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

WATER RESOURCES DEPARTMENT

4.1.1 Subsidised rice missing- Misappropriation likely

Subsidised rice weighing 1345 MT valuing Rs 1.68 crore received under Food for Works (FFW) Programme was allegedly misappropriated by an Assistant Engineer.

As per codal provisions, no work should commence or liability incurred unless the estimates are sanctioned, agreements drawn and work orders issued for commencement of the works.

The Chief Engineer (CE), Minor Irrigation (MI) allotted (November 2003) 1350 MT of rice to Deogarh district under Food for Works (FFW) Programme for repair/restoration of MI Projects affected in the floods of 2003 through generation of wage employment. As per the norms of the programme, the EE was to monitor the progress and utilisation of food grains allotted and send certificate of utilisation and monthly progress reports. The Assistant Engineer (AE), Deogarh MI Sub-division under MI Division, Sambalpur lifted 1345 MT of rice in January/February 2004. The EE submitted Utilisation Certificate (UC) in March 2004 reporting utilisation of 610 MT of rice in repair and restoration of different MI Projects of the district. Subsequently, the AE reported in August 2004 that the entire quantity of 1345 MT of rice was utilised in repair/restoration of 14 MI Projects of the district.

Test check of records of the MI Division, Sambalpur revealed (January 2005) that the EE had issued the certificate of utilisation of the allotted food grains without verifying the estimates, agreements and works orders. As neither the estimates nor the agreements and the work orders were in existence, utilisation of rice was unauthorised. Besides, the site accounts of the works indicating accountal of the rice and the hand receipts in support of issue of rice to the contractors for the works were also not available in records.

Physical verification of stock was subsequently conducted in September 2005 which disclosed no stock balance of rice.

[*] Abbreviations used in this Chapter have been expanded in the Glossary of abbreviations at pages 228-234.

Thus, the internal control failure at the level of the EE, who issued the certificate of utilisation of the rice in the absence of estimates, agreements, work orders and without verification of the actual execution of work, facilitated the misappropriation of 1345 MT of rice worth Rs 1.68 crore (including transportation cost of Rupees nine lakh) by the AE. No action was, however, taken against the AE as of March 2006.

Government stated (May 2006) that the matter was under investigation.

4.2 Infructuous/wasteful expenditure and overpayment

FOREST AND ENVIRONMENT DEPARTMENT

4.2.1 Wasteful expenditure of Rs 46.44 lakh due to damage to seedlings raised under Economic Plantation Scheme

Nineteen Forest Divisions incurred an expenditure of Rs 46.44 lakh which proved wasteful as 20.37 lakh seedlings of economically important species grown by them were found to be damaged or overgrown.

The Annual Plan of the Government for 2004-05 included raising of plantation of economically important species on 3000 hectares of forestland under six[1] circles covering 26 Forest Divisions during the year. Accordingly, provision of Rs 2.48 crore was made for raising of seedlings in the nursery alongwith maintenance and plantation under the Economic Plantation scheme. A target was fixed to raise 52 lakh seedlings for plantation.

Scrutiny of records (January 2005) of Principal Chief Conservator of Forests (PCCF), Orissa and information collected (April 2006) from the six Forest Circle Offices revealed that the PCCF sanctioned Rs 1.39 crore in favour of the Conservators of Forest of the six circles for raising 52 lakh seedlings during 2004-05. The Forest Divisions raised 49.67 lakh seedlings with an expenditure of Rs 1.13 crore. Out of the above, only 2.23 lakh seedlings were used for plantation by the Forest Divisions during the year and 47.44 lakh remained unutilised. Due to non-availability of funds from Special Relief Commissioner (SRC) under Sampoorna Grameena Rozgar Yojana (SGRY) scheme for plantation, the PCCF instructed (July 2004) to sell the unutilised seedlings on cost plus basis. Accordingly, 22.46 lakh seedlings were sold to different organisations[2] at a cost of Rs 52.07 lakh. Of the remaining 24.98 lakh seedlings, 20.37 lakh became unfit for plantation due to damage and overgrowth and the rest 4.61 lakh seedlings remained unutilised as of April 2006. Thus, the raising of seedlings without ensuring adequate resources for plantation expenses led to wasteful expenditure of Rs 46.44 lakh involving 20.37 lakh seedlings rendered unfit for purpose of plantation.

The PCCF stated (January 2005) that the planning suffered due to non-availability of funds / food-grains expected to be received from the Special Relief Commissioner under Sampoorna Grameena Rozgar Yojana scheme. The reply

[1] Anugul, Baripada, Berhampur, Bhubaneswar, Rourkela and Sambalpur.
[2] District Rural Development Agency (DRDA), National Aluminum Company (NALCO).

was not tenable as the above situation could have been obviated by modifying the target for seedling preparation through realistic assessment of funds of the Department for plantation and providing contingencies for non-availability of funds from SRC. However, the Principal Secretary, during discussion, assured (August 2006) that effective steps would be taken to rule out possible recurrence of such cases.

4.3 Violation of contractual obligation/ undue favour to contractors

RURAL DEVELOPMENT DEPARTMENT

4.3.1 Undue benefit to contractors

Item rate of Water Bound Macadam (WBM) was computed incorrectly resulting in an undue benefit of Rs 16.07 crore to contractors.

Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), construction works of 1695 roads were awarded (2001-05) to 188 contractors in 578 packages (Phase I, II and III) at a total cost of Rs 944.47 crore for completion between 2002 and 2005. The agreements stipulated for construction of the roads with two layers of Water Bound Macadam (WBM) of 75 mm thick each to function as base course. As per the norms of the programme, the project proposals were to be prepared adopting the State Schedule of Rates (SoR).

Test check of the records revealed the following:

- As per the SoR and specifications adopted for construction of roads in the State under Orissa Water Resources Consolidation Projects (World Bank Project-WRCP), one cum of void free metal/aggregate and 0.25 cum of screening material were required for execution of one cum of WBM on compact finished surface. The specifications of construction of roads under PMGSY, however, stipulated by the Rural Development Department of Government of Orissa provided for the requirement of 1.21 cum to 1.43 cum of loose metal/aggregate and 0.29 to 0.32 cum of screening material per cum of WBM indicating requirement of 1.06 cum to 1.25 cum of void free metal/aggregate deducting 12.5 *per cent* towards voids as per technical specifications of PMGSY.
- The requirement per cum of WBM varying from 1.06 cum to 1.25 cum of void free metal/aggregate as per the technical specifications of PMGSY defied logic when compared with the specifications adopted for construction of roads under OWRCP and provided scope for undue benefit to the contractors.
- The Executive Engineers (EE) computed the item rates for WBM adopting the requirement of 1.33 cum of void free metal/aggregate per cum of WBM which was grossly in excess of OWRCP as well as PMGSY norms and resulted in undue benefit to the contractors.
- At the instance of audit, Government reviewed the item rate in consultation with the State Technical Agency (STA) and stipulated in April 2005 the requirement of 1.21 cum metal/aggregate in addition to 0.29 cum of screening materials for one cum of WBM works. However, the Government did not

specify whether 1.21 cum of metal required per cum of WBM has to be loose or void free.

- Even if the required quantity of 1.21 cum metal/aggregate is considered void free, the adoption of rate for 1.33 cum of void free material by the EEs resulted in excess payment of Rs 16.07 crore in respect of 442 packages checked in Audit as of March 2006.
- In view of adoption of one cum of void free metal and 0.29 cum of screening material in case of works executed under OWRCP and lack of transparency in Government's clarification in May 2005, Government may further review the item rate to avoid undue benefit to contractors in future contracts.

The matter was referred to Government in April 2006; their reply has not been received.

4.3.2 Excess payment to contractors

Excess payment of Rs 11.27 crore was made to the contractors due to wrong computation of item rate of Granular Sub Base (GSB).

Under the Pradhan Mantri Gram Sadak Yojana, construction works of 1695 roads were awarded (2001-05) to contractors in 578 packages (Phase I, II and III) at a total cost of Rs 944.47 crore for completion between 2002 and 2005. The agreements stipulated for providing Granular Sub Base (GSB) using admixture of moorum and sand in the ratio of 70:30. As per the norms of the programme, the project proposals were to be prepared adopting the State Schedule of Rates (SoR).

Test check of records revealed the following:

- The technical specifications of PMGSY works stipulated that the GSB executed with composite materials of moorum and sand was to be measured as finished work in position in compact form in cubic metres for payment to the contractors. The SoR provides for rates of void free moorum; the quantity of void free moorum is to be arrived at by deducting from the metal/gravel stacks 12.5 *per cent* towards voids. This implied that 1.125 cum of loose moorum was equal to 1.00 cum of void free moorum. Granular sub-base was prepared by compacting admixture of moorum and sand. The department did not specify any norms regarding how much moorum/sand would be required to produce one cum of GSB. The Executive Engineers (EE), however, worked out the unit rates of GSB adopting the requirement of 1.50 cum of void free moorum and sand (1.05 cum of moorum and 0.45 cum of sand) per cum of GSB. The requirement of 1.50 cum of void free moorum/sand for 1 cum of GSB is *prima-facie* on the higher side and resulted in undue benefit to the contractors.
- At the instance of Audit, Government reviewed the item rate in April 2005 in consultation with the State Technical Agency (STA) and prescribed (May 2005) the requirement of 384 cum of moorum/sand per 300 cum of GSB implying requirement of 1.28 cum of moorum/sand per 1 cum of GSB. However, the Government did not specify whether 1.28 cum of material has to be loose or void free.

