

Chapter II

Performance Audit

This chapter contains the findings of Performance Audit on Implementation of Integrated Child Development Services scheme, Implementation of Sewerage projects in the State, Special interventions for development of Left Wing Extremism affected districts of the State and Information Technology Audit on Implementation of Integrated Financial Management System.

Women and Child Development Department

2.1 Implementation of Integrated Child Development Services Scheme

EXECUTIVE SUMMARY

Performance Audit on Implementation of Integrated Child Development Services (ICDS) scheme covering the period 2011-16 showed that the expenditure was less than the budgetary provision by ₹1,239.23 crore. Statement of Expenditure and Utilisation Certificates (UCs) submitted to GoI were based on treasury drawals and not on actual expenditure. In the sampled seven districts, ₹102.77 crore remained unutilised with the District Social Welfare Officers as of March 2016. Funds were also not provided for supply of medicine kits and pre-school education (PSE) kits due to which the Department could not avail Central assistance of ₹81.75 crore.

Out of 38.39 lakh children considered eligible, 3.58 lakh (nine per cent) in the State were not provided Supplementary Nutrition. Supply of food stuff under the scheme was not managed properly, due to which instances of short/ non-supply of eggs and rasi ladu were observed. Quality control mechanism for Take Home Ration was not effective as sample test reports indicated supply of adulterated/ sub-standard/ unsafe chhatua to the beneficiaries. Stock management of wheat and rice under Supplementary Nutrition Programme was deficient. Misappropriation of rice was observed in 12 Anganwadi Centres (AWCs) under Joda (T) Project.

Out of the 82.03 lakh enrolled children, 5.56 lakh children (seven per cent) did not attend pre-school education. PSE kits and Nua Arunima work books were not supplied regularly. Health check-up was provided to only 30 per cent of the eligible children, 56 per cent of the pregnant women and 50 per cent of the nursing mothers in the State during 2011-16. Only 46 per cent of the severely malnourished children were referred to hospitals for treatment.

Out of 71,306 AWCs in the State, only 28,187 (40 per cent) AWCs had dedicated ICDS buildings. The pace of construction of ICDS buildings was slow as only 14,059 (53 per cent) out of 26,690 buildings, sanctioned for construction during 2010-16 were completed. Due to non-submission of UCs to GoI for the funds sanctioned during 2013-14 for construction of AWCs,

the Department could not avail of Central assistance of ₹93.76 crore. The Department had not operationalised 1,281 AWCs even after 18 months of sanction under Anganwadi on Demand scheme. Seventy six per cent of AWCs had no toilet facilities. Infrastructure facilities at the AWCs were not adequate even after four decades of implementation of the scheme.

Thirty one per cent of the posts in Supervisor cadre and 63 per cent in Statistical Assistants cadre were lying vacant as of March 2016. Monitoring and Supervision of implementation of the scheme was also not adequate.

2.1.1 Introduction

Integrated Child Development Services (ICDS) Scheme was launched as a centrally sponsored scheme on 2 October 1975 by the Ministry of Women and Child Development, Government of India (GoI). The scheme is being implemented in the State since inception. The target groups of the scheme are children up to six years, pregnant women and lactating mothers. The objective of the scheme is to reduce incidence of mortality, morbidity¹, malnutrition and school drop-outs, improve nutritional and health status of children and enhance capacity of mothers to look after normal health and nutritional needs of their children.

The interventions under the scheme are made through a package of six services, viz., supplementary nutrition, pre-school education, health check-up, referral services, immunisation, health and nutrition education. Three out of the above six services, namely, supplementary nutrition, pre-school education, health and nutrition education are delivered in an integrated manner by the Anganwadi Centres (AWCs) at the village level. The other three services, viz., immunisation, health check-up and referral services are delivered through public health system. As of March 2016, there were 71,306 AWCs functioning under 338 ICDS Projects in the State.

2.1.1.1 Organisational set up

The Women and Child Development (W&CD) Department is responsible for implementation of ICDS Scheme in the State. The Department is headed by the Commissioner-cum-Secretary who is assisted by a Director (ICDS). At the district level, the District Social Welfare Officer (DSWO) is responsible for coordination, monitoring and supervision of implementation of the scheme. At Block/ Urban Local Body level, each ICDS Project functions under a Child Development Project Officer (CDPO). Each project is divided into sectors consisting of Anganwadi Centres (AWCs) at village/ habitat level functioning under Supervisors. The ICDS package of services is delivered to the beneficiaries through AWCs by engaging Anganwadi Workers (AWW) and Anganwadi Helpers (AWH) on honorarium basis.

2.1.2 Audit objectives

Performance Audit of ICDS scheme aimed to assess whether:

- funds allocated under the scheme were utilised economically, efficiently and effectively to achieve the scheme objectives;

¹ Injuries, acute/ chronic illness

- delivery of services under supplementary nutrition, health check-up, referral services, immunisation, pre-school education, nutrition and health education of the scheme were effective;
- availability of infrastructure facilities, deployment and training of manpower were adequate and effective for smooth delivery of quality services under ICDS; and
- monitoring of the programme was adequate and effective in securing timely and corrective measures for achieving the scheme objectives.

2.1.3 Scope and Methodology of Audit

Audit objectives, scope, methodology and criteria of the Performance Audit were discussed with the Department in an Entry Conference held on 29 March 2016. Audit was conducted during April-August 2016 covering the period 2011-16 through test-check of records of W&CD Department, eight DSWOs², 22 CDPOs and 110 AWCs. Eight out of 30 DSWOs were selected through Stratified Random Sampling Without Replacement method. From sampled DSWOs, 20 *per cent* of ICDS Projects and from each sampled ICDS Project, five AWCs were selected through Simple Random Sampling method. In the presence of and at the request of Audit, departmental officials conducted physical inspection of assets at AWCs. Photographs were taken, wherever considered necessary. Interviews of AWWs of sampled AWCs and 10 beneficiaries each from sampled AWC were conducted through an administered questionnaire to ascertain the satisfaction level of beneficiaries, availability of physical infrastructure and quality of services. The draft report was discussed with the Commissioner-*cum*-Secretary in an Exit Conference held on 28 October 2016. The views of the Department have been incorporated appropriately in the report, wherever required.

2.1.4 Audit criteria

The implementation of various components of ICDS scheme was evaluated with reference to the following criteria:

- Scheme guidelines and other instructions issued by GoI;
- Orissa General Financial Rules (OGFR)/ Orissa Treasury Code (OTC) and Orissa Budget Manual ;
- Instructions issued by GoO; and
- Monitoring mechanism instituted by GoI and GoO.

2.1.5 Acknowledgement

We acknowledge the cooperation and assistance rendered to Audit by the Women and Child Development Department during the conduct of the Performance Audit.

The Audit findings are discussed in the succeeding paragraphs.

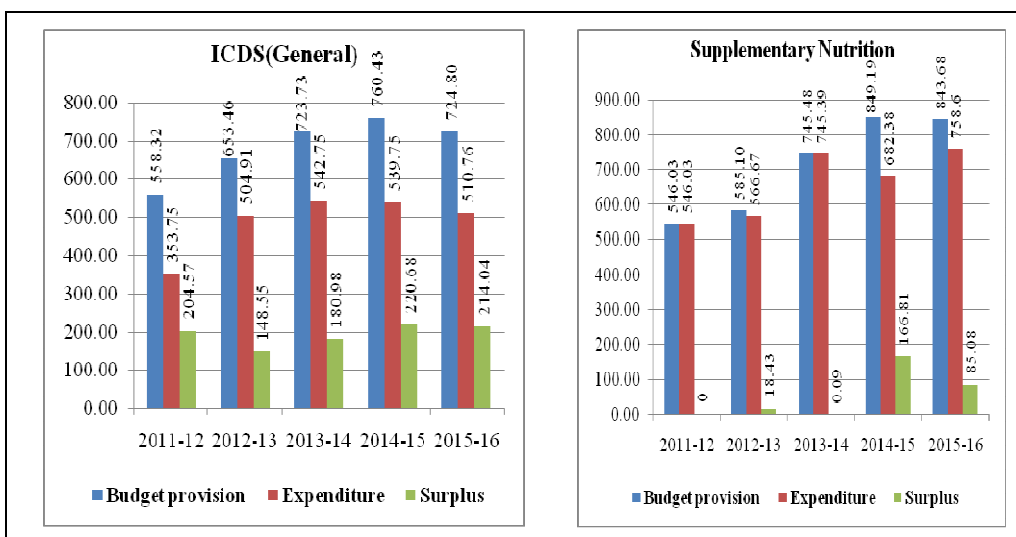
² Bargarh, Cuttack, Dhenkanal, Kandhamal, Keonjhar, Mayurbhanj, Nabarangapur and Puri

Audit findings

2.1.6 Financial outlay and expenditure

GoI provides funds to the State under two components viz., ICDS (General) and Supplementary Nutrition Programme (SNP). GoI and the State Government shared funds for ICDS (General) in the ratio of 90:10 during 2009-15, which was revised to 60:40 in 2015-16. However, sharing of funds for SNP was continued at 50:50. GoI releases grants in four or more instalments in a year based on the approved norms, Statement of Expenditure (SOEs) and Utilisation Certificates (UCs) furnished by the State Government. During 2011-16, the total budget provision and expenditure of the State Government for the ICDS Scheme were ₹ 6,990.22³ crore and ₹ 5,750.99⁴ crore, respectively. The year-wise allotments and utilisations of funds for the period 2011-16 are plotted in the following chart.

Chart 2.1.1: Funds allotted and utilisation (₹ in crore)



(Source: Compiled by Audit from the records of the Department)

Audit observed that expenditure was less than the budgetary provision by ₹ 1,239.23 crore. The year-wise percentage of utilisation in ICDS (General) varied between 63 and 77 during 2011-16. In case of SNP, the same was between 80 and 90 per cent during 2014-16. The reasons for short utilisation of funds were improper estimates of beneficiaries, non-filling up of posts, non-consideration of unspent balances of previous years lying with field functionaries, etc.

The Department attributed (October 2016) lower expenditure to inadequate receipt of Central assistance, less number of beneficiaries actually covered than the target and vacancies in the post of ICDS functionaries. The reply was not tenable as short utilisation was mainly due to preparation of improper estimate of beneficiaries and non-filling up of the posts by the Department.

³ ICDS (General): ₹ 3,420.74 crore and SNP: ₹ 3,569.48 crore

⁴ ICDS (General): ₹ 2,451.92 crore and SNP: ₹ 3,299.07 crore

2.1.6.1 Preparation of budget without considering unspent funds

Rule 46 of the Orissa Budget Manual provides that budget of the State should be based on the departmental estimates which may be neither inflated nor under-pitched, but as accurate as possible.

Audit observed that the Department made budget provision based on the number of AWCs and the number of beneficiaries multiplied by prescribed cost norms. However, unspent balances lying with the DSWOs/ CDPOs were not considered. As a result, in seven out of eight sampled districts, ₹ 102.77 crore⁵ was lying with the DSWOs as of March 2016. This was also indicative of improper monitoring of the utilisation of funds by the DSWOs/ CDPOs.

The Department stated (October 2016) that steps were being taken for utilisation of funds lying with the DSWOs/ CDPOs, after reconciliation of accounts.

2.1.6.2 Inflated Statement of Expenditure/ Utilisation Certificates

As per GoI instruction, the State Government is required to submit quarterly SOE and UC against grants received from GoI.

Audit observed that the Department had submitted UCs for ₹ 3,649 crore⁶ during 2011-16 on the basis of treasury drawals. However, in the seven sampled districts, though an amount of ₹ 102.77 crore remained unutilised as of March 2016, the same had been included in the UCs as actual expenditure. Thus, the UCs submitted by the Department were inflated and were not based on actual expenditure.

The Department stated (October 2016) that figures available in the Integrated Odisha Treasury Management System had been taken for submission of SOE/ UCs, as it was not possible to collect UCs from AWC level to district level. The fact, however, remained that UCs were not based on the actual expenditure.

2.1.6.3 Non-provision of funds for medicine kits

GoI had emphasised time and again for providing medicine kits to each AWC/ mini AWC every year as it was an imperative component in delivery of services under ICDS scheme. Based on the number of AWC/ mini AWCs in the State, an amount of ₹ 30.35⁷ crore was required to be provided to the AWCs during 2011-16 for supply of medicine kits.

Audit observed that no funds were provided for supply of medicine kits to the AWCs/ mini AWCs. As a result, the State had to forgo Central assistance of ₹ 25.33 crore (90 per cent for 2014-15 and 60 per cent for 2015-16). Besides, the intended medical care to the beneficiaries could not also be provided, as discussed in *Paragraph 2.1.9*.

⁵ Mayurbhanj : ₹ 7.78 crore (ICDS) + ₹ 16.37 crore (SNP); Kandhamal: ₹ 8.08 crore (ICDS) + ₹ 12.09 crore (SNP); Keonjhar: ₹ 5.62 crore (ICDS) + ₹ 1 crore (SNP); Nabarangpur: ₹ 12.10 crore (ICDS) + ₹ 16.04 crore (SNP); Dhenkanal: ₹ 1.29 crore (ICDS); Cuttack: ₹ 20.10 crore (ICDS); Puri: ₹ 2.30 crore (ICDS)

⁶ ICDS (General) : ₹ 2,049 crore + SNP: ₹ 1,600 crore

⁷ 2011-12: ₹ 3.89 crore, 2012-13: ₹ 6.60 crore, 2013-14: ₹ 6.62 crore, 2014-15: ₹ 6.62 crore, 2015-16: ₹ 6.62 crore (Cost norm: ₹ 600 per AWC and ₹ 300 per mini AWC up to 2011-12 and thereafter revised to ₹ 1,000 and ₹ 500 respectively)

The Department stated (October 2016) that medicine kits could not be procured due to inadequate release of Central assistance. However, due to non-supply of medicine kits, the State Government failed to submit SOE to GoI for release of funds.

2.1.6.4 Short provision of funds for PSE Kits

As per the guidelines, pre-school education (PSE) kits were to be supplied to each AWC every year for creating a joyful learning atmosphere.

Audit observed that the State Government had not released any funds to the districts for providing PSE during 2011-16 (except 2014-15). Non-provision of funds deprived the children enrolled in AWCs of PSE kits. However, against requirement of ₹ 85.86 crore⁸, the State Government released only ₹ 16.55 crore during 2014-15. Thus, due to non-provision of funds, the State Government not only failed to supply PSE kits to the beneficiaries, but also lost Central assistance of ₹ 56.42 crore (90 *per cent* for 2014-15 and 60 *per cent* for 2015-16) on this account.

The Department stated (October 2016) that PSE Kits could not be provided in other years (except 2014-15) due to inadequate receipt of Central assistance. However, the State Government failed to submit SOE to GoI for release of funds as no funds were provided and utilised for PSE kits during 2011-14 and 2015-16.

2.1.6.5 Poor administration of flexi funds

Under ICDS scheme, flexi funds at the rate of ₹ 1,000 per annum were provided to each AWC to meet operational exigencies like, transportation of beneficiaries requiring urgent medical care, purchase of utensils, unforeseen referral services, emergency services, *etc.* The AWW was to maintain a year-wise account and vouchers, which were to be verified by the CDPO concerned.

The Department had sanctioned ₹ 22.13 crore (GoI: ₹ 17.78 crore + GoO: ₹ 4.35 crore) during the period 2011-16 in favour of 338 CDPOs in the State.

On examination of records, Audit observed the following:

- The Department did not provide funds to AWCs for the year 2011-12 and 2013-14. Due to non-provision of funds, the State could not avail Central assistance of ₹ 12.63 crore.
- Out of 110 sampled AWCs, 90 AWCs had not maintained accounts of receipt of flexi funds and vouchers in support of expenditure, were also not available. Further, the CDPOs did not have information on utilisation of flexi funds by the AWCs.
- An amount of ₹ 2.81 lakh sanctioned (January 2016) by the Department was drawn by the CDPO, Joda (T) on 27 March 2016. The amount was not distributed to the AWCs as of August 2016, without any recorded reason.

⁸ Cost norm: ₹ 1,000 per AWC and ₹ 500 per mini AWC up to 2011-12 and thereafter revised to ₹ 3,000 and ₹ 1,500 respectively

The Department stated (October 2016) that the DSWOs/ CDPOs would be instructed to maintain accounts of flexi funds.

2.1.6.6 Non-reconciliation of bank accounts

While sanctioning funds, GoI stipulated maintenance of separate accounts for funds sanctioned under different components of ICDS scheme and furnishing information on actual expenditure. As per the guidelines issued by the Department, balances lying in the cash books should be reconciled with the bank pass books every fortnight. Audit observed that four⁹ out of eight sampled DSWOs had not maintained bank accounts and cash books separately for ICDS (General) and SNP. Similarly, none of the 22 sampled ICDS Projects had maintained separate bank accounts and cash books. Further, the sampled DSWOs and ICDS Projects had not reconciled bank balance as per cash book with the balance as per bank pass book, during 2011-16.

Audit compared the aggregate of bank balances as per cash books with actual balances as per bank pass books as on 31 March 2016 in sampled districts and found a difference of ₹ 30.94 crore. In absence of scheme-wise bank accounts and cash books, the reasons for the difference and correctness of transactions recorded in the cash books could not be ascertained/ vouchsafed in Audit.

The Department stated (October 2016) that reconciliations between cash book balance and bank balance of the DSWOs and CDPOs were in progress.

Programme implementation

2.1.7 Supplementary Nutrition Programme

Supplementary Nutrition Programme (SNP) is one of the crucial components of ICDS Scheme. The objective of SNP is to bridge the protein-energy gap between the recommended dietary allowance and average dietary intake of children, pregnant women and lactating mothers. Every beneficiary under the programme is to be provided supplementary nutrition for 300 days in a year. Audit observed the following deficiencies in implementation of SNP.

2.1.7.1 Shortfall in coverage of beneficiaries

As per the guidelines, all children in the age group of six months to six years of age, pregnant women and lactating mothers are to be provided Supplementary Nutrition (SN). The year-wise child population, children considered eligible for SN, enrolled in AWCs and provided with SN during 2011-16, are detailed in the table below:

Table 2.1.1: Total child population and those provided with SN during 2011-16

(Figures are in numbers)

Year	Total child population	Children considered eligible for SN	Children enrolled in AWCs	Children provided with SN	Children deprived of SN
2011-12	4056966	3952371	3676781	3367805	689161
2012-13	4061759	3935069	3662945	3554618	507141
2013-14	4041243	3910216	3685351	3609252	431991
2014-15	4037212	3872777	3631605	3544252	492960
2015-16	3978429	3838625	3613311	3480984	497445

(Source: Compiled by Audit from the data furnished by the Department)

⁹ Bargarh, Cuttack, Dhenkanal and Puri

Audit observed that:

- As of March 2016, out of the 39.78 lakh total child population, only 38.39 lakh were considered eligible, leaving 1.39 lakh children uncovered under the scheme. Further, out of 38.39 lakh children considered eligible, 34.81 lakh (91 *per cent*) were provided SN under the scheme. Thus, almost 3.58 lakh (nine *per cent*) beneficiaries in the State were not provided SN, even after being considered eligible. Similarly, in five¹⁰ test-checked districts, the percentage of the population benefitted under SNP was 91 to 96, whereas this was 82 to 88 in three¹¹ test-checked districts.
- Against the 76.47 lakh children attending pre-school education in AWCs, 80.49 lakh children were given SN *i.e.*, 4.02 lakh children were provided with SN despite not attending pre-school education. However, there was no reason on record for providing SN to these 4.02 lakh children. Though the DSWOs of sampled districts had reported that 95 *per cent* of children had attended PSE during 2011-16, only 66 *per cent* of the enrolled children were found attending AWCs on the day of visit made by Audit during April-August 2016. This indicated that the number of children stated to have been provided with SN in the State during 2011-16 was inflated by 4.02 lakh, for whom, the AWCs reported to have utilised ₹ 55.26 crore towards SN.
- Similarly, out of 40.51 lakh pregnant women and nursing mothers in the State, 40.07 lakh were considered eligible for SN and the remaining 0.44 lakh eligible beneficiaries were not considered without any recorded reason. However, out of 40.07 lakh eligible beneficiaries, only 38.15 lakh (95 *per cent*) were provided with SN.

The Department stated (October 2016) that the difference between the total population of beneficiaries and the beneficiaries considered eligible was being analysed. It was further added that the number of beneficiaries receiving SN exceeded PSE attendance as children in some areas attended AWCs for hot cooked meal but did not attend PSE. The fact, however, remained that there was no recorded evidence of the number of children taking SN without attending PSE.

2.1.7.2 Supply of Take Home Ration

Food stuff like *chhatua*¹², eggs and *rasi ladu*¹³ were supplied under SNP in shape of Take Home Ration (THR) to children aged six months to three years, severely malnourished children (three to six years), pregnant women and lactating mothers. While *chhatua* and *rasi ladu* were procured from Self Help Groups (SHG), eggs were procured from market by AWWs. For preparation of *chhatua*, the Department supplied wheat and SHGs procured the other ingredients. Audit observed the following deficiencies in administration of THR.

¹⁰ Puri (91), Bargarh (92), Dhenkanal (92), Keonjhar (95) and Kandhamal (96)

¹¹ Mayurbhanj (82), Cuttack (88) and Nabarangpur (88)

¹² It is mixture of wheat, bengal gram, ground nut and sugar

¹³ It is a mix of til seed and jaggery

2.1.7.3 Selection of SHGs

As per the guidelines issued (June 2013) by the Department, SHGs, having experience in preparation of *chhatua* and having required infrastructure¹⁴, were to be selected on approval by the Collector. For each Project, only one/two SHGs were to be engaged who would execute an annual agreement with the concerned CDPO. The agreement was to be renewed every year subject to satisfactory performance of SHG. Audit observed the following:

- In three sampled districts, CDPOs of nine ICDS Projects¹⁵ engaged 20 SHGs during 2013-16 without obtaining approval of the concerned Collectors. This included three sampled projects of Keonjhar district, where SHGs were engaged during 2011-16 without considering their eligibility in terms of their experience and availability of infrastructure. In 25 ICDS Projects of five districts¹⁶, three to four SHGs were engaged against the provision of one or two SHGs; the reasons for the same were not on record.
- In two Projects¹⁷, agreements made for 2013-14 were not renewed in subsequent years. In ICDS Project, Joda (T), agreement with the SHG was not renewed after its expiry on 6 May 2016. The SHG continued to supply *chhatua* without any agreement.

Thus, selection of SHGs for supply of THR was not transparent.

The Department stated (October 2016) that higher number of SHGs had been selected due to geographical barriers or less capacity of SHGs and the Collectors would be instructed to adhere to the guidelines in selection of SHGs.

2.1.7.4 Improper fixation of price of food stuff

Consequent upon revision of cost norm under SNP by the GoI, the Department had instructed all the Collectors to revise the cost of THR from July 2013. The Collectors/ DSWOs of three¹⁸ sampled districts did not revise the cost at district level. The DSWO, Keonjhar, however, revised the cost at district level only in September 2015. Audit observed the following:

- The DSWOs/ CDPOs deducted cost of wheat, egg and *rasi ladu* from the cost norm fixed by the Department and paid the balance amount to the SHGs towards cost of *chhatua*. As different CDPOs adopted different cost for eggs and *rasi ladu*, the cost of *chhatua* varied¹⁹ (per kg) among different ICDS Projects. As such, no uniform rate could be maintained in a district.

¹⁴ Equipment for drying, grinding, packaging, etc.

¹⁵ Bargarh: Jharbandh, Sohela, Bheden; Cuttack: Mahanga, Baramba, Dampada; Keonjhar: Anandpur, Joda (T), Jhumpura

¹⁶ Mayurbhanj: 11 Projects; Keonjhar: 4 Projects; Bargarh: 3 Projects; Cuttack: 3 Projects; Dhenkanal: 4 Projects

¹⁷ Kuliana (Mayurbhanj) and Raikia (Kandhamal)

¹⁸ Mayurbhanj, Keonjhar and Bargarh

¹⁹ For pregnant and lactating women: ₹ 20.45 to ₹ 27.80; for Normal children: ₹ 21.12 to ₹ 28.50; for Severely malnourished children (6 months-6 years): ₹ 22.28 to ₹ 30.25

- While apportioning cost of THR among various components, four²⁰ CDPOs had considered ₹ 4 as cost per egg without any basis. In 20 sampled AWCs, beneficiaries were given six eggs per month, instead of eight required as per guidelines, on the ground of higher cost of eggs. As a result, the protein-energy content in daily food supplement provided to the beneficiaries fell short by 6.91 K cal and 0.53 gram protein over the prescribed norm.
- The proportion of ingredients²¹ in one kg of *chhatua* supplied to the normal children and severely malnourished children was same. Hence, the cost of a kilogram of *chhatua* supplied to these children would be same. However, payments were made to SHGs by 16 sampled ICDS Projects at different rates (per kg *chhatua*) ranging from ₹ 21.12 to ₹ 28.50 for normal and from ₹ 22.28 to ₹ 30.25 for severely malnourished children. Due to adoption of different costs, the SHGs were extended financial benefit of ₹ 7.05 lakh in eight²² sampled Projects.
- In nine ICDS Projects of Bargarh district, egg was not distributed to the beneficiaries during August 2013 to December 2014 due to high cost of eggs in the market as reported by the District Collector to the Director, Social Welfare.
- During July 2013 to March 2016, *rasi ladu* was not supplied to severely malnourished children of 17 ICDS Projects for periods ranging from 3 to 33 months.

The Department stated (October 2016) that less number of eggs had been supplied as AWCs had to adjust the cost within the funds allocated as per norms. As regards the difference in rates for same quality of *chhatua* and non-supply of *rasi ladu*/ eggs, the Department assured that the matter would be enquired into. The fact, however, remained that the beneficiaries had not been supplied food supplement with the required amount of protein/ energy content as per norm.

2.1.7.5 Quality testing of Chhatua

THR (*chhatua*) samples are to be sent to laboratory for testing to ensure that the food stuff is free from any contamination and adulterants. The Department had also issued (August 2013) instructions to the Collectors for collection of samples every month from all the SHGs and send the same to the State Public Health Laboratory (SPHL) for quality testing. The DSWOs are required to submit reports on regular collection of samples from the SHGs and despatch the same to SPHL and obtain results. In case of adverse test result, the whole lot is to be seized and rejected.

Audit observed the following:

- Samples were not collected every month from 18 SHGs of nine²³

²⁰ Anandpur, Jhumpura, Joda (T) and Kusumi

²¹ Wheat: 625 gm, Bengal gram: 125 gm, Ground nut: 94 gm and Sugar: 156 gm

²² Kusumi, Bangiriposi, GB Nagar, Kuliana, Jashipur, Jhumpura, Anandpur and Joda (T)

²³ GB Nagar, Kuliana, Anandpur, Jhumpura, Joda (T), Parjang, Jharbandh, Bheden and Sohela

sampled Projects during 2011-16. Four²⁴ Projects collected samples from five SHGs regularly only during 2015-16. The remaining nine Projects sent samples to the SPHL regularly for quality testing. The DSWOs also did not maintain records and monitor drawal of samples from each SHG every month.

- There was delay, ranging from 27 days to 7 months, in receipt of the test reports from SPHL. Due to belated receipt of test reports, 11,801.82 quintals of *chhatua* valued at ₹ 3.19 crore could not be seized/ rejected, despite 91 samples being tested as adulterated/ sub-standard/ unsafe in 14 ICDS Projects. While eight CDPOs²⁵ issued show cause notices to the concerned SHGs for supply of bad quality THR, the other six CDPOs²⁶ had not taken any action on the adverse test reports till the date of Audit. As *chhatua* was supplied fortnightly, by the time the test reports were received, *chhatua* supplied to the beneficiaries were already consumed, leaving no scope for the authorities to seize and reject the entire lot, as required under the scheme guidelines.
- In the State, out of 7,929 samples of *chhatua* tested during August 2014 to May 2016 by the SPHL, 935 (12 per cent) samples were found sub-standard and unsafe.
- CDPOs/ Supervisors were to visit the SHGs two to three times at the time of preparation of *chhatua*. Records of the sampled ICDS Projects and SHGs (visitors' book) showed that Supervisors/ CDPOs of eight ICDS Projects²⁷ had not visited the SHGs regularly at the time of preparation of *chhatua*, even though samples were found unsatisfactory as per the test report of SPHL.

Thus, action taken by the Department and district authorities to ensure quality and nutritional value of THR supplied to beneficiaries was not adequate.

While accepting the Audit observation, the Department stated (October 2016) that quality testing of *chhatua* was an area of concern and they were taking steps to strengthen the mechanism of quality testing of THR.

2.1.7.6 Deficient management of wheat and rice under SNP

Under SNP, wheat and rice were lifted from the Food Corporation of India (FCI) at subsidised rates and supplied to the SHGs and AWCs through transport agents for supply of THR and hot cooked meal²⁸. During 2011-16, 2,12,991 MTs of rice and 4,62,806.12 MTs of wheat were allocated to the State for utilisation under SNP. Out of these, 1,90,242.73 MTs of rice and 4,30,130.27 MTs of wheat were lifted, and 22,748.27 MTs of rice and

²⁴ Chandahandi, Kosagumuda, Phulbani and Raikia

²⁵ Anandpur, Bangiriposi, GB Nagar, Jashipur, Kuliana, Kosagumuda, Mahanga and Raikia

²⁶ Baramba, Bhuban, Jhumpura, Joda (T), Kusumi and Sohela

²⁷ Mayurbhanj: Kuliana; Keonjhar: Anandpur, Jhumpura, Joda (T); Cuttack: Mahanga, Baramba, Dampada; Bargarh: Sohela

²⁸ Hot cooked meal is a component of SNP and provided to the children (3 to 6 years) who come to AWCs

32,675.85 MTs of wheat valued at ₹ 26.41 crore²⁹ were not lifted as detailed in the *Appendix 2.1.1*.

Audit observed the following:

- **Interruption in feeding programme:** Wheat was supplied intermittently with gaps ranging from three to four months and rice was supplied in intervals up to seven months. Due to non-availability of wheat, there was short supply of 4,049 quintals of *chhatua* for 20 months³⁰ in four ICDS Projects (Joda (T), Jhumpura, Jharbandh and Phulbani). Further, serving of hot cooked meal was interrupted for periods ranging from 5 to 104 days in 189 AWCs of two test-checked ICDS Projects³¹ due to irregular supply of rice. Thus, wheat and rice were not supplied to the SHGs/ AWCs on the basis of monthly requirement.
- **Misappropriation of rice:** In Keonjhar district, 28,280 quintals of rice valued at ₹ 1.60 crore³² were lifted by the transport agent for supply to AWCs during September 2014 to March 2016. Out of these, 16.50 quintals of rice were to be delivered to 12 AWCs under Joda (T) Project during September 2015. This was shown as delivered to the AWCs as per delivery challans submitted by the transport agent. However, as per the reports (Form-1) submitted by the AWWs to the CDPO, the above quantity of rice was not received by them. Neither the CDPO nor the DSWO maintained records relating to quantity of rice supplied to each AWC. Hot cooked meals were also not served in these AWCs for periods ranging from 30 to 104 days during August-November 2015 on the ground of non-availability of rice. Thus, there was misappropriation of 16.50 quintals of rice.

The Department stated (October 2016) that short-lifting was due to actual beneficiaries being less than the targeted. As regards misappropriation and interruption in feeding programme, the Department assured that the matter would be looked into.

2.1.8 Pre-school education

Pre-school Education (PSE) aims at development of school readiness and a positive attitude towards school education among children of the age group of three to six years through non-formal and joyful playing activities at AWCs. The objective of PSE is also to strengthen the goal of universalisation of primary education. Audit observed the following deficiencies in implementation of PSE programme.

²⁹ 2,27,48,270 kg of rice @ ₹ 5.65 and 3,26,75,850 kg of wheat @ ₹ 4.15

³⁰ Joda (T): July 2013, January-February 2014, May 2014, August 2014, November 2014, May- June and November 2015; Jhumpura: October-November 2013, May-June 2015 and March 2016; Jharbandh: August 2011, May-June 2012, January-February 2013 and September 2013

³¹ Joda (T): 170 AWCs and Chandahandi: 19 AWCs

³² 28,280 quintals @ ₹ 565 per quintal

2.1.8.1 Shortfall in coverage of children

The year-wise child population in the age group of 3 to 6 years, children considered eligible, enrolled and attended PSE during 2011-16 is given in *Appendix 2.1.2*. The shortfall in coverage of beneficiaries under PSE ranged between 6 and 10 *per cent* in the State, whereas it was five *per cent* in eight sampled districts during 2011-16.

