 Unfruitful expenditure on incomplete work***

**Commencement of work without acquiring the required land resulted in an unfruitful expenditure of Rs.3.94 crore.**

According to codal provision, no work should be commenced or liability incurred in connection with it unless land for the purpose is available. With a view to providing irrigation to an ayacut of 19452 Ha of Culturable Command Area (CCA) in between Chitrotpala-Mahanadi and Mahanadi-Paika doabs, Executive Engineer (EE), Mahanadi Chitrotpala Island Irrigation (MC II) Division-II, Cuttack awarded (November 1998) the work of excavation of

Chitrotpala Right Branch Canal including structures, minors and subminors from RD 00 to 32.24 Km {under World Bank aided Water Resources Consolidated Projects (WRCP) package No.13} to a contractor for Rs.7.04 crore stipulating completion by May 2001, subsequently extended upto September 2003. The contractor executed work valuing Rs 3.82 crore between RD 00 and 17.5 Km and after receiving Rs.3.94 crore for the works executed including escalation of Rs.0.23 crore, he left the work in September 2003.

Audit scrutiny of the records of the EE, MC II Division-II revealed (June 2004) that the contractor could not complete the work even within the extended period due to non-acquisition of land and hindrances created by the local people in removal of existing structures. The land required for the project (85.42 acre) was not acquired in full as of February 2005. After inspecting the work in January 2004, the Secretary to Government of Orissa, Water Resources Department instructed the contractor to complete the Branch Canal upto 15 Km without minors and sub-minors since land acquisition had been completed for that reach. The contractor, however, refused to execute the work further on the grounds of unworkability of the rates in 2004 and non-handing over of the balance of land. The Government closed the contract in August 2004 and did not initiate further steps as of February 2005 for completion of the work.

Thus, due to award of the work without acquisition of the required land and failure of the department to provide trouble free site to the contractor, expenditure of Rs.3.94 crore incurred on the work was rendered unfruitful.

Government stated (July 2005) in reply that the work was commenced in 1980 on the partly available land to avail of the assistance under WRCP scheme as the acquisition of the remaining land would consume a long time. It was further, admitted that there was abnormal delay in progress of work due to unforeseen hindrances and the contractor was not willing to execute the work under the existing contract beyond September 2003. The reply was not tenable since the work was held up due to failure of the department to provide trouble free land during the period of contract.

#### ***4.4.4 Unfruitful expenditure on a minor irrigation project***

**Non-settlement of local problem resulted in non-completion of Minor Irrigation Project rendering the expenditure of Rs. 1.97 crore unfruitful.**

With a view to providing irrigation to 1600 Ha. of a drought prone area in Kasinagar Block of Gajapati district, the Executive Engineer (EE), Minor Irrigation (MI) Division No. I, Ganjam awarded (January 1999) the work of construction of earth dam with head regulator and spillway of Baijhalnallah M.I. Project to a contractor for Rs.3.99 crore for completion by December 2000. The Contractor after executing work worth Rs.1.20 crore stopped (April 2001) further execution of work on the ground of obstructions created by the local adivasis who had encroached the Government land. In the face of vehement opposition from the locals, the Chief Engineer, MI observed (November 2001) that the possibility of resumption of work was bleak and

requested the Government to close the contract. The contract was, however, not closed and the work remained incomplete as of June 2004 with expenditure of Rs.1.97 crore on the project.

Scrutiny in audit of the records of MI Division-I, Berhampur revealed (June 2004) that the project was to be constructed on Government land which was partly under unauthorised occupation of local adivasis. However, the work was commenced without sorting out the problem of unauthorised occupation. The uncertainty of resumption of work prevailed as of March 2005 as the unauthorised occupation persisted.

Thus, due to commencement of work without ensuring the clearance of land under unauthorised occupation, the MI Project could not be completed and the objective of providing irrigation to the drought prone area remained unachieved. The expenditure of Rs.1.97 crore so far incurred on the project was rendered unfruitful.

The EE stated (March 2005) that the work would be resumed only after distribution of alternative land to the unauthorised occupants, but no definite time schedule for such settlement could be stated.

The matter was referred to Government in April 2005; their reply has not been received.

#### **4.4.5 Avoidable extra cost of Rs.1.21 crore due to cancellation of tender**

**Cancellation of tenders due to departmental lapses and allotment of work to M/s OCC Ltd. at higher rate led to avoidable extra cost of Rs.1.21 crore.**

As per codal provisions, pre-qualification of bidders should be resorted to for bids valuing more than Rupees three crore. The Executive Engineer (EE), Bolangir Irrigation Division invited (February 2000) tenders for construction of earth dam of Titilagarh Irrigation Project estimated to cost Rs.7.17 crore without calling for pre-qualification bids.

Scrutiny of records of the EE revealed (July 2004) that the lowest valid offer of contractor-A for Rs.6.07 crore was recommended (April 2000) by the Chief Engineer and Basin Manager, (CE) Upper Mahanadi Basin, Burla to the Government for acceptance. Government, rejected (July 2000) the tender proposals on the ground that the pre-qualification bids were not obtained. After inviting pre-qualification bids, the CE recommended (August 2000) approval of nine qualified bidders including Contractor-A to participate in the price bid. Government again rejected (September 2000) the tenders for not inviting composite tenders comprising pre-qualification and financial bids simultaneously. Composite tenders were then invited (October 2000) in which contractor-A had again qualified. Government, however, cancelled (May 2001) the tenders without assigning any reason and allotted (December 2001) the work to M/s Orissa Construction Corporation Ltd. (OCC) for Rs.7.28 crore stipulating completion by December 2003. Extension of time applied for by

the OCC on grounds of local hindrance up to June 2004 was also sanctioned. The OCC executed the work valuing Rs.5.72 crore as of December 2004.

