Chapter III

Compliance Audit

Compliance Audit of Departments of Government and their field formation brought out instances of lapses in management of resources and failure in observance of regularity and propriety. These have been discussed in the succeeding paragraphs.

DEPARTMENT OF COOPERATION

3.1 Odisha State Agricultural Marketing Board

3.1.1 Introduction

Odisha State Agricultural Marketing Board (OSAMB) being an apex statutory body in the State under Cooperation Department was established in 1985 after amendment of Odisha Agriculture Produce Markets (OAPM) Act 1956 in the year 1984 to exercise supervision and control over the working and other affairs of Regulated Market Committees (RMCs). It includes programmes for development of markets and market areas with intention of regulating sale and purchase of agriculture produce in the State. The Board supervises and guides the RMCs in preparation of plan and estimates of construction works undertaken for development of markets and market areas. The objective of this body is to regulate the markets for agriculture produce to ensure payment of fair price to the agriculturists.

At present under the control of the Board, 66 RMCs are operating covering 314 Blocks of the State. The above RMCs supervise 483 markets comprising of 54 principal market yards and 429 submarket yards. In addition, 43 krushak bazars were also established.

Audit was conducted during April-July 2015 covering the period of five years ending March 2015 in 20[17] out of 66 RMCs on the basis of revenue earnings. Audit objectives were to assess whether adequate marketing infrastructure was available and satisfactory mechanism exists to secure fair price for agricultural produce.

Audit Findings

3.1.2 Deficiency in planning process

As per Clause 4 (E) (v) of Regulation of OSAMB (1991), the Board should prepare State Master Plan for markets. Further, as per the operational guidelines (March 2009) for development of Agricultural Marketing in Odisha, the RMCs should prepare Master Plan (MP) for all markets indicating

17 Attabira, Balasore, Baragarh, Balangir, Baripada, Betanati, Deogarh, Dunguripali, Jaleswar, Jeypore, Jharsuguda, Junagarh, Khariar Road, Koraput, Mukhiguda, Nabarangpur, Padampur, Sambalpur, Sargipali and Udala.

existing structures and prepare infrastructure with detailed estimate duly prepared by local architect/engineer with technical sanction of local Executive Engineer of the Public Works (R&B) Department. The MP of all the RMCs would be consolidated at the OSAMB level to prepare the MP for the entire State. Further, it was decided (25 March 2009) in Board's review meeting for preparation of RMC wise MP by 15 April 2009. The plan should be on the basis of arrival of commodities with pricing efficiency in the market yards. It should also give details of land required. Scrutiny of the records revealed the following:

3.1.2.1 Absence of Master Plan for markets

Except in one market (Kunduli Vegetable Market of Koraput RMC executed under the State Plan & RKVY scheme), the MPs were not prepared (May 2015) for the remaining 482 markets. Thus, due to non-preparation of MP at RMCs level, State Master Plan could not be prepared (May 2015) which resulted in non-creation of market infrastructure for the benefits of farmers. In absence of proper market infrastructure for assembling of farmers and traders, OSAM Board/RMCs could not ascertain better prices to the farmers for their produce.

In reply, although the Government stated (September 2015) that a State Master Plan was prepared in 1995 and market yards have been developed in the State under different schemes after preparation of project proposals, no specific comment is offered on non preparation of RMC wise MP for preparation of State MP by OSAMB.

3.1.2.2 Non-preparation of estimates

The Board had prepared (January 2013) two year action plans for 2013-15 in consultation with RMCs for strategic development of commodity and region specific infrastructure by utilising the available surplus fund of RMCs with fiscal outlay of ₹ 403 crore. For this, ₹ 300 crore was proposed to be utilised out of ₹ 416.20 crore available (as on 01 November 2012) with RMCs. But estimates for ₹ 185.27 crore were approved by the Board in respect of 58 RMCs for creation of market infrastructures, out of which ₹ 65.68 crore (35 *per cent*) was spent as of March 2015. Preparation of estimates for balance projects of RMCs was delayed for want of feasibility study on markets and delay in land acquisition. The Board did not fix year wise target for creation of market infrastructure.

Government stated (October 2015) that to augment the existing marketing facilities and create new market yards, a two year (2013-15) action plan has been prepared to utilise the surplus fund of ₹ 298.04 crore in different RMCs. The reply is not acceptable as the RMCs did not utilise the surplus funds fully for creation of infrastructures as of March 2015.

3.1.2.3 Delay in establishment of wholesale markets

It was, further, seen that although a Detailed Project Report (DPR) along with MP for creation of infrastructure of wholesale market at Berhampur, Cuttack and Bhubaneswar were prepared (January 2013) by the National Institute of Agricultural Marketing (NIAM)[18], works were however not taken up due to delay in the land acquisition process (February 2015).

Government stated (October 2015) that while the land acquisition is at final stage at Berhampur, it is sub-judice for Cuttack and no reply was furnished about Bhubaneswar.

3.1.3 Creation of marketing infrastructure

3.1.3.1 Krushak Bazars

Under the Chief Minister's 12 point programme (December 2000), against the target of 200 Krushak Bazars (KBs) during five years beginning from the year 2000, 43 KBs were established during 2001-15 in the State. The objective of the KB is to facilitate direct marketing by farmers to the consumers. This would help the producers to obtain better returns and enable consumers to get good quality produce at fair price.

It was noticed in audit that 15[19] out of 43 KBs were not functional since the date of inception due to isolated locations, insufficient marketable vegetables etc. Remaining 28 KBs function with middlemen/traders. 14 of them function once a week, six of them function twice a week instead of daily basis and balance eight KBs function daily. Hence, expenditure of ₹ 2.94 crore incurred on these non functional KBs was rendered unfruitful and farmers/consumers could not avail the benefits of programme.

Non functional KB at Semiliguda

Government stated (October 2015) that the infrastructure created in some of the KBs although not fully used but were utilised at the time of paddy procurement except Barabati under Jajpur RMC. The RMCs are taking steps to sort out the problems to put the infrastructure in use.

3.1.3.2 Core facilities and amenities in market yards

As per OAPM Act, 1956 certain core facilities and amenities are required to be provided for proper functioning of market yards. Test check of records in 20 RMCs under which 20 main market yards and 191 sub market yards were functioning revealed absence of these facilities as detailed in the table below.

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18 National Institute of Agricultural Marketing (NIAM), Jaipur (Rajasthan) is a Government of India autonomous organisation under the Ministry of Agriculture.

19 Attabira, Balipada, Rajgangpur, Badapadana, Barabati, Chakunda, Chhatra, Dhumala, Dakhina, Deulasahi, Jatni, Hinjilikatu, Khariar Road, Kianali, Semiliguda and Sarbahal.

Table No. 3.1 Non availability of core facilities in market yards

	Required facilities	Out of 20 Market Yards not provided in	Out of 191 Sub Market Yards not provided in	Impact of non provision of facility
A.	**Core facilities**			
1	Boundary wall	3	101	Entry of cattle, theft and encroachment.
2	Check post and gates	7	121	Unauthorised lifting of produce.
3	Common Auction Platform	5	56	Auction sale facility to ensure fair price not provided.
4	Covered Platform	5	84	Inconvenience to farmer during rain and summer.
5	Weigh Bridge	7	126	Affect correct weighment and speedy disposal.
6	Internal Road	2	78	Carriage of produce will be affected.
7	Watch and ward	8	144	Theft and loss of produce and property.
8	Lighting arrangement with Tower and power supply	3	131	Transaction is not possible during evening and night. Computer system and weighbridge cannot be operated.
9	Grading Equipment	5	65	Non receipt of fair price due to non grading of produce.
10	Cooling chamber	19	190	Non assurance of bargain power.
11	Service Road	4	86	It will force the farmers to sell the produce outside the market.
B.	**Amenities**			
1	Drinking water	3	56	Basic human need to live. Staying longer duration (morning to evening) is very difficult for farmers.
2	Sewerage and water supply	7	139	
3	Canteen	7	187	
4	Rest room	8	158	
5	Sanitary facilities	7	134	Women farmers suffer due to lack of sanitary facilities.

(Source: *Information provided by the RMCs)*

It was noticed from the minutes of the review meeting (February 2015) that instructions had been issued to Secretaries of RMCs to submit proposals for need based market infrastructure. However, no proposal was received from the RMCs till July 2015.

Accepting the factual position, Government stated (October 2015) that some of the sub market yards managed by RMCs do not have all the facilities. The required facilities in such market yards would be developed as per requirement.

3.1.3.3 Continuance of non functional cooling chambers

Rule 45-A (xii) and 82 of OAPM Rules, 1958 stipulate creation of storage for unsold agricultural produce. To avoid distress sale and to preserve unsold vegetables, 17 cooling chambers were procured during 2003-04 and five cooling chambers procured in subsequent years at a cost of ₹ 1.04 crore for installation in 16 market yards under 15[20] RMCs. Audit noticed that 20 cooling chambers were

Non installation of cooling equipment at Sargipali

[20] Angul, Bahadajhola, Banki, Dhenkanal, Hinjilikatu, Jajpur, Jatani, Jeypore,Keonjhar, Kendupatana, Koraput, Nabarangpur, Rahama, Panposh & Sargipali,.

installed in 14 market yards, of which 17 were not functioning due to improper installation, non-commissioning, absence of vegetable racks and want of assured power supply. The remaining two cooling equipment were yet to be installed at Panposh and Sargipali. The Board replied that the units could not be installed due to non selection of site and steps were being taken to install them soon. Review of records at Board office and four[21] test checked RMC market yards revealed the following:

- Two refrigerators installed at Jeypore Daily Market were defective since installation in January 2006 and repair works though taken up in 2012-13 have not been completed (July 2015).

- Four cooling chambers installed (May 2004) in Kunduli Market yards were not functioning due to absence of power supply as of July 2015. In nine cooling chambers under three[22] RMCs, no racks were provided to stack vegetables and refrigerators have remained defective since 2004. The status of these cooling chambers was discussed in the Board meeting during June 2007/March 2010 and decided (March 2010) to revive/commission of the cold rooms and engage Refrigerator Engineer-consultant for the purpose. Even after approval of the Board, repair works were not taken up due to pending tender cases in two RMCs and non completion of the repair work in another RMC.

- Two refrigerators installed in KB, Semiliguda on the basis of preliminary survey instead of any feasibility study remained non functional as the KB has not been made functional.

Further, it was noticed that for revival and commissioning of cooling chambers, the Board decided (March 2010) to engage one Refrigerator Engineer-Consultant for obtaining technical consultancy services. The consultant completed visits to 10 cooling chambers each in 1st and 2nd phase and submitted estimates (March/June 2011). The estimates were approved by the Board in March/May 2012. The Technical Consultant was paid ₹ 0.53 lakh for this purpose. However, these cooling chambers were not repaired till July 2015. Thus, expenditure of ₹ 0.90[23] crore on procurement and installation of cooling chambers in 12[24] RMCs was unfruitful. The preservation of vegetable and fruits which are of perishable nature was hampered and farmers were unable to avail this facility which would have extended the shelf life of their produce.

Accepting the factual position, Government stated (October 2015) that as regards the defects and discrepancy pointed out by Audit, the Board would take appropriate steps to make the cooling chambers functional.

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21 Jeypore, Koraput, Nabarangpur and Sargipali.

22 Jeypore, Koraput and Nabarangpur.

23 Cost of 19 cooling chambers = ₹ 89.37 lakh + ₹ 0.53 lakh towards repairing.

24 Angul, Bahadajhola, Banki, Dhenkanal, Hinjilikatu, Jeypore, Kendupatana, Keonjhar, Koraput, Nabarangpur, Panposh and Sargipali.

3.1.4 Arrival of agricultural produce and price discovery

3.1.4.1 Short arrival of agricultural produce to market yard

Scrutiny of records revealed that there was a wide gap between agricultural production and the arrival of produce of main crops to the market yards during 2010-14 as detailed in the table below:

Table – No.3.2 **Production and arrival of agricultural produce to market yards**

(*In lakh MT)*

Name of produce	***2010-11 KMS[25]***		***2011-12 KMS***		***2012-13 KMS***		***2013-14 KMS***	
	Production	***Arrival***	***Production***	***Arrival***	***Production***	***Arrival***	***Production***	***Arrival***
Paddy	103.45	39.75	89.32	31.21	143.89	54.17	115.35	42.44
Maize	6.49	3.79	6.08	4.13	6.76	4.57	7.78	4.13
Cotton	2.41	0.70	2.31	0.76	3.36	1.03	2.99	0
Sweet potato	4.10	0	4.13	0	4.10	0	3.96	0
Potato	1.91	0	2.01	0	2.01	0	2.50	0
Onions	3.86	0	4.19	0	4.19	0	4.32	0
Groundnut	4.16	0	4.35	0	4.67	0	4.78	0
	126.38	***44.24***	***112.39***	***36.1***	***168.98***	***59.77***	***141.68***	***46.57***
Percentage of arrival		***35***		***32***		***35***		***33.62***

(Source*: Data of Agriculture Department, data provided by RMC, Activity Report of Co-operation Department/ OSAMB)*

As may be seen from the above table, as compared to the production, arrival of agricultural produce was 32-35 *per cent* during 2010-14. This indicates that for major quantum of production in the State, remunerative price to the farmers was not ensured since they did not reach the market yards. In this regard, it was noticed that though maize was shown as traded in the market yard, the same was not brought to the market yard and the quantity was derived based on revenue collected in the check gates/points

3.1.4.2 System of sale in markets and price discovery

Rule 55 (2) of the OAPM Rules, 1958 stipulate that the price of agricultural produce brought into the market area for sale shall be settled by open auction or by open agreement. Further, Rule 56 stipulates that the Market Committee shall maintain a record of each consignment of the agricultural produce brought in for sale in the market. The highest bidder will be declared by the Market Committee as the buyer for the produce after obtaining the consent of the seller/farmer. Paddy is procured at Minimum Support Price (MSP) at RMC markets, Primary Agriculture Co-operative Societies and Gram Panchayat markets by the procurement agencies and mills.

Review of records in test checked units revealed that in RMC markets, system of open auction or open agreement was not followed for vegetables due to low arrivals/small marketable lots in absence of infrastructure like cooling chambers to keep unsold vegetables and dedicated staff at market level for conducting open auctions. Record of arrival of vegetables and maize in the market yard and their sale were not kept in the test checked RMCs. Further, it was revealed that market fees of maize marketed (3.94 lakh MT, 4.64 lakh MT, 4.13 lakh MT during 2011-12, 2012-13 and 2013-14 Marketing Year

[25] Khariff Marketing Season.

respectively) outside the market yard was collected by the RMC staff at check points in Nabarangpur district. This implies arbitrary trading by traders outside the market area. Thus, RMCs have no control over such traders and hence feasibility or otherwise of getting best price to farmers was not ensured. It was replied that steps were being taken at Government level for formation of policy for procurement of maize.

It was, however, observed from impact study report (2011-12) of NIAM that in case of cotton, the open auction method of sale was followed in RMC markets where procurement agencies and mills purchase cotton.

Government stated (October 2015) that in case of vegetables, open auction method of sale is not in practice because individual farmers bring small quantities to the markets for immediate sale. Sale through auction can only be possible where there is bulk arrival of vegetables. The reply is not acceptable as in absence of infrastructure like cooling chambers to preserve unsold vegetables, the farmers were unwilling to bring their produce in bulk to market.

3.1.5 Dissemination of market information

To ensure remunerative price for agriculture produce, updated market information facilitates is required by the farmers to sell their produce. At the main market yards of RMC, market information is given through notice boards. Government of India (GoI) provided (February 2012) computer system to upload market data/ information of agricultural produce in Price Ticker Board (PTB) and Information Technology (IT) Kiosks. Deficiencies noticed in market information system are discussed below:

- GoO launched (June 2013) "Digital Mandi for farmers of Odisha" for dissemination of prevailing prices of agricultural produce in markets of various locations through mobile phone with Odia text or voice SMS on BSNL mobile platform. For this scheme, a sum of ₹ two crore was provided under State Plan for 2013-14. However, due to non release of fund by the Board, BSNL could not install the server resulting in non availability of required service to the farmers. Thus, the project Digital Mandi for farmers in Odisha is a non starter due to non release of funds to BSNL.

The Government stated (October 2015) that there was inordinate delay in installation of server by the BSNL for which the payment was not released.

- Further, out of 18,000 mobile phones purchased (June 2013), 10,820 phones were distributed (June 2013) and records for distribution of balance 7,180 phones valued at ₹ 79.77 lakh were not available with the Board (June 2015). In test checked RMCs[26], 4979 mobiles were distributed without Subscriber Identification Module (SIM) card. As a result, the purpose of providing mobiles phones to farmers for

[26] Attabira, Balasore, Baragarh, Balangir, Baripada, Betanati, Dunguripali, Jaleswar, Jeypore, Jharsuguda, Junagarh, Khariar Road, Koraput, Mukhiguda, Nabarangpur, Padampur, Sambalpur, Sargipali and Udala.

disseminating the prevailing market prices and better planning for sale of their produce was not achieved.