The Department stated (October 2016) that some children did not come to AWCs as they went to the neighbouring Shishu Mandirs and English Medium Schools, due to which there was shortfall in coverage.

2.1.8.2 Supply of uniform to pre-school children

The Department had decided (April 2012) to provide uniform at a cost of ₹ 100 per child, to all children enrolled in PSE to encourage their enrolment and retention. During 2011-16, the Department sanctioned ₹ 70.43 crore for supply of uniform and no funds were sanctioned during 2012-13. Audit observed that:

- During 2011-16 (except 2012-13), the number of children enrolled in PSE was 66.15 lakh. The Department sanctioned ₹ 70.43 crore for supply of uniform to 70.43 lakh children. This resulted in excess sanction of ₹ 4.28 crore for 4.28 lakh children. The reason for excess sanction of funds was not on record. Audit found that ₹ 2.09 crore had been lying unutilised with the sampled DSWOs as of March 2016.
- DSWOs of test-checked districts released funds to CDPOs with delays ranging from 20 days to 6 months from the date of sanction. As a result, the children of the respective academic years could not get school uniforms. In 110 test-checked AWCs, 1,215 (69 *per cent*) out of 1,770 children attending PSE were found to be without uniform. Thus, due to delayed release of funds, supply of uniform to all the children enrolled in PSE could not be ensured.

The Department stated (October 2016) that the DSWOs would be asked to refund the unspent amount.

2.1.8.3 Short provision for PSE kits/ Nua Arunima work books

GoI emphasised providing PSE kits to AWCs every year which included flash cards for story-telling, picture books of animals, building blocks, stuffed toys, dolls, *etc.* The Department had decided (2011-12) to supply *Nua Arunima* work books³³ to pre-school children as a part of PSE kits.

Audit observed that:

- PSE kits were supplied only in 2014-15. In 110 test-checked AWCs, Audit found that available PSE materials were not adequate and some of these were also in damaged condition. Due to non-availability of PSE kits, the children could not get a child friendly and joyful learning atmosphere in these AWCs.

³³ Children aged 3 to 4 years: Work book, Part-I and Children aged 4 to 6 years: Work book, Part-II

- The Department sanctioned ₹ 3.22 crore to all 30 districts in 2013-14 for printing and supply of work books to AWCs. However, the Department did not provide funds for work books for 15.36 lakh children who attended PSE in 2014-15. For 2015-16, an amount of ₹ 1.27 crore was provided to only 12 districts, which covered 7.18 lakh out of 15.68 lakh children, thereby depriving 8.50 lakh children of work books.
- Out of 26,024 work books received by two sampled CDPOs (Joda (T) and Nimapara) during 2013-16, the CDPOs distributed 12,008 work books³⁴ to the AWCs. The remaining 14,016 work books³⁵ were lying with the CDPOs, though 18,417 pre-school children were attending AWCs.

Thus, due to insufficient provision of funds coupled with non-distribution of available work books, the objective of creating joyful learning environment with pre-reading/ writing skills of children remained largely unfulfilled.

The Department stated (October 2016) that work books could not be supplied due to short receipt of Central assistance for PSE kits, and reasons for non-distribution of work books would be ascertained from the concerned DSWOs.

2.1.9 Health check-up and referral services

Health check-up includes ante-natal care of expectant mothers, post-natal care of nursing mothers with new born and children below six years of age. High risk mothers with bad obstetrical history and other diseases were to be referred to appropriate health care institutions for special care. Audit observed the following deficiencies:

- **Shortfall in health check-up:** Health check-up was provided to 30 *per cent* of the eligible children, 56 *per cent* of the pregnant women and 50 *per cent* of the nursing mothers in the State during 2011-16, as detailed in **Appendix 2.1.3**. Thus, health check-up of children was seriously deficient and that of pregnant women and nursing mothers was significantly low. In the eight sampled districts, the shortfall was 65 *per cent* for children, 36 *per cent* for pregnant women and 38 *per cent* for lactating mothers during 2011-16. This indicated that health check-up service provided to the beneficiaries was not adequate, even though the State remained higher in MMR³⁶ (230) and IMR³⁷ (56) than the national average (167 and 42 respectively) during 2012-13.
- **Non-supply of medicine kits:** ICDS guidelines envisaged that every AWC should be equipped with medicine kits for treatment of diarrhoea, de-worming, skin diseases, *etc.* The Department did not make any provision for supply of medicine kits, as discussed in **Paragraph 2.1.6.3**. In the absence of medicine kits, the AWWs had to approach the Accredited Social Health Activist (ASHA) workers/

³⁴ Joda (T): 8,946 out of 17,424 books (8,874 children); Nimapara: 3,062 out of 8,600 books (9,543 children)

³⁵ Joda (T): 8,478 books during 2015-16; Nimapara: 5,538 books during 2013-14

³⁶ Maternal Mortality Rate per 1,00,000

³⁷ Infant Mortality Rate per 1,000 live birth

health centres at the time of requirement, as was seen in 110 sampled AWCs.

2.1.9.1 Shortfall in referral services

As per the guidelines, children below age of three years are to be weighed once in a month and children aged three to six years are to be weighed in a quarter. This helps in detecting growth faltering and assessing nutritional status of children and grading them under normal, moderate or severely malnourished categories. Severely malnourished children are to be given special supplementary feeding and referred to health centres as and when required.

Audit observed that out of the 223.05 lakh children in the State, 4.21 lakh children were identified as severely malnourished during 2011-16 and they were to be referred to appropriate hospitals for health care. The year-wise position of referral cases is given in *Appendix 2.1.4*.

Audit further observed that out of the 4.21 lakh severely malnourished children in the State during 2011-16, only 1.96 lakh (46 *per cent*) children were referred to hospitals for treatment. The year-wise shortfall in referral cases ranged between 21 (2015-16) and 73 *per cent* (2011-12). In four³⁸ sampled districts, the shortfall in referral cases was 67 *per cent*. The data relating to other four districts were not made available to Audit.

Thus, preliminary health services rendered through ICDS scheme were found to be deficient.

2.1.10 Nutrition and Health Education

Nutrition and Health Education is an important intervention under ICDS Scheme which forms part of behavioural change communication (BCC) strategy for women, especially in the age group of 15 to 45 years, so that they can look after their own health, nutrition and development needs as well as that of their children and families.

2.1.10.1 Shortfall in organising Village Health and Nutrition Days

Village Health and Nutrition Days (VHND) were to be observed every month at AWCs by organising a meeting of women including pregnant women and nursing mothers to educate them about health and nutrition.

Audit observed that against the requirement of holding 13.75 lakh meetings during 2011-16 in AWCs of the eight sampled districts, only 9.33 lakh (68 *per cent*) meetings were conducted. As VHND is a platform to educate women about health and nutrition, to conduct health check-up of beneficiaries, *etc.*, shortfall in holding meetings hampered delivery of health services. The AWWs attributed the shortfall in holding the meetings to inadequate infrastructure, absence of Auxillary Nurse Midwife (ANM), *etc.* Thus, health and nutrition education programme was not adequate.

³⁸ Dhenkanal, Mayurbhanj, Puri and Nabarangpur

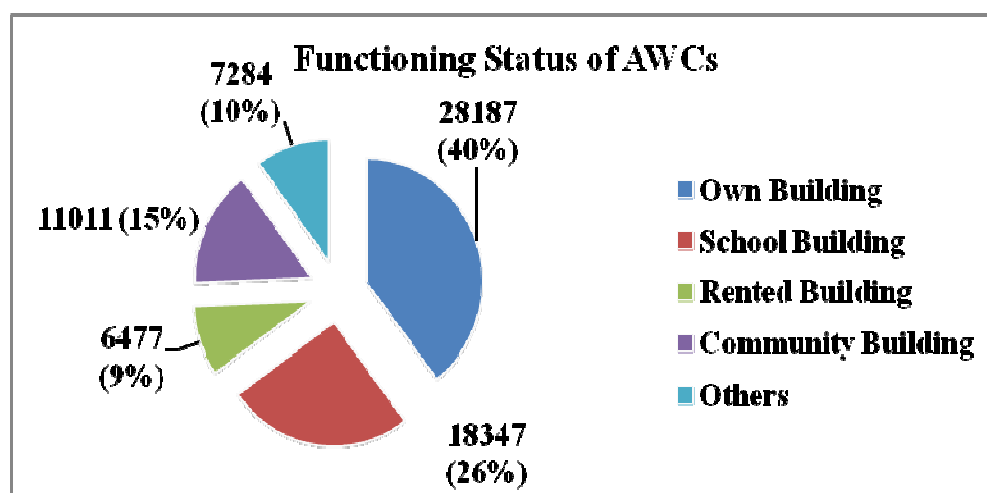
2.1.11 Infrastructure Development

AWCs are the focal points for delivery of various services under ICDS. GoI had instructed (March 2011) that an AWC must have separate sitting room for children/ women, kitchen, store room for storing food items, child friendly toilets, drinking water facility and space for playing of children.

2.1.11.1 Availability of AWC buildings

Audit observed that against 71,306 AWCs in the State as of March 2016, only 28,187 (40 *per cent*) were functioning in own buildings, as depicted in the pie chart given below:

Chart 2.1.2: Status of AWC building in the State



(Source: Compiled by Audit from the records of the Department)

In eight test-checked districts, out of 23,086 AWCs, only 10,578 (46 *per cent*) had their own buildings as of March 2016. The remaining AWCs were functioning in school buildings (4,578), community centres (3,489), rented houses (1,779) and in other places (2,662) like AWW/ AWH's houses, school verandas, open spaces, *etc.*

Out of 110 test-checked AWCs, while 59 AWCs (54 *per cent*) were operating from own buildings, 33 were running in school/ community premises. Further, four AWCs were running from rented houses, nine in AWW/ AWH's houses, three in verandas and two in temporary sheds/ open space. Four AWCs were functioning in one room of a school. Thus, 60 *per cent* of the AWCs did not have dedicated ICDS buildings for effective delivery of services to the beneficiaries.



The Department stated (October 2016) that steps were being taken for construction of all AWC buildings by 2018-19.

2.1.11.2 Adequacy of infrastructure in AWCs

Audit observed the following deficiencies in infrastructure at AWCs:

- 202 AWCs in Phulbani district were functioning in open space.
- Toilet facility was not available in 53,851 AWCs (76 per cent) in the State. Out of 17,455 available toilets, 4,205 (24 per cent) were in damaged/ dysfunctional condition. In test-checked districts, out of the 23,086 AWCs, 15,760 AWCs (68 per cent) had no toilet facility.
- Permanent kitchen was not available in 46,486 AWCs (65 per cent) in the State. In sampled districts, kitchen facilities were not available in 13,588 (59 per cent) AWCs.
- Though toilet and kitchen facilities were not available in 562 and 82 AWCs respectively, in Nabarangapur district, ₹ 1.11 crore, sanctioned (December 2013) for construction of toilets and kitchens, was utilised for repair and maintenance of AWC buildings. The DSWO, Nabarangapur had not supplied almirahs to 1,180 AWCs, despite provision of ₹ 59 lakh during 2014-15.
- On joint inspection of 110 AWCs, it was seen that separate kitchen and store-room was not available in 58 and 61 AWCs respectively. In absence of separate kitchen, hot cooked meal was prepared in open space, veranda, etc.

Thus, infrastructure facilities at AWCs were not adequate even after four decades of implementation of the scheme.

The Department stated (October 2016) that all the Collectors had been requested to take up construction of toilets in all the AWCs and construction of kitchens would be taken up in a phased manner.



2.1.11.3 Physical condition of AWCs

The Department had no data on availability of physical status of the AWCs. However, in the eight districts test-checked, out of the 23,086 AWCs, 20,847 were functioning in *pucca*/ semi *pucca* houses, 2,037 in *kutcha* houses and 202 in open space.

In test-checked 110 AWCs, 96 AWCs were functioning in *pucca* houses, 11 in semi *pucca* houses, one in *kutcha* house. One centre was found functioning in open place and one mini AWC (Rathasole under Kuliana ICDS project in Mayurbhanj district) was functioning under a temporary shed without any wall protection.



The Department stated (October 2016) that construction of all AWC buildings would be done by 2018-19.

2.1.11.4 Slow progress in construction of AWCs

The Department had sanctioned ₹ 1,234.20 crore for construction of 26,690 AWC buildings during 2010-16 under various schemes, as detailed in *Appendix 2.1.5*. The Block Development Officers concerned were responsible for construction of buildings. Audit observed that:

- Only 14,059 (53 *per cent*) buildings were completed as of June 2016 and 12,631 buildings (47 *per cent*) were lying incomplete even after lapse of one to five years from the date of sanction.
- Under Centrally Sponsored Plan, an amount of ₹ 250.02 crore³⁹ was sanctioned for construction of 5,556 AWC buildings during 2013-14. GoI had released (October 2013) ₹ 93.76 crore (50 *per cent*). However, only 2,376 buildings (43 *per cent*) were completed as of March 2016, despite the entire quantum of funds having been deposited with the executing agencies. As the Department could not submit UCs for the first instalment, it failed to avail the balance amount of ₹ 93.76 crore, as of June 2016.

In 22 sampled ICDS Projects, it was found that:

- Only 1,947 out of 2,671 AWC buildings were completed, 579 buildings⁴⁰ remained incomplete, after incurring expenditure of ₹ 13.21 crore⁴¹ and construction of 145 buildings had not been taken up, even though ₹ 23.99 crore was lying with the BDOs. The reasons for non-construction/ non-completion of AWCs were attributed mainly to land dispute, slow progress in construction by executing agencies, *etc.*
- DSWO, Bargarh did not draw ₹ 1.79 crore allotted (June 2013) by the Department for construction of 65 AWC buildings during 2013-14 and the same lapsed. The amount was not drawn due to negligence of the DSWO, as reported by the Collector, Bargarh.
- During 2011-15, funds were sanctioned twice for construction of 33 AWCs⁴². Out of these, funds were diverted in 24 cases for construction of other AWC buildings and in the remaining nine cases, funds were lying with the executing agencies. During 2011-15, DSWO, Nabarangpur released ₹ 5 lakh each in favour of BDOs, Umarkote and Kosagumuda for construction of two AWCs⁴³. As no such AWCs were in existence, the funds were diverted in March 2015 for construction of two other AWCs. This is indicative of lack of coordination between the BDOs and the CDPOs.

³⁹ At the rate of ₹ 4.50 lakh per building to be shared at 75:25 by GoI and State Government
⁴⁰ Prior to 2010-11: 23 buildings; 2011-12: 72 buildings; 2012-13: 49 buildings; 2013-14: 177 buildings; 2014-15: 64 buildings; 2015-16: 194 buildings

⁴¹ Related to 518 incomplete buildings, as no expenditure figure was made available to Audit for 61 incomplete AWCs under Kandhamal and Puri districts

⁴² Nabarangpur: 13, Kandhamal: 11, Keonjhar: 6 and Mayurbhanj: 3

⁴³ Badabasini Harijansahi (Umerkote) and Adibasiguda (Kosagumuda)

- The Department did not prepare any action plan for completion of AWC buildings within a time limit. Even AWC-wise status of construction of buildings was not available to monitor the progress of construction works.

Thus, action taken for construction of AWC buildings was not adequate and effective, due to which 47 *per cent* of the sanctioned buildings remained incomplete.

The Department stated (October 2016) that the districts had been instructed to complete these AWC buildings.

2.1.11.5 Non-operationalisation of AWCs sanctioned under Anganwadi on Demand scheme

In response to the guidelines (May 2009) and requests (January 2010) of GoI, the Department had submitted (January 2012) a proposal for sanction of 3,859 AWCs under 'Anganwadi on Demand (AOD)' scheme. GoI returned the proposal as the same was not in conformity with the guidelines and the Department resubmitted a fresh proposal for sanction of 1,297 AWCs and 833 mini AWCs. Based on this, GoI sanctioned (November 2014) 1,081 AWCs and 200 mini AWCs. While communicating sanction of AWCs under AOD, GoI also conveyed its sanction for 51 Supervisors, 1,281 AWWs and 1,081 AWHs and asked the State Government to take immediate action for recruitment and training of the ICDS functionaries to ensure that all the sanctioned AWCs got operationalised at the earliest.

Audit observed that there was inordinate delay in submitting proposal for sanction of AWCs under AOD. The State could send requirement of AWCs in complete format only in November 2013, *i.e.*, after four years of issue of guidelines/ instructions by the GoI. Even after 18 months of sanction, the State had not finalised district-wise allocation of AWCs to make them functional (June 2016), even though the beneficiaries had to pass through hilly areas, forest and rivers and covering distances of one to five kms to visit the nearest AWCs.

Thus, the Department had failed in operationalising the sanctioned AWCs in time and, as a result, the children were denied of various services under ICDS scheme. Further, the State could not avail of Central assistance of ₹ 5.09 crore during 2015-16, due to non-operationalisation of AWCs.

The Department stated (October 2016) that 76 out of 1,281 AWCs/ mini AWCs had been operationalised and the matter was being pursued with the DSWOs for early operationalisation of the remaining AWCs/ mini AWCs.

2.1.12 Human resources and training

2.1.12.1 Staff availability

Scrutiny of records and data made available to Audit showed that there was shortfall in the strength of person-in-position *vis-à-vis* sanctioned strength in all cadres of key functionaries in the State during the period 2011-16, as detailed in *Appendix 2.1.6*.

Audit observed that there were vacancies in critical posts like CDPOs and Supervisors, which were essential for effective implementation and

monitoring of ICDS scheme. The deficiencies in implementation of programme due to vacant posts are discussed below:

- The vacancy in the cadre of CDPO ranged from 20 to 32 in the State during 2011-16. In test-checked districts, there were only two vacancies as of March 2016. In the absence of CDPOs, the local BDO/ Tahasildar remained in-charge of the CDPOs. However, the BDOs/ Tahasildars did not look after the work of the ICDS Project in addition to their regular work, which affected implementation of the programme.
- Vacancies in the cadre of Supervisors ranged from 756 (27 *per cent*) in 2011 to 858 (31 *per cent*) in 2016 in the State. In the sampled districts, 267 out of 899 posts (30 *per cent*) of Supervisors, were lying vacant. Though there were huge vacancies in these key posts since 2011-12, Government did not fill up these posts till date. The Finance Department concurred (June 2016) for filling up of 30 *per cent* of base level vacancies of ICDS Supervisors. This indicated that the remaining vacancies would continue as such. In the test-checked Projects, it was seen that the existing Supervisors were given additional charge of other sectors and thus they could not visit the required number of AWCs for providing guidance to AWWs/ AWHs/ beneficiaries.
- Against 284 sanctioned posts of Statistical Assistants (SAs) in the State, the vacancies ranged from 157 in 2011-12 to 179 (63 *per cent*) in 2015-16. In the absence of SAs, the Supervisors were entrusted with their work like preparation of various reports and returns, maintenance of accounts of stocks under SNP and other scheme activities. This affected their field visits and supervision of AWCs.
- AWWs and AWHs are the grass root functionaries at AWCs who are responsible for delivery of various services to the beneficiaries. The vacancies of AWWs ranged from 1,952 to 5,386 in the State during the period 2011-16. In the test-checked districts, 564 out of 23,230 AWCs, had no AWWs. In their absence, the AWWs of neighbouring centres had to look after the AWCs.

Thus, vacancies in various cadres continuously affected implementation of the scheme adversely.

The Department stated (October 2016) that vacant posts in CDPO cadre had been filled up and steps had been taken to fill up the vacancies in the cadre of Supervisors and Statistical Assistants.

2.1.12.2 *Shortfall in training of ICDS functionaries*

Training and capacity building is one of the crucial elements in the ICDS Scheme, as the achievement of the programme goals largely depends upon the effectiveness of the frontline workers in improving the services under the programme. Training of ICDS functionaries⁴⁴ is a continuous process and the functionaries are imparted three types of training, *i.e.*, (i) Job course/ Induction training, (ii) Orientation training and (iii) Refresher training. Trainings to the

⁴⁴ CDPOs, Supervisors, AWWs and AWHs

ICDS functionaries were imparted through Government-run institutions and Non-Government Organisations (NGOs).

During 2011-16, an expenditure of ₹ 33.61 crore was incurred for training. The year-wise number of functionaries targeted for training is indicated in *Appendix 2.1.7*.

Audit, however, observed the following:

- As per the scheme guidelines, refresher training was to be imparted to the ICDS functionaries once in every two years. As such, 50 *per cent* of the available strength of ICDS functionaries are to be trained every year. Against this, only 43 *per cent* CDPOs, 15 *per cent* Supervisors and 20 *per cent* AWWs were targeted for refresher training during the period 2011-16. Thus, the target fixed for providing training was not commensurate with the requirement, as envisaged in the scheme guidelines.
- Against the target of 1,36,893 functionaries to be trained during 2011-16, only 1,19,515 person attended training programme with a shortfall of 17,378 person. The year-wise shortfall in achieving the target ranged between 5 and 21 *per cent* as detailed in *Appendix 2.1.8*.
- In the State Training Task Force meeting held (11 April 2013) for devising State Training Action Plan for 2013-14, it was decided to have a detailed database of trained ICDS personnel. However, no such database was prepared by the Department to monitor training status of each ICDS functionary.

Thus, training to ICDS functionaries was not adequate to upgrade the skills of ICDS functionaries for effective implementation of the scheme.

The Department stated (October 2016) that CDPOs had been nominated for training organised by GoI and training for Supervisors/ AWWs had been conducted regularly as per annual training calendar. The fact, however, remained that targeted number of functionaries had not been trained.

2.1.13 Monitoring and Supervision

GoI had issued (March 2011) a guideline for setting up a five-tier monitoring and review mechanism from national level to AWC level with the objective of coordinating and converging with the line departments and also to monitor and review the progress of implementation of the Scheme. As per the guidelines, a State Level Monitoring and Review Committee (SLMRC) under the chairmanship of the Chief Secretary, District Level Monitoring and Review Committee (DLMRC) under the chairmanship of the Collector, Block Level Monitoring Committee (BLMC) under the Chairmanship of the Sub-Divisional Officer at Block/ Project level and Anganwadi Level Monitoring and Support Committee (ALMSC) were to be formed for monitoring/ review of the implementation of the ICDS scheme. In this connection, Audit observed the following:

- **Shortfall in holding of SLMRC meetings:** The Department constituted SLMRC in August 2011 with the stipulation of holding a meeting at

least once in every six months. The SLMRC met only three⁴⁵ times during 2011-16 against the requirement of nine meetings. In the meetings, though issues like prevention of malnutrition, convergence for nutrition, strengthening of AWCs and PSE were discussed, no discussions were held on low utilisation of funds, non-attendance of all enrolled children in PSE, non-supply of medicine kits, interruptions in feeding programme, vacancies in key posts, non-completion of AWC buildings, *etc.*

- **Non-formation of DLMRC/ BLMC:** DLMRC was not constituted in six⁴⁶ sampled districts. Though, DLMRC was formed in two districts⁴⁷, only 10 meetings were held in Dhenkanal district and records relating to holding of meetings were not made available to Audit in Nabarangapur district. However, district level meetings under the chairmanship of the Collector and District Magistrate were held regularly to review the implementation of the various schemes including ICDS.
- BLMC at Block/ Project level was not formed in 16 out of 22 test-checked Projects. Though BLMCs were formed in six⁴⁸ Projects, only one meeting was held in four⁴⁹ ICDS Projects against the requirement of 20 meetings. Records relating to holding of BLMC meetings in Phulbani and Raikia Projects were not made available to Audit.
- **Inadequate supervision by Supervisors:** In 22 sampled ICDS Projects, the Supervisors made 1.47 lakh visits against the requirement of 2.35 lakh visits during 2011-16 and the shortfall was 0.88 lakh visits. The shortfall in field visits ranged from 17 *per cent* in Jhumpura ICDS Project (Keonjhar district) to 80 *per cent* in Bheden ICDS Project (Bargarh district). Follow-up action by the CDPOs on the visit reports of the Supervisors was not taken.
- **Improper maintenance of records:** Out of 110 sampled AWCs, visitor's books were not maintained in 24 AWCs, food stock register and cash book were not maintained in seven AWCs each.

Thus, due to non-formation of committees, issues like, shortfall in coverage of beneficiaries, delay in construction of AWC buildings, non-utilisation of funds, *etc.*, could not be addressed.

The Department stated (October 2016) that SLMRC meetings were not held due to some unavoidable reasons. However, implementation of ICDS Scheme was discussed in different forums like, Collectors' video conference, DSWOs' conference and specific information had been called for from the concerned test-checked districts.

⁴⁵ April 2012, January 2013 and May 2015

⁴⁶ Bargarh, Cuttack, Keonjhar, Mayurbhanj, Kandhamal and Puri

⁴⁷ Dhenkanal, Nabarangpur

⁴⁸ Anandapur, Raikia, Phulbani, Bhuban, Parjang and Dampada

⁴⁹ Anandapur, Bhuban, Parjang, Dampada

2.1.14 Impact

Even after 40 years of implementation of the scheme, the State could not ensure 100 *per cent* coverage of the eligible beneficiaries. Only 40 *per cent* of the AWCs were having their dedicated ICDS buildings for delivery of various services to the beneficiaries. Though the IMR and MMR in the State were reduced from 62 and 277 in 2010-11 to 56 and 230 in 2012-13 (Annual Health Survey 2012-13) respectively, it remained higher than the national average of 42 and 167.

2.1.15 Conclusion

Expenditure under Integrated Child Development Services (ICDS) scheme was less than the budgetary provision during 2011-16. Funds were not provided for supply of medicine kits and pre-school education kits. Out of 38.39 lakh children considered eligible in the State, 3.58 lakh children (nine *per cent*) were not provided with Supplementary Nutrition. Quality ensuring mechanism for Take Home Ration was not adequate in the State. Stock management of wheat and rice supplied under the Supplementary Nutrition Programme was deficient. Seven *per cent* of the enrolled children did not attend pre-school education. There was shortfall in health check-up and referral services, even though the Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR) in the State remained more than the national average. The pace of construction of Anganwadi Centre (AWC) buildings was slow as only 53 *per cent* of the sanctioned AWC buildings could be constructed. The State did not operationalise 1,281 AWCs/ mini AWCs even after 18 months of sanction by Government of India. Key posts like Supervisors (31 *per cent*) and Statistical Assistants (63 *per cent*), essential for effective implementation and monitoring of ICDS scheme, were lying vacant. Monitoring and Supervision mechanism of the programme was not adequate.

2.1.16 Recommendations

- The Department may set up a mechanism to verify the actual number of children attending Anganwadi Centres and provide funds based on that.
- The Department may ascertain the reasons for shortfall and take steps to cover all the beneficiaries under Supplementary Nutrition Programme and Pre-school Education.
- The Department may place a proper mechanism to manage the stocks under Supplementary Nutrition Programme to avoid misappropriation of stock and interruption in feeding programme.
- Action plan may be prepared to complete the construction of all ongoing Anganwadi Centre buildings and to provide required infrastructure in all Anganwadi Centres.
- Effective steps may be taken to fill up all vacant posts and impart training to upgrade skills of Integrated Child Development Services functionaries for effective implementation of the scheme.

The above recommendations had been accepted (October 2016) by the Government.

Housing and Urban Development Department

2.2 Implementation of Sewerage projects in the State

Executive Summary

The Orissa Water Supply and Sewerage Board (OWSSB) was established in 1991 to execute the sewerage projects in the State. Though OWSSB projected to lay 1,567.14 km of sewer lines and sewage treatment plants (STPs) with capacity of 379.20 MLD along with intermediary pumping stations at an estimated cost of ₹4,511.48 crore, it could not achieve the same by March 2016. No baseline data about full cycle of sanitation was created for any of the 110 Urban Local Bodies (ULBs) based on Odisha Urban Sanitation Strategy (OUSS), 2011. Sewerage projects were taken up without preparing City Sanitation Plan (CSP) and conforming to provisions of OUSS. As a result, the draft State Plan for implementing OUSS could not be prepared. There were deficiencies in preparation of Detailed Project Reports in respect of Cuttack and Talcher ULBs, resulting in execution of additional work and wasteful expenditure of ₹95.17 lakh. Due to slow progress of work, OWSSB could utilise only ₹1,336.54 crore out of ₹2,264.29 crore, available under different schemes. This also resulted in loss of Central assistance of ₹99.83 crore. Due to improper investment of unutilised funds, it had to forego interest amounting to ₹2.89 crore.

In respect of the projects at Puri, the work was awarded violating provisions of Orissa Public Works Department Code on the grounds of urgency. However, the work was completed with a delay of three years and nine months. Despite this, liquidated damage was not levied on the contractor. Improper execution of work led to laying of additional 1.307 km sewer lines. Delay in acquisition of land resulted in time overrun with consequential cost overrun of ₹2.44 crore. A 33 MLD capacity Sewage Treatment Plant (STP), constructed at Cuttack, was kept idle for 10 years as waste water did not flow into it. In Talcher, the construction of the other STP was delayed and the contracts were also rescinded and retendered. However, no penalty was levied on the contractor. In sewerage projects at Bhubaneswar, the contractor had delayed the construction and, therefore, the same was rescinded without levy of penalty. Due to delay in execution of the project, there was cost overrun by ₹228.22 crore.

The intended social benefit of ₹592.55 crore could not be derived due to delay in execution of the projects in Cuttack and Bhubaneswar cities. Environmental impact due to non-completion of these projects was observed in some of the downstream stretches of rivers as the level of pollutants had not decreased in these areas.

2.2.1 Introduction

Government of India had framed National Urban Sanitation Policy, 2008 with the vision to make all Indian cities totally sanitised, healthy and liveable with a special focus on creating hygienic and affordable sanitation facilities. In

pursuance of this, Government of Odisha (GoO) had framed Odisha Urban Sanitation Strategy, 2011 (OUSS) with an overall goal to transform urban Odisha into community-driven, totally sanitised, healthy and liveable towns managed by Urban Local Bodies (ULBs) with stakeholder participation. The OUSS required that City Sanitation Plans (CSP) needed to be prepared for all 110 ULBs with main thrust on safe disposal of sewage. Orissa Water Supply and Sewerage Board (OWSSB), established in accordance with the provisions of OWSSB Act, 1991, was responsible for consolidating all CSPs in order to make a State level plan for facilitating implementation of the State Strategy.

2.2.1.1 Organisational set up

The Housing and Urban Development (H&UD) Department, GoO, being the administrative department, was responsible for implementation of the OUSS. The Department, headed by Commissioner-*cum*-Secretary, implemented the strategy in the State by providing finance, human resources and technical support to the ULBs along with assistance of its subsidiary organisations like State Urban Development Agency, Development Authorities, Public Health Engineering Organisation, OWSSB and Odisha State Housing Board. OWSSB, headed by the Member Secretary, was assisted by one Chief Engineer⁵⁰, four⁵¹ Project Directors (PD) and nine⁵² Project Engineers (PE) for implementation of the sewerage projects in the urban areas of the State. As of March 2016, OWSSB had taken up sewerage projects in six⁵³ ULBs and completed a project only in one ULB (Puri).

2.2.2 Audit objectives

The Performance Audit was conducted to assess whether:

- Planning for implementation of sewerage projects was adequate and effective;
- Funds available for the sewage system were optimally utilised;
- Executing and supervising agencies were selected through a sound and transparent process and contract management in the execution of the works was efficient; and
- There existed a robust institutional arrangement for proper monitoring of the projects.

2.2.3 Scope and Methodology of Audit

The Performance Audit was conducted between April and September 2016 in six Urban Local Bodies (ULBs), covering all the projects executed during 2011-16. Besides, matters relating to any earlier period pertaining to these projects were also covered under Audit, wherever found necessary. The records maintained at the H&UD Department, OWSSB and all the project

⁵⁰ Chief Engineer, Odisha Integrated Sanitation Improvement Project (OISIP), JICA

⁵¹ Project Director, Technical Cell, OWSSB, Bhubaneswar; PD, OISIP, JICA, Cuttack; PD, OWSSB, Bhubaneswar; PD, OWSSB, Cuttack

⁵² PE, Sewerage, JICA, Cuttack; PE, Drainage, JICA, Cuttack; PE, Sewerage, JICA, Bhubaneswar; PE, STP, JICA, Bhubaneswar; PE, PMU-I, Bhubaneswar; PE, PMU-II, Bhubaneswar; PE, PMU, Cuttack; PE, PMU, Sambalpur and PE, PMU, Rourkela

⁵³ Bhubaneswar, Cuttack, Puri, Rourkela, Sambalpur and Talcher

implementing units were test-checked. The Audit objectives, criteria, scope and methodology of the Performance Audit were discussed with the Commissioner-cum-Secretary of H&UD Department in an Entry Conference held on 5 April 2016. Along with test-check of records, physical inspection of assets created and facilities available in the towns were conducted by the representatives of OWSSB in the presence of Audit. Photographs were taken, wherever considered necessary, as part of audit evidence. For the purpose of assessing environmental issues, water samples were collected from different rivers with the help of State Pollution Control Board (SPCB), Odisha and test reports were collected. The Audit findings were discussed with the H&UD Department in an Exit Conference held on 18 October 2016. The views expressed by the Department have been included in the report suitably.

