

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

REVENUE DEPARTMENT

4.1.1 Unadjusted advances and paid vouchers in the Collectorates

Twenty three Collectors failed to obtain accounts for the advances made and the paid vouchers amounting to Rs.4.35 crore. The period of pendency in adjustment ranged up to 47 years. Paid vouchers of Rs.59 lakh could not be produced to audit.

Government rules stipulate that advances granted to officials for departmental purposes are to be adjusted by submission of detailed accounts supported by vouchers and refund of unspent balances within the month in which the advance was paid. The general financial rules prohibit incurring of expenditure until the same has been sanctioned by the competent authority and provided for in the budget. Finance Department requested (March 2000) all the Secretaries/Heads of the Departments/Collectors for issue of instructions to all the Drawing and Disbursing Officers (DDOs) under their control for strict adherence to the financial/codal procedures in the management of cash. Mention was made vide paragraph 3.8 of the Comptroller and Auditor General's Audit Report (Civil) for the year ended 31 March 2000 regarding the mismanagement of cash by the DDOs in 12 departments.

Scrutiny of records of 23 Collectorates during 2002-03 revealed that Rs.6.33 crore were outstanding against officials for adjustment on account of advances (Rs.5.74 crore¹) made and the paid vouchers (Rs.0.59 crore²) as of March 2002. In many cases the paid vouchers were included in the advances

¹ **Advances**

Collectors: (1) Balasore-Rs.15.58 lakh, (2) Bhadrak-Rs.3.82 lakh, (3) Baragarh-Rs.6.57 lakh, (4) Bolangir-Rs.17.31 lakh, (5) Boudh-Rs.5.76 lakh, (6) Dhenkanal-Rs.6.40 lakh, (7) Deogarh-Rs.5.78 lakh, (8) Gajapati-Rs.1.95 lakh, (9) Ganjam-Rs.13.23 lakh, (10) Jagatsinghpur-Rs.132.15 lakh, (11) Jharsuguda-Rs.18.91 lakh, (12) Kalahandi-Rs.2.90 lakh, (13) Keonjhar-Rs.8.25 lakh, (14) Kendrapara-Rs.119.46 lakh, (15) Khurda-Rs.7.25 lakh, (16) Koraput-Rs.64.64 lakh, (17) Nowarangpur-Rs.18.44 lakh, (18) Phulbani-Rs.1.66 lakh, (19) Puri-Rs.53.75 lakh, (20) Rayagada-Rs.1.22 lakh, (21) Sambalpur-Rs.40.78 lakh, (22) Sonepur-Rs.5.53 lakh and (23) Sundergarh-Rs.22.54 lakh.

² **Paid vouchers**

Collectors: (1) Balasore-Rs.4.33 lakh, (2) Bhadrak-Rs.6.38 lakh, (3) Boudh-Rs.3.58 lakh, (4) Gajapati-Rs.4.23 lakh, (5) Jagatsinghpur-Rs.10.41 lakh, (6) Jharsuguda-Rs.7.42 lakh, (7) Kalahandi-Rs.13.18 lakh, (8) Phulbani-Rs.7.42 lakh and (9) Rayagada-Rs.1.78 lakh.

and not shown separately in the closing cash balances. The paid vouchers were nothing but expenditure made from available cash for purposes for which no sanction and allotment existed.

The outstanding advances exceeded Rs.50 lakh in four Collectorates of Jagatsinghpur (Cyclone and Emergency: Rs.122.87 lakh, Election and miscellaneous: Rs.9.28 lakh), Kendrapara (Flood and cyclone: Rs.92.18 lakh, miscellaneous: Rs.27.27 lakh), Puri (53.75 lakh) and Koraput (Rs.64.64 lakh).

The unadjusted advances and paid vouchers had been continuing as part of the closing cash balance for years together in violation of all rules and norms.

Out of Rs.6.33 crore, money receipts and expenditure vouchers in respect of advances/paid vouchers for Rs.59.08 lakh in seven³ Collectorates were not produced to audit. Non-production of these documents was an indicator of misappropriation. Similarly, advances/paid vouchers for Rs.0.38 crore in respect of Collectors, Jharsuguda (Rs.0.25 crore) and Kalahandi (Rs.0.13 crore) could not be verified due to improper maintenance of records.

As regards the non-production of paid vouchers, the Collector, Bolangir stated that efforts were being made for special audit to make good the loss. The Collector, Kendrapara replied that Ex-Nazirs were being reminded to hand over the detailed charge of advance. Collectors, Dhenkanal and Gajapati stated that action was being taken to fix responsibility on the persons concerned. Collectors, Sambalpur and Sundargarh stated that the vouchers would be traced out and produced to Audit. Collector, Phulbani did not reply.

Government stated (September 2003) that Rs.1.98 crore had already been adjusted by the 23 Collectors as of August 2003 and they were instructed to adjust the remaining Rs.4.35 crore early. However, the fact remained that Rs.6.33 crore had been spent unauthorisedly from the available cash meant for development and other works. The advances/vouchers were lying unadjusted for periods ranging from 1 to 47 years and such irregularities were committed routinely, despite repeated objections made through the Audit Inspection Reports. Government however, was silent about the non-production of vouchers to audit by the seven Collectors.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.2 Short realisation of Octroi

Collection of octroi in Cuttack Municipality Corporation at reduced rate, in disregard of Government order, resulted in loss of Rs.40.63 lakh.

As per the Orissa Municipal Act, 1950, a municipal council, with the sanction of State Government, may impose octroi on goods brought within the limits of a municipality for consumption, use or sale therein. Government may on their own motion or on application made in that behalf and after consulting the Municipal Corporation/Council, revise the rate of such octroi. Government in

³ Bolangir: Rs.1.53 lakh, Dhenkanal : Rs.2.54 lakh, Gajapati: Rs.0.19 lakh, Kendrapara: Rs.14.87 lakh, Phulbani : Rs.6.96 lakh, Sambalpur Rs.22.68 lakh and Sundargarh : Rs.10.31 lakh.

Housing and Urban Development Department, on the recommendation of Cuttack Municipal Corporation (CMC) revised (12 March 1998) the rate of octroi to 1 *per cent* from the prevailing rate of 0.5 *per cent* on the value of potato, onion, dal and sugar, among other goods, brought within the limits of CMC.

Scrutiny of records (February 2003) of the Executive Officer (EO), CMC revealed that there was public protest against the upward revision of octroi duty on potato, onion, dal and sugar. In the face of such public protest, CMC decided to reduce the octroi on the above items from 1 *per cent* to 0.5 *per cent* ad valorem with effect from 20 March 1998. This was not in order since CMC had no authority to do so as no Government notification to this effect had been issued. Thus, collection of octroi at the reduced rate was irregular and resulted in short realisation of octroi amounting to Rs.40.63 lakh for the period from April 1998 to November 1999.

The matter was referred to Government (June 2003); their reply was not received (December 2003).

4.1.3 Loss due to non-realisation of EPF contribution from the contractors

Non-realisation of EPF contributions from the contractors by the Bhubaneswar Development Authority led to loss of Rs.29.30 lakh.

The Bhubaneswar Development Authority (BDA) acquires and develops land and constructs houses/flats for sale to the public. The BDA, being registered (November 1980) as an establishment under the Employees Provident Fund and Miscellaneous Provisions (EPF and MP) Act, 1952 has the responsibility to pay to the Regional Provident Fund Commissioner (RPFC) the contributions of the employees and the employer's share at prescribed rates in respect of its own employees and the employees deployed through contractors.

BDA undertook different housing schemes and development works between November 1980 and January 1985 through 65 contractors. Test check in audit revealed (October 2002) that no action was initiated to comply with the provisions of the aforesaid Act by incorporating suitable conditions in the works contracts to ensure recovery of EPF contributions from employees engaged by the contractors. Thus, BDA failed to recover EPF contributions and consequently defaulted in making payment to RPFC. On a demand being raised by the RPFC (January 1998), BDA paid (May 1998) Rs.29.30 lakh towards employees' and employer's share of EPF contribution in respect of employees engaged by the contractors between November 1980 and January 1985. Prior to the payment to RPFC, BDA had requested all contractors through newspaper publication to pay the EPF dues. The contractors did not respond. In the meantime, RPFC raised (August 2003) a further demand of Rs.6.64 crore against BDA towards EPF dues for the period from February 1985 to February 2000 which has not been paid by BDA as of September 2003. BDA could not furnish details of EPF dues collected/to be collected from the contractors for the period from March 2000 to March 2002. However, BDA stated (November 2002) that EPF dues were being collected

from the Running Account Bill of the contractors from April 2002 onwards on the basis of a clause being incorporated in the contract.

Thus, non-incorporation of suitable clause in the contract agreements and consequent failure to recover the EPF contributions from their work bills resulted in loss of Rs.29.30 lakh to BDA and possible loss of even larger amounts since the further demands raised by RPFC have not been paid up.

Executive Engineer, Division No.III, BDA stated (November 2002) that demand notices were being issued to contractors for realisation of the EPF dues.

The matter was referred to Government (May 2003); no reply has been received (December 2003).

WATER RESOURCES DEPARTMENT

4.1.4 Negligence of Executive Engineer led to loss of Rs.50.69 lakh

Negligence of Executive Engineer by acceptance of forged Bank Guarantee at the time of drawal of agreement and failure to secure the advances resulted in loss of Rs.50.69 lakh.

Construction of minors and sub-minors of Sanyasipur branch canal from RD 00 to 8.10 km of Badanalla Irrigation Project was awarded (March 1999) to a contractor at a cost of Rs.2.87 crore for completion by March 2000. Extension of time was granted (March 2001) up to January 2002. But the work could not be completed even after expiry of the extended period and the work was abandoned by the contractor (July 2002) after executing work worth Rs.24.34 lakh and removed machinery and material from the site. The contract was closed (January 2003) with imposition of penalty.

Scrutiny of records of the Executive Engineer (EE) Badanalla Canal Division, Padampur revealed (September 2002) that the contractor submitted Bank Guarantee for Rs.14.37 lakh as performance security at the time of execution of agreement which was later found forged. The contractor submitted (September 2000) a fresh Bank Guarantee which was also found to be forged.

Mobilisation and equipment advance of Rs.28.72 lakh was paid (March 1999/June 1999) against Bank Guarantees but the same were also found (November 2001) forged. Out of the above advance, Rs.13.19 lakh was recovered leaving a balance of Rs.15.53 lakh and accrued interest of Rs.21.43 lakh. Against this, fresh Bank Guarantee for Rs.15 lakh submitted in June 2002 was available for adjustment (March 2003).

The contractor was also liable to pay liquidated damages of Rs.28.73 lakh for delay in completion of work, which was not recovered as of March 2003.

After adjustment (May 2003), Rs.50.69 lakh was outstanding against the contractor.

Government stated (June 2003) that the contract was ordered to be closed with penalty (liquidated damage) and action initiated for blacklisting the contractor and cancellation of his licence. As regards furnishing of forged Bank Guarantee, Government stated that in addition to lodging an FIR, the matter had been referred to the CBI.