Thus, due to departmental lapses the work which could have been awarded for Rs.6.07 crore was allotted to M/s OCC at Rs.7.28 crore resulting in avoidable extra cost of Rs.1.21 crore besides delaying commencement of the work by over 15 months.

The matter was reported to the Government in April 2005; their reply was not received (October 2005).

#### **4.4.6 Avoidable extra cost towards inadmissible overheads**

<b>Avoidable extra cost of Rs.6.78 crore due to inclusion of inadmissible overheads in the rates allowed to a corporation.</b>
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Government of Orissa in Water Resources Department formulated (June 2002) a procedure for execution of allotted works through M/s Orissa Construction Corporation Ltd. (OCC), which stipulated that the fair assessment of workable rate should not include any overhead in shape of percentage. Accordingly, the offered rate scrutinised by a Project Level Technical Committee (PLTC) was to be at par with the market rate. The overhead charges usually embodied in the Schedule of Rate (SoR) was to be eliminated and in its place OCC was entitled to overhead charges of 15 *per cent* on the value of work directly executed by them. Besides, interest free works advance was to be provided to them upto 10 *per cent* of value of agreement. Second and subsequent instalments of such advances were to be released on execution of works to the extent of 75 *per cent* of previous works advance.

Check of records of Executive Engineer (EE), Telengiri Head Works Division Ambaguda revealed (July 2004) that the work of construction of Spillway of Telengiri Irrigation Project, was awarded (February 2004) to OCC stipulating completion by February 2006 at a cost of Rs.55.26 crore plus 15 *per cent* overhead charges. As soon as the agreement was executed, interest free work advance of Rs.7.12 crore was paid (March 2004) to them. OCC executed work worth Rs.46 lakh as of January 2005 against the target of Rs.25.65 crore, (1.8 *per cent* achievement) as per work programme submitted by them. No action was, however, taken against OCC for delayed execution (May 2005).

Further, it was noticed that the departmental estimate of Rs.55.76 crore had included both overhead charges (15 *per cent*) and hidden labour cost (10 *per cent*). On the suggestion of the Tender Committee the overhead charges on labour component were excluded from the estimate, but, such overhead charges on other material components and 10 *per cent* hidden labour cost inbuilt in the estimated cost had not been excluded before approval of rates by Government in February 2004. This led to avoidable extra cost of Rs.6.78 crore on the work. The EE stated that the work was awarded to OCC after detailed discussion at various levels and 10 *per cent* hidden cost of labour was provided in the item rates as per SoR of Water Resources Department. The reply was not acceptable since 15 *per cent* overhead charges was admissible to OCC on the value of work executed as per the prescribed accounting

procedure and such value was to be arrived at after excluding overhead charges and hidden labour cost in built in the rates.

The matter was reported to Government in June 2005; their reply was not received (October 2005).

### **HEALTH AND FAMILY WELFARE DEPARTMENT**

#### **4.4.7 Avoidable expenditure towards delayed payment surcharge**

**Two Medical Colleges and one ADMO of Cuttack and Sambalpur had incurred an avoidable expenditure of Rs.26.09 lakh towards delayed payment of surcharge on consumption of electricity due to non-provision of funds in the respective annual budgets and failure to allot funds in time by the DMET.**

In pursuance of order issued (November 1998) by Orissa Electricity Regulatory Commission, Grid Corporation of Orissa Limited (GRIDCO) prescribed (November 1998) different tariff rates for supply of electricity to different categories of consumers which was subsequently adopted by all the Electricity Distribution Companies in the State. In case of Public Institutions, if the payment were not made within 15 days from the date of bill, delayed payment surcharge (DPS) at the rate of two *per cent* per month was to be paid on prorata basis for the amount remaining unpaid (excluding arrears on account of DPS). The Finance Department (FD) had instructed (September 2002 followed by reminder in October 2003) that all the Departments of the Government should furnish proposals for additional requirement of funds for payment of electricity dues latest by 1 December 2002 and 15 November 2003 respectively.

Test check of records (between August and September 2005) of three Medical Institutions<sup>7</sup> revealed that between December 2002 and April 2005, a sum of Rs.26.09 lakh (Appendix-XXVIII) was paid to the Distribution Companies towards DPS as against the total payment of electricity charges of Rs.93.81 lakh made during the above period as detailed below.

The Superintendent, VSS Medical College Hospital, Burla, had paid (during March 2003 to May 2005) Rs.50.29<sup>8</sup> lakh towards electricity charges to Western Electricity Supply Company for the period between February 2003 and April 2005 out of which DPS was Rs.24.69 lakh (arrear DPS:Rs.24.21 lakh and current DPS:Rs.0.48 lakh). Despite instructions of the FD in September 2002 and October 2003, the Superintendent had to pay the DPS as the requirement of funds was not provided in the respective annual budgets and non-receipt of allotments as and when the electricity dues were to be paid. The Accounts Officer, VSS Medical College stated (September 2005) that due

7 (i) The Superintendent, V.S.S Medical College Hospital, Burla, (ii) Assistant District Medical Officer (Medical/TB), Sambalpur and (iii) The Principal, SCB Medical College, Cuttack.

8 2002-03: total payment-Rs.9.34 lakh out of which total DPS was Rs.3.54 lakh, 2003-04: total payment-Rs.32.88 lakh out of which total DPS was Rs.15.73 lakh and April 2005: total payment-Rs.8.06 lakh out of which total DPS was Rs.5.43 lakh

to late receipt of allotment from the Director of Medical Education and Training (DMET), the arrears were to be paid. Similarly, Assistant District Medical Officer (Medical/T.B), Sambalpur had paid Rs.0.18 lakh towards DPS out of total payment of Rs.0.73 lakh for December 2002 attributing (September 2005) the payment to late receipt of allotment.