2.2.4 Audit criteria

The criteria for Performance Audit were sourced from the following:

- Manual on Sewerage and Sewage Treatment issued by Ministry of Urban Development (MoUD), Government of India;
- Tripartite agreement among Government of India, State Government and Japan Bank for International Cooperation (JICA);
- Orissa Water Supply and Sewerage Board Act, 1991;
- Odisha Urban Sanitation Strategy, 2011;
- Perspective Plan 2009-14 of OWSSB;
- The Orissa General Financial Rules, Orissa Public Works Department Code and other orders issued by the GoO;
- Guidelines and instructions issued by the SPCB;
- Detailed Project Reports (DPRs) of respective projects; and
- Contracts with executing agencies.

The Audit findings are discussed in the succeeding paragraphs.

2.2.5 Acknowledgement

Audit acknowledges the co-operation and assistance extended by H&UD Department and OWSSB of Government of Odisha at various stages of conducting the Performance Audit.

Audit findings

2.2.6 Planning

The H&UD Department had framed Odisha Urban Sanitation Strategy (OUSS), 2011 which envisaged (a) collection of adequate baseline information about the full cycle of sanitation *i.e.*, arrangements for collection of household sewage, treatment and disposal in a comprehensive manner, (b) preparation of CSPs in a participatory manner, making cities open defecation free and putting the main thrust on safe disposal system for sewage and (c) formation of a designated State Sanitation Nodal Agency (SSNA), which would consolidate

the CSPs into a State level plan specifying the timeframe, finances, operational components and setting guidelines to enable the State to earmark resources. Accordingly, the Department designated OWSSB as SSNA.

Meanwhile, as per the direction from the Chief Secretary (June 2009), OWSSB had prepared a Perspective Plan, 2009-14, which envisaged (a) completion of five ongoing sewerage projects in four ULBs, (b) preparation of DPRs and execution of sewerage projects in four ULBs⁵⁴ and (c) preparation of DPRs for sewerage projects for 29 ULBs⁵⁵.

Audit observed that OWSSB did not amend the Perspective Plan to incorporate the objectives intended in OUSS, 2011. Thus, there was no synchronisation between the OUSS and the Perspective Plan, as was evident from the following:

- **Non-preparation of database of baseline data:** Collection of baseline data in all ULBs was a pre-requisite for implementing OUSS. Since OWSSB pursued only its Perspective Plan and ignored OUSS, it collected baseline data of only two out of four ULBs included in the Perspective Plan, for preparation of DPR.
- **Non-finalisation of CSP:** The Department engaged (March 2011) National Institute of Urban Affairs (NIUA) for preparation of CSPs only for eight⁵⁶ ULBs including five ULBs where projects were under execution by OWSSB and paid ₹ 52.50 lakh. Though NIUA had submitted CSP in July 2012, the same was not finalised by the Department as of July 2016. The State was yet to initiate any action for preparation of CSPs for the remaining 102 ULBs (July 2016).
- **Preparation of DPR without CSP:** The goal of CSP was to make cities open defecation free and creation of a safe sewage disposal system with focus on the urban poor and women. Thus, sewerage systems were to afford facilities for this targeted group. Audit observed that OWSSB prepared DPRs for two ULBs (Sambalpur and Rourkela) and engaged a consultant for preparation of DPR for Berhampur ULB, without finalisation of CSP.

Thus, sewerage projects were taken up without preparation of CSP and conforming to provisions of OUSS. As a result, a State Plan consolidating the CSPs for all ULBs for implementation of sewerage projects in the urban areas of the State could not be prepared.

2.2.7 Funds management

OWSSB received ₹ 2,264.29 crore from different sources for implementation of sewerage projects in six ULBs during 2001-16 and utilised ₹ 1,336.54 crore (59 per cent) leaving a balance of ₹ 927.75 crore as of March 2016 (*Appendix 2.2.1*). Audit observed the following deficiencies in funds management.

⁵⁴ Dhenkanal, Rourkela, Sambalpur and Berhampur

⁵⁵ 17 ULBs located at district headquarters and 12 other ULBs having water supply of 100 lpcd or more

⁵⁶ Balasore, Baripada, Berhampur, Bhubaneswar, Cuttack, Puri, Rourkela and Sambalpur

2.2.7.1 Poor spending efficiency

As may be seen from *Appendix 2.2.1*, the percentage of utilisation of funds were 96, 75, 43, 22 and 13 in respect of National River Conservation Plan (NRCP), Japan International Co-operation Agency (JICA), 12th Finance Commission (FC), Jawaharlal Nehru National Urban Renewal Mission (JnNURM) and Odisha Urban Infrastructure Development Fund (OUIDF) respectively. The higher utilisation in case of NRCP was due to completion of all the project components. In case of JICA, the higher utilisation was due to payment of mobilisation advance and engagement of Project Management Consultant (PMC) for overall supervision of the project to ensure timely completion. In case of JnNURM and OUIDF, the low utilisation was due to delay in acquisition of land and slow progress of work by the contractors. Due to poor utilisation of fund, the State Government failed to avail of GoI grant of ₹ 99.83 crore, as discussed in *Paragraph 2.2.7.3*.

The Member Secretary, OWSSB attributed (June 2016) non-achievement of intended physical and financial progress in the works to various constraints like problem of land acquisition, unfavourable site conditions, lack of inter-departmental co-ordination in obtaining required clearance, *etc.*

2.2.7.2 Submission of Utilisation Certificates (UCs)

As per Rule 173 of Orissa General Financial Rules, UCs should be furnished by the implementing agencies so as to reach the administrative department by 1 June of the succeeding year. Audit observed the following:

- **Non-Submission of UCs:** OWSSB received ₹ 1,408.98 crore from three agencies⁵⁷ and utilised ₹ 969.08 crore as of March 2016. Against this, it submitted UCs for only ₹ 888.28 crore and did not submit UCs for ₹ 80.80 crore.

The Member Secretary stated (June 2016) that the pending UCs would be submitted soon.

- **Submission of inflated UCs:** Against receipt of ₹ 663.25 crore under two schemes⁵⁸, OWSSB had submitted UCs for ₹ 304.37 crore to GoI as of March 2016. However, the actual expenditure was ₹ 187.52 crore. This resulted in submission of inflated UCs for ₹ 116.85 crore.

The Member Secretary stated (June 2016) that the UCs had been submitted in anticipation of further release of assistance from the GoI. However, submission of UCs without actual expenditure was irregular.

2.2.7.3 Loss of Central assistance

GoI had sanctioned (February 2007) the Phase II⁵⁹ of the project, *viz.* Integrated Sewerage System in Bhubaneswar City under JnNURM for ₹ 498.91 crore with 80:20 Central and State sharing pattern and committed to provide ₹ 399.13 crore as Central share for this purpose. The second

⁵⁷ NRCP: ₹ 90.57 crore, JICA: ₹ 1,157.17 crore and OUIDF: ₹ 161.24 crore

⁵⁸ 12th FC: ₹ 188.55 crore and JnNURM: ₹ 474.70 crore

⁵⁹ Sewerage projects in Bhubaneswar Sewerage Districts (SD) III, IV, V & VI including pumping station and sewage treatment plant (STP) in SD I & II along with renovation and replacement of old sewers and low cost sanitation

instalment was to be released only after satisfactory Public Private Partnership (PPP) arrangement and before completion of at least one Sewage Treatment Plant (STP) for any one of the districts/ zones.

Audit observed that OWSSB had received (January 2008 to April 2013) ₹ 299.30 crore⁶⁰ from GoI in first instalment. Though six STPs were envisaged to be executed under the project, tender for the work of STPs was not called for as of March 2016 due to delay in acquisition of land. Therefore, even one STP could not be completed within the scheme period of JnNURM i.e., 31 March 2014. As a result, the State Government was deprived of second instalment of Central assistance amounting to ₹ 99.83 crore⁶¹ and it has to complete the project out of its own resources.

2.2.7.4 Loss of interest due to imprudent fund management

The Finance Department had instructed (October 2012) all the departments of the State Government to keep the scheme fund in flexi accounts so that higher interest accruals could be ploughed back to expand the coverage of the scheme without affecting fund flow.

The Chief Engineer (CE), OISIP, JICA, Cuttack received funds from State Government for implementation of sewerage and drainage projects in Cuttack and Bhubaneswar (SD-VI). Audit observed that out of the grants received, the CE retained unutilised amounts ranging from ₹ 4,705 to ₹ 80.81 crore⁶² in 10 saving bank accounts during 2013 and 2014. Had the amount been kept in flexi accounts, additional interest amounting to ₹ 2.89 crore⁶³ could have been earned, as detailed in *Appendix 2.2.2*.

2.2.7.5 Loss of interest on mobilisation advance

Paragraph 3.7.21 of the OPWD Code provided that advance to contractors were, as a rule, prohibited. However, when such advances seemed indispensable, necessary precautions should be taken against loss. Such a system was not allowed to become general or to continue longer than was absolutely essential and such advance would carry interest at 18 *per cent* per annum.

Audit observed that the terms of agreements of OWSSB with four contractors⁶⁴ envisaged payment of interest-free mobilisation advance at 10 *per cent* of the tendered value⁶⁵. The recovery of advances was to commence after payment of 30 *per cent* of the accepted contract value at a rate of 25 *per cent* of each running account bill. Contrary to the codal provision, there was no provision in the agreements for charging interest on advances.

⁶⁰ 2007-08: ₹ 99.78 crore, 2010-11: ₹ 99.74 crore, 2012-13: ₹ 12.23 crore and 2013-14: ₹ 87.55 crore

⁶¹ ₹ 399.13 crore less ₹ 299.30 crore

⁶² 2013: Minimum Balance: ₹ 4,705 and Maximum Balance: ₹ 68.39 crore; 2014: Minimum Balance: ₹ 79,994 and Maximum Balance: ₹ 80.81 crore

⁶³ Being the difference in interest between deposits in the savings bank and flexi deposits, calculated on the minimum balance in the bank pass book during six monthly period

⁶⁴ M/s L&T Limited, Chennai; M/s Tantia-Voltas (JV); M/s IVRCL, Hyderabad and M/s VA Tech WABAG Limited, Chennai

⁶⁵ Excluding operation and maintenance value

OWSSB had released ₹ 193.98 crore as mobilisation advance during 2013-15 to four contractors. The amount of advances given, scheduled date of commencement of recovery, amounts recovered as of June 2016, *etc.*, are given in **Appendix 2.2.3**. It would be observed that there were delays in recovery of advances ranging from 151 to 594 days due to slow progress of works by the contractors. As a result, funds remained blocked with the contractors for the extended period. In absence of enabling provisions in the agreements, interest of ₹ 49.84 crore on unrecovered mobilisation advances beyond the scheduled period of recovery could not be charged against the contractors.

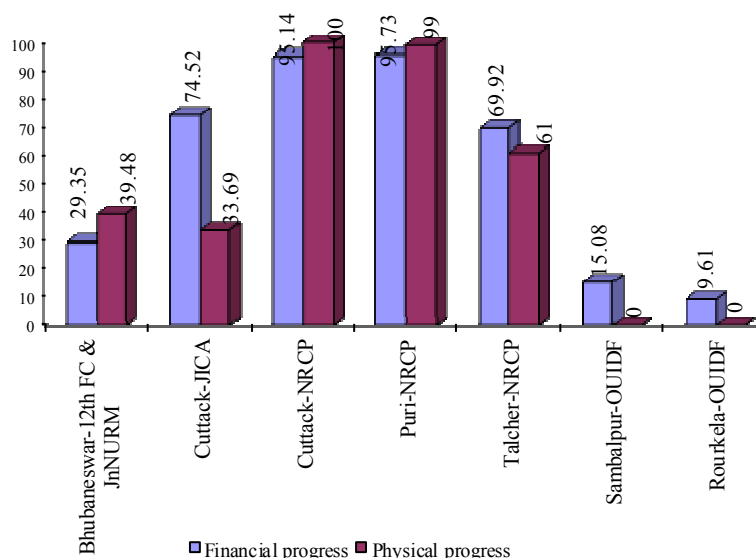
The Project Engineers of Sewerage and Drainage (JICA) at Cuttack and Bhubaneswar stated (August 2016) that the bid price might have increased, if provision for charging interest on mobilisation advance had been included in the bid document. The reply was not convincing as sanction of interest free advance was contrary to the codal provisions.

2.2.8 Project implementation

The H&UD Department had accorded administrative approval for implementation of sewerage projects in six⁶⁶ ULBs in the State during 2000-16. OWSSB took up the implementation of the projects during 2001-16 with a projection to lay 1,567.14 km of sewer lines and construction of 15 STPs with capacity of 379.20 MLD along with intermediary pumping stations at the estimated cost of ₹ 4,511.48 crore. The project-wise status of execution as of March 2016 is given in **Appendix 2.2.4**.

Audit observed that the amount of utilisation was not commensurate with the physical progress of works, as depicted in the following chart:

Chart 2.2.1: Chart depicting financial and physical progress of projects



⁶⁶ Puri, Bhubaneswar, Cuttack, Talcher, Sambalpur and Rourkela

It would be observed from the chart that in respect of four projects, the percentages of execution of projects were less than amount utilised. Audit further observed that:

- In case of JICA funded projects at Cuttack, the financial progress was more than the physical progress, mainly due to unrecovered mobilisation advances and payment of consultancy charges, as discussed in **Paragraphs 2.2.7.5 and 2.2.10.6.**
- In Talcher, the percentage of execution of projects was lower than the amount utilised due to unfruitful expenditure in acquisition of land, as discussed in **Paragraph 2.2.8.1.**
- In the sewerage projects at Sambalpur and Rourkela, execution of projects had not been started as of July 2016, despite utilising 15.08 and 9.61 *per cent* of funds on acquisition of land.

Due to deficiencies in DPR, slow pace in execution of works as well as deficient financial management, physical progress commensurate with the amount utilised had not been achieved, resulting in idle investment of funds.

2.2.8.1 Deficiencies in Detailed Project Reports

Preparation of accurate and realistic DPRs for any sewerage and drainage project is critical for planning and execution of various construction activities. Incorrect DPR and inaccurate cost estimate lead to time and cost overrun besides delay in completion of projects. Audit observed the following:

- A consultant had prepared DPR for the work Construction and Rehabilitation of Drainage in Cuttack city during 2012-13. Based on the DPR, OWSSB had invited tender in February 2011, which, *inter alia*, envisaged requirement of 147.20 MT of hot rolled single sheet pile to be laid over 4,210 m² area. The terms of the agreement with the contractor also included this quantity for execution. The contractor represented that the work could not be completed with the agreed quantity of sheet pile and requested for increasing the quantity. An expert committee constituted by the Government remarked (September 2013) that the DPR had failed to present the actual site requirement and soil conditions, correlate facts in different sections of the DPR and in assessment of required quantities of item. Accordingly, the Committee recommended increasing the quantity to 9,900 MT (6,625.54 *per cent* increase) and laid over area to 24,458 m² (5.81 times). Against this, the contractor had procured 4,614 MTs sheet pile up to March 2016.
- Similarly, the DPR of sewerage projects for Talcher had envisaged, *inter alia*, construction of interception and diversion drains and two STPs (two MLD capacity each). However, the CE, OWSSB postponed (October 2014) construction of STP-II, as the entire volume of generated waste water could be treated in one STP. Meanwhile, OWSSB had incurred expenditure of ₹ 95.17 lakh in acquiring 4.35 acre land and constructing interception and diversion drains for STP-II. This indicated that the DPR was not prepared realistically and resulted in unfruitful expenditure of ₹ 95.17 lakh.

Despite preparation of incorrect DPR, no action was initiated against the consultant in both the cases.

2.2.9 Implementation of projects in Puri

Hon'ble Supreme Court of India had directed the GoO on 5 August 1996 to set up sewerage system in Puri town. The National Environmental Engineering Research Institute, Nagpur had prepared a DPR in 2001 projecting the cost at ₹ 48.30 crore. The project was administratively approved by the Ministry of Environment and Forest, GoI (August 2002) and by GoO (October 2002). Due to delay in tendering and subsequent revision of the schedule of rates, the project cost was revised to ₹ 80.45 crore in 2008. The cost of the project was shared in the ratio of 70:30 by GoI and GoO respectively. The deficiencies in the execution of the projects are discussed below.

2.2.9.1 Lack of fairness in award of works

As per Paragraph 3.5.9 and Appendix IX of OPWD Code, the tender should invariably be invited in the most open and public manner to observe transparency and the work be awarded through a competitive process so as to execute the work at a fair price and preserve quality.

The work 'Construction, Testing and Commissioning of Gravity Collection System' with pumping mains relating to the Zone- B1, B2 and B3 at Puri with estimated cost of ₹ 5.50 crore was tendered in March 2003. After evaluation of price bids in July 2003, M/s Larsen & Toubro Ltd. was found to be the successful bidder with a quoted price of ₹ 8.12 crore. The Tender Committee rejected (October 2003) the tender on the ground of inclusion of an unwanted condition by the contractor *i.e.*, use of IS standard RCC pipes in place of ISI marked pipes and recommended invitation of fresh tender. Accordingly, a fresh tender was invited in December 2003.

Audit observed that the Tender Committee's recommendations were ignored and the work was awarded (February 2004) to the same contractor (M/s L&T) at an agreed value of ₹ 8.03 crore with a stipulation to complete the work by May 2005 as per the instruction issued by the Administrative Department, stressing the urgency of the work which was to be executed concurrently with the ongoing National Highway work in that area. However, the sewer laying work could be completed in March 2009 with a delay of about three years and nine months from the scheduled completion date. The contractor had not conducted test for leakages, as prescribed in the agreement. The Department subsequently observed leakages in all three zones and asked the agency to rectify the leakages, which were not carried out. The Department rectified the leakages at its own cost. Thus, despite awarding the work ignoring the recommendations of the Tender Committee, the work had not been satisfactorily completed by the contractor.

The concerned Project Engineer stated (July 2016) that the final bill of the contractor had not been received and on receipt of the same, recovery of penalty would be considered.

2.2.9.2 Avoidable expenditure in laying of additional Sewer lines

The Sewage Collection and Treatment System for Puri town, commissioned in April 2014, had four pumping stations in operation. Out of the four, two

important pumping stations *i.e.*, P6 and P8 collected waste water from major area of Zone-B3 and C1 and pumped it through two pumping mains to sewer manhole chamber No.302 of Zone-C1. It was observed from the report of the Chief Engineer, OWSSB that due to defective laying of the sewer lines, the gravity sewer from manhole chamber to P10 pumping station was unable to carry the high load of waste water during peak hours. To overcome the problem, an additional sewer line of 1,307 metre length with 350 mm diameter, was laid at a cost of ₹ 69.78 lakh. Despite this, no action was taken against the defaulting agency.

Had the execution been proper, the expenditure for laying additional sewer line could have been avoided.

The Project Engineer, Puri accepted the Audit observation (August 2016).

2.2.9.3 Time and Cost overrun due to non-availability of land at Puri

The work Design, Construction, Testing and Commissioning of five⁶⁷ Sewage Pumping Stations in Zone-A, C2 and E in Puri was awarded (May 2005) to a contractor⁶⁸ at an agreed cost of ₹ 5.64 crore for completion by February 2007.

Audit observed that out of five pumping stations, the contractor had executed four pumping stations and could not take up the work of 5th pumping station (P9-contract value: ₹ 2.75 crore) due to change in location and non-handing over of site by the Department. Alternate land was made available to the contractor in July 2012. However, the contractor expressed inability to execute the work at the agreed rate. OWSSB awarded (October 2014) the work to another contractor⁶⁹ for ₹ 4.19 crore with the stipulation to complete the same by August 2015. The work was completed in March 2016 at a cost of ₹ 4.01 crore. This resulted in cost overrun of ₹ 2.44⁷⁰ crore. The Project Engineer, Puri confirmed the facts (August 2016).

2.2.10 Implementation of Projects in Cuttack⁷¹

The Chief Engineer (JICA) was in charge of executing the projects in Cuttack and Bhubaneswar Sewerage District VI. The projects were to be implemented with the loan assistance from JICA for JPY⁷² 19,061 million (₹ 945.13 crore).

The DPRs of the project were initially prepared and approved (November 2006) for a total cost of ₹ 945.13 crore and subsequently revised (September 2013) to ₹ 2,974.66 crore, due to inclusion of more areas of Cuttack and Bhubaneswar cities. The project was divided into four packages which were awarded to M/s L&T, M/s IVRCL, M/s VaTech and M/s Tanta-Voltas (JV) at a total cost of ₹ 2,463.35 crore. The initial timeline for completion was June 2016, which was extended to December 2017 due to increase in scope of work. As of March 2016, the percentage of completion of works by the

⁶⁷ Pumping station P1- ₹ 66,36,170, P2 - ₹ 1,03,18,850, P6- ₹ 59,26,610, P8- ₹ 60,14,480 and P9- ₹ 2,74,82,920

⁶⁸ M/s RAMKY Infrastructure Ltd., Hyderabad

⁶⁹ Jamshedpur Utilities Services Company Limited

⁷⁰ Revised cost of the leftover work: ₹ 4.19 crore less (original cost: ₹ 2.75 crore plus cost of procurement of pump sets : ₹ 1 crore)

⁷¹ Project at Cuttack included projects at Bhubaneswar Sewerage District VI

⁷² Japanese Yen

contractors ranged from 34 to 40 of the awarded work. The deficiencies in the execution of the project are discussed below.

2.2.10.1 Irregular payment to contractor

As per Clause 10 of the agreement, executed (January 2013) with L&T Construction Ltd., payment was to be made in accordance with the actual works executed at site.

The payment for item No. 305 of Bill of Quantities (BOQ) *i.e.*, supplying and laying of Ductile Iron (DI) pipes in trenches was to be made to the contractor after laying of DI pipes of required diameter with all fittings. Audit, however, observed that the contractor was paid ₹ 10.37 crore (March 2014) against the supply of DI pipes alone without executing the works specified in item No. 305. The amount, so paid, was 80 *per cent* of the item rate and shown as a separate item under the original BOQ. Thus, payment of 80 *per cent* of BOQ rate to the contractor against an unfinished item of work, was irregular.

The Project Engineer stated (June 2016) that the contractor had procured a substantial quantity of material soon after the award of the work which could not be utilised due to insufficient work front and, on request of the contractor, 80 *per cent* of the item rate was paid after getting approval of the H&UD Department. The reply was not tenable as the payments should have been made only after full execution of work. Moreover, the contractor had already been provided mobilisation advance of ₹ 62.46 crore. The pipes have been lying idle for 28 months (June 2016).

2.2.10.2 Unauthorised payment to contractor

Paragraph 3.7.21 of OPWD Code provides that advances to contractors are, as a rule, prohibited and every endeavour should be made to maintain a system under which no payment is made except for the work actually done. However, sanction of Government must be obtained only in exceptional circumstances, when such advances seem indispensable and provided that necessary precautions are taken for securing Government against loss and such a system is not allowed to become general or to continue longer than is absolutely essential. Such advance shall carry interest at the rate of 18 *per cent* per annum.

Audit observed that prior to certification by the Project Management Consultancy (PMC) and pending approval of the RA bills of the contractor⁷³, the Project Engineer, Drainage (JICA), Cuttack had paid (January-September 2014) ₹ 38.98 crore on hand receipts on different occasions. As such, the contractor was liable to pay interest on the advances paid at 18 *per cent* per annum. Though the Project Engineer adjusted the advances against running account bills at a later stage, interest on outstanding advances amounting to ₹ 39.65 lakh was not charged. Thus, not charging of interest on the payment made prior to passing of bills not only amounted to extension of undue favour to the contractor but also caused loss to the Government exchequer.

The Project Engineer stated (July 2016) that the part payments were released in the interest of the project and stopped after 10th RA Bill *i.e.*, September 2014. The reply was not convincing since payments were made prior to

⁷³ M/s Tantia-Voltas

certification by the Project Management Consultant and passing of the bills. Further, rules do not allow release of payments on the ground cited by the Project Engineer.

2.2.10.3 *Irregularities in procurement and utilisation of sheet piles*

As per the general conditions of the agreement, when the quantity to be executed exceeded more than 25 per cent of the agreed quantity and more than one per cent of the accepted contract amount, a new item rate should be arrived at from any relevant rates or prices in the contract with reasonable adjustments and, if no rate was available, it should be derived from the reasonable cost of execution together with profit, taking into account other relevant components. Until such time an appropriate rate was derived, the Engineer should determine a provisional rate for smooth execution of the work. In this connection, Audit observed the following:

- Undue favour to contractor on procurement of sheet piles:** Construction and Rehabilitation work for drainage facilities in Cuttack (JICA) had been awarded to M/s Tania-Voltas (JV). As per the terms of agreement, the contractor was to procure 147.20 MTs sheet piles for shoring and shuttering at an agreed price of ₹ 1.28 lakh per MT. Since the quantity of material was not properly assessed, the quantity increased from 147.20 MT to 9,900 MT (September 2013), as discussed at **Paragraph 2.2.8.1**. As the change in quantity was more than 25 per cent, new item rate should have been finalised and applied as per the terms and conditions of the contract. However, instead of revising the rate, the Department allowed the contractor to supply the sheet piles at the agreement rate *i.e.*, ₹ 1.28 lakh per MT. It was further observed that the Steel Authority of India Limited had offered a base price of ₹ 72,750 per MT. Besides, it was observed that the contractor had procured 600 MT of sheet piles during (March to September 2013) at the basic rate ranging from ₹ 65,000 to ₹ 75,000 per MT. Considering tax and freight including insurance, the maximum negotiable rate was worked out at ₹ 81,000⁷⁴ per MT. However, the PE, PMU (Drainage) did not review the previously agreed rate of ₹ 1.28 lakh per MT and continued to pay at the same rate for the additional quantity of 4,430 MT sheet piles⁷⁵, which was irregular.
- Blocking of funds due to idling of sheet piles:** Though the contractor had procured 3,822 sheet piles (4,614 MT) up to June 2014, physical inspection by the OWSSB representatives in the presence of Audit and information furnished by the Project Engineer showed that 2,969 sheet piles valued at ₹ 49.48 crore⁷⁶ had remained idle for more than two years. The reasons for idling of materials were encroachment of site, existence of electrical installations, *etc.* Despite non-availability of free site, materials were procured, which resulted in blocking of funds.

⁷⁴ Basic price ₹ 75,000 per MT, CST @ 2 per cent (₹ 1,500) and freight including insurance @ 6 per cent (₹ 4,500)

⁷⁵ Procured up to March 2016

⁷⁶ The weight of one Sheet Pile is 1.302 Metric Ton. The total weight and cost of 2,969 Sheet piles @ ₹ 1.28 lakh per Metric Ton = 1.302 x 2,969 x 1.28 = ₹ 49.48 crore

The Project Engineer, while accepting the fact, stated (July 2016) that vigorous steps were being taken to make the site ready and the contractor had been instructed to increase the pace of execution of work.

- **Undue favour by allowing excess payment:** As per the agreement, the rate for lowering sheet piles was ₹ 1,000 per sqm and for lowering along with subsequent lifting was ₹ 6,000 per sqm. Physical inspection by the officers of OSWSSB in the presence of Audit and information furnished by the Project Engineer showed that 2,559 sheet piles measuring 22,647.15 sqm had only been lowered and were found to be lying in drains. Despite this, payment had been made at the rate of ₹ 6,000 per sqm. This resulted in overpayment of ₹ 11.32 crore⁷⁷. In response to Audit observation, the OWSSB agreed to recover the amount.

2.2.10.4 Wasteful expenditure on construction of site office at Hadiapatha

The work of Construction and Rehabilitation of drainage facilities in Cuttack also included construction of a site office along with supply of furniture and fixtures for ₹ 1.52 crore. As of March 2016, the contractor had been paid ₹ 1.14 crore.

Audit observed that the site office building was constructed on the bank of river Mahanadi at Hadiapatha, over land allotted (May 2013) by the Executive Engineer, South Irrigation Division, Cuttack. The Tahasildar, Sadar, Cuttack as well as the Cuttack Municipal Corporation had served (May 2014) notices to vacate the land and demolish the building, as it had been constructed on the river bank where construction of permanent structure was prohibited. Thus, unauthorised construction of the building resulted in wasteful expenditure of ₹ 1.14 crore.

Accepting the fact, the Project Engineer, Drainage, Cuttack stated (July 2016) that the office building would be handed over to the Municipal authority for future operation and maintenance of the project after completion of the project. The reply was not tenable as the construction of a permanent structure over an unauthorised/ prohibited area was illegal and no further use of the building would be permissible under the Law.

2.2.10.5 Idling of Sewage Treatment Plant

The waste water of Cuttack city was being discharged in the river Kathajodi and Mahanadi without any treatment. For treatment of the untreated water, an estimate for repair and renovation of the existing link drain to carry waste water, a pump house to draw sewage from link drain and feeding to STP and construction of one STP (33 MLD capacity) at Matagajpur was prepared (June 2000) for ₹ 5.07 crore. The project was financed under the National River Conservation Plan (NRCP).

⁷⁷ 22,647.15 sqm @ ₹ 5,000 (i.e., ₹ 6,000-₹ 1,000)

Audit observed that the works were completed in all respects in August 2006 at a cost of ₹ 6 crore. However, the sewage was diverted to another link drain upstream of the STP and discharged directly in Kathajodi river without treatment. The reason for diversion was silting of downstream drain and damaged sluice gate at the point of diversion. This was confirmed during physical inspection (June 2016) of the STP by the Project Engineer in presence of Audit. Thus, the STP with 33 MLD capacity constructed at a cost of ₹ 6 crore became unfruitful, besides discharge of untreated waste water in river Kathajodi. This had also been reported by the SPCB regularly to OWSSB.

2.2.10.6 Cost overrun in consultancy services

OWSSB had awarded (October 2009) the detailed Engineering and Project Management Consultancy⁷⁸ of works executed under JICA funding in Cuttack and Bhubaneswar cities to M/s Tokyo Engineering Consultants Company Limited, Japan for ₹ 54.39 crore⁷⁹ (1,060.216 million JPY). The consultant was to submit the DPR by December 2010 and the execution of work was to be completed by February 2015.

Audit observed that submission of DPR itself was delayed by three years by the consultant due to increase in scope of work like additional survey for areas to be brought under sewerage and drainage works, *etc.*, by OWSSB. This delayed the commencement of the project by three years, which ultimately resulted in overall delay. Due to extension of the project completion period, the term of the consultant was also extended by 33 months involving an additional consultancy fee of ₹ 46.92 crore.

The Chief Engineer, Odisha Integrated Sanitation Improvement Project (OISIP), JICA accepted the Audit observation (August 2016).

2.2.11 Implementation of projects at Bhubaneswar and Talcher

Bhubaneswar city was divided into six sewerage districts and a DPR was prepared (November 2007) for construction/ installation of sewerage system with estimated cost of ₹ 754.23 crore. The project was divided into three different parts *i.e.*, (i) laying of sewer lines in Districts I and II, (ii) laying of sewer lines in Districts III to VI along with construction of STPs in all six districts and (iii) land acquisition, IEC activities, *etc.* The works were funded from 12th FC (₹ 140 crore) grant, JnNURM (₹ 498.91 crore) grant and budgetary support of the State Government, respectively. The deficiencies in the execution of the projects are discussed in the following paragraphs.

2.2.11.1 Cost overrun in projects executed in Bhubaneswar city

The H&UD Department had approved (October 2006-November 2007) two projects⁸⁰ at an estimated cost of ₹ 342.74 crore to be completed within 36

⁷⁸ Overall project management, assistance to PIU on physical, financial, social and institutional matter along with formulation of project plans, monitoring, supervision, preparation of progress report, completion reports, detailed design, preparation of DPR, institutional improvement consultancy, *etc.*

⁷⁹ ₹ 54.39 crore (1,060.216 million Japanese yen X ₹ 0.513)

⁸⁰ Laying of sewer line in sewerage district I & II and Laying of sewer line in sewerage district III of Bhubaneswar city

months from the date of commencement. The DPR of the projects, *inter alia*, envisaged execution of three components namely, construction of pumping stations including lift stations, sewage treatment plant with all peripheral works and laying of sewer lines along with construction of manholes.