Government assured (October 2003) that in future advances would be made to contractors only after confirmation of the genuineness of Bank Guarantees and added that action had already been initiated to recover the outstanding Government dues from the contractor.

4.1.5 Extra expenditure due to preparation of erroneous bid document

Erroneous preparation of bid document and consequent delay in acceptance of tender inflated the cost of the work by Rs.27.69 lakh.

Based on the bid documents approved (October 1997) by the Chief Engineer and Basin Manager (CE&BM) Rushikulya, Vanshadhara and Nagavali (RVN) Basin, tender (bid) for the work "Improvement to 15 Tanks and Kankia nalla, Desghai nalla and Ghodaka nalla of 10th Distributary of Rushikulya Irrigation System" was invited (October 1997) by the Executive Engineer (EE), Chikiti Irrigation Division, Berhampur. In response, three bids were received (22 December 1997) and the 1st lowest tender for Rs.1.75 crore was recommended by the EE/SE on 24 December 1997. However, the CE&BM took 40 days (25 December 1997 to 2 February 1998) for scrutiny against 20 days admissible at his level and recommended it on 3 February 1998 for acceptance by Government. Though the bid validity period of 90 days had expired on 21 March 1998, the Empowered Committee recommended (30 May 1998) for award of the work to the 1st lowest tenderer at his offered rate of Rs.1.75 crore. While the tender was pending at Government level, World Bank forwarded (July 1998) a complaint of All Orissa Contractors Association who alleged that the clause to qualify for award of the contract mentioned only an insignificant quantity of 0.30 lakh cum of earth work to have been executed by the bidder in any one year during the last five years, was deliberately included in the bid document to favour a specific contractor, though in another similar work of the project, the qualifying quantity was 2.90 lakh cum of earth work. The CE&BM admitted (October 1998) that 0.30 lakh cum was stipulated in the bid document due to oversight instead of 3 lakh cum. Consequently, Government rejected (November 1998) the bid for invitation of fresh bid with concurrence of the World Bank and ordered (November 1998) to fix responsibility for error in bid document which caused delay in finalisation of the bid.

Check of records of the Superintending Engineer (SE), Southern Irrigation Circle, Berhampur revealed (March 2002) that the CE&BM had resubmitted the tender (February 1999) to the Government on the ground that the contractor qualified the requisite criteria of having executed 3 lakh cum of earth work as per the evidence subsequently furnished by the contractor on his own accord. On recommendation of the CE and the Empowered Committee, the Government approved (May 2001) the 1st lowest bid for Rs.1.75 crore.

However, while extending the validity of the bid up to August 2001, the contractor requested to correct the bid price under clause 15.3 of contract, i.e. by increasing it by the factor of five *per cent* per annum for each week or part of a week elapsed from the expiration of the initial bid validity to the date of issue of letter of acceptance to the successful bidder. Accordingly, Government approved (March 2002) the revised bid price as Rs.202.25 lakh (Rs.174.56 lakh plus Rs.27.69 lakh) on the recommendation of CE&BM.

Thus, erroneous preparation of bid documents by the EE and approval thereof by the CE&BM without verification led to abnormal delay of 3 years and 60 days in finalisation of tender, leading to a loss of Rs.27.69 lakh. Despite direction of Government, responsibility was not fixed for erroneous preparation of bid document.

Government admitted (October 2003) the above facts and assured that correctness of the bid documents would be ensured in future.

4.2 Infertuous/wasteful expenditure and overpayments

AGRICULTURE DEPARTMENT

4.2.1 Infertuous expenditure of Rs.2.86 crore on oil palm plantation

Dejected farmers destroyed 1656 hectares of plantation due to lack of facilities for oil extraction resulting in infertuous expenditure of Rs.2.86 crore.

Oil Palm Development Programme (OPDP), a Centrally Sponsored Plan Scheme had been under implementation in the State since 1993 to supplement the edible oil requirement in the State. The expenditure under the Scheme was shared between Government of India (GOI) and the State Government in the ratio of 3:1. According to the scheme, the oil palm plantations were to be taken up on the beneficiaries' land entitling them to a subsidy of Rs.16250 per hectare on planting materials and cultivation cost during the gestation period of four years. The scheme included provision for installation of oil processing facility as the oil palm tree commences fruition after the gestation period and the fruits were to be processed within 24 hours of harvesting for optimum oil extraction.

Scrutiny of records of Assistant Horticulture Officer, Kamakhya Nagar (May 2002) and Horticulturist, Gunupur (January 2003) and information collected from the Director of Horticulture, Orissa (August 2003) revealed that the State Government received Rs.3.14 crore during 1992-2003 from GOI under the scheme. However, Government placed Rs.3.14 crore with the Director (GOI share: Rs.2.35 crore and State share: Rs.0.79 crore) for implementation leaving unspent GOI share of Rs.0.79 crore with them. Oil palm plantations under the scheme were taken up over an area of 2014

hectares⁴ on the farmers' land in 9 districts incurring expenditure of Rs.2.86 crore during 1993-2002. A Tamil Nadu based firm which was selected (November 2001) for establishment of an oil extraction unit in Gajapati district did not set up the unit as of August 2003 on the ground that the fruit produced was insufficient for running the plant. The field survey reports received by the Director between June 2001 and March 2003 disclosed that plantation had survived only in 358 hectares (18 *per cent*). The dejected farmers destroyed plantations of 1656 hectares due to lack of oil extraction facility, obviously to switch over to other crops.

Thus, implementation of the OPDP scheme without ensuring facilities for oil extraction in the State led to infructuous expenditure of Rs.2.86 crore.

The Director while admitting the facts stated (August 2003) that no firm came forward for setting up an oil extraction unit due to involvement of huge investment of capital. The reply was not tenable as the action to go ahead with plantation by Government without ensuring feasibility of establishment of an oil extraction unit in the State not only deprived the farmers and the State, the benefits envisaged under the scheme but also caused considerable financial loss to the farmers apart from wastage of Rs.2.86 crore spent on plantation.

The matter was referred (May 2003) to the Commissioner-cum-Secretary to Government, Agriculture Department for reply within six weeks followed by a reminder (July 2003). The matter was also discussed (November 2003) with the Secretary who admitted the fact. Reply was awaited (December 2003).

WATER RESOURCES DEPARTMENT

4.2.2 Wasteful expenditure

Improper preconstruction survey and defective execution of work led to water loss in the reservoir resulting in wasteful expenditure of Rs.7.40 crore apart from depriving irrigation facilities to the beneficiaries.

With a view to providing irrigation to 1215 ha. of land in kharif and 405 ha. in rabi, Government approved (July 1984) construction of Siltiguda Minor Irrigation Project at a cost of Rs.2.83 crore. The project was taken up in November 1985 for completion in June 1987. The cost of the project was revised from time to time and the project was ultimately completed at Rs.7.40 crore in March 1998. Despite investment of Rs.7.40 crore, the project could provide irrigation to only 9.5 *per cent* (115.84 ha.) of the designed ayacut as of March 2002.

During inspection (May 2000), the Chief Engineer (CE) Minor Irrigation (MI) noticed that despite 700mm of rain, there was no water in the reservoir. The Executive Engineer (EE) M.I Division, Rayagada was directed to investigate if any gullies were formed in the reservoir. The EE inspected (July 2000) the catchment area and reported that although there were no gullies, the reservoir bed consisted of sandy soil and porous strata.

⁴ Cuttack: 15 hectares, Dhenkanal : 270 hectares, Gajapati:767 hectares, Jajpur : 173 hectares, Kedrapara : 17 hectares, Koraput : 201 hectares, Nayagarh : 52 hectares , Rayagada : 269 hectares, Sundargarh : 250 hectares.

Scrutiny in audit revealed (May 2003) that as per the approved drawing, the Cut Off Trench (COT)⁵ was required to be excavated till impervious strata was met. During execution, back filling of COT was taken up before impervious strata was met. Further, though the reservoir base was of porous strata and in lime stone zone, the water retention capacity of the reservoir base was not tested before commencement of the work. Although upstream blanket was provided as an alternative (expenditure : Rs.13.96 lakh), there was water loss in the reservoir.

Thus, inadequate preconstruction survey of the reservoir area coupled with defective execution and non-initiation of remedial measures led to water loss in the reservoir, rendering the expenditure of Rs.7.40 crore wasteful.

Government while confirming (October 2003) the above facts stated that the water level in the reservoir got depleted due to unauthorised construction of diversion weirs on the upstream of the nullah as well as scanty rainfall in the area. The reply was not convincing since EE did not report (July 2000) such unauthorised constructions on the upstream of the nullah. Government, however, assured that in future, projects would be constructed after proper investigation and implementation of corrective measures.

4.2.3 Nugatory expenditure

Failure of the EE to comply with the conditions for acquisition of forest land before execution of work led to stoppage of work and resultant nugatory expenditure of Rs.5.38 crore.

Codal rules provide that no work should be commenced on land which has not been acquired.

For providing irrigation to Kharif and Rabi crops for 1500 and 500 acres respectively, Government approved (April 1992) construction of Malken Nallah Minor Irrigation (MI) Project in Gaisilet Block of Bargarh district at a cost of Rs.2.93 crore. As the project involved submergence of 47.10 ha. of forest land in the reservoir basin, Government of India (GOI) while granting 'in principle' clearance for diversion of 47.10 ha. of forest land stipulated certain conditions regarding (i) transfer and mutation of equivalent non-forest land,(ii) deposit the cost of compensatory afforestation with the State Forest Department and (iii) commitment for depositing funds for Catchment Area Treatment Plan (CATP) with the Forest Department before issue of formal orders of approval by GOI.

Check of records of Executive Engineer (EE), MI Division, Padampur revealed (November 2002) that the EE awarded (January 2000) the head works (earth dam, head regulator and spillway) of the project to a contractor at a cost of Rs.2.87 crore for completion by April 2001 without complying with the conditions prescribed by GOI for acquiring the forest land. Though mutation was completed, equivalent non-forest land was not transferred (May 2003) to Forest Department. Cost of CATP of Rs.4.40 crore was neither

⁵ An excavation in the base of the dam filled with relatively impervious material to reduce percolation

deposited nor commitment made for depositing the money with the Forest Department. Out of Rs.10.36 lakh payable towards compensatory afforestation cost, the EE deposited only Rs.5.63 lakh with the Forest Department.

Since steps for obtaining GOI clearance of forest land had not been initiated, the Chief Engineer (CE), MI instructed (February 2002) to stop execution of river gap portion of the dam and the contract was closed (September 2003). Meanwhile, work valuing Rs.2.65 crore had been executed. Though the execution of head works was stopped due to non-clearance of forest land, the EE awarded (December 2001/March 2002) distribution system to 13 contractors at a cost of Rs.1.01 crore for completion by June 2002 against which Rs.67 lakh were spent. As of November 2003, an expenditure of Rs.5.38 crore including ancillary works had been incurred on the Project. Forest clearance was not obtained as of November 2003.

