

OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Orissa for the year 2007-08 and two others comprising six reviews and 31 paragraphs dealing with the results of performance audit of selected programmes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes are given below:

Financial position of the State Government

The fiscal position of the State viewed in terms of key fiscal parameters indicates a consistent improvement over the period 2002-08. The revenue surplus during the last two years and a consistent decline in fiscal deficit during 2002-08 and a situation of fiscal surplus during the current year are the pointers towards fiscal consolidation and the stability of the State. Moreover, actual values of various fiscal variables vis-a-vis the projections made by the State Government in its FRBM Act 2005 and in its Fiscal Correction Path as well as in its Medium Term Fiscal Plan also indicate that in case of most of these variables, the State has achieved the targets well ahead of the time lines indicated in documents. However, although the fiscal parameters indicate the improvement in the fiscal health of the State but the expenditure pattern depicts a grim position as revenue expenditure still accounted for 90 *per cent* leaving little room for enhancing the level of capital expenditure in the State. Despite significant improvement in fiscal position of the State and declining ratio of fiscal liabilities to the revenue receipts of the State, 23 *per cent* of the liabilities still had no asset backup as on 31st March 2008.

Implementation of National programme of nutritional support to primary education (Mid-day meal scheme)

Review of implementation of National Programme of Nutritional Support to Primary Education i.e., Mid-Day Meal Scheme (MDM) during the period 2003-08 in the State revealed several deficiencies. Of the GOI assistance of Rs 660.01 crore received during 2003-08, the State Government spent only Rs 448.97 crore. However, the total expenditure of Rs 645 crore incurred on the scheme under Central and State Plans was less than the GOI assistance received during the period indicating that the State virtually did not contribute anything of its own in real monetary terms. In the districts and blocks test checked, Rs 49.18 crore of the Rs 237.60 crore provided under the programme during the period remained unspent. Cases of short account of rice (Rs 1.81 crore), excess payment of transportation charges (Rs 1.02 crore),

misappropriation of 33506 quintals of rice (Rs 3.68 crore) by transportation agents, and delayed delivery of 2.09 lakh quintals of rice were noticed. Infrastructure facilities were poor as kitchens were not available in 77 *per cent* of schools (35330) in the State while 92 *per cent* of the test checked schools did not have kitchen sheds as a result in 44 *per cent* schools food was cooked either in the verandah or in class rooms and 48 *per cent* of schools used open space as kitchen for cooking food. Construction of kitchen wherever taken up were not in conformity with the GOI's prescribed norms. Drinking water facilities were available in 86 *per cent* of schools. Many of the test checked blocks and schools lacked storage facilities for food grains. The scheme was marred by delayed implementation leading to non-availment of GOI assistance of Rs 58.26 crore, disruption and non-provision of MDM in drought affected districts. Instances of non-provision of required quantity of dal and eggs, loss of teaching hours, absence of community participation were noticed. The MDM did not have any impact on sustaining the enrolment and attendance, check up of health status and hygienic conditions of cooking and serving were not ensured. Supervision and inspections at various levels were short of targets due to lack of man power. State, district and block level monitoring committees were not effective.

Rengali Irrigation Project

The Rengali Irrigation Project was taken up for execution in 1980-81 at an estimated cost of Rs 233.64 crore for providing irrigation to 2.36 lakh hectares of cultivable command area (CCA) by March 1991 through the Left Bank Canal (LBC :141 km) and Right Bank Canal (RBC :112 km). Due to delay in acquisition of land / non-acquisition of land, non-receipt of forest land clearance and poor contract management, the project remained incomplete at various stages with investment of Rs 1695.61 crore (March 2008) resulting in cost over run by Rs 1461.97 crore (626 *per cent*) and time over run by 17 years. The project was not planned in a coordinated manner integrating supports from different agencies for smooth and timely completion of the project. The works were executed in a piecemeal fashion without analysing and assessing their impact on the whole project. The techno-economic-viability of the project as a whole was not reassessed despite instructions of the CWC. Of the 56 packages costing Rs 951.18 crore involved for execution of LBC upto 71 km, 34 packages for Rs 501.60 crore were taken up and only 14 packages for Rs 146.26 crore were completed. The excavated canals were severely damaged due to non-provision of protective measures which remained unrectified. Trial irrigation was provided to only 0.09 lakh ha of CCA against the designed ayacut of 2.36 lakh ha (four *per cent*). There were significant lapses in planning and execution of the project rendering techno-economic viability of the project doubtful. Excavated canals were severely damaged due to non-provision of protective measures suggested by GSI rendering the expenditure of Rs 103.46 crore on canal excavation unfruitful apart from extra liability of Rs 79.93 crore due to poor planning. Time over run due to delay in acquisition of land, approval of drawings / designs and poor contract management resulted in cost over run of Rs 31.78 crore. A part of the RBC constructed between 1998 and 2006 at a cost of Rs 17.11 crore was severely damaged causing apprehension regarding stability of the canal due to critical configuration of the alignment. Excess payment of Rs 0.87

crore was made to two contractors by recording inflated measurements were also noticed. Overall monitoring of the implementation of the project was poor.