Due to non-acquisition of land for STPs, only one component of the project *viz.*, laying of sewer lines along with construction of manholes, with estimated cost of ₹ 250.04 crore, was awarded (February 2008 to May 2008) to M/s East Coast Construction and Industries Limited for ₹ 286.41 crore⁸¹. The project was scheduled to be completed by November 2010. Due to slow progress of works, OWSSB rescinded (November 2015) the contract after payment of ₹ 112.55 crore to the contractor towards part execution of works.

OWSSB prepared a revised estimate of ₹ 402.08 crore for the leftover work and put the same to tender (March-June 2016). The award of work was awaited (June 2016).

In this connection, Audit observed the following:

- Against the scheduled date of completion of November 2010, the contractor failed to complete the project even after sanction of extension of time twice up to December 2014. However, OWSSB rescinded the contract only in November 2015 *i.e.*, after five years. Thus, against the awarded value of ₹ 286.41 crore, the revised cost of the project increased to ₹ 514.63 crore⁸², resulting in cost overrun of ₹ 228.22 crore.
- As per the terms of the contract, in the event of recession of contract, the security deposit was to be subject to forfeiture along with imposition of penalty amounting to 20 *per cent* of the value of the leftover work. OWSSB imposed penalty amounting to ₹ 34.77 crore *i.e.* 20 *per cent* of the value of leftover work on recession of the contract. Although it forfeited ₹ 8.64 crore deposited by the contractor towards security deposit, but did not take any action to recover penalty of ₹ 34.77 crore.

The Project Engineer, OWSSB, Bhubaneswar, while accepting the Audit observation, stated (May 2016) that the penalty amount would be recovered from the final bill of the contractor.

2.2.11.2 Non-inclusion of penalty clauses in the agreement

A provision contained in the OPWD Amendment 2005 (July 2005) required that 20 *per cent* of the value of leftover work would be realised as penalty from the defaulting contractor in case of rescission of the contract.

The work 'Design, Construction, Testing and Commissioning of 2 MLD sewage treatment plant consisting of stabilisation pond system, influent and effluent facilities at Talcher' under NRCP was awarded (March 2006) to M/s BMC Builders (P) Limited for ₹ 87 lakh to be completed by March 2007. The Project Engineer had issued (November 2008) show cause notice to the

⁸¹ District I & II: ₹ 136.41 crore and District III: ₹ 150 crore

⁸² Payment made to the contractor: ₹ 112.55 crore + revised estimate of the leftover work: ₹ 402.08 crore

contractor for slow progress and warned of rescission of the contract. Despite repeated correspondence by the Project Engineer, the contractor did not complete the work within the scheduled date and left the work half-way. The contract was rescinded (June 2010) without imposing penalty. Audit observed that the penalty amounting to ₹ 0.13 crore, as required under the codal provision, could not be imposed due to non-inclusion of a penalty provision in the agreement.

The concerned Project Engineer (Talcher) stated (July 2016) that penalty could not be imposed due to absence of enabling provision in the agreement. The fact, however, remained that non-inclusion of penalty clause in the agreement, violating the codal provision amounted to extension of undue favour.

2.2.11.3 Non-levy of Liquidated Damages against defaulting contractors

As per the terms of the agreement, in the event of failure in timely completion of work, the contractor would be liable to pay compensation, of an amount equal to 0.5 *per cent* of the accepted tender value per day for every completed day of such default and the amount of such damage and the entire amount of compensation should not exceed 10 *per cent* of the value of agreement.

Audit observed that 13 works were awarded between March 2003 and January 2015 at ₹ 67.07 crore in Puri and Talcher. The works were to be completed between March 2005 and October 2015. As of July 2016, only six works were completed (April 2009 to May 2011) with delays ranging from 43 to 55 months and the remaining seven works were not completed even after incurring expenditure of ₹ 49.63 crore. Though in all the cases, the contractors had been issued notices for delay, no action had been taken to levy liquidated damages amounting to ₹ 6.69 crore.

The Project Engineer stated (August 2016) that liquidated damages would be recovered from the final bills of the defaulting contractors.

2.2.12 Environmental impact due to delayed implementation of sewerage projects

2.2.12.1 Non-accrual of Social Benefit

Provisions of Manual on Sewerage and Sewage Treatment envisaged that the DPR for implementation of sewerage projects should contain several parameters like installation of sewerage system, operation and maintenance, impact on environment, health, socio-economic benefit, *etc.* The approved DPRs of the sewerage projects for Bhubaneswar and Cuttack cities projected that the water bodies, environment, health, *etc.*, would be protected by the projects and the social benefits would accrue from the following year of the completion⁸³ of the project. Hence, in terms of the approved DPR, the economic benefit would accrue for the urban population of Bhubaneswar city from 2011 and that of Cuttack from 2017.

Audit observed that execution of sewerage projects in two out of six sewerage districts of Bhubaneswar had not started and in the other four districts, only

⁸³ 2007-10 in case of Bhubaneswar and 2013-16 in case of Cuttack

39.48 *per cent* of works had been completed as of July 2016. Similarly, in respect of sewerage projects at Cuttack the percentage of execution of works stood at 33.69 *per cent* as of July 2016, *i.e.*, the expected date of completion of the project. The intended social benefit, as estimated in the DPR, of ₹ 592.55 crore could not be derived due to delay in completion of the work.

2.2.12.2 Environment impact due to non-completion of the Projects

The environmental impact of non-completion of projects is discussed below:

- Physical inspection carried out by the OWSSB officials in the presence of Audit in five test-checked ULBs⁸⁴ showed that the waste water was being directly let into the Mahanadi, Kathajodi, Kuakhai, Gangua and Brahmani rivers. Further, the liquid collected from consumers' septage were also being let directly in the open fields near water sources, leading to contamination of water.
- Water quality parameters of rivers analysed over a period of time by the SPCB showed presence of Dissolved Oxygen below normal level⁸⁵, Biochemical Oxygen Demand (BOD), Total Coliform (TC) and Faecal Coliform (FC) beyond the permissible level. Audit observed from the records of SPCB that the BOD was very high and up to 12.4 mg/l during 2013 (against upper limit of 3 mg/l) at downstream of Kathajodi river, mainly due to direct discharge of untreated waste water and sewage into the river at Khannagar, instead of treating in STP at Matagajpur, as discussed at **Paragraph 2.2.10.5**.
- As of July 2016, 109 ULBs of the State had no sewerage system and the possibility of severe health hazards among the urban population and people living downstream of the above rivers cannot be ruled out due to pollution. During 2011-15, 1,42,284



Garadi nallah carrying the combined waste water of Tarkara nallah and RSP flowing into river Brahmani (downstream) at Deogaon (Rourkela)



Waste water discharged to the river Kathajodi at Khannagar, Cuttack



Waste water discharged to the river Mahanadi at Jobra, Cuttack

⁸⁴ Bhubaneswar, Cuttack, Sambalpur, Rourkela and Talcher

⁸⁵ Against normal level of 4 mg per litre, actual level ranged from 0.8 to 3.4 mg per litre

persons were affected with casualties of 59 persons from diarrhoea and jaundice, as observed from the records of Health and Family Welfare Department. Such outbreak, followed by the casualties, was attributed to contaminated drinking water. The Fisheries and Animal Resources Development Department could not confirm the effects of pollution on the aquatic lives in these rivers at various points, as no survey had been conducted.

2.2.13 Inspection and monitoring

2.2.13.1 *Non-holding of adequate meetings*

As per the provisions of the OWSSB Act, 1991 and Regulation, 1992, the Board should meet at least once in two months to discuss the activities of the Board. Audit observed that only 26 meetings were held since August 1993 (Notification of Regulation of Board) till March 2016 against the prescribed 136 meetings. The intervals of conducting Board meetings were from 5 to 27 months, instead of one in every two months. In the said meetings, there were discussions on implementation of sewerage projects including preparation of DPR, progress of ongoing project to sort out the bottlenecks like land acquisition, slow progress by the agencies, *etc.* Audit observed that though decision was taken for timely completion of projects but due to lack of timely action, only two projects could be completed⁸⁶.

The OWSSB stated (May 2016) that the frequency of convening Board meeting was related to the list of issues and agenda requiring decision of the Board only. The reply was not convincing, as there were unresolved issues pertaining to implementation of OUSS, timely finalisation of scope of works, slow pace of execution of works, *etc.*, and the number of Board meetings to be held was stipulated by the OWSSB Act.

2.2.13.2 *Ineffective Monitoring*

Provisions laid down in Manual on Sewerage and Sewage Treatment emphasised that the Government should monitor the general progress of the schemes relating to planning, implementation, operation and maintenance of waste water disposal system. It was also envisaged that during supervision of such systems, the work would be monitored so as to achieve the desired outcome.

Audit observed that though progress in execution was reviewed by several authorities like, H&UD Department/ Member Secretary/ Project Director/ Project Monitoring Consultancy, on monthly and weekly basis yet the projects were left incomplete with overall progress of only 34 to 61 *per cent* as of June 2016. Therefore, the desired outcome was not achieved even after lapse of 10 years from preparation and approval of DPRs in five projects. Audit also observed that OWSSB had released ₹ 13.18 crore to various executing agencies between April 2012 and July 2014 for shifting of utilities, construction of low cost sanitation units, slum sanitation improvement, public awareness programme, *etc.*, for which it could not get the UCs and completion reports from these implementing agencies. Evidently, this was due to insufficient monitoring by OWSSB.

⁸⁶ Projects at Puri and Cuttack under NRCP

2.2.14 Conclusion

The Orissa Water Supply and Sewerage Board was the State Sanitation Nodal Agency to implement the Odisha Urban Sanitation Strategy (OUSS), 2011. The objective of OUSS remained largely unfulfilled as OWSSB framed and implemented its own Perspective Plan without synchronising with OUSS. Due to such a different approach, a State Plan consolidating City Sanitation Plans of all urban areas could not be prepared. As a result, only eight out of 110 ULBs were selected for implementation of sewerage projects. Funds management by OWSSB was poor, as it parked surplus funds in saving bank accounts instead of flexi accounts and paid interest free mobilisation advance without ensuring timely recovery.

The implementation of sewerage projects by OWSSB was not efficient, as it could complete only the project of ULB, Puri out of six ULBs taken up for execution. The projects in Dhenkanal and Berhampur had not started and Rourkela and Sambalpur were at the tendering stage. The physical progress in Cuttack was 33.69 *per cent*, Bhubaneswar was 39.48 *per cent* and Talcher was 61 *per cent*. The tardy implementation of the projects was due to deficiencies in DPRs, lack of fairness in award of work, delay in land acquisition and slow progress by the contractors. No penalty was collected on the rescinded contracts, extending undue favours to contractors.

The intended social benefit could not be availed of due to delayed execution of projects in Bhubaneswar and Cuttack cities. Due to delay in execution of the sewerage projects, level of pollutants downstream of rivers were not reduced, which caused waterborne diseases resulting in loss of human lives. The inspection and monitoring of projects was inadequate.

Thus, the desired outcome from the sewerage projects could not be achieved, even after three to eight years of commencement of execution.

2.2.15 Recommendation

The Government may consider to:

- Synchronise the Odisha Urban Sanitation Strategy with the Perspective Plan of the Orissa Water Supply and Sewerage Board for ensuring timely execution and for extending the facilities to the end users.
- Create a sound database for all the ULBs and prepare realistic CSPs as well as State Plan for prioritising the sewerage works to be executed in ULBs.
- Prepare a roadmap for implementation of sewerage projects in all Urban Local Bodies of the State.
- Ensure realistic preparation of DPRs and availability of land in time.
- Strengthen the contract management system to complete the projects in a time-bound manner.

Planning and Convergence Department, Home Department and ST & SC Development, Minorities and Backward Classes Welfare Department

2.3 Special interventions for development of Left Wing Extremism affected districts of the State

Executive summary

A Performance Audit on 'Special interventions for development of Left Wing Extremism (LWE) affected districts in the State' showed that special intervention programmes in the areas of development, security and rights recognition were not implemented properly.

Development: Planning under Integrated Action Plan (IAP)/ Additional Central Assistance (ACA) for LWE districts was deficient due to belated preparation of Annual Action Plans (AAPs), inclusion of inadmissible projects and giving least priority to skill development and livelihood initiatives. Besides, there was a shortfall of ₹163.88 crore in allocation to LWE areas in test-checked districts.

Management of funds was deficient due to irregular diversion of funds, non-refund of savings and interest earned by the executing agencies, loss of Central assistance of ₹497.43 crore and non-adjustment of advances for years. Programme implementation was marred by delay in execution of works; 64 works left incomplete for one to four years despite spending ₹8.89 crore, expenditure of ₹6.20 crore on 43 completed projects that remained unused, execution of works of substandard quality (₹7.27 crore), etc. Inspection and monitoring of implementation of the scheme were inadequate.

Security: Execution of security related works by the Odisha State Police Housing and Welfare Corporation Limited was marred due to non-commencement as well as delayed execution of critical infrastructure projects like Special Operation Group hub at Koraput, hub for Central Reserve Police Force at Muniguda and additional fortification works, etc. Four security hubs, 20 barracks, staff quarters, approach roads to security camps, etc., sanctioned during 2007-08 to 2011-12, were left incomplete after spending ₹14.76 crore for over one to four years due to cost overrun of ₹12.70 crore and non-sanction of revised estimates, despite availability of interest of ₹100.70 crore. At Koraput and Bhamini, security forces were, thus, staying in dilapidated and incomplete buildings for years without basic amenities. Anti-naxal support equipment was neither supplied nor available in the test-checked fortified Police Stations.

Reimbursement of ₹81.90 crore under Security Related Expenditure had been disallowed by the Government of India due to hiring of a helicopter without obtaining prior approval, non-completion of infrastructure projects, etc. Instances of delay/ non-payment of ex-gratia to the families of deceased security personnel and civilian victims were also observed. No mechanism was put in place to track the surrenderees to ascertain their integration with mainstream society.

Rights Recognition: Forest Rights Act was not implemented in the State in conformity with the provisions of the Act. Claims of Other Traditional Forest Dwellers were rejected for want of evidence in support of possession of forest land for 75 years. Thirty-five out of 51 test-checked claims were irregularly rejected and the claimants were not intimated about the reasons for rejection, thus, denying them the opportunity to file petition. Even after distribution of titles, records of rights/ revenue records were not corrected. Titles were not distributed even after finalisation. There was mismatch in reporting the progress of distribution of titles as well as implementation of FRA.

2.3.1 Introduction

Left Wing Extremism (LWE) has emerged as one of the greatest challenges to the internal security of the country. Odisha assumes strategic significance in tackling LWE, as a corridor of LWE activities extends from Jharkhand to Andhra Pradesh via Odisha having contiguous forest cover. Eighteen districts of the State were affected by LWE activities, of which Koraput and Malkangiri were the worst affected. During 2011-16, 429 LWE incidents were reported in the State, in which 45 security personnel and 128 civilians were killed. Besides, 56 LWE activists were killed, 516 were arrested and 333 LWE activists surrendered during this period.

Human Development Index (HDI) in 12 out of 18 LWE affected districts of the State, ranging between 0.370 (Malkangiri) to 0.571 (Nayagarh), remained below the State average (0.579). Government of India (GoI) adopted an integrated approach to deal with LWE in a holistic manner, in areas of development, security, ensuring rights and entitlements of local communities and public perception management. Special interventions under development sector like Integrated Action Plan (IAP)⁸⁷, Road Requirement Plan I (RRP Phase I) and Skill Development in the districts affected by LWE, were funded by GoI and implemented by the State Government during 2011-16. While IAP was implemented in 18 districts of the State, the scheme "Skill Development of Youth in 34 districts affected by LWE" (SDY) covered five districts⁸⁸.

On security related front, GoI assisted the State Government through deployment of Central Armed Police Forces (CAPF) and financed schemes⁸⁹ like Special Infrastructure Scheme (SIS), Security Related Expenditure (SRE) and Scheme of Fortified Police Stations (FPS) in LWE affected areas. These schemes were intended to provide secured environment to security forces and strengthen their state of preparedness to counter LWE activities through creation of critical infrastructure in inaccessible areas and supporting capacity building of State Police.

⁸⁷ Renamed as Additional Central Assistance (ACA) for LWE affected districts from September 2013

⁸⁸ Deogarh, Gajapati, Malkangiri, Rayagada and Sambalpur

⁸⁹ SIS: Fully financed by GoI up to 2011-12 and then at the ratio of 75:25 between centre and State, FPS : 80:20 and SRE: 80:20 to 100 per cent with prescribed ceiling

Besides, the Forest Rights Act⁹⁰ (FRA) was also implemented to ensure rights and entitlements of forest dwellers and include them in the development process.

During 2011-16, ₹ 2631.93 crore⁹¹ was provided by the State and Central Governments under these schemes.

2.3.1.1 Organisational set up

Implementation of IAP in the State was the responsibility of Planning and Convergence Department, headed by the Development Commissioner. The State Level Committee (SLC), headed by the Chief Secretary, was the apex body to monitor implementation of the programme, which included Director General of Police and Principal Chief Conservator of Forest, as members. At the District Level, the programme was implemented by a District Level Committee (DLC) headed by the District Collector (DC) and consisted of Superintendent of Police (SP) and Divisional Forest Officer (DFO), as members. The Director, Technical Education and Training (DTET) was the nodal authority for implementation of the scheme SDY.

The Principal Secretary to Government, Home Department, as the administrative head of Department, was responsible for implementation of security related interventions, who was assisted by the Director General of Police (DGP) and Additional Director General (ADG) of Police (Special Intelligence Wing). A Unified Command, headed by the Chief Secretary, with representation of State Police and Central Armed Police Forces recommended various security related measures and interventions for LWE affected districts. All security related infrastructure works were executed by the Odisha State Police Housing and Welfare Corporation Limited (OSPHWC).

The Scheduled Tribes and Scheduled Caste Development (SSD) Department was the nodal Department for implementation of Forest Rights Act (FRA) in the State. At the district level, the Project Administrators, Integrated Tribal Development Agencies (ITDAs)/ District Welfare Officers (DWOs) were the nodal officers. A four-tier institutional mechanism was defined in the Act for processing and monitoring of the forest rights claims. It included the State Level Committee (SLC) headed by Chief Secretary, District Level Committees headed by the Collector, Sub-Divisional Level Committees headed by the Sub-Collector and Gram Sabhas.

2.3.2 Audit objectives

Audit was conducted with the objective of assessing whether:

- Planning for the programme was adequate, effective, need based and linked to identifiable outcomes;
- Funds were received as per entitlement and were utilised in economic, efficient and effective manner;

⁹⁰ The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006

⁹¹ IAP: ₹ 2,055.64 crore; SDY: ₹ 33.12 crore; SIS: ₹ 63.69 crore; FPS: ₹ 139 crore; SRE: ₹ 333.04 crore; FRA: ₹ 7.44 crore

- Programme management was effective and led to better project management; and
- Inspection, monitoring and evaluation were adequate and mid-course corrections were carried out, wherever required.

2.3.3 Audit criteria

Criteria for this Audit were drawn from the following documents:

- Scheme Guidelines and instruction issued by the Planning Commission/ Niti Ayog, Government of India (GoI) and State Government from time to time;
- The Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 and rules framed thereunder; and
- Orissa General Financial Rules, Orissa Treasury Code, Orissa Public Works Department (OPWD) Code, Orissa Analysis of Rates, National Building Code and related Indian Standards.

2.3.4 Scope and methodology of Audit

The Performance Audit was conducted during April 2016 to August 2016, covering the period 2011-16. Audit examined the records of P&C Department, Home Department, SSD Department, DTET, District Planning and Monitoring Unit (DPMU)/ District Rural Development Agencies (DRDAs) of five sampled districts (Deogarh, Koraput, Malkangiri, Sambalpur and Sundargarh) along with 30 sampled executing agencies (*Appendix 2.3.1*). Besides, records of Superintendents of Police (SP) and 15 sampled Police Stations and Collectors of these five sampled districts were also test-checked. Records of Sambalpur and Koraput Divisions of OSPHWC were also examined. Under FRA, interviews of 297 villagers were conducted. Joint physical inspections of assets created and facilities available were also conducted, wherever considered necessary.

The objectives, criteria, scope and methodology of this Performance Audit were discussed with the Development Commissioner-*cum*-Additional Chief Secretary (DC-*cum*-ACS), P&C, representatives of Home, SSD and Forest and Environment (F&E) Departments in an Entry Conference held on 8 April 2016. The Audit findings were discussed with the DC-*cum*-ACS in an Exit Conference held on 18 November 2016. Replies received were also considered and appropriately included in the Report. The Audit findings are discussed in the succeeding paragraphs.

2.3.5 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Planning & Convergence, Home and Scheduled Tribes and Scheduled Caste Development Department at various stages of conducting the Performance Audit.

Audit findings

2.3.6 Planning

The main objective of the IAP was to implement need-based projects that could show results in the short term and bring about perceptible improvement in public infrastructure and services in the inaccessible pockets of the identified districts. The deficiencies observed in planning in IAP are discussed below.

2.3.6.1 Delay in preparation of AAPs and absence of participatory and convergence approach

The DLCs were to draw up Annual Action Plans (AAP) including concrete proposals relating to infrastructure, livelihood programmes and skill up-gradation of youth. Audit observed the following:

- **Delay in preparation of AAP:** AAPs of each district under IAP were to be prepared before commencement of financial year for facilitating completion of projects within the financial year. However, AAPs for 2013-14 and 2014-15 were prepared belatedly⁹² after delays of 3 to 12 months from the beginning of the financial year. This led to delay in execution of projects and utilisation of funds resulting in loss of Central assistance as discussed in *Paragraph 2.3.7.1*.
- **Absence of convergence and participatory approach:** As per the IAP guidelines, a conscious effort was to be made by the DLCs for utilising IAP funds through convergence with other Centrally Sponsored Schemes/ State Plan Schemes to maximise the benefits. The Planning Commission had also instructed (January 2011) that AAPs should be prepared through a participatory process, involving villagers and other stakeholders for ensuring feasibility of the projects. The District Perspective Plans for the years 2012-17 of all test-checked districts emphasised on pooling of resources of other schemes.

However, the coverage of basic infrastructure/ services under other schemes was not considered while preparing AAPs. DLCs invited proposals for AAPs from BDOs and other district level officers, instead of consulting elected representatives and collecting inputs from grassroot levels while finalising AAPs during 2011-16. As a result, projects were taken up without assessing the actual requirement. Consequently, 18 *per cent* of the test-checked completed projects (43 out of 238) remained idle/ misutilised after their completion and failed to benefit the end users as discussed below.

- **Idling of completed projects:** The projects selected under IAP had to show results within a short period. However, DLCs of all five test-checked districts had approved 9,040 projects without linking them with identifiable outcome. Out of 7,350 projects already completed as on 31 March 2016 in the five test-checked districts, 238 projects were

⁹² Deogarh: October 2013, July 2014 and March 2015; Koraput: November 2013 and July 2014; Malkangiri: October 2013 and June 2014; Sambalpur: December 2013 and September 2014, Sundargarh: October 2013 and June 2014

inspected by the representatives of implementing agencies in the presence of Audit. Out of these, 43 projects⁹³ (18 *per cent*) like health sub-centres, Livestock Aid Centre (LAC) buildings, community centre, *etc.*, completed during February 2012 to February 2016, incurring expenditure of ₹ 7.07 crore⁹⁴ (**Appendix 2.3.2**), were found to be either remaining idle or not being utilised for the intended purposes. These projects included 30 idle buildings, three diversion weirs not providing irrigation and one non-operational water supply project. Expenditure on idle or misutilised projects under building and skill development sector accounted for 39 and 70 *per cent*, respectively, of the total cost of projects test-checked in Audit. In reply, the Department assured (December 2016) that the District authorities would be instructed to ensure utilisation of all the completed projects under IAP.

- **Absence of feasibility study leading to cancellation of projects:** In the five test-checked districts, 9,040 projects were included in AAPs without any feasibility study or survey. This resulted in cancellation of 362 projects⁹⁵ like buildings for Anganwadi Centres (AWC), additional class rooms, *etc.*, with estimated cost of ₹ 42.87 crore. Reasons for cancellation were non-existence of AWC centre/ school in the concerned villages, non-existence of villages where buildings proposed, non-availability of land, pre-existence of structures at selected sites, sites being in forest area, selected sites being private lands, *etc.*
- In the Exit Conference, the Additional Chief Secretary stated (November 2016) that AAPs and shelf of projects would be prepared timely and kept ready for taking up the projects immediately after receipt of funds.

In addition to the above, deficiencies in selection of projects in AAPs were also observed, as discussed below.

2.3.6.2 Inclusion of inadequate/ improper projects in AAPs

As per the instructions (January and April 2011) of the Planning Commission, all projects under IAP should be executed only in identified LWE affected Gram Panchayats (GPs). Revised GoI guidelines issued in September 2013 required that at least 65 *per cent* of the total allocation is utilised in LWE affected and Schedule V⁹⁶ areas during 2013-15. Similarly, allocation of 10 *per cent* of the total allocation was mandatory for skill development programme during 2013-15, to ensure employment for the domiciled residents of the district. Further, sanction of funds for any repair/ renovation/ restoration work, individual beneficiary oriented projects, repair/ renovation of water bodies, residential houses, construction of staff quarters, stadiums,

⁹³ Buildings (24), culverts and bridge work (5), diversion weir/ check dam (3), skill development projects (6), drinking water & others (5)

⁹⁴ Unfruitful expenditure of ₹ 6.20 crore and misutilisation of ₹ 86 lakh

⁹⁵ Deogarh: 94; Koraput: 48; Malkangiri: 61; Sambalpur: 132 and Sundargarh: 27

⁹⁶ Areas declared under Paragraph 6 of the Fifth Schedule of the Constitution on the basis of preponderance of tribal population, compactness & reasonable size of the area, under-developed nature of the area and marked disparity in economic standard of the people

development of colleges and works of similar nature, projects for police and security forces, which do not have any direct impact on local population, were not allowed under IAP. Besides, drawing up LT lines, system up-gradation, 33/11 KV lines, repair of transformers were not permissible under IAP. Audit, however, observed the following:

- **Priority not given to LWE affected areas within the district:** Out of ₹ 596.56 crore sanctioned to five sampled districts during 2011-16, projects worth ₹ 493.74 crore should have been executed in LWE affected/ Schedule V areas as per norm of GoI. Against this, only projects worth ₹ 329.86 crore were included in AAPs for these areas. The allocation was found to be negligible in five⁹⁷ out of the 34 most LWE affected GPs of Sambalpur. Thus, projects were not formulated as per the guidelines to adequately address the critical infrastructure gaps in these vulnerable areas. These funds were utilised in non-LWE areas. The Department stated that the DLCs in their collective wisdom had identified, selected and approved projects for their respective districts as per the need assessed by them. The reply was not acceptable in view of instructions of Planning Commission requiring execution of all projects up to 2012-13 and, thereafter, at least 65 per cent in LWE areas.
- **Skill development not given due priority:** Against the mandatory requirement of allotment of ₹ 28.44 crore (10 per cent of allotment) during 2013-15, only ₹ 14.21 crore was allotted for skill development programme which led to shortfall in allocation by ₹ 14.23 crore in test-checked districts. Only ₹ 15.51 crore i.e., 2.60 per cent was allotted for skill development during 2011-16. Minimum allocation (₹ 1.83 crore) was observed in Malkangiri district, which was also the worst affected LWE district of the State. Further, the assets created for skill development also remained idle, as discussed in **Paragraph 2.3.9**.
- **Non-inclusion of livelihood projects in AAPs:** Despite instruction (December 2010) of the State Government to the Collectors to devise and implement appropriate livelihood projects, no projects were included in AAPs in four test-checked districts during 2011-16. In the fifth district (Koraput), ₹ 3.26 crore was allocated for execution of 46 livelihood projects like fly ash brick unit, handmade paper unit, niger oil production unit, etc. However, these projects could not be implemented successfully, as discussed in **Paragraph 2.3.10**.
- **Inclusion of inadmissible projects:** The DLCs of five test-checked districts included 1107 inadmissible projects⁹⁸ under the IAP at a cost of ₹ 44.49 crore in AAPs for 2011-16. These projects included construction of staff quarters for Government officials, repair and revival of lift/ minor irrigation projects, construction of mini-stadium, repair and renovation of field channels, boundary wall, distribution of solar lanterns, barbed wire fencing around mango plantation (₹ 1.19

⁹⁷ GPs: Gunduruchuan (₹ 2.03 lakh), Kukam (₹ 3.23 lakh), Kutruchuan (₹ 3.85 lakh), Panimura (₹ 1.59 lakh) and Turei (₹ 2 lakh)

⁹⁸ Koraput: 550: ₹ 11.63 crore; Deogarh: 47: ₹ 7.89 crore; Malkangiri: 83: ₹ 8.88 crore; Sundargarh: 249: ₹ 6.51 and Sambalpur: 178: ₹ 9.58 crore

crore), helipad and rest sheds for police (₹ 1.01 crore), replacement of burnt transformer/ additional transformer and upgradation of existing transformers (₹ 24.96 crore), etc. DLCs approved all the proposals received from the executing agencies and district level officers without adequate scrutiny and due diligence. Therefore, utilisation of funds on core activities under IAP was reduced.

Thus, planning under IAP was done without participation of stakeholders and deviating from the scheme guidelines. This led to inclusion of inadmissible and non-feasible projects, cancellation of projects, exclusion of important focus areas of schemes like skill development and livelihood creation.

The Department stated (December 2016) that the Collectors were being instructed to desist from executing any such inadmissible projects in future.

2.3.7 Funds Management

The position of receipt and utilisation of funds in various schemes being implemented in LWE affected districts of the State is given below:

Table 2.3.1 Receipt of funds during 2011-16 under various special interventional schemes (₹ in crore)

Sector	Scheme	Funds received	Funds utilised
Development	Integrated Action Plan	2055.64	2034.44
	Skill Development for youth of 34 LWE affected districts	33.12	31.35
Security Related issues	Special Infrastructure Scheme	63.69	59.60
	Fortification of Police Stations	139.00	138.75
	Security Related Expenditure	333.04	333.04
Enforcement of Forest Rights	Forest Rights	7.44	5.44
Total		2631.93	2602.62

(Source: Information furnished by the Departments concerned)

As may be seen from the above table, utilisation was more than 90 *per cent* as reported by Government. However, Audit observed inflated reporting of utilisation of funds by the Department, as discussed in **Paragraph 2.3.7.2**.

The following deficiencies were observed in management of funds:

2.3.7.1 Loss of Central assistance of ₹ 504.30 crore

Under IAP, each district was entitled to ₹ 30 crore *per annum* and, therefore, the State was entitled to ₹ 540 crore *per annum* during 2011-15. The State Government had to fulfill the conditions⁹⁹ prescribed by GoI in September 2013 and June 2014 to be eligible to receive full entitlement for 2013-14 and 2014-15. Audit observed that:

⁹⁹ Reporting of utilisation of 60 to 100 *per cent*, submission of utilisation certificate and Audit Report

- Due to non-fulfillment of prescribed conditions, GoI released only ₹ 582.57 crore¹⁰⁰ against entitlement of ₹ 1,080 crore for 18 districts of the State under IAP during 2013-14 and 2014-15. Due to non-release of the remaining funds of ₹ 497.43 crore by GoI, the State Government had to utilise ₹ 393.07 crore¹⁰¹ out of its own resources to complete the sanctioned projects under IAP for 2013-14 and 2015-16. The Department stated (December 2016) that GoI did not release the funds despite fulfillment of all the conditions by the State. However, Audit observed that none of the test-checked districts had fulfilled the conditions.
- Similarly, under 'Skill development of youths in 34 districts affected by LWE', release of full training cost of ₹ 8.35 crore¹⁰² was dependent upon full utilisation of first installment of ₹ 1.48 crore and providing training as per the target¹⁰³ set in the guidelines. However, due to non-utilisation of the first installment and failure to achieve targets set for trainings, the balance amount of ₹ 6.87 crore was not released by GoI during 2011-16.

The State was, thus, deprived of Central assistance of ₹ 504.30 crore¹⁰⁴.