Scrutiny also revealed that the EE had not taken into account the cost of CATP (Rs.4.40 crore) whereby the projected benefit cost ratio (BCR) of 3.08 also declined to 1.68.

Thus, commencement of work without securing forest clearance led to stoppage of work, whereby the expenditure of Rs.5.38 crore was nugatory.

Though Secretary to Government of Orissa, Water Resources Department had asked CE/EE in November 2002 to comply with the conditions stipulated, no action was initiated.

Government confirmed (October 2003) the facts and assured that in future, the projects would be implemented after complying with the conditions prescribed by GOI and that necessary steps would be taken to provide kharif irrigation during 2004.

4.2.4 Avoidable extra expenditure due to delayed finalisation of drawings

Delayed finalisation of the drawings and award of work before finalisation of the drawings led to avoidable expenditure of Rs.2.31 crore.

Codal rules provide that detailed design and drawings should be finalised prior to commencement of works.

The work "construction of left bank canal from RD 47.50 to 50.50 km (Package 16)" at a cost of Rs.40.52 crore was awarded (November 1998) without finalising the drawings by the Executive Engineer, OECF Division II, Kamakhyanagar. Although the work was to be completed by November 2001, after executing only 21 *per cent* of the work worth Rs.8.38 crore, the contractor applied (October 2001) for extension of time (EOT) up to November 2004 on the ground of delay in finalisation of drawings of different components of work and non-availability of land. On recommendation of EE/SE/CE⁶, Government granted EOT up to December 2002. The contractor could execute only 46.98 *per cent* work worth Rs.19.04 crore during the

⁶ EE: Executive Engineer, OECF Division II Kamakhya Nagar, SE: Superintending Engineer, Rengali Canal circle, Giridimali, CE: Chief Engineer and Basin Manager, Brahmani left Basin, Samal.

extended period. The contractor again applied for EOT on the same ground up to June 2005 which was granted by the Government up to November 2004. On both the occasions, Government granted EOT with benefit of price escalation on the ground of non-finalisation of the drawings which was not attributable to the contractor. The contractor was paid Rs.2.31 crore towards price escalation on the value of work executed during the extended period from December 2001 to March 2003.

Scrutiny of records of the EE, OECF Division II, Kamakhyanagar revealed (March 2003) that despite repeated requests from CE, Design & Research, EE did not submit the necessary technical data for preparation of the drawings leading to delay in finalisation. The drawings were handed over to the contractor after 12 to 34 months from the due date (November 1998). The revised drawings of some vital components (upstream abutment, wing wall and raft and pier 1 of aqueduct) were not handed over to the contractor till January 2002, which necessitated extension up to November 2004.

Thus, negligence of EE in submission of technical data, delayed the finalisation of drawings and consequent delay in completion of work resulted in avoidable extra expenditure of Rs.2.31 crore towards escalation.

Government stated (October 2003) that the structure being complicated required more time for finalisation of the drawings and further assured that in future, timely finalisation of drawings and designs would be ensured.

4.2.5 Extra liability due to cancellation of valid tender

Failure of the CE to observe pre-qualification criteria for a bid led to an extra liability of Rs.1.99 crore on retender.
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According to note VII below para 3.5.9 of Orissa Public Works Department code (OPWD) when cost of the work exceeds Rs.3 crore, pre-qualification of tenderer should be resorted to. The pre-qualification criteria were to be prescribed by the Chief Engineer and approved by Government before invitation of tender.

Tender for the work "Construction of three spurs for protection of saline embankment on Devi Right from Jharling to Belanga (estimated cost Rs.4.99 crore)" was invited (February 2001) by the Executive Engineer (EE) Nimapara Irrigation Division. The tender schedule was approved (February 2001) by the Chief Engineer & Basin Manager (CE&BM), Lower Mahanadi Basin, Bhubaneswar without any pre-qualification criteria. In response, seven tenders were received and the lowest tender for Rs.4.49 crore being 10.08 *per cent* less than the estimated cost was recommended (April 2001) by the CE&BM for approval. Government, however, cancelled (June 2001) the tender on the ground of failure to comply with the orders of August 2000 prescribing pre-qualification procedure and ordered for fresh tender. Accordingly, fresh tenders with variation in item quantities were invited (November 2001) providing pre-qualification criteria and the single bid for Rs.6.44 crore which was 3rd lowest (Rs.5.60 crore) in the earlier tender, was approved (June 2002) by Government. Agreement was executed in June 2002 for completion of the

work by December 2003. Computed with the item rates of the agreement with those of the lowest (cancelled) tender excluding rise in cost due to substitution, extra liability on retender worked out to Rs.1.99 crore.

Thus, cancellation of the earlier tender due to failure of the CE&BM to observe the pre-qualification procedure and subsequent award of work to a single tenderer at higher cost resulted in extra liability of Rs.1.99 crore.

Government confirmed (April 2003) that the earlier tender had to be cancelled and fresh tenders invited due to CE's failure to follow the pre-qualification procedure. No mention was made about fixing of responsibility for the lapse. Government attributed the increase in cost to substitution of one item of work. The reply is not tenable since substitution of new item of work was possible under the agreement and did not necessitate re-tendering.

Government, however, assured (October 2003) that in future, bids would be finalised following pre-qualification criteria as laid down in the departmental code.

4.2.6 Wasteful expenditure

Laying of upstream blanket before filling earth in cut-off trench disregarding the technical advice of the Geologist resulted in wasteful expenditure of Rs.1.61 crore.

Mention was made in para 4.15 and 4.10 of Audit Report (Civil) for the year ended March 1999 and 2000 respectively regarding avoidable extra expenditure due to unjustified revision of rates in contract and unauthorised deviation in approved design of dam of Manjore Irrigation Project. Further scrutiny in audit revealed the following:

Final deviation statement approved (March 2003) by Government included Rs.2.33 crore towards execution of 3.12 lakh cum of earth work for upstream blanket of dam which was not included either in the agreement or estimate.

Check of records of Executive Engineer (EE), Manjore Irrigation Division, Athamallick revealed (December 2002) that construction of earth dam commenced in December 1996. The approved drawings (October 1996) of earth dam provided for curtain grouting in the cut-off trench (COT) since positive cut-off was not possible in most of the reaches. While the COT of the dam was under execution, the Geologist of the Geological Survey of India, Eastern Region, visited the site as many as 12 times between April 1997 and March 2003 and on examination of the fractured pattern of exposed rock strata and nature of seepage, suggested curtain grouting between RD 110 and 1490 m before filling earth in the COT. Though the Geologist had clearly warned of the possibility of seepage if curtain grouting was done after filling earth in COT, the project authorities did not take steps to grout the fractured surface before filling up earth. Grouting between RD 110 and 180m only was done after filling up earth at a cost of Rs.10.52 lakh during June-July 1998.

Since grouting was not done before filling up earth in COT, the Geologist suggested (February 1999) for laying of upstream blanket between RD 1180m and 1890m to arrest seepage. Chief Engineer (CE), Design and Research (D&R) observed (July 2000) that curtain grouting was not done as provided for in the approved drawing (July 1996). As the curtain grouting at that stage would have been costly and efficacy of grouting was felt doubtful, he approved the design of upstream blanket. Accordingly, upstream blanket between RD 90m to 645m and RD 870 to 1480m was laid at a cost of Rs.2.33 crore.

Had curtain grouting been done between RD 110 and 1480m as per the suggestion of the Geologist and specification of approved drawing (October 1996), an expenditure of Rs.72.35 lakh only would have been incurred.

Thus, execution of COT without curtain grouting before filling in earth disregarding the technical advice of the Geologist and laying of upstream blanket entailed an extra expenditure of Rs.1.61 crore which proved wasteful.

Government while accepting the above facts and figures stated (October 2003) that the continuous upstream blanket was provided to control seepage of water and for the safety of the dam. The reply is not acceptable since the suggestions of the Geologist and the specification of approved drawing for providing curtain grouting in the COT had been ignored and this led to wasteful expenditure of Rs.1.61 crore.

RURAL DEVELOPMENT DEPARTMENT

4.2.7 Extra cost due to defective design

<p>Failure of the CE in approving the bridge designs without taking into account the site condition and the hydraulic particulars led to wasteful expenditure of Rs.89.44 lakh besides extra liability of Rs.83.21 lakh.</p>

Based on General Arrangement Drawing (GAD) approved (December 1997) by the Chief Engineer (CE) Rural Works (RW), the work “Construction of Submersible bridge over Kandhapada Nullah at 5th KM on Madhapur-Kiakata Road” was entrusted (March 1999) to a contractor for Rs.81.55 lakh. The contractor executed work valuing Rs.89.44 lakh up to February 2002 against which he was paid (March 2002) Rs.84.77 lakh and the final bill was pending (January 2003).

Check of records of Executive Engineer (EE), RW Division, Angul revealed (June 2002) that width of the nullah was 200.5 M as per hydraulic particulars submitted (July 1997) by the EE but the CE had approved (December 1997) the GAD restricting the width to 97.70 M by providing 10 spans of 9.77 M vent each. The balance width of the nullah was to be closed with earthen embankment thereby restricting the discharge to 1057.68 cum/sec only against the High Flood Level (HFL) discharge of 1335.85 cum/sec. Further, the foundation level of the wing wall at Madhapur side was left with a gap of 1.70 M between the bed level of nullah and the bottom of foundation of wing wall which was filled with sand and other materials. Consequently, during the

flood of August 1999, the wing walls of the bridge tilted and left approach road of earthen embankment of Madhapur side was breached. The Superintending Engineer (SE), Northern Circle, RW, Angul during his inspection (August 1999) observed that the wing wall had tilted due to scouring of foundation which was laid on freshly filled earth and instructed the EE to dismantle tilted portion of wing wall for reconstruction. The SE further suggested extending the bridge by providing extra vent to avoid breaching and scouring as the bridge was situated just below a curve of the river in upstream side whereby the flood water was first hitting the approach, before streaming to the vented channel of the river. However, no remedial measures were taken and during flood of July 2001, 100 metres of the left side approach and the protection walls of approach road were washed away while wing walls of left side abutments were displaced. The cost of damage worked out to Rs.11.68 lakh. Though revised GAD with provision of three more spans of 9.77 m each (13 X 9.77 m = 127.01 m) was approved (October 2001) by the Engineer-in-Chief (Civil), still sufficiency of the waterway during high flood was doubtful due to restriction of width of the nullah. The revised estimate for Rs.2.36 crore (October 2002) was not approved (September 2003). Computed with the original rates, the cost of three spans and additional works due to extension of the span including escalation resulted in extra cost of Rs.83.21 lakh.

Thus, failure of the CE in approving the bridge designs without taking into account the site condition and the hydraulic particulars not only involved extra liability of Rs.83.21 lakh but also led to wasteful expenditure of Rs.89.44 lakh due to non-completion of the bridge.

The Government stated (May 2003) that the original bridge drawing had been prepared on the basis of hydraulic data found reasonable at that time and the revision of drawing was made following observation of flood situation for three continuous years as stipulated in the original drawing. The reply is not tenable since the design of the bridge was approved without adequate waterway which caused extensive damages to the bridge during the flood of July 2001, thus rendering the expenditure wasteful.