The Principal, SCB Medical College, Cuttack had incurred Rs.1.21 lakh towards DPS between January and February 2003 out of total payment of Rs.42.80 lakh after submitting (August 2002 and November 2002) proposals to DMET for additional allotment followed by reminders in December 2002 and January 2003. However, due to late receipt (22 February 2003) of allotment, the College had to pay the DPS. The Accounts Officer of the Medical College stated (September 2005) that due to late receipt of allotment, the surcharges were paid.

Thus, due to non-provision of funds in the respective annual budgets of the Department and failure to allot funds by the DMET as and when required led to avoidable payment of DPS of Rs.26.09 lakh.

During discussion (December 2005), the Principal Secretary assured that appropriate remedial measures would be taken.

#### **4.5 Idle investment/idle establishment/blockage of funds**

##### ***HOME DEPARTMENT***

##### ***4.5.1 Blocking of funds due to delay in construction of Orissa Complex in Mumbai***

##### **Payment of advance to IDCO without watching its utilisation led to blockage of rupees three crore for two years.**

The State Government acquired (November 1997) a piece of land measuring 2761 m<sup>2</sup> on 90 years lease in New Mumbai from the City and Industrial Development Corporation (CIDCO), Maharashtra at a cost of Rs.1.10 crore for construction of a guest house (Orissa Complex) to provide accommodation to the visiting Government officials of the State. Opening of an emporium for display and sale of handicrafts and handloom products of the State, an information and cultural centre and house the offices of the State Government undertakings were the other considerations for undertaking the project. As stipulated in the lease deed, the construction of the complex was to be completed within five years from the date of execution of the deed i.e. by November 2002. Government entrusted (March 1998) the construction of the complex comprising five floors to the Orissa Industrial Infrastructure Development Corporation (IDCO), Bhubaneswar to commence the work with immediate effect.

Scrutiny of records of the Department (August 2003) and IDCO (February 2005) revealed that the Government accorded (February 1999)

administrative approval for construction of the complex building estimated to cost Rs.6.94 crore and sanctioned (March 1999) Rupees two crore and kept the same in civil deposit for payment to the IDCO after finalisation of accounting procedure and execution of an agreement. Based on the above approval, the IDCO incurred expenditure of Rs.67 lakh out of its own funds for piling work and property taxes etc. as of November 1999 and stopped the work thereafter for want of funds from the Government. Due to general constraint on resources, the estimate with some changes to earlier design was revised (December 2000) to Rs.5.06 crore<sup>9</sup> to which administrative approval was accorded in November 2003. The Government finalised (July 2003) the accounting procedure which prescribed that on execution of agreement, IDCO was to be paid advances in suitable instalments in such a way that the second and subsequent instalment(s) would be paid after utilisation of previous advance(s) and receipt of expenditure statement(s) thereto. However, contrary to the above provision, the Government paid Rs.4 crore<sup>10</sup> including the amount kept in Civil Deposit to the IDCO in three instalments between March 2001 and March 2003 although the required agreement was yet to be signed (July 2005). Thereafter, on the request of the Government (October 2003), the CIDCO extended permission for the second time to complete the construction by November 2005 (the first extension given in February 2003 was up to November 2003) failing which the Government has to pay penalty to CIDCO for the extended period. Despite availability of funds, it was only in July 2004 that the IDCO could finalise the tender for Rs.5.53 crore and as per the IDCO's latest estimate (July 2004) the work after execution by the lowest bidder would be Rs. 7.05 crore including IDCO's overhead charges of Rs.92 lakh. However, the IDCO had incurred expenditure of only Rs.1 crore<sup>11</sup> as of February 2005 against its own projected (July 2004) expenditure of Rs.3.75 crore by January 2005. This had led to blockage of Government funds of Rs.3 crore with IDCO for two years during March 2003 to February 2005 and the Government had to pay avoidable interest of Rs.46.80 lakh at the rate of 7.8 *per cent* per annum on its borrowings during the period.

The Government stated (July 2005) that the agreement with IDCO as per the accounting procedure was yet to be executed and that the conditions relating to release of funds to IDCO would be followed scrupulously henceforth. Payment of advances to the IDCO was however, contrary to the accounting procedure and resulted in locking up of Government's funds.

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<sup>9</sup> (i) Building works including civil, internal, external (electrical and PH) installations, site development, fire fighting, lift, and false ceiling etc.: Rs.3.87 crore, (ii) Expenditure already incurred by November 1999: Rs.0.49 crore, (iii) contingency Rs.0.04 crore, (iv) IDCO overhead charges (15 *per cent*) : Rs.0.66 crore.

<sup>10</sup> (i) March 2001: Rs. 67 lakh, (ii) October 2002: Rs.1.33 crore and (iii) April 2003 Rs.2 crore.

<sup>11</sup> (i) Up to November 1999: Rs.67 lakh and (ii) February 2005: Rs.33 lakh the payment of which still to be made (February 2005).

**WATER RESOURCES DEPARTMENT**

**4.5.2 Infructuous expenditure on idle establishment**

**The Pre-Irrigation Ayacut Survey unit functioning under the Deputy Director of Agriculture, Water Management did not conduct the required agro-economic survey of the irrigation projects since 1996-97 despite Rs.1.61 crore spent on their salary.**

Pre-Irrigation Ayacut Survey (PIAS), a State level survey unit has been functioning under the Deputy Director of Agriculture, Water Management (DDA), Bhubaneswar and overall control of the Director, Command Area Development, Orissa for conducting agro-economic survey of Irrigation Projects to determine the suitability of the cropping pattern to be adopted for optimum use of water in the ayacut area. The surveys are to be conducted under the Pre-Irrigation Ayacut Development Scheme on receiving indents from the Executive Engineers (EEs) of Irrigation Projects along with basic documents and information like index maps, soil survey reports, list of Gram Panchayats/villages covered under the ayacut area and required funds of Rs.5000 and Rs.8000 per medium and large irrigation project respectively to meet contingent expenditure for the purpose.