- Even if the requirement of 1.28 cum of moorum/sand is considered to be void free, the adoption of rate for 1.50 cum void free material by the EEs resulted in excess payment of Rs 11.27 crore to the contractors in respect of 442 packages as of March 2006.
- In view of lack of transparency in Government's clarification in May 2005, Government may further review the item rate to correct the situation.

The matter was referred to Government in April 2006; their reply had not been received.

4.3.3 Excess payment to contractors

Failure to adhere to the Indian Road Congress Code while sanctioning the estimates resulted in excess payment of Rs 1.65 crore to the contractors.

Construction of two high level bridges was awarded (January 2003-February 2004) to two contractors at a cost of Rs 30.75 crore for completion between February 2006 and May 2007. The contracts, *inter-alia*, provided for execution of Cement Concrete (CC) items of strength M-15, M-20, M-25 and M-30 using minimum quantity of cement as prescribed in the Indian Road Congress (IRC) Code subject to mix-design proportion in conformity with the gradation and proportion of all materials. The works were under execution and Rs 22.13 crore were paid to the contractors as of March 2006.

Test check of records of Executive Engineer (EE), Rural Works Division, Cuttack showed (May 2006) the following:-

- 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 M-15, M-20, M-25 and M-30 respectively. The rates in the estimates were, however, computed providing the requirement of cement of 321 Kg, 411 Kg, 571 Kg and 645 Kg per cum of the above CC items respectively and floated (October 2002/November 2003) the estimates for a total cost of Rs 24.93 crore to tender. Thus, the estimates provided for inflated cement content in deviation from the IRC code.
- The Notice Inviting Tender (NIT) stipulated that the items were to be executed as per mix design proportions assessed during execution, but did not contain any condition for adjustment of the item rates in case the material proportions varied.
- The mix-design test conducted during the period of execution confirmed that actual cement consumed in the works was substantially less viz 292 Kg for M-15, 347 Kg for M-20, 392 Kg for M-25 and 435 Kg for M-30. Despite such less consumption of cement, the item rates were not correspondingly scaled down. This led to excess payment of Rs 1.65 crore to the contractors of which Rs 1.27 crore had already been passed on to the contractors as of March 2006.

The EE agreed (May 2006) with audit conclusion stating that the excess payment could not be realised since there was no clause in the agreement for adjustment of the item rates in case the material proportion varied.

The matter was referred to the Government in June 2006 and their reply was not received (September 2006).

WORKS DEPARTMENT

4.3.4 Undue financial benefit to a corporation

Undue financial benefit of Rs 4.39 crore was extended to M/s Orissa Bridge & Construction Corporation by over loading the cement concrete rates with inadmissible items.

Construction of a High Level Bridge over river Baitarani at Ballavighat near Jajpur town was allotted (February 2003) to M/s Orissa Bridge and Construction Corporation (OBCC) in a number of job contracts (K_2 form) for completion by February 2006. These agreements provided for execution of 10990 cum of cement concrete (CC) works at the rates technically sanctioned by the Chief Engineer and 15 *per cent* corporation charges thereon. The Corporation was paid Rs 12.21 crore for the works executed upto September 2005.

Test check of the records of Panikoili (R&B) Division in September 2005 revealed that though the rates for the CC items were computed as per the SoR, providing for 3 *per cent* for form work and 7 *per cent* towards sundries and Tools and Plants, the rates were further over loaded with the cost of additional items such as islanding, foot bridge, derrick stand, winch stand, pilion base and centering and shuttering (form work) etc. which were not separately admissible as per the SoR and also not provided in execution of other bridge works in the State. The unauthorised inclusion of inadmissible items led to undue benefit of Rs 4.39 crore to the Corporation.

Government stated (May 2006) that the CC works envisaged in the SoR were for general nature of work while the CC works provided in this work were controlled concrete executed inside water. This was not correct since the rate analysis provided in the SoR was applicable for controlled concrete items.

4.3.5 Non-recovery of Government dues

Government dues of Rs 2.02 crore was not recovered from a contractor who had defaulted in completion of a High Level Bridge.

Construction of a High Level Bridge (460 metres long) over river Luna Karandia at Karilopatna stipulated for completion at a cost of Rs 4.67 crore was abandoned midway by the contractor in December 2001 after executing of work for Rs 2.54 crore. Government ordered (October 2002) closure of the contract under the risk and cost of the contractor and the left over works were awarded (February 2004) to another contractor at a cost of Rs 4.02 crore for completion by February 2006.

Test check of the records of Kendrapara (R&B) Division brought out (October 2004) the following:

- The contractor failed to complete the work despite repeated notices and finally abandoned it since December 2001. However, the Executive Engineer (EE) did not invoke the penal clause of the contract for realisation of liquidated compensation (10 *per cent* of the estimated value). Instead, he paid (February 2002) Rs 2.54 crore to the contractor for the work executed by him till abandonment and proposed closure of the contract in July 2002.

- As per the contract, Rs 1.89 crore was recoverable on account of risk and cost from the defaulting contractor for the portion of the work left out by him. Further, Rs 13.42 lakh incurred by the division for removal of silt from the working area was also recoverable from the original contractor. Altogether, Rs 2.02 crore was recoverable from the defaulting contractor. No action was, however, taken as of July 2006 to recover the Government dues.

Thus, the EE, despite closure of the contract with the defaulting contractor under risk and cost of the contractor in October 2002, failed to recover Government dues of Rs 2.02 crore from the defaulting contractor as of July 2006. At the instance of audit, contractor's securities valuing Rs 12.68 lakh available with the division were credited to Government account in May 2006.

Government stated (May 2006) that the balance amount would be realised from the contractor.

WATER RESOURCES DEPARTMNT

4.3.6 Non-recovery of Government dues

Failure to penalise a defaulting contractor and non-initiation of suitable action to recover the outstanding dues led to loss and non-recovery of Rs 34.44 crore.

Construction of Left Bank Canal from RD 31.50 to 33.00 Km of Rengali Irrigation Project was awarded (March 2001) to a contractor at a cost of Rs 42.22 crore for completion by March 2004. The contractor failed to complete the work despite issue of notices and finally stopped it from June 2004 after executing work worth Rs 15.15 crore (paid in June 2004). He claimed (October 2004) Rs 12.14 crore towards compensation for hike in cost of steel, extra haulage for excavated materials, refund of bank guarantee, waiver of interest on advances and applied (November 2004) extension of time up to December 2005 for completion of the work subject to admission of the claims. Since the claims were not tenable under the terms of the agreement, his contract was rescinded (March 2005) and the balance of the work was allotted (March 2006) to M/s Orissa Construction Corporation (OCC) at a cost of Rs 47.20 crore for completion by March 2008.

Test check of the records of Executive Engineer (EE), OECF Division No.I, Badajhara revealed (April 2006) the following:

- Government directed (February 2005) closure of the contract under appropriate provisions of the agreement. The EE, however, rescinded the contract only with levy of liquidated damages and forfeiture of retention money and exonerated the contractor towards recovery of extra cost on completion of the balance of the work without recording any reason in violation of the terms of the contract. This resulted in loss of Rs 20.13 crore towards extra cost involved in execution of the left over work through OCC.

- A sum of Rs 13.77 crore was recoverable from the defaulting contractor towards outstanding advances with interest, liquidated damages, performance securities, cost of departmental steel, rent for the allotted Government quarters and testing charges. The EE did not initiate any action for realisation of the dues.
- Though the Bank Guarantee (BG) for Rs 8.06 crore was available for adjustment to the extent possible, the same was not encashed and its validity expired in October 2004. No action was initiated for seizure of the plant and equipment excepting issue of intimation to Police to provide watch and ward to the machinery of the contractor lying at site.
- Due to leaving the work site in haphazard condition, the excavated portion was filled in with silt and slush which involved extra payment of Rs 53.84 lakh to OCC.

Thus, the failure of the EE to enforce appropriate clauses of the agreement led to loss on account of non-recovery of Rs 34.44 crore from the defaulting contractor.

Government stated (June 2006) that all dues and the extra cost in completion of the balance work through OCC would be recovered from the defaulting contractor.

4.3.7 Undue benefit due to providing excess lead

Adoption of 5 km lead towards transportation of earth from burrow area despite availability within 3.5 km lead led to undue benefit of Rs 2.14 crore.

Construction of Earth Dam of Telengiri Irrigation Project was allotted (March 2005) to M/s. Orissa Construction Corporation (OCC) at a cost of Rs 46.22 crore plus 15 *per cent* overhead charges. The contract, *inter-alia*, provided for execution of 27.83 lakh cum of earth work by obtaining earth from burrow area by mechanical means at the rate of Rs 82.10 per cum. The Superintending Engineer (SE), Upper Kolab Circle, Bariniput had approved (February 2004) obtaining earth from the burrow area involving 3.5 km mechanical lead for the work. The OCC offered to execute the earth work at Rs 95 per cum. This rate involved transportation of earth from 5 km lead. Project Level Technical Committee (PLTC) negotiated the offer to Rs 82.10 per cum with the 5 km lead and recommended (December 2004) acceptance of the offer, which the Government approved in March 2005.

