




REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR
ENDED 31 MARCH 1989
NO. 4

(CIVIL)
GOVERNMENT OF ORISSA

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Report of the Comptroller and Auditor General of India,
for the period ended 31 March 1989 (Civil) No. 4,
Government of Orissa.

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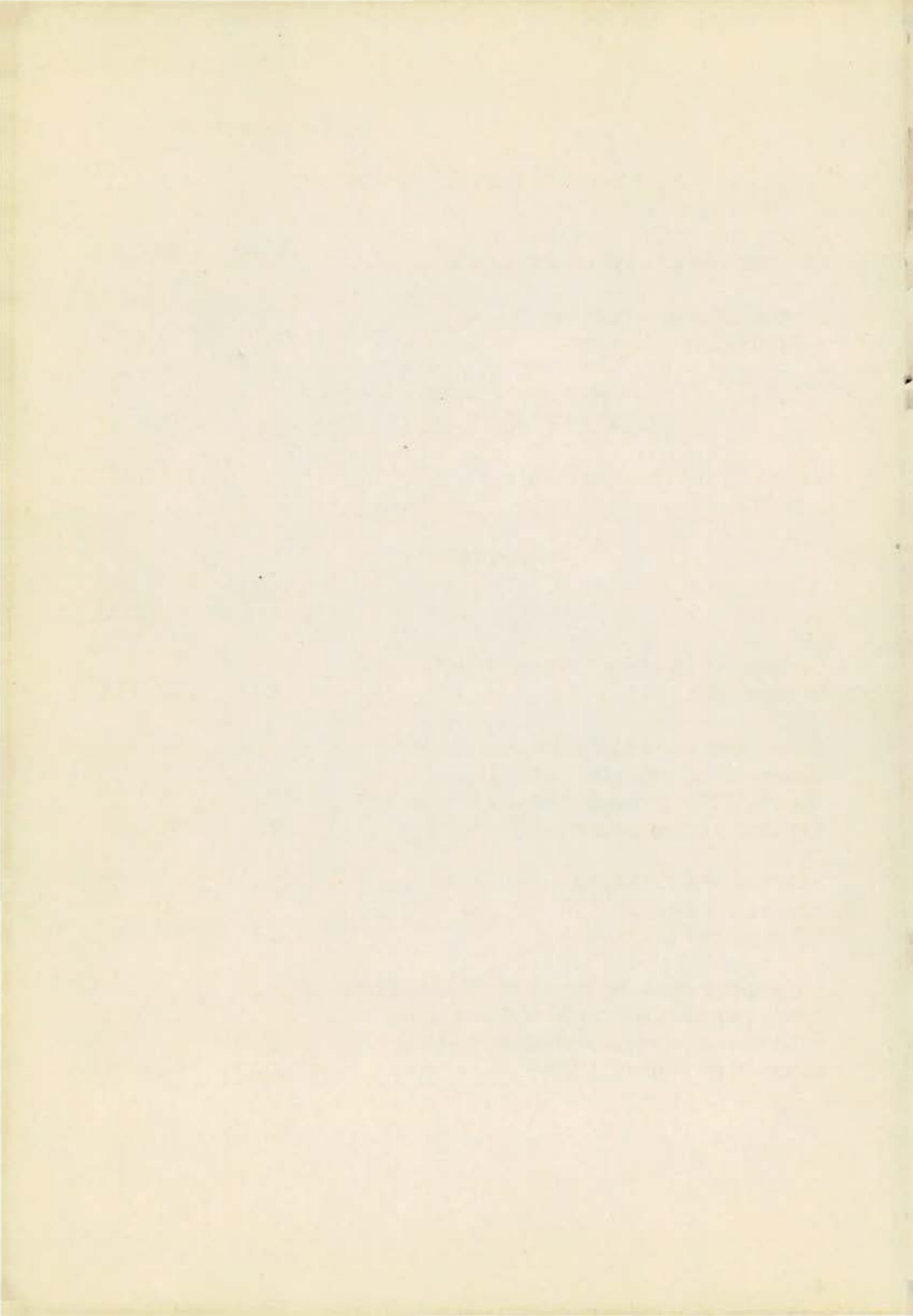
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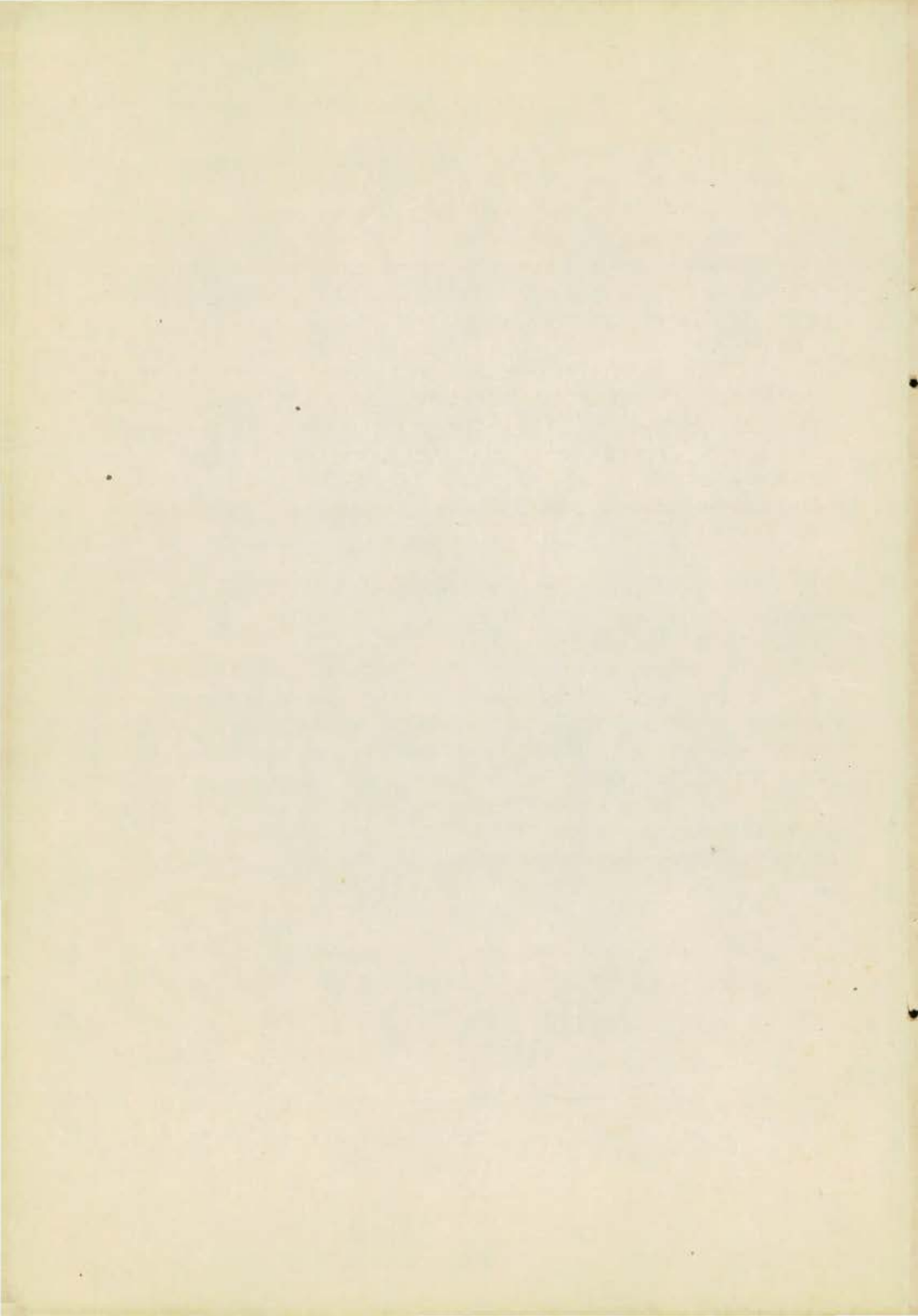
PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It contains Audit comments on the financial transactions of the Government of Orissa, including reviews on industrial development in backward areas, social forestry programme in Orissa, Remal medium irrigation project, and Orissa Industrial Infrastructure Development Corporation.

2. This is the second Report for the year ended 31 March 1989. The first Report, containing two chapters on the analysis of State finances and Audit comments on points arising from the Appropriation Accounts and Finance Accounts of the State for 1988-89, was published and presented in the Orissa Legislative Assembly on 28 June, 1990.

3. Reports containing observations of Audit on Statutory Corporations and Government Companies and on revenue receipts are presented separately.

4. The cases mentioned in the present Report are among those which came to notice in the course of test-audit of accounts during 1988-89 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1988-89 have also been included wherever considered necessary.



OVERVIEW

This Report consists of 5 chapters containing observations of Audit on 4 reviews on various schemes and projects and 53 audit paragraphs. Synopsis of the major audit findings contained in this Report is given below.

2. Industrial development in backward areas

For development of industries in backward areas in the State, three Centrally sponsored schemes, viz. Central Investment Subsidy Scheme (CISS), Concessional Finance Scheme (CFS), and Central Infrastructural Assistance Scheme (CIAS), were launched.

During 1982-89, out of Rs.1698.40 lakhs released as Central Investment Subsidy, Rs.22.32 lakhs remained undisbursed with the Orissa State Financial Corporation. Rupees 91.76 lakhs paid to 37 industrial units, became recoverable due to closure of those units within five years, but had not been recovered. In 19 cases, excess subsidy of Rs.18.98 lakhs was paid due to incorrect assessment. Subsidy of Rs.48.45 lakhs was adjusted in eleven cases for repayment of loan and interest, defeating the purpose of the scheme.

Out of 14 industrial sheds and 26 shops constructed at a total cost of Rs.26.60 lakhs in a District, only 3 sheds were occupied and the others are lying vacant. No evaluation of the scheme was done.

(Paragraph 3.1)

3. Social Forestry Programme in Orissa

A new Social Forestry Programme was taken up in April, 1983, with financial assistance from the

Swedish International Development Agency (SIDA). The objective was the creation of forest resources by the people with Government support for sustained supply of firewood, fodder, small timber and minor forest produce, and restoration of the environment by providing tree coverage over degraded areas involving the rural people as members of the local community. The programme was designed to be implemented in two phases - the first phase during the period from 1983-84 to 1987-88 covering 5,000 villages, and the second phase from 1988-89 to 1992-93 covering 45,000 villages.

Out of 8 Divisions test-checked, plantation records were not maintained in one Division, and in other 7 Divisions details were not kept. In 3 Divisions expenditure of Rs.2.91 lakhs was considered to be doubtful, as the actual plantation was found to be less than what was reported by the Division. As against the survival norm of 75 per cent of the plantations, there was no survival on plantations, on which Rs.75.48 lakhs was incurred, in 3,573 hectares. In 1,464 hectares, the survival was less than 50 per cent.

Seedlings costing Rs.15.51 lakhs procured in excess of the norms had not been utilised.

(Paragraph 3.5)

4. Remal Medium Irrigation Project

Completion of the first stage of the Project, which was commenced in 1974 for providing irrigation in tribal areas of Keonjhar District, was delayed by seven years due to change in design, slow progress of work by contractors, delay in acquisition of land and money constraints. Expenditure of Rs.1,380 lakhs was incurred till March, 1989, but the revised estimates for the work (Rs.1,353 lakhs) had not been sanctioned. Short recovery/overpayments to the contractors amounted to Rs.9.66 lakhs.

Irregular/infructuous expenditure of Rs.6.32 lakhs was incurred, due to improper planning/premature commencement of work before approval of the design of the spillway and spill channel. There was avoidable expenditure of Rs.2.04 lakhs due to unrealistic estimation of work. Surplus/spurious spares of Rs.12.90 lakhs remained in stock for over a period of seven years. Water cess of Rs.8.58 lakhs remained unrecovered.

(Paragraph 4.1)

5. Orissa Industrial Infrastructure Development Corporation (IDCO)

The Orissa Industrial Infrastructure Development Corporation (IDCO) was established in 1981, to manage industrial estates, develop industrial areas, construct buildings and make them available on hire or sale to the entrepreneurs.

During the period from 1983-86, the shortfall in achievement in land development ranged between 43 and 61 per cent, and in construction of sheds between 53 and 64 per cent. Land of 970 acres developed with an investment of Rs.397.11 lakhs was sold at Rs.215.32 lakhs, resulting in loss of Rs.181.79 lakhs to the Corporation. Further, most of the 690 acres of land developed at a cost of Rs.282.61 lakhs could not be allotted due to lack of demand. 319 sheds (Rs.508 lakhs) and 62 mini-sheds (Rs.6.97 lakhs) constructed/acquired upto 1985-86 had not been allotted. Rental and water charges amounting to Rs.47.14 lakhs till 31 March 1986, due from parties and industrial estates, have not been realised. Land premium and development cost for 29 acres of land allotted to the Orissa State Electricity Board, amounting to Rs.6.42 lakhs, remained unrecovered.

(Paragraph 7.10)

6. Other points of interest

- (i) Rs.40.53 lakhs were paid between May 1982 and September 1986 to a brewery, as interest-free loan under Orissa Sales Tax Loan Rules, 1980 even though its products were not taxable.

(Paragraph 3.4)

- (ii) Rs.45.59 lakhs spent on purchase of cardex/card-verger system equipment to streamline land records, proved unfruitful, and the system has been abandoned.

(Paragraph 3.6)

- (iii) An amount of Rs.1.04 lakhs collected as fees and fines between December 1973 to April 1989 by the Registrar of Births and Deaths, Cuttack, was shown as remitted into the Treasury; but it was not actually remitted, resulting in misappropriation of cash.

(Paragraph 3.8)

- (iv) Rs.2.50 lakhs were collected by the Sub-Divisional Medical Officer, Rairangpur, during August 1979 to June 1989 towards ambulance charges, but only Rs.0.92 lakh was accounted for.

(Paragraph 3.9)

- (v) Equipment worth Rs.10.77 lakhs procured in August, 1983 - April, 1989 at the M.K.C.G. Medical College Hospital, Berhampur, for a cardio thoracic surgery unit remained unused because the unit had not been set up.

(Paragraph 3.10)

- (vi) Failure to extract Sisal fibre in 1983-89 resulted in a loss of Rs.10.73 lakhs.
(Paragraph 3.12)
- (vii) Acceptance of a tendered rate for cement-grouting without properly specifying the material resulted in additional payment of Rs.10.41 lakhs to a contractor.
(Paragraph 4.11)
- (viii) Overpayment of Rs.385.37 lakhs for overhead expenses was made to the Orissa Bridge and Construction Corporation.
(Paragraph 4.13)
- (ix) Cast-iron water pipes costing Rs.5.77 lakhs had to be replaced soon after laying, due to mishandling in transportation.
(Paragraph 4.19)
- (x) Lack of co-ordination between the National Highway authorities and the Public Health authorities in the construction of a culvert resulted in an avoidable expenditure of Rs.2.51 lakhs in the laying of an additional parallel pipeline.
(Paragraph 4.20)
- (xi) Payloaders procured in December, 1982 for Rs.35.18 lakhs for minor irrigation works remained unused/ under-utilised, and await disposal as surplus machinery.
(Paragraph 5.4)
- (xii) Entrustment of transportation of departmental steel to a private contractor without adequate safeguards resulted in loss of material worth Rs.11.38 lakhs.
(Paragraph 5.5)

- (xiii) 388 tonnes of steel billets issued by the National Highway Divisions and Roads and Buildings Divisions (cost: Rs.52.67 lakhs) to a firm for re-rolling in 1985 have not been received back.

(Paragraph 5.6)

- (xiv) In the schemes undertaken by the Orissa Renewable Energy Development Agency, 16 out of 20 turbine generators installed at Puri at a cost of Rs.193.09 lakhs during 1985-88 broke-down soon thereafter, but they have not been repaired for want of spares. Against the annual targeted generation of power of 12 lakh KWH, only 9.39 lakh KWH was generated in 3 years, till March, 1989. A claim for Rs.7.11 lakhs towards power supplied to OSEB was not realised by the Agency. A mini-micro Hydel Project, constructed at Badaghagra in Keonjhar District in 1986-87 at a cost of Rs.19.27 lakhs, generated only 2.5 lakh KWH of electricity during 3 years ending August, 1990, against the annual targeted generation of 2.25 lakh KWH. Claim for Rs.1.04 lakhs towards power supplied to OSEB was not realised. 17 Solar pumps costing Rs.9.96 lakhs, procured for sale at subsidised rates to farmers, remained unsold for 5 years.

(Paragraph 7.2)

- (xv) Rupees 33.54 lakhs were paid as octroi on food-grains supplied under RLEGP to the Orissa State Civil Supplies Corporation though not admissible.

(Paragraph 7.3)

- (xvi) Rupees 871 lakhs received as grants by 79 Panchayat Samities remained unspent for long periods, though they were to be utilised in specific schemes

within a year. Rs.489 lakhs advanced as loans; since 1960-61 by 81 Panchayat Samities, were outstanding for recovery.

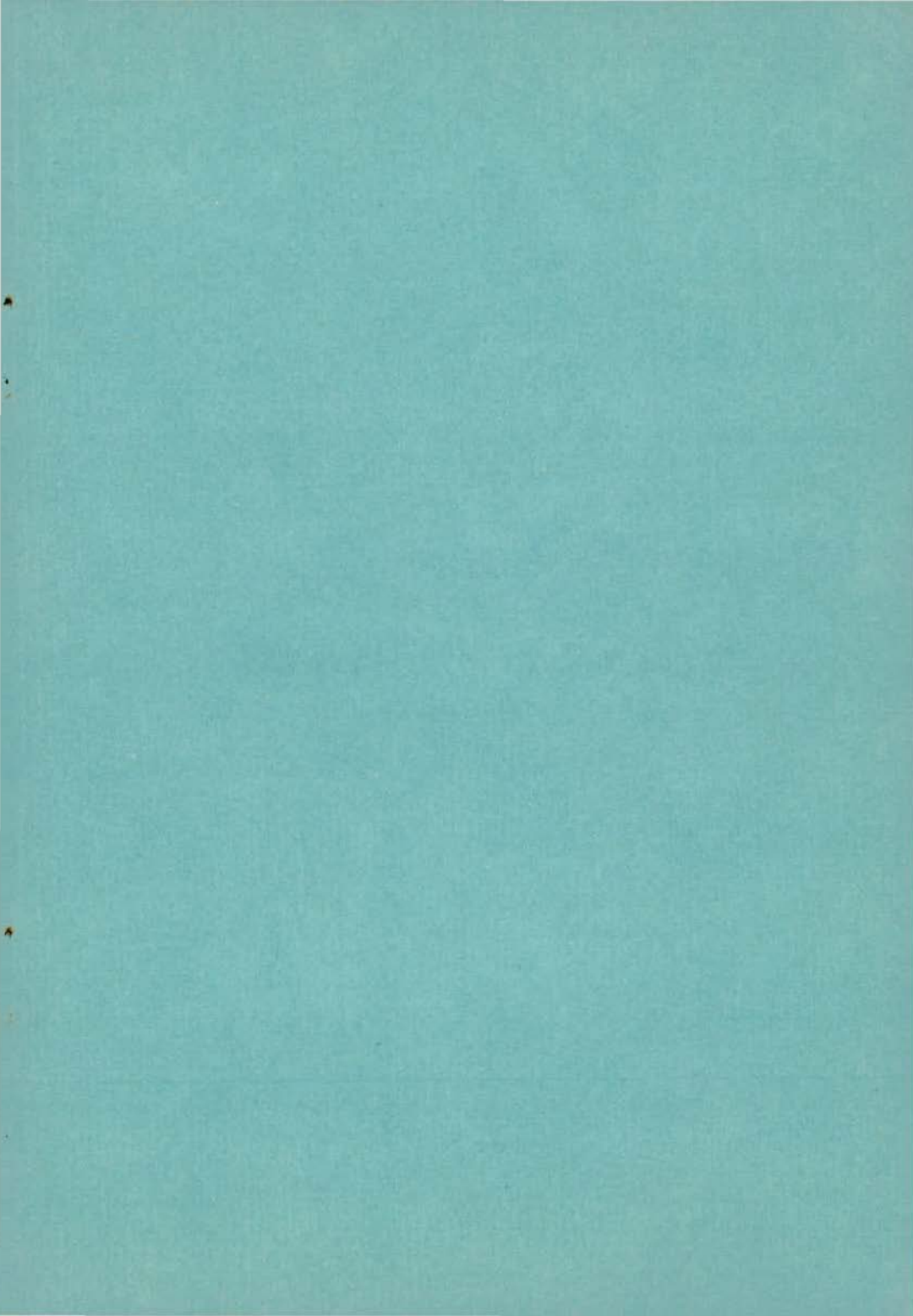
(Paragraphs 7.4.4 / 7.4.6)

- (xvii) Rupees 55.55 lakhs received by the District Rural Development Agency, Dhenkanal in March 1983, for subsidising cashew plantation under a Centrally-sponsored scheme, remained unutilised.