Scrutiny of records of DDA (July 2002 and August 2004) and information collected subsequently (February 2005) revealed that the agro-economic surveys were conducted up to 1995-96 and no such survey was conducted by the staff thereafter due to non-receipt of the required information / records and funds for contingent expenditure from the concerned EEs despite periodical requests of the DDA during 1996-98 in respect of irrigation projects pending for the required survey at that time. As stated by the Chief Engineer, Project Planning and Formulation (CE), 46 irrigation projects<sup>12</sup> covering 3.43 lakh hectares were taken up after 1996-97 but the required agro-economic survey in respect of the above projects were not conducted. Even the intervention of the Director by taking (September 1996/December 1997) up with the CE for expediting the matter did not yield any progress. However, against the 31 sanctioned posts, 11 number of staff were in position on the establishment rolls of the unit as of February 2005 although no agro-economic survey was conducted since 1996-97. The expenditure on the salary of these staff amounting to Rs.1.61 crore during 1996-97 to November 2004 was therefore infructuous.

The Commissioner-cum-Secretary to Government stated (August 2005) that the staff were engaged in water management work like farmer's training, warabandi, crop demonstration programme, field visits etc. under Command Area Development Programme. The reply was not convincing because separate staff were available with the DDA for the above works and diversion of the services of the staff meant for pre-irrigation ayacut survey for the same work lacked justification and affected the agro-economic survey of the irrigation projects.

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<sup>12</sup> Major Irrigation Projects: 13 (Completed: 4 and ongoing: 9) covering 2.62 lakh hectares and Medium Irrigation Projects: 33 (Completed: 15 and ongoing: 18) covering 0.82 hectares.



**AGRICULTURE DEPARTMENT****4.5.3 Blocking of subsidy of Rs.78 lakh meant for the benefit of farmers and agro-entrepreneurs with a Corporation**

**Blockage of subsidy of Rs.77.69 lakh meant for the training, tours for feasibility study of projects and felicitation of identified successful farmers with APICOL for over six years besides affecting Government finances in the form of interest costs of Rs.58.27 lakh.**

The State Agriculture Policy 1996, while extending agriculture the status of an industry, focussed on providing technical advice to the farmers and the agro-entrepreneurs on cultivation of commercial crops, utilisation of modern technology and improved machinery. The Agriculture Promotion and Investment Corporation Limited (APICOL) was required to formulate projects and identify entrepreneurs through the Krishi Sahayak Kendras (KSKs) set up in each district to guide and train them on the above pursuits and arrange their tours to other states to study the feasibility and success of their agro-based industries, besides felicitating and rewarding the successful entrepreneurs on their achievement.

Scrutiny of records (December 2004) of the Director of Agriculture and Food Production (DAFP) and information collected (May/June 2005) from the APICOL revealed that the Government had paid Rs.80 lakh (April 1998: Rs.30 lakh and March 1999: Rs.50 lakh) as subsidy to the APICOL. The APICOL, in turn was required to spend the subsidy for, feasibility study of the projects (Rs.39.40 lakh), training (Rs.24.60 lakh) and felicitation (Rs.16 lakh) of the identified farmers and entrepreneurs of all the KSKs in the State. It was however, noticed that of the above, the APICOL utilised (March-May 1999) only Rs.2.31 lakh towards training of the departmental officials and did not organise the intended programmes for the beneficiaries and retained the remaining Rs.77.69 lakh with it. Despite repeated reminders from the DAFP for refunding the unspent amount to Government, the APICOL continued to retain and invest the same in short term deposits with banks as of June 2005. Thus, the subsidy meant for benefit of the farmers and entrepreneurs was used by the APICOL for investments for over six years and the gain out of such investments ultimately accrued to the corporation. Besides, this affected the ways and means position of the Government in the form of cost of interest of Rs.58.27 lakh calculated at the Government's borrowing rate of 12.5 *per cent*<sup>13</sup> per annum during 1999-2005.

The Managing Director, APICOL stated (June 2005) that the amount was kept as a reserve fund of the Government for use when needed without going through the cumbersome process of Government's budgetary provision and sanction of funds etc. The Principal Secretary admitted the fact during discussion (October 2005) and assured that the Government would take appropriate measures for refund of the amount, if the amount could not be utilised by the APICOL for the intended purpose.

<sup>13</sup> Market loan bearing interest: 12.50 *per cent* Government of Orissa Loan, 2008 raised in 1998-99.

The fact however, remained that neither the Government nor the APICOL worked out any programme for over six years and deprived the farmers of the intended benefits under the Agriculture policy.

### ***HIGHER EDUCATION DEPARTMENT***

#### ***4.5.4 Blocking of funds due to delay in construction of college buildings***

**Lack of effective monitoring by the Public Works Department resulted in works involving Rs.83.19 lakh remaining incomplete for a period of five years.**

During scrutiny of the records of the Educational Institutions of the State, blockage of Government money on incomplete construction of buildings noticed in the following cases.