The work was in progress with works advance of Rs 4.27 crore paid to the OCC as of March 2006.

Audit conducted (February 2006) physical verification of the actual lead involved for transporting earth for the work alongwith a team consisting of Engineers in charge of the work at Telengiri Head Works Division and the OCC. The physical verification disclosed that the lead involved was 3.5 km and accordingly the contractor was entitled to payment of Rs 75.40 per cum of earthwork against Rs 82.10 per cum provided in the agreement.

Thus, acceptance of the rate involving transportation of earth from a distance of 5 km against actual lead of 3.5 km resulted in undue benefit of Rs 2.14 crore to the OCC. The EE accepted (February 2006) that the actual lead involved was 3.5 km.

Government stated (June 2006) that the rate of OCC was derived from the departmental estimate wherein 3.5 km lead was considered for burrowing earth. This was factually not correct as the rate was finalised as per offer of OCC, which adopted 5 km lead against the requirement of 3.5 km lead.

4.3.8 Undue benefit to the contractor

Non-utilisation of excavated earth in filling reaches and non-recovery of full cost of blasted stone led to undue benefit of Rs 1.03 crore to a contractor.

Bortansil Minor Irrigation Project, a Diversion Weir (DW) scheme was taken up in December 2001 with the objective of providing irrigation to 2428 ha of Culturable Command Area (CCA) in the chronically drought affected Boden block of Nuapada district. The project was completed in November 2004 at a cost of Rs 7.10 crore.

Test check of the records of Minor Irrigation (MI) Division, Khariar revealed (November 2005) the following:

- Out of 86208 cum of earth obtained from the foundation excavation, only 6686 cum was utilised in embankment formation while 54083 cum of earth was measured as carried from burrow area by mechanical means although the contract stipulated that the earth obtained from the foundation excavation was to be utilised. This resulted in avoidable payment of Rs 33.59 lakh to the contractor.
- The item rate for masonry work was inbuilt with the basic cost of stone of Rs 95.20 per cum and transportation charges of Rs 106.90 per cum (for a lead of 20 km). The agreement was executed with a premium of 29.38 *per cent* over the estimate. Therefore, the actual rate for the stone comes to Rs 273.48 per cum including royalty charges of Rs 12 per cum. During the course of execution of the work, 43309 cum of useable blasted stone retrieved from foundation excavation was issued to the contractor at the site with an average lead of 5 km involving transportation charge of Rs 46.28 per cum for use in the work. The Executive Engineer (EE), however, recovered cost of stone at Rs 63.58 per cum as requested by the contractor against Rs 227.20 (Rs 273.48 minus Rs 46.28), recoverable which resulted in short recovery of Rs 69.55 lakh from the contractor.

Thus, non-utilisation of useable excavated earth in filling reaches and non-recovery of actual cost of blasted stone led to undue benefit of Rs 1.03 crore to the contractor.

Government stated (June 2006) that the earth was burrowed from outside for filling damaged portion of afflux bundh and the cost of the stone was recovered at the agreement rate of Rs 63.50 per cum. The reply was not tenable since as per contract conditions, repair to the damages was to be at the cost and risk of the contractor and the recovery of the cost of stone at the rate of Rs 63.50 per cum was neither in the Notice Inviting Tender (NIT) nor in agreement but was based on a request (29 December 1999) of the contractor.

4.4 Avoidable/excess/unfruitful expenditure

CO-OPERATION DEPARTMENT

4.4.1 Expenditure on a cold storage rendered unfruitful due to non-completion and non-fulfillment of objectives

A cold storage remained incomplete and inoperational in tribal district of Rayagada after spending Rs 2.22 crore due to non-taking up of electrical and refrigeration works.

The National Cooperative Development Corporation (NCDC) approved (January 1995) the proposal of the State Government for setting up a cold storage at Rayagada at a cost of Rs 1.65 crore revised to Rs 2.30 crore under the Centrally Sponsored Scheme for cooperatives to provide storage facility to the tribals engaged in marketing of locally produced tamarind. The project was to be executed by the Orissa State Cooperative Marketing Federation (Markfed) for completion by December 2000.

Test check (April 2005) of records of the Managing Director (MD), Markfed showed that the Markfed got the civil works completed (October 2000) at a cost of Rs 2.22 crore including the cost of land instead of limiting the same to Rs 1.42 crore stipulated by the NCDC. The State Government though received Rs 2.07 crore as aforesaid, paid (2001-02) only Rs 91 lakh to Markfed after adjusting Rs 1.16 crore receivable by the Government from Markfed on account of arrears of guarantee fees and interest on outstanding loan. Due to paucity of funds, the electrical and refrigeration works, essential for making the cold storage operational, was not taken up (May 2006). Thus, due to non-adherence to NCDC's approved costs and adjustment of NCDC assistance towards outstanding dues by the Government, the cold storage remained incomplete and the expenditure of Rs 2.22 crore incurred on the same became unfruitful.

Government stated (May 2006) that steps were being taken to complete the work out of funds of Revised Long Term Action Plan meant for KBK districts or availing loan from the NCDC. The reply was not convincing, as Government’s action to adjust a major part of NCDC assistance towards outstanding dues was contrary to the NCDC’s stipulation. During discussion, the Principal Secretary assured (September 2006) that the issue would be examined and appropriate follow up action taken on the audit observations.

Thus, the tribal population of Rayagada district could not avail cold storage facility for their locally produced tamarind despite more than Rs 2 crore spent in its construction.

WATER RESOURCES DEPARTMENT

4.4.2 Unfruitful expenditure on incomplete work

Commencement of work without acquiring the required land resulted in an unfruitful expenditure of Rs 7.89 crore.

With a view to providing irrigation to 15342 Ha of culturable command area (CCA) between Chitrotpala-Mahanadi & Mahanadi Paika Doabs, Executive Engineer (EE) Mahanadi-Chitrotpala Island Irrigation (MCII) Division No. II, Cuttack awarded (January 1999) the work of excavation of Paika Left Branch Canal including structures, minors and sub-minors from RD 00 to 22.40 km (under package No. 14) to a contractor for Rs 8.68 crore stipulating completion by July 2001. The work was to be financed out of the World Bank loan assistance. The contractor was paid Rs 7.89 crore including escalation of Rs 1.46 crore for the work executed upto August 2004. With the closure of World Bank loan assistance to the project in September 2004, the contract was closed (March 2005) although the work was incomplete.

Test check (July 2005) of the records of EE, MCII Division No.-II, Cuttack brought out the following:

- Total 262 acres of private land spread over in patches was required for execution of the canal including minor and sub-minors. The EE, however, awarded the work to the contractor without acquisition of land. After expiry of the stipulated period of completion of the work, land measuring 189.84 acres could be handed over to the contractor. This led to the main canal being excavated in patches with several missing links ranging from 10 metres to 300 metres and totaling 850 metres.

- Out of 65 acres of land required for construction of minors and sub-minors, 40.57 acres could not be acquired as of July 2006. As a result, the minors and sub-minors were executed only for 600 metre against the requirement of 20.425 km.

Government, after closure of the World Bank loan in September 2004, closed the work at the incomplete stage in March 2005. Thus, commencement of work without acquisition of the required land and later abandonment of the work midway rendered the expenditure of Rs 7.89 crore unfruitful besides creating interest liability towards World Bank loan assistance.

Government stated (June 2006) that estimates for left over patches were under preparation. The reply, however, remained silent regarding acquisition of the land required for completion of work.

4.4.3 Extra expenditure due to delay in finalisation of rate

Delay in finalisation of rate of an item led to avoidable extra expenditure of Rs 1.48 crore.

Excavation of Salandi Main Canal (Ambahata) from RD 6.84 to 14.33 km including structures was awarded (July 1999) to a contractor at a cost of Rs 2.13

crore for completion by January 2001 for providing irrigation to an ayacut of 3650 Ha. After executing works worth Rs 68.17 lakh the contractor left the work. The balance of the work with increase in scope was awarded (September 2003) to M/s Orissa Construction Corporation (OCC) for completion by February 2005 at a cost of Rs 6.02 crore. The work was in progress (March 2006) with payment of Rs 6.15 crore to OCC as of December 2005.

Test check of records of Executive Engineer (EE), Salandi Canal Division, Bhadrak during May 2005 showed the following:

- The contract provided that the rate for new items encountered during execution would be carried out at either the rates specified in the Schedule of Rates (SoR) or as mutually finalised. During the course of execution of the work, excavation of hard laterite rock was encountered (January 2000) which was not provided either in the agreement or in SoR. On the basis of field observation and negotiation with the contractor, the EE worked out (April 2000) the rate of the new item at Rs 136 per cum, which the Chief Engineer & Basin Manager (CE&BM) recommended (May 2000) to Government for acceptance. Government approved the rate in December 2001 after a lapse of 20 months. Due to the abnormal delay in finalisation of the rate, the contractor sought closure of the contract (February 2002) on the ground of his item rates becoming unworkable. Government closed (August 2002) the contract without levy of penalty.

- The balance of the work was awarded to OCC in September 2003 i.e. after 19 months from contractor's request for closure of the contract. The OCC to whom the balance of work was awarded offered the rate of Rs 136 per cum plus 15 *per cent* overhead charges for excavation of the item of work which worked out to Rs 156.40 per cum against Rs 136 per cum of the earlier contractor. Computed with the item rates of the contractor, the allotment of the balance of the work to the OCC at higher rates resulted in extra expenditure of Rs 1.48 crore to the Government.