(Paragraph 7.7)

- (xviii) The Orissa State Housing Board received loans of Rs.263 lakhs from the Government at concessional rates, a large part (Rs.142.42 lakhs) of which remained unutilised for long periods for want of schemes for their use. Similarly, out of grants of Rs.113 lakhs received by the Board, Rs.62 lakhs remained unspent.

(Paragraph 7.12)



CHAPTER III

CIVIL DEPARTMENTS

INDUSTRIES DEPARTMENT

3.1 Industrial development in backward areas

3.1.1 *Introduction*

For development of industries in backward areas and correction of imbalances in industrial development, Government of India launched the following schemes :

- (a) The Central Investment Subsidy Scheme (CISS) (August, 1971) ;
- (b) Concessional Finance Scheme (CFS) (April, 1983);
- (c) Central Infrastructural Assistance Scheme in 'No-industry Districts' (CIAS) (August, 1983);
- (d) Central Transport Subsidy Scheme (CTSS),(July, 1971).

All the schemes except the Central Transport Subsidy Scheme (CTSS) were implemented in the State.

CISS provided for payment of outright subsidy to entrepreneurs at 10 *per cent* (increased to 15 *per cent* in 1973) of investment on fixed capital, i.e. land, building, plant and machinery, subject to maximum of Rs.5 lakhs (Rs.15 lakhs from 1973). Under CFS, financial assistance at concessional rate of interest and lower under-writing commissions, etc. were provided by Financial Institutions, viz: Industrial Development Bank of India (IDBI), Industrial Finance Corporation (IFC), etc. For rapid industrialisation of the backward areas, CIAS envisaged Central assistance

to the State Government for taking up infrastructural development in one or more identified Growth Centres, in "No-industry Districts" (NID). The assistance under this scheme was limited to one-third of the total cost of infrastructural development in each Growth Centre, subject to a maximum of Rs.2 crores per district.

In Orissa, 8 out of 13 districts (Kalahandi, Mayurbhanj, Bolangir, Dhenkanal, Keonjhar, Koraput, Balasore and Phulbani) were identified as industrially backward districts, to qualify for CISS. Of these, three districts (Balasore, Phulbani and Bolangir) were declared as "no-industry districts" where Growth Centres for infrastructural development were identified.

3.1.2 *Organisational set-up*

A State-Level Committee (SLC) was set up by Government with the Secretary, Industries Department as *ex-officio* Chairman, and the Director of Industries as *ex-officio* Member-Secretary, for determining the quantum of subsidy and assistance to units under the Central Investment Subsidy Scheme. The SLC had overall authority over the disbursing agency, i.e. Orissa State Financial Corporation (OSFC). The Concessional Finance Scheme is controlled by the concerned term-lending institutions. The Central Infrastructural Assistance Scheme (CIAS) was operated by the Orissa Industrial Infrastructural Development Corporation (IDCO), which was declared as the nodal agency. Industrial Promotion and Investment Corporation of Orissa Limited, (IPICOL) was to make preliminary investigation of the applications received from the entrepreneurs of large and medium industries as regards their eligibility for subsidy under CISS before forwarding the same to OSFC.

3.1.3 *Audit coverage*

Records of the 5 backward districts of Balasore, Mayurbhanj, Keonjhar, Phulbani and Koraput, and those available in the Industries Department, Bhubaneswar, Director of Industries, Cuttack, as well as IDCO, IPICOL and OSFC, for the period from 1982-83 to 1988-89, were test-checked between January 1989 and May, 1989.

Results of audit are given in the succeeding paragraphs.

3.1.4 *Highlights*

- Out of Rs.16,98.40 lakhs Central Investment Subsidy (CIS) released to the Orissa State Financial Corporation (OSFC), only Rs.16,76.08 lakhs were disbursed to industrial units during 1982-83 to 1988-89. Rs.22.32 lakhs remained undisbursed with OSFC.

(Paragraph : 3.1.5)

- In nineteen cases, excess subsidy of Rs.18.98 lakhs was paid due to incorrect assessment.

(Paragraph : 3.1.6(a))

- Payment of subsidy of Rs.11.48 lakhs on second-hand machinery proved infructuous, as the concerned unit closed down within one year of commencement of production due to managerial problems.

(Paragraph : 3.1.6(b)(i))

- Rupees 48.45 lakhs were diverted for payment of loan and interest thereon in eleven cases, defeating the purpose for which the subsidy was released.

(Paragraph : 3.1.6(d))

CIS of Rs.91.76 lakhs, paid to 37 industrial units which were closed within five years after commencement of production, was not recovered as required under the scheme.

(Paragraph : 3.1.7(a))

An amount of Rs.10.24 lakhs was deposited with Orissa State Electricity Board for providing power lines to two Growth Centres under Central Infrastructural Assistance Scheme, but details of expenditure incurred were not obtained.

(Paragraph : 3.1.8(b))

Infrastructural development in none of the three Growth Centres at Balasore, Bolangir and Phulbani was completed (June, 1989) within the gestation period of three years, mainly due to delay in land acquisition.

(Paragraph : 3.1.8(f))

Out of 14 industrial sheds and 26 shops constructed at total cost of Rs.26.60 lakhs in Balasore district, only 3 sheds were occupied and the others are lying vacant.

(Paragraph : 3.1.8(g))

3.1.5 *Financial achievement (CISS)*

Against the total claim of Rs.17,85.12 lakhs preferred by the SLC for re-imbursement during the period 1982-83 to 1988-89, the Government of India released Central Investment Subsidy of Rs.15,17.40 lakhs. Claims for Rs.267.72 lakhs were pending for re-imbursement at the end of 1988-89. The State Government, however, released Rs.16,98.40 lakhs to OSFC, the disbursing agency, during these seven years. OSFC disbursed Rs.16,76.08 lakhs

for the industrial units, and had a balance of Rs.22.32 lakhs at the end of March, 1989.

3.1.6 *Disbursement of subsidy*

(a) *Excess payment of subsidy*

According to the scheme, subsidy was payable on productive assets like factory buildings, plant and machinery etc. In 19 cases subsidy was paid on assets like sanitary installations, wells, boundary walls, approach road, etc., which were not to be considered as productive assets. This resulted in excess payment of Rs.18.98 lakhs.

(b)(i) *Subsidy on second-hand machinery*

The valuation of second-hand machinery was required to be made by an approved valuer, or to be based on the certificate of a Chartered Engineer that the machinery was good and capable of production for five years. A unit in Bolangir procured second-hand machinery at a cost of Rs.45.93 lakhs without an evaluation report or certificate and subsidy of Rs.11.48 lakhs was irregularly paid. Within one year of commencement of production (March 1985), the unit was closed down in January, 1986 due to managerial problems. No recovery has been made (May 1990).

(ii) *Irregular payment of subsidy*

In 23 cases, subsidy of Rs.180.47 lakhs was paid by OSFC without supporting certificates from the Chartered Accountants and Government engineers as required under the scheme. In two cases in Balasore, the certificates of the Chartered Accountant and the Government engineer were ignored and subsidy was paid on higher valuation made by OSFC, which resulted in

additional payment of Rs.1.40 lakhs. In another case in Balasore district, investment of Rs.2.33 lakhs on electric installation was taken into account twice for computing the admissible subsidy, which resulted in excess payment of Rs.0.58 lakh.

(c) *Subsidy to a closed unit*

Out of Rs.25 lakhs subsidy sanctioned to a unit in Balasore, Rs.20.64 lakhs was paid upto January, 1986. The unit went into production in September, 1986, but closed down in December, 1986. Nevertheless, the balance amount of subsidy of Rs.4.36 lakhs which was payable after commencement of production, was paid in March, 1987, i.e. two months after the closure of the unit. The entire subsidy of Rs.25 lakhs is recoverable.

(d) *Adjustment of subsidy towards re-payment of loan*

Central Investment Subsidy is payable to industrial units as an incentive for growth of industries. But the disbursing agency (OSFC) adjusted the subsidy towards principal and interest of earlier loans, defeating the purpose of the subsidy. Test-check revealed that in 11 cases, CIS of Rs.48.45 lakhs was adjusted towards term-loan and interest.

(e) *Subsidy for expansion of existing units*

According to clarifications issued by Government of India (July, 1979), investment on expansion which results in increase in production capacity, modernisation or diversification was eligible for subsidy. Payment of subsidy of Rs.3.13 lakhs for expansion of 6 existing industrial units was made, where no additional production capacity was created nor modernisation was involved.

(f) *Subsidy to units not eligible for assistance*

According to the scheme, units set up in a block/taluk/urban agglomeration or extension of township where investment had exceeded Rs.30 crores were not eligible for the subsidy. In Similiguda block, though the investment had exceeded Rs.30 crores by 31st March, 1983, subsidy of Rs.7.30 lakhs was paid between 1985-86 and 1988-89 to 9 units.

(g) *Unauthorised payment of subsidy*

A maximum of 85 per cent of the subsidy sanctioned was payable to the concerned industrial unit before it commenced production, and the balance 15 per cent was payable only after the unit commenced production. In 7 cases, subsidies varying from 86 to 100 per cent of the investment were paid between February, 1983 and November, 1987 to certain units before they commenced production, resulting in financial accommodation of Rs.6.53 lakhs.

(h) *Industrial Infrastructure Development Corporation sheds*

Industrial units set up in sheds provided by the Industrial Infrastructure Development Corporation (IDCO) were allowed subsidy by the State Government at 25 to 30 per cent of the investment made by them. These units are not eligible to the Central Investment Subsidy.

Central Investment Subsidy of Rs.2.27 lakhs was paid in instalments between March, 1986 and March, 1988 to 3 industrial units in Balasore and Mayurbhanj Districts, set up in sheds provided by IDCO, although these units were not eligible for the subsidy.

3.1.7 *Effectiveness of the procedure*

(a) *Closed and sick units*

Under the scheme, CIS is recoverable from industrial units, which go out of production within 5 years from the date of commencement of production. 37 units, which received the subsidy, in the four backward districts, were closed down between 1981-82 and 1987-88, within 5 years. No action was taken to recover the subsidy of Rs.91.76 lakhs paid to the units. Further, in the 8 backward districts of the State, 773 small-scale industrial units and 5 large/medium industrial units which had received CIS had become sick by 31st March, 1988. No action was taken for revival of the units. The sickness of the units was mainly due to shortage of working capital, market constraints, non-availability of raw materials, etc.

(b) *Non-maintenance of records*

Registers and records indicating information about the functioning of the units receiving subsidy were not maintained, either by the Director of Industries or at the level of District Industries Centre. Annual progress report or audited statements of transactions were not submitted by any industrial unit to OSFC or the Directorate. The production achieved and the employment generated were not monitored.

3.1.8 *Central Infrastructural Assistance Scheme*

(a) *Financial outlay*

The Government of India released a total assistance of Rs.200 lakhs for 3 'no-industry districts' (Balasore: Rs.100 lakhs, and Phulbani and Bolangir : Rs.50 lakhs each) during 1985-86 to 1988-89. In addition, a sum of Rs.100 lakhs was released by IDBI in March, 1989 for

Balasore. The total expenditure incurred was Rs.497.54 lakhs (Balasore : Rs.457.72 lakhs, Phulbani : Rs.1 lakh and Bolangir : Rs.38.82 lakhs). The expenditure of Rs.457.72 lakhs incurred on Balasore included Rs.197.94 lakhs spent out of the State Budget prior to 1st April, 1983 (which did not qualify for central assistance), and Rs.59.78 lakhs from out of the resources of IDCO. Expenditure in the other two districts was far less than 50 *per cent* of the Central assistance, due to problems in land acquisition and delays in assessment of water availability.

(b) *Deposit work*

An amount of Rs.10.24 lakhs was deposited between 1986-87 and 1987-88 with the Orissa State Electricity Board (OSEB) for providing power lines to Growth Centres of Balasore (Rs.9.83 lakhs) and Phulbani (Rs.0.41 lakh). The progress of work and the expenditure incurred thereon as on May, 1989 were not ascertained by IDCO.

(c) *Development of Growth Centres*

In Phulbani district, Government land selected for Growth Centres was found registered as forest land ; and the district being mostly inhabited by tribals, acquisition of private land was also not possible. In all, out of 1000 acres required, only 381.73 acres of Government land could be acquired by March, 1989.

(d) In Bolangir district, land measuring 554.70 acres was acquired against the requirement of 1000 acres, and Rs.3.20 lakhs were spent on the water supply project against an estimated cost of Rs.6 crores by March, 1989. The shortfall was attributed to delay in acquisition of land, delay in survey and investigation of water supply project and delay in finalisation of tenders for procurement of pipes.

(e) For the Balasore Growth Centre, 481.13 acres of land were acquired between 1983-84 and 1988-89 out of which 200 acres were developed by March, 1989. The balance 281.13 acres was not developed as there was no demand from the entrepreneurs.

(f) Though the gestation period for completion of infrastructure development in the 3 Growth Centres mentioned above was three years from February, 1986 (the date of receipt of the first instalment of Central assistance), none of the projects was completed by June, 1989.

(g) *Industrial sheds and shops*

Out of 14 industrial sheds and 26 shops constructed between 1985-86 and 1987-88 at a cost of Rs.22.70 lakhs and Rs.3.90 lakhs respectively in the Balasore Growth Centre, only 3 sheds were occupied by entrepreneurs. 11 sheds and all the 26 shops (cost Rs.21.74 lakhs) were lying vacant (May 1990).

3.1.9 *Monitoring and evaluation*

Government of India had issued instructions (June, 1988) to set up a monitoring cell in the State to watch the utilisation of CIS district-wise and industry-wise. Information to be compiled related to units which received 100 per cent CIS and had gone into production for 5 years or beyond, units which had discontinued production, etc. The Industries Department was required to review the position twice a year (April and September) and submit reports to the Government of India in May and October.

It was noticed that no monitoring cell either at State level or district level had been set up to review the working of the scheme (as of June 1989).

3.1.10 The matter was reported to Government in August 1989 ; their reply has not been received (January, 1991).

3.2 Outstanding rent

The Industries Department had authorised the Director of Industries in June, 1969 to spare a hostel building of the Engineering School, Jharsuguda, temporarily for 3 years for use by a private college, on payment of fair rent to be assessed by the Public Works Department. The private college started functioning in the building from August, 1969, for which rent of Rs.4,530 per month was assessed by the Chief Engineer, Roads and Buildings, in January 1972.

A test-check of the records of the Principal, Engineering School, Jharsuguda, in October, 1987 revealed that the management of the college had neither paid any rent from August, 1969, nor had vacated the building (as of April 1989), on the ground that negotiations were being held to charge a nominal rent. The Director of Industries had clarified in October, 1972 that no concession on rent would be allowed, and asked the college to pay the arrears of rent and also vacate the building. In November, 1974 the Industries Department reiterated the position.

An amount of Rs.11.52 lakhs towards rent from August, 1969 to October, 1990 remained unrecovered.

The matter was reported to Government in June, 1989. Government accepted the factual position in September, 1989, and stated that steps were being taken for realising the outstanding rent and if necessary to evict the occupants.

3.3 Unproductive investment in non-viable industrial co-operative societies

For promoting production of woollen carpets in Orissa, 5 woollen carpet industrial co-operative societies were set up at Bolangir, Sonapur, Rampur, Loisinga and Saleveta in Bolangir district, and registered during May, 1983 to September, 1983. Government invested Rs.1.75 lakhs as share capital and Rs.0.49 lakh as managerial subsidy in these societies. Six years later, in August, 1989 these societies had not started production for want of looms, accessories, working capital, building and master craftsmen. The investment of Rs.2.24 lakhs on the co-operative societies was thus unfruitful.

Government stated in July, 1989 that refresher training through a reputed firm of Uttar Pradesh would be provided to the members of the 3 co-operative societies during August 1989, and that after completion of training these societies would utilise the share capital towards purchase and installation of looms.

3.4 Undue financial assistance to an industrial unit

The Orissa Sales Tax Loan Rules, 1980 envisaged that new small scale, medium and large industries which started production, and existing large and medium industries which undertook expansion and diversification, on or after 1st August, 1980, were eligible to interest-free sales-tax loans equivalent to the amount of sales-tax paid within the State.

A test-check of the accounts of the District Industries Centre, Cuttack, in July - August, 1988 revealed that a brewery whose products were not taxable under

the Sales Tax Act, 1947, and which started production in July 1979, was allowed loan-incentive in September, 1981 in lieu of the excise duty paid by it as a special case. Interest-free loan of Rs.40.53 lakhs was paid in 6 instalments between May, 1982 and September, 1986, even though the unit was not entitled to the incentive under the rules and had also not undertaken any expansion or, diversification after 1st August 1980.

The interest-free loan of Rs.40.53 lakhs paid was irregular, and constituted undue financial assistance to the industrial unit.

The matter was reported to Government in September, 1989 ; their reply has not been received (November, 1990).

FOREST, FISHERIES AND ANIMAL HUSBANDRY DEPARTMENT

3.5 Social Forestry Programme in Orissa

3.5.1 *Introduction*

In Orissa, Forests cover about 38 *per cent* of the total geographical area. With a growing population and increase in need for fuel wood, small timber required for house-hold and agriculture purposes, there has been steady pressure on the forests, resulting in excess depletion of resources. The gap between requirement of fuel wood and small timber and supply was estimated at 63.2 lakh cubic metres in the National Council of Agriculture Report, 1976. With a view to augmenting the availability of fuel wood and small timber, plantation of fast-growing species was taken up by the Forest Department under afforestation schemes from 1961-62 onwards.

A new social forestry programme was taken up in April 1983, with financial assistance from the Swedish International Development Agency (SIDA), and with the following objectives : -

- creation of forest resources by the people with Government support ;
- creation of forest resources for sustained supply of fuel wood, fodder, small timber and minor forest produce ;
- establishment and reintroduction of tree cover over degraded areas close to village and farm lands, to restore the environment ;
- creation of a programme for full involvement of the rural people as members of local community.

The programme was designed to be implemented in two phases : the first phase during the period 1983-84 to 1987-88 covering 3000 villages, and the second phase from 1988-89 to 1992-93 covering 45000 villages.

3.5.2 *Organisational set-up*

At the district level, one Deputy Director in the rank of Divisional Forest Officer (DFO) is in overall charge of the social forestry project. He is assisted by an Assistant Conservator of Forests (ACF), one Agronomist and Social Forestry Supervisors (SFS) at Range level and Village Forest Worker (VFW) at Grampanchayat level, in the implementation of the programme. At the regional level, there are three Joint Directors in the rank of Conservator of Forests (CF) in charge of training, research, publicity and monitoring. The Director is in overall charge

of administration, programme, control, policy, co-ordination and guidance in respect of the social forestry projects in the State.

3.5.3 *Audit coverage*

Nine social forestry Divisions were established during 1983-84, in first phase of the programme (1983-84 to 1987-88).

A test-check of records of 8 social forestry project Divisions (Balasore, Bolangir, Cuttack, Dhenkanal, Ganjam, Keonjhar, Puri and Sambalpur) was conducted in August - September, 1989 covering the first phase of the programme (1983-84 to 1987-88) and the points noticed are given in the following paragraphs.

3.5.4 *Highlights*

- Out of 8 Divisions test-checked, plantation records were either not maintained (1 Division), or were improperly maintained (7 Divisions).

(Paragraph : 3.5.8(a))

- In 3 Divisions, actual plantation fell short of the reported area by 114.72 hectares, indicating doubtful expenditure of Rs.2.91 lakhs.

(Paragraph : 3.5.8(b))

- Proof of distribution of 67.93 lakh seedlings (value Rs.20.38 lakhs) was not available.

(Paragraph : 3.5.8(c))

- As against the norm of 75 *per cent* for survival of plantations prescribed, there was no survival in 3573 hectares where an expenditure Rs.75.48 lakhs had been incurred. Only 3 *per cent* (1354 hectares) of land covered by plantation (with survival above 50 *per cent*) have been transferred to the Village Forest Committee for maintenance.

(Paragraph : 3.5.8(e))

- There was substantial wastage of polythene bags (cost Rs.26.31 lakhs) used for seedlings.

(Paragraph : 3.5.10(a))

- Seedlings for Rs.15.51 lakhs were procured in excess of the prescribed norms but were not utilised.

(Paragraph : 3.5.10(b))

3.5.5 *Components of the Programme*

The components of the programme are :

(a) *Village Wood Lots (VWL)*

VWL consists of small plantations on community land and Government waste lands in each project village, raised by the villagers for their own benefit with technical/ financial assistance and supply of seedlings from Government. The plantations are eventually to be transferred to the Village Forest Committees (VFC) for maintenance.

(b) *Reforestation and Rehabilitation (REFO & REHAB)*

Plantations under this component are to be taken up on protected forest lands, and 'B' class reserves

degraded and deforested by over-exploitation. Plantations carried out by the villagers would remain vested with the Village Forest Committees (VFC).

(c) *Forest Farming for Rural Poor (FFRP)*

This programme provided for the grant of usufructory rights over Government surplus lands in and around villages to landless families, to encourage intensive forest farming and generate income. The project support consists of providing seedlings, fertilisers, pesticides and wages for soil preparation and planting. The project would also provide finance for maintenance in the first two years, and develop inter-cropping to ensure sustained income to the beneficiaries.