- GoI, Forward Market Commission supplied 40 PTBs to OSAMB and these were installed in 40 RMC market yards for price dissemination of the produce traded. In 17 RMCs test checked, 11 market yards under 10 RMCs had 11 PTBs. Of the 11 PTBs provided to them, 10 were out of order due to failure of UPS, non supply of power from electrical board etc. One PTB at RMC, Nabarangpur was displaying (June 2015) wrong market information i.e. for the year 2013 and 2014. Thus, real time market information was not made available to the farmers.

Accepting the observations of audit, Government stated (October 2015) that the Exchanges had now offered to transfer the PTBs to concerned RMCs after which the operation problems would be sorted out.

- GoI supplied (March 2008) 28 IT Kiosks under Market Research and Information Network Scheme for dissemination of complete and accurate marketing information on the AGMARKNET portal to achieve both operational and pricing efficiency in the marketing system. In five[27] test checked RMCs, it was noticed that three kiosks were yet to be installed for want of broad band/ internet connectivity/ non completion of market yard work and other two were non functional due to frequent defects. Failure of the department to ensure the functioning of the information hardware has left the farmers unable to know the right price while selling their produce.

Non functional IT Kiosk at Nabarangpur RMC

Accepting the observations of audit, Government stated (October 2015) that the concerned RMCs had been instructed to look into this aspect and take corrective measures and make the PTBs function.

3.1.6 Facilitation for potato production without ensuring adequate cold storage facilities

Potato is a major component of the diet in Odisha. As per the report of Task Force on Potato (December 2014), against annual requirement of 10.21 lakh MTs, actual production of Potato in the State was 2.5 lakh MT per annum. One of the major constraints for potato availability was inadequate cold storage facilities in the State. Farmers sold their produce immediately after harvesting.

[27] Balasore, Jeypore, Junagarh, Koraput and Nabarangpur.

During 2012-14, due to acute short supply, retail prices of potato reached up to ₹ 40-50 per kilogram. To streamline the availability of potato, GoO decided (December 2014) to create a buffer stock of four lakh quintals during February-April 2015 out of which storage was available for 2.90 lakh quintals subject to variation. Moreover, the Directorate of Horticulture (DH) and Odisha Community Tank Development and Management Society (OCTDMS) facilitated the cultivation of potato over 530 acres in Bargarh district during Rabi 2014.

It was decided (13 February 2015) in the meeting for Potato Buffer Stock to start the purchase of potato by 20 February 2015 from farmers through MARKFED (7[28] districts) and NAFED (23[29] districts) and they were allotted 8,500 MT and 20,500 MT respectively at the price of ₹ 600 per quintal or the prevailing wholesale price of Bhubaneswar market minus ₹ 150 per quintal which ever was higher for ensuring better price to the farmers.

Again, GoO (FS&CW Department) issued order (11 March 2015) to purchase potato through the above agencies from 15 March 2015. However, it was noticed that NAFED declined to go ahead with the purchase due to non execution of agreement with Cold Storage agencies and non procurement of bags. The following were noticed in respect of procurement made by MARKFED.

- The MARKFED which opened procurement centres at six districts[30] closed them since potato of specified size was not available.

- Subsequently, as per decision (24 March 2015) of Government, MARKFED was required to procure 5500 MT potato in Bargarh, Balasore and Jharsuguda district. In the test checked district of Bargarh, it was revealed that MARKFED procured 465.30 MT during March-April 2015. Due to delayed (33 days)/ inconsistent procurement and for lack of cold storage facilities, farmers were forced to sell balance potato of 3963.80 MT outside the market yard immediately after harvest to avoid loss.

- Government's offer price of ₹ 600 per quintal was less than the production cost of ₹ 777[31] per quintal. In view of meagre procurement of potato against the target, the farmers were forced to resort to distress sale.

Despite annual potato production during 2010-14 being in an increasing trend (between 1.96 lakh MT and 2.50 lakh MT) and collection of market fee of ₹ 10 crore annually on the vegetables (including potato) by the RMCs, the Board did not plan construction of cold storages. Hence, remunerative price to the potato producers of the State could not be ensured.

[28] Cuttack, Jagatsinghpur, Jajpur, Kendrapara, Khordha, Nayagarh and Puri,.

[29] Angul, Balasore, Balangir, Bargarh, Bhadrak, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nuapada, Rayagada, Sambalpur, Sonepur and Sundargarh.

[30] Cuutack, Jajpur, Kendrapara, Khordha, Nayagarh and Puri.

[31] Production cost of ₹ 128000 per ha / Productivity of 164.80 quintal per ha = ₹ 777 per ha.

Government stated (October 2015) that in order to reduce post harvest losses and provide storage facilities to farmers for better price, 10 cold storages are to be established by RMCs in potential areas.

3.1.7 Financial Management

3.1.7.1 Receipt and utilisation of funds for schemes

The Board received funds for development of market yards under 13th Finance Commission (TFC) Grant, Rastriya Krishi Vikash Yojana (RKVY) and State Plan. Details of provision/receipt of funds and submission of Utilisation Certificates (UCs) during 2010-15 are given below:

Table No. 3.3 Details of receipt and expenditure of funds *(₹ in crore)*

Year	13th Finance Commission Grant				RKVY			State Plan			Overall position			Percent-age of expend-iture
	Share agreed	Fund released	Expend-iture incurred	UC submitted	Fund released	Expend-iture incurred	UC submitted	Fund released	Expend-iture incurred	UC submitted	Fund received	Expend-iture incurred	UC submitted	
2010-11	0.00	0.00	0.00	0.00	6.80	6.80	6.80	3.42	1.40	0.80	10.22	8.20	7.60	80
2011-12	15.00	15.00	14.40	13.40	1.92	1.92	1.92	1.00	1.00	1.00	17.92	17.32	16.32	97
2012-13	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
2013-14	15.00	15.00	5.12	5.37	4.75	4.20	3.85	3.00	2.46	2.38	22.75	11.78	11.60	52
2014-15	15.00	15.00	2.87	3.68	2.00	1.80	1.00	2.50	0.00	0.00	19.50	4.67	4.68	24
	60.00	***45.00***	***22.39***	***22.45***	***15.47***	***14.72***	***13.57***	***9.92***	***4.86***	***4.18***	***70.39***	***41.97***	***40.24***	***70***

(Source: Data furnished by OSAMB)

- ***Utilisation of 13th Finance Commission Grant***

Against receipt of ₹ 45 crore under TFC grant during 2011-15 for creation of infrastructure in 153 market yards, expenditure of ₹ 22.39 crore (49.76 per cent) was incurred and UCs for ₹ 22.45 crore was submitted. Owing to delayed submission (September 2013 to December 2014) of UCs for ₹ 15 crore under TFC grant received for 2011-12, a sum of ₹ 15 crore due to be received for 2012-13 was not released (July 2015) and benefit of TFC grant could not be availed of by the RMCs.

Accepting the factual position, Government stated (October 2015) that ₹ 15 crore was not released to OSAMB due to delay in submission of UCs as land was not available for the purpose.

- ***Utilisation of funds under RKVY***

During 2010-15, out of the project cost of ₹ 36.32 crore for construction and development of 18 market yards, ₹ 15.47 crore was released under RKVY by the GoO. Against ₹ 15.47 crore, UCs was submitted for ₹ 13.57 crore. Further, no funds were released by GoI under RKVY in 2012-13 due to non submission of project proposal by the Board.

Accepting the factual position, Government stated (October 2015) that out of 18 projects, nine had been completed, eight projects were in progress and one was yet to be taken up.

- ***Utilisation of State Plan Funds***

(i) Against the total funds of ₹ 9.92 crore released for infrastructure development under nine market yards and supply of mobile phones to farmers, ₹ 4.86 crore was spent and UCs were submitted for ₹ 4.18 crore. It was seen that for projects of wholesale and retail market under Jatni RMC, funds amounting to ₹ 91 lakh sanctioned in 2010-11 were kept idle till 2014-15 as the work could not be taken up due to delay in land acquisition.

(ii) Against ₹ 2.50 crore sanctioned in 2014-15, for providing free mobile phone to farmers, no expenditure was incurred due to lack of initiative by the Board.

Thus, lack of planning hindered utilisation of funds leading to non-creation of infrastructures in market yards. Funds for creation of market infrastructures received under TFC, RKVY and SP remained unutilised resulting in farmers being deprived of the benefits from the scheme.

Accepting the factual position, Government stated (October 2015) that steps were being taken to start the project under RMC, Jatni very soon and for utilisation of ₹ 2.50 crore, selection of appropriate model of mobile phone was under finalisation.

3.1.7.2 Income and Expenditure of Board

As per OAPM Act, 1956 RMCs shall levy and collect market fees on agriculture produce sold in the market area. In addition, RMCs collect licence fees for licence granted to market functionaries. OAPM Act also stipulates that every RMC shall pay the Board not less than five *per cent* of market fees and licence fees as their contribution. This apart, for Board's rendering of technical services, the RMCs are to pay service charges at five *per cent* of value of all construction works. The details of the income and expenditure of the Board from 2010-11 to 2013-14 marketing year[32] are given below:

Table No. 3.4 Income and expenditure of the Board

(₹ in crore)

Income and expenditure of the Board				
Year	2010-11	2011-12	2012-13	2013-14
Revenue				
Income	4.95	5.04	8.34	9.90
Expenditure	2.67	2.86	4.26	2.90
Net Surplus	2.28	2.18	4.08	7.00
Capital				
Income	0.32	1.52	1.68	0.83
Expenditure	0.49	0.60	0.24	0.04

(Source: Information furnished by OSAMB)

[32] Marketing Year shall commence on 1 November and end on 31 October as per Rule 39 of OAPM Rule, 1958.

Further, audit scrutiny disclosed that the Board paid ₹ one crore to the Chief Ministers Relief Fund during 2013-14 from the Market Development Fund of the Board beyond the provisions of OAPM Act/Rule.

It was noticed that the Board had been earning income in excess of expenditure under the revenue head during 2010-14. Under the capital head, except in 2010-11, expenditure was less than the income in the remaining years. The surplus funds were kept as fixed deposits or in saving bank account of Banks as furnished below:

Table No. 3.5 Surplus funds kept in Bank *(₹ in crore)*

Statement of cash balance in the Bank Account of the Board	***31 October 2014***	***30 May 2015***
Fixed deposit	21.12	35.37
Saving Bank Account	4.99	3.55
Total	***26.11***	***38.92***

(Source: Data provided by the Board)

A review of records on realisation of market fees, service charges for project works and investment of surplus fund revealed the following:

- Government of Odisha in Cooperation Department issued instructions (November 2012) for keeping of surplus fund in the State Cooperative Bank/District Central Cooperative Bank. In violation of the above instructions, ₹ 1.56 crore was kept (25 June 2012) in fixed deposit in Bhubaneswar Urban Cooperative Bank. The total amount of ₹ 2.02 crore (₹ 1,56,38,360 as principal + ₹ 4574220 as interest at the rate of 9.25 per annum) could not be realised till June 2015 due to liquidation of the bank in 2014.

Government stated (October 2015) that the position of such deposit would be submitted to audit after examination of records.

- In the State Level Review meeting (14 September 2009) instructions were issued to invest the surplus fund in fixed deposit in Central Cooperative Bank (not in any Co-operative Society or in any Urban Cooperative Bank) or any bank approved by the Director of OSAMB. RMC, Koraput withdrew (January/June 2014) ₹ two crore from Koraput Central Cooperative Bank (SB Account) and parked (January/July/August 2014) ₹ three crore including RKVY fund of ₹ one crore in non-interest bearing current account of a private bank (Axis bank) thereby losing interest of ₹ 0.18 crore.

- All the 66 RMCs had to pay five *per cent* of their gross income derived from license fee and market fee in a market year (1 November to 31 October). Further, as per Rule 45, accounts of the RMC shall be maintained in the manner as directed by the Board and the same shall be audited by the Board. Rule 39 of OAPM Rule stipulates that RMC is to submit budget of income and expenditure for ensuing market year not later than 15 October for approval and an abstract account of receipt and expenditure of the previous market year to be submitted to the Board not later than the 31 December. It was noticed that there were arrears of finalisation of accounts for 2013-14 by 24 RMCs, for 2012-13 by nine RMCs and for 2011-12 by three RMCs. The above RMCs did not intimate their actual income and hence amounts due to be realised towards market fees and licence fee could not be worked out by the Board. The Board had not taken effective action to realise the market fees and licence fee.

- Even in respect of 55 RMCs which had finalised accounts, a sum of ₹ 9.57 crore remained unrealised from the respective RMCs. The Board did not initiate steps for realisation of outstanding amount.

Accepting the facts, Government stated (October 2015) that such contribution is received late from some RMCs for want of approval by Market Committees.

- The RMCs executed works valuing ₹ 115.01 crore during 2010-15, service charges at five *per cent* of the value of works executed in the above period amounting to ₹ 5.75 crore was to be collected from 66 RMCs. However, ₹ 3.46 crore was yet to be realised (June 2015).

Accepting the facts, Government stated (October 2015) that necessary persuasions have been made through issuance of letter for depositing the service charges by all RMCs.

3.1.7.3 Non-realisation of arrear lease rent and staff advance

RMCs lease out godowns for storing agricultural produce and also shops in the market yards. The lease agreement stipulates that rent for a month shall be paid by lessee during the first week of succeeding month. It was, however, noticed that a sum of ₹ 0.84 crore remained unrealised (June 2015). The arrears were due from May 2009 onwards. This included a sum of ₹ 0.39 crore dues to be collected from Odisha State Civil Supplies Corporation. On being pointed out, it was replied that steps would be taken to realise the arrear rent.

Similarly, a sum of ₹ 0.35 crore being advances paid to staff towards general purposes, pay and contingent advance remained unrecovered since October 2004. Further, 16 staff were paid advance before adjustment of earlier advance. Advance of ₹ 10 lakh paid to one private agency during 2013-14 remained outstanding (July 2015).

Accepting the facts, Government stated (October 2015) that the matter would be examined to arrive at the exact figures and steps would be taken for early collection of dues from the defaulters. Further, it was stated that all requisite steps have already been initiated for realisation of outstanding advances.

3.1.7.4 Budget estimates and receipts of RMCs

As per Section 11 of the OAPM Act, 1956, the main source of income of RMCs is market fees which are collected at the rate of one *per cent* of the purchase value of agricultural produce (two *per cent* in case of paddy) from the purchaser/trader. In 17[33] test checked RMCs, actual receipts against the estimated budget for collection of market fees during 2010-14 marketing years are given in table below.

Table No.3.6 Budget estimates and receipt of market fees ***(₹ in crore)***

Year	2010-11	2011-12	2012-13	2013-14
Budget Estimates for collection of market fees	65.83	67.05	88.06	105.16
Actual receipts	55.24	63.36	87.00	65.59

(Source: Data provided by the Board)

Scrutiny of budget estimates for collection of market fees of the Board as well as test checked RMCs revealed that estimates of market fees were not prepared with reference to assessment of production of crops for the previous year. Instead, these were prepared on the basis of fees realised in the previous year. In the absence of realistic estimates of market fees, the extent of revenue realisation could not be assessed in audit.

3.1.8 Excess payment on procurement of weighing machines

OSAM Board issued (March 2008) detailed terms and conditions for procurement, installation and commission of electronic weighing scale. It stipulated that comprehensive warranty for all items shall remain valid for 12 calendar months. Free maintenance services shall be provided during the period of warranty. After expiry of warranty period for annual maintenance and repair cost, payment shall be made in equal quarterly instalment at the end of each quarter subject to satisfactory services rendered as per rates quoted.

It was revealed in 15 test checked RMCs that 1,764 electronic weighing scales (EWSs) of 300 kg capacity were procured (2008-13) and payment of ₹ 3.40 crore was made to the different firms/suppliers. The amount paid for the above machines included ₹ 1.45 crore towards annual maintenance charges for three years after expiry of warranty period although it was due to be paid after expiry of warranty period on quarterly basis. In deviation from the instructions of Board, the RMCs paid AMC charges in advance at the time of purchase of EWSs.

Further, out of 1,764 EWSs supplied by nine suppliers, 490 EWSs were procured from M/s OMEGA Ltd. for ₹ 0.94 crore which included ₹ 0.40 crore towards payment of advance AMC. The above supplier did not render annual maintenance services since expiry of warranty period, RMCs did not have any hold on the suppliers due to deviation of guidelines of Board.

[33] Attabira, Balangir, Balasore, Baragarh, Deogarh, Dunguripali, Jaleswar, Jeypore, Jhrsuguda,Junagarh, Koraput, Khariar road, Mukhiguda, Nabarangapur, Padampur, Sambalpur, and Sargipali.

Accepting the facts, Government stated (October 2015) that observation of audit will be taken into account to ensure corrective measures and irregular payments made would be subject to recovery from the erring officials.

3.1.9 Evaluation of agricultural marketing in Odisha

As per decision of State Minister in charge of agricultural marketing, GoI/ National Institute of Agricultural Marketing (NIAM) conducted a study in agricultural marketing in Odisha during 2011-12. The above study indicated following deficiencies:

- Prevailing marketing system was inefficient and farmers were constrained to sell produce to local traders at low prices.
- RMC market yards were not under regular use and markets under Gram Panchayats do not have basic infrastructure.
- Open auction method of sale was not followed except for cotton.
- Problems faced by farmers are, lack of daily RMC owned whole sale markets, lack of access to market information, lack of storage space, non receipt of immediate payments for produce sold, lower price realisation etc.