2.3.7.2 Excess reporting of utilisation under IAP and submission of inflated UC under SIS

UC should be submitted for expenditure incurred and advances should not to be treated as final expenditure.

- Though ₹ 2,034.44 crore was reported to have been utilised under IAP during 2011-16, Audit observed that in the five test-checked districts alone, ₹ 68.61 crore remained unspent with DPMUs/ DRDAs (₹ 15.56 crore) and 30 test-checked EAs (₹ 53.05 crore) and these were lying in their bank accounts as on 31 March 2016. This showed that utilisation reported was incorrect.
- Similarly, GoO had submitted UCs (2012-16) for ₹ 59.60 crore out of ₹ 63.69¹⁰⁵ crore received under SIS up to March 2016. However, ₹ 34.91 crore (excluding interest of ₹ 10.02 crore) remained unutilised with OSPHC under SIS, as on 31 March 2016, and was kept in its bank accounts for 12 to 50 months. Thus, GoO had submitted inflated UC for ₹ 30.82 crore¹⁰⁶.

¹⁰⁰ ₹ 222.57 crore for 2013-14 and ₹ 360 crore for 2014-15

¹⁰¹ ₹ 317.43 crore in December 2013 and February 2014; ₹ 75.64 crore in September 2015 to 12 out of 18 districts for completion of projects already taken up

¹⁰² Long term training: ₹ 4.24 crore; short term training: ₹ 3.39 crore and instructor training: ₹ 0.72 crore

¹⁰³ Long term training: 450 youth, Short term training: 1,800 youth, instructor training: 150 youth

¹⁰⁴ IAP: ₹ 497.43 crore and Skill Development: ₹ 6.87 crore

¹⁰⁵ GoI- 2011-12: ₹ 18.85 crore; 2013-14: ₹ 21.63 crore and 2014-15: ₹ 23.21 crore

¹⁰⁶ ₹ 34.91 crore less ₹ 4.09 crore (for which UC was pending as of March 2016)

2.3.7.3 Non-reimbursement of expenditure under SRE

Under SRE, the Department had utilised ₹ 333.04 crore during 2011-16 and claimed reimbursement for ₹ 263.92 crore for the years 2011-15¹⁰⁷ from GoI (*Appendix 2.3.3*). However, the Internal Audit Wing of the Ministry of Home Affairs (MHA) recommended reimbursement of only ₹ 182.02 crore of which ₹ 146.21 crore was released by August 2016. GoI, however, disallowed reimbursement for ₹ 81.90 crore as of March 2016 on the grounds of non-completion of infrastructure projects under logistic support to CAPF and additional fortification of security posts (₹ 59.38 crore), non-submission of documentary evidence in support of purchases and issue of ammunitions (₹ 4.49 crore) and hiring of a helicopter without prior approval of GoI (₹ 18.03 crore), as discussed in *Paragraph 2.3.14.1*.

The State was, thus, deprived of reimbursement of ₹ 81.90 crore.

2.3.7.4 Non-refund of interest

As per GoI guidelines, interests earned on unspent funds were to be treated as additional scheme funds and were to be utilised as per the scheme guidelines. Thus, it was necessary for all EAs to refund the interest earned to the concerned sanctioning authority so that the same could be utilised for other projects. Audit observed that out of interest of ₹ 72.37 crore earned on unspent scheme funds by the executing agencies, only ₹ 5.42 crore was refunded to the sanctioning authorities and the remaining ₹ 66.95 crore¹⁰⁸ was retained by them, in violation of the guidelines.

As a result, interest could not be utilised for creation of more infrastructure in LWE affected areas.

The Department stated (December 2016) that executing agencies had been requested to refund the interest amount immediately.

2.3.7.5 Loss of interest of ₹ 5.49 crore

Finance Department had instructed (October 2012 and November 2014) to keep unspent scheme funds under central plan/ centrally sponsored plan in flexi accounts with the banks, instead of savings bank accounts to fetch higher rate of interest. Interest rate of flexi accounts ranged from 6.5 to 7.5 *per cent* against four *per cent* under saving bank accounts during 2011-16.

DPMU, Sambalpur and 24 out of 30 test-checked EAs of five test-checked districts retained unspent funds of ₹ 2.16 lakh to ₹ 4.17 crore under IAP during 2013-16 in savings bank accounts, contrary to the instructions of Finance Department. As a result, the opportunity to earn additional interest of ₹ 5.49 crore on unspent IAP funds during 2013-16 was lost.

The Department stated (December 2016) that while Koraput and Sambalpur had converted the savings bank accounts to flexi accounts, Deogarh district had issued necessary instructions to the EAs for converting saving bank accounts to flexi accounts.

¹⁰⁷ Reimbursement of claim for 2015-16 not submitted to GoI

¹⁰⁸ With 26 test-checked EAs: ₹ 7.39 crore under IAP; With OSPHC: ₹ 2.99 crore under skill development and ₹ 56.57 crore under SRE, SIS and FPS

2.3.7.6 Difference of ₹ 5.58 crore not reconciled

Codal provision required all receipts to be brought to account as soon as the pass books/ statements of accounts were received from the Banks/ Treasury. Besides, bank reconciliation statements were to be regularly prepared. Audit observed that there was a difference of ₹ 5.58 crore between the bank balance as per cash book and as per pass book in 28 out of 35 test-checked EAs and district authorities implementing IAP as on 31 March 2016, which was not reconciled. Bank reconciliation was done by district authorities of Sambalpur and Sundargarh, while the difference in respect of remaining five units could not be ascertained due to non-furnishing of updated cash books/ pass books (two) and non-maintenance of separate account (three).

The Department stated (December 2016) that non-accounting of ₹ 3.64 crore in the cash book by one EA had been rectified in August 2016. The reply was silent on reconciliation of discrepancies in 27 other EAs.

2.3.7.7 Delay in release of funds by the Department to the Collectors

IAP guidelines required release of funds to the DCs within 15 days of credit of the same by GoI to the Consolidated Fund of the State failing which penal interest at bank rate was to be paid. Audit observed that ₹ 10 crore each were transferred thrice during 2011-12 (₹ 360 crore) and 2013-14 (₹ 180 crore) by the P&C department to DLCs concerned, after delays of 5 to 49 days.

The Department attributed (December 2016) the same to procedural delays.

2.3.7.8 Diversion of funds/ materials

IAP guidelines prohibited diversion of scheme funds for any other purpose. Audit observed that three out of 30 test-checked EAs had unauthorisedly diverted ₹ 3.58 crore during 2011-16 to other schemes/ purposes. Out of the same, ₹ 2.53 crore was recouped and the remaining ₹ 1.05 crore¹⁰⁹ was not recouped as of June 2016. Besides, three EAs of one test-checked district (Deogarh) diverted materials worth ₹ 89.39 lakh¹¹⁰ procured from IAP funds to other schemes¹¹¹. As a result, the scheme funds to this extent could not be utilised for the intended purpose.

The Department stated (December 2016) that steps would be taken to recoup the diverted funds and materials.

2.3.7.9 Non-refund of savings

Codal provision required the net savings of works to be refunded to the funding agency and not to utilise the same on any work without approval of the funding agency. Under IAP, nine EAs¹¹² completed 105 works utilising

¹⁰⁹ BDO, Barkote: ₹ 70 lakh; BDO, Malkangiri: ₹ 2.71 lakh and ITDA, Malkangiri: ₹ 31.95 lakh

¹¹⁰ BDO, Barkote: ₹ 13.91 lakh; BDO, Reamal: ₹ 20.03 lakh and BDO, Tileibani: ₹ 55.45 lakh

¹¹¹ Mahatma Gandhi National Rural Employment Guarantee Scheme, Backward Region Grant Fund, Western Odisha Development Council, Mo Kudia, etc.

¹¹² EE, RWD, Rourkela: ₹ 18.25 lakh; EE, RWD, Deogarh: ₹ 54.81 lakh and BDO, Reamal: ₹ 17.49 lakh; PA, ITDA, Koraput: ₹ 14.60 lakh; BDO Kalimela: ₹ 4.15 lakh; BDO, Korkunda: ₹ 8.84 lakh; BDO, Malkangiri: ₹ 5.09 lakh, ITDA, Bonai: ₹ 1.53 crore and ITDA, Malkangiri: ₹ 8.78 lakh

₹ 21.60 crore against release of ₹ 23.45 crore. However, savings of ₹ 2.85 crore were not refunded to the DLC as of June 2016. Out of these savings, ₹ 1.10 crore was also irregularly utilised for earth-filling, extended guard wall, approach road, special repair of roads, etc., by three EAs¹¹³, without obtaining approval of DLC.

The Department stated (December 2016) that all EAs had been intimated to refund the unutilised amount including interest, tender discount, savings, etc.

2.3.7.10 Irregular payment of supervision charges

Supervision charges were not admissible under IAP as per the GoI guidelines and instructions (December 2010) of the State Government. Besides, GoI guidelines also did not permit payment of such charges out of scheme funds under SIS. However, supervision charges of ₹ 3.53 crore under IAP (₹ 90.04 lakh) and SIS (₹ 2.63 crore) was allowed by two DCs (Malkangiri and Rayagada) and DGP, respectively, to the OSPHWC out of scheme funds for execution of 29 projects¹¹⁴, which was irregular.

The Department stated (December 2016) that the Collectors concerned were being advised to plough back the supervision charges allowed to OSPHWC under IAP.

2.3.7.11 Non-adjustment of advances

Codal provision¹¹⁵ required prompt adjustment/ refund of advances paid to Government servants for official purposes within a month of its payment. Besides, instructions of Finance Department (March 2002) required initiation of disciplinary proceedings against the concerned official with whom advances remained outstanding for more than a year. However, contrary to the said provisions, advance of ₹ 3.44 crore paid to 13 officials by two test-checked EAs¹¹⁶ during 2011-15 for departmental execution of works remained unadjusted for one to five years, as of March 2016.

The Department stated (December 2016) that the concerned EAs had been instructed to adjust the advance immediately.

2.3.8 Execution of projects under IAP

Sector-wise projects sanctioned and executed in the five sampled districts and expenditure incurred under IAP are indicated in the table below:

Table 2.3.2: Sector-wise projects sanctioned under IAP in sampled districts and status thereof as of March 2016

Sector	No. of projects sanctioned	Funds released (₹ in crore)	Projects completed	Under execution	Not commenced	Expenditure (₹ in crore)	Percentage of utilisation of funds
Road Connectivity	3984	328.28	3479	405	100	300.57	92

¹¹³ ITDA, Koraput: ₹ 2.70 lakh; ITDA, Bonai: ₹ 1.00 crore and RW Division, Rourkela: ₹ 6.93 lakh

¹¹⁴ IAP:10; SIS:19

¹¹⁵ Supplementary Rule 509 of Orissa Treasury Code Vol.I

¹¹⁶ DPC, SSA, Koraput: 11: ₹ 3.38 crore; PA, ITDA, Malkangiri: 2: ₹ 5.73 lakh

Sector	No. of projects sanctioned	Funds released (₹ in crore)	Projects completed	Under execution	Not commenced	Expenditure (₹ in crore)	Percentage of utilisation of funds
Buildings	996	74.76	744	163	89	65.70	88
Electrification	1223	32.22	920	256	47	30.83	96
Irrigation	926	68.30	838	52	36	63.33	93
Skill development	60	15.52	40	11	9	13.43	87
Drinking water	881	33.73	700	129	52	31.09	92
Others ¹¹⁷	970	43.76	629	67	274	38.64	88
Total	9040	596.57	7350	1083	607	543.59	91

(Source: Records of DPMUs/ DRDAs of concerned districts)

The deficiencies in execution of projects are discussed below.

2.3.8.1 Non-commencement of projects

GoI guidelines, read with instructions of Planning Commission (December 2010), required completion of IAP works within a period of four to six months. Audit observed that in the five test-checked districts, 607 projects with estimated cost of ₹ 30.38 crore¹¹⁸ were not commenced as of 31 March 2016, despite expiry of the scheme period under IAP (March 2015). In the test-checked EAs, 144 projects like AWCs, bridges, culverts, roads, *etc.*, with estimated cost of ₹ 9.87 crore¹¹⁹ sanctioned during 2011-15¹²⁰, were not commenced as of March 2016, due to non-availability of land, land dispute, non-invitation of tender, *etc.*

2.3.8.2 Incomplete projects

Out of the 1,083 incomplete works in the five sampled districts, 551 projects with estimated cost of ₹ 45.80 crore related to 30 test-checked EAs. These projects remained incomplete even after one to four years of commencement¹²¹ and after one year of closure of the scheme. During joint physical inspection of projects, it was found that 64 projects like roads, bridges and culverts (15), buildings (35), drinking water (2), skill development (8) and others (4), with estimated cost of ₹ 14.17 crore, had remained incomplete after incurring expenditure of ₹ 8.89 crore, due to non-synchronisation of award of electrical and sanitary works (seven) and slow pace of execution (57).

Audit observed that projects like staff quarters of Sevashram (Koraput), sports hostel and one multipurpose training centre, two bailey bridges (Malkangiri),

¹¹⁷ Stadium, playground, barbed wire fencing, *etc.*

¹¹⁸ Deogarh : ₹ 16.99 crore (122); Koraput: ₹ 2.98 crore (243); Malkangiri: ₹ 1.37 crore (10); Sambalpur: ₹ 4.47 crore (99); Sundargarh: ₹ 4.57 crore (133)

¹¹⁹ Deogarh: ₹ 5.53 crore (70); Koraput: ₹ 2.16 crore (57); Sambalpur: ₹ 0.57 crore (8) and Sundargarh: ₹ 1.61 crore (9)

¹²⁰ 2011-12: 28; 2012-13: 13; 2013-14: 44 and 2014-15: 59

¹²¹ 2011-12: 121, 2012-13: 75, 2013-14: 115, 2014-15: 225 and 2015-16: 15

health sub-centre buildings and Livestock Aid Centre buildings (Sambalpur), five tube well projects (Deogarh) were left incomplete for years together after utilising ₹ 6.59 crore, mainly due to improper project management, as indicated in *Appendix 2.3.4*.

The Department assured (December 2016) that all the District Authorities would be instructed to complete these projects on priority basis.

2.3.8.3 Delay in execution of projects and non-levy of compensation

Audit test-checked 1,127 projects executed through contractors (338) and departmentally (789) in the five sampled districts and observed the following:

- **Non-levy of compensation:** In 224 out of 338 test-checked works executed through contractors, the works were either completed or remained under execution as of March 2016 with delays ranging from 2 to 1138 days. While in 177 cases applications for extension of time (EoT) were not submitted by the contractors, in the remaining 47 cases applications for EoT were submitted after completion of works on the grounds of rainy season, non-availability of material, *etc.*, which had been irregularly approved by the BDOs/ Collectors. Since the delay was attributable to the contractors, compensation was leviable. However, compensation for the delay amounting to ₹ 3.70 crore had not been imposed on the contractors (*Appendix 2.3.5*).
- **Delay in departmental execution leading to cost overrun:** In 650 out of 789 cases executed departmentally *i.e.*, through JEs and Technical Consultants, the projects were completed with delays ranging from 1 to 1,757¹²² days. In case of construction of 208 AWC buildings with estimated cost of ₹ 8.80 crore entrusted (2011-13) by the Collector, Sambalpur under IAP to the BDOs of three test-checked blocks¹²³, 174 AWC buildings¹²⁴ were completed utilising ₹ 8.73 crore with delays of 109 to 1,836 days¹²⁵. This led to extra expenditure of ₹ 92.22 lakh due to increase in cost of labour and material. As a result, one component of AWC *i.e.*, sinking of tube wells at estimated cost of ₹ 0.53 lakh each, was not executed in all these AWCs, despite provision in the estimate.

2.3.8.4 Wasteful expenditure on abandoned projects

On test-check and joint physical inspection in the sampled EAs, Audit observed that expenditure of ₹ 5.27 crore incurred on three projects proved wasteful, as discussed below:

- **Abandoned incomplete bridge:** DLC, Sundargarh sanctioned ₹ 25



Abandoned incomplete bridge at Motu Hanuman Nalla, Sundargarh

¹²² Up to 100 days (185), 101 to 500 days (271), 501 to 1,000 days (119), 1,001 to 1,500 days (66) and 1,501 to 1,757 days (9)

¹²³ Jujomura: 85; Jamankira: 61 and Naktideul: 62

¹²⁴ Jujomura: 75; Jamankira: 60 and Naktideul: 39

¹²⁵ Jujomura: 180 to 1,710 days, Jamankira: 109 to 1,757 days and Naktideul: 607 to 1,836 days

lakh in 2010-11 for the work “Construction of bridge and CC road at Motu Hanuman Nalla” (Sundargarh district) to be completed by 31 March 2011. Estimate for the work was revised (April 2012) to ₹ 48.75 lakh due to change in schedule of rates (SoR). However, the Additional Project Director (Technical) after inspection (April 2015), opined that the work, being of poor quality, was unsafe for further execution. No action was taken against the concerned officials.

- **Abandonment of road and bridge works at Jamankira Block:** Three road projects¹²⁶ were sanctioned¹²⁷ by DLC, Sambalpur at ₹ 7.27 crore to provide all weather connectivity to the villages concerned. After spending ₹ 5.02 crore on one road project *i.e.*, improvement of road for three kms, further execution was stopped (March 2014), based on public complaint regarding execution of substandard¹²⁸ works. Two of these roads¹²⁹ did not provide all weather connectivity due to missing link, non-construction of culverts, abandonment of two culverts, *etc.* Though balance funds of ₹ 2.25 crore were sanctioned in favour of EE, RW Division, Kuchinda for completion of three bridges, the same were not commenced (June 2016).

During JPI, Audit found that one four span bridge¹³⁰, constructed on one of these roads at a cost of ₹ 47.56 lakh, was left abandoned since June 2012 without slab casting. Similarly, another bridge constructed at ₹ 37.66 lakh at Sarapali Nala on the road from Kadalipal to Nunvet had remained incomplete without wing wall, additional vent and approach road since June 2013. Due to slow pace of execution and cost overrun on account of revision of Schedule of Rates (SoR), additional funds of ₹ 75.43 lakh was required for completion of the bridge.

Further, one RCC bridge¹³¹ with approach road was constructed (June 2012) over a nalla (Malatijore) at a cost of ₹ 37.71 lakh. The approach road was washed away as the same was constructed without considering any hydraulic data. To overcome the same, additional funds of ₹ 67.36 lakh for construction of additional vent, wing walls, *etc.*, were required. However, the works were left abandoned since June 2013. Though Collector, Sambalpur had instructed (January 2015) for fixing responsibility for the lapses, no action was taken against the officials concerned as of June 2016.

The Department stated (December 2016) that the concerned District Authorities had been instructed to fix responsibility for the loss.

¹²⁶ (i) Improvement of road from Kadalipal to Nunvet: ₹ 2.93 crore; (ii) Improvement of road from Tampersingha to Nunvet *via* Gariabahal: ₹ 2.02 crore; (iii) Improvement of road from Tampargarh to Kisinda *via* Saraipali: ₹ 2.32 crore

¹²⁷ January & March 2011 and revised in December 2011

¹²⁸ Non-compaction of earth and morum work, utilisation of oversized, flaky, round shaped picked up rough stone boulders which were not of approved specification, provision for inadequate vent, weep holes, cut off walls, non-providing floor protection for abutments, wing walls of culverts, undertaking of bridge works without hydraulic particulars of the river/ nallah

¹²⁹ Kadalipal to Nunvet and Tampersingha to Nunvet *via* Gariabahal

¹³⁰ At Ambapal over Maltinalla

¹³¹ Over Malatijore nullah on road from Tampargarh to Kisinda *via* Saraipali

2.3.8.5 Doubtful procurement of road metal and other construction material

As per the codal provisions, in case of departmental execution of works, construction materials for works should be procured through invitation of tenders/ quotations from the registered dealers, material at site account is to be maintained and payments in excess of ₹ 500 should be released through account payee cheques.

Audit test-checked 282 projects like CC road, hostel buildings of schools, culverts, Cross Drainage works, *etc.*, executed departmentally under IAP by JEs/ TCs of 16 EAs. Out of the expenditure of ₹ 23.03 crore incurred on these projects, ₹ 2.86 crore was paid to the departmental officials towards the cost of road metal, stone products and other construction material procured from unregistered dealers/ private individuals on hand receipts showing payment in cash, that too without availing of any advance in 242 cases (14 EAs). Audit observed that stone products, being chargeable under Value Added Tax, could be sold by registered dealers only. In none of the cases, Materials at Site Accounts registers were maintained to indicate actual receipt and issue of such materials date-wise. In two of these works executed by PA, ITDA, Kuchinda, 750 bags of cement valued at ₹ 2.12 lakh were shown as purchased after completion of works, indicating doubtful procurement/ utilisation of cement and submission of incorrect vouchers.

Besides, no quality test of these materials was conducted by the authorities to ensure utilisation of materials of approved quality and quantity. Audit observed execution of inferior quality works in 32 cases leading to cracks (11), seepage (5) and damage/ roughage (16) during JPI of 303 works.

Thus, failure to adhere to codal provisions indicated inadequate supervision at the executing agency and DLC level for works executed under IAP.

2.3.8.6 Irregularities in payment of wages

OPWD Code permits execution of works departmentally to ensure quality in execution and timely completion. The procedure for departmental execution of works, *inter alia*, provided payment of wages in muster rolls on availing advance from concerned agency, maintaining of proper accounts in respect of advances availed, *etc.* The code also prescribed the manner of maintenance of muster rolls. Instructions of Finance Department (July 2012) also required payment in excess of ₹ 5,000 directly to the bank account of the beneficiaries.

In execution of 242 works like CC roads, buildings, culverts, *etc.*, departmentally by 14 EAs¹³², ₹ 16.65 crore was paid to the JEs as of March 2016. However, in none of these cases, advances were availed of by the departmental officers for payment of wages to labourers and the expenditure was incurred by these officers out of their own funds in cash. Payments were released by the BDOs to these officers on submission of work bills and after deduction of security deposits, in the same manner as applicable to contractors.

In 81 out of 242 cases, where ₹ 5.87 crore was paid to the JEs towards work done, no muster rolls were furnished in support of payment of wages. In the

¹³² All 12 test-checked BDOs of Deogarh, Koraput, Malkangiri, Sambalpur and PA, ITDAs, Kuchinda and Koraput

remaining 161 cases, though muster rolls were submitted, wages of ₹ 1.94 crore were not disbursed through bank/ postal saving bank accounts of the labourers and were shown to have been paid in cash. In 25 muster rolls relating to one work, the muster rolls did not indicate the amount of wages paid to the labourers though signature and Left Thumb Impression of the laborers were obtained. This arrangement was, thus, irregular and lacked transparency in execution.

2.3.8.7 Extra expenditure due to adoption of higher specification

OPWD code provides for preparation of estimates as per the prescribed specification in an economic manner. Audit observed cases of deviation from the codal provisions as discussed below:

- **Construction of CC roads with higher width and thickness:** State Government had prescribed the width of carriage way of CC roads in rural areas as three metres and thickness as 100 mm metal concrete (PCC 1:4:8) and 75 mm thick chips concrete (PCC 1:2:4). This specification was revised (February 2013) to 100 mm metal concrete (PCC 1:3:6) and 100 mm thick chips concrete (PCC 1:2:4) from February 2013. Audit examined the records relating to 128 CC roads executed at ₹ 9.59 crore. The approved specification was followed in 89 works, whereas in 39 other works, higher thickness¹³³ of metal concrete and higher width¹³⁴ were adopted. This led to avoidable extra expenditure of ₹ 1.09 crore.
- **Culverts with width higher than the road width:** As per the specification of Indian Roads Congress (IRC), the width of culverts was to be the same as formation width of the road. In 16 out of 18 test-checked cases in three EAs of Sambalpur district, culverts/ bridge with 23'6" to 28'7" width were constructed against road width of 12' to 20' (*Appendix 2.3.6*) as observed during JPI. This led to avoidable extra expenditure. The Department stated (December 2016) that the culverts of higher width were constructed for extension of road and to avoid traffic congestion. However, the same was contrary to the IRC norm.
- **Extra expenditure due to higher thickness in bed and side wall of lined field channels:** BIS at IS 12379 prescribes the standards for lining of water courses and field channels with a provision for laying 75 mm thick cement concrete (1:3:6) in both bed and vertical side walls in construction of lined field channels. In 56 test-checked canal lining works (Deogarh:18 and Koraput:38) with project cost of ₹ 4.85 crore executed by six EAs (BDOs, Barkote, Tileibani, Koraput, Laxmipur, Nandapur and PD, Water shed, Koraput), the beds and vertical side walls were provided with the cement concrete of higher thickness (100 to 600 mm). This resulted in avoidable extra expenditure of ₹ 98.08 lakh.

¹³³ Chips concrete: 0.100 metre against 0.075 metre and metal concrete: 0.120 metre to 0.150 metre against 0.100 metre

¹³⁴ 3.5 metre to 4.4 metre in all test-checked cases in Jujomura Block while same was more being 3.05 metre to 5 metre in other cases

The Department stated (November 2016) that District Authorities were instructed not to repeat such irregularities in future.

2.3.8.8 Culverts not providing all weather connectivity

In three test-checked districts (Sambalpur, Koraput and Sundargarh), eight culverts¹³⁵, constructed at a cost of ₹ 1.48 crore during November 2013 to October 2015, did not provide all weather connectivity due to missing link, connection to an earthen road, non-availability of approach road, *etc.* As a result, expenditure of ₹ 1.48 crore incurred on these culverts was rendered unfruitful. No effort was taken by the EEs/ BDOs to construct the approach road through convergence with other schemes.

The Department stated (December 2016) that the Collector, Koraput had instructed the BDO concerned to develop the road by converging fund from other sources.

2.3.9 Skill Development for self-employment of youth of LWE areas

Planning Commission had instructed (January 2011) the DLCs to formulate appropriate skill development and skill up-gradation training programmes for young people in naxal affected areas under IAP, so that youngsters would be weaned away from extremism.

Under the scheme ‘Skill Development of youth in 34 districts affected by LWE’, target for providing long term training courses to 450 youth, short term training courses to 1,800 youth and instructor training course to 150 youth during 2012-15 was fixed by GoI and ₹ 1.48 crore was also released, as first installment, during January to September 2012. Audit observed the following:

- Out of the total allocation of ₹ 15.51 crore made under IAP during 2011-16 by the five test-checked districts, ₹ 13.43 crore (87 *per cent*) was utilised as of March 2016 towards creation of infrastructure like Skill Development Centres, hostels and other physical infrastructure and no funds were spent on training. During joint physical inspection (April-July 2016) of 22 skill development projects, Audit observed that six projects, completed at a cost of ₹ 2.63 crore during July 2014 to February 2016, were either idle (four) or were utilised for other purposes (two) like rest sheds, GP Offices, *etc.*
- Under the scheme SDY, long term training to 185 youth¹³⁶, short term training to 450 youth (2012-13) and instructor training to 10 youth (2013-14) were provided during 2012-15 against the target of 450, 1800 and 150, respectively fixed by GoI. This not only deprived local youth of self-employment opportunities, but also led to loss of Central assistance of ₹ 6.87 crore, as discussed in **Paragraph 2.3.7.1**. Besides,

¹³⁵ RCC Box cell culverts over Local nallah at 0.500 Km and 0.800 Km on RD road to Kolipadar (RW Division, Sambalpur): ₹ 54.48 lakh; Culvert over Earakusuminalla (BDO, Malkangiri): ₹ 48.78 lakh; Construction of RCC culvert at Jamal (BDO, Bisra, Sundargarh): ₹ 8.03 lakh; Construction of CD road at Lakrajore to forest road of Lakrajore high school(PA, ITDA Sundargarh): ₹ 9.98 lakh and Bridge on RD road to Ghataguda (BDO, Koraput): ₹ 16.50 lakh , Bridge on road from Bheja to Sukripur and RCC culvert at Kanta Shiva Mandir: (BDO Nandapur): ₹ 10 lakh

¹³⁶ 2012-13:104 and 2013-14:81

no efforts were made to tie up with industries to engage such trained youth, in any of the sampled districts. Further, no training was imparted during 2015-16, despite availability of ₹ 28 lakh with DTET. In reply, DTET attributed the same to less candidates having been sponsored by the District Collectors concerned.

2.3.10 Poor implementation of livelihood programmes

Out of the five sampled districts, projects relating to livelihood programmes were included in AAP by Koraput district only and ₹ 3.26 crore¹³⁷ was allocated for execution of 46 livelihood projects like fly ash brick unit, handmade paper unit, niger oil unit, *etc.* The entire fund was shown as advanced as of March 2016 by DPMU, Koraput.

Audit observed that 25 projects with estimated cost of ₹ 2.13 crore remained non-functional after utilising the entire quantum of funds, due to non-supply of machinery by the DPC (15), non-availability of electricity (1) and non-completion of civil works (2). Further, seven projects, despite equipped with required equipment, had not been put to use without any recorded reason. During joint physical inspection (August 2016), it was found that two fly ash brick making units (Koraput and Boriguma) and one niger oil unit (Koraput) remained defunct after utilising ₹ 48.89 lakh. Besides, machinery for one handmade paper unit (Koraput) were not procured and the building was let out to a commercial organisation¹³⁸ since December 2012.

The Department stated (December 2016) that the Collector, Koraput had issued necessary instructions to the District Coordinator, Mission Shakti to take steps to make the livelihood projects functional.

2.3.11 Inspection and monitoring under IAP

As per IAP guidelines, Development Commissioner was to monitor the implementation of the scheme in the State. Besides, P&C Department, with a view to ensuring expeditious implementation, proper coordination and regular monitoring had directed (November 2011) six senior State level officers to visit the districts regularly, at least once in a quarter, to review the progress of implementation of the programme and suggest measures for further improvement. At the district level, the Collectors were to work out a system of quality checks and monitoring, including physical inspection of works, to ensure quality of assets created. Audit observed that:

- Monitoring and inspection of works executed, were inadequate. Though DCs of five districts had constituted (February 2013 to December 2015) five inspection teams for monitoring and physical inspection of assets, no inspection report was available. Quality of materials utilised in the works and quality control test of RCC/ PCC works was not conducted. Contractor's bills were also paid without verification of test reports. 'Inventory of Assets (Asset Register)' was not maintained by any of the five test-checked districts under IAP/

¹³⁷ Civil works: ₹1.01 crore, machinery cost: ₹1.16 crore, Working capital (Furniture, Raw material, administration and maintenance) ₹1.09 crore

¹³⁸ New India Assurance Co. Limited

ACA in respect of 7,350 completed assets created at a cost of ₹ 499.58 crore under IAP during 2011-16, in five test-checked districts.

- Despite instructions of SLC for taking up of school toilet programme on war footing in order to have at least one toilet each for boys and girls in every school by March 2015 and ascertaining the position of vacancies in respect up of key posts in health, education and agriculture sector for filling up the same by the respective administrative departments, no action was taken by the DLCs of 18 districts and no action taken report was also submitted by three Collectors to P&C Department (June 2016).

2.3.12 Impact of the scheme on socio-economic indicators

As per GoI guidelines, the overall objective of the IAP scheme was to use the funds in such a way that the LWE district registered progress in terms of socio-economic parameters to reach, at least the State average level.

Audit observed that no impact assessment of the scheme was done by the DLCs during 2011-16. P&C Department, however, assigned (February 2016) the work of impact assessment of the programme to National Institute of Rural Development, Hyderabad and the report was not received as of June 2016. In Koraput district, LWE affected GPs had increased from 60 in 2011 to 102 in 2016, despite these interventions.

The DLCs of five test-checked districts had not assessed the achievement of socio-economic parameters like literacy and household income, *etc.*, during 2011-16 to ascertain the performances of such indicators.

2.3.13 Security related initiatives

Under security related interventions like Special Infrastructure Scheme (SIS), Fortification of Police Stations (FPS) and Security Related Expenditure (SRE), ₹ 535.73 crore¹³⁹ was received during 2011-16, of which ₹ 531.39 crore had been reportedly utilised and UCs for ₹ 522.93 crore had been furnished to GoI. In addition to projects funded under the above schemes, Audit also covered security related projects sanctioned prior to 2011-12 and remaining incomplete as of July 2016.