- OCC failed to complete the work as per schedule but the liquidated compensation of Rs 52.34 lakh leviable as per the condition of the contract was not realised from OCC (March 2006).

Thus, delay in finalisation of rate of a new item leading to closure of contract followed by further delay in taking up the balance work resulted in extra expenditure of Rs 1.48 crore besides depriving the benefit of irrigation to 3650 ha of land.

Government stated (June 2006) that the time consumed in accepting the rate was natural due to scrutiny at all levels. This was not correct since the EE derived the rate in April 2000 which the Government accepted only in December 2001 (delay by twenty months). Government further stated that the recovery of liquidated damages from OCC would be considered.

4.4.4 Unfruitful expenditure on abandoned work

Unnecessary construction of a building led to unfruitful expenditure of Rs 1.10 crore.

The Chief Engineer and Basin Manager (CE&BM), Lower Mahanadi Basin technically sanctioned an estimate for Rs 55 lakh for construction of a transit accommodation four kms away from Kendrapara town as part of modernisation of Kendrapara canal with loan assistance from the World Bank under Water Resources Consolidation Projects (WRCP). The civil works including electrical installation and water supply to the building were awarded (March 2000) to a contractor at a cost of Rs 59.38 lakh for completion by September 2001. The building was completed in March 2002 and the contractor was finally paid Rs 68.01 lakh in March 2005. The expenditure including watch and ward of the building upto March 2006 was Rs 78.89 lakh.

Test check of records during October 2005 showed that the building was without energy connection and without furniture and fixtures as of June 2006 though the civil work had been completed in March 2002. In the mean while, the World Bank loan had been closed in November 2004.

The Executive Engineer (EE) Kendrapara Irrigation Division, suggested (September 2005) to the CE & BM to hand over the building to any other department for gainful use, since the building located four kms away from Kendrapara town would not serve the purpose of transit location of the department and on the other hand, considerable expenditure was being incurred on its watch and ward every month. No action was, however, taken in this regard and the building remained unused as of June 2006.

Thus, the injudicious decision of the CE & BM for construction of the building led to unfruitful expenditure of Rs 1.10 crore including the interest liability of Rs 31.45 lakh on World Bank loan.

While the EE stated (October 2005) that the construction of the building had unnecessarily posed a maintenance burden to the department, Government stated (June 2006) that the building would be made functional. The reply was not convincing since the construction of the building was commenced without assessing the need.

SCHOOL AND MASS EDUCATION DEPARTMENT

4.4.5 Avoidable expenditure due to delay in purchase of printing paper

The delay in procurement of paper resulted in avoidable expenditure of Rs 1.54 crore.

The Director, Text Book Production and Marketing, Orissa, Bhubaneswar (TBPM) is responsible for printing and distribution of the Nationalised Text (NT) books for students of Class I to VII in the State and procures paper to meet its requirement for printing the books. According to the provisions of Orissa General Financial Rules (OGFR), sealed tenders are to be invited for purchase of the printing papers. The State Level Purchase Committee (SLPC) after evaluation of the tender document takes decision for procurement of paper, based on which the Government issues orders to the TBPM for placing orders on the supplier.

Scrutiny of the records (February 2006) of the TBPM and information collected subsequently revealed that the Director requested (June 2004) the Government to decide the mode of procurement of paper for 2005-06 for printing of nationalised text books. The Government on the basis of the SLPC recommendation (9 November 2004) decided to procure the paper from Hindustan Paper Corporation Ltd. (HPCL) a Government of India undertaking on the prevailing approved rate. The TBPM in the meantime placed (19 November 2004) purchase order for 1500 MT of 60 GSM reel paper with the HPCL against the actual requirement of 7000 MT. The HPCL while accepting the purchase order, indicated (22 November 2004) that there would be price hike in near future and requested the TBPM for placing order for total requirement of paper for 2005-06 to facilitate early production and supply. Awaiting Government order, no action could be taken by TBPM instantly. However, by the time the decision of the Government was received on 31 December 2004, the firm enhanced its price (6 December 2004). It was noticed that the TBPM procured 5403.91 MT of paper between February and October 2005 on the revised rate for the academic year 2005-06. Consequently, the TBPM incurred an avoidable expenditure of Rs 1.54[3] crore and the delay in procurement of paper also resulted in delay in printing and late supply of NT Books to the needy students which continued till October 2005 against the scheduled month of supply, April 2005.

Thus, the delay in taking decision at Government level for procurement of paper from HPCL resulted in an avoidable extra expenditure of Rs 1.54 crore.

The Financial Advisor-cum Joint Secretary stated (May 2006) that irrespective of the date of placing supply order, the HPCL could revise the rates as per the decision of its Board of Directors. The views offered by the Government were not correct since the firm supplied 1500 MT of paper at the pre-revised rates as the order was placed in November 2004.

During discussion, the Commissioner-cum-Secretary assured (August 2006) to take necessary measures to prevent recurrence of such avoidable expenditure.

HIGHER EDUCATION DEPARTMENT

4.4.6 Inadmissible payment of House Rent Allowance to staff of Sambalpur University

Irregular fixation of headquarters of the employees of the Sambalpur University led to inadmissible payment of House Rent Allowance of Rs 1.30 crore.

The Finance Department (FD) in their memorandum (August 1998) fixed rates of House Rent Allowance (HRA) payable to Government employees for different cities/towns of the State. Further, as per the memorandum, the rate of HRA would

[3]. 60 GSM reel paper: 4759.21MTx(Rs 30307-Rs 27417) = Rs 13754133.
60 GSM sheet paper 196.9800MTx(Rs 31168-Rs 28226) =Rs 579515.
100 GSM cover paper 447.7152MTx(Rs 33068-Rs 30584)= Rs 1112125.

be determined according to the place at which a government employee is residing and those residing at a place beyond eight kilometers of their headquarters shall not be eligible for HRA.

Scrutiny of records (February 2005) of the Registrar, Sambalpur University, Burla showed that, based on the instructions of the FD's above memorandum, the Vice-Chancellor fixed Sambalpur as the headquarters of the employees of the University for drawal of HRA. Accordingly, HRA at the rate of 10 *per cent* applicable to Sambalpur was paid to the employees residing at Sambalpur for the period 2001-2006. As Sambalpur is situated at a place beyond eight kilometers from Burla and the FD's above memorandum does not prescribe fixation of headquarters of employees at a place other than the place of duty, the payment of HRA to the employees at the rate applicable to Sambalpur was irregular. This resulted in inadmissible payment of HRA of Rs 1.30 crore during 2001-06; the payment was continuing (April 2006).

The Registrar stated (April 2006) that after fixation of headquarters, the employees were paid on the basis of certificates furnished by them in July every year as per the requirement of memorandum of the FD. The reply was not tenable, as the memorandum of FD does not prescribe fixation of headquarters of the employees at a place other than the place of duty. This view of audit was also confirmed by the Government (June 2006).

The Commissioner-cum-Secretary, during discussion, admitted the fact and stated (September 2006) that the University should stop such payment forthwith.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.4.7 Unfruitful expenditure in installation of water supply pipe line

Expenditure of Rs 1.14 crore incurred on the project 'Water supply to Rourkela civil town' was rendered unfruitful as the project remained incomplete.

The Government accorded administrative approval (January 1995) to the project 'Water supply to Rourkela civil town and Bandhamunda 'D' cabin area' at an estimated cost of Rs 20.59 crore for execution by the Orissa Water Supply & Sewerage Board (OWSSB), Bhubaneswar. The estimate was revised (March 2002) by the Government to Rs 26.46 crore (excluding provision for contingencies, escalation, interest on loan etc.) due to delay in acquisition of land, finalisation of tenders etc.

Scrutiny of the records of Project Engineer (PE), Project Management Unit, OWSSB, Rourkela revealed (April 2006) that the project work involved installation of clear water rising main by laying 350 mm dia cast iron pipes of 4200 meters from Ground Storage Reservoir (GSR) at Bisra Chowk to Tilaknagar, construction of Elevated Storage Reservoir (ESR) at Tilaknagar and distribution system from Tilaknagar ESR to Bandhamunda 'D' cabin area by laying 4150 meters of 300 mm dia cast iron pipe. The OWSSB got the work of water supply to Rourkela Civil Town completed except Bandhamunda 'D' cabin area where only pipes were laid from GSR at Bisra Chowk to Tilaknagar and construction of ESR at Tilaknagar was done upto ground level. The total expenditure on the project between April 1997 and December 2004 was Rs 26.09 crore. The remaining work of 'D' cabin area such as completion of ESR at Tilaknagar and laying of distribution lines was postponed due to paucity of funds. Subsequently, the OWSSB decided (January 1998) to abandon the balance work as further augmentation in existing water availability was not considered necessary on the ground that number of people inhabiting the area was not likely to change. As a result of the above decision, the structures such as pipe line from GSR at Bisra Chowk to Tilaknagar and ESR upto ground level were not put to any use and the expenditure of Rs 1.14 crore involved in these was rendered unfruitful.