(d) *Farm forestry*

Under this component free supply of seedlings and technical assistance is given to private farmers and institutions, to encourage them to plant fuel, fodder and fruit trees on their own land.

3.5.6 *Pattern of financial assistance*

According to the agreement indicated in the appraised project document (APD), financial assistance of 70 per cent of the total expenditure incurred by the State Government was to be released by SIDA to the Government of India, of which 70 per cent would be released to the State Government. Thus, 49 per cent of the total expenditure was to be received from the Swedish International Development Agency (SIDA) through the Government of India, and the remaining 51 per cent was to be met by the State Government.

3.5.7 *Targets and achievements*

(a) *Financial outlay*

The following table gives the position of financial outlay, expenditure incurred and assistance received on the first phase of the programme : -

Year	Estimated outlay as per APD	Budget provision	Actual expendi- ture	Assistance received from SIDA through Governme- nt of India
	(Rupees	in	lakhs)
1983-84	14.00	16.00	14.68	-
1984-85	170.00	170.00	159.43	129.28
1985-86	487.00	470.00	445.53	271.02
1986-87	917.00	690.00	688.59	330.58
1987-88	1228.00	1400.00	1398.45	185.87
Total =	2816.00	2746.00	2706.68	916.75

During the period, a total amount of Rs.916.75 lakhs only was received as assistance through Central Government against Rs.1326.27 lakhs due.

(b) The Physical targets and the achievements (component-wise) are as under :

[Statement

Year	VWL (a)		REFO (b)		REHAB (c)		FFRP (d)		FF (e)	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	(A r e a i n h e c t a r e s) (Saplings in lakhs)									
1983-84*	-	-	-	-	-	-	-	-	-	-
1984-85	1,200	1,203	1,000	995	1,500	1,287	47	68	14	15
1985-86	3,225	3,008	2,815	2,516	4,060	3,832	250	245	75	68
1986-87	6,000	6,158	4,500	4,596	4,000	4,065	300	304	100	104
1987-88	<u>8,000</u>	<u>7,976</u>	<u>5,600</u>	<u>5,630</u>	<u>5,000</u>	<u>5,000</u>	<u>900</u>	<u>892</u>	<u>160</u>	<u>163</u>
	<u>18,425</u>	<u>18,345</u>	<u>13,915</u>	<u>13,737</u>	<u>14,560</u>	<u>14,184</u>	<u>1,497</u>	<u>1,509</u>	<u>349</u>	<u>350</u>

* Implementation of the programme actually started in January, 1984.

Note : (a) VWL - Village Wood Lot

(c) REHAB - Rehabilitation of depleted forests

(e) FF - Farm Forestry

(b) REFO - Reforestation of degraded forests

(d) FFRP - Forest farming for rural poor

3.5.8 Plantation programme

A total amount of Rs.1,073.28 lakhs was spent between 1984-85 and 1987-88 on plantations under the different components of the programme. Division-wise and year-wise expenditure incurred by the 9 Social Forestry Divisions is indicated below :

Social Forestry Division	Actual expenditure on plantation				
	1984-85	1985-86	1986-87	1987-88	Total
	(Rupees	in	lakhs)
1. Balasore	-	4.55	24.48	51.65	80.68
2. Bolangir		3.12	26.52	59.58	89.22
3. Cuttack	10.31	26.59	38.20	65.08	140.18
4. Dhenkanal	-	19.89	31.43	63.20	114.52
5. Ganjam	13.63	23.13	30.93	57.60	125.29
6. Keonjhar	-	5.03	34.43	66.15	105.61
7. Mayurbhanj	13.06	25.25	39.46	66.93	144.70
8. Puri	-	21.01	40.80	70.74	132.55
9. Sambalpur	<u>6.46</u>	<u>23.91</u>	<u>41.76</u>	<u>68.40</u>	<u>140.53</u>
	<u>43.46</u>	<u>152.48</u>	<u>308.01</u>	<u>569.33</u>	<u>1073.28</u>

An examination in audit of the plantation programme revealed the following points : -

(a) Rules in the Orissa Forest Plantation Manual require that all plantations are to be recorded in a permanent register showing the area planted, location, and expenditure on each plantation every year, till the end of the third year. Besides, a plantation Journal is to be maintained in the Ranges, showing (i) the area and sketch map of site planted, (ii) soil and geographical conditions, (iii) details of expenditure till the end of the third year, (iv) extent of replacement of casualties and condition of plantation at the end of each year and (v) remarks of higher officers during inspection at site. Test-check of records in 8 Divisions (other than Mayurbhanj) revealed that in the Ganjam Division these records were not maintained, and in the other Divisions the records maintained were incomplete or blank or were not supported by journals, sketch maps, etc.

(b) In three Divisions (Bolangir, Dhenkanal and Keonjhar), 51 plots covering 491.5 hectares were reported to have been planted under village wood lot scheme. Inspections by higher officers (ACF) between 1987 and 1989 revealed that only 376.78 hectares were planted. The proportionate financial assistance provided to Village Forest Workers for 114.72 hectares short-planted worked out to Rs.2.91 lakhs. In the case of 8 plots, action was initiated by the Deputy Director, Social Forestry Projects, Angul and Bolangir (December, 1989) to recover Rs.0.57 lakh from village forest workers, but no amount had been recovered (September 1989). In respect of the remaining 43 plots of Keonjhar SF Division no action has been taken (September 1989).

(c) 116.07 lakh seedlings were reported as distributed by 24 Range Officers, but acknowledgement of beneficiaries for only 48.14 lakh seedlings were available on record. The expenditure incurred on 67.93 lakh seedlings, for the distribution of which no acknowledgement was available, was Rs.20.38 lakhs (@ Re.0.30 paise per seedling).

(d) According to the norms for plantation per hectare 2100 seedlings under VWL, 2500 seedlings under REFO and 4444 seedlings under FFRP are required to be planted. It was noticed that in three SF Divisions (Cuttack, Sambalpur, Dhenkanal) these norms were not observed during 1985-87. Against 9.92 lakh seedlings required to be planted in 426 hectares, only 8.61 lakh seedlings were planted, resulting in shortfall of 1.31 lakh seedlings. But expenditure was incurred as prescribed, per hectare, which resulted in excess expenditure of Rs.1.26 lakhs (Proportionate cost of plantation).

(e) According to the directives of Government of India issued in November, 1982 a plantation programme can be treated as successful only if at least 75 *per cent* of seedlings planted survive. Reports of the 9 Divisions revealed that out of 47,775.90 hectares covered by plantation between 1984-85 and 1987-88, the seedlings had completely failed on 3,573 hectares, and the rate of survival was 1 to 49 *per cent* in 1464 hectares. Details are given in Appendix 3.1. The expenditure incurred on plantations in 3,573 hectares where the seedlings failed completely was Rs.75.48 lakhs. The Divisions attributed the reasons for failure to excessive grazing by cattle, non-co-operation by villagers, drought, flood, unsuitable site and poor soil condition.

The post-planting operation requires Post-plantation care consisting of weeding, soil working, manuring and casualty replacement in the second year, and casualty replacement and weeding in the third year.

In 6 of the 8 Divisions test-checked, where the survival rate was poor, no post-plantation operations were carried out in 291 hectares during the second year, and in 252 hectares in the third year.

3.5.9 Success of plantation under the programme depends on development of forestry consciousness among the people, and formation of Village Forest Committees to protect and manage the forests as their own.

According to the appraisal project document, the area planted under VWL, REFO and REHAB components were to be transferred to VFC in the second year (i.e. next year of plantation) for protection and maintenance. For this purpose, the land on which plantation has been carried out is to be declared by Government as village forest.

Out of 41,394 hectares covered by plantation (with success rate above 50 *per cent*) in 9 SF Divisions during 1984-85 to 1987-88, only 1,354 hectares had been transferred to VFCs till October, 1989. The planted areas have also not been declared as village forest by Government. The reasons for non-declaration were attributed by the Director, Forest Projects (August 1989) to delays in getting details from revenue records and field verification.

3.5.10 *Other points of interest*

(a) Purchase of polythene bags was made by the Divisions for raising seedlings. The requirement of polythene bags is the approximate number of seedlings to be raised in a year with 5 *per cent* extra to meet wastage. 450 polythene bags (size 9" x 5" x 125 gauge) weigh one kilogram. Between 1983 and 1989, five SF Divisions (Bolangir, Balasore, Cuttack, Keonjhar, Puri) procured and utilised 1,687 lakh bags against a need of 1,260.30 lakh bags, resulting in use of 426.70 lakh bags (94.822 tonnes) in excess of the requirement. The price of polythene bags varied from Rs.27.75 to Rs.39.95 per kg and the extra expenditure incurred on this account worked out to Rs.26.31 lakhs at the lowest price.

(b) The SF divisions, besides raising seedlings, purchased them from non-Government organisations with a view to involving the latter in the programme. In 8 SF divisions there were wide variations between actual requirements of seedlings and those procured during 1984-85 to 1988-89, as shown below :

Division	Requirement as per norm for area planted plus free distri- bution	Procurement	Excess procure- ment
	(Number	in lakhs)
Balasore	143.66	157.63	13.97
Cuttack	227.44	229.01	1.57
Dhenkanal	197.01	216.31	19.30
Ganjam	209.71	214.20	4.49
Keonjhar	200.88	202.94	2.06
Mayurbhanj	253.29	254.77	1.48
Puri	241.01	243.22	2.21
Sambalpur	272.04	278.66	6.62
	<u>1745.04</u>	<u>1796.74</u>	<u>51.70</u>

This resulted in excess expenditure of Rs.15.51 lakhs, at the rate of Re.0.30 per seedling not actually utilised.

3.5.11 *Evaluation*

SIDA carried out an evaluation of the first phase (1983-84 to 1987-88) of the programme. According to them the first planting season (1983-84) was lost, and performance of the second season was severely affected due to late implementation. The overall successful plantation achieved fell short of target by 20 per cent in VWL and REFO and 30 per cent in FF. The monitoring and evaluation unit of the Directorate of Social Forestry Project had also conducted a sample survey of the performance in respect of reforestation (REFO) and farm forestry (FF) for two years (1984-85 and 1985-86). The sample survey revealed that the average survival rate in REFO was 47 and 59 per cent respectively in the two years. The overall percentage of survival was 25.05 under the 'farm forestry' schemes.

The matter was reported to Government in November, 1989 ; their reply has not been received (January, 1991).

REVENUE AND EXCISE DEPARTMENT

3.6 **Failure of cardveyer/cardex system**

To facilitate prompt issue of Encumbrance Certificates (ECs) to farmers applying for loans from the commercial banks or co-operatives, Government decided to introduce the Cardex System in all registration offices of the State from 1st April, 1977. The system consists of preparation of an index in a new form, from the copy registers and posting of relevant data in the cards to be housed in Cardveyer machines operated mechanically. The work was to be completed by 1981-82.

In the first phase, 24 Cardveyer machines were purchased from a firm of Calcutta during 1979-80 and 1980-81, at a cost of Rs.8.18 lakhs, and supplied to various District Sub-Registrars (DSRs).

Two Cardveyer machines costing Rs.0.68 lakh were not put to use till the end of March 1989 for want of space and for want of key for locking and unlocking the machine.

Seven machines (Rs.2.39 lakhs) were operated manually due to their non-installation and the non-functioning of electrical systems of the machines.

Fourteen machines (costing Rs.4.77 lakhs) which were installed went out of order thereafter (2 each from 1979-80 to 1981-82, 2 from 1983-84, 3 from 1984-85 and 3 from 1986-87). One machine costing Rs.0.34 lakh was damaged by floods in 1982. The supplier firm expressed its inability to undertake repairs and maintenance of the machines, for want of a service contract. Manufacture of such machines had also been stopped since long and the firm recommended in December 1988 condemnation of the machines.

Meanwhile, as the Cardveyer machines were found to be difficult to handle by the registration staff, who were not properly trained for the purpose, it was decided in 1980-81 to switch over to manually-operated Cardex and Visadex cabinet system (as it was considered to be easier to handle). Out of 756 Cardex and Visadex cabinets received (cost Rs.27.86 lakhs), 172 cabinets (valued Rs.6.34 lakhs) remained unutilised in March, 1989, for want of space (89), purchase in excess of requirement (78) and non-completion of card-writing (5).

Further, against 861 cabinets actually purchased, the DSRs had received 756 cabinets only ; and the remaining 105 cabinets (costing Rs.3.87 lakhs) were not accounted for. It was stated (April, 1989) by the Inspector General of Registration that stock register would be maintained after formation of a separate section for Plan schemes.

Against 14.95 lakh Cardvayer cards costing Rs.3.21 lakhs received for use in the mechanical system, only 8.86 lakh Cardvayer cards were used. The remaining 6.09 lakh cards valued at Rs.1.31 lakhs remained unutilised by the end of December, 1988/March, 1989, since the mechanical system had been given up.

Moreover, 3.22 lakh Cardvayer cards valued at Rs.0.69 lakh written up in rural offices for future use in the Cardveyers remained unutilised due to switchover to the manual Cardex system.

There was also excessive procurement of Cardex cards for the manual system. Against 16.83 lakh Cardex/Visadex cards valued at Rs.3.62 lakhs received, only 6.35 lakh cards were actually utilised. The remaining 10.48 lakh cards valued at Rs.2.25 lakhs remained unutilised, as of December, 1988/March, 1989.

During 1977-1989, in all Rs.160.68 lakhs were spent on construction of record rooms, (Rs.87.51 lakhs), machines and equipment (Rs.45.59 lakhs), wages (Rs.23.94 lakhs), office establishment (Rs.2.44 lakhs) and a vehicle (Rs.1.20 lakhs) in implementing the scheme. It was noticed in Audit (December 1988/March 1989) that despite all this there were arrears in posting ranging from one to eight years by January/March, 1989. The arrears were attributed by the DSRs to inadequacy of staff.

In review meetings held in January and April, 1987 by the Member, Board of Revenue, to discuss the functioning of the Cardex system, it was agreed that this system also did not serve much useful purpose ; and it was decided not to purchase any more equipment, and not to extend such systems to the offices to be opened in future.

The matter was reported to the Government in September 1989 ; their reply has not been received (January 1991).

3.7 Infructuous expenditure on idle staff

A new Consolidation Circle at Rairangpur in Mayurbhanj district, created by Government in September 1985, started functioning from October, 1985. In November, 1985 it was entrusted with the work of consolidation of land holdings in respect of 27 villages covering an area of 6466.17 hectares, to be completed by 1988-89. Accordingly, regular staff and job contract workers were deployed, and houses were hired to accommodate them. Though the rules provide for creating intensive publicity about the benefit of consolidation in every village, no publicity work was undertaken before issue of the notification. The consolidation work could not progress due to the non-co-operation of land-owners and other local persons and consequently the staff remained idle. In January 1989, Government issued orders de-notifying the areas from the purview of consolidation. In August 1989 the Consolidation Circle was shifted to another district (Balasore). Between October 1985 and August 1989, a total expenditure of Rs.8.62 lakhs was incurred on the establishment (salary Rs.1.81 lakhs ; wages of job contract staff Rs.5.75 lakhs; travelling expenses Rs.0.27 lakh; office expenses Rs.0.79 lakh), which was infructuous.

The matter was reported to Government in September 1989 ; their reply has not been received (January 1991).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.8 Misappropriation of Government revenue

The Health Officer, Cuttack Municipality, in his capacity as Registrar of Births and Deaths under the Orissa Registration of Births and Deaths Rules, 1970, collected fees and fines from December 1973. A test-check of the records, conducted by Audit in April-May 1989, revealed that an amount of Rs.1.04 lakhs so collected was shown as remitted to the Treasury between December 1973 and April 1989, but the challans in support of the remittances were found to be fictitious. The misappropriation was rendered possible by the failure of the Health Officer to obtain from the Treasury the monthly consolidated receipt schedules for remittances made, for verification with the entries in the cash book. The Health Officer stated, in May 1989, that the concerned official had been placed under suspension, and action was being taken to report the matter to police and higher authorities.

The matter was reported to Government in July, 1989 ; their reply has not been received (January, 1991).

3.9 Non-accounting of departmental receipts.

According to the Treasury Rules money collected by every Department is to be deposited in the treasury within 3 days of receipt, and no part of the departmental receipts should be utilised to meet departmental expenditure.

A test-check of the records of the Sub-Divisional Medical Officer (SDMO), Rairangpur, in July, 1989 revealed that out of Rs.2.50 lakhs collected towards ambulance charges between August, 1979 and June, 1989, only Rs.0.81 lakh was remitted into the treasury, and an expenditure of Rs.0.11 lakh was met from the receipts. The balance Rs.1.58 lakhs remained unaccounted for.

The matter was reported to Government in October, 1989. Government accepted the factual position in December 1989, and stated that action taken in the matter would be intimated.

3.10 Non-functioning of cardio thoracic surgery unit

To open a cardio-thoracic surgery unit for conducting open-heart surgery in the Maharajah Krishna Chandra Gajapati (MKCG) Medical College Hospital, Berhampur, Government sanctioned Rs.11.95 lakhs (Rs.3.60 lakhs in March, 1983, and Rs.8.35 lakhs in January, 1986) for purchase of equipments.

The amounts were drawn by the Superintendent, MKCG Medical College Hospital soon after their sanction. Equipment worth Rs.10.77 lakhs ordered was received between August, 1983 and April, 1989. The balance amount of Rs.1.18 lakhs was lying unutilised (August 1989).

A Professor, an Associate Professor, one Assistant Surgeon, one Pharmacist and two Staff Nurses of the College were also trained in open-heart surgery in the Christian Medical College, Vellore, during September 1983 to April 1984. The unit had, however, not started functioning (July 1990) due to non-procurement of Blood Gas Analyser and malfunctioning of the generator.

The matter was reported to Government in October, 1989 ; their reply has not been received (January, 1991).

AGRICULTURE AND CO-OPERATION DEPARTMENT

3.11 **Avoidable payment of interest**

The Director of Agriculture and Food Production (DA & FP) placed orders in August 1982, in anticipation of Government approval, for the supply of 400 quintals of black *mung* seeds at Rs.500 per quintal, to five Deputy Directors of Agriculture (DDAs). It was stipulated in the order that 75 *per cent* of the cost would be paid after supply of full quantity of seeds, and the balance 25 *per cent* after receipt of certificates of stock entry, as well as quality and germination reports from the DDAs. The supply of 326.98 quintals of seeds worth Rs.1.63 lakhs was made between August and October 1982. No payment was made to the supplier for want of Government's approval of the price, which was sought for by DA & FP, only in November 1982. Due to non-payment, the supplier filed in October 1985 a money suit for Rs.2.22 lakhs, which included cost of seeds, interest at 12 *per cent*, cost of suit, court fee and relief. In September, 1986 Government instructed the DA & FP to settle the matter out of court. The supplier agreed to accept payment with interest at 12 *per cent* by 20th November, 1986. The supplier was paid Rs.2.34 lakhs in December, 1986 including interest of Rs.0.71 lakh. The Department spent Rs.0.03 lakh towards legal expenses on the case. The expenditure of Rs.0.74 lakh on payment of interest and legal expenses was avoidable.

The matter was reported to Government in July 1989 ; their reply has not been received (January 1991).

3.12 Loss of revenue due to non-extraction of sisal fibre

In 1980-81, sisal plantation was raised in Keonjhar Soil Conservation Sub-division on 200 acres of land. In 1982-83 the area was increased by 50 acres after spending Rs.1.10 lakhs on plantation. Rs.0.68 lakh was spent on maintenance from 1982-83 to 1986-87. Sisal is a commercial crop and the plantation becomes fit for extraction of fibres from the fourth year. According to the norms fixed by the department the yield of sisal fibre would be 180 kg, 224 kg, and 270 kg per acre in the 4th, 5th and 6th year of plantation respectively. The cost of extraction and the sale price of sisal fibre fixed by Government were as under :

Year	Cost of extraction per acre (Rs.)	Sale price per tonne (Rs.)
1983-84	114	8,640
1984-85		
1985-86	150	9,110
1986-87	224	9,510
1987-88		9,600
1988-89		9,840

However, extraction of fibre was not made though the plants became mature in 1983-84, due to non-provision of funds. According to the Assistant Soil Conservation

Officer (ASCO), Keonjhar, the expected yield on the basis of field experience would have been one quintal per acre where plantation condition was moderate, even without full maintenance. Thus, on a conservative basis, the failure to extract the fibre between 1983-84 and 1988-89 resulted in a loss of Rs.10.73 lakhs to Government.

Government stated in September, 1989 that due to resource constraints, the fibre could not be extracted. The sisal plantations were made as a measure of soil conservation and extraction of fibre was incidental. Government further stated that a proposal to create a revolving fund in each district was being examined, so that there would not be any paucity of funds for timely extraction of sisal fibre in future.