Government further confirmed (September 2003) the above factual position and assured that in future, designs would be finalised taking into account actual site condition and hydraulic particulars.

4.2.8 Overpayment made due to irregular fixation of Schedule of Rates

Unjustified provision for overhead charges on material component in the Schedule of Rates (Electrical) led to overpayment of Rs.50.40 lakh to 65 contractors.

Internal Electrical Installation (IEI) works in Government buildings in the State were carried out according to the estimates prepared as per the Schedule of Rates (SoR) (Electrical) 1992 of Works Department up to October 2001. Government of Orissa, Works Department revised the SoR with effect from November 2001 on the ground of enhancement of rates of material, labour etc.

Check of records (October 2002) of Executive Engineer (EE) Rural Works Electrical Division, Bhubaneswar revealed that the Analysis of Rates (Electrical) 2001 which was the basis for SoR 2001 provided 12.5 *per cent* overhead charges both on material and labour components whereas the Analysis of Rates (Electrical) 1992 as well as existing Analysis of Rates (Civil) of Works Department provided such overhead charges only on labour component. Based on SoR 2001, the EE framed 2565 estimates of IEI works and executed equal number of agreements valuing Rs.6 crore at par with estimated cost between November 2001 and March 2002. The contractors were paid Rs.5.40 crore upto January 2003 of which, overhead charges on material component worked to Rs.50.40 lakh as per estimates. Thus, inclusion of unjustified provision for overhead charges on material component in the SoR led to undue benefit of Rs.50.40 lakh to 65 contractors.

On this being pointed out (October 2002), Finance Department directed (November 2002) Works Department to exclude the provision for overhead charges on material component from the estimates.

Government stated (July 2003) that the overhead charges on material component had been allowed on the basis of SoR 2001 and the provision had since been excluded from the estimates/agreements executed with effect from 23 November 2002, as directed by the Finance Department. The reply confirmed the fact that the unjustified provision in the estimates resulted in overpayment of Rs.50.40 lakh to the contractors.

Government confirmed (September 2003) the facts and assured that the inadmissible overhead charges would be recovered after a final decision is taken in this regard.

4.2.9 Overpayment to contractors on electrical installation works

Failure to adopt economical specification in estimates for electrical installation works led to overpayment of Rs.31.43 lakh to the contractors.

Schedule of Rates (SoR) for electrical installation in Government buildings stipulates that if more than one switch is located on a single board, the rates for one additional point on the same board shall be 25 *per cent* of the rate of the point provided in SoR and it will increase by 5 *per cent* for every additional point thereafter.

Check of records of Executive Engineer (EE) Rural Works Electrical Division, Bhubaneswar revealed (October 2002) that 2773 estimates for electrical installation in Government buildings at a cost of Rs.7.39 crore were sanctioned by the EE between 1999 and 2002. On test check of 757 estimates, it was observed that the EE ignored the provisions of SoR and allowed a separate board for each light and fan point instead of providing both the switch points on one board at the reduced rates as provided in SoR. Accordingly, agreements were executed at par with estimated rates. In case of 608 works executed during 2001-02, individual switch boards were provided for 15652 light points though they could have been located on 9278 boards having fan points.

Thus, non-adherence to provision of SoR by EE resulted in overpayment of Rs.31.43 lakh to the contractors.

Government while confirming the above facts, assured (September 2003) that the excess payment already made would be recovered and such event would not be repeated in future.

4.3 Violation of contractual obligations/undue favour to contractors

WORKS DEPARTMENT

4.3.1 Undue financial benefit to contractors

Unrealistic preparation of estimates by Executive Engineers led to inflated cost of works and undue financial benefit of Rs.5.48 crore to National Highway contractors.

Specification of bituminous items of various National Highways (NH) works like improvement of riding quality, periodical renewal, widening and strengthening and other improvement works provide use of bitumen without any distinction as to the use of packed or bulk bitumen. The price of bulk bitumen being cheaper, financial prudence demands that Executive Engineers (EEs) of NH Divisions adopt the price of bulk bitumen while preparing the estimates. Similarly, contractor's profit is to be provided only on labour component and not on materials.

Check of records of 114 works executed between 2000-2003 in one Expressway⁷ and eight NH Divisions⁸ revealed (April 2003) that instead of taking the price of bulk bitumen, the EEs considered the average price of both bulk and packed bitumen for preparing the estimates of various NH works. This consideration of average price instead of the price of bulk bitumen inflated the estimates of these works. However, the contracts were awarded to the agencies on finished item rate basis providing no scope for checking the inflated rate. This led to undue financial benefit of Rs.1.94 crore to contractors. Further, due to provision of contractor's profit at the rate of 10 *per cent* on cost of materials made in these estimates, undue benefit of Rs.3.54 crore was extended to the contractors.

Thus, preparation of the estimates in uneconomical manner and provision of contractor's profit on material component not only unduly inflated the cost of the works but also led to undue financial benefit of Rs.5.48 crore to the contractors.

⁷ Kendrapara Expressway Division.

⁸ NH Divisions: Baripada, Sambalpur, Rourkela, Pallahara, Kesinga, Sunabeda, Dhenkanal and Jharsuguda.

Government stated (July 2003) that there was no production of bitumen by the oil refineries in the months of February and March since they shut down their plants during that period and that considering this aspect, provision was made in the estimates for bulk and packed bitumen on 50:50 basis.

The reply is not correct. As confirmed (December 2003) by the Indian Oil Corporation, Haldia, the plant had not been shut down during 2001-02 at all and in other years also, the shut down was for a few days between June and September which is also the non-working season for road works. Further, procurement of bitumen being the contractor's responsibility, adoption of average rate of bitumen by the department on grounds of non-availability of bulk bitumen was unjustified and led to undue benefit to the contractor.

WATER RESOURCES DEPARTMENT

4.3.2 Undue benefit to contractor

Unwarranted inflation of rates of extra/substituted items coupled with failure of EE to recover Government dues led to undue benefit of Rs.80.87 lakh to the contractor.

Construction of the civil works of Naraj Barrage Project was awarded (August 1996) to a firm at a cost of Rs.142.55 crore for completion by August 2001. The firm completed the work in May 2001 and was paid Rs.141.32 crore inclusive of escalation and value of substituted/extra items as of March 2003. The final bill was yet to be prepared (August 2003).

Test check of records of Executive Engineer (EE), Naraj Barrage Division-I Cuttack, revealed (March 2003) that the deviation with extra/substituted items approved (March 2003) by the Government disclosed that the rates arrived at were unjustifiably inflated by way of unwarranted inclusion of items such as (i) extra cost on blasting, (ii) extra cost on lubricants, (iii) cost of coffer dam, (iv) provision for wastage of materials at ad-hoc percentage, (v) provision for sales tax and EPF in the rates, (vi) adoption of Schedule of Rates (SoR) 1998 for carriage of material instead of SoR 1994 and (vii) computation of the basic rate as inclusive of voids. Adoption of the above unjustified items in the Analysis of rates for the extra/substituted items led to grant of undue benefit of Rs.36.70 lakh to the contractor. This needs investigation.

Further check revealed that though the item rates for construction of the above work included the cost of empty cement bags, provision was not made in the agreement for recovery of its cost. The contractor utilised (between August 1996 and May 2001) 12.62 lakh bags of cement in the work. However, the EE did not recover the cost of these empty cement bags amounting to Rs.44.17 lakh at the rate of Rs.3.50 per bag.

Thus, there were undue financial benefit and recoverable dues from the contractor amounting to Rs.80.87 lakh as of May 2003. No responsibility was fixed for the lapses.

Government while accepting the above factual position, however, stated (October 2003) that the extra cost towards blasting, lubricants, coffer dam, wastage, sales tax, carriage and voids was considered in the departmental analysis for the extra items to arrive at the rates acceptable to the contractor and further added that there was no provision in the agreement for recovery of cost of empty cement bags. The reply is not tenable in view of the assurance of the Government that in future, such exercise would be made only as per provisions of SoR. Further, as per conditions of contract, in case of disagreement, the engineer was required to fix such other rates as felt appropriate.

The cost of cement was also inbuilt in the contractor's item rates which included the cost of container also. The department should have provided for recovery of cost of empty cement bags in the contract to avoid loss to Government.

4.3.3 *Extra benefit to a contractor*

Unwarranted exclusion of the balance works of a Drainage Syphon from the bid document of the approved package facilitated undue benefit of Rs.55 lakh to a contractor.

The work of Left Bank Canal (LBC) of Rengali Irrigation Project (RIP) from RD 26 to 29.395 KM (WRCP Package 18) was awarded (June 1997) to a contractor for Rs.4.35 crore for completion by December 1999. While executing the work, the Executive Engineer (EE) Parjang Canal Division submitted (December 1997) a deviation statement for Package 18 to complete the balance work of a Drainage Syphon (DS) at RD 27.574 KM which was left incomplete (April 1996) by another contractor. Chief Engineer and Basin Manager (CE & BM), Brahmani Left Basin (BLB) while forwarding (July 1998) the deviation statement to the Government recommended that although the DS was included in the implementation schedule of Package 18 while seeking World Bank Assistance, it had been left out in the contract bid for the package. The CE & BM proposed to execute the DS at a cost of Rs.1.87 crore at the agreement rates for similar items in the contract for Package 18. Government however, did not accept (November 1998) the deviation on the ground of violation of World Bank procurement guideline and the codal provision. The work of DS was awarded (May 2001) to the same contractor through a separate agreement at a cost of Rs.2.42 crore as Package 18(A) with stipulation to complete the work by May 2002.

Check of records in audit revealed (July 2002) that in another package (Package 16) of the same project, deviation for Rs.2.26 crore was approved (March 2002) by World Bank for the additional work. Further, the codal provision did not prohibit deviation in the contract; instead it stipulated that deviation could be approved by the competent authority after obtaining revised Administrative Approval, wherever necessary.

Thus, non-inclusion of balance work in the bid document of approved Package 18, non-approval of deviation statement for execution of the balance work of the DS at the existing agreement rates and subsequent execution of the work

by the same contractor through a separate agreement resulted in extra benefit of Rs.55 lakh to the contractor.

Government stated (April 2003) that the balance work of DS was not executed under Package No.18 as the contract was not closed due to pending court case. The reply was not tenable since even after the High Court passed final orders (July 1999) for taking final measurement of the work done, the contract for Package 18 was in force and the balance work of DS could have been included in Package 18. Instead, Government chose to invite fresh tenders, which led to extra liability of Rs.55 lakh.

Government confirmed the above position and assured (October 2003) that in future, all works of a package could be floated under a composite bid.

RURAL DEVELOPMENT DEPARTMENT

4.3.4 Undue benefit to a contractor disregarding the Tender Committee and Government's decision

Construction of wooden foot bridge for transportation of materials by the contractor during construction of High Level Bridge led to undue benefit of Rs.80.87 lakh to the contractor.