The Board instructed (June 2015) construction and development of need based infrastructure in the market yards after proper feasibility study. In respect of auction of bulk supply of maize no decision was taken for purchase by Government agencies.

Accepting the facts, Government stated that the Board is now taking proactive measures to raise the economic condition of the farmers by raising their bargaining power as a group.

3.1.10 Conclusion

Master Plan for development of agricultural marketing as envisaged in the operational guidelines was not prepared. Funds available for creation of market infrastructures could not be utilised due to non preparation of feasibility study and delay in land acquisition. Some of the Krushak Bazaars set up under Chief Minister’s 12 point programme to facilitate direct marketing by farmers were not functional due to isolated locations. Market yards lacked core facilities and amenities such as boundary wall, weigh bridge, auction platform, grading equipment, cooling chambers etc. There was wide gap between agricultural production and arrival of produce of main crops to the market yards. System of dissemination of market information through computer systems to upload market data / information relating to agricultural produce was not functional. Lack of planning hindered utilisation of funds leading to non creation of infrastructure in market yards. Funds for creation of market infrastructure received under TFC, RKVY and State Plan remained unutilised, resulting in farmers being deprived of the benefits from the scheme.

DEPARTMENT OF FOREST AND ENVIRONMENT

3.2 Short realisation of cost of compensatory afforestation

Short realisation of ₹ 11.79 lakh towards cost of Compensatory Afforestation

Under the provision of the Forest (Conservation) Act 1980 and the rules framed thereunder, User Agencies (UAs), in whose favour, diversion of forest land is allowed for non forestry use, are required as a first step following Stage-I clearance of proposal(s) to deposit charges under various heads including charges for Compensatory Afforestation (CA).

Check of records of Malkangiri Forest Division revealed (December 2014) that Government of Odisha (GoO) granted (October 2013) permission in favour of M/s Iragavarapu Venkat Reddy Construction Limited (IVRCL), Hyderabad for diversion of 2.992 ha of forest land for operation of stone quarry to fetch construction materials for widening of Govindapalli-Salimi-Mahupadar Road as per the general approval (May 2011, June 2011 and February 2013) accorded by Ministry of Environment and Forest (MoEF). As per condition No. 10 of general approval, UA had to deposit cost of CA as per assessment of Divisional Forest Officer (DFO). Accordingly, DFO Malkangiri intimated (November 2013) the UA to pay the cost of CA of ₹ 19.79 lakh. However, UA deposited ₹ eight lakh (March 2014 and November 2014) towards CA which resulted in short realisation of ₹ 11.79 lakh till the date of audit (December 2014).

On this being pointed out, DFO issued (December 2014) reminder to UA for realisation of above amount. The matter was reported to Government (April 2015); their reply is awaited (October 2015).

3.3 Non-levy of interest on belated payment of royalty

Non-levy of interest of ₹ 16.18 lakh on belated payment of royalty by M/s Odisha Forest Development Corporation Limited

As per Rule 42 of Orissa Forest Contract Rules, 1966, if a contractor fails to pay any installment of dues like royalty on sale of forest produce by the due date, i.e. 31 March of each *year*, he is liable to pay interest at the rate of 6.25 *per cent* per annum for the period of delay on the amount of arrears. The Government of Odisha clarified as early as in February 1977 that the Odisha Forest Development Corporation (OFDC) Ltd., being a contractor, was also liable to pay interest for arrears in payment of royalty to the Government. Further, as per compliance furnished (January 2013) by department to PAC against the paras of earlier Audit Reports (2008-09 and 2010-11), Finance Department refused (April 2012) the proposal of OFDC for exemption from imposition of interest on belated payment of royalty.

Test check of records of 18 Forest Divisions[34] revealed (between May 2014 and February 2015) that OFDC Ltd. paid royalty of ₹ 2.81 crore for timber/poles involving 520 irregular lots during the period from 2012-13 to 2013-14 with delay**s** ranging from two to 142 months as detailed in the ***Appendix – 3.3.1***. However, interest of ₹ 16.18 lakh payable by OFDC Ltd. towards delayed payment of dues, was not levied by Divisional Forest Officers (DFOs) till February 2015.

On this being pointed out, eight[35] out of 18 DFOs raised demand for ₹ 7.42 lakh between May 2014 and February 2015 and 10 DFOs stated that action would be taken to raise demand against OFDC Ltd. for the period of delay in payment of royalty. The replies of DFOs confirm that action is now being taken only after it was pointed out by audit.

Accepting the facts, Government stated (October 2015) that all the DFOs had already raised demand for ₹ 14.17 lakh out of ₹ 16.18 lakh towards interest accrued on belated payment of royalty except one DFO, Boudh. The DFO, Boudh had been instructed to raise demand for the interest on belated payment of royalty against OFDC.

3.4 Non-disposal of timber

Non-disposal of timber and poles seized in undetected forest offence cases

The Government of Odisha, Forest and Environment Department in their order of August 2005 issued instructions for early disposal of timber and poles seized in undetected (UD) forest offence cases either by public auction or by prompt delivery to Odisha Forest Development Corporation (OFDC) Limited within two months from the date of seizure in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage. The rates of royalty on timber regular and irregular lots for the year 2014-15 were fixed by Government in Forest and Environment Department in the joint meeting of Principal Chief Conservator of Forests, Odisha and the Managing Director, OFDC Ltd. held during November 2014.

Check of records of 23[36] forest divisions between April 2014 and February 2015 revealed that timber and forest produce valued at ₹ 33.28 lakh which were seized under 1,087 UD forest offence cases during 2010-11 to 2013-14 as detailed in ***Appendix – 3.4.1*** were lying undisposed (February 2015) due to lack of effective and timely action by the Departmental authorities such as Range Officers (ROs) and Divisional Forest Officers (DFOs) and resulted in blockage of revenue to that extent.

[34] Athgarh, Balangir, Balliguda, Boudh, Baripada, Ghumsar (S), Jharsuguda, Kalahandi (S), Karanjia, Khordha, Malkangiri, Nabarangpur, Nayagarh, Paralakhemundi, Phulbani, Rairakhol, Rayagada and Sundergarh Forest Divisions.

[35] Athgarh, Balliguda, Baripada, Ghumsar (S), Jharsuguda, Khordha, Malkangiri and Nabarangpur Forest Divisions.

[36] Athgarh, Balangir, Bhadrak (WL), Balasore (WL), Balliguda, Baripada, STR Baripada, Bonai, Deogarh, Ghumsar(S), Ghumsar(N), Jeypore, Kalahandi (S), Khariar, Karanjia, Khordha, Malkangiri, Nayagarh, Phulbani, Paralakhemundi, Rairakhol, Rayagada and Sundergarh.

On this being pointed out, Government stated (October 2015) that in the meantime forest produce of ₹ 10.71 lakh had already been disposed of and steps were being taken to dispose of balance forest produce.

3.5 Non-realisation of interest on delayed payment of Net Present Value

Non-realisation of interest on delayed payment of Net Present Value by user agencies

The Central Empowered Committee instructed (May 2010) that mining lease holders who do not pay Net Present Value (NPV) within a period of 30 days will not be allowed to continue mining till payment of NPV along with interest is deposited. Department of Forest and Environment (DoF&E) prescribed (May 2013) the rate of interest at nine *per cent* per annum for delayed payment of NPV.

Check of records revealed (July 2014) that in Keonjhar Forest Division, demand was made by Divisional Forest Officer (DFO) for realisation of ₹ 27.52 crore towards NPV (June 2010) in favour of six user agencies. The UAs deposited NPV amount between May 2013 and April 2014 which was delayed by 1046 to 1380 days from the date of demand; but interest of ₹ 8.96 crore at the prescribed rate of nine *per cent* for delayed payment of NPV was neither demanded by DFO nor deposited by user agencies as detailed in ***Appendix – 3.5.1***.

On this being pointed out, Government stated (September 2015) that ₹ 8.37 crore had already been realised in two cases and for balance ₹ 0.59 crore demand raised against the user agencies.

DEPARTMENT OF WATER RESOURCES

3.6 Construction of Check Dams

3.6.1 Introduction

Government of Odisha (GoO) launched a new programme "Construction of Check Dams (CDs) / stream storage structures" in small river / stream and anicuts in major streams / rivers during 2010-11 to utilise a part of the surface runoff flowing down to the sea. The main objectives of the programme were to conserve water at the end of monsoon to meet the drinking water requirement of nearby villages, to provide incidental irrigation to crops in the adjacent cultivated land and to recharge the ground water. As per GoO's guidelines, during selection of sites for CDs, priority would be given to blocks having less than 35 *per cent* irrigation coverage and areas where the people were willing to take up operation and maintenance of the check dams. Guidelines also stipulated that CDs should be planned for maximum storage and they shall have uninterrupted catchment area of not less than five square kilometer as per instructions (November 2012) of Chief Engineer (CE), Minor Irrigation (MI) Odisha, Bhubaneswar. During the period 2010-15, GoO set a target of 15,000

CDs for construction. The Chief Engineer (CE), Minor Irrigation (MI) sanctioned 8,090 CDs, of which the Divisions completed only 5,926 CDs (73.25 *per cent*). As per guidelines, CDs were to provide incidental irrigation during late Khariff and Rabi by storing water at the end of monsoon mainly through lifting devices only.

Audit was conducted in eight[37] out of 30 Minor Irrigation (MI) Divisions selected on random sampling basis between April and June 2015 covering a period of five years ending March 2015 to assess whether the CDs were constructed as per approved guidelines and the intended benefits had reached the targeted beneficiaries.

Audit Findings

3.6.2 Implementation of scheme

3.6.2.1 Target and achievement

Though the department set a target of 15,000 CDs during 2010-15, CE, MI accorded approval for 8,090 CDs only for ₹ 1,318.12 crore out of which ₹ 971.53 crore was provided in the budget. Of the approved projects, the Divisions completed 5,926 CDs with expenditure of ₹ 884.88 crore till March 2015. Year wise details of target and achievement of CDs are given below:

Table No. 3.7 Target and achievement of CDs

Year	***Target***	***No. of check dams approved***	***No. of check dams completed***
2010-11	1000	1366	413
2011-12	3000	3046	1133
2012-13	3000	1181	1848
2013-14	6000	2380	913
2014-15	2000	117	1619
Total	***15000***	***8090***	***5926***

(Source: as per information furnished by the CE, MI)

Although GoO made less provision of ₹ 346.59 crore (26.29 *per cent*) from the approved cost in the State budget, the department was able to utilise only ₹ 884.88 crore and surrendered ₹ 86.65 crore as of March 2015. Out of 8,090 approved CDs, 5,926 CDs were completed, 196 CDs were dropped, 1,667 CDs were under progress and balance 301 CDs were in the tendering stage. During test checks in eight divisions, it was revealed that out of 4,050 CDs sanctioned, 1,416 CDs were completed and 1,409 CDs though completed with structures, were not fitted with shutters as of March 2015.

Government stated (September 2015) that due to site dispute between villagers, non response to tenders, low tender biddings and shortage of technical staff for survey and investigation, all the approved CDs could not be completed and funds were surrendered.

[37] Minor Irrigation Division, Balasore, Balangir, Kalahandi, Keonjhar, Khariar, Nayagarh, Padampur and Sambalpur.

3.6.2.2 Non formation of Pani Panchayats

Guidelines for construction of CDs stipulated that PP/ WUA should be formed by the beneficiaries during the process of selection of site for construction of CDs. On completion, the CDs were to be handed over to PP/WUA for their proper management.

In eight test checked divisions it was noticed that people were not involved in selection of site for CDs and PPs /WUAs were not formed for 2,825 out of 4,050 CDs after their completion. In 173 cases, even where local people had formed group and submitted the proposal to the Divisions for requisite registration with Revenue Department, no action was taken by the Divisions.

Government stated (September 2015) that with assurance of local people for maintenance of CDs, the projects were constructed and sometimes necessary cooperation from them is not available. The reply is not acceptable as the proposals of local people were not registered with Revenue Department.

3.6.2.3 Construction of check dams without shutters

Check dam is an instream storage structure and for storing water, shutters between concrete structures are necessary. The guidelines *ibid* state that the department would supply wooden or steel planks or sand bags to members of PPs and demonstrate the operation and maintenance by putting shutters/planks or sand bags in position and their removal. The CE (MI) had also instructed (February 2011) all Superintending Engineers (SEs) and EEs to close the vents at check dams within seven days and also stated that for failure in this regard, concerned officers would be personally responsible.

Review of records in eight test checked divisions revealed that 1,409 out of 2,825 CDs completed with structures were not provided with shutters. As a result, water was flowing through open vents and in view of no storage of water the very purpose of construction of CDs was defeated. Thus, expenditure of ₹ 166.21 crore incurred on the above 1,409 CDs was unfruitful and the local people were deprived of desired benefit of the scheme. No action was also taken against the EEs for failing to provide shutters.

On this being pointed out, Government stated (September 2015) that provision of shutters had not been finalised as the PPs were not registered and as such, the responsibility of maintenance of gates could not be handed over to PPs. The above reply is not tenable since the instructions of CE (MI) were not implemented and the divisions had not taken any action to register the PPs. Even after the above instructions, during the subsequent period (2011-15) 1,389 CDs were also constructed without shutters.

3.6.2.4 Inordinate delay in completion of CDs

To provide timely benefit of the scheme, the guidelines stipulated that tendering process and issue of work orders must be completed within a month and maximum one month should be prescribed for completion of works.

Details regarding year of sanction/agreement and period during which the projects were completed in the test checked divisions are given below.

Table No. 3.8 CDs completed in test checked divisions

(In numbers)

Year of sanction	*No. of CDs sanctioned*	*Completed in the year of agreement*	*Completed in subsequent years*	*Dropped/ cancelled*	*Not yet started*	*Ongoing/ tendering stage*
2010-11	653	64	503	28	6	52
2011-12	1584	482	891	76	5	130
2012-13	687	80	354	4	18	231
2013-14	1092	33	418	10	22	609
2014-15	34	0	0	0	0	34
Total	***4050***	***659***	***2166***	***118***	***51***	***1056***

(Source: as per information furnished by the test checked Divisions)

- Out of 2,825 CDs completed during 2010-15, only 659 CDs were completed in the year of agreement and balance 2,166 CDs were completed with delays of one to four years due to various reasons such as water in nalla, rain, village dispute, site dispute and unwillingness of the contractors to execute the work.
- 51 CDs with estimated value of ₹ 10.66 crore in two[38] out of eight test checked divisions had not started due to site dispute/non availability of approach road to carry construction materials/ non availability of site due to crop at nearby area.
- In five divisions,[39] 118 CDs were dropped / cancelled due to land dispute, involvement of forest clearance, village problem / site dispute and prior construction by other Department.
- 1,056 CDs were not completed in all test checked divisions during 2010-15. The year wise details of CDs dropped/not started/ not completed in test checked divisions are given in ***Appendix – 3.6.1***.

Government while accepting the facts stated (September 2015) that in spite of all the efforts there was delay in construction of some projects due to land site conditions, local disputes and non availability of materials on time. The replies were not acceptable as the sites were selected without following the guidelines.

3.6.2.5 Non-completion of Projects due to lacuna in tender process

The Guidelines stipulated deposit of additional performance security (APS) by the bidders when bid amount is seriously unbalanced i.e. less than the estimated cost by more than 10 *per cent* along with the tender. The EEs failed to incorporate the above clause in the Detailed Tender Call Notice (DTCN). As a result, though bids were seriously imbalanced, the APS was not submitted by the bidders in respect of 397 projects and contracts were awarded

[38] Balasore and Nayagarh.
[39] Balasore, Kalahandi, Keonjhar, Nayagarh and Sambalpur.

for 397 CDs for a value of ₹ 107.04 crore. The contractors of all 397 CDs did not complete the works within the stipulated period.

Accepting the facts Government stated (September 2015) that observation of Audit is noted and efforts were being taken to overcome such mistakes.

3.6.2.6 Short availing of Central Assistance

The guidelines specifically state that funding for execution of CDs in KBK districts are to be met from Special Component Assistance (SCA) and Additional Central Assistance (ACA). Similarly, State's own funds would also be utilised for execution of CDs in Non-KBK district. Year wise details of funds received from GoI under both SCA and ACA, expenditure incurred, utilisation certificate submitted and funds surrendered during 2010-15 are given below.

Table No. 3.9 Surrender of funds

(₹ in crore)

Year	*Fund provided by GoI under SCA & ACA*	*Expenditure incurred*	*Utilisation certificate submitted*	*Funds surrendered*
2010-11	35.03	7.64	7.64	27.39
2011-12	25.00	24.32	24.28	0.68
2012-13	16.14	15.11	14.55	1.03
2013-14	17.78	14.66	14.66	3.12
2014-15	15.21	15.21	11.41	-
Total	***109.16***	***76.94***	***72.54***	***32.22***

(Source: as per information furnished by the CE, MI)

- Against the receipt of ₹ 109.16 crore under SCA & ACA in 2010-11 to 2014-15, ₹ 32.22 crore was surrendered.