3.13 Loss on disposal of seeds

According to the rules framed by the Department, stock of seeds remaining surplus after distribution to farmers during the kharif and rabi seasons is to be reported to the Civil Supplies authorities concerned, who should accept them by 15th October and 30th April each year on payment of procurement prices fixed by the Government. In case the Civil Supplies Department failed to accept them, the seeds were to be disposed of by public auction within a fortnight.

In the Kalahandi Range, Bhawanipatna, out of 2,734.04 quintals of seeds (soyabean, paddy and maize) procured at Rs.22.66 lakhs for distribution in kharif season, 1988 only 1,508.26 quintals, valuing Rs.9.27 lakhs, were distributed. The balance 1,225.78 quintals (valuing Rs.13.39 lakhs) was offered to the Civil Supplies Department in December, 1988. The Civil Supplies Department advised its agents to accept only the paddy seeds (valuing Rs.1.04 lakhs), but even this was not complied with, and the stock

was disposed of by public auction in January, 1989 at rates lower than the procurement prices. The total sale proceeds received by the Department was only Rs.3.56 lakhs, which represented a loss of Rs.9.83 lakhs.

The DDA stated in February/October, 1989 that according to a programme for extension of the area under soyabean cultivation, Government had allotted 1300.20 quintals of soyabean seeds against the indent of 200 quintals. Only 329.12 quintals of seeds were utilised during the kharif season, since no programme of extension was implemented. The disposal of stock of soyabean seeds alone had accounted for a loss of Rs.9.12 lakhs.

The matter was reported to Government in July 1989. The Department stated in November 1989 that due to sudden and continuous rains in June and July, 1988 the soyabean seeds could not be utilised as expected. This contention is not sustainable since heavy rains in June and July are a normal annual feature in the State.

3.14 Loss on account of pesticides

In the Kalahandi range, Bhawanipatna, pesticides worth Rs.4.50 lakhs procured and supplied by the Plant Protection Officer, Bhubaneswar, could not be used before their stipulated lifetime, as they were received towards the fag end of their shelf life. It was reported by the Deputy Director of Agriculture, Bhawanipatna, that the records relating to the case had been seized by Vigilance Department, and the matter was *sub-judice* (September 1990).

The matter was reported to Government in June, 1987; their reply has not been received (January 1991).

EDUCATION AND YOUTH SERVICES
DEPARTMENT

3.15 Expenditure on idle establishment

In October 1987, the Department ordered the closure of the Secondary Training School, Basta, in Balasore District, after the academic session 1987-88, with a view to accommodate the District Inspector of Schools of a new Education District proposed to be created in Basta. The Headmistress was transferred to another school in May, 1988, but the other members of staff were allowed to continue without any work from April, 1988 to February, 1990.

An expenditure of Rs.3.43 lakhs was incurred on the idle establishment from April, 1988 till February, 1990.

The matter was reported to Government in September 1989 ; their reply has not been received (January 1991).

3.16 Non-rendering of accounts of advances

Government colleges collect fees from students for extra-curricular activities like college unions, social service guilds, day scholars' association, and athletic and dramatic activities. Funds so collected are deposited in separate deposit accounts maintained in the Treasury.

A test-check of the accounts of four Government colleges at Cuttack, Puri, Koraput and Angul, conducted in July/September 1988 and March/April, 1989, revealed the following irregularities :

In four colleges, viz: (1) Ravenshaw college, Cuttack, (2) Women's college, Puri, (3) Government college, Angul and (4) DAV College, Koraput, advances of Rs.4.29 lakhs were paid during the period 1983-84 to 1988-89 to

office-bearers of the Unions, Guilds/Associations, to meet expenditure on extra curricular activities. Details of expenditure incurred and vouchers had not been received from the office-bearers who utilised the money. Year-wise details are given below :

Name of the College	Year of payment of advance	Amount (Rupees in lakhs)
1. Ravenshaw College, Cuttack	1986-87 to 1988-89	2.36
2. Women's College, Puri	1988-89	0.20
3. Government College, Angul	Up to 1983-84	0.97
	1984-85 to 1987-88	0.62
4. DAV College, Koraput	1987-88	0.14
		<u>4.29</u>

The Principals, in reply to Audit queries, stated in July, 1988 and April, 1989, that accounts and the vouchers would be obtained from the officials concerned and the advances adjusted.

The matter was reported to Government in September/November, 1988 and July, 1989 ; their reply has not been received (June 1990). The Principal of DAV College, Koraput, reported in December, 1989 that out of Rs.0.14 lakh relating to his College, a sum of Rs.0.08 lakh had since been adjusted.

GENERAL

3.17 Misappropriations, losses etc.

Cases of misappropriations, losses etc., of Government money reported to Audit up to the end of March, 1989, and on which final action was pending at the end of September 1989, were as follows :

	Number	Amount (In lakhs of rupees)
Cases reported up to the end of March, 1988, and outstanding at the end of September, 1988	1452	565.58
Cases reported during April, 1988 to March, 1989	142	72.24
Cases disposed of till September, 1989	67	15.10
Cases reported up to March, 1989, and outstanding at the end of September, 1989	1527	622.72

A Department-wise analysis of outstanding cases is given in Appendix 3.2. The periods for which

these are pending finalisation are given below : -

	Number	Amount (In lakhs of rupees)
(i) Over five years (1948-49 to 1982-83)	1,104	460.10
(ii) Exceeding three years and within five years 1983-84 to 1985-86	100	96.33
(iii) Up to three years 1986-87 to 1988-89	323	66.29
Total =	<u>1,527</u>	<u>622.72</u>

The reasons for which the cases were outstanding were as follows : -

	Number	Amount (In lakhs of rupees)
(i) Awaiting departmental and criminal investigation	370	110.62
(ii) Departmental action started but not finalised	817	425.02
(iii) Criminal proceedings finalised but execution/certificate cases for recovery of the amount pending	56	11.41
(iv) Awaiting orders for recovery or write off	174	37.52
(v) Pending in courts of Law	110	38.15
Total =	<u>1,527</u>	<u>622.72</u>

CHAPTER IV

WORKS EXPENDITURE

IRRIGATION AND POWER DEPARTMENT

4.1 Remal Medium Irrigation Project

4.1.1 Introduction

The Remal Medium Irrigation Project (Stage I) was commenced in 1974, for providing irrigation in certain tribal areas of Keonjhar District. It consisted of construction of an earth dam across the river Remal, spillway and canals for providing irrigation to 3,705 hectares in the kharif season and 2,118 hectares in the rabi season. Administrative approval for Rs.273.44 lakhs was accorded by Government in January, 1979. Subsequently, an appraisal report of the project for Rs.573.00 lakhs was submitted in July, 1979 to the World Bank for assistance. In August, 1985, the estimate of the project (Stage I) was revised to Rs.13,52.73 lakhs, but the revised administrative approval had not been accorded as of January, 1991.

The execution of the project was undertaken by the Baitarani Irrigation Division under the control of the Superintending Engineer, Northern Irrigation Circle. The overall technical supervision was exercised by the Chief Engineer, Medium Irrigation, and also by the Engineer-in-Chief, Irrigation, under the administrative control of Irrigation and Power Department.

A test-check of the records of Baitarani Irrigation Division, Salapada and the connected records in the offices of the Chief Engineer and Engineer-in-Chief, for the period from 1974 to 1989, was conducted during April and May, 1989. Points noticed are stated in the subsequent paragraphs.

4.1.2 Highlights

- Expenditure of Rs.1380 lakhs had been incurred till March, 1989 against the sanctioned estimate of Rs.273 lakhs. Revised estimates of Rs.1353 lakhs are yet to be sanctioned.
- The Dam was completed in 1985 and irrigation to 3,447 hectares in kharif and 872 hectares in rabi commenced from 1984-85, against 3,705/2,118 hectares planned.

[Paragraph 4.1.3]

- Expenditure on preparation of the dam base incurred by the Department, amounting to Rs.1.20 lakhs, was recoverable from the concerned contractor, but the recovery was not enforced.

[Paragraph 4.1.4(b)]

- Adoption of higher incorrect rates for new items of work, doubtful/incorrect measurements, and payment for below-specification work, resulted in overpayments of Rs.2.57 lakhs.

[Paragraph 4.1.4(c), 4.1.4(d) and 4.1.5]

- Improper execution of work resulted in compaction of additional earth and re-cutting, causing infructuous expenditure of Rs.0.96 lakh.

[Paragraph 4.1.4(d)]

- Irregular/infructuous expenditure of Rs.4.49 lakhs was incurred due to commencement of work before approval of design of spillway by the CWC.

[Paragraph 4.1.5(a) and 4.1.6(a)]

- Infertuous expenditure of Rs.0.87 lakh was incurred in the construction of aqueduct, due to inadequate pre-construction survey/investigation.
[Paragraph 4.1.6(b)]
- Improper estimation of work necessitated extra payment of Rs.2.04 lakhs to a contractor.
[Paragraph 4.1.6(c)]
- Hire charges of crushers amounting to Rs.5.89 lakhs were not realised from contractors.
[Paragraph 4.1.7(a)]
- Due to non-assessment of water cess from irrigated land, there was loss of revenue of Rs.8.58 lakhs.
[Paragraph 4.1.7(b)]
- Surplus spares of Rs.12.90 lakhs (including doubtful spares) of machinery were lying unused for over a period of seven years.
[Paragraph 4.1.7(c)]
- Utilisation of bulldozers for 11000 hours, involving consumption of 4.44 lakh litres of diesel (Rs.14.21 lakhs) shown, was doubtful.
[Paragraph 4.1.7(d)]

4.1.3 Against the revised estimated cost of Rs.1353.73 lakhs, the expenditure incurred till March, 1989 was Rs.1380.87 lakhs. The project was scheduled to be completed by March, 1982. The dam and appurtenant works were completed in August, 1985, while the distributory system was completed in March, 1987. The delay was attributed to changes in designs, slow progress of work by contractors, delay in acquisition of land and financial constraints. Against the envisaged annual irrigation of 3,705 hectares in kharif

season and 2,118 hectares in the rabi reason, 3,447 hectares in kharif and 872 hectares in rabi have been irrigated since 1984-85. The balance 258 hectares in kharif could not be covered due to the existence of forest land.

Some of the important points noticed in the execution of the scheme are given in the following paragraphs.

4.1.4 *Construction of the Dam*

(a) *Selection of contractor*

Construction of 'Earth Dam' was awarded to the lowest contractor in February, 1979 at a cost of Rs.148.12 lakhs, with stipulated date of completion given as February, 1981. In October, 1979, the contractor asked for enhancement of rates, owing to abnormal increase in wages and cost of material, and he slowed down the progress of work. Till May, 1980, he had executed only work worth Rs.34.46 lakhs. On the recommendation of the Additional Chief Engineer in October, 1982, Government approved the closure of contract without levy of penalty, subject to the condition that the contractor would not go in for arbitration. The balance work was entrusted to another contractor in November, 1980 at a cost of Rs.179.75 lakhs, for completion by November, 1982.

The work was completed only in February, 1984 at a cost of Rs.232.68 lakhs.

(b) *Non-recovery of cost of preparatory work*

The technical specifications to the contract for construction of the dam stipulated that the cost of preparation of the dam base in the beginning of each working season was the responsibility of the contractor. Ignoring

this condition, the Department incurred a total expenditure of Rs.1.20 lakhs on base preparation from 1981 to 1983 which though recoverable was not recovered from the concerned contractor. No reason has been furnished for the omission (January, 1991).

(c) *Extra payment for additional work*

i) In the execution of work of back filling of the flank walls, the contractor for the dam work executed an extra item of work "Excavation of any approved type of soil etc." and was paid (March, 1986) Rs.4.94 lakhs at Rs.20.00 per Cu.M. for 24,720 Cu.M. The agreement stipulated that the rates for the extra items of work not stipulated in the tender would be derived from the rates for similar items of work in the agreement; and that in the absence of such an item of work in the agreement in any given case, the rate would be derived from the Schedule of Rates. There was no similar item of work in the agreement, and the rate for the extra item executed by the contractor at the Schedule of Rates actually worked out to Rs.17.96 per Cu.M., instead of Rs.20.00 per Cu.M., admitted. This resulted in overpayment of Rs.0.50 lakh to the contractor. Reply of the Department was awaited (January, 1991).

ii) The contract for the earth dam provided for slope-cutting of 0.53 lakh Cu.M. Against the original dam length of 1,540 metres and height of 34.75 metres, the actual length and height were reduced to 1,454 metres and 34 metres respectively, keeping all other factors of design and slope unchanged. There was thus no scope for any increase in the quantity of the slope-cutting work done. But payment for 0.91 lakh Cu.M. of slope-cutting was made, against 0.53 lakh Cu.M. originally envisaged, resulting in doubtful payment of Rs.1.49 lakhs, (for 0.38 lakh Cu.M.).

(d) *Avoidable expenditure due to improper planning*

The approved drawing provided that the top of the earth dam should be maintained at Reduced Level (RL) 124 metres, including the 0.38 metre thickness of the road. After execution of the work, the dam height was found to be RL 124 metres excluding the road thickness. This necessitated cutting the compacted earth at the top of the dam by 0.33 metre thickness for executing the road work. Thus the expenditure of Rs.0.60 lakh on compaction and the expenditure of Rs.0.36 lakh incurred on cutting the compacted earth for construction of road were avoidable.

Government in their reply accepted (August 1990) the facts.

4.1.5 *Construction of spillway*

For construction of spillway, 6 tenders were received in October, 1981. The lowest 3 offers were rejected because of poor performance of the contractors in other projects. The fourth contractor was not considered as he had not executed any irrigation work earlier. The fifth lowest tender was accepted in November, 1981, for Rs.180.28 lakhs. The contractor completed the work in March, 1984 at a cost of Rs.191.58 lakhs, against the stipulated date of completion by November, 1982.

Technical specifications appended to the contract stipulated that in the composition of concrete the size of chips should not exceed 20 mm. Tests conducted (January, 1984) during the progress of work by the Quality Control Organisation revealed that in execution of 5,155 Cu.M. of reinforced concrete, the contractor had used chips of size 40 mm in 27 per cent of the work. Payment was made (March, 1986) to the contractor for the entire work for use of 20 mm chips, resulting in an excess payment of Rs.0.58 lakh.

(a) *Infructuous expenditure due to commencement of work before approval of design*

Before obtaining clearance to the design of the spillway from the Central Water Commission (CWC), the Baitarani Irrigation Division undertook construction of a chute-type spillway. Excavation of a portion of this work was entrusted to a contractor in February, 1979 at a cost of Rs.6.41 lakhs. The contractor excavated 0.31 lakh Cu.M. of different kinds of rocks, from RD Zero to 118 metres to a width of 111 metres. After inspection of site by the Appraisal Committee of CWC in July, 1979, the design of the spillway was changed in January, 1981 from chute-type to ogee-type* and its length reduced. The width of the approach channel from RD 30 to 270 m upstream was also changed to 66 metres, against the actual excavation of 111 metres in the same stretch already done. Thus, the additional excavation of 0.07 lakh Cu.M. made in the approach channel for the extra width of 45 metres, involving an expenditure of Rs.1.71 lakhs, proved infructuous. This could have been avoided had the excavation been carried out after approval of the design by CWC. Government accepted (August, 1990), the factual position in their reply.

4.1.6 *Work on Distributary system*

(a) *Irregular expenditure*

Before approval of the design of the spillway and spill channel by CWC, excavation of Remal left distributary, with bed width of 5.50 metres from 00 metres to 1080 metres, was awarded to a contractor in January, 1977, for completion by July, 1977. The work of construction

* Ogee-type of spillway is in the shape of a double or S curve. It serves the purpose of a slopping apron which ensures the formation of a standing curve for varying discharges.

of a canal syphon across the spill channel at RD 1147 metres was also awarded in February, 1979 to another contractor, for completion by June, 1979. The approval of the design of the spillway and spill channel by the CWC received in January, 1981, reduced the bed width of the left distributary from 5.50 metres to 3 metres. The new design did not include the work of canal syphon. By January, 1981 an amount of Rs.0.92 lakh had been spent in excavation of left distributary with bed width of 5.50 metres from 00 metre to 984 metres, a portion of which was refilled at a cost of Rs.1.57 lakhs to reduce the width from 5.50 metres to 3 metres. The amount spent on the excess excavation was Rs.0.19 lakh. The canal syphon which had also been completed (Rs.1.02 lakhs) was abandoned. Thus infructuous expenditure of Rs.2.78 lakhs (Rs.1.57 lakhs + Rs.1.02 lakhs + Rs.0.19 lakh) was incurred on execution of the work before the approval of the design by CWC. Government accepted (August, 1990) the factual position.

(b) *Construction of aqueducts*

The work of construction of an aqueduct at RD 2395 m of the Remal right distributary was awarded (October, 1980) to a contractor at a cost of Rs.19.59 lakhs, for completion by April, 1982. It involved construction of 17 piers by open excavation. After completion of foundation excavation for six piers (No.1, 2, 3, 15, 16 and 17), that for pier no.4 was taken up. Due to the existence of sand and sub-soil water at 1.25 metres below the natural soil level, the execution of the work was delayed. As the nature of excavation differed from that provided in the agreement, a special rate for such item was recommended in October, 1981 by the Executive Engineer to the Superintending Engineer. Before approval of the said rate, the excavation of foundation for the remaining piers was taken up in December, 1981. The same problem as in pier number 4 was met with in construction of piers No.5 and 6. To ascertain the foundation

strata, wash-boring test was conducted, and the method of construction was changed in November, 1982 from open excavation to well foundation for all the remaining 10 piers. Due to adoption of the revised method, the excavation made for piers no.5 and 6 had to be refilled. The Department incurred an expenditure of Rs.0.87 lakh on excavation and subsequent refilling for those two piers, which became infructuous. This was attributable to inadequate investigation and pre-construction survey. Government accepted the factual position (August, 1990).

(c) *Avoidable expenditure due to inadequate investigation*

The work of excavation of left distributary (RD 60 M to 900 M) was awarded in June, 1982 to the lowest tenderer, at a cost of Rs.13.74 lakhs, for completion by June, 1983. The agreement provided for hard compacted sheet rock blasting of 0.11 lakh Cu.M. The contractor completed the blasting work in March, 1985, and the actual quantity turned out to be 0.30 lakh Cu.M. (173 per cent more). According to the agreement, payment for the contracted quantity and 30 per cent extra was to be made at the contract price, and balance quantity of work was to be paid for at a price mutually agreed upon. Accordingly the Engineer-in-Chief negotiated and sanctioned in May, 1985 Rs.69 per Cu.M. for the extra work (14,576 Cu.M.), and admitted an additional payment of Rs.2.04 lakhs to the contractor on this account. The increase in quantity was attributed by the Department to inadequate investigation of the soil strata during pre-construction survey. Had this been done properly, a better overall rate could have been secured, and at least part of the extra expenditure could have been avoided. Government accepted (August, 1990) the position.

4.1.7 *Other points of interest*

(a) *Non-realisation of full hire charges of crushers*

6 stone crushers were given on hire to contractors during the period from March, 1979 to March, 1989, for 1,447 days. The crushers worked for 5,426 hours, at an average of 3.75 hours per day, against the standard of 8 hours per day.

Government had fixed separate rates of hire charges for use and idle charges. Though the crushers were used for 5,426 hours, the Department recovered hire charges for 2,231 hours only. The hire charges for the remaining 3,195 hours at the rate of Rs.71.95 per hour, amounting to Rs.2.30 lakhs, was not recovered.

Besides, for the idle days (1,878) when the crushers remained with the contractor, recovery at Rs.191.15 per day, amounting to Rs.3.59 lakhs, was not made.

The Executive Engineer stated in March, 1989 that as the crushers were given on hire on trial basis to interested agencies, recovery for idle time was not insisted upon. As regards short-recovery of hire charges for use, it was stated by the Executive Engineer that the recovery would be made after verification. Progress made is awaited (August, 1990).

(b) *Loss of revenue*

Water for irrigation was provided to farmers during kharif and rabi seasons since 1984-85. However, due to non-completion of verification of ayacut by the revenue authorities, the assessment of water cess has not been made. Consequently, during 1984-85 to 1989-90 Government sustained a loss of revenue of Rs.8.58 lakhs.

(c) *Delay in disposal of surplus spares of machinery*

Spares worth of Rs.12.90 lakhs procured during 1974 to 1982 for different items of machinery were lying in stock unutilised awaiting disposal (March, 1989). The stock included spares for bulldozers valued at Rs.6.52 lakhs. In February, 1982 the Sub-divisional Officer, Mechanical had pointed out that the spares were not genuine, and could not be fitted to the machines. Government accepted (August, 1990) the fact in their reply. Progress on disposal of the surplus is awaited (August, 1990).

(d) *Excess consumption of Diesel*

Compaction of earth left by contractors was done departmentally, using dozers of 20 ton capacity for 0.26 lakh hours during 1977 to 1982. According to the analysis of rates (1982/1986) one dozer of 20 ton capacity can compact 100 cubic metres of earth fill in one hour of work. For compaction of 11.06 lakhs Cu.M. of earth actually done, 0.11 lakh hours only were needed, against 0.26 lakh hours for which the dozers were shown as deployed. Thus, for the 0.15 lakh hours extra utilisation shown, 4.44 lakh litres of diesel (at 29.6 litres per hour) were consumed valued at Rs.14.21 lakhs (at Rs.3.20 per litre).