Management of wastes in the State

The status of management of different types of waste generated in the State was reviewed in audit in the light of provisions contained in Environment Protection Act, 1986 and rules framed there under. The findings revealed that the implementation of these provisions was at preliminary stage and even sources, types and quantities of waste generated had not been assessed accurately. Perspective plan for collection, segregation, reuse and recycling was not available with the entities. Ninety-two out of 103 ULBs were yet to obtain SPCB's authorisation for setting up waste processing and disposal facilities. Types of machineries and equipments and mechanisms for reduction and recycling of waste remained largely undecided. Uniformity and adequacy of waste collection, segregation, storage at safer sites, reduction, reuse and recycling of bio-degradable material was absent in all the entities. Most of the ULBs and Government hospitals were running without any waste processing and disposal facilities and disposal in open space remained the most favoured solution to the management. Implementation of Plastic Waste Rules was restricted to issue of instructions without follow up action. Despite Apex Court's instructions for construction of secured engineering landfills for treatment, storage and disposal of hazardous waste, none of the industries in the State had set up the same. Funds provided by the Government of India / State Government for management of municipal and bio-medical waste remained unspent due to absence of planning for the same. Monitoring mechanism for management of different types of waste at the level of Government or SPCB was hardly visible.

Functioning of Chilika Development Authority

Chilika lagoon situated along the east coast of Orissa is a unique brackish wetland in the country covering water-spread area upto 1165 square kilometer having an assemblage of marine, brackish and fresh water eco-system with amazing biodiversity. The lagoon had been facing multi dimensional ecological and anthropogenic pressure leading to area shrinkage, siltation, choking of the inlet channel, decrease in salinity and normal loss of biodiversity. To overcome the threat of siltation, change of salinity regime and depletion of the bio resources including fish etc, the State Government set up (November 1991) Chilika Development Authority (CDA) to undertake multi dimensional and developmental activities without formulating a perspective plan and providing resource support and regulatory powers. The artificial mouth connecting the lagoon to the sea opened in September 2000 widened ten fold for which no close monitoring and disaster management plan was put in place to address possible threat to villages in and around the lagoon. Action plan implemented with help of Central Finance Commission grants and GOI grants revealed deficient planning, doubtful execution of plantation work (Rs 91 lakh), infructuous (Rs 2.17 crore) and extra (Rs 25 lakh) expenditure on plantation under utilisation of assets created, inadmissible payment of escalation charges (Rs 93 lakh) and irregular

utilisation of interest money (Rs 1.80 lakh). With opening of artificial mouth to the sea, there was decline in fish production and disappearance of some fresh water species of fish. The restoration works for birds remained confined to the sanctuary area. Presence of gherries for illegal prawn culture led to disturbance in eco system. Unregulated tourism and fishing activity led to pollution of lagoon. Soil conservation and plantation works; a major source of arresting siltation taken up during 2003-08 were implemented in uncoordinated manner warranting heavy recurring spending in future. Monitoring Committees constituted by the Government remained non functional.

Implementation of project elephant in Orissa

The Centrally Sponsored Scheme “Project Elephant” aimed primarily at conservation and protection of viable populations of wild elephants in their natural habitat and restoration of natural habitats and traditional corridors used by the elephants thereby reducing the human elephant conflict (HEC). Orissa accounts for nearly 74 *per cent* of the elephants in Eastern India, 10 *per cent* of the tuskers in the country and also records a large number of elephant deaths and human deaths due to increased human-elephant conflict. Despite GOI's request (June 2002), the State Government did not prepare any perspective plan and the scheme was being implemented through ad hoc annual plans affecting systematic management of the elephant reserves. The corridors (forest links) were fragmented due to rapid industrialisation and population growth. No efforts were made to restore the corridor disrupted by the Rengali Irrigation Project. No special strike force was created to check poaching and destruction of habitat. Human-Elephant-Conflict could not be checked resulting in loss of lives with incidental and collateral damages. Although elephant population in the State increased from 1841 (Census-2002) to 1862 (Census-2007), 280 elephants died in the State due to various reasons during the period and the average death cases increased from 32 per year during 1990-2003 to 56 per year during 2003-08. The State Board for Wildlife constituted (September 2003) to meet at least twice a year for advising the State Government on formulation of policy for protection and conservation of wildlife met only once (November 2004) and a new body constituted (October 2007) for a two year term did not convene any meeting so far.

Information Technology Audit on Computerization of Land Record Project (BHULEKH)

Computerisation of land records (CLR) a hundred *per cent* assisted centrally sponsored project was commenced in the State since 1988-89 with the primary objective of ensuring systemic maintenance and retrieval of land records thereby ensuring security to the land holders, consolidation of holdings and updation of land records etc. The CLR with the development of a database of land records intended to provide quicker storing, processing and retrieval of information was only partially fulfilled. The software “BHULEKH” suffered from deficiencies like inadequate system design and inadequate input, validation and security controls. The presence of duplicate and blank records for tenants and case numbers rendered the data incomplete and unreliable.