Government stated (September 2015) that in the initial stage of implementation of the programme during 2010-11, the projects could not be executed in time because of which the SCA funds could not be utilised. CE, MI stated that due to slow progress of projects the above funds were surrendered. The reply is not tenable as the department could have ensured completion of the approved CDs through close monitoring.

- It was, noticed that out of total expenditure of ₹ 308.42 crore for construction of 2,635 CDs in KBK districts during 2010-15, a sum of ₹ 76.94 crore had been availed from SCA and ACA though GoI provided ₹ 109.16 crore. Lack of planning and inadequate monitoring in utilisation of funds during the year of sanction deprived the State of GoI grants.

Government stated (September 2015) that the surrender of unspent funds of SCA and ACA were being revalidated to next financial year. The reply is not acceptable as the funds were not utilised during the year of sanction.

3.6.2.7 Non assessment of pre and post ground water recharge

As per objectives of the guidelines for construction of CDs, the construction is to recharge ground water and field units should take steps to document the pre/post sceneries of the CDs. It was noticed that for assessment of ground water table, Ground Water Survey and Investigation (GWS&I) Divisions under DoWR along with Central Ground Water Board (CGWB) were to conduct regular tests to assess ground water table.

Check of records revealed that though 5,926 CDs were completed during the period 2010-15, the department had not assessed pre water table and post ground water recharge table level of the construction sites of the CDs. Further, neither the EEs nor the department had consulted GWS&I to assess pre and post water recharge table of the sites.

3.6.3 Quality control

Chief Engineer, MI instructed (June/August 2011) maintenance of a quality control register for each CD, recording the quality control test report in respect of the aggregates, cement and concrete. It was stipulated that for concrete work, the frequency of sampling, test specimen and test result of sample should be as per clause 15.2 to 15.4 of IS (Bureau of Indian Standard) 456:2000. Bills in respect of works should be presented along with the test result. However, payments were made without test reports.

During test check of records in eight divisions, it was observed that quality control registers were not maintained. Moreover, no check measurement of CDs as required under D (II) of Appendix – II of OPWD code Vol. II was done by the EEs. Under these circumstances, quality of construction of CDs could not be ensured. Moreover, test reports were not available and EEs had released the payments to the contractors without insisting on test results. It was observed from records that due to abnormal rainfall in Padampur area during July/August 2014, afflux bunds of the CDs were affected and 114 CDs were outflanked in Padampur MI Division.

Accepting the facts Government stated (September 2015) that quality control tests were conducted but the records of such tests were not maintained by the site Engineers and CDs were outflanked due to unprecedented heavy rain.

3.6.4 Monitoring of scheme

The Scheme guidelines provide that the progress of selection of site for CDs and implementation will be monitored by a State Level Monitoring Committee (SLMC) under the Chairmanship of Chief Secretary (CS) twice in a financial year. Similarly, District level Monitoring Committee (DLMC) under the Chairmanship of the Collector & District Magistrate should meet once in every quarter.

Review of records revealed that only one SLMC meeting was held during December 2010 and it was noticed from the minutes of the meetings that tribal/drought prone areas and blocks where irrigation coverage was less than 35 *per cent* should be given priority. Since no SLMC meetings were held subsequently, monitoring in this regard was not done. Further, in eight test checked divisions, it was noticed that no district level monitoring committee meeting was held during 2010-15.

Government stated (September 2015) that observation of Audit is noted and EEs were instructed to contact district officials for convening DLMC meeting and SLMC was scheduled to be held in September 2015.

3.6.5 Conclusion

Formation of Pani Panchayat was not ensured before selection of site. Construction of check dams without shutters defeated the very purpose of check dams. With delays in construction, lack of quality control measures and non monitoring of progress, intended objectives of conserving water at the end of monsoon could not be achieved as per guidelines.

3.7 Undue benefit to contractors

Unwarranted separate provision for base stripping in analysis of rates for excavation of earth from burrow areas led to undue payment of ₹ 1.88 crore to contractors

Para 3.4.10 (i) of OPWD Code stipulates that estimates should be prepared in most economical manner and also on the basis of Schedule of Rates (SoR). In case of excavation of earth from burrow area, no separate provision for base stripping was made in the State Analysis of Rates (SAoR). Further, standard Agreements containing technical specifications (clause 3.5.3.3) stipulate that no extra payment should be admissible for stripping burrow areas as this is deemed to have been included in bid price for earth work in the bill of quantities.

Check of records of Subarnarekha Irrigation Divisions No. I and II revealed (December 2013 and May 2014) that in disregard of the technical specification separate provisions for base stripping was provided in Analysis of Rates of four[40] works for excavation and transportation of earth from burrow areas in Subarnarekha Irrigation Project (SIP). In respect of two works viz. Jambhira Earth Dam from RD 2830 m to 3930 m and from RD 4960 m to 6060 m, cost of base stripping at ₹ 5.84 per cum and at ₹ 7.30 per cum for other two works viz. Haladia Earth Dam and Jambhira Earth Dam from RD 3930 m to 4440 m had been provided. The above unwarranted provision of cost of base stripping increased the estimated cost of above four works by ₹ 2.87 crore towards execution of 42.80 lakh cum of burrow earth. As the works were awarded at less tender premium, undue payment to contractors worked out to ₹ 2.14 crore and of this, a sum of ₹ 1.88 crore had already been passed on to the contractors towards execution of 37.96 lakh cum burrow earth as detailed in ***Appendix – 3.7.1***.

[40] (i) Construction of Haladia Earth Dam excluding the existing spillway portion, (ii) Construction of Jambhira Earth Dam from RD 2830 m to 3930 m, (iii) Construction of Jambhira Earth Dam RD 3930 m to 4440 m. and (iv) Construction of Jambhira Earth Dam from 4960 m to 6060 m.

On these being pointed out, Government stated (May 2015) that a provision for stripping burrow area has been kept in the Analysis of Rates 2006 vide item 13 of the special items for irrigation works. However, the item rates of works were analysed as per item No.1 of the special items for irrigation works of Analysis of Rates 2006 where there was no provision for base stripping.

3.8 Avoidable extra expenditure

Provision of excess lead for transportation of burrow earth led to extra expenditure of ₹ 2.43 crore to Government and undue benefit to contractor

OPWD Code (Para 3.4.10) stipulates that estimates should be prepared in a most economical manner which includes adoption of shortest lead for transportation of construction material. The preparation of estimates using the shortest lead is also followed and certified. The Executive Engineer (EE) concerned certified to this effect in following cases as per above codal provision.

Check of records of EE, Ret Irrigation Division, Bhawanipatna revealed (March 2014) that for Ret Irrigation Project at Kutingpadar, estimates for construction of earth dam of right flank (₹ 9.01 crore) and left flank (₹ 32.90 crore) were prepared and works were awarded (May 2007) to a contractor[41] for ₹ 7.61 crore and ₹ 26.05 crore for completion in November 2008 and November 2009 respectively. The works were in progress and ₹ 29.45 crore was paid to the contractor (December 2014). Documents in support of estimates indicated that earth for construction of dam was to be burrowed from seven locations whose leads ranged from 1.5 km to 4 .0 km and average lead worked out to 2.5 km. In response to audit queries, the EE confirmed that the actual average lead is two km. As against the above average lead of two km, lead distance of 3.5 km was provided in the estimates for burrow earth. Further, while maximum lead was only three km, bill of quantity forming part of agreement, stipulated excavation of earth from burrow area to work site within a lead of five km.

Adoption of excess average lead of 1.5 km in analysis of rates and incorporation of additional two kilometre lead in bill of quantity inflated the estimates by ₹ 4.49 crore for transportation of 17.25 lakh cum of burrow earth as detailed in ***Appendix – 3.8.1***. Considering tender premium, extra cost worked out to ₹ 3.34 crore out of which a sum of ₹ 2.43 crore had already been passed on to contractor for transportation of 12.77 lakh cum of burrow earth. Thus, provision of excess lead for transportation of burrow earth led to extra expenditure to Government and undue benefit to contractor.

On this being pointed out, Government stated (July 2015) that as soil for upstream toe of dam was not to be disturbed up to one km for safety of the

[41] M/s BVSR Construction Private Limited.

dam, average lead of 3.5 km was provided. It was further stated that as the tender was decided based on the item rates quoted by the agency, there was neither any erroneous calculation nor any undue benefit extended to the agency so far as the sanctioned estimate was concerned. However, the division had mentioned the availability of burrow earth within a distance of five kilometer in the Detailed Tender Call Notice (DTCN) which induced the bidder to quote excess rate for two kilometer.

3.9 Avoidable extra cost

Cancellation of tender of a technically qualified bidder and award of work to Odisha Construction Corporation at their offered rate resulted in avoidable extra cost of ₹ 6.33 crore at award stage

Chief Engineer & Basin Manager (CE&BM), Lower Mahanadi Basin (LMB) invited (April 2012) tender through e-procurement notice for work "Construction of flood protection embankment on Baitarani Right from Batto to Ranapur under NABARD assistance" against which two bids were received. On opening of technical bids (May 2012), one bid was found to be non responsive and another bidder namely, M/s Biraja Construction was found qualified. OPWD Code stipulates that currency period of any tender should not be more than three months.

Check of records of Executive Engineer (EE), Baitarani Irrigation Division (BID), however, revealed (November 2014) that after 10 months of opening of technical bids, the Tender Committee (TC) of the Department approved (March 2013) the technical bids. On opening of financial bids (April 2013), it was found that the bidder had quoted ₹ 8.25 crore being 16.45 *per cent* less than the estimated cost of ₹ 9.88 crore. As the quote was not matching with the estimated cost, Chief Construction Engineer (CCE), Anandapur Barrage Project (ABP) requested (April 2013) the bidder to submit critical analysis in support of their quoted rates within a week which was not received. Subsequently, CE&BM, LMB directed that the tender be cancelled and the EMD of the bidder be forfeited, which was communicated (June 2013) to EE along with request for early steps for retender of the above work. EE, however, recommended (June 2013) that the work be awarded to M/s Odisha Construction Corporation (OCC) for quick and timely execution in view of ensuing flood damaged situation and demand of local representatives. On the basis of recommendation of EE, the CE&BM requested (July 2013) OCC to offer their rates for construction of work and the same was also recommended to Government for approval.

As per resolution of Works Department (September 2012), departmental execution can be taken up only where the work was non-responsive in tender /e-tender or exigency or security reasons. After seven months of cancellation of the tender of the technically qualified bidder, the work was awarded to OCC (January 2014) at their offered rate of ₹ 14.58 crore which was ₹ 6.33 crore in excess of the above bid. Further, the Executive Engineer's statement that the local representatives demanded early completion of work was also not supported by documentary evidence. Resorting to departmental execution or execution through State Public Sector Undertaking at a higher cost was not in the financial interest of Government. Further, the same bidder M/s Biraja Construction was given the work order by M/s OCC at 2.54 *per cent* less than the awarded cost to OCC.

Thus, rejection of a technically qualified bid and subsequent award of the work to OCC led to the work being awarded at a higher cost by ₹ 6.33 crore. While the department claimed that the work needed to be completed urgently, the actions of the department led to a delay of more than seven months.

On this being pointed out, the Government stated (July 2015) that the contractor failed to submit the critical analysis report in support of their quoted rate and also refused to take up the work with the quoted rate. Further, it was stated that due to demand of local representatives and general public, ensuing flood situation as well as the urgency for repair and restoration of the damaged embankment the work needed to be taken up immediately. The reply is not tenable since the bidder had requested twice (May 2013 and June 2013) to allot the work before monsoon and the same contractor was executing the same work on behalf of OCC. Moreover, the contention of the department that the work was of urgent nature, was not correct since the work was approved under NABARD assistance in December 2011 and remained incomplete even after lapse of more than three and half years defeating the urgency argument.

3.10 Extra cost due to non-awarding of work to qualified lowest bidder

Awarding of work to Odisha Construction Corporation at unduly higher cost despite availability of qualified lowest offer resulted in extra expenditure of ₹ 26.12 crore

Para 3.5.18 (iv) of Odisha Public Works Department (OPWD) Code stipulates that currency period of any tender should not be more than three months from the last date prescribed for receipt of tenders. If delay in deciding the tender is inevitable, consent of the tenderers to keep the tender open for a further period absolutely required should be obtained.

Chief Construction Engineer (CCE), Lower Suktel Irrigation Project (LSIP), Balangir invited (December 2010) online item rate tender for construction of earth dam from RD 490 m to 1410 m of LSIP at an estimated cost of ₹ 44 crore. Last date of submission of tender was 14 February 2011. It was revised to 14 March 2011 through corrigendum.

Check of records of Executive Engineer (EE), Lower Suktel Dam Division revealed (July 2014) that bids were valid upto 12 June 2011. However, on the request (May 2011) of EE, all bidders extended the validity period upto 09 September 2011. On opening of technical bids, Tender Committee (TC) of the

Department decided (June 2011) to qualify only two bidders[42]and disqualify another bidder[43] on execution criteria. The financial bids were opened on 21 July 2011 and it was found that first and second lowest bids were of ₹ 33.78 crore and ₹ 37.94 crore being 23.23 and 13.77 *per cent* less than estimated cost respectively.

In August 2011, the first lowest bidder M/s UBV Infrastructure Limited (UBV) was requested to submit the working analysis and also to extend the validity for further period of 90 days from 09 September 2011. UBV extended the bid validity period upto 08 December 2011 and submitted working analysis of rates. After review, CCE stated that according to analysis, the bidder could execute work and TC also recommended (September 2011) to award the work to UBV, subject to condition that bidder would deposit additional performance guarantee before drawal of agreement.

After two months of TC recommendation, EE requested (16 November 2011) UBV to come on or before 25 November 2011 and execute agreement by 30 November 2011 along with the required EMD and also to deposit additional performance security for ₹ 5.82 crore. The bidder however, requested for allowing 30 days to execute agreement and also for accepting bank guarantee towards additional performance security. The request of the bidder was not accepted and his EMD of ₹ 44 lakh was forfeited on 03 December 2011.

Subsequently, CCE recommended (December 2011) to award the work to Odisha Construction Corporation Limited (OCC) on the ground of saving time from lingering tender process. However, after 16 months, the work was awarded to OCC in April 2013 at their offered rate of ₹ 59.90 crore. As of March 2014, the work was in progress with payment of ₹ 7.16 crore already made. Action of the Department for insisting on deposit of additional performance security of ₹ 5.82 crore instead of bank guarantee, non-allowing 30 days time to a qualified lowest bidder to execute agreement who had extended his bid validity twice for 180 days on request of EE was not in the financial interest of Government. Thus, awarding of work to OCC without any justification resulted in extra expenditure of ₹ 26.12 crore.

On this being pointed out, Government stated (July 2015) that the contractor did not turn up and request of the bidder to accept bank guarantee was not accepted by CCE. Reply is not acceptable as there was delay of two months to issue intimation to contractor for execution of agreement after recommendation of tender by TC. Further, the request of the contractor to execute the agreement after 30 days and acceptance of bank guarantee towards additional performance security could have been considered as per para 15.6.2 of OPWD Manual.

[42] M/s UBV Infrastructure Limited and M/s Durga Condev (p) Limited.
[43] M/s ARSS Infrastructure Projects Limited.

3.11 Loss of Revenue

Non-conduct of joint verification of ayacut even after nine years of completion of an Irrigation Project resulted in non realisation of revenue of ₹ 44 lakh

Government of Odisha, Finance Department's Report of Expert Committee on Revenue Enhancement Measures states that Executive Engineers (EEs) of Department of Water Resources (DoWR) are responsible for preparation and certification of irrigated ayacut for the purpose of assessment of revenue. The same is to be forwarded to the Tahasildar of Revenue Department by respective EEs of DoWR for verification. A joint verification is to be conducted by Revenue Department and DoWR officers not below the rank of Additional Tahasildar and Assistant Engineer respectively. The assessment of revenue is finalised after joint verification.

Check of records of Nuapada Irrigation Division revealed (January 2015) that Kharkhara Irrigation Project in the district of Nuapada with culturable command area (CCA) of 1950 ha was completed in March 2006 at a cost of ₹ 24.84 crore. The Executive Engineer (EE) requested (November 2009) the Tahasildar, Nuapada for conducting joint verification/certification of ayacut only after three years of completion of the project. However, due to non availability of officers of Revenue Department as per the information furnished by EE, joint verification/certification of ayacut could not be done so far (May 2015) by DoWR, although, more than nine years had elapsed. Due to non conduct of joint verification of ayacut, water tax of ₹ 43.88 lakh at the rate of ₹ 250 per hectare per annum for 1950 ha for nine years could not be realised from the beneficiaries.

On this being pointed out, Government stated (July 2015) that the joint verification works was under process. The reply confirms that action is now being taken only after it was pointed out by audit.

3.12 Extra cost on award of work to OCC

In deviation from the Government guidelines, award of works to OCC at their offered rates resulted in extra cost of ₹ 56.45 crore and liquidated damages of ₹ 10.79 crore were also not recovered

Government of Odisha (GoO) in Works Department (WD) after concurrence of Finance Department (FD) issued (September 2012) working Procedure for execution of works through Public Sector Undertakings (PSUs) like Odisha Construction Corporation (OCC). Main conditions stipulated in the above procedure and their impact are as follows:

(a) Projects should be executed through tender / e-tender process. Departmental execution, however, may be taken up where there was no response to tender / e-tender or due to exigency or security reasons.