Mention was made in para 4.5 of C&AG's Report (Civil) for the year ended March 2000 regarding abandonment of the work "Construction of HL Bridge over river Luna on Gop-Kolpada Road" by Orissa Bridge and Construction Corporation (OBCC) and award of balance work to another agency involving extra liability of Rs.2.92 crore at the tender stage.

Further check of records of Executive Engineer (EE) Rural Works Division, Kendrapara revealed (October 2002) that tenders for the balance work were invited by the EE in March 1999. The Detailed Tender Call Notice (DTCN) stipulated that (i) tenders containing extraneous conditions were liable to be rejected, (ii) letters etc. deposited in tender box raising or lowering the rates or dealing with any point in connection with tender would not be considered, (iii) the rates quoted by the tenderer would be deemed to have been quoted after actual inspection of site and locality of the work and the rates would include cost of material, taxes, lead, lift, loading and unloading, islanding and cost of foot bridge and (iv) Government will not pay any extra charges for any reason.

Out of three tenders received (15 April 1999), the first lowest tender (L₁) for Rs.9.19 crore being 30.17 *per cent* excess over estimated cost of Rs.7.06 crore was considered as valid. Although the DTCN prohibited any letter with the tender, the L₁ tenderer submitted (15 April 1999) a letter of clarification over and above the tender indicating that a wooden foot bridge for 400m length should be constructed at the cost of department to transport the bridge materials and machinery or reimburse Rs.1.07 crore towards the cost of bridge to be constructed by the firm. Instead of rejecting the conditional tender, the EE recommended enhancement of the L₁ rate by Rs.1.07 crore towards cost of construction of wooden foot bridge. However, the Tender Committee (TC)

decided (July 1999) not to allow any additional cost for construction and maintenance of wooden bridge as the contractors were asked to quote the rates taking into account the cost of islanding, foot bridge and other ancillary items which may be required during construction period as they were incidental to main item of work and recommended for acceptance of tender for Rs.9.19 crore only. Government accepted (October 1999) the tender with stipulation that the contractor should withdraw his conditions. The contractor accepted the stipulation with the request (October 1999) that the Department provide good communication facility to the bridge site. The tender was again considered by TC which decided (October 1999) that Water Resources Department should be requested to maintain the canal embankment road connecting bridge site failing which the road be maintained by the department. Accordingly, EE spent Rs.3.38 lakh on maintenance of embankment, since the Chief Engineer (CE), Lower Mahanadi Basin refused (July 2000) to undertake the work. In the meanwhile, Government awarded (January 2000) the work to the contractor for Rs.9.19 crore with stipulation for completion by January 2003.

Scrutiny however, revealed that the CE, Rural Works approved (February 2001) a working estimate for Rs.78.37 lakh for construction of wooden bridge across the river, although this was categorically rejected by TC and Government. The additional work was entrusted (February 2001) to the same bridge contractor for which Rs.80.87 lakh was paid as of September 2002. The final expenditure on the wooden bridge was likely to go up.

Thus, as of September 2002 an undue benefit of Rs.80.87 lakh was extended to the contractor by the EE in violation of decision of Tender Committee and the Government.

Government confirmed (September 2003) the above facts and assured that in future, payments would be made to contractors as per contract provisions.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.3.5 Undue benefit to a contractor

Without approval of Government, a contractor was paid Rs.36 lakh on extra items.

The work of Construction of 225 HIG core houses including infrastructure work at Subudhipur Phase II, Zone VI was awarded (March 2000) by the Bhubaneswar Development Authority (BDA) to a contractor at a cost of Rs.9.21 crore being 13.16 *per cent* extra over the estimated cost of Rs.8.14 crore for completion by June 2001. By November 2003, the contractor was paid Rs.8.80 crore including extra payment of Rs.0.36 crore towards ditch filling and carriage of stones etc. Out of 225 houses, 222 have already been completed and the remaining three could not be constructed due to adverse site condition.

Scrutiny of records of BDA revealed (August 2002) that during execution of the work, the Engineering Member (EM) visited the work site during January

2001 and ordered execution of the extra item of filling of ditches inside plinth area of building, outside plot area and on internal roads with moorum and sand. Filling of ditches also included carriage of stones and cement punning. Accordingly, the EM approved (March 2001) a deviation statement for Rs.1.22 crore including ditch filling (Rs.0.57 crore). By November 2003, the contractor was paid Rs.8.80 crore including extra item of Rs.0.36 crore towards ditch filling, carriage of stones etc. However, the payment on ditch filling was irregular due to the following reasons:

- No survey report was available with BDA in support of existence of ditches.
- Neither the Engineer-in-charge nor the contractor reported the existence of ditches or the necessity of filling those to the authority immediately before handing over/taking over of the site.
- Supplementary estimate for ditch filling work was not approved by the Government as required under the Orissa Development Authority Rules.

On this being pointed out, BDA stated (October 2002) that there were small ditches in the area which were not shown in the plan during the survey. The ditches became deeper and wider after super cyclone of 1999. Further, laterite stone and moorum were dug out of the area by some outsiders after the cyclone which was noticed during construction of houses. The reply was not tenable as there was no evidence of the existence of ditches before handing over of site and occurrence of ditches if any, thereafter was the responsibility of the contractor. This resulted in undue benefit of Rs.0.36 crore to the contractor.

The matter was referred to Government (May 2003); their reply has not been received (December 2003).

4.4 Idle investment/idle establishment/blockage of funds

RURAL DEVELOPMENT DEPARTMENT

4.4.1 Idle investment on bridge works

Bridge works remained incomplete for periods ranging from 3 to 8 years due to lack of pursuance by the EEs leading to idle investment of Rs.3.46 crore.

Test check of six Rural Works Divisions revealed that construction of one high level bridge and ten submersible bridges was taken up between January 1993 and October 2001 for completion between January 1995 and September 2002 at a cost of Rs.5.57 crore. The contractors left the works incomplete after executing works valuing Rs.3.46 crore as of March 2003. The bridge works were incomplete due to non-acquisition of land for the approaches to the bridge, non-acceptance of balance work tenders and non-enforcement of penal clause of contract on defaulting contractors. The bridges

remained incomplete for more than three to eight years and the expenditure of Rs.3.46 crore on the bridges proved unfruitful as detailed below:

Sl No.	Name of work, value of work and executing division	Work taken up Stipulated date of completion	Value of work executed (Rupees in lakh)	Observation
1.	Submersible bridge over Routa nullah at 28 km on Naksara-Brahman posi road (Rs.49.22 lakh) RW Division, Baripada	<u>January 1993</u> January 1995	42.19	The contractor completed the bridge proper in July 1997 at a cost of Rs.42.19 lakh. Approach road to the bridge could not be constructed due to non-availability of land. Thus, even after lapse of six years and incurring expenditure of Rs.42.19 lakh, the bridge could not be opened for public.
2.	High level bridge over river Jeera at 11km on Sohela (NH 6) to Sulsulia road (Rs.92.73 lakh) RW Division, Baragarh	<u>January 1995</u> January 1997	49.30	The contractor could not complete the work within stipulated period and extension of time was granted up to June 1998. The contractor abandoned the work after executing work worth Rs.49.30 lakh. The contract was closed (February 2002) with penalty. Balance work was not taken up as of May 2003.
3.	Submersible bridge over Brahman posi nullah on Raruan Naksara Road (Rs.18.15 lakh) RW Division, Baripada	<u>February 1997</u> August 1998	10.67	After executing work worth Rs.10.67 lakh, the contractor abandoned the work in August 1998. Even after lapse of five years, neither the contract was closed nor the balance work was got executed as of January 2003.
4.	Submersible bridge over Nalua nullah at 10 th km of Jaida Damadarpur Road (Rs.29.07 lakh) RW Division, Baripada	<u>January 1997</u> January 1999	18.85	After executing work valuing Rs.18.85 lakh, the contractor abandoned the work in October 2000. Contract was rescinded by Chief Engineer, RW in January 2003 with penalty. The balance work for Rs.10.22 lakh estimated at Rs.16.29 lakh by the EE was not taken up as of May 2003. Material valuing Rs.5.42 lakh at penal rate was outstanding for recovery from the contractor. Pending final bill for Rs.0.26 lakh and security/miscellaneous deposit of Rs.1.12 lakh of contractor was available with the division.
5.	Submersible bridge over Chansara nullah at 6 th km on Tigiria Balanga Road with approach (Rs.82.85 lakh) RW Division, Cuttack	<u>December 1997</u> December 1999	66.97	Bridge proper with one side approach (Chansara side) was completed at a cost of Rs.66.97 lakh (January 2001). Approach road on Balanga side was not executed by the contractor on the ground of non-availability of land. Though the bridge was completed, it was not put into use as one side approach remained incomplete.



(Table-SI No.2)

(Incomplete high level bridge over river Jeera at 11 km on Sohela to Sulsulia road)



(Table SI-9)

(Incomplete submersible bridge over river Bahuda on Khariaguda-Nuagada road)

Sl No	Name of work, value of work and executing division	Work taken up Stipulated date of completion	Value of work executed (Rupees in lakh)	Observation
6.	Submersible bridge over Singhajore nullah at 14 th km of Bausuni Gundulia road (Rs.27.95 lakh) RW Division, Phulbani	<u>December 1997</u> December 1999	21.56	The contractor could not complete the work within stipulated date and extension of time was granted up to June 2000. After executing work worth Rs.21.56 lakh, the contractor abandoned the work (August 2001). Rescission proposal submitted (July 2002) by the EE to SE, RW Circle, Berhampur was still pending. The balance work was not taken up as of May 2003.
7.	Submersible bridge over Neelamguda Nullah on Suludi Neelamguda Road (Rs.48.58 lakh) RW Division, Rayagada	<u>October 2001</u> September 2002	19.47	The contractor, after executing work valuing Rs.19.47 lakh stopped (June 2002) further execution on the ground of interference by un-lawful people. The work was not commenced as of July 2003.
8.	Kanijodi Nullah on B. Cuttack-Kutraguda Road (Rs.23.61 lakh) RW Division, Rayagada	<u>March 2001</u> January 2002	10.41	The contractor after executing work valuing Rs.10.41 lakh (44 per cent) stopped further execution since September 2002. Neither the contract was closed nor the balance work executed as of July 2003. No penalty was imposed on the defaulting contractor.
9.	Submersible Bridge over river Bahuda on Khariaguda-Nuagada Road (Rs.105.04 lakh) RW Division No.II, Berhampur.	<u>January 2001</u> December 2001	41.41	The contractor executed work valuing Rs.69.75 lakh and was paid Rs.41.41 lakh. Balance amount was not paid due to non-availability of funds. The contractor stopped further execution due to non-payment of dues. Neither the contract was closed nor the balance work commenced as of July 2003. The bridge work taken up in January 2001 remained incomplete as of July 2003.
10.	Submersible bridge over Kharinallah at 4/0 km of Hansapur-Gedalapalli Road (Rs.49.71 lakh) RW Division No.II, Berhampur.	<u>March 1997</u> June 1998	39.24	After completing the bridge proper at a cost of Rs.39.24 lakh, the contractor stopped (October 1999) further execution due to non-availability of land. The contract was closed without penalty and the tender for the balance work which was to be financed under RIDF was not finalised as of July 2003. Thus, the bridge work remained incomplete for six years resulting idle investment.
11.	Submersible bridge over Kanteikoli nullah at 12/2 km on Dehgausta N.K Penta Road (Rs.29.61 lakh) RW Division No.II, Berhampur	<u>May 1999</u> August 2000	25.58	The contractor completed bridge proper and stopped further execution for want of land acquisition since January 2001. The balance work was not taken up as of July 2003 due to non-acquisition of land.