The PE, Project Management Unit, OWSSB stated (April 2006) that the expenditure of Rs 1.14 crore should not be reckoned as unfruitful since the remaining work such as completion of ESR at Tilaknagar above ground level and distribution system at Bandhamunda would be taken up when the required funds were made available. The reply was not acceptable since abandonment of work after incurring huge initial expenditure reflects poor planning by the OWSSB

The Principal Secretary, during discussion, stated (August 2006) that the 'D' cabin area has become substantially populated which was required to be serviced and in view of the above, the Department had decided to complete the project by making provision in the supplementary budget for 2006-07 subject to concurrence of Finance Department.

PANCHAYATI RAJ DEPARTMENT

4.4.8 Unfruitful expenditure due to failure of infrastructure intervention

Expenditure on Bulk Milk Coolers (BMCs) established in different Blocks by the DRDA, Ganjam at a cost of Rs 43.35 lakh out of SGSY funds for providing marketing facilities to the swarozgaries became unfruitful as the coolers did not function either due to insufficient availability of milk or due to defective transformer.

The Swarnajayanti Gram Swarozgar Yojana (SGSY) scheme aimed at bringing the poor families above the poverty line by creation of self help groups (SHGs) or micro enterprises through providing missing infrastructure support in collaboration with other line departments.

Test check of the records (December 2005-April 2006) of the Project Director (PD), DRDA, Ganjam showed that based on a proposal of the General Manager, Greater Ganjam Gajapati Cooperative Milk Producers Union Ltd. (GGGCMU), the DRDA decided (July and September 2000) to establish Bulk Milk Coolers (BMCs) of 500 litres per day (LPD) capacity at different locations in 11 Blocks[4] at a cost of Rs 9.89 lakh each. Primary Milk Producers Cooperative Societies (PMCS) were to be established along with formation of SHG groups with bank finance linkage to develop dairy farming for steady supply of milk to the BMCs. The PD released (November 2000-March 2001) assistance of Rs 1.09 crore out of the SGSY-Infrastructure Fund to the GGGCMU with the stipulation to complete

[4] Kumarpani, Singipur, Jagannath Prasad, Patrapur, Chikili, Balipadar, Kaithakhandi, Dhanaghar, Mahanadpur, Chingudikhol and Kanthiapalli.

the installation within three months from the date of payment of assistance. It was noticed that out of the 11 BMCs, four[5] installed between April 2002 and February 2003 could not be made operational (May 2006) due to insufficient availability of milk in the periphery although PMCS along with SHGs with dairy activities were stated to have been set up and another[6] did not perform due to defective transformer.

Thus, as a result of failure of the DRDA to provide backward linkage in establishing micro enterprises of milk procedure and lack of detailed feasibility study, the expenditure of Rs 43.35 lakh incurred on five idle BMCs became unfruitful.

The General Manager, GGGCMU stated (May 2006) that the location decision to install the BMCs was taken by the DRDA and attributed the low milk production in the areas to inadequate bank finance to set up required number of dairy units. The PD, DRDA stated (July 2006) that no detailed survey just prior to setting up bulk coolers was conducted, but the basic parameter of functioning of PMCS was taken into consideration for setting up the bulk coolers. The reply was not convincing as the DRDA neither evaluated the feasibility of the BMCs nor developed effective SHGs with adequate bank finance before taking decision for installation of the BMCs as required under the scheme.

The Commissioner-cum-Secretary, during discussion, assured (October 2006) to examine the issue with reference to the records and take appropriate follow-up action.

4.5 Idle investment/idle establishment/blockage of funds

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

4.5.1 Non-realisation of cost of empty gunny bags

DSWOs failed to realise and remit the sale proceeds of empty gunny bags of food grains supplied under the Mid-Day Meal Programme amounting to Rs 4.68 crore during 2001-05.

The Mid-day Meal (MDM) Programme meant for providing one mid-day meal to students of Class-I to V in all Government and aided primary schools is under operation in the State since August 1995. Under the programme, food-grains are supplied to the schools through the District Social Welfare Officers (DSWOs) and the Blocks. As the cost of food grains included the cost of gunny bags, the State Government issued (February 1998) orders to the DSWOs to collect the sale proceeds of empty gunny bags from the concerned schools through the Block Development Officers (BDOs) at the rates prescribed from time to time. The DSWOs were to remit 90 *per cent* of the sale proceeds to the Director, Social Welfare retaining 10 *per cent* with them. The Government further reiterated the instruction in their orders (October / November 2001 and October 2002) and

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[5] (1) Mahanadpur (Chatrapur) : Rs 8.31 lakh, (2) Chingudikhol (Beguniapada Block): Rs 7.59 lakh, (3) Kanthiapalli (Ganjam Block) :Rs 8.36 lakh and (4) Chikili (Khallikote Block): Rs 8.06 lakh.

[6] Balipadar (Buguda Block): Rs 11.03 lakh.

instructed the DSWOs to review the matter for realisation of the sale proceeds from the schools and strict follow up action. However, the Government instructions were silent regarding the specific purposes and manner with which such funds were to be utilised (August 2006). Thus, in absence of specific instructions for utilisation, such receipts were to be remitted into the treasury within three days of their receipts as per the provisions of Orissa Treasury Code (OTC).

Check of records (August 2005) of the Department and information collected (May/ August 2006) revealed that the department supplied 40.32 lakh quintals of rice in 80.64 lakh gunny bags to all the schools in the State through the DSWOs during 2001-05. As per the rates prescribed, the DSWOs were to realise Rs 6.21 crore towards the sale proceeds of empty gunny bags and remit Rs 5.59 crore to the Director as 90 *per cent* of sale proceeds. The DSWOs as of August 2006 remitted only Rs 90.74 lakh to the Director and there was shortfall in remittance amounting to Rs 4.68 crore. The details are given in the ***Appendix-4.1***. Of these, Rs 10.37 lakh were stated to have been utilised on office contingencies.

Thus, retention of such Government money by the Director without remitting the same into the treasury and their utilisation in absence of specific authorisation was contrary to the provisions of the treasury rules.

The matter was demi-officially referred (June 2006) to the Commissioner-cum-Secretary to Government. In response to audit, Government stated (August 2006) that a part of such receipts were advanced to different officials for different purposes subject to recoupment later and the DSWOs assured to remit the sale proceeds after realisation of the same from the BDOs/ schools.

The Commissioner-cum-Secretary, during discussion, assured (August 2006) to take appropriate measures to ensure collection and remittance of sale proceeds to the Department and issue necessary guidelines early in respect of accounting procedure and utilisation of sale proceeds.

COOPERATION DEPARTMENT

4.5.2 Idle expenditure on agricultural and allied equipment and irregular investment in a bank

Procurement and installation of Paddy Cleaners and Weighing and bagging machines in the RMCs without ascertaining farmers' requirement was not put to use and led to idle expenditure of Rs 1.86 crore. Besides, there was irregular investment of Rs 1.00 crore in a bank.

The Government decided (March 2003) that the Orissa State Agricultural Marketing (OSAM) Board (an autonomous body) would procure equipment viz., paddy cleaner, automatic weighing and bagging machine with elevator etc. and install the same at the market yards/markets of the Regulated Market Committees (RMCs) of the State. The equipment would facilitate in improving the quality of paddy produced by the farmers by way of mechanised cleaning and packing conforming to fair average quality (FAQ) standard prescribed by the Government of India (GOI). This in turn, would help the farmers in selling their produce to the Food Corporation of India.

Scrutiny of records (April 2006) of the General Manager (GM) of the OSAM Board showed that the Board procured the equipment[7] at a cost of Rs 1.60 crore between August and December 2003. The expenditure was made out of the central assistance under Macro Management of Agriculture-Work Plan and Special Central Assistance meant for Revised Long Term Action Plan (RLTAP) in the Koraput, Bolangir and Kalahandi districts. The procured equipment were installed (October 2003-November 2004) at 16 RMCs. Besides, expenditure of Rs 43 lakh was also incurred on civil and electrical works by the RMCs from their own source to make the equipment operational. Information collected (April 2006) from the RMCs concerned disclosed that only one paddy cleaner and one automatic weighing and bagging machine installed at Bolangir were functioning. All the other equipment (15 paddy cleaners and 14 automatic weighing and bagging machines) remained idle, as the farmers did not come forward to use the facilities. The cost of the equipment lying idle including the cost of civil works related to these equipment worked out to Rs 1.86 crore[8].

The GM stated (May 2006) that the farmers were not aware of operation of the sophisticated and mechanised paddy cleaners and other standardised equipment and that the Board had chalked out a detailed programme to hold awareness camps, workshops and demonstration of the equipment to make the farmers aware of the benefit of using the equipment. Secretaries of the RMCs, however, stated that the farmers were not interested in using the equipment. Thus, the decision of the Government to procure and install paddy cleaners and automatic weighing and bagging machines led to idle expenditure of Rs 1.86 crore.

Further, it was noticed that the OSAM Board invested (May 2004) rupees one crore in the Urban Cooperative Bank in fixed deposits out of the central assistance of Rs 1.98 crore meant for development of market yards of RMCs in KBK districts. This was done to help the bank for meeting its requirement of Statutory Liquidity Ratio and Cash Reserve Ratio with Reserve Bank of India.

The GM stated (May 2006) that the investment was made under the orders of the Chairman of the Board. The reply was not tenable since the funds were provided for undertaking development of market yards and not for investment.

The Principal Secretary, during discussion, assured (September 2006) to take appropriate follow-up action on the audit observations.