4.2 Upper Kolab Hydro-electric Project

Construction of Water Conductor System

The Upper Kolab Hydro-electric Project consisted of construction of a dam across the river Kolab in Koraput district, to impound the water for generating power and for irrigation and drinking. The water conductor system of the project was designed to channelise water from the reservoir to the generating units of the power house. It required construction of a

concrete lined head-race tunnel, a simple surge tank, two steel-lined pressure tunnels, and four surface steel pen stocks. Construction of the dam had been completed in December, 1985; and mention was made in paragraph 4.3 of the Report of the Comptroller and Auditor General of India for the year 1985-86, about certain aspects of its construction.

4.2.1 *Estimates and expenditure*

The approval of the Government was conveyed in 1972 for the construction of the water conductor system, at an estimated cost of Rs.1256.95 lakhs. The estimates were subsequently revised as follows:-

	(Rupees in lakhs)
1979	2,103.18
1983	3,496.60
1985	4,662.88
1987	5,091.88

Government's approval to the final revised estimates has not yet been received (March, 1990).

The expenditure incurred on the scheme till December, 1989 was Rs.4,508.20 lakhs.

4.2.2 *Progress of work*

The work on the water conductor system commenced in 1976-77, and was scheduled to be completed by 1983-84; but it was still in progress in March, 1990. Construction of head race tunnel was started in July, 1979 to be completed by February, 1982, but it was actually completed only in December, 1989.

The work on anchor blocks, two pressure tunnels, saddles and four surface penstocks was started in November, 1982, but had not been completed as of March, 1990. The left pressure tunnel, which carries water to two generating units (I and II) through two surface penstocks (A&B), was completed by November, 1987. The generating units I and II were started in December, 1987 and March, 1988 respectively. The right pressure tunnel, which carries water to the generating units III and IV through surface penstocks C and D was completed by December, 1989. The third generating unit was started in January, 1990. Construction of the penstock D to carry water to generating unit No. IV is in progress (March, 1990). The Chief Engineer attributed (July, 1989) the slow progress of work of penstock D to change in design between anchor blocks (IV) and (V). It was rescheduled to be completed by March, 1991.

Delay in execution of the work resulted in escalation in the project cost.

4.2.3 *Construction of head race tunnel*

In response to tender notice (August, 1978) for the construction of the head race tunnel, at an estimated value of Rs.877.68 lakhs, six firms submitted their offers. The lowest offer was Rs.1017 lakhs, while the Orissa Construction Corporation (OCC) quoted higher rates of Rs.1,074.60 lakhs for the work. The lowest tender was recommended by the Executive Engineer for acceptance in view of the contractor's experience in tunnel work. The Executive Engineer was also of the opinion that if the work was awarded to Orissa Construction Corporation, it would be delayed because of their lack of experience and inadequate machinery. Government, however, awarded the work (July, 1979) to OCC.

The work, which was scheduled for completion by February, 1982, was completed in December, 1989 after delay of over 7 years. During the execution the contract prices were enhanced, certain additional items of work were introduced, and undue financial advantage was extended to the Corporation; and payments totalling Rs.1,766.73 lakhs were made till December, 1989, against the contract value of Rs.1,074.60 lakhs. Some of these aspects are mentioned below:

(a) *Increase in contract price*

Though there was no clause in the agreement for escalation of contract prices, OCC requested for increase in rates on ground of unworkable rates tendered by them earlier in 1978. Government accepted the increase in rates for 6 items of work during June, 1983 to September, 1986, involving additional payments totalling Rs.628.63 lakhs. While sanctioning (February, 1985) the increase for an item, 'concrete lining in tunnel', Government limited the financial implication to Rs.381.30 lakhs, but an amount of Rs.505.51 lakhs was actually paid till December, 1989 (87th Running Account Bill) due to increase in the quantity of work done. For payment of the additional amount of Rs.124.21 lakhs Government approval was not sought (March, 1990).

(b) *Additional payment for intermediate shaft*

The agreement provided for the construction of an intermediate shaft at RD 2190 metres; and if additional shafts were constructed and plugged, they were to be done at the contractor's cost. In view of slippage in the stipulated date of completion (February, 1982) of the head race tunnel, and to facilitate commissioning of the first unit by June, 1984, Government permitted in February, 1981 the construction of an additional shaft and its plugging, as a fresh item of work at a cost of Rs.18.38 lakhs. Rs.4.48 lakhs

was also admitted for de-watering in construction of 14 additional shafts. The work was only partly completed when the first generating unit was commissioned in December, 1987. Thus, in spite of the additional payment of Rs.22.86 lakhs, the objective of power generation by June, 1984 was not achieved.

(c) *Pack grouting*

According to the conditions of the agreement, the rate for concrete lining was inclusive of pack grouting. In February, 1985 Government agreed to increase the accepted for concrete lining from Rs.450 per Cu.M. to Rs.950 per Cu.M. Despite this revision which included pack grouting, OCC requested in March, 1987 for additional payment for pack grouting which was recommended by the Chief Engineer.Government in August, 1987 sanctioned pack grouting as an extra item, @ Rs.2,200 per tonne for 3,036 tonnes, but limited the payment to Rs.46.62 lakhs. However, Rs.54.58 lakhs was paid for 3,717.95 tonnes of grouting till December, 1989 without the approval of Government.

(d) *Muck clearance*

Muck clearance was the responsibility of the contractor, who, however, demanded additional payment for the work. It was initially turned down by the Chief Engineer in April, 1986. Soon thereafter, however, in July, 1986 the Chief Engineer recommended the payment. Government approved in September, 1986 payment for muck clearance as an extra item, @ Rs.143.70 per Cu.M. for 5,400 Cu.M. to be limited to Rs.7.76 lakhs. An amount of Rs.7.97 lakhs was paid to OCC for a quantity of 5,545.6 Cu.M.

(e) *Payment of advances*

Although the agreement did not provide for payment of any advance to the Orissa Construction Corporation yet, at the request of the corporation Government sanctioned advances for procurement of machinery aggregating to Rs.236.20 lakhs (Rs.121.20 lakhs in March, 1980; Rs.115.00 lakhs in February, 1982) with interest at 12 per cent per annum. The principal was recovered by January, 1989. Of the interest amounting to Rs.110.99 lakhs due, only Rs.81.19 lakhs had been recovered till March, 1989.

(f) *Unauthorised benefit in issue of steel*

The agreement provided for supply of mild steel (MS) rounds and ribbed tor (RT) steel from Departmental stores at Rs.2,500 and Rs.2,800 per tonne respectively. For Departmental supply of materials not provided in the agreement for *bona fide* use in the work, recoveries were to be made at the issue rate or the market rate, whichever was higher.

479.717 tonnes of structural steel, viz: MS angles, RS joists, channels, MS plates etc., which had not been provided in the contract for issue, were supplied to OCC between January, 1980 and April, 1987 for use in the work. The cost of the items was recovered at the rate of Rs.2,500 per tonne, as for MS rounds, instead of at the prevailing higher issue rates for the respective items, resulting in undue financial benefit of Rs.19.93 lakhs to OCC.

(g) *Non-recovery/short recovery of dues*

The following dues were also outstanding for recovery from OCC under the contract:

(Rupees in lakhs)

(a)	Cost of crushers sold in April, 1985	2.90
(b)	Hire charges for 4 tippers short-recovered	4.93
(c)	Rent/water charges for residential accommodation provided	2.15
(d)	Cost of welding in heavily reinforced sections	0.96
	Total	<u>10.94</u>

Besides, the cost of installation, rent, etc. of 3 telephones provided to OCC were not recovered.

4.2.4 *Construction of anchor blocks, saddles and penstock tunnels*

The work of construction of anchor blocks, saddles and penstock tunnels (estimated cost Rs.365.00 lakhs) was also entrusted in November, 1982 to Orissa Construction Corporation, at their offered quotation of Rs.445.65 lakhs, after rejection of lower offers received on grounds of inexperience and lack of technical skill of the tenderers. The work, which was stipulated for completion by 23rd November, 1984 was still in progress (March, 1990). OCC had been paid Rs.519.44 lakhs up to March, 1990.

(a) Although there was no condition in the agreement for revision of rates, during execution Government enhanced in September, 1986 the rates of five items of the work, at the request of Orissa Construction Corporation. The main consideration for enhancement of rates was that

the construction of penstock line A could be completed by December, 1986, to enable the first generating unit to be commissioned by March, 1987. But the work of the concerned penstock line was actually completed by the end of November, 1987, and the first generating unit was commissioned only in December, 1987. Thus the additional expenditure of Rs.68.91 lakhs incurred due to payment for these items at enhanced rates did not yield the desired result.

(b) In terms of the agreement for this work, OCC was paid in March, 1983 an advance of Rs.100 lakhs, bearing 12 per cent interest per annum, of which only Rs.97.58 lakhs was realised. The balance of Rs.2.42 lakhs, and Rs.40.81 lakhs out of the total interest of Rs.47.44 lakhs, had not been recovered owing to the financial stringency of the Corporation (March, 1990).

4.2.5 *Other points of interest*

The Upper Kolab Roads & Buildings Division procured scientific instruments (Rs.0.50 lakh) and paid Rs.0.63 lakh in July, 1981 to the Central Building Research Institute, Roorkee (CBRI) for their installation at the head race tunnel, for monitoring the behaviour of rock mass during construction. But the Executive Engineer intimated the Chief Engineer in June, 1984 that the instruments had not been installed, and were lying in stock since procurement. He added that they would no longer be required since the tunnel work had been completed. The instruments were still (March, 1990) lying in stock without use. Recovery of the advance paid to CBRI also not been made (May, 1990).

The matter was reported to Government in May, 1990; their reply has not been received (January, 1991).

4.3 Construction of Hanumantia minor irrigation project

Construction of the Hanumantia irrigation project head-works was awarded by the Executive Engineer, Minor Irrigation division, Keonjhar in October, 1980, to the lowest tenderer at a cost of Rs.33.86 lakhs against the estimated cost of Rs.32.27 lakhs. The work was to be completed by October, 1982. It was, however, completed (at a cost of Rs.45.62 lakhs) only in March, 1985, due to delay in acquisition of land.

A test-check of records conducted during June, 1989 revealed the following points:-

(i) The contractor had been paid (till March, 1984) Rs.48.25 lakhs; but in July, 1988, when the final bill prepared, the actual work executed was found to be worth only Rs.45.62 lakhs. Rs.2.63 lakhs had been excess paid to the contractor on four items of work.

(ii) The contractor did not return 4,944 bags of cement issued in excess of the actual needs; Rs.7.17 lakhs were recoverable from him on this account. Besides, he had not returned materials like AC sheets, GCI sheets, tarpaulins, etc. the cost of which had not yet been assessed by the Division (November, 1990).

(iii) Rs.5.46 lakhs being the cost of materials such as cement, steel, etc. supplied by the Department and Rs.0.02 lakh towards hire charges of (Departmental) Dozer were recoverable from the contractor.

Against the amount of over Rs.15.28 lakhs due for recovery from the contractor, only Rs.0.71 lakh towards security deposit was available with the Division.

The matter was reported to Government in July, 1989; their reply has not been received (January, 1991).

4.4 Construction of Harabhangi irrigation project

A contract for construction of earth dam from RD zero to 690 metres of Harabhangi Irrigation Project was awarded to Orissa Construction Corporation Limited (OCC) in March, 1981 at a negotiated amount of Rs.482.31 lakhs. The work was to be completed by March, 1985. Simultaneously, Government sanctioned payment of Rs.100 lakhs to OCC in March, 1981, as a mobilisation advance to be recovered with interest at 12 per cent per annum. The recovery was to be completed before the final payment, from the interim running payment bills. The Executive Engineer, Harabhangi Irrigation Division No.1 advanced Rs.82 lakhs in the same month.

The Corporation executed work valued at Rs.133.86 lakhs by January, 1985. As the progress of work was slow the balance work was re-tendered; but the agreement with OCC was not terminated. The balance work was awarded to a new contractor in August, 1986 at a cost of Rs.359.04 lakhs for completion by October, 1989. Compared with the agreement with OCC, the new contract cost was higher by Rs.10.59 lakhs. The work was in progress as of August, 1990.

Out of the advance of Rs.82 lakhs paid to OCC, Rs.28.05 lakhs were recovered, leaving a balance principal amount of Rs.53.95 lakhs and interest of Rs.46.44 lakhs (July, 1990). Only Rs.5.97 lakhs including the security deposit of Rs.2.02 lakhs is due for payment to the Corporation. The Corporation was not only given financial aid by way of advance outside the scope of the contract, but the outstanding amount had not been recovered even four years after the work was entrusted to another agency, because earlier agreement has not been terminated. The work under the new contract (August, 1986) is not being executed at the risk and expense of the OCC despite the latter's default.

The matter was reported to Government in May, 1989. Government in their reply in August, 1990, accepted the factual position.

4.5 Construction of Jaunria Minor Irrigation Project

The Executive Engineer, Keonjhar Minor Irrigation Division, awarded (June, 1982) the work of construction of headworks of Jaunria Minor Irrigation Project to a tenderer at a cost of Rs.43.91 lakhs, to be completed by June, 1984. In January, 1986 the contractor applied for extension of time up to March, 1987, on grounds of delay in acquisition of land by the Department. He suspended further execution of the work in June, 1986. The Superintending Engineer recommended to the Chief Engineer, Minor Irrigation in October, 1988 for closure of the contract without penalty, on the grounds of delay in acquisition of land. Pending approval to the same, the balance work was awarded (April, 1989) to another contractor for Rs.34.11 lakhs, at an extra cost of Rs.5.06 lakhs.

The first contractor was paid Rs.28.57 lakhs in running account bills, though the actual work executed was found on measurement in March, 1987 to be worth only Rs.23.40 lakhs. This excess payment of Rs.5.17 lakhs was due to incorrect measurements, and the Superintending Engineer ordered an enquiry. But no action has been taken so far (June, 1989).

Besides such overpayment, Rs.3.16 lakhs is also outstanding for recovery from the contractor towards the cost of materials issued, hire charges of machinery and royalty. Against Rs.8.33 lakhs recoverable from the contractor, a security deposit of Rs.1.92 lakhs only was available with the Division (June, 1989).

The matter was reported to Government in July, 1989; in their reply in November, 1990 Government accepted their factual position.

4.6 Improper selection of site of works

To protect agricultural land from entry of sea water, the work of closing Kathagadi nallah, along with repairs to the saline embankment protecting the lands, was sanctioned in 1984-85 at an estimated cost of Rs.8.02 lakhs. The work was awarded to the lowest tenderer by the Jagatsinghpur Irrigation Division even before sanction of the estimate in June, 1983 for Rs.7.02 lakhs, and it was scheduled to be completed by September 1983.

By June, 1984 the contractor had executed earthwork and collected stones of the total value of Rs.2.63 lakhs only. The slow progress of the work was attributed to obstruction caused by tidal waves, and protests of the local people against plying contractors' trucks across their fields. The Department had found that the earthwork done and the stones dumped by the contractor had been washed away by natural wave action. The tidal waves had also eroded the banks of the nallah to a depth of 9 metres. Owing to the unsuitability of the site, the work was abandoned, and the contract was closed in January, 1985.

Since the work done by the contractor was washed away, the work worth Rs.2.63 lakhs as per the measurement recorded prior to June, 1984 was treated as final and he was paid his dues.

An alternative site for closing the nallah was selected 120 metres upstream, the old axis having identical topographical conditions. The work (estimated cost at Rs.6.71 lakhs) at the new site was awarded in November, 1975 to another contractor for Rs.8.29 lakhs. It was completed in May, 1985 (Rs.7.66 lakhs).

The Executive Engineer stated (December, 1988) that the work done by the earlier contractor would serve as a launching apron to nullify the tidal effect on the new site of the work. It was also stated that the expenditure on the earlier contract was incurred as an experiment on trial basis to investigate the tidal effect on the site.

There was neither a provision in the estimate nor was any necessity felt earlier for construction of a launching apron. Further, the earlier work done could not be treated as an experiment or a trial, as the estimates did not provide for investigations or trials. In any case, the entire earthwork done and stones collected by the first contractor had been washed away. The contention of the Executive Engineer is not therefore tenable.

Improper selection of site thus resulted in infructuous expenditure of Rs.2.63 lakhs.

The matter was reported to the Government in April, 1989, who in their reply in August, 1990 accepted the position.

4.7 Unauthorised benefit to a contractor

Construction of Bhaludhar Minor Irrigation Project (headworks) was entrusted (March, 1983) to a contractor at a cost of Rs.37.01 lakhs for completion by March, 1984. The contract provided for compaction of 0.89 lakh Cu.M. of earthwork by sheep-foot rollers after watering, including charges for machinery and water at Rs.300 per 100 Cu.M. The contractor executed 0.72 lakh Cu.M. of work, and was paid (December, 1986) Rs.2.17 lakhs.

The Department incurred an expenditure of Rs.0.65 lakh on the supply of water to the contractor for compaction, but it was not recovered from him.

The matter was reported to Government in April, 1989; their reply has not been received (January, 1991).

4.8 Avoidable expenditure due to inadequate survey

The Executive Engineer, Minor Irrigation Division, Keonjhar, invited tenders in March, 1982 for the job "surplus channel cutting and construction of guide bank at Garh Minor Irrigation Project", estimated to cost Rs.2.85 lakhs, consisting of 4 items of work. Two tenders were received, for Rs.6.16 lakhs and Rs.4.48 lakhs respectively. The Chief Engineer, Minor Irrigation, awarded the work in June, 1982 to the lower tenderer for Rs.4.28 lakhs, after negotiations resulting in reduction of rates of 3 of the 4 items of work.

The work was commenced in July, 1982 according to the preliminary survey. In September, 1982, the Superintending Engineer, North Minor Irrigation Circle, Sambalpur inspected the site, and found that construction of a 10 feet fall to negotiate the spill-channel with the parent nallah, as provided in the estimate, was not necessary. He ordered a detailed survey, on the basis of which the alignment was changed and the construction of the fall was abandoned. The work was completed in March, 1984 at a cost of Rs.3.92 lakhs, against the contract value of Rs.4.28 lakhs.

A test-check in May, 1989 revealed that the change of alignment resulted in non-execution of the two items of work relating to the fall in respect of which reduction in rates, were negotiated earlier.

The cost of the work actually executed at the prices quoted by the tenderer whose offer was not accepted in June, 1982 worked out to Rs.3.15 lakhs against Rs.3.92 lakhs paid. This resulted in extra expenditure of Rs.0.77 lakh. This could have been avoided had adequate and detailed survey been carried out and details of the works correctly indicated in the tenders.

The matter was reported to Government in June 1989; who accepted the factual position in November, 1990.

4.9 Extra expenditure due to execution of substandard work

The aqueduct at RD 39.127 Km of the Sakhigopal branch canal of the Delta Irrigation Project, constructed in 1978 at a cost of Rs.2.81 lakhs, was damaged in May, 1984. The Chief Engineer, Delta and Flood Control, inspected the site in May, 1984, and attributed the failure to execution of substandard work in the wing walls and in the foundation concrete. The damage was repaired at a cost of Rs.0.38 lakh in February, 1986. Again in November, 1988, the aqueduct collapsed owing to failure of the piers. The Chief Engineer in February, 1989 sanctioned an estimate for Rs.12.40 lakhs for reconstruction of the aqueduct departmentally; against this an amount of Rs.3.17 lakhs was spent upto June, 1990.

A test-check of the records conducted by Audit in March, 1989, relating to the accounts of the Superintending Engineer, Central Irrigation Circle, Bhubaneswar, revealed that the execution of sub-standard work had not been pointed out during execution. No departmental investigation or action to fix responsibility for the sub-standard work, leading to the premature collapse of the aqueduct (normal life 50 years), has been undertaken.

The matter was reported to Government in August, 1989. Government in August, 1990 accepted the factual position.

4.10 Loss due to short-recovery of royalty

Contractors are required to pay royalties for minor minerals extracted during execution of works. The rates of royalty were enhanced by Government from 1st June 1983. The Gazette Notification was issued in June, 1989. The Divisions were also intimated by the Tahsildar concerned of the increase in March, 1987. Nevertheless, in 4 Divisions under the Potteru Irrigation Project during the period from April, 1987 to October, 1988, there were short-realizations of royalty of Rs.1.32 lakhs, as the amounts were recovered at pre-revised rates. One Division reported in March, 1989 that in some cases where the final bills had already been finalised it was not possible to collect royalty at the enhanced rates. The amounts due for recovery from those contractors were not however furnished.

The matter was reported to Government in September, 1989; their reply has not been received (January, 1991).

4.11 Payment due to acceptance of tender without scrutiny

In the sanctioned estimate of construction of Kapur earth dam of Upper Indravati Project, grouting in soil/rock/masonry/concrete in foundation cut-off trench was provided at Rs.389 per 50 kg of solid grout material. The grout material was a mixture of cement, water and (if necessary) sand. The price of solid grout material was arrived at after taking into account only the cost of cement and the overhead charges.