Government while accepting the above factual position, assured (September 2003) that early action would be taken to complete the balance works and to initiate penal action against the defaulting contractors besides realising the outstanding departmental dues.

WORKS DEPARTMENT

4.4.2 Idling of equipment

Failure of the Executive Engineers to include the tender condition for hiring of available departmental machines by contractors led to loss of revenue of Rs.2.65 crore.

Executive Engineers (EEs) of 3 National Highway (NH) and 2 Roads and Buildings (R&B) Divisions⁹ were having 30 (NH:19, R&B:11) Power Road Rollers (PRR) and 2 Spot Mix Plants¹⁰ (SMPs). All the machines were in working condition. Against 1.60 lakh and 0.15 lakh hours available in respect of PRRs and SMPs respectively for their optimum utilisation during the period between 1998-2003, the PRRs were deployed for 0.08 lakh hours only (5 per cent) and SMPs were not deployed at all. The underutilisation of PRRs for 1.52 lakh hours and non-utilisation of SMPs for 0.15 lakh hours led to loss of revenue of Rs.2.65 crore on account of hire charges of machines (March 2003).

The EEs attributed (March 2002/November 2002) the low/non-utilisation of machines to (i) deployment of their own machines by the contractors in the works, (ii) machines available in the divisions being old and low capacity not suitable for NH works and (iii) reduction of workload in the divisions consequent upon transfer of works to National Highway Authority of India. The replies of the EEs were not tenable since the tenders for the works were floated on finished item rate basis without stipulating use of departmental machines in the works. On the contrary, the EEs had stipulated that the contractors should make their own arrangement for the machines required for execution of the works. Consequently, there was no scope for the contractor to deploy the machines available with the EEs.

Government confirmed (July 2003) the factual position brought out in the para and assured that in future, the relevant conditions of the contract would be modified to include hiring of available departmental machines to the contractors.

⁹ NH Division :Bhubaneswar (7), Baripada (5) and Deogarh (7), R&B Division: Keonjhar (5) and Angul (6)

¹⁰ NH Division, Bhubaneswar

SPORTS AND YOUTH SERVICES DEPARTMENT**4.4.3 Undue benefit to banks by retaining money in the shape of drafts for years**

Unauthorised retention of Rs.1.54 crore in the shape of lapsed bank drafts and in current account of banks by the Director of Sports for 1 to 15 years led to loss of interest of Rs.37.78 lakh.

The Orissa Treasury rules provide that no money shall be drawn from the treasury unless it is required for immediate disbursement. Finance Department's instructions issued from time to time, the latest being in June 2001, also prohibit retention of Government funds outside Government account in the shape of deposit at call receipts/drafts/banker's cheques etc.

Scrutiny of records (May 2002) of Director of Sports and Youth Services, Orissa, Bhubaneswar revealed that the closing cash balance as of April 2002 in the Director's office included Rs.1.54 crore kept in the shape of 653 bank drafts. While 11 of the above bank drafts (March 1995 to May 2001) worth Rs.8.60 lakh were received from other organisations, the remaining 642 had been made from 1985-86 onwards in favour of different organisations, officials, individuals, suppliers etc. for payment of grants, disbursement of scholarships and pension, payment for supplies etc. It was noticed that out of the above, 650 drafts worth Rs.1.50 crore had become time barred and had not been revalidated either for disbursement or for credit into treasury. Despite repeated comments in the Inspection Reports¹¹ in the earlier years, the unauthorised retention of Government money in the shape of lapsed bank drafts for years together persisted which had not only hurt the cause of sports in the State but also meant undue benefit to the banks. At the same time, Government had been incurring expenditure by way of interest on the ways and means advances/overdrafts and other borrowed funds.

The Director attributed (May/August 2003) the accumulation of the time barred drafts to delay in final release of the payment on the part of the competent authority and failure to deliver the drafts to the recipients due to insufficient/wrong address and stated that there was some improvement in the position. The matter was again verified (August 2003) which revealed that of the aforementioned amount, only Rs.69.96 lakh had since been disbursed to the payees after revalidation of the drafts, Rs.14.22 lakh was refunded to the treasury, Rs.12.78 lakh deposited in the current account in the bank, Rs.14.44 lakh advanced to Government servants for incurring contingent expenditure, drafts worth Rs.8.60 lakh sent for revalidation. Time barred drafts worth Rs.34.10 lakh were still left without revalidation contrary to the Finance Department's instructions. For keeping Government money in the shape of drafts and current account in the bank, Government had lost Rs.37.78 lakh as of March 2003 by way of interest calculated at 8.30 *per cent* per annum being the minimum borrowing rate of Government during the period.

¹¹ Inspection Reports No : 96/1995-96, 13/1996-97, 49/1997-98, 364/1998-99, 637/1999-2000 and 484/2001-02.

The matter was referred (June 2003) to the Government, followed by a reminder in August 2003. Reply was not received (December 2003).

**FISHERIES AND ANIMAL RESOURCES DEVELOPMENT
DEPARTMENT**

**4.4.4 Blockage of Government money due to tardy implementation
of scheme**

**Construction of two patrol boats to safeguard the interests of the
traditional fishermen was not completed even after nine years.**

Government of India (GOI) approved (April 1994) procurement of two patrol boats including communication equipment by the State Government (Government) at a cost of Rs.90 lakh each by providing hundred *per cent* assistance under the Centrally Sponsored Scheme 'Enforcement of Marine Fishing Regulation Act'. The boats were meant to safeguard the marine fishing areas earmarked for the traditional fishermen against intrusion of the mechanised fishing sector and to conserve fishery resources in territorial waters. Tenders for construction of the craft were to be called for from selected/reputed shipyards in the country.

Scrutiny of records (February 2003) of Director of Fisheries (DF), Orissa, Cuttack revealed that Rs.1.32 crore was sanctioned and released by GOI between March 1994 and March 2002 for the purpose. Though a purchase committee was constituted in October 1994, the State Government approved the tender proposal of the DF only in October 1996 and open tenders were invited in February 1997. Due to high prices offered by the tenderers, the purchase committee recommended (March 1997) retendering. The retendering took place only in February 1999 and the lowest offer of Rs.84.87 lakh per boat including taxes by a Gujarat firm was accepted (April 1999). The agreement executed (April 1999) with the firm provided for payment to the firm in stages. The construction and delivery of the boats was to be completed by July 2000 i.e. within nine months from the date of receipt of advance payment of 10 *per cent* of contract value (Rs.16.66 lakh) by the firm. It was noticed that the firm was paid Rs.1.32 crore between October 1999 and April 2002. Although the construction of boats had been completed in April 2002, the firm did not deliver the boats as of November 2003 due to non-release of the remaining payment of Rs.37.74 lakh (Rs.16 lakh sanctioned in November 2003 but not paid). Besides, the registration process of boats with the Registrar of Patrol Boats was not finalised for performing the voyage from Gujarat coast to Orissa coast.

Government, while admitting the facts (September 2003), stated during discussion (November 2003) that the delay was caused by procedural requirements and correspondence with various authorities. They added that the decision to bear the cost of maintenance and staff salary by Government took some time and added to the delay. It was further stated that GOI had been requested to release the balance of the assistance for the project. However, GOI had stated (May 2003) that the scheme was no longer in operation and sanction of further funds was discontinued. Thus, the tardy implementation of

the scheme and delayed decision to bear the cost of salary etc. by the Government deprived the State of further sanction of GOI funds of at least Rs.21.74 lakh and the target group was denied the intended benefit for over nine years.

TOURISM AND CULTURE DEPARTMENT

4.4.5 Idle investment on incomplete buildings

Construction work of panthasala and the administrative buildings meant for providing support service to the water sports complex at Barkul adjacent to Chilika lake remained incomplete for nearly a decade involving idle investment of Rs.90.09 lakh.

To attract more tourists by providing support service to the water sports complex at Barkul adjacent to Chilika lake, Government administratively approved the creation of following infrastructure:

Sl. No.	Name of the work and the Executing agency to whom the construction work entrusted	Date of administrative approval, estimated cost etc.	Remarks
1.	Construction of Panthasala comprising eight cottages and attached restaurant for exclusive use by the boarders of the panthasala, lounge and sale centre by the Rural Works Division I, Bhubaneswar	October 1992/Rs.74.11 lakh. The cost was provided in the Rural Development Department's budget and funds were allocated from year to year to the Works Department.	The utility was to provide accommodation to more tourists during their stay at Barkul. The work was stopped (April 1996) after incurring expenditure of Rs.40.72 lakh against which the construction of only the structures of the 8 cottages was completed without flooring or any finishing work. This was reportedly due to non-issue of Letter of Credit (LOC) by the Finance Department against the allotment received for the work up to March 1996 on account of discontinuation of departmental procurement of construction materials by Public Works Divisions. The construction of the restaurant attached to the Panthasala was however completed (March 2002) on approval of a separate revised estimate in 2001-02 at a cost of Rs.8.65 lakh .

Sl. No.	Name of the work and the Executing agency to whom the construction work entrusted	Date of administrative approval, estimated cost etc.	Remarks
2.	Administrative and Ancillary buildings including an attached restaurant for use by the day visitors to the water sports complex and pathways within the complex by the Executive Engineer, Roads and Buildings (R&B) Division, Khurda	May 1993/Rs.27.99 lakh in the Budget estimate of the Works Department.	The Tourist Office was to function from the administrative building for providing tourist assistance to the visitors. The buildings after completion were handed over in January 1994.

Scrutiny of records of the Tourist Officer (TO), Barkul revealed (March 2003) that the estimates of the above works did not include provision for external water supply and electrical connections. Though Government subsequently paid (November 1996) Rs.2.57 lakh to the concerned authorities for installation of an electrical sub-station, that did not come up. Action to provide the external water supply had also not started (September 2003). Further, Rs.10.16 lakh paid (March 1997) to the Orissa Tourism Development Corporation (OTDC) for furnishing the panthasala and the attached restaurant remained unutilised as these buildings were incomplete. It was noticed that the restaurant attached to the administrative building was lying in a dilapidated condition due to its non-use for want of electricity and water supply connections; the flooring of the cottages of the panthasala remained incomplete and the fittings of the doors and windows were completely broken as of March 2003.

Thus, the tardy progress in the construction of the buildings and eventual stoppage of the work meant for support service to the water sports complex not only involved idle investment of Rs.90.09¹² lakh on the incomplete works but also adversely affected the image of the State tourism.