2.3.13.1 Secured camping grounds and hubs for security forces

GoI and the State Government had jointly sanctioned ₹ 48.47 crore for construction of seven hubs during 2007-08 to 2014-15. Out of these, only one (Kalimela) was completed and handed over in March 2016. On examination of the records relating to construction of these hubs, Audit observed the following deficiencies:

2.3.13.2 Delay in setting up of Special Operation Group (SOG) hub at Koraput

State Government had decided (December 2010) to set up SOG subsidiary hub at Koraput along with Anti Extremist Training and Research Centre (AETRC) to effectively deal with naxalite violence in southern Odisha, especially in

¹³⁹ GoI: ₹309.69 crore and GoO: ₹ 226.04 crore

Malkangiri and Koraput districts. Another objective was to conduct joint operations with greyhounds of Andhra Pradesh. State Government also created (August 2011) 911 posts for the subsidiary SOG hub and AETRC at Koraput and 523 of these posts were filled up during October 2012. Infrastructure for subsidiary hub comprising of 25 sub-components was proposed under SIS only in 2012-13. The same was approved for AETRC under 13th Finance Commission Award for Police Training in 2010-11.

- **Non-commencement of 20 out of 25 sub-components of SOG hub:** Eleven sub-components¹⁴⁰ with estimated cost of ₹ 21.63 crore were sanctioned by GoI in 2013-14 and the remaining 14 sub-components¹⁴¹, with estimated cost of ₹ 13.65 crore, were sanctioned in 2014-15. However, only five out of 25 sub-components were awarded as of September 2016. The remaining 20 were not awarded due to delay in preparation of estimates and consequential delay in tendering, site not being ready (12 sub-components) and delayed decision to execute the eight projects through other agencies.
- **Non-recovery of compensation for not achieving proportionate progress:** As per the terms of contract for works of 20 components of the SOG hub (five) and AETRC (15), the contractor was required to complete works valued at ₹ 23.85 crore till expiry of 75 *per cent* of contract period (May 2016), failing which compensation at prescribed rate was to be recovered. Though the contractor could execute work valued at ₹ 6.40 crore for both projects by this time and the delay was attributable to the contractor, compensation of ₹ 2.78 crore¹⁴² was not recovered from the works bills (June 2016).
- **Diversion of vehicles:** Out of ₹ 6.55 crore sanctioned under SIS for purchase of equipment, vehicle and ammunitions for SOG hub, the Director General of Police (DGP) purchased 31 vehicles (April 2015 to January 2016) at a cost of ₹ 1.45 crore. However, as the said hub was not set up, DGP issued the same to nine SPs and 11 other police establishments including six to SPs of non-SRE districts, instead of utilising the same for mobility of security forces in LWE affected districts.
- **Deficient operational efficiency of SOG:** Due to delay in setting up of the hub, SOG personnel recruited for SOG subsidiary hub, Koraput were stationed at SOG, Chandaka, Bhubaneswar. SOG Assault Teams were mobilised 20 times from Bhubaneswar by road to the LWE affected areas of Koraput, Rayagada and Malkangiri during 2013-16 covering 1,105 to 1,574 km, thereby affecting operations by the forces.

These indicated that construction of crucial security infrastructure was neglected, resulting in inefficient security operation.

¹⁴⁰ Administrative building, Armory of SOG hub, JCO's Mess, Training hall for 400 trainees, 250 men barrack, etc.

¹⁴¹ Training hall, conference hall, watch tower, staff quarters, etc.

¹⁴² 1.5 *per cent* of tendered value (₹ 27.77 crore) per month subject to maximum of 10 *per cent* of value of work put to tender

2.3.13.3 Non-commencement of CRPF hub at Muniguda due to delay in allotment of land

‘Construction of CRPF hub, Muniguda’ with project cost of ₹ 6.50 crore was sanctioned under SRE in 2010-11. The required land was handed over by Revenue Authorities to OSPHWC in May 2013 and the work was awarded (September 2013) to a contractor at ₹ 6.58 crore. However, the work was stopped by the Forest and Environment Department twice (November 2013 and August 2015), as the lands handed over by Revenue authorities were in a reserve forest. Subsequently, 24 acre land in another site (Jhiliguda village) was demarcated (February 2016) by Revenue Authorities for the purpose. Advance possession of land was given only in August 2016.

Thus, approving projects without selecting undisputed site and delay in handing over of the same by the Department resulted in blocking of entire funds of ₹ 6.50 crore deposited with OSPHWC since March 2011. Besides, the intended objective of establishing CRPF Hub at Muniguda also remained unfulfilled, even after six years of its sanction.

Accepting the point, the Department stated (December 2016) that the work would be taken up after finalisation of the tender, which has since been floated.

2.3.13.4 Non-completion of Security hubs

Five security hubs at strategic locations (MV 79, Chitrakonda, Gudari, Muniguda and Kalimela) were sanctioned under the erstwhile ‘Modernisation grant’ during 2007-08 at a total project cost of ₹ 3.69 crore. Despite these works being taken up departmentally by OSPHWC, only one hub (Kalimela) was completed and handed over in March 2016, after about a decade of its sanction due to slow pace of execution. Four other security hubs remained incomplete (September 2016) for over seven years due to cost overrun of ₹ 1.48 crore and non-sanction of revised estimates (₹ 5.17 crore)¹⁴³. As a result, despite spending ₹ 2.55 crore¹⁴⁴ on these works, the intended objective of providing secured accommodation to CAPF at strategic locations, remained unfulfilled (September 2016).

The Home Department stated (December 2016) that the matter had since been reviewed and estimates were resubmitted in a phased manner for according revised administrative approval.

2.3.13.5 Non-commencement and non-completion of barracks for accommodation of security forces

The objective of SIS was to fill critical infrastructure gaps which could not be covered under the existing schemes. The infrastructure includes secured camping grounds and accommodation for security forces.

¹⁴³ MV 79: ₹1.05 crore, Chitrakonda: ₹ 1.09 crore, Gudari: ₹ 1.17 crore, Muniguda: ₹ 83.74 lakh and Kalimela: ₹ 1.02 crore

¹⁴⁴ MV 79: ₹ 68.92 lakh, Chitrakonda: ₹ 63.67 lakh, Gudari: ₹ 62.09 lakh and Muniguda: ₹ 59.87 lakh

2.3.13.6 *Non-commencement of projects*

GoI guidelines required that land for the SIS projects was to be provided by the State Government. Audit observed that:

- Three¹⁴⁵ projects under SIS with approved cost of ₹ 2.89 crore had not commenced (June 2016) as the required sites were not handed over by the Department to OSPHWC despite the entire fund being deposited during 2009-12.
- The work “Pre-fabricated barrack for 100 persons with fortification at MV 79 for CAPF” with estimated cost of ₹ 91 lakh was sanctioned in 2008-09 and funds were also deposited (2009-10) with OSPHWC. However, the Department did not finalise the site due to which the project could not be commenced (June 2016) in Malkangiri district which had been severely affected by LWE.

Non-finalisation of site for such important projects for years together indicates the lackadaisical approach of the Department in providing safe and secured environment and accommodation to security personnel.

The Home Department stated (December 2016) that due to non-availability of land at Barkote, diversion of the project to another place (Kansar) was being considered.

2.3.13.7 *Non-completion of barracks for security forces*

Audit observed that 20 security related projects, taken up under various GoI schemes¹⁴⁶ and the State plan had remained incomplete as of March 2016, after spending ₹ 12.21 crore for one to three years, for want of additional funds as discussed below.

- **Idle expenditure on building projects at Koraput:** Six building projects with estimated cost of ₹ 3.75 crore were sanctioned during 2003-04 to 2006-07 under State Plan and Modernisation of Police Force scheme for 1st India Reserve (IR) Battalion, Koraput. The site was handed over by the Collector, Koraput in June 2006. However, the Forest and Environment Department stopped (December 2006) execution stating that the said land came under reserve forest which required forest clearance. After deposit of funds for compensatory afforestation, forest clearance was received in October 2012.

However, without preparation of revised estimate and administrative approval, OSPHWC commenced the work in October 2012. The work was stopped in March 2014 after incurring expenditure of ₹ 3.00 crore due to requirement of additional funds. Revised estimate for ₹ 8.72 crore was prepared only in December 2015 and sent to the DGP for according administrative approval, which was awaited (August 2016).

¹⁴⁵ Construction/ fortification of secured camping for company location of Central Military Police Force (CMPF) with provision of pre-engineering structures for 100 men barrack etc., at Barkote: ₹ 1.09 crore (2010-11); 100 men pre-engineering structure (A type) at Almonda: ₹ 1.55 crore (2010-11) and external water supply system at CAPF Camp, Koraput: ₹ 25 lakh (2011-12)

¹⁴⁶ Modernisation grant, Modernisation of Police Forces, SRE and SIS

During joint physical inspection (June 2016), security forces of 1st IR battalion were found to be residing in these half completed buildings and forced to stay even in armoury and incomplete barrack without electricity, toilet and other basic facilities.

- **Incomplete works of barracks and quarters at Bhamini:** Construction of two 100 men barracks with project cost of ₹ 1.43 crore were sanctioned during 2007-08 and 2008-09 under the State Plan and Modernisation grant for accommodation of 2nd IR battalion.

Site for both the barracks were handed over by the Department to OSPHWC in October 2011. Similarly, six E type quarters with approved cost of ₹ 52.50 lakh in the same location were sanctioned under



Barrack II, Bhamini where security forces are staying

State Plan in 2008-09. However, land for the same was handed over only in March 2013. Audit observed that without preparation of revised estimates and revised administrative approval, all the works were taken up departmentally and, after utilising ₹ 2.10 crore up to August 2013, further execution was stopped and the buildings had been left incomplete. Besides, one B type quarter sanctioned in 2012-13 with the project cost of ₹ 41.08 lakh taken up through a contractor was also left incomplete since March 2014 after spending ₹ 4.13 lakh and the contract was rescinded due to delay attributable to the contractor. Revised estimates for ₹ 4.80 crore, prepared in December 2014 (two works), December 2015 (one work) and February 2016 (one work), were submitted to DGP for according revised administrative approval and release of additional funds. However, approval of the same was awaited (June 2016) and the projects were left incomplete for two to three years. This led to unfruitful expenditure of ₹ 2.14 crore and extra cost of ₹ 2.43 crore. During joint physical inspection (June 2016), security forces of 2nd IR battalion, Bhamini were found to be residing in these half completed buildings without electricity, toilet, doors, windows, walls and basic facilities.

- **Incomplete barrack at Chandili:** Construction of 100 men barrack at District Headquarters at Rayagada (Chandili) was approved (October 2008) for ₹ 94 lakh under the scheme 'Modernisation of Police Forces'. Execution of the project was delayed as the land was low-lying. However, the project was taken up departmentally by OSPHWC from February 2011, based on old estimate (2008-09), instead of revising the same. After utilising ₹ 76.15 lakh, further execution was stopped due to want of funds and revised estimate for ₹ 1.45 crore was submitted (March 2014) to DGP. Approval of the same is awaited (June 2016) and the project was stalled for over two years.

- **Idling of barrack for want of internal electrification:** To provide accommodation to CAPF for anti-naxal operations in Kuchinda area, ₹ 1.82 crore was sanctioned (2010-11) under SRE for 'construction of one 100 men barrack at Kuchinda'. The work was awarded (December 2011) at a cost of ₹ 1.34 crore for completion in December 2012. The contractor stopped the execution in March 2015 after execution of civil works valued at ₹ 1.07 crore. Internal electrification work was not executed and the building was left idle. As a result, the building constructed at a cost of ₹ 1.07 crore could not be made functional, thereby depriving the CAPF of the intended benefits.



100 men barrack, Kuchinda

Audit observed that, an amount of ₹ 100.70 crore, being interest earned on the funds released by the Government under various schemes¹⁴⁷, was available with OSPHWC. Though utilisation of interest was permissible as per the guidelines of Home Department, no plan had been made by the DGP for completion of these incomplete projects. Revised estimates were neither sanctioned nor was OSPHWC allowed to complete the building utilising the interest available with it.

The Home Department assured (November 2016) that the matter would be looked into and the issue would be addressed on priority.

2.3.13.8 Fortification of police stations

With the objective of fortifying police stations (PSs) located in LWE affected areas and to make the PSs more secured against LWE attacks, GoI had introduced the scheme of 'Fortification of Police Stations in LWE affected districts' in March 2011. For receiving of funds under the scheme, the State had to submit an undertaking for making land available and posting at least 40 policemen in each PS after completion of the police stations.

The State Government submitted the undertaking and got approval (2010-11) from GoI for fortification of 70 PSs at a cost of ₹ 2 crore each. GoI and State Government provided ₹ 140 crore¹⁴⁸ for the purpose (GoI: ₹ 112 crore and State: ₹ 28 crore) during 2010-14. Out of the 70 PSs sanctioned for fortification, 56 were completed as of March 2016, while 14 were at different stages of construction. Records relating to 38 such fortified PS buildings constructed by Sambalpur and Koraput Divisions of OSPHWC were examined in Audit. Joint Physical Inspection (JPI) of 15 of these PSs was also conducted by representative of OSPHWC and Inspector-in-Charge (IIC) of the concerned PS in presence of Audit. Following deficiencies were observed:

- **Delay in completion despite departmental execution leading to cost overrun:** Only nine (Sambalpur: 7 and Koraput: 2) out of the 38 test-

¹⁴⁷ State plan police: ₹ 10.59 crore, MPF: ₹ 29.24 crore, Police training: ₹ 4.31 crore, FPS: ₹ 16.44 crore, SIS: ₹ 10.02 crore, SRE: ₹ 30.10 crore

¹⁴⁸ 2010-11: ₹ 1 crore; 2011-12: ₹ 24 crore; 2012-13: ₹ 69.06 crore and 2013-14: ₹ 45.94 crore

checked projects were executed through contractors selected through open bidding process and the remaining 29 projects were executed departmentally by OSPHWC. However, 22 out of these 29 projects were completed with delays ranging from 434 to 1,015 days. The remaining seven projects¹⁴⁹ were under construction, even after expiry of 1003 to 1018 days from the scheduled completion date (June 2016).

- **Idling of completed projects:** Due to delay in execution, the project cost escalated (₹ 72 lakh) and furniture and furnishings were not supplied to seven PSs, despite provision for the same in the estimates. Seven out of 22 fortified PSs¹⁵⁰, completed at a cost of ₹ 14 crore were not taken over by the respective Inspectors-in-Charge (IIC) as of August 2016, despite request of OSPHWC since their completion during October 2015 to March 2016 and were left idle as furniture and furnishings were not provided.
- **Non-supply of essential equipment:** The approved cost of ₹ 2 crore recommended (July 2010) by OSPHWC included ₹ 18.35 lakh for supply of anti-naxal support equipment like metal detector, night binoculars, power cutter, explosive detector, CC TV, metal/ mines detector, etc. (₹ 13.82 lakh) and general police support equipment like 40 cots, digital projector, mega phone, fire extinguisher etc. However, in the estimates of all the 38 test-checked cases, there was no provision for supply of these essential equipment and no such security equipment were found available with 15 PSs as seen during JPI.
- **Irregular supply of furniture and furnishings:** Instead of providing essential equipment, ₹ 3.33 crore was utilised for supply of furnishings like partition, work stations, chairs and tables (₹ 9 lakh in each PS) in 37 out of the 38 test-checked cases. As a result, in 14 out of 15 PSs jointly inspected, the entire 40 seater barrack remained vacant, while in Malkangiri PS security forces were found to be sleeping on the floor due to non-supply of cots. Besides, force multiplying equipment like metal detector, night binoculars, power cutter, explosive detector, etc., had not been supplied to police personnel.
- **Irregular expenditure:** Provision of site and proper approach road were the responsibility of State Government as per GoI Guidelines (March 2011). However, ₹ 90.70 lakh was utilised out of the scheme funds on site development and approach road of 24 test-checked PSs.
- **Non-posting of 40 police men per PS:** The projects were sanctioned, based on the undertaking (July 2010) of the State Government to post 40 policemen in each of these police stations, after completion. However, only 13 to 23 police personnel were posted in 14 out of 15 PSs jointly inspected.
- **Non-use of concertina coil as second line of defence:** GoI guidelines (March 2011), require use of concertina coil as second line of defence at about 10-12 meters from chain linked fencing towards PS building.

¹⁴⁹ Chitrakonda, Dangasorada, Mudulipada, Motu, MV 79, Padmapur and Umerkote
¹⁵⁰ Ambadola, Gunupur, Jharigaon, Kakriguma, Laxmipur, Malkangiri and Potteru

However, in none of the 10 PSs covered under JPI, concertina coils were used, although 1.44 lakh feet of such loose coil, purchased (2012-15) at ₹ 1.04 crore under SRE, were kept idle in these districts.

- **Unsuitable location for PSs:** The technical committee of GoI had recommended (November 2010) that the location of PS building should be away from built up areas. Besides, sentry posts at front and rear side should have 180 degree visibility. However, in two PSs (Rajgangpur and Rayagada), out of the 15 jointly inspected, the fortified PS buildings were found to be near built up areas without adequate space (10 to 12 meters from chain link mesh fencing) around the PSs. Thus, selection of location did not conform to GoI norm.

2.3.13.9 *Approach road and police stations left incomplete for years*

Three PS buildings at Gudari, Narayanpatna and Rengali, sanctioned under MPF during 2010-11 at a cost of ₹ 1.64 crore and two approach roads to CAPF camps at Bhamini and Chandrapur sanctioned under SRE in 2010-12 at a cost of ₹ 1.36 crore, were left incomplete on the grounds of non-sanction of revised estimates, due to time and cost overrun after spending ₹ 2.55 crore. Audit also observed that in the case of construction of approach road at CAPF camp at Bhamini, only ₹ 48 lakh was released (April 2013) to OSPHWC, after the estimate was administratively approved (2011-12) for ₹ 55.54 lakh. However, after executing the work valued at ₹ 13.96 lakh, further execution was stopped from August 2014, as the contract was rescinded due to slow pace of execution by the contractor and non-sanction of revised estimate for ₹ 69.12 lakh, submitted (November 2015) by the agency. The works were not recommenced (September 2016).

2.3.13.10 *Slow pace of execution of infrastructure projects under logistic support to CAPF and additional fortification of security posts*

Infrastructure under logistic support to CAPF included construction of pre-fabricated barracks, approach road, toilet blocks, etc. During 2011-16, out of 764 projects under SRE entrusted to OSPHWC, 252 projects related to logistic support for temporary accommodation to CAPF with project cost of ₹ 66.04 crore and 257 projects to additional fortification with chain-link fencing etc., at a project cost of ₹ 46.65 crore. Out of these, 341 projects were completed while 46 were under execution and 122 projects were not commenced since one to five years, due to non-finalisation of sites (5), delay in preparation of estimates and issue of work order, etc. (117). These projects (122), which were not started, included temporary accommodation for CAPF, chain link mesh fencing around Police Stations and CAPF camps, etc., as discussed below:

- **Site not finalised:** Five projects¹⁵¹ were approved for execution at a cost of ₹ 2.34 crore¹⁵² during 2011-12 to 2014-15, for which land was not handed over. These included construction of a 100 bed barrack at

¹⁵¹ 100 men prefabricated barrack at Chandahandi, Watch tower at Salimi, Makeshift barracks at Bijaghati, Watch tower at Orra, Chain link mesh fencing with peripheral lighting at Karlapur

¹⁵² 2011-12:2: ₹ 164.00 lakh; 2012-13:2: ₹ 40 lakh and 2014-15:1: ₹ 29.60 lakh

Chandahandi and four additional fortification works. This indicated that such critical works were not given priority by the Department.

- **Construction of projects on disputed land:** Giving litigation free land to OSPHWC for construction of police projects was the responsibility of the Home Department. However, two works¹⁵³ with approved cost of ₹ 80.35 lakh, were taken up on land provided by the concerned SPs, which were later found to be disputed and both the works were stopped (August 2012 and September 2014), after incurring expenditure of ₹ 20.07 lakh. The disputes had not been resolved as of June 2016.
- **Incomplete projects of additional fortification:** Audit test-checked the status of 131 additional fortification projects involving construction of Chain-link Mesh and fixing concertina coil at the top of boundary wall of security establishments with estimated cost of ₹ 19.18 crore, assigned to OSPHWC and observed that 87 projects with estimated cost of ₹ 12.11 crore were not completed as of August 2016, even after more than two to four years of receipt of funds, due to slow pace of construction and non-fixation of any timelines for its completion by the Department.
- **Non-completion of peripheral lighting/ watch towers:** Out of 51 projects under peripheral lighting, 36 were completed. Similarly, out of 100 watch towers, 73 were completed. As of March 2016, 42 such projects with approved cost of ₹ 4.76 crore were not completed, even after lapse of more than two to four years since receipt of funds.

2.3.14 Transportation, helipad and other support to CAPF

2.3.14.1 *Irregularities in usage of helicopter under SRE and non-reimbursement of hire charges of ₹ 18.03 crore by GoI*

SRE Guidelines and instructions (June 2009) of GoI permitted need-based hiring of private helicopters at competitive rates with prior approval of the GoI. Such helicopters were to be used for dropping ration/ ammunitions, security personnel in inaccessible pockets, movement and evacuation of injured security personnel. It was not to be used for surveillance and monitoring. However, Audit observed the following:

- The Department signed (August 2011) an agreement with Pawan Hans Helicopters Limited (PHHL) for hiring one 28 seated MI-172 helicopter, without prior approval of GoI. The helicopter was provided by PHHL up to January 2013 and thereafter, it went out of order. In its place, PHHL provided one 8 seated¹⁵⁴ Dauphin helicopter from February 2013 to September 2015. The Dauphin helicopter could not serve the purpose for which it was hired because of its limited capacity of only four passengers. There was no penalty clause in the agreement for non-supply of MI-172 helicopter. The Department also did not cancel the agreement, despite PHHL's failure to provide the desired helicopter.

¹⁵³ Fortification of Ramanaguda PS: ₹ 7.16 lakh; Logistic support to CAPF for construction of barrack at Nakamudi: ₹ 73.19 lakh

¹⁵⁴ Four seat for crew members and four for passengers

- The Dauphin helicopter was not used even once in 10 months¹⁵⁵ during this period. In other months, 341 sorties were conducted and, out of these, it was used for dropping ration and shifting of injured security personnel only on 53 sorties¹⁵⁶ (16 per cent). In the remaining sorties, it was used by various officers and ministers for surveillance and monitoring which was not allowed under SRE scheme guidelines. Frequency of operation had also decreased during the period. In contrast, when the MI-172 helicopter was used during 2012-13 and from October 2015 to June 2016, it had conducted 343 sorties mainly for evacuation, rotation of forces, dropping of ration and shifting of injured personnel, etc.
- The Department did not explore other alternatives and in March 2015, IG (Operations) wrote to Home Department for exploring the possibility of hiring Dhruv helicopter from Hindustan Aeronautics Limited. In absence of a suitable helicopter, serious difficulties were faced in offensive initiatives against the naxals and large scale Anti Naxal operations were kept on hold, as reported by the IG.
- As per Clause 7 of the agreement entered into with PHHL, Koraput was to be the base for the helicopter as the entire southern and western Odisha could be accessed from that place quickly at the time of need. For this purpose, one hangar, crew barrack and accommodation for pilot was constructed inside the CAPF camp, Koraput at a cost of ₹ 1.83 crore. However, the helicopter used Bhubaneswar as the base and so two flying hours on each running day was consumed extra involving extra expenditure of ₹ 11.89 lakh per flying day. Besides, the hangar was left idle while the crew barrack and pilot accommodation were utilised as officers' mess by CAPF.
- As per the agreement, the payment was to be made only for the flying days. Further, if the helicopter was grounded for more than seven days at a stretch in a month, penalty of ₹ 5.75 lakh per day beyond the permitted days was to be levied. Audit test-checked payments made in five months and observed that during one month (January 2016), PHHL could not supply the helicopter for 13 days at a stretch. Despite this, the Department paid rent for 24 days as claimed by PHHL. This resulted in excess payment of ₹ 34.67 lakh. Further, penalty of ₹ 53.69 lakh was also not recovered from PHHL, as detailed in **Appendix 2.3.7**.

Further, GoI did not reimburse the helicopter charges (₹ 18.03 crore) due to hiring of helicopter without obtaining prior approval.

The Home Department stated (December 2016) that steps would be taken to realise the penalty. In respect of reimbursement of helicopter charges, Department stated that MHA had recommended ₹ 12.14 crore out of the total

¹⁵⁵ February to April 2013, October to December 2013, May 2014, July 2014, October 2014, December 2014

¹⁵⁶ June 2014:4, June 2014:5, January 2015:21, February 2015:3, March 2015:14 and September 2015:6

claim of ₹18.03 crore for the years 2013-14 and 2014-15. The fact, however, remained that the amount had not yet been reimbursed.

2.3.15 Payment of *ex-gratia* to the families of security personnel and civilians killed in naxal violence

SRE permitted payment of *ex-gratia* up to ₹ 2 lakh to the family of each civilian and up to ₹ 8 to 10 lakh to the family of each security personnel killed in LWE violence. *Ex-gratia* was required to be paid immediately. Audit test-checked payment of *ex-gratia* in 142 cases (civilian: 103, security personnel: 39) in five sampled districts and observed that:

- *Ex-gratia* for 11¹⁵⁷ out of 103 civilians killed in LWE violence during March 2008 to February 2016, were not paid as of July 2016. *Ex-gratia* was paid in 92 cases, of which, the same was paid with delays ranging from one month to 10 years¹⁵⁸ in 80 cases.

The Home Department stated (December 2016) that instructions had already been issued to prevent any delay in payment of *ex-gratia*.

- In 31 out of 39 test-checked cases, *ex-gratia* was paid to families of security personnel killed in naxal violence, with delays ranging from one month to more than two years¹⁵⁹.
- Insurance of ₹ 10 lakh per security personnel killed in naxal violence was to be paid to their families. However, families of eight¹⁶⁰ security personnel killed (February 2008 to January 2016) in naxal violence, were not paid compensation under insurance scheme as of December 2016. The Department stated (October 2016) that insurance claims of six security personnel had been settled, while for the others the same were under process.
- In 38 out of the 39 cases above, homestead land was not provided to the family members of deceased security personnel.

2.3.16 Deficient rehabilitation of surrendered naxalite

SRE encouraged surrender of hardcore naxals as per the Surrender and Rehabilitation Policy, being implemented by the State Government. The objective of the scheme was to contain violence by Left Wing Extremists by weaning away misguided youth and hardcore naxalites who had strayed into the fold of Left Wing Extremism and found themselves trapped in their net. The scheme seeks to ensure that naxalites, who surrender, do not revert back to extremism, by providing them gainful employment and entrepreneurial opportunities.

¹⁵⁷ Koraput: 1, Malkangiri: 10

¹⁵⁸ One to six Months: 27, Six to 12 months: 12, More than one year to one and half year: 16, more than one and half year to less than two and half years: 12 and above two and half years: 13

¹⁵⁹ One to six month: 14, More than six months to less than one year : 13, one to two years: 2, above 2 years: 2

¹⁶⁰ Nayagarh: 1, Koraput: 4 and Malkangiri: 3

Each surrenderee was to be screened by a District Level Screening Committee¹⁶¹ (DLSC) for accepting the surrender or otherwise. District Level Rehabilitation Committee¹⁶² (DLRC) was to finalise the rehabilitation package for each surrendered extremist according to the category of the surrenderee defined in the guidelines.

During 2011-16, 333 naxalites surrendered in the State and ₹ 2.94 crore was utilised on payment of incentives, *etc.*, for surrendering. In the five test-checked districts, 97 naxals had surrendered. Audit test-checked all 97 cases and observed non-payment of part of incentive in cash to the surrenderee and keeping the entire fund in fixed deposits (39 cases), non-encashment and payment of matured fixed deposits after prescribed period (5), non-imparting of vocational training to surrenderees for self-employment and keeping the stipends blocked in bank accounts, non-payment of house building grant (15), non-disbursement of cash equivalent for homestead land (18), non-disbursement of marriage assistance and its locking in bank account (21), non-setting up of rehabilitation centre, *etc.*, as indicated in **Appendix 2.3.8**. Besides, no mechanism was put in place to track the surrenderees to ascertain their integration with mainstream society.

The Home Department assured (December 2016) to take up the matter with the concerned Superintendents of Police to streamline the process.

2.3.17 Non-constitution of Village Defence Committee

Village Defence Committee (VDC)/ Nagarika Surakhya Samiti (NSS), required to be constituted in LWE affected villages/ border pockets, were not formed for raising public perception against naxalism, though the tribal villagers were often forcibly displaced by maoists from their villages. The Department, therefore, recommended (July 2016) revision of Relief Code temporarily to treat these forcible displacements as calamity and provide relief to concerned villagers. However, the same had not been acted upon (September 2016).

2.3.18 Ensuring rights and privileges of local people under Forest Rights Act

The State of Odisha has 58.14 lakh hectare¹⁶³ of forest area which is about 37.34 *per cent* of the total geographical area of the State. The Scheduled Tribe (ST) population in the State was 95.91 lakh and number of ST households was 21.54 lakh as per Census 2011. The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, popularly known as Forest Rights Act (FRA), recognised and vested the forest rights to forest dwelling STs and Other Traditional Forest Dwellers (OTFD) who were residing in forests but whose rights were not recorded. The objectives of the Act were to recognise the individual rights of forest dwellers to hold forest

¹⁶¹ Comprising of District Magistrate, Superintendent of Police, a representative of the Intelligence Department to be nominated by Director, Intelligence, a representative of concerned Central Armed Police Force (CAPF) (where CAPF is deployed).

¹⁶² Comprising of District Magistrate, Superintendent of Police, Project Director, District Rural Development Agency and District Employment Officer.

¹⁶³ As per activity report 2014-15 of Forest and Environment Department

land, access to collect, use and dispose of minor forest produce¹⁶⁴, community rights, monitor community forest resource, habitat rights of primitive tribal groups and pre-agricultural communities. Implementation of FRA was part of the integrated strategy adopted by GoI for tackling LWE problem.

Ministry of Tribal Affairs (MoTA), GoI monitored the implementation of FRA in the country. The Scheduled Tribes and Scheduled Caste Development (SSD) Department was the nodal department for enforcement of FRA in the State. The Act had prescribed four-tier¹⁶⁵ institutional mechanism for implementing various provisions of the Act, as detailed in **Appendix 2.3.9**. The rules for carrying out provisions of the FRA were notified in 2008 and were subsequently amended in 2012. Forest Right Committees (FRC) formed by Gram Sabhas (GS) from amongst its members receive and scrutinise claims of the villagers and submit them to GSs. The claims, which are accepted by GS, are submitted to Sub-Divisional Level Committee (SDLC) along with its resolution.

Audit examined the implementation of FRA during the period 2011-16 in the SSD Department and nodal agencies at District level¹⁶⁶ in five sampled districts. Records of concerned District Level Committees (DLCs), SDLCs and 33 Gram Sabhas were test-checked. Audit findings are discussed in the following paragraphs.

2.3.18.1 Low coverage of villages under FRA

The Forest Rights Act was made effective from 1 January 2008. As per Monthly Progress Report (MPR), the number of villages in four¹⁶⁷ out of the five sampled districts, Forest Right Committees (FRCs) constituted and numbers of villages fully covered are given in the following table.

Table 2.3.3 Showing status of coverage of villages under FRA in sampled districts

Name of the sampled districts	No. of villages	FRC constituted	Fully covered	Percentage of villages fully covered
Deogarh	774	679	0	0
Sambalpur	1232	1208	743	60.71
Koraput	1890	1890	1188	62.86
Malkangiri	933	933	305	32.69
Total	4829	4710	2236	46.30

(Source: Figures submitted by concerned DLCs in MPRs)

It can be seen that only 46 per cent of villages were fully covered even after eight years of implementation of FRA. Not a single village was fully covered

¹⁶⁴ Minor Forest Produce includes all non-timber forest produce of plant origin including bamboo, brush wood, stumps, cane, tussar, cocoons, honey, wax, lac, tendu or kendu leaves, medicinal plants and herbs, roots, tubers and alike

¹⁶⁵ Gram Sabha, Sub-Divisional Level Committee, District Level Committee and State Level Monitoring Committee

¹⁶⁶ Project Administrator, Integrated Tribal Development Agency was the nodal officer in Koraput, Malkangiri and Sundargarh districts whereas District Welfare Officer was nodal authority in Deogarh and Sambalpur districts for implementation of FRA

¹⁶⁷ The figures submitted by DLC, Sundargarh were found erroneous as discussed in Paragraph 2.3.22.1

in Deogarh district. Audit observed that the Government had not conducted any survey to ascertain the number of forest dwellers for recognition of forest rights for all the eligible forest dwellers in the State.