#### ***Construction of first floor of Rajdhani College, Bhubaneswar***

Government allotted Rs.92.49 lakh during 1997-2004 for construction of the first floor of Rajdhani College, Bhubaneswar and placed the funds in favour of the Chief Engineer (Building) who entrusted the work to the Executive Engineer, R&B Division, Bhubaneswar (EE) for execution. The contractor after executing a portion of work worth Rs.53.04 lakh stopped the work (March 2002) on the plea of non-payment of his bills and escalation charges. In the meanwhile, due to tardy progress of work, the Chief Engineer surrendered Rs.39.45 lakh to the Department and the work remained incomplete as of October 2005. Thus, the failure of the EE to get the work executed in time and lack of monitoring the work by the Administrative Department resulted in blockage of funds of Rs.53.04 lakh.

#### ***Construction of the building of the Institute of Management and Information technology (IMIT), Cuttack***

Government sanctioned Rs.20 lakh (December 1999) and Rs.18.08 lakh (2000-01) for cyclone damage repair work and change of asbestos roof of Barrack No.8 to RCC roof respectively of IMIT, Cuttack. Accordingly, the CE (Buildings) placed Rs.15 lakh and Rs.13 lakh respectively with the EE (R&B), Cuttack to execute the above works. The EE incurred expenditure of Rs.4.35 lakh on repair of cyclone damaged buildings. Subsequently, the Principal, IMIT requested (January 2000) both Government and EE to construct a new building out of the remaining funds instead of repairing the barrack. The EE without obtaining administrative approval and technical sanction awarded the construction of new building to a contractor at the agreement value of Rs.14.19 lakh stipulating completion by January 2002. After incurring expenditure of Rs.10.65 lakh, the work remained incomplete as of February 2005. The Principal brought (October 2002 and December 2003) the fact to the notice of the Government. However, records relating to action taken thereon by the Government were not available with the Principal. Thus, inaction of the Government and lack of co-ordination with the college and Public Works authorities resulted in blocking of Government money of

Rs.23.65 lakh (Rs.15 lakh + Rs.13 lakh - Rs.4.35 lakh) besides depriving the students of infrastructure facilities for over three years.

***Construction of compound wall of the Government Autonomous College, Rourkela***

Government allotted Rs.12.55 lakh during 2000-01 for construction of the compound wall around the Government College, Rourkela for ensuring security of the borders of hostels and staff quarters inside the college premises. The EE, R&B Division, Rourkela took up the work in June 1999 for completion by March 2000. After incurring expenditure of Rs.6.50 lakh, the work remained incomplete due to non-alienation of college land by Revenue Department and partial encroachment of the land by the local people. The Principal stated (January 2005) that the Revenue Department had been requested (November 2002) to complete the demarcation process of the land as the same was not done prior to undertaking the construction. Thus, non-completion of the work for over five years (August 2005) left the students and staff to continue to live in a state of insecurity.

Thus, lack of effective monitoring by Government and co-ordination with college authorities coupled with persistent delays by Public Works Department for time-bound completion of construction works resulted in blocking of Government money of Rs.83.19 lakh for over a period of five years. This in turn, deprived the educational institutions of the intended benefits.

During discussion (October 2005), the Additional Secretary assured to check up the status of the works and expedite completion of the same.

## **4.6 Regularity issues and other points**

### ***FINANCE DEPARTMENT***

#### ***4.6.1 Excess payment of pension, family pension through treasuries and public sector banks***

The disbursement of Pension/Family Pension to State Government Pensioners is made through Treasuries and Public Sector Banks on the basis of authorities issued by the Accountant General (A&E). The Treasuries and Sub-treasuries in Orissa are under the administrative control of the Director of Treasuries and Inspection, Orissa.

Test check of pension records of the treasuries/sub-treasuries in 2004-05 revealed excess payment of Pension/Family Pension/Gratuity by the Treasuries/Sub-treasuries in the State relating to 2004-05 in 542 cases involving Rs.21.69 lakh. The excess payments mainly occurred due to incorrect consolidation of service pension/Family pension: 17 cases (Rs.2.95 lakh), family pension at enhanced rate paid beyond the stipulated date: 80 cases (Rs.3.54 lakh), arithmetical inaccuracy: 35 cases (Rs.1.14 lakh),

allowing inadmissible/excess Interim Relief : 30 cases (Rs.0.95 lakh), allowing inadmissible temporary increase: 73 cases (1.96 lakh), non-adjustment of provisional gratuity/pension already paid: 26 cases (Rs.3.38 lakh), delayed commencement of reduced pension on account of payment of Commuted Value of Pension (CVP): 191 cases (Rs.2.34 lakh), excess payment of military pension : 61 cases (Rs.3.84 lakh), excess payment of LTA Pension: 11 cases (Rs.0.13 lakh) and irregular drawal of fixed medical allowance to Central pensioners: 18 cases (Rs.1.46 lakh).

Scrutiny of records of Public Sector banks for the period 2000-05 revealed that in 103 cases the banks disbursed excess pension/family pension of Rs. 12.04 lakh. The excess payment mainly occurred due to payment of Service pension/family pension even after the death of pensioner: 58 cases (Rs.4.00 lakh), inadmissible medical allowance to Railway pensioners: 12 cases (Rs.0.59 lakh), wrong calculation of family pension: 12 cases (Rs.2.25 lakh), payment of family pension at enhanced rate beyond the stipulated date:16 cases (Rs.4.37 lakh) non-deduction of amount commuted on the stipulated PPOs: five cases (Rs.0.83 lakh). These excess payments occurred in the treasuries and Banks due to erroneous application/non-application of Rules and Government orders governing payment of pension.

The other irregularities in treasuries/banks noticed in audit regarding irregular retention of PPOs of undrawn pension, misclassification of other Government pension as state pension, non-obtaining of periodical employment certificate of pensioners, non-adherence to treasury rules etc. were discussed in the succeeding paragraphs.