(b) OCC will prepare estimates for all Government projects on the basis of prevailing PWD Schedule of Rates (SoR).

(c) The Corporation is to call for tenders for works. After finalising tender, it will add supervision charges.

Check of records in seven[44] Irrigation Divisions revealed (December 2014 and May 2015) that during 2012-13, Department had prepared estimates for twenty projects[45] at a cost of ₹ 252.18 crore; but in deviation of stipulated procedure, no tender / e-tenders were called for to ascertain response of bidders and works were straightway awarded to OCC at their offered price of ₹ 280.57 crore plus overhead charges at 10 *per cent* with total cost of ₹ 308.63 crore during March 2013 and November 2013 for completion between March 2014 and November 2015 as detailed in ***Appendix – 3.12.1.***

It was further, revealed that the works were awarded to OCC at their offered price which was eight to 25 *per cent* in excess over sanctioned estimates before revision of SoR especially when there were no exigencies or security reasons. Despite release of interest free works advance in respect of 14 works, progress in execution of 13 works was slow and remained incomplete on the scheduled date of completion. As of March 2015 against total advance amount of ₹ 106.16 crore, works valued at ₹ 37.86 crore only were adjusted and there was no execution and adjustment at all in four[46] works. Although standard F_2 Agreement clause 2 (a) provided for levy of liquidated damages (LD) at 10 *per cent* of estimated cost, no action was taken for recovery of dues amounting to ₹ 10.79 crore.

Thus, works not urgent in nature awarded to OCC at their offered rates resulted in extra cost of ₹ 56.45 crore to department and non-levy of LD of ₹ 10.79 crore for non-completion of works within due date led to extension of undue benefit to OCC.

Government stated (July 2015) that works related to Kendrapara Irrigation Division were taken up on emergency/exigency basis through OCC during May 2013 to protect and permanently strengthen the embankments before next year's flood as these were affected during severe flood of 2011 and 2012. Similarly, the work of supply of water to Puri town was awarded to OCC to save time and lapse of fund. However, works were awarded to OCC not on the basis of prevailing SoR as per working procedure mentioned above resulting in extra cost to Government and extension of undue benefit to OCC.

[44] Irrigation Divisions (i) Kendrapara , (ii) Puri, (iii) Aul Embankment, (iv) Jaraka, (v) Jajpur, (vi) Mahanadi South and (vii) Jagatsinghpur.

[45] (i) Raising and strengthening to CE No. 44 (A) Luna left embankment from Bilabalarampur to Marsaghai, (ii) Raising and strengthening of Paika left embankment from Nainpur to Eragiri, (iii) Raising and strengthening to Chitrotpala right embankment from 28.590 to 65.190 Km and 6 old spures, (iv) Raising and strengthening of Dasmouzagherry, (v) Sourcing 75 MLD drinking water to Puri township,(vi) Protection to scoured bank of Rajnagar- Gopalpur river Hansua, (vii). Akhadasahi Creek Irrigation Project, (viii) Protection to Kani Kharasuan right bank, (ix) Protection to scoured bank on Kharashuan left, (x) Repair and restoration of Brahmani Left embankment, (xi) Repair and restoration to Capital embankment of 2A Kianali, (xii) Repair and restoration to Capital embankment of 2A, Devigada, (xiii) Raising and strengthening to right embankment of Baitarani river, (xiv) Restoration of CE No.78(A) on Mahanadi Right at Musadiha, (xv) Protection to Talada island and Tarasah gherry, (xvi) Protection to scoured bank on Devi left embankment at Garei from RD.66.310 to 67.050 km, (xvii) Renovation of Spurs at Daleighai of Kathajori left embankment from RD. 7.80 to 14.6 km, (xviii) Raising & strengthening of river embankment of devi left and Biluakhai, (xix) Protection to scoured Bank on Devi Left embankment near village Gandakula and (xx) Construction of spur at Rd 3.55 km on Devi Left embankment.

[46] (i) Sourcing 75 MLD drinking water to Puri township, (ii) Akhadasahi Creek Irrigation Project, (iii) Repair and Restoration to capital embankment of 2A Kianali and (iv) Repair and Restoration to capital embankment of 2A, Devigada.

3.13 Undue benefit to contractors

Adoption of higher rate for transportation of burrow earth led to excess estimation and consequent undue payment of ₹ 3.22 crore to contractors

Odisha Public Works Account Code (Para 3.4.10) stipulates that estimates should be prepared on the basis of Schedule of Rates (SoR) and cost of individual items of work shall be estimated as per Analysis of Rates (AoR). In respect of sourcing of burrow earth, the Divisional Officer is required to visit burrow area so that estimated cost for transportation of earth could be prepared accurately and economically.

Check of records of two[47] Irrigation Divisions revealed (December 2014 and March 2015) that under National Cyclone Risk Mitigation Project (NCRMP) estimates of five[48] works for raising and strengthening of saline embankment provided for transportation of 9.78 lakh cum of burrow earth from areas within two kilometers as per lead statements appended. According to prevalent SoR, admissible transportation cost for burrow earth within two km was ₹ 95.84 per cum whereas the divisions had adopted ₹ 124 per cum. Thus, adoption of the higher rate resulted in increase in estimated cost by ₹ 3.22 crore including tender premium as per agreement value.

Based on the above estimates, works were awarded in December 2013 at a cost of ₹ 63.81 crore on item rate contract with quoted rates ranging from ₹ 124 to ₹ 170 for completion by June 2015. As of November 2014 works were in progress with expenditure of ₹ 27.68 crore as detailed in ***Appendix – 3.13.1***.

On this being pointed out, Government stated (July 2015) that the lead statement appended to the sanctioned estimates of these works were wrongly mentioned as two km but the analysis of item rate had been computed with provision of five km lead and minimum mechanical carriage of earth had been calculated as per revised item No. 1 of SoR 2006 which was applicable for an initial lead of five km. The reply is not tenable as the lead statement appended to the sanctioned estimates for burrow earth is within two km which was also agreed by the EEs.

EMPLOYMENT AND TECHNICAL EDUCATION AND TRAINING DEPARTMENT

3.14 Assessment of Infrastructure in Government Engineering Colleges and Universities

3.14.1 Introduction

The Employment and Technical Education and Training (E&TE&T) Department subsequently renamed as Skill Development and Technical Education (SD&TE) Department provides technical education through Biju

47 Nimapara and Jagatsinghpur Irrigation Divisions.

48 (i) Raising and strengthening of Chitrotpala-Badaraula saline embankment package - 04, (ii) Raising and strengthening of Nagar saline embankment from RD 00 to 6660 mtr package -01, (iii) Raising and strengthening of Tandahara - Singarpala saline embankment package 08, (iv) Raising and strengthening of Keutajanga saline embankment package 02 and (v) Raising and strengthening of Saline Embankment Bandar to Khatagadi sluice from RD 12.847 to 17.380 km NCRMP-(O) JSD-01 (Reach-01).

Pattnaik University of Technology (BPUT), Rourkela formed under BPUT Act, 2002 and its six constituent engineering colleges[49]. Besides BPUT, there is an autonomous Government Engineering College (GEC) i.e., Indira Gandhi Institute of Technology (IGIT) at Sarang and another Engineering University called Veer Surendra Sai University of Technology (VSSUT) at Burla formed by Orissa Act 9 of 2009 which provide technical education in the State. As per subsection 10 (1) (i) of Clause 1.4.2 of AICTE Act, 1987, AICTE is to lay down norms and standards for course curriculum, physical and instructional facilities, staff patterns, staff qualifications, quality instructions, assessment and examination. Audit of E&TE&T Department and one of its Directorate namely Directorate of Technical Education and Training (DTET), BPUT, Rourkela and its constituent Engineering Colleges, IGIT, Sarang and VSSUT, Burla was conducted during April to June 2015 covering the period 2012-15 to assess whether the infrastructure was created/available and utilised as per AICTE norms; adequacy of human resources for utilization of infrastructure created and internal control, review and monitoring mechanism in implementation of infrastructure facilities and its adequacy and effectiveness.

Audit Findings

3.14.2 Planning and provision of fund for infrastructure in GECs

As a part of long-term expansion plan of technical institutions, Government of Odisha (GoO) in E&TE&T Department formulated (August 2013) the scheme for 'Infrastructure Development of Government Technological Universities and Engineering Colleges' for the period of 2013-17. Funds of ₹ 300 crore were allocated under the scheme for creation of infrastructure:

Table No. 3.10 ***Allocation of funds under the scheme*** (₹ in crore)

Infrastructure development of Technical Universities/ Engineering Colleges	***2013-14***	***2014-15***	***2015-16***	***2016-17***	***Total***
Civil Works (includes Civil works for Establishment of Technology Lab)	54.15	60.18	58.665	81.91	254.90
Equipment	--	8.50	11.50	7.00	27.00
Equipment for Technology Labs	1.38	2.44	2.91	11.38	18.10
Total	***55.53***	***71.12***	***73.07***	***100.29***	***300.00***

The scheme set the target for intake of students in the engineering College / University to increase from 3,017 in the year 2012-13 to 6,328 in the year 2016-17 by increasing the intake in the existing courses as well as by introduction of new courses. Administrative approval for ₹ 512.64 crore was accorded between September 2010 and August 2014 to create infrastructure.

[49] (i) College of Engineering and Technology, Bhubaneswar (CET) (ii) Government College of Engineering, Kalahandi (GCE, Kalahandi) (iii) Parala Maharaja Engineering College, Berhampur (PMEC) (iv) Institute of Management and Information Technology, Cuttack (IMIT) (v) Government College of Engineering, Keonjhar (GCE, Keonjhar) and (vi) Centre for IT and Management Education, Bhubaneswar (CIME).

Out of ₹ 254.90 crore approved for civil works, ₹ 164.25 crore was released to the institutions during 2013-15. In this regard audit observed the following:

- It was noticed that six infrastructure projects[50] proposed to be taken up for increasing of student intake at VSSUT were dropped (February 2015) due to non availability of sufficient funds. Similarly, in four[51] other institutions, 50 infrastructure projects were not taken up due to insufficient funds as detailed in ***Appendix – 3.14.1***.

- Under the head "Equipment" for 2014-15, although ₹ 8.50 crore was provided, funds were not released to augment the laboratory facility of the College / Universities resulting in deficient laboratory facility as discussed in Para ***3.14.4.5***

- As against the provision of ₹ 1.38 crore and ₹ 2.44 crore for the year 2013-14 and 2014-15 respectively towards procurement of equipment for Technology laboratories in five specialised areas[52], ₹ three crore was sanctioned to six Institutions[53] (₹ 50 lakh each) during July to September 2014. Procurement of equipment was not completed by these institutions till March 2015. Thus, the purpose of upgradation of knowledge and skill of both faculty as well as students to meet future challenges in Technology areas as envisaged in the scheme during 2013-15 could not be achieved.

- PMEC, Berhampur which started from academic session 2009-10, increased its intake strength by 180 and introduced four new courses having intake strength of 198 with effect from academic session 2014-15 although it was not envisaged in the scheme. The infrastructure required was under construction for the existing student strength and did not factor in the augmentation of student strength. The details of the inadequate infrastructure are discussed in Para ***3.14.4.2, 3.14.4.4 and 3.14.4.5.***

Thus, inadequate planning and provision of funds led to failure in providing adequate infrastructure as per AICTE norms. This resulted in AICTE not granting approval to the new courses and students were deprived of the required infrastructure.

3.14.3 Non-utilisation of surplus fund for creation of infrastructure

3.14.3.1 Surplus funds under College Development Fund/Self Finance Courses (SFC)

The Colleges / Universities collect College Development Fees from the students as well as tuition fees at a higher rate in case of SFC which are to be used for the purpose of creating facilities such as computer room, laboratory,

[50] (i) 50 seated International Hostel, (ii) 1000 seated Boys Hostel, (iii) 600 seated Girls Hostel, (iv) Department Buildings of Architecture, Metallurgy and Materials Engineering and Master in Business Administration, (v) New separate administrative block and (vi) Non-teaching quarters.

[51] CET, IGIT, IMIT and PMEC.

[52] (i) Micro Electronics, (ii) New Materials and Nano Technology, (iii) Advance Mechanical Engineering and Design, (iv) Advance Civil Engineering and Design, and (v) Software Development and Technologies.

[53] CET, VSSUT, IGIT, PMEC, GCE, Keonjhar and GCE, Kalahandi.

library room, canteen etc., for the students. Audit observed that as on March 2015, surplus funds ranging from ₹ 3.06 crore to ₹ 5.08 crore were available in four[54] out of eight institutions. However, though these institutions were deficient in infrastructure, surplus funds were not utilised for the required augmentation. In four other institutions, surplus on this account could not be worked out by audit as accounts of college development fees were not maintained separately.

3.14.3.2 Surplus fund of BPUT

BPUT depends on grants from GoO for creation its infrastructure and that of its constituent Colleges. As on March 2014, BPUT had surplus funds of ₹ 375.87 crore. Position of surplus fund as on March 2015 could not be ascertained due to non finalisation of accounts for 2014-15. Further, in order to create campus culture in Colleges it was decided (October 2009) by the Board of Management (BOM) of BPUT to provide financial assistance amounting to ₹ 21.91 crore to its constituent Colleges out of its surplus to create hostel facilities. BPUT further decided to spend ₹ 12 crore (₹ 2.00 crore each) for its six Centres of Advanced Studies for procurement of equipment. However, funds were not released till the date of audit due to which basic infrastructure such as library books, laboratory equipment, computers, e-journals etc. could not be required for students.

3.14.4. Assessment of infrastructure in the Universities and Colleges

3.14.4.1 Land

As per AICTE norm, land holding of 10 acre (14 acre for additional programmes of Master in Business Administration (MBA), Master in Computer application (MCA) and Architecture and Town Planning (AT&P)) and 2.5 acre (3.5 acre for additional programmes of MBA, MCA and AT&P) is required for technical institutions offering Under Graduate (UG) /Post Graduate (PG) Programmes in rural and other than rural areas respectively. The position of landholdings by the test checked Colleges/ Universities vis-à-vis their utilization is detailed in the ***Appendix – 3.14.2***.

Out of nine institutions, in seven institutions[55], land holding ranged from 36.90 acre to 212 acre was much more than the AICTE norm. Land holding in two colleges[56] was 2.02 acre and 2.50 acre which was 42 and 29 *per cent* lower than the AICTE norm of 3.5 acre.

3.14.4.2 Buildings

AICTE has prescribed norms for buildup areas like instructional area, administrative area, amenities area and circulation area. Deficiencies noticed in built up areas are as mentioned below.

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[54] CET, GCE, Kalahandi, IGIT and VSSUT.
[55] BPUT, VSSUT, IGIT, CET, PMEC, GCE, Keonjhar and GCE, Kalahandi
[56] CIME and IMIT.

- ***Instructional Area***

Instructional area includes classrooms, tutorial room, laboratories, workshop, computer centre, library and reading room etc. As per AICTE norms, it is mandatory to have one class room for each course of each branch according to duration. It was noticed that out of nine institutions, two[57] have shortages of eight to ten class rooms against AICTE norms. Further, there were shortages of 9 to 23 laboratory rooms in three[58] Institutions as per course syllabus. As a result necessary laboratory facilities could not be provided to students as per course requirement as discussed in Para ***3.14.4.5***.

- ***Amenities Area***

Amenities areas such as Cafeteria, Common Room for boys and girls, Stationery Store & Reprographic facilities, First Aid-cum-Sick Room including hostel etc., are essential as per AICTE norms. The inadequacy of these areas noticed are detailed in ***Appendix – 3.14.3***. In this connection, audit observed following:

- In CET, there were no Boys and girls common rooms.
- In GCE, Kalahandi there were no boys common room, cafeteria, stationery store, Reprography facilities and First Aid-cum-Sick room. Girls common room in the institute was only of 43 sq. mtr as against the prescribed norm of 75 sq. mtr.
- In IMIT, there were no Stationery Store and Reprography facilities. Boys common room area was only of 60 sq. mtr. as against the prescribed norm of 100 sq. mtr. Similarly, girls common room area was 60 sq. mtr. as against the norm of 100 sq. mtr. and cafeteria area was only 120 sq. mtr. against norm of 150 sq. mtr.

3.14.4.3 Hostel

Hostel accommodation is a major infrastructure requirement for students and the same should be provided by the institute as per AICTE norm. Availability of hostel vis-a-vis student strength of the institutes are as detailed in ***Appendix – 3.14.4***. Following deficiencies in hostel facilities in different institutions are observed in audit:

- Hostels facility in three institutions[59] (out of nine), was not available upto 2014-15. Deficiency in availability of hostel facilities in other six institutions as against their students' strength ranged from 10.08 to 93.51 *per cent*. Hostels were under construction at IMIT and BPUT and in case of CIME, work on construction of hostel had not commenced.