But while preparing the tender schedule, the word 'solid' was omitted. Against the estimated price of Rs.389 per 50 kg of solid grout material, the contracting firm quoted Rs.135 per 50 kg of grout material. As its price was too

low in comparison to the estimate, the firm was asked to furnish the analysis of its price. Instead, the firm intimated its willingness to execute the work at the tendered price. The Department accepted the offer without examining the true implications.

Against the estimated quantity of 1.81 lakh kg of solid grout material consisting of only cement, the contracting firm used 11.90 lakh kg of grout, in which the quantities of cement and water were 2.79 lakh and 9.11 lakh kg respectively. The claim of the firm for payment at the tendered price was accepted by the General Manager, Upper Indravati Project, and Rs.32.12 lakhs were paid (January, 1989). The General Manager also intimated the Government about the payment.

For use of 2.79 lakh kg of solid grout (priced for the cement concrete only, as in the estimates), the payment admissible at the estimated price (of Rs.389 per 50 kg) was Rs.21.71 lakhs. Failure to analyse the consequences before accepting the offer of the contractor resulted in payment of additional Rs.10.41 lakhs to the contractor.

The matter was reported to Government in May, 1990; their reply has not been received (January, 1991).

4.12 Financial benefit to a contractor due to over-estimation

In December, 1985 in the construction of Indravati Dam, on the advice of Central Water Commission to check seepage of water, a supplementary agreement for execution of an additional item of work of sandwich concrete (strength M-125) was entered into with a contractor, at the agreed rate of Rs.632.75 per Cu.M. In August, 1986, by which time the contractor had executed 6,091 Cu.M. of work against an estimated quantity of 17,764 Cu.M., it was decided to change the specification, and the work was stopped.

The rate of Rs.632.75 per Cu.M. of concrete was fixed by assessing the quantity of cement to be used as 275 kg per Cu.M. But according to the statement of materials attached to the paid bills the quantity of cement used worked out to only 246.47 kg per Cu.M. of concrete. The Division paid (October, 1988) Rs.38.54 lakhs to the contractor for execution of 6,091 Cu.M. of concrete, at the full price of Rs.632.75 per Cu.M. This resulted in undue benefit to the contractor of Rs.1.79 lakhs, at the rate of Rs.29.38 per Cu.M. of the work executed.

The reasons for less consumption of cement at 246.47 kg per Cu.M. of concrete when the requirement specified was 275 kg was not recorded. However, since the average consumption shown was 246.47 kg per Cu.M., the work executed was apparently of inferior specification, while the contractor had been paid the full price. Laboratory tests conducted in November, 1988 on sample cubes revealed the cement used was 260 kg per Cu.M. of concrete in those samples.

The matter was reported to Government in September, 1989; their reply has not been received (January, 1991).

WORKS DEPARTMENT

4.13 Undue financial benefits afforded to contractor M/s Orissa Bridge and Construction Corporation Limited

In August, 1983, the Works Department prescribed the following conditions for bridge construction entrusted to the Orissa Bridge and Construction Corporation Limited (Corporation).

- i) the Corporation would be allotted bridge construction works, with estimated value totalling Rs.600 lakhs per year, without inviting tenders;

- ii) they would be paid additional overhead charges at 15 *per cent* on the value of works executed, besides the 12.5 *per cent* overhead charge already provided in the Schedule of Rates;
- iii) funds required for the execution of the works would be paid as advance, free of interest; and
- iv) maintenance of accounts and work records, including check measurements, would be the responsibility of the Corporation, and not that of the Public Works Divisions. The PWD Engineers would only be required to monitor the works and ensure that proportionate progress was achieved.

The total number of works entrusted to the Corporation between 1983 and March, 1990 was 70. Formal contracts only for six works (Rs.345.56 lakhs) had been entered into (March, 1990), and the entire cost of the works was paid to the Corporation as advance to be adjusted on completion. For the remaining 64 works (Rs.2,223.50 lakhs) no formal agreements were signed, but the entire cost was paid in advance and debited as final expenditure in the books of respective Public Works Divisions.

The action of debiting the advances Rs.2,223.50 lakhs as actual expenditure in the books of the Divisions, leaving no scope for watching the adjustment of the amount on completion of the works was not only against the principles of normal accounting, but allowed huge amounts of money to remain outside Government accounts.

The Schedule of Rates approved by the Government of Orissa in Works Department permits only levy of 12.5 *per cent* overhead charges above the rates approved for each item of work. In the case of the Corporation, Government agreed to the payment of additional overheads at 15 *per cent*

on the value of the works, apart from the usual charges. On the unusual payment being pointed out by Audit (March, 1990), the Government disallowed (March, 1990) the additional overhead charges of 15 *per cent* for future works but the payment of Rs.385.37 lakhs already made till March, 1989 on this account was not recovered.

The Divisions were not aware of the progress achieved in the works entrusted to the Corporation. Detailed accounts of expenditure were also not being received by them.

The matter was reported to Government in September, 1989. They accepted the factual position in August, 1990, but did not offer any comments on the points raised.

4.14 Infertuous expenditure due to non-construction of embankment upto designed height

The work of constructing an embankment 120 mm long to a height of 30.075 metres over the Ramchandi Nallah, to close the sea creek, was approved by Government in March, 1986 for Rs.10.96 lakhs. In April, 1987 the Chief Engineer ordered execution of the work departmentally, to be completed before the monsoon. On the grounds that the tidal heights in the past had not exceeded RL 28 metres, the Executive Engineer, Cuttack (R&B)-II decided that a reduced height of 29 metres would be sufficient for the embankment. The work was started on 20th January, 1988 and was completed on 16th February, 1988, raising the embankment to a height (RL) 29 metres at a cost of Rs.7.59 lakhs. One day later, on 17th February, 1988 the tidal level at the creek reached RL 29.80 metres and washed away a portion (35 metres) of the embankment. The damaged portion (cost of Rs.2.21 lakhs) was reconstructed by 26 February, 1988 after incurring further expenditure of Rs.2.91 lakhs.

The decision to reduce the level of the embankment resulted in an infructuous expenditure of Rs.2.21 lakhs, being the cost of the portion washed away.

The matter was reported to Government in May, 1989; they accepted the factual position in August, 1990.

4.15 Infructuous expenditure

To provide road communication to four Gram-panchayats in Koraput district, the Executive Engineer, Project Division (PD), Rayagada, awarded in November, 1981 the construction of a hume-pipe vented causeway over Ranidurga nallah on Sodabadi-Phulkona road to a contractor at a cost of Rs.3.19 lakhs. The work was to be completed by August, 1982. The contractor left the job incomplete after executing work worth Rs.2.73 lakhs by May, 1983, and the contract was closed. The balance work was not taken up but was abandoned, as the site was considered unsuitable. In November, 1985 the Government approved an estimate (Rs.21.90 lakhs) for construction of a high-level bridge at a fresh site, 61 metres downstream of the incomplete vented causeway. The work was in progress as of August, 1990.

Rs.2.33 lakhs on account of the cost of stores issued but not utilised, as well as miscellaneous hire charges, are recoverable from the defaulting contractor, against Rs.0.48 lakh due to him. No action has been taken for realisation of the balance amount. In September, 1985 Government decided to fix the responsibility for the improper selection of site for the construction of the causeway, which had resulted in unfruitful expenditure of Rs.2.73 lakhs. But no action had been taken as of August, 1990.

The matter was reported to Government in May, 1989; they accepted the factual position in November, 1990.

4.16 Avoidable excess expenditure on improvement of Panikoili - Keonjhar Road

The work of improvement to Panikoili - Keonjhar Road from zero km to 11/6 km, at an estimated cost of Rs.42.75 lakhs, was awarded in September - October, 1987 to four contractors. It was completed in March/April, 1988, at a total cost of Rs.44.80 lakhs.

Soon afterwards, the surface of the road failed as rain water seeped through the cracked black topped layer and damaged the crust at several places. The Executive Engineer, Panikoili (R&B) Division, issued notices in June, 1988 to the contractors to rectify the defects; but they did not respond.

After inspecting the site in July, 1988, the Superintending Engineer concerned and the Chief Engineer (Roads) attributed the failure to: (i) use of inferior quality *moorum*, which was also pointed out by the quality control authority during execution of works, (ii) non-removal of the thick crust of *moorum* with plasticity before black-topping; and (iii) consolidation of metal directly over the old bituminous wearing surface, without cutting as required in the approved specification.

In order to make the road fit for movement of traffic, repair work was taken up by the Department between July, 1988 and November, 1988 at a cost of Rs.2.55 lakhs. No responsibility for failure of supervision had been fixed (August, 1990).

The matter was reported to Government in May, 1989; they accepted the factual position in August, 1990.

4.17 Extra expenditure due to execution of substandard work

Construction of the right approach to a high-level bridge over river Baitarani near Anandpur was executed by the Executive Engineer, Anandpur (R&B) Division, through two contractors and was completed in November, 1984 at a cost of Rs.17.67 lakhs. The bridge was opened to traffic from June, 1986. By August, 1987 the road crust in the right approach was damaged at several locations, as the metallic layer had sunk into the sub-grade, causing upheavels. The Engineer-in-Chief and the Chief Engineer, Research Development and Quality Promotion (R&B), inspected the site in August/September, 1987. The cause of damage and failure of the road within a short time were attributed to (i) the sub-grade and sub-base not being of the desired density, (ii) construction of sub-base with clay soil, (iii) Crust Bearing Ratio (CBR) value test of the soil used in the top layer not conducted, and (iv) thickness of the road crust not being adequate.

In order to make the road suitable for traffic, repair work was taken up departmentally in August, 1987 at a cost of Rs.4.12 lakhs and was completed in November, 1989.

Responsibility for the poor supervision of the earlier works has not been fixed (August, 1990).

The matter was reported to Government in August, 1989; they accepted the factual position in November, 1990.

4.18 Construction of submersible bridge over Mushal Nallah

The Executive Engineer, National Highway Division, Keonjhar, invited tenders in February, 1984 for construction of a submersible bridge over Mushal Nallah, on the Pandapara-Harichandanpur road, within one year at an estimated cost

of Rs.11.72 lakhs. The lowest tender for Rs.11.32 lakhs was rejected by the Chief Engineer, National Highway and Projects, in June, 1984 on the grounds that the contractor had no previous experience in bridge work, and that his capability for completing the work within the scheduled period of one year was doubtful.

As ordered by the Chief Engineer, the work was taken up in June, 1984 through seven job contractors, who had also no previous experience in bridge work, with a stipulation to complete the work by June, 1985. The bridge proper was, however, completed in August, 1986 (delayed by fourteen months) at a cost of Rs.15.94 lakhs, and it was opened to traffic in April, 1987. Neither the original estimate was sanctioned, nor any revised estimate on the basis of the actual work done was prepared (June, 1989).

Computed at the rates offered by the rejected tenderer, the value of actual work done worked out to Rs.11.27 lakhs, against Rs.15.94 lakhs incurred by the Department by undertaking it through job contractors. The decision to execute the work through job workers resulted in extra avoidable expenditure of Rs.4.67 lakhs, and also delayed the completion of the work by 14 months.

The matter was reported to Government in June, 1989 which has been accepted by Government in August, 1990.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.19 **Extra expenditure in laying of pipelines**

The Housing and Urban Development Department approved in March, 1983 an Integrated Water Supply Scheme, estimated to cost of Rs.208 lakhs, for supply of drinking water to the Joda Notified Area Council (NAC) and other

mines. It included Rs.57.20 lakhs for the distribution system. In October, 1984 four contractors were awarded the work of laying the pipelines at a cost of Rs.23.49 lakhs.

Cast-iron (spun) pressure pipes worth of Rs.29.30 lakhs, purchased by the Department from 3 firms between March, 1984 and March, 1986, were supplied from July, 1985 to March, 1986 to the contractors for laying the line. The contractors completed the work between November, 1985 and November, 1988 in a phased manner, and were paid Rs.20.60 lakhs upto November, 1988. Testing the pipelines under hydraulic pressure was done during August, 1987 to April, 1989.

The pipelines, during test, burst at 205 places and leakages were noticed in 6 joints. The Chief Engineer, Public Health (September, 1988) attributed the failure to the use of substandard pipes and careless handling. The contractors repaired the 6 joints. The suppliers replaced, free of cost, 42 pipes out of 205, and expressed their inability to replace the remaining ones on the ground that contractual obligation had already expired. The contention of the Chief Engineer attributing the damage due to substandard pipes was refuted by the suppliers; they stated that according to the joint inspection reports of the Department and the contractors, the pipes had burst due to hair-cracks developed during unloading and transportation to the site by the Department. Though the Chief Engineer also admitted (September, 1988) that damage to the pipes had occurred due to mis-handling, there is no record of any departmental action taken in this regard. The Department replaced the damaged pipes at a cost of Rs.5.77 lakhs, and the scheme was commissioned in May, 1989.

The matter was reported in August, 1989 to Government, who accepted the factual position in August, 1990.

4.20 **Avoidable expenditure of Rs.2.51 lakhs due to lack of co-ordination**

To protect the water pipeline (14") from Kuakhai river to Bhubaneswar crossing the National Highway No.5 at Rasulgarh junction, and to facilitate maintenance and repair, the Chief Engineer, Public Health, accorded administrative approval in August, 1986 for construction of a culvert costing Rs.5.65 lakhs.

The construction of the culvert was executed by the National Highway Division, Bhubaneswar, through a contractor. It was completed in September, 1987 at a cost of Rs.4.59 lakhs. In June, 1987, the Executive Engineer, Public Health Maintenance Division No.II, Bhubaneswar, pointed out to the Executive Engineer, National Highway Division, Bhubaneswar, that as the pipe had been buried under the load-bearing wall of the culvert, it was not accessible for repairs and suggested rectification of the wall; but this suggestion was not acted upon. In July, 1987 the Executive Engineer, Maintenance Division No.II, prepared an estimate for Rs.3.41 lakhs for providing a parallel mild-steel pipeline of 130 metres to replace the existing cast-iron pipeline in the culvert, so as to make it accessible for repair work. Under orders of the Superintending Engineer, Public Health Circle, Bhubaneswar, the work was completed in March, 1988 at a cost of Rs.2.51 lakhs, for which no administrative approval has been accorded. Lack of proper co-ordination between the National Highway authorities and Public Health authorities, resulted in an avoidable expenditure of Rs.2.51 lakhs in laying the parallel pipeline. No responsibility has been fixed for this.

The matter was reported to Government in August, 1989; Government communicated (August, 1990) their acceptance of factual position.

CHAPTER V

STORES AND STOCK ACCOUNT

A-PUBLIC WORKS IRRIGATION AND POWER DEPARTMENT

5.1 Avoidable extra expenditure (Potteru Irrigation Project)

The State's industrial policy stipulates that articles for which prices and rate contract holding firms have been fixed by the Director of Export Promotion (EPM), should be purchased directly from those firms without tenders/quotations. The rate contract for -hume pipes (900/1200 mm dia) with two firms was approved by EPM in July, 1987, and intimation to this effect was received by the Chief Engineer, Potteru Irrigation Project, in August, 1987. Nevertheless, in November, 1987 the Chief Engineer placed orders with 3 firms for the supply of these pipes at prices which were higher than those in the rate contract.

The approved prices of EPM were Rs.1,227.55 each for 1,200 mm size and Rs.753.35 each for 900 mm size pipes, whereas purchases were made at Rs.1,375 and Rs.860 per pipe respectively. Computed at the prices approved by EPM, the extra expenditure on the purchase (597 pipes of 1,200 mm dia and 300 pipes of 900 mm dia) worked out to Rs.1.20 lakhs.

The matter was reported to Government in May and July, 1989; their reply has not been received (January, 1991).

5.2 Purchase of consumable stores

The Executive Engineer, Stores and Mechanical Division, Mahanadi Birupa Barrage Project, procured in October/November, 1985 without inviting tenders, 104 Neoprene bridge bearings at a cost of Rs.2.91 lakhs.

The Superintending Engineer reported, in September, 1987, to the Chief Engineer that the bearings were not in conformity with the design specification and were unsuitable for the work. Though the Executive Engineer intimated in August, 1989 that the material would be utilised in other works, these had not been used as of August, 1990.

The matter was reported to Government in August, 1989, who in their reply in August, 1990, accepted the factual position.

5.3 Avoidable extra expenditure (Upper Kolab Project)

In March, 1987 the Industrial Development Corporation of Orissa Limited, (IDC) offered to meet the departmental requirement of reinforcement rods from its re-rolling mill at Hirakud, at Steel Authority of India Limited (SAIL) stock-yard price. It requested Government (in the Irrigation & Power Department) to issue suitable instructions to all Chief Engineers to place their orders with the mill. Pursuant to the instructions issued, the Chief Engineer, Upper Kolab Project placed orders with IDC between April, 1987 and September, 1987 for supply of 600 tonnes of steel rods of different sizes. The entire quantity was supplied between April, 1987 and December, 1987, for which IDC was paid Rs.41.46 lakhs.

During a test-check of the records of the Chief Engineer in March, 1989, it was seen that the payment to IDC was made at higher prices than those of SAIL (Rs.37.08 lakhs) resulting in avoidable extra payment of Rs.4.38 lakhs.

In reply to Audit, in March, 1989, the Chief Engineer stated that action was being taken to obtain a refund from IDC. Information about actual refund has, however, not been intimated (January , 1991).

The matter was reported to Government in July, 1989; reply has not been received (January , 1991).

5.4 Purchase of unwanted payloaders

For urgent repairs of an embankment damaged in flood, the Chief Engineer, Minor Irrigation, purchased in December, 1982, 5 payloaders with accessories for Rs.35.18 lakhs. The purchase was made from a firm after inspection and certification by the Executive Engineer, (Stores and Mechanical), Minor Irrigation. One of the payloaders did not function since its receipt due to various defects, and could not be repaired.

Against the norm of 1500 hours per year, the remaining 4 loaders were used during January, 1983 to June, 1989 for only 4000 hours i.e. 11 per cent of their capacity. In October, 1986 the Executive Engineer, (Stores & Mechanical) Minor Irrigation Division, intimated to the Chief Engineer that the payloaders were not useful for minor irrigation work, and declared them as surplus. In December, 1986, one of them was transferred to the Talcher Thermal Power Station on sale basis (Rs.6.83 lakhs). But it was returned in January, 1989 without payment. In November, 1988, two payloaders were transferred to the Kamarkhunti Minor Irrigation Project where also their performance was found unsatisfactory.

Procurement of these payloaders without reference to their utility and relevance resulted in unfruitful expenditure of Rs.35.18 lakhs. The machines have not been disposed of so far (November, 1990).

The matter was reported to Government in July, 1989; they accepted the factual position in November, 1990.

5.5 Non-delivery of steel by carriage contractor

The Executive Engineer, Mahanadi Birupa Stores and Mechanical Division, awarded (January, 1988) the work of transportation of 300 tonnes of mild-steel angles and

tor-steel rods from M/s Indian Iron and Steel Company Limited, Calcutta to Jagatpur, to a carriage contractor at Rs.620 per tonne. The job was to be completed by March, 1988.

Out of 297 tonnes of steel collected by the contractor, only 105 tonnes were delivered to Jagatpur stores between February, 1988 and July, 1988. The balance 192 tonnes of steel materials worth Rs.11.38 lakhs were not delivered by him, despite issue of notices. No legal action was taken against the contractor (November, 1990). Although furnishing of bank guarantee for Rs.2 lakhs as security deposit was a prerequisite, it had not been obtained.

Against the recoverable amount of Rs.11.38 lakhs, the contractor's dues of only Rs.0.69 lakh (earnest money deposit Rs.0.04 lakh, and claim for carriage amounting to Rs.0.65 lakh) were available with the Department.

Entrusting the work of transportation of departmental materials to a private contractor without adequate safeguards resulted in irrecoverable loss of Rs.11.38 lakhs.

The matter was reported to Government in August, 1989; they accepted the factual position in August, 1990.

WORKS DEPARTMENT

5.6 Non-retrieval of steel billets

Mention was made in para 4.7 of the Comptroller and Auditor General's Report 1984-85 about the extra expenditure of Rs.1.85 lakhs on re-rolling of billets awarded to a Cuttack firm without calling for tenders. The Public Accounts Committee (9th Assembly) expressed dissatisfaction over the departmental explanation.

The Chief Engineer, National Highways and Projects, issued instructions in April, 1985/September, 1985 to the Executive Engineer, Roads and Buildings Division, Cuttack and Executive Engineer, National Highways Division, Cuttack, to get the available billets re-rolled from the same firm to meet urgent requirements of construction work. Accordingly, without calling for any tender, 353.120 tonnes of mild-steel billets were issued to the firm between April, 1985 and July, 1985 by the Roads and Buildings Division without an agreement; and 231.855 tonnes were also issued to the same firm in October, 1985 by the National Highway Division after entering into an agreement.