Government admitted (May 2003) the factual position and stated that due to funds constraint the works would be completed in a phased manner. The fact however remains that there would be wastage of substantial funds because as and when the work resumes, fittings/pathways and other internal civil work will have to be redone substantially.

The matter was demi-officially referred to the Commissioner-cum-Secretary to Government; followed by a reminder (August 2003). Reply was not received (December 2003).

¹² Rs.27.99 lakh (Administrative building), Rs.49.37 lakh (Cottages of Panthasala), Rs.2.57 lakh (advanced for external electrical supply connection), Rs.10.16 lakh (unspent advance with OTDC for furnishing of panthasala)

AGRICULTURE DEPARTMENT**4.4.6 Diversion of fertiliser transport subsidy meant for tribal areas**

OAIC made payment of fertiliser transport subsidy of Rs.34.84 lakh to the transporters without verification of transportation and sale of fertiliser. Rs.29.52 lakh meant for subsidy was utilised for other purposes.

The State Agriculture Policy, 1996 provided subsidy on transport of fertiliser at the rate of Rs.100 per tonne to wholesalers and institutional agencies affiliated to Regional Marketing Co-operative Societies etc. for lifting the same from manufacturers and selling to the consumers in the tribal areas of the State. The agencies entitled to subsidy were to prefer their claims to the concerned Junior Agriculture Officers (JAOs) once a month who in turn were to verify the claims with reference to the original cash memos and forward the same with the certificate of verification within 15 days to the District Agriculture Officer (DAO) for payment.

Scrutiny of records of the Director of Agriculture and Food Production (DAFP), Orissa (January/December 2001) and information collected subsequently revealed that Government sanctioned Rs.80 lakh (October 1996) for payment of subsidy on transportation of fertiliser. DAFP allotted the amount to 37¹³ Drawing and Disbursing Officers (DDOs) for utilisation during 1996-97 which was later (March 1997) extended to September 1997. In June 1997, the then DAFP, who was also holding the charge of the Managing Director of Orissa Agro Industries Corporation (OAIC) requested Government for amendment to the procedure so that subsidy is paid centrally instead of through the DAOs and instructed his field offices to deposit the unspent subsidy balances with the OAIC. Accordingly, all 37 DDOs deposited (June/July 1997) the unspent balance of Rs.64.36 lakh with the OAIC. Although Government had not approved the proposal, out of the above deposited amount, the field units of OAIC were stated (July 2000/2003) to have paid subsidy of Rs.34.84 lakh to the transporters as of September 1999 and utilisation certificates thereof sent to the DDOs concerned. Test check of the records of the field offices of the OAIC at Baripada and Keonjhar revealed (September 2003) that subsidy was paid to the claimants even before actual sale of the fertiliser at the retail outlets. Thus, subsidy payment was made without verifying the actual sale by the JAOs. Further, despite DAFP's request (December 1999) and Government's intervention in September 2000, the OAIC did not refund the unspent subsidy of Rs.29.52 lakh to the DDOs concerned as of July 2003 on the ground that the amount was spent otherwise towards payment of statutory dues of the Corporation.

Placement of the subsidy with OAIC in disregard of the provisions of the State Agriculture Policy and without Government approval led OAIC to make unauthorised payment of transport subsidy of Rs.34.84 lakh and utilisation of remaining Rs.29.52 lakh for purposes not connected with transport subsidy.

¹³ DAOs: 18 and Additional DAOs: 19

Besides, there was loss of interest of at least Rs.22.78 lakh at 13.05¹⁴ per cent per annum during the period August 1997 to July 2003.

The matter was referred to Government (May 2003) followed by a reminder (June 2003). Reply was not received (December 2003).

4.5 Regulatory issues and other points

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.5.1 Non-recovery of NCDC loan and diversion of funds

NCDC loan assistance of Rs.21.66 lakh meant for PFCS was misutilised for payment of staff salary. OSFCF failed to recover the loan and interest thereon amounting to Rs.1.11 crore from the societies due to improper documentation of loans.

The National Cooperative Development Corporation (NCDC) sanctioned financial assistance to four¹⁵ Primary Fisheries Cooperative Societies (PFCS) between September and December 1995 for purchase of fishing vessels and equipment at a cost of Rs.1.3 crore. As per the terms of sanction, NCDC would release 75 per cent of the cost as loan and 17.5 per cent as subsidy in favour of Government of Orissa, the remaining 7.5 per cent to be borne by the PFCS. The Government, in turn, was to release 55 per cent of the cost as loan, 20 per cent as share capital and 17.5 per cent as subsidy to the PFCS. The assistance was to be released first by the Government to the PFCS subject to placement of firm orders with the suppliers by the societies. Based on such release, the NCDC would reimburse the assistance to the Government which was repayable within eight years with interest.

Scrutiny of records of the Director of Fisheries, Orissa, Cuttack in December 2001 and information collected subsequently revealed that between October 1996 and March 1997, the State Government sanctioned Rs.119.83 lakh (Loan: Rs.71.25 lakh, Share Capital: Rs.25.91 lakh and Subsidy: Rs.22.67 lakh) and placed the funds with the Orissa State Fishermen's Cooperative Federation (OSFCF) for implementation of the scheme. The NCDC reimbursed the State Government between October 2000 and March 2002. OSFCF extended the assistance to the PFCS in the shape of 77 catamarans and 35 country boats with 124 quintals of net by procuring the same at a cost of Rs.98.17 lakh. The remaining amount of Rs.21.66 lakh was diverted for other purposes by OSFCF such as development of Kausalyaganga fish project and payment of staff salary.

OSFCF did not maintain any account of the materials procured nor had any acknowledgement been received from three PFCS in token of receipt of

¹⁴ Government's minimum borrowing rate during 1996-97 on Government of Orissa Loan 2007

¹⁵ PFCS at Chandrabhaga, Pattamundai, Puri and Tamdei.

materials worth Rs.68.95 lakh¹⁶. Similarly, documents in support of disbursement of loan and share capital of Rs. 54.99 lakh¹⁷ were incomplete and documentation of Rs.20.49 lakh¹⁸ was not available at all. Besides, Rs.1 lakh recovered (February 1998) by OSFCF from the Puri society was not credited to Government. No recovery of the loan and interest amounting to Rs.1.11 crore due by March 2003 was made from the PFCS (October 2003); no agreements with the PFCS had been executed for recovery.

Deputy Secretary to Government admitted the position and stated (April 2003) that measures were being contemplated for recovery of the loan from the PFCS.

The matter was referred (June 2003) to the Commissioner-cum-Secretary to Government followed by a reminder in August 2003; reply was not received (December 2003). However, during discussion (November 2003), Director, Fisheries stated that the then MD, OSFCF was facing departmental proceedings and his pension had been reduced by five *per cent* for the year; Secretary stated that steps had been taken to recover the loans and interest due.

REVENUE DEPARTMENT

4.5.2 Unauthorised deposit of land compensation money in banks and utilisation of accrued interest for contingency expenditure

Six Collectors unauthorisedly kept advances of Rs.35.46 crore in banks for land acquisition and utilised the interest of Rs.0.70 crore earned on such bank deposits for other purposes.

As per the Accounting Procedure Rules for Land Acquisition Contingencies effective from 1 April 1998 and clarification thereto issued (September 1998) by Government, advances received by Collectors on account of compensation for land acquisition should be deposited under the head of account 8443-Civil Deposit. Out of the additional amount of 20 *per cent* of the advances received along with the compensation money towards establishment contingencies, 15 *per cent* should be credited to the departmental receipt head 0029-Land Revenue-800-Other receipts. The remaining 5 *per cent* should be kept in a bank account to meet contingent expenditure ancillary to land acquisition proceedings.

Scrutiny of records of six Collectors between September 2000 and August 2002 and information collected subsequently revealed that Rs.35.46 crore³ were received by the Collectors between 1993-2003 on account of compensation advance and establishment contingencies of land acquisition cases. Instead of crediting the amounts to the Civil Deposit (Rs.28.36 crore) and departmental receipt head (Rs.5.31 crore) as prescribed, the entire amount

¹⁶ PFCS: (i) Puri : Rs. 44.41 lakh, (ii) Tamdei : Rs. 16.17 lakh and (iii) Pattamunde : Rs.8.37 lakh

¹⁷ PFCS : (i) Puri : Rs.33.31 lakh and (ii) Chandrabhaga:Rs.21.68 lakh,

¹⁸ PFCS : (i) Tamdei : Rs. 13.59 lakh and (ii) Pattamunde : Rs. 6.90 lakh.

³ Collectors: (i) Bargarh : Rs. 1.91 crore (1997-2003), (ii) Bolangir : Rs. 3.06 crore (1997-2003), (iii) Jharsuguda : Rs.11.91 crore (1993-2003), (iv) Khurda : Rs. 4.70 crore (1998-2003), (v) Puri :Rs.4.83 crore (1996-2003) and (vi) Sambalpur : Rs.9.05 crore (1996-2003)

was irregularly kept in bank accounts. Out of the above receipt, the Collectors spent Rs.21 crore towards land acquisition including expenditure of Rs.4.05 lakh for contingencies in Puri. Out of the balance of Rs.14.46 crore, Rs.6.34 crore was deposited into Civil Deposit (Bolangir: Rs.1.01 crore, Puri: Rs.3.29 crore and Sambalpur: Rs.3.04 crore) and Rs.0.73 crore was credited to the departmental receipt head by Collector, Puri between 1997 and 2003. The residual balance of Rs.7.39 crore remained in the bank accounts as of March 2003. It was further noticed that out of the interest of Rs. 2.76 crore²⁰ earned upto March 2003 on the bank deposits, the Collectors spent Rs.0.70 crore²¹ irregularly towards purchase of air conditioners, computers, xerox machine, tape recorders, vehicle spares, furniture, stationery, telephone bills, fuel, repairs and renovation of building etc. not connected with land acquisition proceedings. The balance of Rs.2.06 crore of the interest remained in the bank as of March 2003. Thus, the interest on the bank deposits constituted a source of funds for the Collectors to incur expenditure without legislative authority.

Government while admitting the unauthorised utilisation of interest money of Rs.0.70 crore stated (September 2003) that the Collectors had been instructed to deposit henceforth the interest money into treasury. The reply was silent about the remaining Rs.7.39 crore that continued to be kept in the bank accounts in conscious violation of the accounting procedure. Moreover, the failure to deposit 15 per cent establishment cost by five Collectors in the treasury under the departmental receipt head amounted to non-realisation of Government revenue of Rs.4.60 crore²² during the period.

4.5.3 Delay and avoidable expenditure in printing of District Census Hand Book 1991

Printing of the District Census Hand Book 1991 in the departmental press could not be completed even by September 2003 due to delay in commencement of printing and purchase of a faulty printing machine.