INDUSTRIES DEPARTMENT

4.5.3 Blockage of Government money with a public sector undertaking

Failure to establish a growth centre at Chatrapur led to blockage of Government money of Rs 82.27 lakh with IDCO involving interest cost of Rs 96.62 lakh.

Government of India (GOI) with the objective of promoting industrialisation of the backward areas of the State approved (February 1997) setting up a Industrial

[7] 16 Paddy Cleaners (Model-PC-11-RB): Rs 1.10 crore and 15 Automatic Weighing and Bagging Machines with Elevator of 100 Kg. capacity: Rs 50.38 lakh.

[8] Cost of 15 defunct Paddy Cleaner: Limited to Rs 1.03 crore + Expenditure on civil works etc for 15 paddy cleaners: Rs 36 lakh + Cost of 14 Automatic Weighing and Bagging machines: Rs 47 lakh.

Growth Centre at Chatrapur (Ganjam district) at a cost of Rs 42.32 crore. It was expected that two mega steel projects would come up under the private sector at the nearby Gopalpur port and therefore, the growth centre would provide opportunities for promotion of small industries. The implementation of the project was entrusted to IDCO with financial assistance from the GOI, the State Government and other financial institutions. The State Government initially released (March 1997) Rs 1.41 crore (GOI share: Rs 50 lakh and State Government share: Rs 90.84 lakh) to IDCO for completion in three phases within six years (March 2003).

Scrutiny of records of the Director of Industries, Orissa (May 2004) and subsequent information collected from the Director and IDCO showed that out of the funds received from the Government, IDCO paid (June 1997) Rs 53.12 lakh to the Collector, Ganjam towards establishment cost and legal expenses etc. for acquisition of 1166 acres of land[9]. IDCO incurred an expenditure of Rs 5.45 lakh for the preparation of a master plan (July-October 1998) of the project and ground water survey in the proposed site. However, contrary to the expectations, the two steel projects failed to come up. Further, the ground water survey (March 1999) revealed inadequate ground water source at the site. As IDCO did not deposit the required funds for meeting the compensation expenditure, the legal proceedings drawn by the Revenue authorities for acquisition of land also lapsed (July 1999) and the land was not acquired.

With the backing out of the steel projects, IDCO also stopped its infrastructure development activities for the growth centre. As a result, the Government dropped (May 2002) the Chatrapur Growth Centre and subsequently decided (July 2003) to treat the project as a low priority category. No further progress was made in establishing the Growth Centre thereafter and IDCO continued to retain the remaining Rs 82.27 lakh without utilisation (June 2006) leading to blockage of funds for over nine years. This has also affected the finances of the Government in the form of interest cost amounting to Rs 96.62 lakh calculated at the Government's borrowing rate of 13.05 *per cent*[10] during 1997-2006.

The Managing Director, IDCO stated (June 2006) that the available funds would be invested for development of the project, as there were likely prospects of setting up a Special Economic Zone under the private sector at the Gopalpur area. The reply was not tenable, as IDCO was yet to initiate action for implementation of the growth centre with the approval of the State Government.

The Commissioner-cum-Secretary, during discussion, assured (July 2006) to take appropriate action to utilise the Government funds blocked with the IDCO.

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[9] Government land: 104 acres and private land: 1062 acres.

[10] Market loan bearing interest rate of 13.05 *per cent* - Government Orissa Loan-2007 raised in 1996-97.

TOURISM DEPARTMENT

4.5.4 Idling of assets

Assets created for promotion of tourism in the State incurring expenditure of Rs 1.26 crore remained idle for over four to eight years due to shortage of staff and inability to lease out due to lack of response from private parties.

Government of Orissa identified places of historic and religious importance as well as those rich in scenic beauty, for setting up, Way Side Amenities Centres (WAC), Tourist Reception Camps (TRC) and Tourism Centre/Complex with lodging and other facilities for the tourists.

Scrutiny of records (January 2006) of the Director, Tourism, Orissa, Bhubaneswar and information collected in April 2006 showed that the Government had undertaken construction of four projects[11] through various executing agencies at a cost of Rs 1.26 crore between October 1992 and March 1994. The projects were completed between June 1998 and December 2001. However, the Department took over only two projects (Bargarh and Deulajhari) and the remaining two were not taken over by the Department from the executing agencies despite completion (March / December 2001) due to shortage of staff for running them. However, all the four projects were lying unutilised (April 2006) for periods ranging from four to eight years as the Government's efforts (July 1999 and January 2002) to lease out the projects for private participation in management did not receive any response. In the mean time, due to prolonged non-use, the structure of the Panthasala at Kontilo got damaged requiring major repairs. Thus, failure of the Government to utilise already created assets led to locking up of Rs 1.26 crore for years and the objective of attracting tourists remained unfulfilled.

The Assistant Director, Tourism-cum-Under Secretary to Government while accepting the audit observation stated (April 2006) that redeployment of existing staff is being made to make the units operational. The reply was not convincing since the redeployment which is now being considered could have been done soon after completion of the project.

The Government during discussion, assured (August 2006) to take immediate measures to utilise the structures either departmentally or by leasing out to private parties.

RURAL DEVELOPMENT DEPARTMENT

4.5.5 Idle expenditure on incomplete bridges

Execution of two bridges with inappropriate designs and lack of prioritisation of works led to idle expenditure of Rs 1.07 crore.

With a view to providing all weather communication to the surrounding Gram Panchayats, construction of submersible bridge over river Salandi at 16th km of

[11] **(i) Panthasala, Kontilo:** (Rs 34.17 lakh) constructed during March 1994-2001 by Orissa Tourism Development Corporation, **(ii) WAC, Bargarh:** (Rs 30.38 lakh) constructed between February 1993 and June 1998 by Executive Engineer, Burla R&B Division, **(iii)** TC**, Deulajhari**: (Rs 33.24 lakh) constructed between October 1992 and September 1999 by Executive Engineer, Rural Works Division, Angul and **(iv) Panthasala, Harisankar**: (Rs 28.07 lakh) constructed between January 1993 and December 2001 by Executive Engineer, Rural Works Division, Bolangir.

Bonth-Mohantypada rural road was entrusted (March 1998) by the Executive Engineer (EE), Rural Works Division, Bhadrak to a contractor at a cost of Rs 63 lakh for completion by September 1999. The bridge envisaged construction of five spans of eight metres each. The contractor executed work worth Rs 55.11 lakh as of March 2002 and received payment of Rs 57.70 lakh (including escalation of Rs 2.59 lakh).

The design of the bridge was prepared basing on the discharge data (140.13 cumsecs) at Bidyadharpur Barrage by the EE without considering the catchment discharge from Bidyadharpur Barrage to bridge site (177.50 cumsecs).

While inspecting the work in May 2001, the Chief Engineer (CE) Rural Works-I observed that the abutment on Mohantypada side had been located inside the river leaving a portion of the deep channel unbridged and suggested providing extra waterway by three more spans of eight metres each to avoid damage to the bridge. The total discharge of water at the bridge site was recalculated to 317.28 cumsecs and the design of the bridge was accordingly, revised in February 2004. But, the contractor refused to carry on with the work, and no decision was taken by the department for completion of the balance work. The bridge remained incomplete for over four years with blockage of investment of Rs 57.70 lakh.

Similarly, construction of another submersible bridge over river Remal at 8.5 km of Rekutia-Dardipal rural road was entrusted (December 1999) by the EE, Keonjhar to a contractor at a cost of Rs 66 lakh for completion by June 2001. The bridge envisaged eight spans of nine metres each based on hydraulic particulars furnished by the EE. The contractor executed work worth Rs 48.86 lakh as of July 2002. The Technical Committee inspecting the site on 27 December 2001 had suggested to provide for additional seven spans of nine metres each as the original waterway provided in the design was inadequate. Though the Government accorded administrative approval to the revised estimate in August 2002, the contractor backed out due to delayed revision of the scope of the work. The bridge remained incomplete rendering the expenditure of Rs 48.86 lakh idle.

Thus, execution of the bridges with inadequate designs due to incorrect data furnished by the EEs together with failure to plan the works for completion on priority basis resulted in the two bridges remaining incomplete for more than five years rendering the expenditure of Rs 1.07 crore unfruitful.

Government stated (May 2006) that both the bridges were expected to be completed by the current financial year.

CULTURE DEPARTMENT

4.5.6 Retention of Government money outside Government accounts

Lapsed bank drafts (Rs 61.42 lakh), deposit at call receipts and non adjustment of advance (Rs 31.82 lakh) and accumulated irregular credits through Civil Deposit (Rs 41.43 lakh) by the Director of Culture contributed to unauthorised retention of amount totaling Rs 1.35 crore.

As per provisions of Orissa Treasury Rules, no money shall be drawn from treasury unless it is required for immediate disbursement and advances paid to the officials for different departmental/allied purposes are to be adjusted by submission of detailed accounts supported by vouchers within the month in which the advance was paid. The Finance Department's instructions (June 2001) also prohibit parking of government money outside the public account.

Mention was made in para 3.10 of the Report (Civil) of the C&AG of India on Government of Orissa for the year ended 31 March 2000 regarding retention of Government money in shape of Bank Drafts (BD) for over 20 years. Test check of records of Director of Culture (January 2006) showed that the Director continued to retain BDs of Rs 26.70 lakh as of December 2005. Besides, Rs 37.90 lakh (October 2002-December 2005) were lying unutilised in shape of DCRs and included in the closing balance of the cash book as of December 2005. These amounts were drawn from the treasury for payment of assistance to 'Indigent Artists' and disbursement of Grant in aid to different Cultural Associations etc. The Director neither made any effort for ensuring disbursement of the amounts to the payees nor deposited the amount in Government account.