#### ***Irregular retention of PPOs of undrawn pension***

If a pensioner fails to take his/her pension for more than three months, the Treasury Officer (TO)/Sub-treasury Officer (STO) shall make inquiry through the District Police to ascertain the reasons of non-appearance of the pensioners. Further, the pension remaining undrawn for more than a year shall cease to be payable by the treasury and the Pension Payment Order (PPO) shall be closed and surrendered to Accountant General (A&E). The TO/STO was to conduct half-yearly review of such undrawn pension and the review remarks sent to the Accountant General (A&E) and Director of Treasuries and Inspection, Orissa.

Scrutiny (2004-05) revealed that in 351 cases, 22 TOs/STOs did not make any such review and retained the PPOs of undrawn pension at their level for periods ranging from four to 30 years without surrendering the same to the Accountant General (A&E). The irregularity was continuing (August 2005). Retention of the closed PPOs by Treasury may leave a scope for misuse/fraudulent use of such pension papers.

#### ***Misclassification of other Government Pension as State pension***

Under accounting rules, the pensionary benefits of other Governments pensioners were to be classified in inter-State Suspense Accounts for eventual adjustment. The TOs/STOs disbursed pension of Rs.50.50 lakh (53 cases) to

the retired pensioners of other Governments by incorporating the same in the State Accounts during 2004-05 (West Bengal-49 cases: Rs.46.40 lakh), Central Government: three cases (Rs.3.84 lakh) and Defence: one case (Rs.0.26 lakh) treating the same as the State Government Pension. Failure of the STOs/TOs to classify the pension correctly resulted in excess expenditure of Rs.50.50 lakh to the Government. The details are given in Appendix-XXIX.

***Non-recovery of government dues***

On the basis of information furnished by Pension Sanctioning Authority, the Government dues outstanding against the pensioners were indicated in the authorisation letter issued by AG (A&E) for recovery of the same by the STOs/TOs from the pensionary benefits of the pensioner. Three treasuries in six<sup>14</sup> cases did not recover Rs.1.52 lakh from the pensioners.

***Non-obtaining of periodical employment certificate***

Under Treasury Rules, every pensioner is required to furnish a declaration in respect of his/her employment/non-employment periodically every year in the month of November so that payment of temporary increase (TI) on Pension would be regulated accordingly. Ten<sup>15</sup> TOs/STOs in 79 cases did not follow the above codal provision and continued to pay TI to the pensioners without fulfilling the requirement.

***Non-adherence to Treasury Rules etc.***

Personal marks of identification, date of commutation, date of commencement of reduced pension and the date of restoration of pension should be recorded in the Part III of the both halves of the PPO and PO register maintained for each pensioner in the Treasuries. Non-compliance with the above provisions of Treasury Rules were noticed in 29 cases in five<sup>16</sup> TOs/STOs during 2004-05.

***Marriage Certificate not obtained from the family pensioner***

Every family pensioner is required to furnish a declaration in respect of her/his marriage/remarriage at least once in a year preferably with the pension bill of December duly countersigned by a responsible officer or well-known person. But such declaration was not obtained by 10<sup>17</sup> TOs/STOs in 70 cases during the years 2001 to 2005 and continued to disburse the pension.

<sup>14</sup> Berhampur Special Treasury : {IR No.92/2004-05 of AG(A&E)}: Rs.0.07 lakh, Baripada Treasury {IR No.139/2004-05 of AG(A&E)}: Rs.0.34 lakh and Burla Sub-treasury {IR No.80/2004-05 of AG(A&E)} : Rs.1.11 lakh.

<sup>15</sup> TO: Sundargarh, Special Treasury, Bhubaneswar, STO : Balimela, Machkund, Purushottampur, Jharsuguda, Rajkanika, Satyabadi, Rajgangpur, Dhamnagar.

<sup>16</sup> Titilagarh, Gajapati, Purusottampur, Dhamnagar and Pallahara.

<sup>17</sup> Sundargarh, Special Treasury, Bhubaneswar, Balimela, Purushottampur, Jharsuguda, Rajkanika, Satyabadi, Rajnagar, Dhamnagar and Machkund.

### ***Irregularities in Public Sector Banks***

Public Sector Banks were required to obtain life certificate from pensioners in the month of November each year. However, three<sup>18</sup> banks irregularly paid Rs.5.52 lakh (18 cases) without obtaining life certificates from the pensioners.

The Special Secretary of the Department, during discussion (October 2005) stated that recovery of excess payment was in progress and assured to take remedial action in respect of other audit observations.

### ***INFORMATION TECHNOLOGY DEPARTMENT***

#### ***4.6.2 Functioning of Orissa Computer Application Centre***

The Orissa Computer Application Centre (OCAC), a registered State Autonomous Body was established in the year 1985. The main objective of the agency is to formulate and recommend a computer policy for the Government and the State public sector undertakings (PSUs), create computer awareness and impart training to Government and PSU employees in computer skills.

Test check of the records (February 2005 - May 2005) of the Chief Executive, OCAC (CE) at Bhubaneswar and facility centres at Berhampur, Rourkela and Sambalpur for the period 2000-05 revealed the following.

- ***Implementation of computer training for school children***

The Eleventh Finance Commission provided Rs.12.90 crore for implementation of the scheme “Computer Training for School Children” in the State during the period 2000-04 with a view to creating need based infrastructure through Computer Technology by imparting training to 850 teachers and installation of 1574 computers in 425 Government High Schools. Accordingly, as per the decision of the Government, the OCAC purchased 1574 computers between June and December 2004 at a cost of Rs.10.28 crore with uninterrupted power supply system and 383 printers along with peripherals for installation in the schools. But, 367 computers costing Rs.1.80 crore, out of 1574 computers purchased, could not be installed in 94 Schools (22 *per cent*) due to non-availability of the infrastructural facilities like building, electricity etc. Further, 569 teachers were only trained as against the 850 teachers targeted for the computer training. As the OCAC failed to ensure providing infrastructural facilities, the implementation of the scheme could not be done in 94 Schools. However, It was further noticed that despite shortfall in implementation, the OCAC had furnished (January 2005) completion certificate to the Government. Besides, 10 out of 1207 computers installed could not function due to technical defects since the date of installation.