Deficient system design necessitated manual interventions which in turn created scope for human errors and even manipulations. Even after 20 years of taking up pilot implementation and 10 years of project implementation, deficiencies persisted in the system. As a result, the intended objectives were not achieved to the extent envisaged and benefits were not commensurate with the expenditure of Rs 31.60 crore incurred as of July 2008.

Transaction Audit findings

Audit of financial transactions, subjected to test-check in various departments of the Government and their field functionaries showed instances of misappropriations, losses, excess payment, unfruitful expenditure of about Rs 143 crore as mentioned below:

Misappropriation of Rs 1.41 crore was noticed in Water Resources (Rs 1.38 crore) and Panchayati Raj (Rupees three lakh) Departments. Besides, there were instances of misutilisation of Government funds and loss of Rs 2.11 crore in Panchayati Raj (Rs 1.90 crore), Agriculture (Rs 21 lakh) and Departments.

Avoidable extra cost, unfruitful expenditure and undue benefit to contractors amounting to Rs 124.23 crore was noticed in Rural Development (Rs 6.45 crore), Water Resources (Rs 85.47 crore), Works (Rs 26.76 crore), Panchayati Raj (Rs 3.88 crore), Forest and Environment (Rs 44 lakh) and School Mass Education (Rs 76 lakh) and Revenue and Disaster Management (Rs 47 lakh) Departments.

There were instances of blockage of funds, idle investments and irregular retention and payment of advances of Rs 15.24 crore in Health and Family Welfare (Rs 1.04 crore), Industries (Rs 5.12 crore), Home (Rs 2.52 crore) and Fisheries and Animal Resources Development (Rs 6.56 crore) Departments.

Some of the important audit observations are listed below.

Subsidised rice of 2250 MT was shown as issued to labourers through contractors without documentary evidence of distribution to the labourers resulting in misappropriation of subsidy of Rs 1.38 crore in Drainage Division, Chandikhol Division.

(Paragraph 4.1.1)

Lack of proper inquiry, physical verification of households, supervision and monitoring by the authorities resulted in misuse of special IAY assistance of Rs 1.90 crore while allotting special IAY houses in six blocks of Bhadrak and Jajpur districts.

(Paragraph 4.1.2)

Injudicious selection of site for construction of spillway of Telengiri Irrigation Project led to wasteful expenditure of Rs 0.99 crore. Besides, there was non recovery of works advance of Rs 9.07 crore in Telengiri Irrigation Division.

(Paragraph 4.2.1)

Commencement of works of an irrigation project without assessment of water potential and non-completion of rehabilitation measures of the project affected families resulted in suspension of the project works midway rendering Rs 65.82 crore spent on the project unfruitful in Titilagarh Irrigation Division.
(Paragraph 4.4.1)

Failure to adhere to standard data provided in the MORT&H specifications while sanctioning the estimates resulted in excess payment of Rs 3.99 crore to the contractors in 10 Rural Works divisions under Pradhan Mantri Gram Sadak Yojna (PMGSY).
(Paragraph 4.2.3)

Non-construction of approach roads to the high level bridge over river Kushabhadra resulted in unfruitful expenditure of Rs 5.57 crore and extra cost of Rs 75 lakh. Besides, there was non recovery of Rs 1.64 crore from a Corporation under Executive Engineer, R&B Division, Bhubaneswar.
(Paragraph 4.3.1)

Abandonment of Umerkote-Raighar-Kundei-Likima road work by a contractor under Jeypore (R & B) Division resulted in dislocation in the movement of traffic, wasteful expenditure of Rs 61.79 lakh, extra liability/non recovery for Rs 3.22 crore and avoidable maintenance of the road for Rs 45.62 lakh.
(Paragraph 4.3.2)

Upward revision of an offer for a High Level (HL) Bridge over river Subarnarekha at 13 km on Kamarda-Baliapal road during negotiation and non recovery of liquidated damage despite default in execution led to undue benefit of Rs 3.20 crore to the contractor under Balasore (R&B) Division.
(Paragraph 4.3.3)

Due to inadequate action of the BDOs, 319 shopping units could not be completed under SGSY/ SGRY and 452 units even though completed were not allotted to the beneficiaries which resulted in an unfruitful expenditure of Rs 3.42 crore.
(Paragraph 4.4.4)

Non-completion of additional godown building in the premises of the Director, Text Book Production and Marketing resulted in an avoidable expenditure of Rs 75.52 lakh on rent.
(Paragraph 4.4.9)

The Principal Resident Commissioner, New Delhi purchased 56 residential quarters of which 49 quarters were lying unallotted even after two years of purchase leading to idle investment of Rs 2.52 crore.
(Paragraph 4.5.1)

Due to non-registration of institutions under the PNDDT Act and non-imparting of clinical training to user doctors by the Director ISMH, seven ultrasound machines purchased at a cost Rs 41.03 lakh for Ayurvedic and Homoeopathy colleges remained idle after two years of procurement.
(Paragraph 4.5.3)