Further as of December 2005, there had been accumulation of credits of Rs 41.43 lakh under the Civil Deposit between 1990-2002. Of the above, grants of Rs 36 lakh sanctioned for development of 'Ekamra khetra' had remained unspent due to non-receipt of administrative approval of the Government.

It was also noticed that advances amounting to Rs 31.82 lakh paid (1980-81 to 2005-06) to 135 officials/institutions and 81 others for organising cultural programmes and meeting different expenses[12] remained unadjusted as on the date of audit. Disregarding the financial norm, the Director irregularly kept the advances unadjusted for over 26 years. Of the above, advances of Rs 0.88 lakh was paid to nine officials who are now retired or dead.

The Director attributed (January 2006) keeping moneys in shape of DCRs to sanction of grants-in-aid by the Government with no details of grantees. As regards amounts lying in shape of BDs, it was stated that disbursement was not made due to non-availability of legal heir certificates and other connected documents of deceased pensioners.

Thus, despite earlier observation in Audit, the department continued to draw money in excess of actual requirement and the budget was debited irregularly not withstanding the fact that the money after drawal was kept in Civil Deposit and in the bank's account in the shape of Bank Drafts and Deposit at Call Receipts (DCR).

During discussion, Government stated (July 2006) that they would take corrective measures to prevent accumulation of such bank drafts, DCRs and advances. Regarding the invalid bank drafts, they assured to take stringent measures to clear the same within the current calendar year and the amount kept under civil deposit had come down to Rs 5.43 lakh.

[12] Transportation charges, cost of POL, repair of vehicles, medical advances, purchase of office stationery and charges on account of TA, Telephone bills etc.

The matter was demi-officially referred (May 2006) to Government; reply had not been received (September 2006).

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

4.5.7 Advances lying unadjusted for years

Advances of Rs 83.10 lakh remained unadjusted for periods ranging from one to 46 years due to failure in observing the prescribed financial rules and procedures by the DDO.

As per Government rules, the officials are required to submit detailed accounts along with vouchers for adjustment of advances granted to them and refund the unspent amount. The above need to be completed within the month in which the advances are drawn. Sanction of subsequent advance is permitted only after adjustment of earlier one. The Drawing and Disbursing Officers (DDOs) are to maintain a register of advances showing particulars of date, details of recipient, amount, purpose and its adjustment etc. The DDOs should review the Advance Register frequently to ensure timely adjustment of the advances.

During check of records of the Director-cum-Additional Secretary, Information and Public Relation Department, it was observed (December 2005) that advances of Rs 83.10 lakh paid to officials were lying unadjusted as of December 2005. Of the above, the whereabouts of the officials to whom advances of Rs 9.57 lakh was paid, were not available with the Department (April 2006) The outstanding advances included Rs 32.92 lakh pertaining to 2001-05 and the remaining Rs 50.18 lakh were outstanding even for a period up to 40 years. The Department had not taken effective steps (April 2006) for adjustment of outstanding advances. Further, it was also noticed that advances were paid to the officials on several occasions without adjusting the earlier one. Such irregularities persisted despite repeated objections made through the Audit Inspection reports. Further, it was observed that the advance register was not maintained by DDOs though maintenance of such register was prescribed under rules. Thus, no review of outstanding advances could be made.

Government stated (August 2006) that out of the outstanding advances Rs 83.10 lakh, Rs 7.27 lakh relating to the years 1995-2005 had already been adjusted. They further assured to take urgent steps for adjustment of the outstanding advance. However, no action was taken to adjust the advances pertaining to the period 1961 to 1994.

4.6 Regularity issues and other points

WATER RESOURCES DEPARTMENT

4.6.1 Extra liability due to adoption of higher rate of materials

Higher rates were adopted while computing the item rates which resulted in extra liability of Rs 2.69 crore for a work.

Government decided (September 2003) to allot the work of construction of spillway of Telengiri Irrigation Project to M/s Orissa Construction Corporation

Limited (OCC). OCC offered (October 2003) to execute the work at Rs 56.44 crore. The Project Level Technical Committee (PLTC) re-computed the OCC's offer disallowing inadmissible items included in the offer such as, hidden labour cost, rehandling of materials at site and excess quantity of cement provided for cement concrete (CC) works. The work was allotted (February 2004) to OCC at a cost of Rs 55.26 crore with stipulation for completion by February 2006. The Corporation was granted interest free works advance of Rs 7.12 crore and was paid Rs 99.20 lakh for the works executed upto August 2005 (progress 2 *per cent*).

Scrutiny of records of Telengiri Head Works Division, Ambaguda in December 2005 showed that as per the procedure prescribed (June 2002) by Government, prevailing market rates should be the basis of fixation of rates for allotted works to OCC. OCC's offer included cost of chips at Rs 510 per cum, cement at Rs 300 per quintal and steel at Rs 1900 per quintal. The PLTC, however, adopted the cost of chips at Rs 560 per cum, cement at Rs 340 per quintal and steel at Rs 2200 per quintal based on the rates provided in the Schedule of Rates (SoR) of 2003 and accordingly, finalised the rates for CCM-15 and steel reinforcement works at Rs 2025 and Rs 2560 per cum against Rs 1951 and Rs 2247 respectively admissible as per the offer of OCC. This resulted in extra liability of Rs 2.69 crore.

Since OCC offered the rates of material, which were lower than the rates of materials provided in the SoR of 2003, the quoted rates of the materials should have been adopted to arrive at rates of items. Even the SoR provides that if the prevailing market rates of materials are lower than SoR rates, the lower rates should be adopted while arriving at rates of different items of work.

Thus, finalisation of rates for CCM-15 and steel reinforcement works adopting higher rates of materials in deviation from the prescribed procedure resulted in extra liability of Rs 2.69 crore on the work.

Government stated (June 2006) that the rates of materials offered by the OCC had no relation with the approved rates. This was factually not correct since the rates were approved based on the offer of the OCC which were worked out considering higher rates for materials.

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.6.2 Unauthorised retention of departmental receipts and appropriation therefrom

Tahasildars spent Rs 98.96 lakh in contingent expenditure out of the collection of Departmental Receipts in contravention of Financial Rules.

As per provisions of Orissa Treasury Code (OTC), all moneys received by, or tendered to, Government Servants on account of the revenue of the State should be remitted into the Treasury within three days of their receipts. Such revenue receipts shall not be appropriated to meet the departmental expenditure unless specifically authorised to do so. Further, the Financial Rules provide that no expenditure shall be incurred until the expenditure has been sanctioned by competent authority.

Scrutiny of records of 28 Tahasils during 2004-06 revealed that Government receipts of Rs 1.98 crore[13] collected by the Tahasildars towards land revenue, sale of maps, Amin fees etc, were retained by them without remitting into the treasury and formed part of the closing cash balance in their cash books. Out of the above receipts, 22 Tahasildars spent Rs 98.96 lakh for departmental expenditure such as purchase of petrol, repairs and maintenance of vehicles, payment of telephone / electricity charges and other miscellaneous contingent expenditure over and above the provision made in the respective years. In disregard of the Financial Rules, the expenditure for the above purposes was incurred by them without any sanctions of the competent authority and shown as advances and paid vouchers in the closing balance of the cash books as on the dates of audit. Retention of such amounts by the Tahasildars had resulted in understatement of the revenues in the Government Account.

The Tahasildars concerned while accepting the factual position stated that the Government receipts would be deposited after adjustment of vouchers on receipt of allotment of funds from the Government.

The above replies were found untenable as the expenditure from the revenue receipt violated both provisions of rules and budget while undermining legislative control over expenditure.

The Principal Secretary, during discussion, assured (August 2006) to take measures for deposit of departmental receipts in to Government account and instruct the Tahasildars to follow the rules scrupulously.

HIGHER EDUCATION DEPARTMENT

4.6.3 Payment of medical allowance and reimbursement of medical claims in irregular manner

Irregular payment of medical allowance and medical claims to the employees of the Sambalpur University during 1999-2006 resulted in excess payment of Rs 96 lakh.