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[57] PMEC and VSSUT.
[58] PMEC, CET and GCE, Keonjhar.
[59] BPUT, CIME and IMIT.

- Girls hostels in three institutions[60] were overcrowded ranging from 8 to 102 *per cent* of the capacity and girls students were forced to stay outside the campus.

- In case of GCE, Kalahandi though three hostels i.e., two boys hostels and one girls hostel of 367 seats each were constructed during September 2014 to April 2015 at ₹ 26.63 crore, the students could not avail the hostel facilities due to non availability of electrical connection and non completion of some minor civil works.

- In case of GCE, Keonjhar, occupancy of boys hostel was 75 *per cent* only as students preferred to stay outside due to communication problem and non-availability of basic facilities on the campus.

3.14.4.4 Availability of IT Infrastructure

- ***Computer and Printers***

As per AICTE norms, Personal Computer (PC) to students' ratio for UG and PG program is 1:4 and 1:2 respectively. In IMIT, CIME and BPUT for providing PG programme, ratios of PCs to students were 1:6.6, 1:2.25 and 1:4.95 respectively. Further, considering the norm of printers of 10 *per cent* of computers held, shortfall of 20 and 80 *per cent* of printer was noticed in IMIT and BPUT respectively. Computer centres, though required as per AICTE norm, were also not set up in GCE, Kalahandi and IMIT.

- ***Availability of Software***

AICTE norms prescribed for three legal system software and 20 legal application software for UG/PG Engineering and Technology courses. Though legal system software was available in all the institutions, legal application software was deficient in four[61] institutes and its availability ranged from 3 to 15 against norm of 20.

- ***Internet and Wi-Fi***

As per AICTE norm, internet facilities and secured wi-fi facilities are required for technical institutions. Though internet facilities are available in all the institutions, Wi-Fi facilities were not available in three[62] institutions. Out of six other institutions where wi-fi facilities were available, facilities of three institutions[63] were not secured.

3.14.4.5 Laboratory equipment and experiment

AICTE norms prescribed that laboratories shall have equipment as appropriate for experiments to meet the requirements of affiliating Universities/ Board's Curriculum. The norms stipulate that the experiment set up be so arranged that

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60 VSSUT, IGIT and PMEC.
61 BPUT, GCE, Keonjhar, GCE, Kalahandi and IMIT.
62 PMEC, BPUT and VSSUT.
63 GCE, Keonjhar, Kalahandi and CIME.

maximum four students shall work on one set. Further, if UG laboratories are shared with PG courses, they shall be upgraded to meet the requirement of PG curriculum. In this regard, following deficiencies were observed in audit:

- ***Inadequate laboratory equipment in Colleges***

In GCE, Kalahandi, GCE, Keonjhar and PMEC, as against requirement of 32, 76 and 51 laboratories 24, 67 and 38 respectively were available. Further, for strengthening laboratory facilities as well as to meet shortfall in required equipment as per syllabus, four[64] Institutions proposed GoO for additional equipment worth ₹ 8.99 crore which could not be procured due to non release of fund.

Thus, due to want of laboratory equipment, the practical classes as per the course syllabus could not be conducted depriving students of the most essential component of engineering courses.

- ***Conduct of Masters in Technology (M. Tech) courses without laboratory equipment***

The Curriculum and syllabus of M. Tech courses prescribed mostly practical papers and students have to submit thesis on the research conducted by them which requires one specialized research laboratory as per AICTE norm. It was noticed that during 2013-15, seven[65] institutions introduced 39 M. Tech Courses having intake of 702 students. Of these institutions, BPUT opened 11 M. Tech Courses without any laboratory facilities except 40 computers and three application software. In order to set up separate M. Tech laboratories, BPUT proposed (November 2014) ₹ 8.00 crore in the budget for 2015-16. Equipment worth ₹ 10.99 crore proposed by two[66] other institutions during 2013-15 to upgrade their UG laboratories to PG laboratories were not also procured. In case of BPUT, students had to use NIT, Rourkela's facilities for thesis/research work.

3.14.4.6 Workshop

- ***Non-availability of workshop facility***

AICTE norm prescribed at least one workshop for all courses of an institution in which fitting, welding, machining practice etc., are to be conducted as per university syllabus. Audit observed that as against this, 3[67] institutions did not have any workshop.

- ***Non-electrification of workshop building leading to idling of equipment***

The workshop building at GCE, Kalahandi completed in June 2014 at a cost of ₹ 4.42 crore and equipment of ₹ 72.26 lakh procured for the workshop

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64 VSSUT, CET, GCE, Keonjhar and GCE, Kalahandi.
65 BPUT, VSSUT, IMIT, IGIT, CET, CIME and PMEC.
66 VSSUT and CET.
67 GCE, Keonjhar, IMIT and CIME.

between February and September 2013 remained idle due to non electrification of building.

- ***Idling of workshop buildings constructed at BPUT***

The workshop building in BPUT remained idle since June 2014 as no equipment had been procured for use by the students for practical classes.

3.14.4.7 Library facilities

AICTE norms require provision of necessary numbers of titles and volumes, national and international journals, e-books and multimedia PC in the library for the students. Out of nine institutions, the volumes of books in six institutions[68] were as per AICTE norm. However, in remaining three[69] institutions, books volumes available were 39,390, 14,912 and 20,793 as against requirement of 71,550, 16,000 and 24,200 respectively. Similarly, in six institutions[70] the titles of books were as per AICTE norm and in the remaining three institutions,[71] 3,150, 2,617 and 1,216 titles were available as against requirement of 12,000, 3,200, and 2,200 respectively.

3.14.4.8 E-journal

It is mandatory for the technical institutions to subscribe to eight numbers (two additional e-journals for program of Architect and Town Planning) of e-journals as per AICTE norm. As against norm, in six institutions[72] required numbers of e-journals were not subscribed and the shortfall ranged from one to nine. Remaining three[73] institutions did not subscribe to any e-journals. Thus, the students were deprived of the latest technological information and developments due to non availability of required number of e-journals.

3.14.4.9 Other infrastructure facilities

Other infrastructure facilities such as Language Laboratory, barrier free built environment for disabled, safety provisions including fire and other calamities, institution web site, first aid-cum-medical and counseling facilities etc., are also essential as per AICTE norms. The following deficiencies were noticed in audit.

- ***Language Laboratory***

The language laboratory is used for language tutorials and attended by the students for remedial English classes which benefits students who are deficient in English. Although, it is essential to have language laboratory, out of nine institutions, two[74] institutions were not having this facility for students.

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68 BPUT, VSSUT, IGIT, PMEC, GCE, Kalahandi and CIME.
69 CET, GCE, Keonjhar and IMIT, Cuttack.
70 BPUT, VSSUT, IGIT, PMEC, GCE, Kalahandi and CIME
71 CET, GCE, Keonjhar and IMIT, Cuttack
72 VSSUT, IGIT, CET, PMEC, GCE, Keonjhar and GCE, Kalahandi.
73 BPUT, CIME and IMIT.
74 GCE, Keonjhar and IMIT.

- ***Barrier free environment for disabled***

GoO notified for three *per cent* reservation of seat in technical institutes for physically handicapped (PH) students. AICTE norms also provided that lift, ramps, specially designed toilets, signage etc., should be provided as per CPWD norms for obstacle free movement of the PH students. None of the institutions had, however, lift facility for these students. Further, in six institutions[75], the infrastructures were not fully barrier free due to absence of ramps, ramps not as per norm, signage, specially designed toilets etc. which could pose problems in movement of PH students.

- ***Safety provisions including fire and other calamities***

As per National Building Code, it is mandatory for the institutes to obtain no objection certificate (NOC) from fire authorities before constructing any building of more than 15 mtr. height. Further, details of fire safety arrangement to be provided in building must be submitted to the respective development authority before sanction of building plan if the building is used for educational purpose. It was noticed that although five[76] institutes were coming under planning area, approval of buildings was not obtained from development authorities. The fire safety arrangement such as fire hydrant, fire alarm system, fire exits were not available in the test checked institutions. Only fire extinguishers were provided in laboratories. Non-existence of these fire safety arrangements may render the buildings unsafe against fire hazards.

3.14.5 Requirement of Human Resource for manning the infrastructure and vacancy in faculty position

AICTE prescribed norms with regard to human resources to be maintained by the technical institutes. Details of sanctioned strength and existing faculty members during 2014-15 in the technical institutions are given in ***Appendix – 3.14.5***. It was revealed that as against the sanctioned strength of teaching posts of 834 in eight institutions, men-in-position were only 436 constituting 52.28 *per cent* of total sanctioned strength. Further, vacancies in these institutions ranged from 23.28 to 94.55 *per cent*. Audit observed that CIME had no sanctioned strength at all since the courses were Self Finance Course (SFC) and the institution managed imparting lectures only through contractual/guest faculties. Vacancies at other institutions were also managed through contractual/guest faculties.

AICTE further stipulates faculty-student ratio of 1:15 for UG course and 1:12 for PG courses. As per this norm, these technical institutions had at least 896 teaching posts. However, men-in-position in these institutions were only 436 (49 *per cent*). Failure to provide adequate faculty may adversely impact the conduct of the courses.

[75] BPUT, IGIT, CET, PMEC, GCE, Keonjhar and IMIT, Cuttack.
[76] CET, VSSUT, BPUT, IMIT and CIME.

3.14.6 Non-accreditation and approval of courses due to inadequate infrastructure

Courses offered by seven institutes having intake of 1,214 students were not approved by AICTE due to deficiency in infrastructure of the institutes and violation of norms for creation of additional courses and increase in intake of existing courses as detailed in ***Appendix – 3.14.6***. Further, in case of IGIT, Sarang two B. Tech programs with intake of 120 students and three M. Tech Programs with intake of 54 students were not approved by AICTE although it was mandatory. Conduct of non approved courses may invite penal action by AICTE. Accreditation of the courses by National Board of Accreditation (NBA) was mandatory for getting approval of the courses by AICTE. It was, however, noticed that none of the institutes had obtained accreditation of their courses as on March 2015. GCE, Keonjhar applied for NBA accreditation, but failed to meet the required criteria.

3.14.7 Status of ongoing infrastructure development works

GECs and Universities receive non-recurring grants from GoO and Government of India (GoI) for undertaking infrastructure development works such as academic buildings, hostels, Library, laboratory building and staff quarters etc. Audit of the infrastructure projects revealed that out of 94 projects taken up, 49 projects valuing ₹ 146.30 crore were completed and 45 infrastructure works valuing ₹ 349.15 crore were under progress as of March 2015. The details of ongoing infrastructural development work of nine institutions are given in ***Appendix - 3.14.7.***

Out of 45 works though stipulated periods of completion of 22 works were over by March 2015, these works were not completed even after delays ranging from one to 64 months mainly due to slow progress of work by contractor, non supply of drawings and design by architect, lack of funds, change in design due to additional work etc. Two works i.e., Boundary wall at BPUT and Girls hostel at CIME, Bhubaneswar valuing ₹ 4.92 crore and ₹ 7.30 crore respectively sanctioned in 2014-15 were not taken up at all due to non furnishing of design by BPUT and non-finalisation of executing agency by CIME.

As against the total estimated value of works of ₹ 349.15 crore, ₹ 112.76 crore (32.30 percent) was released (March 2015). Audit observed that financial progress of these works ranged from 12.72 to 94.28 *per cent*. Although the students strength increased from 3,017 in 2012-13 to 5,561 in 2014-15, the required infrastructure was not created due to inadequate provision of funds.

- ***Lack of Infrastructure due to delay in execution of works***

It was revealed that delay in execution of various infrastructure works resulted in cost overrun and the students were deprived of desired benefits as detailed below.

Table No. 3.11 Delay in execution of infrastructure works

Sl. No.	***Name of the infrastructure work***	***Estimated / awarded cost (₹ in crore)***	***Month of approval/ awarded/ scheduled date of completion***	***Present status***	***Impact of delay***
1	Library-cum Computer Center at BPUT, Rourkela.	5.06	September 2007/ June 2008/ December 2009	The contractor stopped the work in 2012 after executing work of ₹ 3.21 crore due to non-submission of drawing and design by the Architect concerned appointed by BPUT. The balance work along with additional design of said building was again entrusted (January 2015) to IDCO at a revised estimated cost of ₹ 15.75 crore which was not taken up as on May 2015.	Delay in completion led to blockage of ₹ 3.21 crore spent on library – cum - computer centre for more than three years.
2	100 seated Scheduled Caste Ladies Hostel at VSSUT, Burla.	2.16	February 2009/ January 2010	The contractor could complete only 54 *per cent* of work amounting to ₹ 1.17 crore. The work was rescinded in May 2014 and the balance work was entrusted (20 December 2014) to IDCO at a revised estimated cost of ₹ 1.78 crore. The work was not commenced as on March 2015.	The objective of the scheme to provide hostel facilities to SC ladies students could not be achieved and cost of work was increase by ₹ 0.79 crore.
3	100 seated boys hostel at IMIT, Cuttack.	1.87	March 2013/ March 2015	The work was approved (September 2010) by DTET for execution through OSPH&WC at a cost of ₹ 1.87 crore and funds were received during May 2010 to August 2011 from GoO. Since construction of new hostel was to be made by demolishing old dilapidated asbestos building belonged to Executive Engineer (EE), Cuttack Roads and Buildings (R&B) Division, in November 2012, GoO directed IMIT to undertake the work of demolition through OSPH&WC. The work was under progress with expenditure of ₹ 90.59 lakh (30.26 *per cent*) as of May 2015.	Due to delay in decision by the Government, demolition work at the level of executing agency (OSPH&WC) could not be completed in time and students were deprived of hostel facilities.
4	Workshop building of GCE, Keonjhar.	2.16	February 2009/ April 2013/ July 2014	The work could not be commenced due to want of fund. The work was again taken up through IDCO at revised estimate of ₹ 2.68 crore in April 2013 for completion by 16 July 2014. As of March 2015, work remained incomplete.	Non-execution in time resulted in cost overrun of ₹ 0.52 crore.

Sl. No.	Name of the infrastructure work	Estimated / awarded cost (₹ in crore)	Month of approval/ awarded/ scheduled date of completion	Present status	Impact of delay
5	Computer laboratory room at IMIT, Cuttack.	0.69	February 2013/ July 2013	The cost of the works which was awarded in February 2013 for ₹ 68.73 lakh was subsequently revised (September 2013) to ₹ 46.24 lakh. Though the work of one computer laboratory was completed (February 2014) the laboratory was not handed over to IMIT due to disputes in deviation in the work done by the executing agency. Other two works were not taken up as of March 2015.	The students of the institution could not avail the benefit of computer laboratory.

3.14.8 Non-utilisation of funds received for infrastructure development works

During 2012-15, out of grant of ₹ 156.60 crore received by nine institutions for creation of infrastructure on civil works and equipment as detailed in ***Appendix – 3.14.8***, ₹ 12.91 crore remained unutilised by seven institutions for one to three years for reason not on record.

3.14.9 Status of utilisation of GoI scheme fund for creation of infrastructure

GoI provides funds for infrastructure development under different schemes such as Technical Education Quality Improvement Programme (TEQIP) through Ministry of Human Resources Development (MHRD); SC/ST Hostel grant and Modernization and Removal of Obsolescence (MODROB) from AICTE etc. Following deficiencies were observed in audit in utilisation of these scheme funds.

3.14.9.1 Delay in utilisation of fund sanctioned under Centrally Sponsored Scheme TEQIP Phase II

GoO released (April 2012 to February 2015) ₹ 14 crore (including State share of ₹ 3.50 crore) to CET and VSSUT (₹ 7.00 crore each) out of funds received (March 2012 to January 2015) under TEQIP Phase-II from MHRD, GoI with objectives of strengthening institutions to produce high quality engineers for better employability; and scaling-up postgraduate education and demand-driven research and development and innovation etc. Out of these, ₹ 6.30 crore being 45 *per cent* of amount released was allowed for procurement of equipment, furniture, books, software etc. as per TEQIP guideline. As against this, ₹ 4.42 crore was utilised as on March 2015.

Further, the scheme stipulated for creation of four funds i.e., Corpus Fund, Faculty Development Fund, Equipment Replacement Fund and Maintenance Fund by project institutions by opening separate bank accounts through contribution of at least 0.5 *per cent* (total two *per cent*) of annual recurring expenditure of the institutions. Audit observed that contribution of ₹ 28.20 lakh was made for these four funds (₹ 7.05 lakh each) by VSSUT for 2011-12 only and no amount was contributed to these funds during 2012-15. Considering recurring expenditure of ₹ 82.29 crore of VSSUT for 2012-15, there was shortfall in contribution of ₹ 1.65 crore to these funds. However, CET was contributing regularly to these funds more than the required percentage. Non provision of fund by VSSUT as per the scheme may result in shortfall of fund meant for replacement and maintenance of equipment.

3.14.9.2 Non-utilisation grant received for SC/ST hostel in time leading to non-release of balance grant of ₹ two crore by AICTE

CET and IGIT received (February/March 2013) grant of ₹ two crore (₹ one crore each) as 50 *per cent* from AICTE as 1st instalment for construction of SC/ST hostels with capacity of 120 students. Remaining grants, instalments would be released only on submission of progress report with statement of expenditure and utilisation certificate. However, these institutions had not taken up the work till March 2015 and pending construction of SC/ST hostels further grant of ₹ two crore was not released by AICTE.