While accepting non-conduct of beneficiary-wise survey, SSD department stated (November 2016) that the number of projected households of each district was prepared based on a detailed assessment of forest fringe villages and ST households and were supplied to each Collector. However, the fact remained that coverage of villages remained low.

Besides, awareness campaigns for sensitising people to avail of benefits under FRA were not conducted as discussed below.

2.3.18.2 Lack of awareness of FRA among forest dwellers

FRA Rule 6 stipulates that SDLC shall provide information to each Gram Sabha about their duties and duties of holders of forest rights and others towards protection of wildlife, forest, *etc.* It shall also provide forest and revenue maps and electoral rolls to the Gram Sabha or the FRC and raise awareness among forest dwellers about the objectives and procedures laid down under the Act and Rules. In this context, Audit observed that:

- DLCs and SDLCs had not conducted any awareness drive to raise awareness among the forest dwellers about objectives of FRA and the procedures to be followed to avail of the benefits envisaged thereunder.
- Representatives of SDLCs conducted interview of 72 members of 23 FRCs in the five sampled districts in presence of Audit and their summarised responses are indicated in *Appendix 2.3.10*. It would be observed from the Appendix that:
 - 87.50 *per cent* FRC members stated that SDLC had not provided forest and revenue maps;
 - 81.94 *per cent* FRC members stated that they were not aware of the rights of ownership, access to collect, use and dispose of minor forest produce/ conserve or manage any community forest resource;
 - 26.39 *per cent* were not aware of FRA and 20.83 *per cent* were not aware of individual rights under FRA.

SSD Department stated (November 2016) that massive awareness campaigns were organised in each district during FRA roll-out stage and training of stakeholders and officials of Panchayati Raj Institutions (PRIs) were also regularly conducted. However, the fact remained that FRC members as well as forest dwellers were not aware of their rights and responsibilities (August 2016).

2.3.18.3 Non-preparation of lists of un-surveyed and unrecorded hamlets/ villages

As per FRA Rule 2A, the State Government is to ensure that every Panchayat, within its boundaries, prepares a list of group of hamlets or habitations, unrecorded or un-surveyed settlements or forest villages or *taungya* (small) villages, formally not a part of any revenue or forest village record and have

this list passed by convening Gram Sabha of each such habitation, hamlets or habitations included as villages for the purpose of the Act through a resolution in the Panchayat and submit such a list to SDLC. The SDLCs were to consolidate and DLCs were to finalise the list after inviting and considering public comments.

Audit observed that none of the test-checked Panchayats had prepared the lists of groups of hamlets, habitations, *etc.*, under its jurisdiction and SDLCs had also not ensured the same. In absence of lists of groups of hamlets, FRCs could not be constituted for these hamlets. Audit observed in four test-checked villages that the claimants of nine un-surveyed and unrecorded hamlets had submitted their claims to the FRC of nearest revenue village. As a result, a complete list of habitations to be covered under FRA was not available with any of the DLCs.

The SSD Department stated (November 2016) that necessary instructions were since issued in July 2016.

2.3.18.4 Receipt and disposal of forest right claims

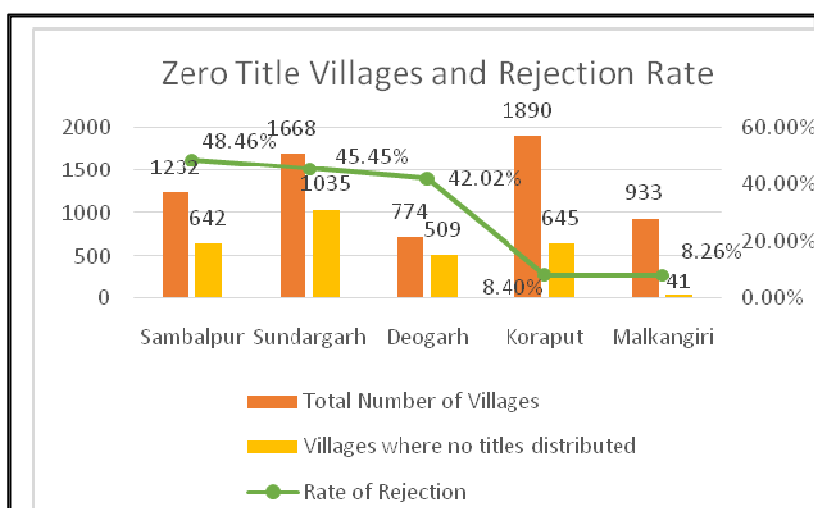
The receipt and disposal of individual forest right claims in the State as well as in the five sampled districts as of March 2016, are shown in the following table:

Table 2.3.4: Receipt and disposal of FRA claims in the State and sampled district

Particulars	State	Sampled districts
No. of claims received	605163	159064
No. of claims rejected	155804	47221
(%)	(25.75)	(30)
No. of claims remanded	26522	6889
No. of claims approved	389043	98134
No. of titles distributed	371459	87426

(Source: Figures submitted by concerned DLCs & SSD Department in MPR of March 2016)

In the five sampled districts, 24,483 claims were rejected by Gram Sabhas while SDLCs rejected 20,623¹⁶⁸ claims and DLCs rejected 2,115¹⁶⁹ claims. Out of 6,497 villages in the



¹⁶⁸ Deogarh-5455, Koraput-452, Malkangiri-1584, Sambalpur-6223, Sundargarh-6909

¹⁶⁹ Malkangiri-482, Sundargarh-674 [Bonai-286 (OTFD-285, ST-1), Panposh-7 (OTFD), Sundargarh-381(OTFD-329, ST-52)] and Sambalpur-959

sampled districts, title deeds were distributed only in the 3,625 villages. No title was distributed in remaining 2,872 villages¹⁷⁰ as shown in the chart.

Audit observed that the coverage in Malkangiri district was satisfactory, as 96 per cent of villages were covered. However, in Deogarh and Sundargarh, only 34 and 38 per cent of villages, respectively, were covered and rejection rates were also high in these two districts. The rejection rate was high due to irregular and inadequate documentation of claims as discussed below.

2.3.18.5 Irregular rejection of claims by SDLC

As per FRA Rule 12A (10), all decisions of the SDLC and DLC that involve modification or rejection of a Gram Sabha resolution or recommendation of the SDLC are to give detailed reasons for such modification or rejection. No recommendation or rejection of claims is to be made merely on any technical or procedural grounds.

Out of 20,623 claims rejected by SDLCs in the five sampled districts, only 13,398 rejected claims had recorded reasons and case records of rejected claims were not available in any of the districts except Deogarh, as shown in the table below:

Table 2.3.5: Reason for rejection of claims at SDLC level

District	Number of claims rejected at SDLC	Number of rejected claims for which		
		Reason for rejection available	Individual details available	Case Records available
Malkangiri	1584	1584	0	0
Koraput	452	452	452	0
Deogarh	5455	5455	5455	5455
Sambalpur	6223	5907	5907	0
Sundargarh	6909	0	0	0
Total	20623	13398	11814	5455

(Source: Reports and information of concerned districts)

Audit examined 51 individual case records in Deogarh district and observed the following:

- Eight claims¹⁷¹ relating to OTFD were rejected on the grounds of non-availability of evidences for 75 years of occupation. However, in respect of three¹⁷² claims, the claimants were in possession of land for 75 years, as per the joint verification report of FRC.
- The claim of a Particularly Vulnerable Tribal Group (PVTG) was rejected on the ground of missing family history. However, the claimant is the only living member of her family, as per the application.
- In three PVTG cases¹⁷³, the claims were rejected with the reasons that the plot numbers stated in the application were not found in the

¹⁷⁰ Deogarh-509, Koraput-645, Malkangiri-41, Sambalpur-642, Sundargarh-1035

¹⁷¹ Barkote block-4 and Tileibani block-4

¹⁷² Hemant Behera, Golekh Rana, Dambaru Behera of Tileibani block

¹⁷³ Chemeni Paradhan W/o Late Kalia Pradhan, Chandramani Nayak S/o Daitari Nayak, Ram Nayak S/o Jagu Nayak

revenue records (*khatian*). However, during joint verification, Revenue Inspector had recorded that the claimant was in possession of the forest land. Thus, the claim was irregularly rejected as it was the duty of the SDLC to find out correct plot number from revenue records.

- Nine¹⁷⁴ claims were irregularly rejected, without even conducting joint verification.
- In six cases, applications were rejected due to non-submission of evidences for possession of forest land. However, these claims should have been remanded, instead of rejection as per FRA Rule 12A (6).
- In 13 cases, the claim applications were rejected indicating the reason as “non-possession of forest land” as per the report of joint physical verification. However, *khata* number, plot number, *kisam* of land and area of land possessed by the claimant was not mentioned in the application. Thus, in absence of details of land occupied by the claimant, joint verification of site was not possible and applications were rejected arbitrarily instead of returning the same for resubmission with full particulars. This included one PVTG case as well.
- In the remaining 16 cases, SDLC rejected the claims with proper reason for possession of non-forest *kisam* land.

Thus, 35 out of 51 claims were irregularly rejected denying the rights to forest land holders and the claimants were not apprised of the fact, denying them the opportunity to file petition.

The SSD Department stated (November 2016) that instructions were issued (August 2015) to review and treat the rejected claims as *suo-motu* appeals at the next higher level and dispose of the same by giving each claimant an opportunity of being heard. However, no such review was conducted as of September 2016.

2.3.18.6 Irregularly rejected claims of March 2016 not reported in MPR

SDLC, Sambalpur Sadar reported in MPR of March 2016 that no claims were rejected. However, scrutiny of SDLC proceedings (November 2009) showed that 15 OTFD claims of Hotapal village were rejected with the reason “as the claimant belonged to OTFD category and had not submitted the proof of occupation of the land for three generations prior to 13 December 2005”. Audit test-checked five of these cases and observed that in all the cases, joint verification sheet, trace map and statement of elders was available, which were sufficient for approval of the title under FRA Rule 13. These five villagers were also interviewed by the representative of SDLC in the presence of Audit and all stated that the fact of rejection was not known to them, though they were required to be informed under FRA Rule 12A(3).

The SSD Department assured (November 2016) that necessary instructions would be issued to the concerned Nodal Officer to report the rejected claims correctly.

¹⁷⁴ OTFD: 5, ST: 4

2.3.18.7 Irregular rejection of OTFD cases

Out of 27167 claims rejected in three sampled districts, 5,942 claims¹⁷⁵ (21.87 per cent) related to OTFDs. MoTA, while expressing concern on high rate of rejection of OTFD claims in LWE affected areas, had advised (September 2014) to accept any form of permissible evidence under the Act and that particular documentary evidence should not to be insisted upon.

- None of the sampled DLCs and SDLCs conducted review of rejected cases of OTFDs. In Malkangiri, out of 2,450 rejected claims of OTFD, 1,479 claims were rejected by SDLC. The DLC reviewed these cases again in August 2010 and found that 1,264 claims had been rejected without proper verification. DLC instructed SDLC to re-open the rejected case records to settle the forest land in favour of the claimants after detailed verification of revenue documents. However, the cases had not been reviewed by the SDLC as of August 2016, even after lapse of six years.
- Only 987 titles to OTFDs were distributed in four¹⁷⁶ out of 30 districts as of March 2016. Out of these 987 approved OTFD titles, 602 titles distributed in Sundargarh district were cancelled irregularly, as discussed in **Paragraph 2.3.19.3**.

While accepting the fact, the SSD Department assured of issuing necessary instructions to the concerned authority.

2.3.18.8 Improper documentation of claims

For maintaining proper records of claims received at FRC, claims approved by Gram Sabhas and received at SDLC and further status of claims at various stages of rights recognition process, full-fledged FRA cells along with necessary infrastructure (computer, furniture, copier, etc.) and Human Resource (Data Entry Operator, contractual Amin), etc. were put in place at SDLC and DLC levels. Besides, separate funds¹⁷⁷ were also allocated by GoI under Article 275(1) of the Constitution of India to the District Authorities responsible for implementation of FRA. Audit observed the following:

- **Non-maintenance of records:** Out of 33 Gram Sabhas test-checked, 20 Gram Sabhas had not maintained claim registers, due to which status of 149 claims of 15 villages could not be ascertained.
- **Non-availability of remanded claims:** The detailed list and case records of 6,889¹⁷⁸ individual claims remanded at different levels in the sampled districts were not available in the SDLCs or Gram Sabhas due to which Audit could not verify the reason of remand.

The SSD Department stated (November 2016) that concerned DLC had been instructed to settle the issue.

¹⁷⁵ Malkangiri: 2,450, Deogarh: 2,871 and Sundargarh: 621. While there was no OTFD claimants in Koraput, no data could be provided by DLC, Sambalpur.

¹⁷⁶ Angul, Malkangiri, Rayagada and Sundargarh

¹⁷⁷ ₹ 3.29 crore in five sampled Districts

¹⁷⁸ Gram Sabha-663 (Sambalpur-321, Sundargarh-342), SDLC-5,559 (Deogarh-60, Koraput-1,424, Malkangiri-948, Sambalpur-2,224, Sundargarh-903), DLC-667 (Koraput-128, Sundargarh-539)

2.3.19 Irregular approval of forest rights claims

2.3.19.1 Irregular approval of titles to non-forest land

Section 2(d) of FRA defined forest land as land of any description falling within any forest area and included unclassified forests, un-demarcated forests, existing or deemed forests, protected forests, reserved forests, Sanctuaries and National Parks. Accordingly, RDM Department also reiterated (February 2010) the definition of forest land under FRA. Audit observed the following:

- In Koraput district, out of 25,861 titles examined in Audit, in 3,193 cases, titles had been issued for non-forest land¹⁷⁹ in eight blocks before 2009. These titles were not rejected though such claims had been rejected in three other sampled districts.
- In one¹⁸⁰ village in Sambalpur district, 68 titles for 98.13 acre non-forest land (*Gochar* and *Patita kisan*) were irregularly awarded during 2009. Though SSD Department called for (October 2013) action taken report from the Collector, Sambalpur, no report had been submitted as of August 2016. The Department also did not pursue the matter subsequently.

SSD Department stated (November 2016) that the concerned DLCs had been instructed to settle the issue.

2.3.19.2 Lack of uniformity in issue of titles

As per Section 4 (3) of FRA, the recognition and vesting of forest rights to the forest dwelling STs and OTFDs in respect of forest land and their habitat are to be subject to the condition that such STs or tribal communities or OTFDs had occupied forest land before the 13th day of December 2005.

Audit observed that in one¹⁸¹ out of 19 test-checked villages of Malkangiri district where titles were issued, 26 titles to 36.312 acre land were issued in favour of minors, though they were not the only member of their families. Out of this, in nine cases, titles were found to have been issued to their fathers and brothers also. However, in the other four test-checked districts, claims of minors¹⁸² had been rejected by the SDLs.

The SSD Department stated (November 2016) that a report had been sought from DLC, Malkangiri, which was awaited.

2.3.19.3 Irregular cancellation of titles

Based on complaints, 602 cases of titles distributed by DLC, Sundargarh to OTFDs during 2009, were re-verified by the concerned Tahasildars. These titles were subsequently cancelled in 2015. Audit test-checked eight case records¹⁸³ (*Appendix 2.3.11*) of cancelled titles and found that:

¹⁷⁹ 2,929 titles of Pahad or Kupulikisam and 264 titles of Dangarkisam

¹⁸⁰ Kutarimal village under Chakuliabahal GP of Kuchinda block Dist Sambalpur

¹⁸¹ Bandhaguda village under Sindhrimal GP

¹⁸² Deogarh, Sambalpur, Koraput and Sundargarh

¹⁸³ Panposh sub-division. Other two sub-divisions could not produce the case records and re-verification report of Tahasildar

- In five cases, though the Tahasildar, Lathikata had reported that the claims of the right holders were genuine, the titles were cancelled irregularly.
- In three cases, Tahsildar, Biramitrapur had verified only the caste credentials of the claimants (*i.e.* ST or OTFD) and reported that the claimants belonged to OTFD. However, statement of elders of the village had not been obtained, as required under Section 13 (i) of FRA Rules. Instead, it was reported that the claimants could not produce any supporting documents for their living in the concerned villages for more than 75 years. Thus, the claims were rejected without proper application of provisions of Rules.

Audit also interviewed 12 title holders of two villages¹⁸⁴ of Sundargarh district where 26 titles were cancelled by the DLC. None of them were aware of the fact that their titles had been cancelled (August 2016).

The SSD Department assured (November 2016) that appropriate action would be taken on the matter.

2.3.19.4 Non-issue of titles

As per Rule 8 (h) of FRA Rules, the DLC should ensure that title under the Act is provided to the concerned claimant. Audit, however, observed that:

- Claims filed by 25 claimants of two¹⁸⁵ villages were found to be approved during 2014-15 and titles were shown as distributed. However, the claimants reported non-receipt of titles during beneficiary interview conducted by SDLC members in the presence of Audit.
- 18 claims from one village¹⁸⁶ had been approved in DLC as of December 2014, but were not distributed due to want of signature of Divisional Forest Officer in the titles. Similarly, 14 claims from another village¹⁸⁷ were found to be approved and their titles were also ready for distribution since July 2015. However, these titles were not distributed till the date of Audit.

2.3.19.5 Non-correction of Record of Rights

Revenue & Disaster Management (RDM) Department issued (July 2010) guidelines to the field functionaries (Collectors) at district level for correction of Record of Rights (RoR) and maps of forest land after distribution of titles. This was also reiterated by the Department in August 2010.

Audit examined the titles and called for information on correction of RoRs from 40 Tahasils of five districts, out of which 10¹⁸⁸ Tahasils furnished the information. On analysis of the same, Audit observed that:

¹⁸⁴ Meghdega (7 out of 19) and Balijore (5 out of 7) under Tangarpalli block of Sundargarh district

¹⁸⁵ Baghenipani under Lahandabud GP of Sundargarh (14), Bhimkhoj under Kansar GP of Sambalpur (11)

¹⁸⁶ Pithabhuin village of Gambharidihi GP of Sundargarh District

¹⁸⁷ Salangbud village of Lahandabud GP of Sundargarh District

¹⁸⁸ Deogarh, Reamal, Koraput, Malkangiri, Sambalpur, Rairakhol, Naktideula, Bonai, Sundargarh and Tangarpali

- Only Tahsildar, Deogarh had corrected 271 RoRs out of 1,017 forest right titles received in the Tahasil.
- Guidelines forwarded by the SSD Department were not communicated to the Tahasildars by the district authorities of Sundargarh and Malkangiri, as confirmed by the Tahasildars, Sundargarh and Malkangiri.
- 141 out of 307 title holders interviewed stated that the land vested in favour of them (661.058 acre) were not even demarcated for preparing revised maps.

Tahsildar, Reamal (district Deogarh) stated (May 2016) that RoRs were not corrected, due to non-receipt of trace map along with titles.

Thus, revenue records were not corrected for FRA titles since 2010 even after issue of specific guidelines by R&DM Department. Audit observed that this was due to non-review of RoRs by concerned DLCs and SLMC.

The SSD Department stated (November 2016) that the State Level Monitoring Committee (SLMC) had already instructed (July 2016) all the district Collectors to revise the RORs.

2.3.20 Community Forest Rights and Rights over Community Forest Resource ignored

Section (1) of FRA envisaged grant of Community Forest Rights¹⁸⁹ and rights over Community Forest Resources¹⁹⁰ to the forest dwellers. Audit test-checked the number of applications received, rejected, approved, *etc.*, for community forest rights and resources in the State and five sampled districts as of March 2016

Audit observed that:

- The percentage of pendency in the State as of March 2016 was 48 and in the sampled districts, the same was 72.
- The claims received in sampled districts included 521 claims for community forest resource. Out of this, only 72 claims were approved in three¹⁹¹ districts and only three titles were distributed in Sambalpur district. No title for community forest resource was distributed in the other four districts.

Thus, the objective of the FRA to ensure community's control over forest resources through vesting right to protect bio-diversity, remained largely unfulfilled.

SSD Department stated (November 2016) that potential areas for community rights and community forest resources rights have been worked out and communicated to all districts for needful action.

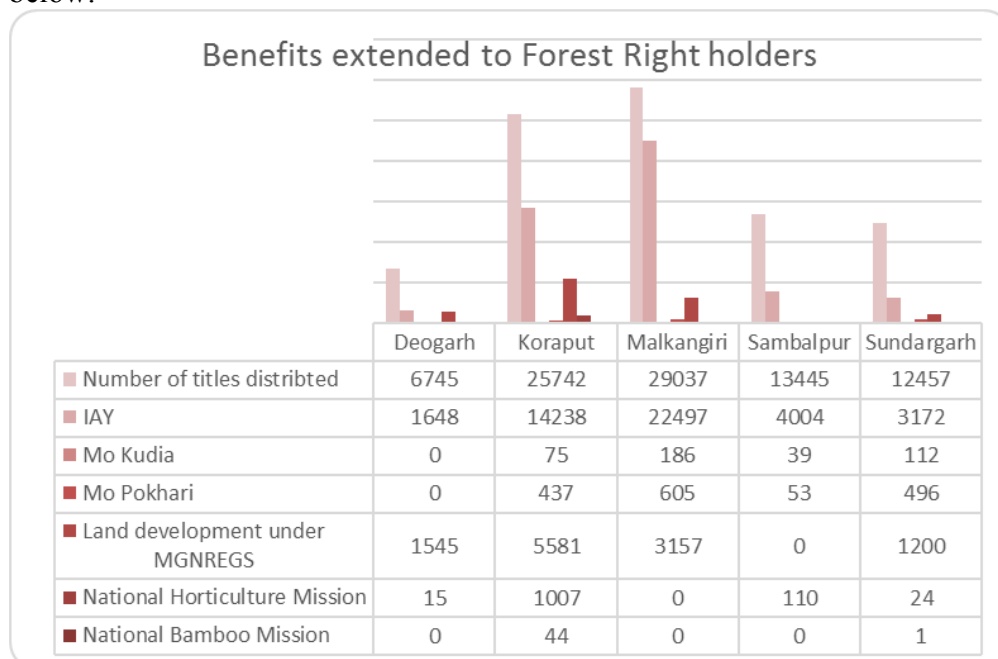
¹⁸⁹ Right to access and use forest land for community activities

¹⁹⁰ Right to collect minor forest produce for livelihood

¹⁹¹ Koraput (18), Malkangiri (1) and Sambalpur (53)

2.3.21 Forest right holders not covered under welfare schemes

As per Rule 16 of FRA, the State Government is to ensure through its departments, especially tribal and social welfare, environment and forest, revenue, rural development, Panchayati Raj and other departments relevant to up-lift forest dwelling STs and OTFDs, that all Government schemes including those relating to land improvement, land productivity, basic amenities and other livelihood measures are provided to forest right holders. Beneficiary-wise data on benefits extended under various welfare programmes were not available with DLC. Audit examined the overall coverage of FRA beneficiaries under different Government schemes, as indicated in the chart below:



As can be seen from above:

- The coverage was very low in Deogarh, Sundargarh and Sambalpur, while it was better in Malkangiri and Koraput. These two districts also had lowest rejection rate and highest coverage in terms of villages covered under FRA.
- The coverage was maximum under IAY followed by land development under MGNREGS. The coverage of forest rights holders under National Horticulture Mission and National Bamboo Mission was poor, depriving them of livelihood related benefits.

The SSD Department stated (November 2016) that instructions had been issued to cover all FRA title holders through convergence of all Government schemes to enhance their livelihood options.

2.3.22 Reporting and Monitoring of implementation of FRA

2.3.22.1 Discrepant/unreliable figures in MPR

The Ministry of Tribal Affairs (MoTA), GoI is designated as nodal agency under Section 11 of FRA for implementation of the Act in the country. The State Government furnishes Monthly Progress Report (MPR) to MoTA under

Section 6(7) of FRA. Audit observed that the State Government had furnished erroneous reports on numerous occasions, as discussed below:

- There were discrepancies between figures reported by three¹⁹² sampled DLCs to SSD Department and those reported by the SSD Department to MoTA for March 2016, as detailed in *Appendix 2.3.12*.
- Adequate documentation of information furnished by DLCs to the SSD Department in MPRs was not done in five sampled districts. Documentary evidences in support of number of Gram Sabha meetings held, FRCs constituted, claims verified, approved, *etc.*, were not maintained, as detailed in *Appendix 2.3.13*. In absence of documentary evidences, the veracity of figures reported in MPRs could not be ensured.

2.3.22.2 *Inadequate monitoring by SDLCs and DLCs*

As per Rule 12A (5) of FRA, no petition of an aggrieved person is to be disposed of, unless he has been given reasonable opportunity to present anything in support of his claim. Audit examined the grievance petitions and review meetings conducted during 2011-12 to 2015-16 and observed the following:

- Grievance register was not maintained in any of the test-checked 10 SDLCs and 5 DLCs. The petitions were forwarded to the field functionaries like Welfare Extension Officer (WEO), Tahasildar to examine and report. However, final disposal of the petitions was not monitored.
- Against the requirement of conducting stipulated 300 meetings during 2011-16, only 92 meetings were conducted by 10 SDLCs. Only 54 meetings were conducted by five DLCs against required 150. Similarly, the SLMC conducted only three¹⁹³ meetings since September 2012 against the requirement of 13. Even in these meetings, timeliness in disposal of claims was not discussed. An instance is given below:
 - In presence of Audit, representatives of SDLC conducted interviews of villagers who have not received titles. Audit observed that not a single title had been distributed in 10¹⁹⁴ villages though in nine such villages, 118 villagers stated that they had filed their claims since 2009-10. In the remaining village (Katra), no FRC was found constituted.

The SSD Department stated (November 2016) that DLCs and SDLCs were repeatedly requested to do the needful. The fact is that the position had not been improved.

¹⁹² Deogarh, Koraput and Sundargarh

¹⁹³ 23 November 2012, 27 June 2013 and 21 July 2015

¹⁹⁴ 1. Damita, 2. Kendamal, 3. Patipar, 4. Gumka, 5. Jamlai, 6. Kansar, 7. Dakra, 8. Pithabhuin, 9. Salangbud, 10. Katra,

2.3.23 Conclusion

Special intervention programmes implemented in the State with financial assistance of GoI failed to achieve the desired results, as the incidences of left wing extremism activities continued to occur. Implementation of projects under developmental programmes were taken up without adequate planning, resulting in execution of inadmissible projects, delay/ non-completion of projects, non-prioritisation of most LWE affected areas as well as idling of completed projects/ equipment. Further, projects had not been selected and executed in convergence with other flagship schemes, despite instruction of the GoI. While skill development was not given due priority, there was near total absence of livelihood initiatives for increasing income of the local people of the LWE affected districts. Instances of irregular diversion of funds, non-refund of savings as well as interest earned by the executing agencies and loss of Central assistance, were observed. Programme implementation was marred by delays/non-execution of works, unfruitful expenditure on idle projects, avoidable extra expenditure due to time and cost overrun, execution of works deviating from the prescribed specification and execution of works of substandard quality.

For execution of security related projects by OSPHWC, the Department had not stipulated the timelines for completion, which led to non-completion of critical projects. Non-completion of projects had not only affected operational efficiency of the security personnel, but also compelled them to stay in armouries and incomplete barracks without electricity, toilet and other basic facilities. Delay in handing over of sites had also resulted in cost and time overrun. Anti-naxal support equipment were neither supplied nor were available in any of the test-checked fortified PSs. Moreover, the stipulated 40 police personnel were not posted in fortified PSs in line with the assurances given to GoI. Instances of delay/non-payment of *ex-gratia* to the families of the deceased security personnel and civilians victims were also observed. No mechanism was put in place to track the surrenderees to ascertain their integration with mainstream society.

Though GoI had emphasised effective implementation of FRA in the LWE affected areas/ districts, the implementation of the same in the State was inefficient. Data on claims received, disposed and titles allotted were not reliable, as basic records /documents in support of claims rejected/ remanded to Gram Sabha were not available. Inter-district variations in application of eligibility criteria and norm for selection/ rejection were observed.

2.3.24 Recommendations

The Government may consider the following recommendations:

- Identify projects properly considering their utility and to avoid unfruitful expenditure thereon.
- Ensure completion of all projects planned for execution under IAP/ACA/SRE/SIS in a time bound manner.
- Skill development and livelihood initiatives for unemployed youth may be taken up on priority and implemented through convergence approach.

- Ensure timely payment of *ex-gratia* and other benefits to the family members of civilians and security personnel killed in LWE incidences, besides ensuring rehabilitation and resettlement of surrendered naxals.
- Implement Forest Rights Act efficiently and transparently to cover all beneficiaries in a time bound and fair manner.

The Government, while accepting the recommendations, instructed (November 2016) the Collectors concerned to take appropriate measures for implementation of these recommendations.

FINANCE DEPARTMENT

2.4 Information Technology Audit on Implementation of Integrated Financial Management System

EXECUTIVE SUMMARY

Implementation of iFMS was running behind the schedule, as Government had not enforced the terms of agreement. SRS for 10 modules had not been finalised, even after three years of implementation. Hardware and software were procured in excess of need, rendering them idle. The decision to procure closed source Oracle suite contrary to NeGP guidelines, led to a situation of vendor lock-in. The Government had not exercised oversight over database administration by segregating duties or by putting compensating controls. The security features agreed to in SLA had not been provided with iFMS. Business Continuity Plan as well as Disaster Recovery Plan had not been prepared and critical financial operations of Government were at risk of disruption in case of disaster. The budgetary controls automated through iFMS could be bypassed. The purpose of reducing delays by using Teachers' Provident Fund module could not be achieved, as those were not relied on by users. Stamp module was incomplete. Cases of double payments through banks and treasuries were observed, indicating deficient controls. There were several issues of data integrity, as absurd time stamps existed in iFMS.

2.4.1 Introduction

Integrated Financial Management System (iFMS) is a suite of various independent applications developed under mission mode project of National e-Governance Programme (NeGP) with an objective to improve financial management and bring efficiency and effectiveness in decision making in Government. iFMS included 32 modules, as indicated in *Appendix 2.4.1*.

Directorate of Treasuries and Inspection (DTI) under Finance Department (FD) was the nodal agency for implementation of iFMS. The FD constituted an Empowered Committee (EC) to provide overall guidance to the project and decide policy and financial matters. Project e-Mission Team (PeMT) in DTI was responsible for implementation, roll out, operation and maintenance of the project. The project was scheduled to be implemented during 2013-18. As of 31 March 2016, ₹ 28.23 crore¹⁹⁵ had been spent out of the total project cost of ₹ 34.78 crore¹⁹⁶.

2.4.2 Audit objectives

An Information Technology (IT) Audit was conducted to assess whether:

¹⁹⁵ Expenditure: ₹ 25.87 crore during 2012-14 (NeGP-State Plan) plus ₹ 2.36 crore during 2015-16 (State Non-Plan).

¹⁹⁶ Total Provision: ₹ 31.78 crore during 2012-14 (NeGP-State Plan) plus ₹ 3 crore during 2015-16 (State Non-Plan)

- Planning and budgeting, including system development process and procedures followed at various stages were robust;
- The system met the Government's objectives;
- Controls in IT system are adequate and effective.

2.4.3 Audit Scope and methodology

Audit examined the implementation of iFMS through data analysis using computer assisted IT techniques. Audit also test-checked relevant records in FD and obtained their responses during July to September 2016. An entry conference was conducted on 29 June 2016 with the Financial Advisor-cum-Additional Secretary, FD and Director, DTI. The draft audit findings were discussed with the Special Secretary, FD in an exit conference, held on 26 December 2016. The views of the Department have been incorporated in the Report suitably.

2.4.4 Audit criteria

The IT Audit was conducted with reference to the provisions of IT Act, 2000 provisions of National e-Governance policies and standards, technical documentation of iFMS, Orissa Treasury Code, Orissa Budget Manual and other instructions issued by the State Government from time to time.

2.4.5 Acknowledgement

We acknowledge the cooperation and assistance rendered to Audit by the Finance Department, Government of Odisha during the conduct of the Audit.

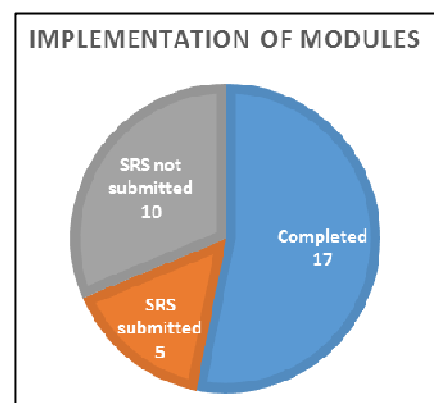
The Audit findings are discussed in the succeeding paragraphs.