According to the resolution (June 1994) of the Government, the employees of the Sambalpur University are entitled to medical allowance at the rate of Rs 1000 per annum per employee. Further, the Government stipulated that reimbursement of medical expenses of the employees is not permissible since the University is paying medical allowance at a fixed rate. The above rate of fixed allowance remained unchanged as of March 2006. The Government in their letter

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13 **Tahasildars incurred expenditure out of departmental receipts retained**:
(1) Paikamal (Rs 2.06 lakh), **(2) Rasgovindapur** (Rs 1.12 lakh), **(3) Mahanga** (Rs 2.87 lakh), **(4) Talcher** (Rs 4.60 lakh) **(5) Bolangir** (Rs 13.97 lakh), **(6) Kodinga** (Rs 3.62 lakh), **(7) Choudwar** (Rs 4.07 lakh), **(8) Titlagargh** (Rs 10.24 lakh), **(9) Jharsuguda** (Rs 5.04 lakh), **(10) Jaipatna** (Rs 1.92 lakh), **(11) Kakatapur** (Rs 1.68 lakh), **(12) Nayagargh** (Rs 2.37 lakh), **(13) Chatrapur** (Rs 5.17 lakh), **(14) Kendrapara** (Rs 2.29 lakh), **(15) Patnagargh** (Rs 5.99 lakh), **(16) Kantabanji** (Rs 1.10 lakh), **(17) Rairakhol** (Rs 3.99 lakh), **(18) Sambalpur** (Rs 8.24 lakh), **(19) Kujanga** (Rs 10.36 lakh), **(20) Nilgiri** (Rs 2.24 lakh), **(21) Udala** (Rs 1.53 lakh) and **(22) Jaleswar** (Rs 4.49 lakh)
Tahasildars retained departmental receipts:
(23) Mayurbhanj : Rs 13.03 lakh (31 August 2004), **(24) Soro** : Rs 1.54 lakh (31 October 2004**), (25) Bhadrak** : Rs 3.41 lakh (30 September 2004), **(26) Bhubaneswar:** Rs 16.13 lakh (31 December 2005), **(27) Padampur** : Rs 2.47 lakh (31 August 2005), and **(28) Cuttack** : Rs 8.59 lakh (31 January 2006).

(June 2002) addressed to the Registrar of the University that the payment of medical allowance at enhanced rate was contrary to the Government's resolution.

Scrutiny of the records of the Registrar, Sambalpur University, Burla (December 2004-February 2005) and information collected (May 2006) revealed that the University paid medical allowance to each employee at enhanced rates[14] ranging from Rs 2325 to Rs 3000 during 1999-2006 amounting to Rs 83 lakh contrary to the Government's resolution which stipulated Rs 1000 per annum per employee. Besides, medical claims of Rs 13 lakh was also reimbursed to the employees during the period which was not permissible as medical allowance was being paid. This resulted in excess payment of Rs 96 lakh to the employees during the period. The irregular payments are continuing.

The Deputy Registrar, Sambalpur University stated (March 2005) that the enhancement of the allowance was considered necessary to mitigate the hardship of the employees of the University in view of the steep increase of the cost of medicines and the same was paid under the approval of the Syndicate from time to time. The reply was not tenable, since enhancement in the rate of medical allowance was contrary to the Government's instructions (June 1994). Further, according to Government's instructions, the reimbursement of medical claims of the employees was not permissible as they were paid fixed medical allowance.

The Commissioner-cum-Secretary, during discussion, admitted (September 2006) that the payment of medical allowance to the employees of the University at the rate of Rs 3000 per annum was not admissible. He added that the payment of both medical allowance and the benefit of reimbursement of medicine bills was also not admissible.

PANCHAYATI RAJ DEPARTMENT

4.6.4 Information Technology Systems of the District Rural Development Agency, Cuttack

The objective of developing online monitoring systems to monitor financial and physical achievements made by the department remained unachieved due to lack of co-ordinated approach towards development of IT systems and non-integration of the systems.

Government of Orissa initiated the process of e-governance in DRDA with the objective of developing a robust online monitoring system to monitor funds flow and physical progress made by the Panchayati Raj Department in implementation of the programmes/schemes and ensuring transparency and accountability in the financial management. For this, the State Government introduced the following Information Technology systems up to the Gram Panchayat level using GRAMSAT network.

- Project Accounting and Monitoring Information System ***'PAMIS'***, a financial accounting system developed by Xavier Institute of Management, Bhubaneswar (XIMB).

[14] 1999-2000: at the rate of Rs 2325 per annum, 2000-02: Rs 2400 per annum, 2002-03: Rs 2675 per annum, 2003-04: 2975 per annum, 2004-06: Rs 3000 per annum.

- **'BETAN'**, a Web enabled system to prepare salary bills of staff of DRDA (developed by Orissa Computer Application Center, Bhubaneswar).
- Web based application systems viz., 'RuralSoft' containing the physical and financial progress, 'PRIA Soft' containing the monthly inflow and outflow of funds in respect of different schemes and 'DRDA portal' containing information about schemes managed in each DRDA. These systems developed by NIC were meant for ensuring transparency and for providing information for public awareness.

Review of the IT systems that were operational in DRDA, Cuttack revealed non integration among the systems in place, slow progress, non uniformity in exhibiting data etc. as detailed below:

- The progress of implementation of 'PAMIS' was slow even though computerisation process was initiated in 2004-05 and qualified and trained personnel were appointed in each block to implement the block level computerisation.
- There were delays ranging from one to 185 days in entering daily transactions in 'PAMIS' and manual cash book continued to be maintained as against the Government instructions (July 2005) to enter the transactions on the same day of payment indicating lack of proper input controls in place.
- 'PAMIS', being a financial accounting system required journal entries (JEs) to be entered. Rules permitted modification in the JEs only by effecting reverse entries (REs). However, it was observed that in 600 cases (out of 1900 JEs), modifications were made without effecting REs. There was nothing on record as to who authorised these changes and reasons for such changes. Thus, important audit trails were also missing in the system.
- Lack of integration and coordination while developing 'PAMIS' and 'PRIA Soft' resulted in non uniform treatment of data in these modules in different blocks of DRDA, Cuttack, as shown in ***Appendix-4.2***. Thus the information being made available for public awareness through 'PRIA Soft' by various blocks of DRDA, Cuttack was not consistent.
- The IT systems were developed by three different agencies indicating the lack of coordinated approach on part of the Government in the development of IT Systems. The integration as visualised in the Memorandum of Understanding signed (March 2004) between the Panchayati Raj Department and XIMB for developing 'PAMIS' did not materialise. Data available in 'PAMIS' was to update 'PRIA Soft' electronically. However, due to lack of integration between the two software, the same data was fed again in 'PRIA Soft' manually. Data relating to physical progress of the projects was also fed manually in 'RuralSoft'. Similarly, details of pay of establishments available in 'BETAN' were needed to be fed again in 'PAMIS'. Thus, input of data more than once in different software coupled with lack of input controls and input validations in the system not only made the data in various systems irreconcilable, it also made the data unreliable.

Thus, the databases so maintained had become unreliable, inconsistent and incomplete and the objective of bringing out sound financial administration, management and transparency through public awareness by DRDA, cuttack through IT systems could not be achieved due to lack of coordinated approach towards development of IT systems and non integration of the systems.

The Commissioner-cum-Secretary during discussion, assured (October 2006) to examine the issues with reference to the records and take appropriate follow-up action.

GENERAL

FINANCE DEPARTMENT

4.7.1 Lack of response to audit

Principal 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 promptly and compliance reported to the Principal Accountant General. 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 2006 pertaining to 4386 offices of 34 departments showed that 53300 paragraphs relating to 15970 IRs were outstanding at the end of June 2006. Of these, 4932 IRs containing 12683 paragraphs had not been settled for more than 10 years (***Appendix-4.3***). Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix-4.4***. Even the initial replies which were required to be received from the Heads of Offices within six weeks were not received in respect of 1407 IRs (***Appendix-4.3***) issued between 1964-65 and 2005-06 (March 2006). As a result, many serious irregularities commented upon in these IRs had not been settled as of June 2006 (***Appendix-4.5***). 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 (September 2006) demi-officially to Government; no reply had been received (September 2006).

4.7.2 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Reports of the Comptroller and 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 the 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 1997-98 to 2004-05 as indicated below, 28 out of 37 Departments which were commented upon, did not submit explanatory notes on 158 paragraphs/reviews as of June 2006.

Year of Report	Total paragraphs/reviews in Audit Reports	Number of individual paragraphs/ reviews for which explanatory notes were not submitted
1997-98	97	12
1998-99	92	8
1999-2000	83	17
2000-01	83	24
2001-02	61	13
2002-03	59	26
2003-04	60	34
2004-05	49	24
Total	**584**	**158**

The Department-wise analysis is given in the ***Appendix-4.6*** which shows that the Departments largely responsible for non-submission of explanatory notes were Agriculture, Revenue, Finance, Health and Family Welfare, Water Resources, Rural Development and Works.

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

The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instruction 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 considerations within six months after presentation of 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 441 recommendations of PAC, relating to 45th Report of 11th Assembly (1997-98) to 19th Report of 13th Assembly (2004-05) were pending settlement as of June 2006. Department-wise details are indicated in ***Appendix –4.7*** out of which Departments largely responsible for non-submission of ATNs are Agriculture, Cooperation , School and Mass Education, Food ,Civil Supplies and Consumer Welfare, Health and Family Welfare, Housing and Urban Development , Water Resources, Rural Development and Works.

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 under the chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations. However, as of June 2006 only twenty one departments held DMC meetings as detailed below

Sl.No.	Name of the department	Number of meetings held
1	Home	1
2	Revenue	2
3	Finance	11
4	Commerce	3
5	Works	1
6	Food Supplies and Consumer Welfare	1
7	School and Mass Education	1
8	Housing and Urban Development	2
9	Labour and Employment	2
10	Planning and Coordination	1
11	Panchayati Raj	2
12	Industries	1
13	Water Resources	1
14	Transport	2
15	Forest and Environment	2
16	Excise	3
17	Science and Technology	2
18	Energy	1
19	Textile and Handloom	1
20	Cooperation	2
21	Higher Education	3

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 June 2006, 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 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 meetings were held thereafter.

The matter was referred (September 2006) to the Government, reply had not been received (September 2006).