Finished products of only 156.065 tonnes were received (December, 1985) by the Roads & Buildings Division, and of 61.227 tonnes by the National Highway Division (June, 1986). Despite notices issued by the Department, the firm did not return the balance 387.683 tonnes (Rs.52.67 lakhs) of steel billets or deliver corresponding finished products (August, 1990). No legal action was taken by the Department in either of the cases.

The Department held only Rs.0.55 lakh on account of security deposit and other pending dues of the firm.

The matter was reported to Government in June and August, 1989; they accepted the factual position in August, 1990.

5.7 Loss due to shortage and damage of stores

The rules relating to stores of the Public Works Department prescribe that purchases should be made in the most economical manner against definite requirement, after taking into account the work load and the stock of materials already in hand. At the end of each financial year, lists of surplus stores should be prepared by each Division and circulated to all other Divisions, for ensuring utilisation of the surplus material

to the best advantage of Government. The Divisional Officer should make sure that proper storage accommodation is provided, and proper precautions are taken to prevent the loss or damage to stores.

A test-check conducted by Audit, in May, 1989 of the records of the Executive Engineer, Charbatia Roads and Buildings Division, revealed the following points:-

(i) Against the book balance of 46 tonnes of bitumen, only five tonnes were handed over in May, 1986 by the Junior Engineer (JE) in charge of stores to his successor. No action was taken to recover Rs.1.42 lakhs, being the cost of 41 tonnes of bitumen, from him. The Executive Engineer stated that the proposal for recovery was pending with Government (August, 1989).

(ii) In December, 1988, out of the balance of 174 tonnes of bitumen in stock the Junior Engineer handed over 89 tonnes to his successor, stating the balance quantity had become unserviceable. No enquiry was made to ascertain the cause of the damage, and no action was taken to fix the responsibility for the loss amounting to Rs.3.10 lakhs.

(iii) During August, 1982 to January, 1983, 44,800 sq.ft. of tar-felt was purchased for Rs.1.75 lakhs. Till December, 1988 only 12,308.20 sq.ft. (Rs.0.48 lakh) could be utilised, and the balance quantity worth Rs.1.27 lakhs was found unserviceable.

(iv) The Stores Verification Party (SVP) of the Works Department conducted inspection of stores account and physical verification of stores of the Division in June, 1984. In their report they pointed out shortages and discrepancies of Rs.17.08 lakhs and purchases of materials (worth of Rs.71.89 lakhs) without proper assessment of requirement during the years 1982-83 and 1983-84. By November, 1987 the Division could account for shortages and discrepancies of Rs.6.54 lakhs.

For the balance of shortage of stores valued at Rs.10.54 lakhs, it fixed responsibility on four Junior Engineers. Disciplinary action against the persons was stated to be under process (August, 1990).

The matter was reported to Government in August, 1989; who accepted the factual position (August, 1990).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1 Commercial and quasi-commercial undertakings

(a) On 31st March, 1989, five departmental commercial and quasi-commercial undertakings were functioning. The extent of arrears in submission of proforma accounts by these undertakings is indicated below:-

Name of undertaking	Year from which accounts are in arrears
A. State Trading Scheme	
1. Nationalisation of Kendu leaves	1984-85
B. Agriculture	
2. Cold Storage Plant, Similiguda	1973
3. Cold Storage Plant, Bolangir	1983
4. Cold Storage Plant, Kuarmunda	1972(a)
5. Cold Storage Plant, Parlakhemundi	1973

(b) The following departmental commercial and quasi-commercial undertakings were either not in operation, or had

(a) Proforma accounts for 1972 and 1973 were received incomplete and have been returned.

been taken over by corporate bodies from the dates as mentioned against each. The proforma accounts of these undertakings were yet to be received for the earlier years, as detailed below:—

Name of the undertaking	Name of the Corporation to which transferred	Date of transfer	Years' accounts in arrears
(1)	(2)	(3)	(4)
A. State Trading Scheme			
1. Grain purchase Scheme	Orissa State Civil Supplies Corporation Limited	September, 1980	1977-78 to date of transfer
B. Transport			
2. State Transport Service	Orissa State Road Transport Corporation Limited	May, 1974	1972-73 to May, 1974
C. Agriculture			
3. Cold Storage Plant, Bhubaneswar	Orissa State Seeds Corporation	March, 1979	1971 to March, 1979
4. Cold Storage Plant, Sambalpur	Orissa State Seeds Corporation	March, 1979	1971 to March, 1979

6.2 Commercial schemes

(a) In respect of the following schemes which remained inoperative, or were closed down in the years noted against each, the assets and liabilities were not fully disposed of, or liquidated by Government; the reasons for the non-operation or closure of the schemes were not made available:-

Name of the Scheme	Year from which remained inoperative or closed
1. Grain Supply Scheme	1958-59
2. Scheme for trading in Iron Ore through Paradeep Port	1966-67
3. Cloth and Yarn Scheme	1954-55
4. Scheme for exploitation and marketing of fish	1981-82

Cold Storage Plant, Cuttack, Unit-I, and Cold Storage Plant, Cuttack, Unit-II, were taken over by the Orissa State Seeds Corporation in March, 1979. The *proforma* accounts of these two units till the date of transfer in March, 1979 were received and audited during 1989-90. The summarised Financial results of these Cold Storage Plants for the years 1977 to 1979, and of the Government Trading in Kendu leaves for the years 1982-83 to 1983-84, are indicated in Appendix 6.1.

(b) Although the following schemes were of commercial nature, Government had not prescribed the preparation of *proforma* accounts. Only personal ledger accounts were opened

and maintained by the Department. The position at the end of 1988-89 of these personal ledger accounts was as under:

Name of Undertaking	Year in which the personal ledger accounts were opened	Accounts for 1988-89			Closing balance (In lakhs of rupees)
		Opening balance	Credit	Debit	
1. Purchase and distribution of quality seeds to cultivators	1977-78 (Revenue accounts)	299.24	480.14	691.51	87.87
2. Poultry Development	1974-75 (Capital account)	3.02	-	-	3.02

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 General

During 1988-89, Rs.543.87 crores were paid as grants to non-government bodies/institutions. This formed 32.79 *per cent* of the Government's total expenditure on revenue account. The corresponding figures for the previous year were Rs.438.58 crores and 28.68 *per cent*.

The main beneficiaries of the grants were educational institutions and District Rural Development Agencies, which received Rs.262.10 crores (48.19 *per cent*) and Rs.116.22 crores (21.37 *per cent*), respectively, during 1988-89, for the purposes shown below:

<i>Educational institutions</i>	(Rupees in crores)
Primary Education	137.58
Secondary Education	94.39
Higher Secondary Education	14.53
Universities : 1. Non-Technical	12.31
2. Technical	3.29
	<u>262.10</u>

District Rural Development Agencies (Rupees in crores)

Rural Landless Employment Guarantee Programme (RLEGP)	45.77
National Rural Employment Programme (NREP)	26.11
Integrated Rural Development Programme (IRDP)	18.51
Assistance to small and marginal farmers for increasing agricultural production	13.09
Economic Rehabilitation of Rural Poor (ERRP)	12.74
	<u>116.22</u>

Mention was made in paragraph 7.1 of the Audit Report (Civil) for 1987-88 about non-receipt of information from Departments of the Government regarding grants and loans given to various bodies and authorities from 1971-72 onwards, to determine the applicability of audit, under section 14 of the Comptroller and Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 in these cases. The position did not improve, and information from 1983-84 was awaited (January, 1991). Further, a number of such bodies had also not finalised and submitted their accounts for earlier years for Audit. The position is indicated below:

Year	Number of bodies/authorities which received grants/loans of not less than Rs.5 lakhs in the year (Rs.25 lakhs from 1983-84)	Number of bodies whose accounts were	
		Received by Audit	Not received by Audit
(1)	(2)	(3)	(4)
1971-72	310	9	301
1972-73	290	9	281
1973-74	314	11	303

Year	Number of bodies/authorities which received grants/loans of not less than Rs.5 lakhs in the year (Rs.25 lakhs from 1983-84)	Number of bodies whose accounts were	
		Received by Audit	Not received by Audit
(1)	(2)	(3)	(4)
1974-75	308	11	297
1975-76	330	6	324
1976-77	346	14	332
1977-78	359	13	346
1978-79	358	5	353
1979-80	360	6	354
1980-81	392	10	382
1981-82	411	31	380
1982-83	413	74	339
1983-84	(a)	322	(a)
1984-85	(a)	350	(a)
1985-86	(a)	309	(a)
1986-87	(a)	291	(a)
1987-88	(a)	229	(a)
1988-89	(a)	14	(a)

(a) Information not furnished.

The above position denotes that some of the bodies/authorities, which had actually qualified for audit upto 1982-83, as also some which might have qualified subsequently, had remained outside the purview of audit by the Comptroller and Auditor General of India due to non-furnishing of the accounts/information regarding grants/loans released by the Government.

Audit of some local bodies and authorities substantially financed by Government and falling under Section 14 of the Act was conducted. Important points noticed in the audit of these institutions under Section 14, and during scrutiny of the records of sanctioning authorities under Section 15, are given in the succeeding paragraphs.

SCIENCE, TECHNOLOGY AND ENVIRONMENT DEPARTMENT

7.2 Orissa Renewable Energy Development Agency

The Orissa Renewable Energy Development Agency (OREDA), a registered Agency under the Societies Registration Act, 1860, started functioning from 15th March, 1984 with the objective of augmenting and developing the energy sources of the State by setting up conventional and renewable energy devices. The scope of the activities of this Agency covers the generation of energy from plantation, wind, solar rays and tides etc. and undertaking biogas programmes, as well as conducting research and development in order to make non-conventional energy viable in socio-economic and environmental terms.

A test-check for the period from the inception till March, 1989 of the records of OREDA at Bhubaneswar was conducted under section 14(i) of the Comptroller and Auditor General's (DPC) Act, 1971, along with records of five executing agencies, viz. the District Rural Development Agencies (DRDA) at Puri, Cuttack, Balasore, and Ganjam and the Office of the Executive Engineer, Puri Electrical Division, between March, 1989 and June, 1989. Interesting points noticed are mentioned below : -

7.2.1 *Utilisation certificates - Non-rendition of*

The Agency is financed from grants-in-aid given by the Government of India and the Government of Orissa. The Government of India's grants are included in the State Government budget

under Central Plan and Special Central Assistance, and in some cases they are received in kind, such as machinery and equipment. During the period from 1st March, 1984 to March, 1989, against the total grants of Rs.1446.44 lakhs received, the expenditure incurred was Rs.14,04.40 lakhs, as shown below:

Year	Grants received		Grants utilised		Utilisation certificates produced	
(1)	(2)		(3)		(4)	
	State	Central	State	Central	State	Central
			In lakhs of rupees			
1983-84						
1984-85	104.15	97.85	38.91	69.23	13.91	116.14
1985-86	86.07	161.49	66.07	201.60	29.51	205.75
1986-87	100.94	265.50	88.16	290.25	83.76	184.31
1987-88	61.21	216.23	96.26	258.81	70.01	224.36
1988-89	<u>40.50</u>	<u>312.50</u>	<u>74.57</u>	<u>220.54</u>	<u>9.68</u>	<u>12.80</u>
	<u>392.87</u>	<u>1053.57</u>	<u>363.97</u>	<u>1040.43</u>	<u>206.87</u>	<u>743.36</u>
	<u>14,46.44</u>		<u>14,04.40</u>		<u>9,50.23</u>	

Utilisation certificates for Rs.496.21 lakhs are yet to be submitted to Government though they relate to the period from 1983-84 to 1988-89. Reasons for delay were not furnished by OREDA.

7.2.2 Installation of Wind-turbine at Puri and Kaipadar

(a) 20 Wind-turbine generators were installed in Puri district in two phases - 10 wind turbine generators in 1985-86 at a cost of Rs.93.12 lakhs, and 10 more in 1987-88 at a cost of Rs.99.97 lakhs. Power generation of the first

10 turbines commenced in May, 1986. Due to failure of power convertors, the wind farms erected in the second phase in 1987-88 started generating power only from January, 1989. Against the targeted production of 12 lakh KWH of electricity during the above period, 9.39 lakh KWH was generated (Phase I turbines : 9.11 lakh KWH, and Phase II turbines : 0.28 lakh KWH upto March, 1989), and supplied to the Orissa State Electricity Board (OSEB) grid.

The Orissa State Electricity Board (OSEB) agreed in August, 1988 to pay OREDA at the fixed rate of Rs.0.78 per KWH irrespective of the investment towards operation and maintenance of the turbines. 11.88 KWH power was generated and supplied to OSEB upto the end of October, 1990 but claim for Rs.7.11 lakhs had been preferred in March, 1989 for 9.11 lakh KWH only. No payment was received from the OSEB. Claim for the remaining quantity of electricity supplied was yet to be preferred (December, 1990).

The Agency reported (November, 1990) that 8 generators installed each under Phase-I (one in April, 1987, six in 1988-89, one in June, 1990) and in Phase-II (one in February, 1989, seven in 1989-90) had broken down; 4 generators (two each from Phase-I and II) were stopped for renovation of the sub-station. The 16 generators which broke down had not been repaired as of November, 1990, for want of spare parts.

(b) *90-KW Wind-turbine generator at Kaipadar*

A 90-KW wind-turbine generator supplied free of charge by the Danish International Development Agency (DANIDA) was installed in March, 1988 at Kaipadar in Puri district. The generator was to produce 1.60 lakh KWH per year. During the period April, 1988 to February, 1989, the generator produced only 20,307 KWH. The low production was attributed by OREDA to low voltage, high frequency and equipment outage. The cost of production worked out to Rs.33.89 per KWH, against the estimated cost of Rs.4.21 per KWH.

7.2.3 *Uneconomical Mini-Micro Hydel Project at Badaghagra*

A mini-hydel project with a capacity to generate 40 KW of power per hour was constructed at Badaghagra in Keonjhar district during 1986-87, at a cost of Rs.19.27 lakhs. Against the expected annual generation of power of 2.25 lakh KWH, only 2.50 lakh KWH of Electricity was generated and supplied to OSEB during 3 years from September, 1987 to August, 1990. A claim for Rs.1.04 lakhs was sent to OSEB for 1.34 lakh KWH of power supplied upto March, 1989, @ Rs.0.78 per KWH. This claim was yet to be realised from OSEB as of November, 1990.

The Agency stated (April, 1989) that steps had been taken to replace the synchronous machine by an induction generator, so as to improve the generation of power.

7.2.4 *Unfruitful expenditure of Rs.0.44 lakh*

For providing power supply to Panthanivas at Konark in Puri district (a tourist spot), a 2.5-KW wind-turbine was installed at an expenditure of Rs.0.44 lakh. The turbine was commissioned in February, 1985 but it was damaged soon thereafter in April, 1985, due to operation by inexperienced persons. Even after repairs done free of cost by Bharat Heavy Electricals Limited, the machine did not function properly and was proposed by the Agency to be written off (November, 1990).

7.2.5 National Programme on Biogas Development (NPBD)

Following were the targets and achievements in installation of Biogas Plants through OREDA during 1984-89

Targets and achievements (Physical and Financial) - 1984-85 to 1988-89

Year	Targets	Achievements	Targets	Achievements
	(Physical)		(Financial)	
	(In numbers)		(Rupees in lakhs)	
1984-85	2,500	2,850		72.82
1985-86	3,500	5,338		140.72
1986-87	3,500	4,310	844.82	115.05
1987-88	3,000	6,005		158.21
1988-89	4,000	9,227		279.55
	<u>16,500</u>	<u>27,730</u>	<u>844.82</u>	<u>766.35</u>

Points noticed in the execution of the scheme are mentioned below:

(a) Payment of fees

In respect of biogas plants installed by voluntary agencies under the auspices of OREDA on turn-key basis, fees at Rs.300 per each plant not connected with a latrine (and Rs.450 per each latrine-linked plant) were payable. Under the scheme, claims for fees were preferred on Government of India for reimbursement after the State Government was satisfied with the completion, commissioning, testing and trial of the plants installed within the guarantee period of two years. During a survey conducted by the District Rural Development Agency (July to October, 1987), it was

revealed that though fees for installation of 12,495 plants (certified by the voluntary agencies as installed during 1984 - 1987) had been paid, 2,573 plants were actually incomplete at various stages and had not been commissioned. Fees amounting to Rs.7.71 lakhs were wrongly preferred, and got re-imbursed on the basis of wrong completion certificates. Information regarding the progress in commissioning the plants was awaited (December, 1990).

(b) *Non-realisation of cost of cement from beneficiaries*

For erection of biogas plants cement is issued to the beneficiaries through the DRDAs, and its cost is recovered from the subsidy payable to them. During 1984-85, the DRDA, Puri procured and issued 200 tonnes (4000 bags) to 21 Block Development Officers for distribution to such beneficiaries. Only Rs.0.90 lakh, being the cost of 1,597 bags of cement, was realised by 7 Block Development Officers. The balance of Rs.1.36 lakhs (cost of 2,403 bags) was not recovered, although the cement was issued to all the beneficiaries and subsidy was also paid.

7.2.6 *Supply of Solar Photo-voltaic (SPV) Pump-sets*

To popularise utilisation of solar energy, it was decided to supply SPV pump-sets at a subsidised rate to the beneficiaries. The Government of India allotted 53 SPV pump-sets to OREDA during 1984-85. The total cost of these sets was Rs.30.42 lakhs, and the Government of India paid Rs.26.77 lakhs to the manufacturers in advance, equal to the amount of subsidy granted by them. OREDA paid the balance amount of Rs.3.65 lakhs from its own resources. It was proposed to supply the pump-sets at a subsidised price of Rs.8,500 each to the beneficiaries.

During 1984-90, only 32 pumps were sold to the beneficiaries; 4 pump-sets were used for demonstration purposes, and the remaining 17 pumps (cost Rs.9.76 lakhs) were lying in stock (August, 1990). It was stated that due to lack of motivation and publicity, the potential beneficiaries were not inclined to buy the pump-sets.

The matter was reported to Government in August, 1989; their reply has not been received (January, 1991).

COMMUNITY DEVELOPMENT AND RURAL RECONSTRUCTION DEPARTMENT

7.3 Irregular expenditure under Rural Landless Employment Guarantee Programme (RLEGP)

A test-check (February to June 1989) of the records of four District Rural Development Agencies at Puri, Koraput, Bolangir and Sambalpur, and executing agencies for works under the Rural Landless Employment Guarantee Programme comprising of four Public Works Irrigation Divisions, two units of State Civil Supplies Corporation, one Forest Division revealed the following irregularities:

(a) During 1986-88 the Executive Engineer, Prachi Division, Bhubaneswar, irregularly utilised 147.123 tonnes of wheat valuing Rs.2.21 lakhs received in 1985-86 towards wages component of works under RLEGP, in other works not covered under the scheme. Similarly cement and mild-steel rods worth Rs.5.84 lakhs provided for RLEGP works were also diverted in December, 1986 and March, 1988 to other works. Reason for the misutilisation was not stated by the Division.

(b) Funds amounting to Rs.36.63 lakhs were placed with Executive Engineer, Bargarh Canal Division, by DRDA, Sambalpur, between February, 1985 and December, 1986

for execution of 5 canal embankment roads. The Executive Engineer utilised Rs.1.57 lakhs, in August, 1987 on other roads not covered under the RLEGP, for which recoupment was pending (June, 1989).

(c) In road works executed under RLEGP, it was stipulated in the sanctioned estimates that the cost of bitumen was to be charged to the State funds, under Communication and Repairs. In two road works (Sakhigopal - Algum Road and Jeypore - Sarangjodi Road) undertaken during 1987-88 by the Executive Engineer, Roads and Buildings Division No.1, Puri, bitumen costing Rs.5.42 lakhs was purchased from RLEGP funds and utilised.

(d) *Idle outlay*

(i) The estimates for work of special repairs to the Badkarjang Minor Irrigation project was sanctioned for Rs.7.29 lakhs in September, 1984. After incurring an expenditure of Rs.3.26 lakhs during February, 1986 to August, 1986, the Executive Engineer, Minor Irrigation Division, Dhenkanal, stopped the work (August, 1986) due to the existence of private land on the river basin and dam-axis.

The Executive Engineer stated (June, 1989) that the Department had no knowledge of the existence of private land inside the project area, and that the Chief Engineer, (Minor Irrigation) had been requested to provide funds (Rs.7 lakhs) for acquisition of the land. The work has not been resumed as of November, 1990.

(ii) The works under RLEGP were required to be executed departmentally at the basic Schedule of Rates (SOR) without levy of overhead charges. For executing the work 'Double embanking of Ganga river Kanti to Palaspur sasan', the Executive Engineer, Prachi Division, Bhubaneswar, paid the executants for the item earthwork in hard soil, at Rs.787.70

per 100 Cu.m. under the orders (March, 1988) of the Chief Engineer, Delta and Flood Control, Orissa, Bhubaneswar. The rate fixed included wages for 59 labourers besides overhead charges at 12.5 per cent. The correct rate for the work according to the SOR was only Rs.511.40 per 100 Cu.m., based on wages for 43 men without overhead charges. The payment at the higher rate for execution of 1.11 lakh Cu.m. resulted in an excess expenditure of Rs.2.98 lakhs.