3.14.9.3 Utilisation of grant received under MODROB

AICTE had released grants of ₹ 78.04 lakh, ₹ 57.65 lakh and ₹ 100.07 lakh to VSSUT, IGIT and CET respectively under the scheme 'Modernization and Removal of Obsolescence (MODROB)' during 2005-06 to 2014-15 for modernization of laboratory and research work as detailed in ***Appendix – 3.14.9***. Out of these, funds amounting to ₹ 41.84 lakh, ₹ 37.01 lakh and ₹ 20.69 lakh respectively remained unutilised from one to nine years. Thus, non utilisation of funds received under MODROB deprived the students of modern equipment in the laboratories.

3.14.10. Monitoring and Internal Control

Internal control system is an essential part of the Managerial control system. An efficient and effective control system helps Management to achieve organisational objectives efficiently and effectively. Following deficiencies in monitoring and internal control system were noticed in audit.

3.14.10.1 Non conduct of review meeting

As per Clause 29 of BPUT Statute 2006, there shall be a Building and Works Committee (BWC) with Vice Chancellor (VC) as Chairman to look into all the construction and developmental activities of the University. The Committee, responsible for construction of all major capital works, shall meet at least twice a year. It was noticed that though seven meetings were held between April 2011 and September 2013, monitoring the progress of work was not adequate as 15 works of BPUT and its constituent colleges were not completed even after delay of one to 64 months from its scheduled date of completion. Further, though GoO proposed (September 2013) to engage a Project Management Agency (PMA) for effective monitoring and timely implementation of projects, no PMA was engaged till June 2015 to monitor the projects.

3.14.10.2 Non-submission of physical and financial progress report of work

GoO issued (September 2013) instructions for submission of physical and financial progress report of the works by the executing agencies to Government Colleges and Universities concerned. Despite this, periodical physical and financial reports were not submitted to Government Colleges and Universities concerned. This resulted in poor monitoring of status of works.

3.14.11 Conclusion

There was inadequate fund provision in the scheme to create required infrastructure in two Universities and seven Colleges despite increase in intake of students. Lack of laboratory and workshop facilities in these institutes deprived the students of required practical knowledge as per syllabus. Due to deficiency of infrastructure, approval of AICTE could not be obtained for the newly introduced courses. There was shortage of required faculties as per AICTE norms in all the Colleges and Universities. Lack of monitoring also resulted in delay in completion of infrastructure work.

INDUSTRIES DEPARTMENT

3.15 Arbitrary and non transparent expenditure

Arbitrary and non transparent expenditure of ₹ 14.73 crore of Odisha Industrial Infrastructure Development Corporation as Corporate Social Responsibility spending

As per Section 135 (5) of the Companies Act, 2013 every Company shall spend, in every financial year, at least two *per cent* of the average net profits made during the three immediately preceding financial years in pursuance of its Corporate Social Responsibility (CSR) Policy. Although Odisha Industrial Infrastructure Development Corporation (IDCO) being a Statutory Corporation set up under Odisha Industrial Infrastructure Development Corporation (OIIDC) Act, 1980 is not subject to the provisions of the Companies Act, the Corporation incurred expenditure towards CSR. However, policy guidelines for such expenditures have not been formulated. As per information submitted to the State Assembly in March 2015, the Corporation had spent ₹ 1.30 crore, ₹ 6.57 crore and ₹ 9.95 crore on CSR activities during 2012-13 to 2014-15 respectively. Audit examined the activities undertaken by the Corporation under the ambit of CSR with reference to the broad parameters of serving social cause as per guidelines issued by Government of

India (GoI) for CSR activities viz. eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health and ensuring environmental sustainability etc. and observed as under:

- IDCO contributed ₹ 12 crore (₹ six crore each during November 2013 and January 2015) towards formation of Kalinga Lancer a franchise team in Hockey India league. Chairman-cum-Managing Director's proposal (October 2010) for franchise was approved (October 2010) by the Sports Minister after being recommended by Chief Secretary (CS) with the consideration that the revenue would offset expenditure. This expenditure was accounted under the CSR head. The franchise was Odisha Sports Development and Promotion Company (OSDPC) a Special Purpose Vehicle (SPV) formed by IDCO and Mahanadi Coalfields Limited. The SPV received ₹ 5.52 crore and ₹ 3.07 crore in 2013-14 and 2014-15 respectively as revenue. A commercial activity of this kind cannot be accounted as a CSR activity.

Government stated (September 2015) that the basis of moving the proposal of Hockey India was not a commercial venture but a not-for-profit initiative as per Section 25 of Companies Act, 2013 aimed at promotion of sports and welfare of sports person in the State. To provide exposure to local players, the Board of Directors of IDCO in its 97th meeting accorded approval for contribution to the SPV under CSR activities. The replies are not acceptable as the SPV created by the IDCO was engaged in commercial activities and contribution made by IDCO for creation of a commercial venture cannot be accounted for as CSR activity.

- IDCO spent ₹ 1.36 crore (between December 2011 and September 2014) towards furnishing, renovation, installation of TV, furniture of Industries Department and Collectorate's Circuit House and Conference Halls. Such expenditure on provision of additional amenities of selected buildings for promotion of business interest cannot be considered as CSR.

Accepting the factual position, Government stated (September 2015) that the expenditures were accounted for CSR activities.

- Police Stations were constructed with CSR funds of ₹ 1.37 crore of IDCO. In one instance for the benefit of Pohang Iron and Steel Company (POSCO) at Badagabapur to counter any law order problem arising out of land acquisition for the company. In the second instance at Chandrasekharpur for maintaining law and order situation and creating a peaceful environment for conducive industrial growth. Financing towards construction of police stations cannot be classified under CSR.

Thus, Audit noticed that above activities do not fall under the definition of CSR and cannot be termed as CSR expenditure. Thus, failure of IDCO in drawing a definite policy resulted in irregular expenditure of considerable amount towards promotion of commercial interest of its own and others under the garb of "CSR activities" in a non transparent and arbitrary manner, which actually did not benefit the common public.

Although Government stated (September 2015) that these works were of immediate nature, splitting proposal was approved by the management and works were executed in piece meal manner, but it was silent on booking the expenditure under CSR activity.

WORKS DEPARTMENT

3.16 Undue benefit to contractors

Adoption of average lead in place of shortest lead distance inflated estimates and extended undue benefit of ₹ 2.32 crore to contractors

OPWD Code (para 3.4.10) stipulates that estimates should be prepared in most economical manner. Any inflated estimate due to over estimation of items would directly pass on to the contractors on percentage rate tender leading to extra expenditure to Department.

Chief Engineer (CE), World Bank Project (WBP), Odisha had sanctioned nine road projects in two divisions[77] at a cost of ₹ 202.69 crore between October 2011 and January 2014. The works were awarded to six contractors[78] at a cost of ₹ 204.30 crore between May 2012 and June 2014 for completion between May 2014 and February 2016. As of February 2015, all works were in progress with payment of ₹ 53.05 crore. Estimates of above works *inter alia* provided for transportation of 7.99 lakh cum of construction materials such as stones and chips for construction of Granular Sub Base (GSB), Wet Mix Macadam (WMM), Bituminous Macadam (BM), Semi Dense Bituminous Macadam (SDBC), Cement Concrete (CC) and stone packing from approved quarries.

Check of record of two Roads and Buildings (R&B) divisions revealed (October 2014/March 2015) that for sourcing construction materials, average lead distances ranging from 16 to 50 km were provided in estimates, while shortest lead distances to nearby quarries certified by concerned Engineers ranged from five to 42 km on a plea that nearest quarries were not able to meet the requirement of project works. It was also observed that for non-availability of materials from nearest quarries, the department had neither sought for the documentary evidence from the revenue authorities nor did it ask contractors to furnish documents to divisions in support of their sourcing of materials from quarries other than nearest quarries. The CE while approving these estimates, also did not raise any objection.

The excess provision of lead between five and 28 km for different projects inflated the transportation cost between ₹ 36.50 to ₹ 224 per cum. For transportation of 7.99 lakh cum of construction materials (stone and chips),

[77] R&B Divisions Ganjam No.1 and Bhanjanagar.
[78] (i) Anusha Projects (P) Ltd., (ii) Judhistir Samantara, (iii) Tara Tarini Constructions (P) Ltd., (iv) Woodhill Infrastructure Ltd., (v) RKD Construction (P) Ltd. and (vi) NG Projects Ltd.

estimated cost of projects were increased by ₹ 7.81 crore and an undue benefit of ₹ 7.90 crore would be extended to contractors including tender premium since all contracts were finalised on percentage rate basis as detailed in ***Appendix - 3.16.1***. As of February 2015, 2.03 lakh cum of construction materials were transported for which undue benefit of ₹ 2.32 crore already extended to contractors.

On this being pointed out, Government stated (September 2015) that average lead was provided in estimates due to non availability of sufficient crushed stone material in the nearby crusher and royalty on stone material was recovered from contractors as they had not submitted K forms in support of sourcing of materials. Reply of the Government is not acceptable as provision of average lead was adopted in the estimates without verifying the non availability of materials from the Revenue authorities. Besides, average lead of three quarries (Mahuda, Bhaliaguda and Kukudakhandi) were adopted in respect of all five works executed in different places under Ganjam (R&B) Division No.1.

3.17 Non-recovery of Government dues from defaulting contractors

Non-recovery of compensation/penalty for inordinate delay in execution of works and non recovery from running account bills towards withheld amount for grossly under quoted rates led to loss of ₹ 2.49 crore

As per clauses 2 (a) and 2 (b) (i) of the conditions of F_2 contract, time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and in case of delay the contractor shall pay as compensation upto 10 *per cent* of the estimated cost of the work. In case of failure to complete the work, the contract shall be rescinded and 20 *per cent* of the value of left over work will be realised from the contractor as penalty.

Check of records of two[79] Roads & Buildings (R&B) Divisions (January 2015) revealed that two[80] works for improvement of roads were awarded (between May 2008 and October 2008) to two[81] contractors at a cost of ₹ 14.34 crore for completion between September 2009 and November 2009. The contractors did not expedite the works as per the work programme despite repeated instructions issued between August 2009 and August 2012 from Executive Engineers (EEs). Since the works were inordinately delayed for reasons attributable to contractors, compensation of ₹ 1.33 crore being 10 *per cent* of estimated cost of ₹ 13.31 crore as stipulated in clause 2 (a) of contract were to be levied and collected from the contractors, which was not done. EEs also failed to bring this to the notice of higher authorities.

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[79] Jeypore (R&B) Division and Kalahandi (R&B) Division.

[80] Improvement to Madinga - Deypore Road (₹ 7.82 crore) and Improvement to Umerkote - Likima Road (₹ 6.52 crore).

[81] M/s Accenture Construction Private Ltd. and Sri Rajesh Mohanty.

Without attributing any reasons the contractors stopped construction (June 2012 and March 2010) after executing works valued at ₹ 4.44 crore and ₹ 2.71 crore respectively. Due to non execution of works by the contractors, the Government rescinded the contracts in June 2013 and November 2013 with levy of penalty under clause 2(b)(i) of the contract. Penalty of ₹ 0.67 crore and ₹ 0.76 crore, being 20 *per cent* of the value of left over works was levied.

Further, the contract for the above work stipulated recovery of ₹ 0.56 crore from the RA bills of the contractor towards grossly under quoted rates for two items until satisfactory completion of items. It was noticed in audit that this amount was not recovered although 19 RA bills were paid to the contractor which was an undue benefit to contractor.

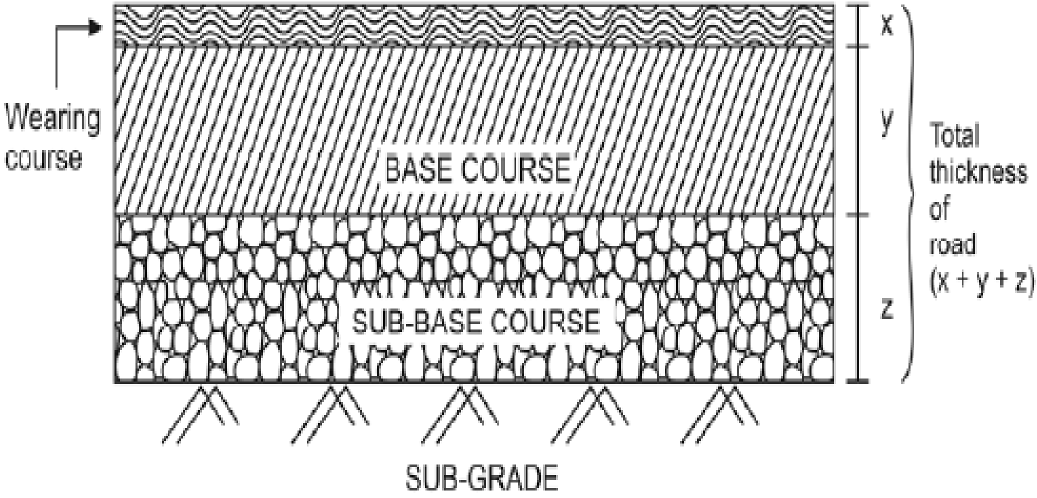
As mentioned above, the divisions had to realise a sum of ₹ 3.32 crore towards compensation for left over work, penalty for non execution of works and differential cost for under quoted rates against which only a sum of ₹ 0.83 crore was available with divisions in the form of security deposit and withheld amounts. An amount of ₹ 0.59 crore from the above sum was forfeited (October 2013 and February 2014) to the Government account and the balance amount of ₹ 0.24 crore was not forfeited by the EE due to the non finalisation of the final bill. In absence of any further amounts due to the contractors remaining with the department, the division was unable to recover the balance amount of`₹ 2.49 crore. The EEs had also not taken any action for recovery of the balance amount from the contractors through issue of instructions to other divisions**,** as required under rules.

The Government stated (September 2015) that clause 2 (a) is automatically covered up and warrants no separate action since it is the pre-condition to take action under 2 (b) (i). Further, it stated that action would be taken as per rules for recovery of balance amount of penalty. The replies are not acceptable as both the conditions under clause 2(a) and 2(b) (i) are independent. Clause 2(a) is enforceable for recovery of compensation of 10 *per cent* of estimated cost for delay in execution of work whereas clause 2(b)(i) is enforceable for realisation of penalty of 20 *per cent* of balance work in case the contract is rescinded.

3.18 Avoidable Extra Expenditure

Non adherence to guidelines of Indian Road Congress resulted in inflation of estimates of 15 works in nine R&B divisions and led to avoidable extra expenditure of ₹ 7.02 crore

According to the norms of Indian Road Congress (IRC), pavement layer of a road consists of three layers viz. sub base course, base course and surfacing/wearing course laid in successive layers over sub grade surface as shown in the diagram below.



Depending on the strength of sub grade soil, expressed in terms of California Bearing Ratio (CBR) and on the basis of projected number of commercial vehicles which would use the road calculated as Million Standard Axles (MSA), thickness of pavement of road is to be designed to ensure load bearing capacity of the road. According to IRC guidelines (4.2.1.5), preferably, the sub grade soil should have CBR of two *per cent*. Where the CBR value of sub grade soil is less than two *per cent*, the design should be based on sub grade CBR value of two *per cent* and a capping layer of 150 mm thickness of materials with minimum CBR of 10 *per cent* shall be provided in addition to the sub base.

Check of records of nine[82] Roads and Buildings (R&B) divisions revealed (between September 2014 and March 2015) that estimates of 15 works costing ₹ 261.13 crore were awarded for ₹ 255.53 crore between December 2009 and November 2014 for improvement / widening of roads. Though CBR value of sub grade soils were more than required two *per cent* (i.e. three to 10 *per cent*) indicating adequate load bearing capacity, divisions provided unwarranted capping layer of sand with thickness ranging from 150 mm to 450 mm as detailed in ***Appendix – 3.18.1***. The estimates, as compared with IRC specification provided granular sub base (GSB) with lesser thickness in eight[83] works, excess thickness in four[84] works and exactly required thickness in three[85] works. The unwarranted provision of capping layers of sand along with

[82] (R&B) division, (i) Panikoili, (ii) Bhanjanagar, (iii) Sambalpur, (iv) Bhawanipatna, (v) Jeypore, (vi) Khordha, (Vii) Kantabanji, (viii) Ganjam-I and (ix) Baliguda.

[83] i) Improvement to Dhaneswar-Barundei Road from RD 0 km to 12.5 km, (ii) Balipadar- Karasingi Road from Rd 0 km to 16 km, (iii) Maneswar-Kolapara Road, (iv) Bhawanipatna - Rayagada Road from Rd.26 km to 37 km, (v) Bhawanipatna-Rayagada Road from RD 0 km to 26 km, (vi) Road from NH-217 to Mahakhanda, (vii) Karapada-Badadamula and (viii) Matrugaon-Belghar-Jhiripani Road.

[84] (i) Odagaon-Bahadajhola- Nuagaon Road, (ii) Dasapalla-Bhanjanagar Road, (iii) Titilagarh-Papsi Road and (iv) Kansi-Sinali-Tyamana Road.