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<sup>18</sup> (i) Bank of India, Kantabanji (2001-02): Rs.2.34 lakh (5 cases)  
(ii) SBI, Rayagada (2002-03) :Rs.0.52 lakh (1 case)  
(iii) UCO Bank, Bhubaneswar (2003-04)Rs.2.66 lakh (12 cases).

- **Poor achievement of Information KIOSK Scheme**

The State Government had entrusted the OCAC implementation of the scheme “Information KIOSK” (IK) by opening 1700 IKs during the period from 2003-2007 at a cost of Rs.4.68 crore with the objective of providing self-employment to the unemployed youth in the State along with development of e-governance. The educated unemployed youth, who could afford to arrange self or bank finance upto Rs.2.50 lakh, were to be provided 25 *per cent* of the project cost as subsidy subject to a maximum of Rs.0.25 lakh. According to the arrangement, the OCAC was to forward the applications to the District Industries Centres (DICs) for releasing subsidy and impart training to the applicants. As against the 2716 willing entrepreneurs whose applications were forwarded to the DICs during the period 2003-05, the OCAC imparted training only to 226 applicants incurring expenditure of Rs.4.52 lakh. Only 18 IKs as against the targeted 700 IKs were opened during 2003-05 with the release of subsidy Rs.0.25 lakh in respect of only one case. Thus, there was a complete failure of the scheme with a shortfall of 97 *per cent* in the implementation of the scheme.

The CE stated that software was not developed in the State due to non-implementation of e-governance. The fact, however, was that the implementation of the scheme remained in a take off stage as the OCAC failed to attract entrepreneurs.

- **Avoidable expenditure**

The Government released (February 2001) Rs.30 lakh for opening up three facility centres one each at Berhampur, Sambalpur and Rourkela during 2000-02 to create computer awareness, provide computer training and generate income which could help for opening up of more such centres in the State. Accordingly, all the three centres<sup>19</sup> were opened during 2000-02 and against an income of Rs.10.88 lakh the total expenditure incurred was Rs.71.13 lakh on infrastructure (Rs.30 lakh) and establishment (Rs.41.13 lakh) during 2000-04, leading to extra expenditure of Rs.60.25 lakh to the OCAC.

Check of records revealed that no physical and financial targets were fixed for the centers. The CE stated that no target was fixed as the centers provided training to the Government and PSU employees as per their requirement and the response of private students was poor as the cost of training by the centers was high compared to the cost offered by the local private institutions. This indicated that facility centers were opened without conducting feasibility reports, resulting in loss to the OCAC.

The Joint Secretary of the Department, during discussion (December 2005) stated that necessary remedial measures had already been initiated on the audit observations.

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<sup>19</sup> Berhampur: November 2000, Sambalpur: March 2001 and Rourkela: January 2002.

**PANCHAYATI RAJ DEPARTMENT**

**4.6.3 Misutilisation of funds under EAS/SGRY**

**The approval of inadmissible repair and maintenance of irrigation works and blacktopping of a road by Project Director of DRDA, Baripada was contrary to the provisions of EAS/SGRY scheme guidelines and involve Rs.36.67 lakh.**

The Employment Assurance Scheme (EAS) during the period 1993-2002 and the Sampoorna Gramin Rojgar Yojana (SGRY) scheme thereafter came into operation with the objectives of providing employment to rural poor on payment of wages by undertaking labour intensive works and creating durable community assets for sustained employment. Under the schemes (from 1 April 1999), 15 per cent of the funds can be spent on repair and maintenance of the public assets created out of the funds of wage employment programmes sponsored by the Ministry of Rural Development, Government of India (GOI). However, black topping of existing roads with the funds of both the above schemes was prohibited.

Test check of records (December 2004) of the Project Director (PD) District Rural Development Agency (DRDA), Baripada revealed that in disregard of the provisions of the scheme, the DRDA approved the repair and maintenance of irrigation works/black topping of the existing roads included in the action plan of the executing agencies and allowed them to incur the expenditure of Rs.36.67 lakh as detailed below:

Sl. No.	Executing agencies/ DRDA	Amount spent (Rupees in lakh)	Purpose for which scheme funds were spent with Remarks
(i)	Executive Engineer (EE), Irrigation Division, Mayurbhanj, Baripada/(under DRDA, Baripada)	8.00 (April 2002)	For black topping of the existing canal road of the Khorkei Irrigation Project from Suleipat to Bhalubaga - RD 10.95 km to RD 15.20 km in five estimated reaches out of EAS funds contrary to the provisions of the scheme.
(ii)	-do-	5.25 (April 2002 to July 2004)	Improvement by repair and providing concrete lining of the existing Jayavilla distributary and Baliguda canal of Balidiha Irrigation Project; assets not created earlier out of GOI funds. The repair works were approved by the DRDA, Baripada (January 2002) and constituted one hundred per cent of the amount received by the EE under the SGRY scheme.
(iii)	EE, Minor Irrigation Division, Baripada / (Under DRDA, Baripada)	23.42 (1999-2004)	As approved by the DRDA (November 1999), EAS funds of Rs.23.42 lakh were spent for repair of nine old minor irrigation projects, which were born on the records of the Water Resources Department and not created earlier out of GOI funds.
<b>Total</b>		<b>36.67</b>	



The EEs of Irrigation and Minor Irrigation Divisions, Baripada stated (December 2004) that while the black topping of the road facilitated communication of sixty-one villages, the improvement to irrigation projects was taken up for distribution of water to the tail end of the canal systems of the projects.