Government sanctioned (September 1995) Rs.36 lakh for printing of the District Census Handbook 1991 at the departmental press of the Joint Director, Survey and Map Publication (SMP). The work was to be completed within one year. Scrutiny of records of SMP (September 2000) and information collected subsequently (April 2003) showed that work commenced only in December 1996. In February 1997, the Department decided to procure a new high speed offset printing machine since the earlier one purchased in June 1989 at a cost of Rs.4.78 lakh had not been installed. By April 2003, only 23 volumes of the handbook had been printed and the expenditure incurred was Rs.80 lakh; Government sanctioned Rs.44 lakh²³ in addition to the original provision of Rs.36 lakh. The cost escalation included Rs.18.45 lakh on

²⁰ Collectors: Bargarh : Rs.0.23 crore, Bolangir : Rs. 0.55 crore, Jharsuguda : Rs. 0.38 crore, Khurda : Rs.0.46 crore, Puri : Rs.1.02 crore (including interest on deposits of other scheme funds) and Sambalpur : Rs. 0.12 crore

²¹ Collectors: Bargarh: Rs.0.12 crore, Bolangir : Rs. 0.07 crore, Jharsuguda : Rs. 0.06 crore, Khurda: Rs.0.13 crore, Puri : Rs.0.22 crore and Sambalpur : Rs. 0.10 crore

²² Collectors: Bolangir : Rs.0.46 crore, Bargarh: Rs.0.29 crore, Jharsuguda: Rs.1.79 crore, Khurda: Rs.0.70 crore and Sambalpur: Rs.1.36 crore

²³ 1996-97: Rs.14 lakh, 1997-98: Rs. 10 lakh, 2000-01: Rs.20 lakh

purchase of new offset printing machine (April 1998) which did not function beyond April 2000 owing to technical snags and Rs.8.58 lakh spent on DTP work done through private firms despite availability of a DTP machine, which had not been installed.

Thus, there was an avoidable expenditure of Rs.31.81 lakh (Rs.18.45 lakh+Rs.4.78 lakh+Rs.8.58 lakh) in the printing work. Besides, the delay deprived the users of access to detailed district-wise statistical data which Government of India publications do not contain.

The SMP stated (April 2003) that necessary steps were being taken to complete the printing of the remaining volumes of the hand book shortly. However with 2001 census being over nearly two years ago, printing of the remaining volumes might not be useful at all.

Government while endorsing the views of the SMP, admitted the facts and stated (September 2003) that the DTP machine had not been used and the offset printing machine could be used after repairing. The Secretary during discussion (November 2003) stated that the offset machine would be disposed of as it was irreparable.

SCHOOL AND MASS EDUCATION DEPARTMENT

4.5.4 Payment of grants-in-aid to ineligible schools

Failure of three Inspectors of Schools to exercise necessary checks led to irregular payment of grants-in-aid of Rs.62.67 lakh to 14 Integral Schools as the schools utilised the same for payment of honorarium to voluntary workers instead of salary to teachers.

As per instructions of Government (February 1987), Integral Educational Institutions in the State controlled by the 'New Life Educational Trust' (Trust) were eligible for grant-in-aid in respect of salary payable to their teachers at the same rate as admissible to the trained matriculate teachers of Government primary schools. For availing of the grant, the Trust should appoint trained teachers in the institutions and frame specific rules governing their service conditions and submit the same to Government for approval. As per the condition stipulated in the sanction orders, the Inspectors of Schools (IS) while releasing the grants-in-aid, were required to personally check the approved staff strength of each school.

Scrutiny of records of three Inspectors, Balasore, Cuttack and Baripada between February 2002 and August 2003 revealed that 14 Integral Schools under their jurisdiction were paid recurring grants-in-aid of Rs.62.27 lakh between 1990-91 and 2001-02 towards salary of 21²⁴ teachers comprising one to three teachers in each school as sanctioned by Government. The grants-in-aid sanctioned in respect of each such teacher were equal to the salary of a trained Government primary school teacher. The payment was made based on the utilisation certificates furnished by the schools for the earlier grants. It was noticed that the trust neither framed the service conditions of the teachers

²⁴ (i) IS, Balasore : 9 teachers in 6 schools, (ii) IS, Baripada : 6 teachers in 4 schools and (iii) IS, Cuttack: 6 teachers in 4 schools.

nor appointed them as regular teachers in the schools. The grants-in-aid so received by the schools were actually paid by them as honorarium to voluntary workers called 'sadhaks' ranging from 6 to 20 who had been utilised for teaching by the schools concerned. These 'sadhaks' were not formally appointed as teachers in the schools by the Trust nor were all of them qualified as trained teachers. Such irregular payment was made as the Inspectors did not exercise the necessary checks as regards the appointment of regular teachers stipulated in the sanction orders issued by Government.

The IS concerned while admitting the irregularity stated (May 2002/May and August 2003) that the matter would be examined and taken up with the Government for regularisation.

The matter was referred (May 2003) to the Commissioner-cum-Secretary to Government, followed by a reminder (July 2003). No reply was received (December 2003); however, the matter was discussed (November 2003) with the Secretary, who stated that appropriate action was under process to stop payment of grants-in-aid to such institutions which failed to comply with Government instructions.

TRANSPORT DEPARTMENT

4.5.5 Misuse of revenue receipts for departmental expenditure by RTOs

Eleven RTOs used motor vehicle tax receipts towards their contingent expenditure contravening codal provisions and undermining Legislative control over Government expenditure.

As per the provisions of Orissa Treasury Code (OTC), all moneys received by or tendered to Government servants on account of the revenues of the State should be paid in full into the treasury within three working days of their receipt. Such revenue receipts shall not be appropriated to meet the departmental expenditure unless specifically authorised to do so under OTC. Mention was made in paragraphs 3.12, 3.14 and 3.5 of the Reports of the Comptroller and Auditor General (Civil) for the year ended 31 March 1993, 1998 and 2000 respectively regarding unauthorised use of revenue receipts of the Government towards departmental expenditure by Regional Transport Officers (RTOs).

Scrutiny of records of 11 RTOs during 2002-03 revealed that Rs.45.45 lakh²⁵ representing revenues on account of motor vehicle taxes was appropriated by them for meeting departmental expenditure such as purchase of petrol, oil and lubricants, spare parts of vehicles, payment of telephone and electricity charges, wages, travelling expenses and other office contingencies etc. The expenditure on the above purposes were incurred by them without any

²⁵ **RTOs:**

(i) Balasore : **Rs.8.29 lakh** (upto March 2002), (ii) Bargarh : **Rs.5.37 lakh** (up to December 2002), (iii) Bolangir : **Rs.1.83 lakh** (1993-94 to September 2002), (iv) Chandikhol : **Rs.6.21 lakh** (1993-94 to December 2002), (v) Dhenkanal : **Rs.4.32 lakh** (1994-95 to October 2002), (vi) Koraput : **Rs.12.98 lakh** (1994-95 to September 2002), (vii) Mayurbhanj : **Rs.3.34 lakh** (1996-97 to May 2002), (viii) Phulbani : **Rs.0.23 lakh** (up to October 2002), (ix) Puri : **Rs. 1.63 lakh** (1994-95 to 2001-02), (x) Rayagada : **Rs.0.39 lakh** (1996-97 to April 2002) and Sundargarh : **Rs.0.86 lakh** (2000-01 to August 2002).

Government sanction over and above the regular allotment of funds. These amounts formed part of the closing cash balance and had been shown as such in the shape of paid vouchers since 1993 in contravention of the codal provisions.

The RTOs while accepting the factual position stated that the State Transport Authority would be moved for obtaining the allotment for adjustment of the outstanding paid vouchers. The reply was not convincing as the authorities consciously flouted the provisions of financial rules year after year despite repeated audit observations in Audit Reports. Government did not take any remedial measure over the years to prevent recurrence of such expenditure without legislative and administrative sanction. The RTOs by appropriating the departmental receipts for expenditure persistently undermined the legislative control over Government expenditure.

The matter was referred (June 2003) to the Government; followed by a reminder in August 2003; no reply was received (December 2003).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.5.6 Irregular payment of grants-in-aid

In violation of the Municipal Act, 1950, Cuttack Municipal Corporation incurred Rs.26.49 lakh on payment of grants-in-aid to ineligible organisations like Pooja Committees, service associations, recreation club etc.

According to the Orissa Municipal Act, 1950, a municipal council may provide financial assistance to public libraries, reading rooms, art galleries, gymnasia or other institutions connected with diffusion of mental and physical culture or technical instruction. Payment of grants-in-aid out of municipal funds to Pooja Committees, service associations, recreation clubs, memorials, general clubs and Samities was beyond the scope of the Act.

Scrutiny of the records (January 2003) of the Executive Officer, Cuttack Municipal Corporation (CMC) revealed that contrary to the provisions of the Act, the Corporation paid grants-in-aid of Rs.26.49 lakh to as many as 188 ineligible bodies (Puja committee:14 nos; Service Association:7 nos; Recreation Club:7 nos; Memorials:5 nos and General Clubs and Samities:155 nos) during the period 1995-2000.

The matter was referred to Government (June 2003); their reply was not received (December 2003).

4.6 GENERAL

4.6.1 Lack of response to audit

Principal Accountant General (Audit) I and Accountant General (Audit) II, 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 up with Inspection Reports (IRs) which are sent to the heads of offices and next higher authorities to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Accountants General (Audit). 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 June 2003 pertaining to 4752 offices of 34 departments showed that 52394 paragraphs relating to 15509 IRs were outstanding at the end of September 2003. Of these, 3822 IRs containing 8025 paragraphs had not been settled for more than 10 years (Appendix-XXXI). Year-wise position of the outstanding IRs and paragraphs are detailed in Appendix-XXXII. Even the initial replies which were required to be received from the Heads of Offices within six weeks from the date of issue were not received in respect of 4058 IRs (Appendix-XXXI) issued between 1964-65 and 2002-03 (June 2003), in respect of civil departments (3986 IRs) and works departments (72 IRs). As a result, several serious irregularities commented upon in these IRs had not been settled as of September 2003 (Appendix-XXXIII). Failure to comply with the issues raised by Audit facilitated the continuation 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 to Government in November 2003. No reply was received (December 2003)

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

It was noticed that in respect of Audit Reports from the year 1991-92 to 2001-02 as indicated below, 25 out of 37 departments which were commented upon, did not submit explanatory notes on 207 paras/reviews as of September 2003.

Year of Audit Report	Total paras/reviews in Audit Report	No. of paras/reviews for which explanatory notes were not received
1991-92	70	6
1993-94	60	8
1994-95	57	12
1995-96	61	13
1996-97	77	23
1997-98	64	21
1998-99	64	30
1999-2000	54	29
2000-01	54	37
2001-02	33	28
Total	594	207

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

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

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

However, it was noticed that 2030 recommendations of the PAC, relating to 1st Report of 9th Assembly (1985-86) to 41st Report of 12th Assembly (2002-03) were pending settlement at the end of September 2003. Department-wise details are given in Appendix-XXXV which indicate that Departments largely responsible for non-submission of ATNs are Water Resources, Works, Housing and Urban Development, Panchayati Raj, Industries, Agriculture and School and Mass Education.