Audit Findings

2.4.6 General Controls

2.4.6.1 Non-implementation of the envisaged modules in iFMS

The applications under iFMS were under the process of development by M/s CMC Limited (CMCL), who had been selected through an open tender. As per the work plan agreed in Service Level Agreement (SLA) between the DTI and CMCL (December 2013), 32 modules were to be implemented within 23 months *i.e.*, by February 2015. The remaining period up to 2018 was for help desk operations, maintenance and support of iFMS. However, only 17 modules were implemented as of July 2016. The status of completion of modules is depicted in the chart. Audit observed that:



- Out of 15 incomplete modules, Software Requirement Specifications (SRS) of 10 modules had not been submitted by CMCL, as of August 2016.

- SRS of three modules had been approved by FD in March 2014 and of two modules in July 2015. However, even after 30 months, CMCL had not implemented the modules.
- Inordinate delays ranging from 63 to 947 days, were observed in approval of SRS by PeMT, after submission of the same by CMCL. The details of delay in SRS submission and approval by PeMT are given in *Appendix 2.4.1*.

Due to such delays, usage of Budget Decision Support Module, meant for issuing final surrender orders based on available funds, tracking of Government expenditure outside budget, complete pension module for finalisation and preparation of pension payment orders, payment of taxes through mobile phones by the tax payers and use of sanction order module to ensure withdrawals in TPF module within available balance, *etc.*, could not be ensured, as discussed in subsequent paragraphs. In the Exit Conference (December 2016), Government, while attributing the delay to the ambitious scope of the project, assured of implementing all modules after fixing revised timelines.

2.4.6.2 Absence of technical design and documentation

Request for proposal (RFP) required that CMCL would prepare system and database design documents before implementation of modules. Audit observed that CMCL had not delivered the required technical documentation before implementing 17 modules. As such, absence of system and database design documentations had created vendor dependence and vendor lock-in. In the Exit Conference (December 2016), Government assured of obtaining the technical and design documents before release of final payment to CMCL.

2.4.6.3 Selection of closed source system software

National Policy on Information Technology, 2012 applicable to NeGP, envisaged adoption of open standards and promote open source and open technologies. The objective was to avoid vendor lock-in. However, DTI procured (May 2013) closed source Oracle stack at a cost of ₹ 12.08 crore along with Annual Technical Support (ATS) for 14 months on negotiation basis from CMCL.

After expiry of ATS in July 2014, CMCL submitted proposal for extension of ATS for complete Oracle stack for ₹ 0.99 crore per year. DTI negotiated to reduce the cost by limiting the ATS to database component of Oracle only. However, negotiation could not materialise, as Oracle denied to cover ATS for only database component. Finally, DTI placed (September 2014) work order for ATS of the complete Oracle stack on CMCL. However, Oracle again denied to provide ATS without first making payment at 150 *per cent* of normal ATS cost for the period since ATS had expired. The Government, however, did not procure ATS and the Oracle platform of iFMS was running without ATS since July 2014.

Thus, non-adoption of open technologies led to an avoidable situation of vendor lock-in. In the Exit Conference (December 2016), the Government, accepting the need to come out of the vendor lock-in situation, stated that

efforts would be made to migrate the existing software to an open source software.

2.4.6.4 Avoidable expenditure on excess procurement

Rule 9 (ii) of OGFR provided that the expenditure should not *prima facie* be more than the occasion demands. Audit observed that hardware and licenses for system software procured (June 2013) under iFMS at a cost of ₹ 3.57 crore remained unutilised as of August 2016 (**Appendix 2.4.2**). The summary of these idle software/hardware is given in table below:

Table 2.4.1 : Table showing cost of unutilised hardware/ software (₹ in lakh)

Description	Cost of Licenses/ items remaining unutilised	Payment towards ATS	Total
Hardware	17.86	3.51	21.37
System software	134.59	5.11	139.70
System software (Oracle)	157.20	38.98	196.18
Total	309.65	47.60	357.25

(Source : Records of DTI)

Thus, DTI incurred expenditure of ₹ 3.57 crore on procurement of hardware/ software, which were not required for immediate needs. In the Exit Conference (December 2016), the Government stated that the hardware and software procured in 2013, were being used and the delay in use of certain hardware and software happened due to issues relating to setting up of Business Continuity Plan (BCP) and Disaster Recovery (DR) site at National Data Center (NDC). The reply was not acceptable as decision of setting up of DR site at NDC, had been taken only in 2014. Further, the software like SAS Visual Analytics, HP Quick test professional, IBM Rational App Scan, HP Load Runner controller, End Point management solution, etc., were not meant to be used in the DR site and were lying unutilised.

2.4.6.5 Lack of Government control over Database Administrator

Database administrator (DBA) is responsible for performance, integrity and security of a database. DBA has tools to establish controls over the database and the ability to override these controls. Therefore, there is a need for exercising close control over the database administrator through segregation of duties, supervisory review of access logs and activities and detective controls over the use of database tools. In this connection, Audit observed the following:

- **Non-Segregation of duties:** Segregation of duties avoids the possibility that a single person could be responsible for diverse and critical functions in such a way that errors or misappropriations could occur and may not be detected in a timely manner and in the normal course of business processes. Therefore, DBA should not be given other responsibilities like system administrator, help desk, and data entry operations. Even after three years of implementation of iFMS, CMCL was continuing as database administrator, all rolled into one, with no segregation of the duties system administrator, system developer and security administrator. The Government had not even

planned to build up capacity to take over the database administration of iFMS.

- ***Inadequate compensating controls for DBA activities:*** Supervisory review of access logs and activities is essential to detect any suspicious activities of DBA or users. However, no compensating controls such as, DBA access, transaction logs, exception reporting, *etc.*, had been provided. Further, the logs to capture the activity of the users in iFMS database had been kept in the same server within the control of CMCL, as separate remote log server outside the control of the database administrator. Audit observed tampering and deletion of both transaction logs and audit logs, when two datasets¹⁹⁷ of logs of iFMS provided to Audit were compared. Overall, 137.49 crore audit logs, which contained transaction logs of all important records, had been deleted by DBA. Database analysis also showed updation in the audit trail of 23 records. In reply, DTI stated (November 2016) that DBA had removed the logs from the production server for archival purpose, which were being restored back after observation of Audit.

Thus, without segregation of duties and compensating controls, proper oversight over database administrator could not be ensured. In the Exit Conference (December 2016), the Government accepted the observation and assured of making provision for separate log server outside the control of DBA.

2.4.6.6 Information Technology Security

iFMS being a mission critical project, RFP required for strong security features like single-sign on using lightweight directory access protocol (LDAP), digital signature based authentication, strong password policy, *etc.* Besides, each data generated from the system, such as management reports or any other information, were to be time stamped and digitally signed to ensure non-repudiation. Audit, however, found that these features were not implemented, as discussed below:

- ***Non-provision of single sign-on:*** Analysis of database showed that unique identity of users had not been ensured in the system. Out of 29,124 total user records, more than one login ID had been given to the same user in 1,985 cases. Audit observed that on transfer of users from one treasury to another, the ID of the user got deactivated against the earlier treasury and a new user ID was created against the new treasury. Further, single sign-on was not provided across different modules to users. Instead, different login IDs were created for same individual for accessing different modules within iFMS. Authentication based on digital signature, had also not been provided to users, as provided in the RFP.
- ***Absence of Digitally signed and time-stamped MIS reports:*** Reports generated from the iFMS were without digital signature and time-stamp. This was not only in non-compliance with the RFP, but also

¹⁹⁷ First in February 2016 and the Second in August 2016

provided scope for repudiation of the information/ reports generated from iFMS.

- ***Password expiry, not enforced:*** Password policy of iFMS required the users to change their password after every 90 days. The system was to force the users to change passwords after expiry. Analysis of database showed that 3,340 users could log into the system after expiry of their passwords. This included cases of log-ins, even after lapse of five years of expiry of passwords.
- ***Confidentiality of user passwords:*** Password policy of iFMS provided that password should not be revealed by users to anyone. Analysis of help desk data showed that the users had freely shared their passwords, whenever they needed help for resolving issues. Moreover, the help desk personnel themselves had asked users to share their passwords, while troubleshooting. This information was visible to all other users.

In the Exit Conference (December 2016), the Government accepted the Audit observation and assured that adequate steps would be taken to ensure single sign-on.

2.4.6.7 Business Continuity and Disaster Recovery

Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) were to be implemented to resume the business within defined time-frame in case of disasters.

- ***Absence of BCP:*** BCP had not been framed and adopted for iFMS, even after lapse of more than three years of its implementation. In its absence, the staff/ users were unaware of the procedure to be followed in the event of disruptions/ disasters. They were also not trained in preventing, mitigating and responding to emergency situations. Thus, emergency response, user recovery, contingency plan and crisis management activities were missing from iFMS implementation.
- ***Non-setting up of Disaster Recovery (DR) site:*** As per SLA, CMCL was required to use datacentre at DTI as DR site. However, despite availability of required infrastructure, DR site had not been developed before the system was made live and critical financial transactions of Government were shifted to iFMS.
- ***Non-testing of data backup:*** Data backup was taken in DTI Data center, which replicated primary site database. Backup was also taken in tape drive. However, instead of keeping the tape drive backup at different geographical locations, it was kept at primary site itself. No test was ever carried out to restore the data and make the system operational from backup data.

Since Odisha is a disaster prone State, critical financial operations carried out through iFMS run the risk of disruptions in case of disaster. In the Exit Conference (December 2016), the Government stated that steps were being taken to set up DR site at National Data Centre and testing of backup data would henceforth be taken up periodically.

2.4.6.8 Absence of adequate change management

As per the industry best practices, a standard process for performing and recording changes in software applications and database designs is necessary. It ensures that system changes are appropriately authorised, documented, thoroughly tested and approved by the Government. Further, application developer should not be given access to live server. Audit observed the following:

- CMCL was making changes directly in production environment without testing, as the test server had not been made functional, despite availability of infrastructure. CMCL was also given privileges of data manipulation of the production data.
- Documentation of changes was not maintained. The SRS and user manual were not updated since last three years, though changes were regularly made in the system.

As a result of operations made by CMCL, integrity of production database could not be ensured and it contained inconsistent data, as discussed in the subsequent paragraphs.

2.4.7 Application Controls

2.4.7.1 Budgetary controls in iFMS

After the Budget is passed and the Appropriation Bill is enacted, the administrative departments, in consultation with the Finance Department, divide the appropriation against each head of account (HoA) between the Controlling Officers (COs) concerned. The aim of the Controlling Officers is to see that the expenditure under each unit does not exceed the appropriation. The controlling officers then allocate the appropriation to DDOs who are supposed to make expenditure within the released amount. This entire process had been automated using iFMS. Audit observed the following:

- **Deficient control of allotments to DDOs:** Analysis of HoA-wise allotment and expenditure by DDOs for the years 2011-16, showed that iFMS allowed booking of expenditure by DDOs in excess of allotment made by COs. Few instances are summarised in the following table:

Table 2.4.2: Showing expenditure incurred by DDOs in excess of allotment (in ₹)

Year	DDO Code	HoA ID	Amount allotted by COs to DDOs under HoA ID	Amount allowed by iFMS	Expenditure incurred by DDO	Excess expenditure over actual allotment
2014	DKLEDU010	97724	1748628	2286404	2189756	441128
2014	GJMEDU011	97724	1222084	1505488	1434637	212553
2014	JSPEDN001	97942	5609326	5689326	5632428	23102
2012	PLBEDN002	8938	154523	189523	171645	17122
2012	SBPFIN001	7239	20000	40000	40000	20000

(Source : Database of iFMS)

It was observed that iFMS also did not allow expenditure by DDOs under certain HoAs, even though COs had made allotments to those DDOs in 526 cases, during 2014-16.

Further, iFMS allowed COs to release allotment to DDOs even in cases where the Administrative Department had not made allotment to the COs.

Thus, due to absence of validation in the system to limit the expenditure within the allotment at different levels, excess expenditure could be incurred by the DDOs.

- ***Non-budgeted expenditure:*** iFMS allowed DDOs to book expenditure under service heads without checking the budgetary allotment, in case the expenditure is related to pension, refunds, remittances, adjustment bills, *etc.* It was, however, observed that iFMS allowed payments without checking budgetary allotment in other cases also, like abstract contingent, establishment pay, arrear salary, reimbursement of cost of medicine, office expenses/ other contingencies, *etc.*, which were irregular.
- ***Absence of control over expenditure:*** iFMS allowed DDOs to operate other major heads pertaining to other demands due to absence of required validation. This resulted in booking of expenditure in a major head, which did not pertain to the DDO. As an instance, Civil Supply Officer, Dhenkanal under Food Supplies & Consumer Welfare Department (Demand Number 09) booked (2015) ₹ 74,534 under an allotment meant for Finance Department (Demand Number 05).
- ***Irregular surrender:*** All initial accounts were furnished to the Accountant General (A&E) for further compilation through iFMS. The surrender details at the end of the year, were directly sent to Accountant General by Finance Department without reflecting the same in iFMS. As a result, incorrect year-end surrenders were made by Finance Department in excess of the savings.
- ***Mismatch in Demand for Grant and Budget figures fed into iFMS:*** Budget fed into iFMS was supposed to match with Demand for Grants passed by Legislatures. Comparison of these two for the financial year 2014-15 showed that budget data fed into iFMS was different from the budget passed by the Legislatures in respect of 23 heads of account. It was further seen that appropriation made during vote on account period, was more than the amount budgeted in the annual Budget. The system failed to control such situations, which created mismatch of figures between Budget and the database. This posed the risk of excess expenditure over budget.

During Exit Conference, the Government assured (December 2016) of putting appropriate controls in place to handle such inconsistencies. Regarding mismatch in Demand for Grants, the Government stated that it was due to lack of integration and sharing of information between budget preparation software

in BETA¹⁹⁸ and the iFMS. Government assured of incorporating appropriate controls in the software.

2.4.7.2 Lack of control on failed payments

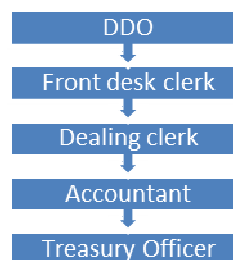
Under iFMS, Central Electronic Payment Center (CePC) of DTI centrally processes all the payments to beneficiaries through Electronic Clearing System (ECS)/ eKuber of RBI. However, if the payment is failed in ECS, the amount is booked into '8658-Suspense'. To make the payment again, concerned Treasury Officer generates another bill and adjusts it against suspense. The system should allow booking of failed payments only.

Audit observed that iFMS had generated two bills against failed payments on 2,044 occasions. Out of these, in 321 cases, bills amounting to ₹ 0.99 lakh had been processed for payment twice, indicating double payments. In remaining cases, Treasury Officers had cancelled the duplicate bills. Such system deficiency made the system vulnerable to misappropriation. In the Exit Conference, the Government stated that this had happened due to bug in the system, which had since been fixed and recovery process had either been initiated or completed by the DTI in respect of cases, where double payments had been made.

2.4.7.3 Inconsistent workflow

The bills are processed in iFMS by various treasury personnel chronologically as given in the chart.

Analysis of database for the year 2015 showed that the process timings were inconsistent in 1,309 cases. The inconsistencies included cases where the Accountant approved the transactions after Treasury Officer's approval. Thus, the integrity of the process flow in the system was not ensured. The inconsistency is shown in the photo below:



Snapshot showing inconsistent workflow

Search Bill Details

Treasury * 0501-Bolangir District Treasury DDO * BLGEDN022-Block Education Officer,Bolangir Sadar

Token From Date * 06/05/2015 Token To Date * 06/05/2015

Voucher From Date Voucher To Date

Token Number 1496 Voucher Number

Note: * Marked Fields are mandatory. The result is based on the last update of the Central Server. Amounts showing are in INR.

Search Refresh

Show 10 entries

Bill Details (No of Bills found : 1)

Chart of Account	Description	Bill Number	Bill Date	Global Token No.	Global Token Date	Voucher Number	Voucher Date	Gross Amount	Net Amount	Bill Status
10-2202-01-101...	Arrear Salary...	05	24/04/2015	0501001496	06/05/2015	2202/79	07/05/2015	3135148	2118176	Approved

Showing 1 to 1 of 1 entries

Bill Process History for Bill Number: 05 Bill Date: 24/04/2015 Token Number: 1496 Token Date: 06/05/2015

Process Date	Process Status	User Name	Designation
06/05/2015 01:36:58 PM	Receive at front office by Bill Receiving Clerk and passed to Dealing Clerk	Rasmita Mishra	Dealing Clerk - Receipt
06/05/2015 02:02:53 PM	Forwarded by Dealing Clerk to Accountant without Objection	Rasmita Mishra	Dealing Clerk - Receipt
06/05/2015 01:54:14 PM	Pay Order Approved by TO / Special TO	Sri Bibekananda Bhoi	Treasury Officer
06/05/2015 01:54:38 PM	Advice List Approved by TO / Special TO	Sri Bibekananda Bhoi	Treasury Officer
06/05/2015 02:27:20 PM	Advice List Generated Centrally by CEPC	Bibhu Ranjan Jena	DC - Cyber Treasury
07/05/2015	Payment Complete	Bibhu Ranjan Jena	DC - Cyber Treasury

(Source : Web-Report of iFMS)

¹⁹⁸ Software used by Finance Department for preparation of Budget Estimates

In the Exit Conference (December 2016), the Government stated that inconsistency in time occurred due to non-synchronisation of time between two servers.

2.4.7.4 Duplicate Bills

In the manual system, DDOs were allotting bill numbers serially under different categories like establishment, contingent and scheme expenditure, etc., within a financial year.

Test-check of database showed that duplicate bill numbers in the same DDO was permissible in iFMS. Thus, there was no validation control to avoid possible misappropriation/ fraud, though Audit had not found any such case in test-check of 171 bills with duplicate bill numbers. In the Exit Conference, Government assured of providing appropriate controls in the software.

2.4.7.5 Incomplete Teachers Provident Fund module

Teachers Provident Fund (TPF) management system was developed (January 2015), as part of iFMS, to store monthly subscription to the Provident Fund by the teachers of Government aided educational institutions and calculate the final payment amount at the time of their retirement. The Controller of Accounts (CoA) is responsible for maintenance of accounts of TPF and authorisation of final TPF payment. The system was expected to speedily dispose of the cases of adjustment of debit, credit and final payment with precise calculations. However, Audit found the following deficiencies:

- **Manual calculation of final payment:** Analysis of TPF database showed that despite availability of automated process, final payments were authorised manually. It was found that in 26 out of 83,523 cases, the authorisation amount generated by system did not match with final manual authorisation by CoA, as the system failed to work out the correct amount. The CoA did not rely on the system and authorised the amounts for final payment after calculating from manual records. This led to delays in processing of final payments, as discussed subsequently.
- **Deficient process of posting missing credits:** In case of mismatch of TPF account numbers or names of subscribers, the credits were posted to suspense. On rectification, correction was to be made in the ledger accounts of the subscriber by inserting a new entry. However, instead of a new entry, the account was affected by updating previous entries. Consequently, the entire account was updated after every such missing credit entry, making the reports generated in earlier period, inconsistent. Thus, there was no distinction between normal entry and missing credit entry.
- **Discrepancy between TPF figures submitted to AG and CoA:** The treasury submits TPF figures to AG (A&E) every month. In the computerised environment, AG also downloads the voucher details from the iFMS portal and compares it with the figures submitted by the treasury. Similarly, Teachers' Provident Fund (TPF) figures are captured from the iFMS portal at the end of each month by the CoA. Ideally, under these circumstances, both the figures should be tallied.

However, test-check of debit and credit data of two offices pertaining to eight months (January to August 2015) showed that there were discrepancies between the figures of AG and CoA. The discrepancies in credit figures ranged between (-) ₹ 0.20 lakh to ₹ 4.01 lakh and that of debit figures was between (-) ₹ 8.81 lakh to ₹ 16.04 lakh, as summarised in the table below:

Table 2.4.3: Showing comparison of figures of iFMS and AG (₹ in lakh)

Year	Month	Credit			Debit		
		IFMS TPF figure	AG's TPF figure	Difference (AG-IFMS)	IFMS TPF figure	AG's TPF figure	Difference (AG-IFMS)
2015	1	6894.11	6898.12	4.01	10982.66	10988.14	5.48
2015	2	7946.06	7951.09	5.03	9393.36	9384.55	-8.81
2015	3	9420.13	9421.21	1.08	9442.03	9455.36	13.33
2015	4	1409.09	1408.89	-0.20	5881.38	5890.10	8.72
2015	5	13975.14	13977.14	2.00	11602.89	11602.89	0.00
2015	6	12047.79	12049.07	1.28	8286.81	8280.28	-6.53
2015	7	9702.39	9702.65	0.26	7549.32	7545.62	-3.70
2015	8	9113.99	9114.14	0.15	6490.94	6506.98	16.04
Total				13.61	Total		24.53

(Source: iFMS and VLC database)

Thus, in absence of reconciliation, there were short credit and debit postings of ₹ 13.61 lakh and ₹ 24.53 lakh, respectively in TPF management module, affecting the PF balances of employees.

- **Delay in processing final payment of TPF:** General Provident Fund (Odisha) Rules provides for the sanction of final withdrawal of Provident Fund immediately after the date of retirement of the subscriber. Accordingly, Government introduced TPF module under iFMS in order to bring down the burden on the State exchequer towards payment of interest, in cases of delay of TPF final payment.

Analysis of database showed that in respect of 173 out of 969 subscribers retired during 2015-16, CoA had not issued final payment authority letter as of 31 August 2016, despite lapse of 153 to 518 days from the date of retirement of the subscribers. In the remaining 796 cases, CoA had issued the authorisation letters with delays ranging from 28 to 475 days from the date of retirement of subscribers. The delays were due to systemic error in iFMS observed in generation of Account slips for 2014-15. In all these cases, interest of 8.1 per cent per annum was paid for delay, creating unnecessary burden on State exchequer.

- **Unreliable date of birth and superannuation:** Analysis of master table of TPF database showed that out of 2, 27,886 TPF subscribers, date of births of 7,605 subscribers had been shown as 'null' and superannuation date of 1,99,406 subscribers had shown as 'null'. In case of superannuation, retirement date should be the last day of the month of birth and if the date of birth is 1st of any month, it would be last date of previous month. However, in 309 cases, the date of

superannuation was not as per the rules, due to absence of the required validation in the system. Further, the date of birth of subscribers contained irrational dates viz. “11/11/1111” in 68,416 records and 927 cases contained the period of service i.e. date of superannuation minus date of birth, more than statutory service of 60 years.

Thus, the users of the system relied on manual records for referring to such data in calculation of the final payment cases and the system had become unreliable. Accepting the observations of Audit in the Exit Conference, the Government assured of revisiting the entire system logic and modifying the system to make it reliable.

2.4.7.6 Incomplete stamp module

The objective of stamp module was to automate indent, issue, sell and manage inventory of stamps in the State. Audit observed the following deficiencies in the stamp module:

- ***Non-inclusion of Central Strong Room in stamp module:*** Stamp is distributed from a central depot of Government of Odisha, (Central Strong Room) located in the DTI, Odisha, Bhubaneswar. The DTI, as the Superintendent of Stamps, had been entrusted with the functions of procurement of stamp papers and their distribution from the Central Strong Room to treasuries as per the requirements. However, DTI was excluded from the said module even though the module was implemented in District and sub-treasuries. Thus, the actual receipts, disbursement and balances at DTI could not be ascertained from iFMS.
- ***Inadequate usage of module by treasuries:*** Database analysis showed that 32 treasuries had not captured the invoice details in Stamp module despite lapse of 180 to 3586 days. Though the sales details of stamps were found captured, but the treasuries like Bissamkatak Sub-Treasury, Puri District Treasury and Hindol Sub-Treasury had not captured the sales details, even after lapse of 503, 262 and 356 days respectively.
- ***Inconsistent reports:*** The reports generated by treasury module were found inconsistent. For instance, the stock summary reports generated from iFMS depicted negative for receipts. Further, test-check of stamp reports relating to Puri district treasury showed that opening balance of stamps and respective previous closing balances were different.

Thus, the stamp module remained incomplete due to exclusion of Central Strong Room from its ambit and usage of stamp module was allowed to bypass in Puri treasury. In the Exit Conference, the Government stated that central stamp module was not a part of the mission mode project. As such, after all other modules were completed, the improvement of stamp module would be taken up.

2.4.7.7 Deficient design of pension module

The treasuries are responsible for payment of pension to State Government employees on their superannuation/ retirement. The pension payment process was automated in the pension module of iFMS. Analysis of database showed inconsistencies in the module, as discussed below:

- **Generation of duplicate pension bills resulted in double payment:** As per rules, the first pension of an employee is drawn in the treasury. The pensioner has the option to draw his/ her regular pension from public sector banks or through link banks of choice. In such cases, the pension papers are transferred to the concerned banks. Similarly, a pensioner can opt for changing the treasury. In case of such transfer of PPO, multiple bills against the same pensioner should not be processed and the system is to ensure that payment to pensioner is not activated simultaneously from bank and treasury or from two treasuries.

Database analysis showed that duplicate bills against the same pensioner were being prepared by the system due to introduction of centralised bill preparation without any process re-engineering. The Treasury Officers only processed the bills against the pensioners, whose PPOs were available with them. As a result, 37,73,263 (46 per cent) out of 82,48,606 pension bills were not processed. This not only inflated the size of the database, but also allowed double payment of pensions.

- **Non-provision for capturing life certificates:** Database analysis of iFMS pension module showed that provision for capturing annual life certificates of pensioners was not available. The Treasury Officers however, continued to maintain the manual register for managing the life certificates, which defeated the purpose of automation and computerisation.
- **Excess payment due to failure of control in bill preparation:** The gross amount of the pension bill must be equal to the break-up amounts like Basic Pension, Dearness Relief, other dues and net amount was calculated as gross amount *minus* recoveries towards commutation of pension, *etc.* Database analysis showed that there were discrepancies between the gross and total breakup amount in 33 cases, which resulted in excess payment of ₹ 6.30 lakh and short payment of ₹ 0.58 lakh to the pensioners.

In the Exit Conference (December 2016), the Government accepted the Audit observations and assured of providing controls to prevent generation of more than one pension bill against a pensioner.

2.4.7.8 Database integrity and data quality

- **Inconsistent bank account list:** List of bank account numbers along with bank IFSC codes, beneficiary name, address, *etc.*, in respect of 35,32,133 beneficiaries were maintained in iFMS for making payment directly to bank accounts through RBI. Database analysis showed inconsistent account numbers, as discussed below:
 - There were 1,04,611 duplicate account numbers, which included duplicate account numbers along with IFSC code in 28,325 cases. There were 127 occasions, where payments were also shown made to such duplicate bank accounts under single bills.

- There were meaningless account numbers containing only alphabets like 'x','xxxx','0','00000', 'State Bank of India', *etc.*, in 326 cases.
- The same bank account number had been allotted to more than one DDO on 95 occasions.
- Bank accounts of DDOs were stored separately and mapped with the list of bank account numbers. In both the places, the names of DDOs were captured. In 3,751 cases, the names entered in these two records were different. Out of these, 3,000 cases were test-checked and it was found that the bank accounts of 1,932 employees and 10 vendors were entered in the beneficiary list as bank accounts of 344 DDOs.
- As per Finance Departments circular (July 2012), all payments were to be made to the bank accounts of beneficiaries. Accordingly, all the pension payments were being disbursed to the pensioners' bank accounts. However, test-check of the pension data of 2015, showed that ₹ 3.09 crore was credited to the bank accounts of DDOs.
- ***Inconsistent break-up amounts in payments:*** In a bill, the deductions like GPF/ LIC/ TPF, *etc.*, (gross amount – net amount) are termed as the “AG By-transfer” or “Treasury By-transfer” and are stored separately. The difference between gross and net amounts should be equal to the sum of the “By Transfer” (BT) amounts. However, in 18 cases (2010-15) differences between gross amount and net amount of the bills were not equal to the BT amounts.
- ***Inconsistent dates in voucher processing:*** A pension bill prepared in a Treasury was scrutinised by Dealing Clerk and Accountant before it is approved by the Treasury Officer for payment. The paid bills, thus, become vouchers and the voucher numbers are marked on it for reference. Thus, as per the chronology of events, bill date should precede approval date, which should invariably precede the voucher date in all cases. In case of other bills *viz.* pay bills, contingent bills, *etc.*, received from DDOs, treasury provides a token number for each such bills in acknowledgement of receipt of bills. Normal processing of the said bills follows thereafter as pension bills. After payment is complete, the RBI/ bank returns scrolls along with scroll date, which are processed to generate the voucher number and updated against the related bills.

Analysis of iFMS database related to 2010-15, showed that in 347 cases, the voucher dates were before approval dates by 1 to 60 days and 652 bills relating to 2008-16 had voucher dates recorded before their bill dates. Similarly, there were 1,280 cases (during the years from 2008 to 2015), where the bill dates were after the token dates for 1 to 181 days. Further, in two cases, bill dates were recorded as 23 February 2815 and 13 January 2026. Thus, integrity of the transactions was not ensured.

- **Pension bills shown prepared after approval:** As per the workflow in iFMS, the pension bills are first prepared and then approved by the Treasury Officer. However, database analysis showed that in eight cases, the approval dates were before the respective bill dates.
- **Absence of validation in pension module:** The PPO records were vital in the database, as these contained details like date of birth, date of retirement, basic pension amount, *etc.* Audit observed that the records were incomplete making the database unreliable, as the users had to use manual PPO/ registers for such information. The disintegrated data in this PPO master table are summarised below:
 - **Incorrect and absurd dates:** Date of birth field was null in 41,190 out of 3,15,827 records of active pensioners. In 84 records, the dates of births were same as retirement dates. Even in 20 more records, the dates of retirement were shown before dates of births. In 16 records, the start dates were earlier to the dates of births of pensioners. In 58 records, dates of deaths were recorded as before dates of births. In 10 records, pension start dates were shown before dates of births. Thus, the system failed to manage the additional pension payable after the pensioners reach 80, 85, 90, 95 and 100 years of age.

The date of birth of family members i.e. son/ daughter was required for determining the eligibility of getting pension. Database analysis showed that in 2,858 cases, the date of birth fields of family members had not been filled in. Further, in five cases, where dates of birth were captured, family pension amounting to ₹ 11.51 lakh appeared to have been paid to ineligible son/ daughter, after they attained 25 years of age, confirming lack of validation control in iFMS.

- **Inconsistent family names:** There were 1,048 records where the family name in the family master table was different from that of payee name in case of family pension. This indicated that the family table was not reliable. These 1,048 records included 163 cases where there were spelling mistakes in the names of the payee, and names of the PPO master table. In the remaining 885 cases, the names were different.
- **Inconsistent and unreliable allotment date:** As per system design, allotment could be made to an active DDO in the system. Such control was necessary to avoid incorrect release of allotment to inactive DDOs. Analysis showed that in 4,775 cases pertaining to the years 2010-16, inactive DDOs were extended allotment.

In the Exit Conference (December 2016), the Government assured of providing appropriate controls to prevent such inconsistencies in the data.

2.4.8 Conclusion

Implementation of iFMS has been running behind the schedule, as Government had not enforced the terms of agreement. Software Requirement Specifications for 10 modules had not been finalised even after three years of

implementation. Hardware and software had been procured in excess of need, rendering them idle. The decision to procure closed source Oracle suite, contrary to NeGP guidelines, led to a situation of vendor lock-in. The Government had not exercised oversight over database administration by segregating duties or by putting compensating controls. The security features agreed to in Service Level Agreement had not been provided within iFMS. Business Continuity Plan as well as Disaster Recovery Plan had not been prepared and critical financial operations of Government were at risk of disruption in case of disaster. The budgetary controls automated through iFMS could be bypassed. The purpose of reducing delays by using Teachers' Provident Fund module, could not be achieved, as the module was not relied on by the users. Stamp module was incomplete. Cases of double payments through bank and treasury were observed, indicating deficient controls. There were several issues of data integrity, as absurd time stamps existed in iFMS.

2.4.9 Recommendation

- System design and database design documents may be prepared and iFMS may be shifted to open source software platforms to avoid situation of vendor lock-in.
- Segregation of duties of Database administration and System administration may be ensured and compensating controls like remote log servers may be established to ensure security of IT system.
- Business Continuity Plan and Disaster Recovery mechanism for iFMS should be put in place.
- Appropriate input and validation controls along with adequate access controls may be established.
- Manual processes, which are still in place, may be abolished in a time bound manner.