The replies were not acceptable as the scheme funds were meant for creation of new community infrastructure and assets and spending the same on black topping of roads, repair/improvement etc. to the existing assets were out side the scope of EAS/SGRY schemes. Thus, irregular approval of the DRDA to execute inadmissible works led to misutilisation of scheme funds.

The matter was demi-officially referred to the Government (August 2005) for reply within six weeks; reply had not been received (October 2005).

## 4.7 GENERAL

### 4.7.1 Lack of response to audit

Accountant General (Civil Audit) and Accountant General (Commercial, Works and Receipt Audit), Orissa arrange to conduct periodical inspection of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the heads of offices and the next higher authorities. The defects and omissions are expected to be attended to promptly and compliance reported to the Accountants General (Audit). A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of the IRs issued up to March 2005 pertaining to 4743 offices of 34 departments showed that 58260 paragraphs relating to 16765 IRs were outstanding at the end of June 2005. Of these, 5136 IRs containing 12500 paragraphs had not been settled for more than 10 years (Appendix-XXX). Year-wise position of the outstanding IRs and paragraphs are detailed in Appendix-XXXI. Even the initial replies which were required to be received from the Heads of Offices within six weeks were not received in respect of 1562 IRs (Appendix-XXX) issued between 1964-65 and 2004-05 (March 2005). As a result, many serious irregularities commented upon in these IRs had not been settled as of June 2005 (Appendix-XXXII). Failure to comply with the issues raised by Audit facilitated the continuance of serious financial irregularities and loss to the Government.

It is recommended that Government should look into this matter and ensure that procedure exists for (a) action against the officials who fail to send replies to IRs/Paras as per the prescribed time schedule, (b) revamping the system of proper response to the audit observations in the Departments and (c) action to

recover loss/outstanding advances/overpayments pointed out in audit in a time bound manner.

The matter was referred (October 2005) demi-officially to Government; no reply had been received (October 2005).

#### **4.7.2 Follow up action on earlier Audit Reports**

Serious irregularities noticed in audit are included in the Reports of the Comptroller & Auditor General (Audit Reports) that are presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Orissa in December 1993, the Administrative Departments are required to furnish explanatory notes on the paragraphs/reviews included in the Audit Reports and Action Taken Notes (ATNs) on the recommendations of Public Accounts Committee (PAC) Reports within three months and six months respectively of their presentation to the Legislature.

It was noticed that in respect of Audit Reports from the years 1991-92 to 2003-04 as indicated below, 29 out of 37 departments which were commented upon, did not submit explanatory notes on 181 paras/reviews as of September 2005

<b>Year of Report</b>	<b>Total paras/reviews in Audit Reports.</b>	<b>No. of individual paras/reviews for which explanatory notes were not submitted.</b>
1991-92	99	6
1993-94	87	8
1994-95	85	5
1995-96	89	4
1996-97	103	10
1997-98	97	16
1998-99	92	9
1999-2000	83	21
2000-2001	83	23
2001-2002	61	13
2002-2003	59	29
2003-2004	60	37
<b>Total</b>	<b>998</b>	<b>181</b>

The department-wise analysis is given in the Appendix-XXXIII which shows that the Departments largely responsible for non-submission of explanatory notes were Revenue, Agriculture, Scheduled Tribes and Schedule Castes Development, Water Resources, Works, School & Mass Education and Finance. Comments on topics such as Super Cyclone and Integrated Audit of Primary Education had also failed to elicit any response from the Government.

***Response of the departments to the recommendations of the Public Accounts Committee***

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

However, it was noticed that 2098 recommendations of PAC, relating to 1st Report of 9th Assembly (1985-86) to 6th Report of 13th Assembly (2004-05) were pending settlement as of September 2005. Department-wise details are indicated in Appendix-XXXIV, which indicate that Departments largely responsible for non-submission of ATNs are Water Resources, Works, Housing and Urban Development, Industries, Agriculture and School and Mass Education.

***Monitoring***

The following Committees have been formed at the Government level to monitor the follow up action on Audit Reports and PAC recommendations.

***Departmental Monitoring Committee***

Departmental Monitoring Committees (DMCs) have been formed (between May 2000 and February 2002) by all departments of the Government except Information and Technology Department (against which no audit para is pending) under the chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations. However, as of September 2005 only eight Departments of Government i.e. Commerce (one meeting), Transport (one meeting), Energy (one meeting), Panchayati Raj (one meeting), Labour and Employment (two meetings), Forest and Environment (one meeting), Finance (one meeting) and Revenue (one meeting) held DMC meetings.

***Apex Committee***

An Apex Committee has been formed (December 2000) at the State level under the Chairmanship of the Chief Secretary to review the action taken by the DMCs till September 2005, Apex Committee met only once in February 2002.

***Review Committee***

A Review Committee has been formed (December 1992) comprising Principal Secretary, Finance Department, Principal Accountant General (Civil Audit)/ Accountant General (Commercial, Works and Receipt Audit) and Secretary to Government of the concerned Department to review the progress as well as adequacy of action taken on the Audit Reports and PAC recommendations in order to facilitate the examination of such Reports/recommendations by the Public Accounts Committee.

The Review Committee met on six occasions between June 2003 and December 2003. No meeting was held thereafter.

The matter was referred (October 2005) to the Government: their reply had not been received (October 2005).