[85] (i) Kuchinda-Kusumi Road from RD.0 km to 22/820 km, (ii) Imp. To BKKR Road and (iii) NH-217 to Pocilima-Balarampur.

variations in GSB resulted in avoidable extra expenditure of ₹ 7.02 crore as detailed in ***Appendix – 3.18.2.*** As deviations from IRC provisions were allowed by higher authorities, different treatments were given for different works by the Executive Engineers (EEs) of divisions making the estimation process arbitrary and non-transparent. The above discrepancies could have been avoided by adhering to IRC norms at the level of EEs/Superintending Engineer (SE)/Chief Engineer (CE), but the same was not done.

The Government stated (September 2015) that the quantity of sand included quantity provided in crust portion as well as in shoulder portion while quantity under crust further consists of thickness required for drainage and thickness required in place of GSB close graded grading – III material. While drainage layer of 150 mm thick is required for performance of pavement, the extra quantity below crust is a substitute of GSB grading – III and there is saving in cost. However, IRC 37 provided for capping layer of sand only where CBR value of the surface soil is less than two *per cent* which was not the case here. The drainage layer is required only under the shoulders of the road at the sub grade level and not for the entire road as per Para 5.5 of the IRC guidelines. Thus, deviations from IRC norms were unwarranted.

3.19 Avoidable extra cost

In deviation of IRC specification in designing of pavement thickness, estimates provided for excessive Granular Sub Base leading to extra expenditure of ₹ 2.70 crore

Odisha Public Works Department (OPWD) Code (para 3.4.10) stipulates that estimates should be prepared in the most economical manner. It says that estimates provided for actual technical requirement only should be allowed. Indian Road Congress (IRC), specified the design procedure for all types of roads. Design**s** of roads are made on the basis of load bearing capacity of soil expressed as California Bearing Ratio (CBR) and number of commercial vehicles expected to ply over the road denoted as Million Standard Axles (MSA). The Divisions refer to the specifications of IRC for designing and estimating cost of roads to be laid.

Check of records of EE, Ganjam Roads and Buildings (R&B) Division revealed (March 2015) that for widening of road from 3.66 meter to 5.50 meter and also improvement of existing nine kilometer road between Jarada and Tumba road, Chief Engineer (CE), World Bank Projects (WBP) sanctioned ₹ 11.76 crore in November 2013. The work was awarded (June 2014) with 7.6 *per cent* excess tender premium at an agreement value of ₹ 12.65 crore for completion by September 2015 and it was in progress as of February 2015 with payment of ₹ 0.94 crore. Estimate of the above work was based on CBR value of three *per cent* and designed traffic of three MSA. For this, IRC-37-2001 stipulates 645 mm thickness of pavement consisting of Granular Sub Base (GSB) of 335 mm, Base Course of Wet Mix Macadam (WMM) of 250 mm and Bituminous macadam of 60 mm. The existing road with width of 3.66 meter had crust of 350 mm (GSB-125 mm and GB of 225 mm). As such, for existing road there was no need for provision of GSB whereas EE provided for 400 mm of GSB for both existing and widening portion of the road. The provision of excessive GSB for existing road inflated the estimate by ₹ 1.99 crore and as the work was awarded with 7.6 *per cent* excess tender premium of estimated cost, avoidable extra cost was ₹ 2.14 crore as detailed in ***Appendix -3.19.1.***

While accepting the facts, Government stated (September 2015) that there was an error in estimated quantity of 19,520 cum against the actual execution requirement of 12,688 cum. But on physical verification (May 2015) of the site by the Audit team along with Deputy EE of the Division in charge of the work, it was noticed that the existing crust was from 200 mm to 350 mm. Considering the average crust thickness as 220 mm, required quantity of GSB was 8,231 cum against which 12,688 cum was re-estimated by Government leading to an extra cost of ₹ 0.65 crore including tender premium as detailed in ***Appendix - 3.19.2*****.**

Similarly, records of EE, Sundargarh (R&B) Division revealed (January 2014) that for widening of road from three meter to seven meter and also for improvement of existing nine kilometer Bituminous (BT) road of State Highway (SH-31) at Karamdihi-Talsara-Lulkidihi, CE, Design Planning and Investigation and Roads (DPI&R) sanctioned ₹ 16.59 crore in April 2013. The work was awarded with 3.7 *per cent* excess tender premium at a cost of ₹ 16.26 crore and it was in progress as of February 2015 with payment of ₹ 12.84 crore.

It was noticed from estimate of the above work that road soil had CBR value of five *per cent* and design traffic was 4.8 MSA and for this, required design pavement thickness was 575 mm as per IRC-37-2001 specifications. The existing road of three meter width had crust of 250 mm having granular materials and this should have been taken as GSB for design purpose. Hence additional pavement thickness required for existing road portion was 325 mm only (575 mm – 250 mm). However, while framing estimate, without deduction of GSB in existing pavement, EE provided excessive GSB of 9,187 cum for existing road as detailed in ***Appendix - 3.19.1***. The provision of excessive GSB inflated the estimate by ₹ 1.98 crore and with tender premium of 3.7 *per cent*, avoidable extra cost works out to ₹ 2.05 crore.

EE, Sundargarh (R&B) Division stated (January 2014) that Green Tribunal had instructed Revenue Department not to collect sand from river bed without obtaining approval from Pollution Control Board (PCB). As obtaining above approval was not possible within a stipulated period, GSB was used in place of sand. Reply is not acceptable as the provision of GSB in place of sand in the estimate itself was irregular as per IRC-37-2001, especially when item rate tender was resorted to and there were no recorded reasons at the estimate stage for non collection of sand from river bed without obtaining approval of PCB.

3.20 Avoidable extra expenditure due to unwarranted provision of overhead charges

Unwarranted and arbitrary provision of overhead charges on cost of conveyance on stone products in Schedule of Rates 2012 led to avoidable extra cost of ₹ 5.58 crore

Government of Odisha in Works Department revises Schedule of Rates (SoR) on yearly basis in accordance with market prices of materials and enhancement of labour rates. To arrive at the rates of various items, guidelines were laid down in Analysis of Rates (AoR) 2006 and the AoR has not been revised subsequently. Estimates for civil works are to be prepared on the basis of prevailing SoR and AoR 2006. The AoR 2006 provide for overhead charges (OHC) on each item of work at 10 *per cent* of prime cost i.e. cost of materials, machinery and labour. After adding OHC at 10 *per cent* to prime cost, cost of conveyance of materials and royalty if any must be added to arrive at final item rate.

It was specifically provided in SoR 2006 to SoR 2011 that rates of material cost in respect of stone and stone products were exclusive of cost of conveyance. In deviation to earlier SoRs, it was mentioned in SoR 2012 that for stone and stone products, cost of materials shall be sum of basic cost and cost of conveyance over which OHC shall be applicable. No justification was, however, given for providing OHC on cost of conveyance. In subsequent SoR 2013, the above provision was dispensed with and for which reasons were not recorded.

Based on SoR 2012, estimates were prepared and sanctioned for ₹ 403.42 crore in respect of seven road projects[86] for improvement/widening in six Roads and Buildings (R&B) Divisions[87]. It was observed from the estimates that in respect of stone and stone products OHC at 10 *per cent* on cost of conveyance had been provided along with cost of materials, labour and machineries. The works were awarded between January and March 2014 to five contractors[88] at a cost of ₹ 440.36 crore on Engineering Procurement Contract (EPC) mode for completion between January and March 2016. The works *inter alia* provided for transportation of 14.36 lakh cum of stone products for execution of Granular Sub Base (GSB), Wet Mix Macadam (WMM), Bituminous Macadam (BM) and Semi Dense Bituminous Macadam (SDBC). With provision of 10 *per cent* over head charges on conveyance cost of stone products, estimates of the works were increased by ₹ 5.12 crore and including tender premium as per agreement, actual cost was increased to ₹ 5.58 crore as detailed in ***Appendix - 3.20.1***. Execution of above works was

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86 (i) Widening and strengthening of Karanjia – Thakuramunda - Anandapur road from RD. 10 km to 30 km, from 42 km to 64 km and Bhadrak – Anandapur road from 43/350 to 59/680 km, (ii) Improvement to Banigochia - Madhapur Road, (iii) Manamunda - Kantamal Road, (iv) Parvatipur - Laxmipur road, (v) Bhawanipatna - Gunupur - Kasipur road, (vi) Berhampur – Tamana - Chikiti – Surangi - Mandarda road and (vii) Sheragada - Badagada - Sorada road.

87 (R&B) Division (i) Rairangapur, (ii) Phulbani, (iii) Koraput, (iv) Kalahandi, (v) Ganjam-I and (vi) Bhanjanagar.

88 (i) Durga Condev, (ii) RKD construction, (iii) M B Patil Constructions, (iv) Woodhill Infrastructure Ltd. and (v) NG Projects Ltd.

in progress (March 2015). Since the works were awarded on EPC mode, the benefit of additional loading of OHC had been passed on to the contractors.

On this being pointed out, the Government stated (October 2015) that OHC on conveyance was added as per guidelines laid down in Standard Data for Analysis of Rates (1st Revision 2003) of Ministry of Road Transport and Highways (MORT&H). The OHC was provided on the conveyance to meet the expenses towards sundries, financing expenditure, sale/turnover tax work insurance etc. The reply is not acceptable since the action of the department in providing of OHC on cost of conveyance in 2012 was a departure from the established rates as there was no provision of OHC on cost of conveyance in the preceding years upto 2011 and subsequent year in 2013.

3.21 Avoidable extra expenditure

Estimates for improvement of roads were prepared without considering existing crust which inflated estimates and led to avoidable extra expenditure of ₹ 8.90 crore

Odisha Public Works Department (OPWD) code (3.4.10) stipulates that estimates should be prepared in most economical manner. Indian Road Congress (IRC) for road laying works stipulated specifications/ designs for all types of original roads and also for improvement of existing roads. Department also refers to IRC specification for designing the roads.

As per IRC 37-2001 specifications, pavement thickness to be provided for road consists of granular sub base (GSB), granular base (GB) and bituminous surfacing (BS). This pavement thickness/ design depends on load bearing capacity of soil, expressed in terms of California Bearing Ratio (CBR) and on the basis of projected number of commercial vehicles which would use the road, calculated as Million Standard Axles (MSA). In case of improvement of existing road, Indian Institute of Technology (IIT), Kharagpur issued guidelines for use of Benkelman Beam Deflection Technique (BBDT) test for assessment of condition of existing road surface. This test would assess the existing thickness and help to calculate additional thickness required for pavement.

Check of records in three[89] Roads & Buildings (R&B) Divisions revealed (January 2015) that for improvement of nine[90] roads, works were awarded for ₹ 152.70 crore between August 2011 and November 2014 for completion between August 2013 and November 2015. As per original estimates, the above existing roads had crust thickness ranging from 100 mm to 200 mm.

[89] Kalahandi (R&B) Division, Jeypore (R&B) Division, Bhadrak (R&B) Division.

[90] (i) Improvement to PKKR from 0 to 20 km, (ii) Improvement to BKKR from 0 to 11/700 (iii) Improvement to BA road from 0 to 15/700 km,(iv) Improvement to IB road, (v) Improvement to BA road from 0 to 7 km, (vi) Improvement to CNR road from 0 to 20 km, (vii) Improvement to CNR road from 16/700 to 38/500 km (viii) Improvement to Bhawanipatna - Rayagada Road from 26 to 37 km and (ix) Improvement to Bhawanipatna - Rayagada Road from 0 to 26 km.

However, no BBDT tests were conducted to assess the structural strength of existing roads measuring 129.143 kilometer. In the absence of BBDT test, no deduction for already available GSB was made and to that extent estimates were inflated by 0.77 lakh cum as detailed in ***Appendix - 3.21.1***. The estimates provided for 1.78 lakh cum of GSB as against actual requirement of 1.01 lakh GSB. Cost of excessive GSB measuring 0.77 lakh cum worked out to ₹ 9.51 crore as per estimates and led to avoidable extra expenditure of ₹ 8.90 crore including tender premium as detailed in ***Appendix - 3.21.2.*** As of March 2015, road works were in progress with payment of ₹ 94.47 crore.

On this being pointed out, Government stated (September 2015) that BBDT method is recommended for evaluation of structural capacity of existing flexible pavements and also for estimation and design of overlays for strengthening of any weak pavement. These roads have inadequate crust over subgrade and require raising/strengthening with provisions of GSB as well as sand layer. As such existing pavement crust which was completely disturbed was also treated as subgrade and further raising/strengthening was proposed as per design requirement. Hence, the existing crust which was disturbed is technically not acceptable to be a part of proposed improvement and as such not taken into consideration. However, the conduct of the BBDT test required for assessment of the strength of the existing crust thickness of the road was not conducted.

FINANCE DEPARTMENT

3.22 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its stewardship role seriously.

Principal Accountant General (E&RSA), Odisha conducts periodical inspection of Government departments and their field offices to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the Heads of offices and the next higher authorities. Defects and omissions are expected to be attended promptly and compliance reported to the Principal Accountant General. A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of IRs issued upto March 2015 pertaining to 17 departments showed that 13,570 paragraphs relating to 4,352 IRs were outstanding at the end of June 2015. Of these, 1,806 IRs containing 4,143 paragraphs are outstanding for more than 10 years **(*Appendix-3.22.1*).** Even first reply from the Heads of Offices which was to be furnished within one month have not been received in respect of 652 IRs issued upto March 2015. Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix- 3.22.2.***

Serious irregularities commented upon in these IRs had not been settled as of June 2015 **(*Appendix-3.22.3*)**. Number of paragraphs and amount involved in these irregularities is categorised below.

Table No. 3.12 Category of paragraphs

(₹ in crore)

Sl. No.	*Broad objective heads*	*Number of paragraphs*	*Amount*
1	Non compliance with rules and regulations	36	990.59
2	Audit against propriety/expenditure without justification	38	661.57
3	Persistent/pervasive irregularities	32	993.58
4	Failure of oversight/governance	05	381.10
	Total	**111**	**3026.84**

(Source : As per records of the PAG (E&RSA))

3.22.1 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Reports of the Comptroller and Auditor General that are presented to State Legislature. According to the Finance Department instructions (December 1993), the Administrative Departments are required to furnish explanatory notes on transaction paragraphs, reviews/Performance Audits, etc. included in the Audit Reports within three months of their presentation to the State Legislature.

It was noticed that in respect of Audit Reports from the year 1997-98 to 2012-13 as indicated below (Table), six[91] out of 17 departments, which were commented upon, did not submit explanatory notes on paragraphs and reviews as of March 2015.

Table No. 3.13 Paragraphs for which explanatory notes not received

(In numbers)

Year of Audit Report	*Total number of paragraphs*	*Individual paragraphs/reviews*		*Number of paragraphs/reviews for which explanatory notes were not submitted (March 2015)*	
		Individual paragraphs	*Reviews/ Performance Audits*	*Individual paragraphs*	*Reviews/ Performance Audits*
1	***2***	***3***	***4***	***5***	***6***
1997-98	36	32	04	00	02
1998-99	36	34	02	01	00

[91] Works, Water Resources, Agriculture, Fisheries & Animal Resources, Industries and Forest & Environment Departments.

Year of Audit Report	Total number of paragraphs	Individual paragraphs/reviews		Number of paragraphs/reviews for which explanatory notes were not submitted (March 2015)	
		Individual paragraphs	Reviews/ Performance Audits	Individual paragraphs	Reviews/ Performance Audits
1999-00	29	26	03	00	01
2000-01	33	30	03	00	01
2001-02	21	20	01	00	01
2002-03	32	30	02	00	01
2003-04	29	29	00	02	01
2004-05	26	26	00	01	00
2005-06	26	23	03	00	00
2006-07	31	30	01	01	00
2007-08	27	24	03	04	01
2008-09	21	18	03	03	02
2009-10	19	19	00	01	01
2010-11	13	10	03	00	02
2011-12	18	16	02	00	01
2012-13	13	12	01	05	01
Total	**410**	**379**	**31**	**18**	**15**

(Source : As per records of the PAG (E&RSA))

There were 18 individual transaction audit paragraphs and 15 reviews/PAs on which compliance has not been submitted to the Odisha Legislative Assembly. Departments largely responsible for non submission of explanatory notes were Water Resources, Works and Agriculture.

3.22.2 Response of departments to recommendations of the Public Accounts Committee

Public Accounts Committee Reports/Recommendations are the principal medium by which Legislature enforces financial accountability of the executive to the Legislature and it is appropriate that they elicit timely response from the Government Departments in the form of Action Taken Notes (ATNs). The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all Departments of the State Government to submit Action Taken Notes (ATNs) on suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within six months after presentation of PAC Reports to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. Time limit for submission of ATNs had since been reduced from six to four months by OLA (April 2005).

Out of 732 recommendations relating to Audit Report (ES) made by the PAC from the first Report of 10th Assembly (1990-95) to 5th Report of 14th Assembly (2009-14) final action on 67 recommendations was awaited (March 2015).

Bhubaneswar **(Devika)**
The **Principal Accountant General (E&RSA)**
Odisha

Countersigned

New Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**