(iii) The Executive Engineer, Jagatsingpur Irrigation Division, Cuttack, executed 4 works by March, 1988 at a cost of Rs.16.69 lakhs, through Village Committee Leaders. The payment was made at the rates inclusive of overhead charges, though actual payment to the labourers was made by the Village Committee Leaders at the prevailing labour rates adopted in the estimate. The avoidable payment of overhead charges was Rs.0.66 lakh.

(e) *Excess payment of handling and transportation charges of food grains*

(i) Government issued instructions in May, 1984 that octroi was not leviable on foodgrains received under RLEGP. During the years 1983-84 to 1988-89, the executing agencies accepted 1.29 lakh tonnes of foodgrains from the Orissa State Civil Supplies Corporation (OSCSC). The Corporation was paid, besides the cost of foodgrains, Rs.33.54 lakhs as octroi charges at Rs.26 per tonne, contrary to the instructions.

(ii) *Excess payment to Orissa State Civil Supplies Corporation*

The OSCSC was entitled to receive Rs.200 per tonne and Rs.160 per tonne towards handling and transportation charges for the supply of foodgrains at work sites and block points respectively.

The DRDA, Puri, paid Rs.14.22 lakhs to OSCSC, Puri (at Rs.200 per tonne) during 1986-87 to 1988-89, for the supply of 7,109 tonnes of foodgrains at the block points, instead of Rs.11.38 lakhs (at the correct rate of Rs.160 per tonne). This resulted in an excess payment of Rs.2.84 lakhs.

The District Manager, OSCSC, Puri stated (May, 1989) that excess amount would be refunded to the DRDA after finalisation of accounts.

(iii) During 1984-85 and 1985-86, the DRDA, Puri, deposited Rs.48.51 lakhs with OSCSC, Puri, towards cost of 2,273 tonnes of foodgrains. But the Corporation supplied only 1,776 tonnes of grains, worth Rs.39.60 lakhs. The excess deposit of Rs.8.91 lakhs has not been refunded (November, 1990).

(iv) Similarly, during 1984-85 and 1985-86, DRDA, Koraput deposited Rs.42.13 lakhs with OSCSC, Jeypore, for the supply of 1,857 tonnes of rice; but only 1,810 tonnes were supplied, resulting in excess deposit of Rs.1.10 lakhs with OSCSC, which was yet to be refunded as of June, 1989.

The cases were reported to Government in August and September, 1989; their reply has not been received (January, 1991).

7.4 Financial assistance to Panchayat Samities

7.4.1 Introduction

The Panchayat Samities were established under the Orissa Panchayat Samiti and Zilla Parishad Act, 1959. The Panchayat Samities are vested with the planning, execution of works and supervision of development programmes in the blocks, with financial assistance in the shape of grants provided to them by Government.

In the State, there are 4,800 Grampanchayats and 314 panchayat samities.

7.4.2 The accounts of 97 Panchayat Samities for the years 1983-84 to 1987-88 were audited under Section 14(i) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, between April, 1988 and March, 1989. The audit revealed the following position:-

7.4.3 *Non-preparation of Budget Estimates and annual accounts*

Section 24(i) of the Orissa Panchayat Samiti and Zilla Parishad Act, 1959 requires the Block Development Officer to prepare and place before the Samiti every year for its approval, a budget estimate of probable receipts and expenditure of the Samiti for the following year. Rule 70 of the Accounting Procedure for the Samities also requires preparation of annual accounts of receipts and expenditure in the prescribed form. Government had also issued in January, 1979 necessary instructions to all Block Development Officers in this regard. Despite these requirements and comments made in earlier Audit Reports of 1976-77, 1977-78 and 1978-79, the BDOs did not prepare either the budget estimates or the annual accounts in any of the years from 1983-84 onwards.

7.4.4 *Unutilised Grants*

Rules of Government require that grants provided should be utilised within a maximum period of one year from the date of sanction, and unspent balance should be surrendered unless these are either adjusted against subsequent sanctions or permitted by the sanctioning authorities to be retained for future utilisation. The sanctions to grants generally stipulated utilisation within the financial year concerned. It was noticed that Rs.870.51 lakhs out of the

grants received for various development schemes were lying unspent at the end of March, 1986 with 79 Panchayat Samities. The Samities did not have the year-wise analysis of the unspent balances.

7.4.5 *Non-submission of utilisation certificates*

Rules, as also the sanctions for the grants, require that certificates of utilisation of grants should be submitted to the sanctioning authorities by June of the succeeding financial year. It was, however, noticed that utilisation certificates for Rs.5823.59 lakhs were outstanding from 81 samities for grants received between 1960-61 and 1985-86.

7.4.6 *Advances outstanding*

Advances given to officials and suppliers for various purposes like execution of works and purchase of stores etc., are required to be adjusted regularly and promptly. Test-check disclosed that (i) the advance ledgers and registers of advances were not maintained properly, (ii) entries were not authenticated, (iii) the registers were not closed and reviewed at prescribed intervals, (iv) full particulars of parties to whom amounts were advanced were not recorded. Advances of Rs.489 lakhs were outstanding upto the end of 31st March, 1986, in 81 Panchayat Samities, some since 1960-61 onwards.

Effective measures were not taken by the BDOs to review the outstanding advances periodically and to ensure prompt recovery and adjustment.

7.4.7 *Investment by Samities*

Grants provided by Government under the Community Development Programmes included specific sums for investments in industrial co-operatives and utilisation of

the returns by the Samities. It was noticed that 20 Samities had invested Rs.13.70 lakhs towards share capital in Panchayat industries, co-operative societies etc., between 1962-63 and 1986-87. The records did not indicate any returns received from the investments.

7.4.8 *Other points of interest*

(a) *Heavy cash balances*

According to rule 58(f) of the Accounting Procedure, the cash balance held in a Samiti should not exceed Rs.5,000. In all the Samities covered under audit, the limit had not been followed. In 50 Samities, cash in hand, during different periods during 1983-84 to 1985-86, was in excess of Rs.16,000 (Bhanjanagar in Ganjam district and Tikabali in Phulbani district). It was Rs.4.74 lakhs in Harichandanpur in Keonjhar district.

(b) *Diversion of funds*

The sanctions stipulated that grants were not to be utilised for purposes other than those for which they were sanctioned. Test-check disclosed that in 53 Samities, sums aggregating Rs.164.12 lakhs upto the end of 31st March, 1986 were diverted for purposes other than those for which the grants were released.

(c) *Misappropriation of cash*

Scrutiny of cash books of four Panchayat Samities in Bolangir, Puri, Kalahandi and Sundergarh districts revealed shortage of cash of Rs.0.67 lakh. Details are given below:

[Statement

Sl. No.	Name of Panchayat Saniti	Amount of shortage	Year of occurrence	Reasons
<hr/>				
		(in rupees)		
1.	Bangamunda, Bolangir district	62,992.58	1981-82	Balance was not carried forwarded in Samiti cash book due to seizure of records by vigilance.
		400.00	1984-85	Short accountal of receipts in Samiti cash book.
2.	Jaipatna, Kalahandi district	396.00	1985-86	Short accountal of receipts.
3.	Sundargarh Sadar	2,750.00	1985-86	Misappropriation.
		<u>66,538.58</u>		

The shortages had not been recouped, as of March, 1989.

(d) *Delay in transfer of Teachers Provident Fund*

The balances outstanding in the Teachers Provident Fund (TPF) accounts were required to be transferred to their respective General Provident Fund (GPF) accounts, according to the instructions issued by Director of Public Instructions, Orissa in March, 1984. Test-check revealed

that in 12 Panchayat Samities of 6 districts, amounts totalling Rs.1.13 lakhs were lying in the TPF accounts without being transferred to the GPF accounts.

(e) *Stores and stock accounts*

(i) *Shortage/Loss of stores and stock*

In 15 Panchayat Samities, stores worth Rs.1.90 lakhs were found short. The cases were awaiting the orders of the competent authorities (March, 1989).

Half-yearly physical verification required to be conducted by the BDOs under Rule 104 of Orissa Zilla Parishad and Panchayat Samiti Accounting Procedure Rules, 1961, had not been carried out in 14 Panchayat Samities in 7 Districts during the periods from 1983-84 to 1985-86.

(ii) *Non-realisation of cost of stock and stores*

Stock registers and records of 19 Panchayat Samities in 10 districts revealed that cost of materials aggregating Rs.2.82 lakhs, issued to contractors between 1983-84 and 1985-86 for utilisation in works, had not been recovered (March, 1989).

The matter was reported to Government in September, 1989 ; their reply has not been received (January, 1991).

7.5 **Unfruitful expenditure**

Seven ponds under the Bahalda Block in Mayurbhanj district, and five tanks in the Nischintakoili Block in Cuttack district, were renovated between 1982-83 and 1986-87, at a cost of Rs.1.45 lakhs. This was for providing assistance in the shape of pisciculture to beneficiaries under the

programme of Economic Rehabilitation of Rural Poor (Rs.1.23 lakhs) and the National Rural Employment Programme (Rs.0.22 lakh).

In August, 1986 it was noticed during a joint inspection by the Chief Executive Officer, Fish Farmers Development Agency and other officers of the Fisheries Department that the ponds in the Bahalda Block were not suitable for pisciculture, mainly for the following reasons:-

- (i) The pond basins were not uniform, posing problems for netting;
- (ii) Renovated earth had been dumped on narrow embankments; and
- (iii) the ponds had big boulders and stones.

Inputs worth Rs.1,000 procured in September, 1986, were not used and were damaged in course of time. No pisciculture was taken up in any of those ponds. In the Nischintakoili Block also, no pisciculture could be taken up due to disputes between two groups of villagers and construction of embankment of a pond on private land.

Thus, the entire expenditure of Rs.1.46 lakhs was unfruitful.

The matter was reported to Government in April and May, 1989 ; their reply has not been received (January, 1991).

7.6 Excess payment of Risk Fund contribution under IRDP to Co-operative Banks

Funds are received by the District Rural Development Agencies (DRDAs) from the State Government for

implementation of the Integrated Rural Development Programme (IRDP). It includes risk fund contribution (at 6 *per cent* on short and medium term loans and at 2 *per cent* on long term loans) to be paid to the Co-operative institutions to encourage them to lend monies to various beneficiaries identified, as target group for providing assistance under different poverty alleviation schemes.

Loans extended by the Co-operative institutions (banks) to identified beneficiaries under IRDP are either long-term or medium-term loans. Beneficiary registers are maintained at DRDA/block level where total credit mobilisation is recorded. Risk fund contributions are payable on these amounts after joint verification by officers of DRDA/banks for establishing the eligible beneficiaries. Short-term loans extended by Co-operative Banks also qualifies for risk fund contribution if the loans are received by those who had availed of a long-term or medium-term loan and subsidy in the previous year.

Rupees 35.37 lakhs (Rs.28.87 lakhs in 1985-86 Rs.6.50 in 1986-87) were paid by DRDA, Bolangir, as risk fund contribution to Co-operative banks. This comprised Rs.15.50 lakhs on medium-term loans, Rs.14.92 lakhs on short-term loans extended during 1978-79 to 1985-86 by Bolangir District Central Co-operative Bank and its branches, and Rs.4.95 lakhs on long-term loans extended during 1973-74 to 1986-87 by four Co-operative Land Development Banks (Bolangir, Sonepur, Titlagarh and Patnagarh).

Test-check of the records of the DRDA revealed overpayments of Rs.5.18 lakhs and other irregularities, as mentioned below :

(a) There was no evidence of joint verification of beneficiaries conducted by officers of the DRDA and the Banks.

(b) The programme initially introduced in 13 Blocks of Bolangir district in April, 1978 was extended to all 29 Blocks only from October, 1980. But risk fund contribution (Rs.2.57 lakhs) was paid on long-term loans given during 1973-78 and on medium-term/short-term loans given in 6 Blocks (Loisinga, Agalpur, Bolangir, Patnagarh, Belpara and Dungripalli) in Bolangir district during 1978-1980 before introduction/extension of the programme.

To be eligible for the risk fund contribution, loans paid by the Banks to beneficiaries have to be linked with subsidies received by them under the Integrated Rural Development Programme (IRDP). 171 loans paid during 1978-79 to 1985-86 by the Bolangir District Central Co-operative Bank, and for which Risk Fund Contribution (Rs.1.41 lakhs) was received, were not related to subsidies received by the beneficiaries under IRDP.

(c) Risk fund contribution was paid to the Banks on short-term loans advanced by them without ensuring that the loans received by the beneficiaries in the previous year were long-term/medium-term loans. This resulted in payment of inadmissible contributions of Rs.1.20 lakhs in 94 cases.

In reply to Audit, the DRDA stated that the matter would be re-examined.

The matter was reported to Government in September, 1989; their reply has not been received (January, 1991).

AGRICULTURE AND CO-OPERATION DEPARTMENT

7.7 **Blocking up of funds**

Under the Centrally-sponsored Plan Scheme of subsidised plantation of cashewnut, Government of Orissa sanctioned (March, 1983) a sum of Rs.78.54 lakhs as subsidy for plantation and maintenance of cashewnut in Dhenkanal district during 1981-82 and 1982-83 on 26530 hectares. The scheme was to be executed through the Block Development Officer (BDO) under the technical supervision of the Soil Conservation Organisation. Funds were to be channelised through the Collector and paid to the Personal Ledger (PL) accounts of the Panchayat Samities and to individual private farmers before 31st March, 1983.

A test-check of the records of the District Rural Development Agency (DRDA), Dhenkanal, conducted in April, 1988, revealed that the amount of Rs.78.54 lakhs was drawn and deposited by the DRDA in a bank account in March, 1983. In August, 1984, the DRDA paid Rs.18.21 lakhs to 16 BDOs for recoupment of expenditure incurred in 1981-82 and 1982-83 from their PL accounts. A further payment of Rs.4.75 lakhs was made in October, 1984 to the same BDOs for disbursement to private farmers, and Rs.0.03 lakh was spent by the DRDA. The balance amount of Rs.55.55 lakhs remains unutilised (November, 1990).

The matter was reported to Government in May, 1989 ; their reply has not been received (January, 1991).

FOREST, FISHERIES AND ANIMAL HUSBANDRY DEPARTMENT

7.8 **Grants to milk producers' co-operative societies and unions**

Government decided during 1975-76 to help the Milk Producers Co-operative Societies (MPCS) and

District Milk Co-operative Unions (DMCU) by giving them financial assistance in the shape of subsidy for management, house rent, equipment, etc. The General Financial Rules envisage that each grantee institution should maintain a register of assets created in the prescribed form, and should furnish a copy thereof to the sanctioning authority annually in respect of grants which result in the creation of permanent or semi-permanent assets. The sanctioning authorities should maintain a register showing, Block-wise, accounts of permanent and semi-permanent assets acquired out of Government grants.

The Department of Animal Husbandry and the concerned Directorate sanctioned Rs.142.62 lakhs during the period 1975-76 to 1989-90, and disbursed it to District Veterinary Offices for grant of financial assistance to MPCs and DMCUs. Orders sanctioning financial assistance stipulated that quarterly reports regarding utilisation of grants should be obtained by the Director from the grantees and furnished to Government. The unspent balance, if any, was required to be surrendered to Government at the end of the financial year. It was noticed in Audit that the register of assets created from the grants was not maintained by the sanctioning authority. The details of assets created had not also been received from the grantee institutions. The periodical reports on utilisation of assistance for specified purposes and details of the unspent amounts had not been obtained. The Directorate could not furnish any information to Audit relating to amounts disbursed by the various District Offices, amounts remaining unutilised with them, or the number of Societies/Unions assisted and related details.

The matter was reported to Government in June, 1987 ; reply has not been received (January, 1991).

SPORTS, CULTURE AND TOURISM DEPARTMENT

7.9 Grants for specific purposes

Where any grant or loan is given for any specific purpose from the Consolidated Fund, Section 15 of the Comptroller and Auditor General of India (DPC) Act, 1971 provides for scrutiny by Audit of the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants and loans were given. Important points noticed during audit scrutiny of the sanctions, issued by the Department during the years 1984-85 to 1986-87 are given below.

During the three years from 1984-85 to 1986-87 the Department sanctioned grants-in-aid amounting to Rs.551.16 lakhs, which included central assistance of Rs.107.51 lakhs. The year-wise details of the grants sanctioned by the Department were as follows : -

<u>Year</u>	<u>Tourism</u>	<u>Sports</u>	<u>Culture</u>	<u>Total</u>
	(Rupees in	lakhs)
1984-85	5.00	82.25	26.60	113.85
1985-86	-	149.66	21.82	171.48
1986-87	-	190.89	74.94	265.83
	<u>5.00</u>	<u>422.80</u>	<u>123.36</u>	<u>551.16</u>

Sanctions accorded by the Department were subject to the general conditions that : -

- (1) the grants for any year were to be utilised in full by 31st March of the year for the purpose for which it was sanctioned, and unutilised balance refunded immediately ;

- (2) utilisation certificates in duplicate were to be furnished by 30th April ; and
- (3) grants should be paid after receipt of utilisation certificates for the grants given in the previous years.

Scrutiny of the records relating to the sanction of grants at the level of the Department and the Directorates revealed the following : -

(a) The details of sanctions accorded year-wise, and the amounts actually utilised were not available.

(b) Grants were released in excess of the need, and unutilised balances were not remitted back to Government at the end of the years, as shown below : -

Grantee	Unutilised grants of the previous year(s)		Bills for fresh grants countersigned	
	Year	Amount (In lakhs of rupees)	Year	Amount (In lakhs of rupees)
<u>Sports</u>				
Orissa Council of Sports, Cuttack	1983-84	12.78	1984-85	22.08
	1984-85	11.13	1985-86	6.98
	1985-86	11.20	1986-87	31.40
<u>Culture</u>				
Orissa Sangeet Natak Academy	1983-84	1.57	1984-85	4.70
	1984-85	0.15	1985-86	4.73
	1985-86	0.06	1986-87	5.88
Orissa Sahitya Academy	1979-80 to			
	1983-84	4.76	1984-85	5.00
	1984-85	2.95	1985-86	5.05
	1985-86	2.04	1986-87	6.85

Utilisation certificates for the grants released were received by the Department only for Rs.103.91 lakhs (Sports : Rs.98.65 lakhs, Culture : Rs.0.26 lakh and Tourism : Rs.5 lakhs), against Rs.551.16 lakhs paid during the three years ending 1986-87 (June, 1988).

(c) *Non-rendition of accounts*

551.16
103.91
447.25

Scrutiny revealed that a sum of Rs.20 lakhs received as grants-in-aid by the Orissa Lalit Kala Academy (an autonomous body established by Government of Orissa) was paid to the Bhubaneswar Development Authority (BDA) by the Academy for construction of an Art Gallery and Studio Complex at Bhubaneswar. Due to non-rendition of the accounts from BDA, the Academy did not furnish the utilisation certificates.

(d) *Extra expenditure of Rs.1.74 lakhs on construction of compound wall at Satyabrata Stadium at Cuttack*

Government placed a sum of Rs.1.28 lakhs (Rs.1 lakh in February, 1981 and Rs.0.28 lakh in March, 1983) with the Orissa Council of Sports for construction of a compound wall at the Satyabrata Stadium, Cuttack, without a sanctioned estimate. The Council paid the amount (March, 1983) to the Executive Engineer, Roads and Buildings Division, Cuttack, who refused to take up the work in the absence of specific Government instructions. The amount was then paid (August, 1983) to the Industrial Infrastructure Development Corporation, Bhubaneswar, which could also not execute the work till July, 1984. Government sanctioned a further grant of Rs.1.74 lakhs, and directed the Council to withdraw Rs.1.28 lakhs from the Corporation. The total amount of Rs.3.02 lakhs was paid to the Executive Engineer, R&B Division, Cuttack (October, 1984). Though the compound wall was stated to have been constructed since, neither completion certificate nor utilisation certificate has been furnished (June, 1989).

The matter was reported to Government in December, 1988 ; their reply has not been received (January, 1991).

INDUSTRIES DEPARTMENT

7.10 Orissa Industrial Infrastructure Development Corporation (IDCO)

7.10.1 *Introduction*

The Orissa Industrial Infrastructure Development Corporation (IDCO) was established by the Government of Orissa in 1981 under the provisions of the Orissa Industrial Infrastructure Development Corporation Act, 1980, which came into force from January, 1981. The overall objective was the rapid and orderly establishment and organisation of industry, trade and commerce in the industrial areas and industrial estates in the State. The specific objectives were to : (a) establish and manage industrial estates, (b) develop industrial areas, provide amenities and common facilities in the estates/areas, (c) construct and maintain works and buildings and made them available on hire or sale to entrepreneurs, (d) construct houses for the employees of such industries and also for the employees of the Corporation.

7.10.2 *Organisational set-up*

The Board of Directors comprising 15 Directors, including a Chairman and a Managing Director, constituted by the Government is responsible for the general management of the Corporation. The managing Director is the Chief Executive of the Corporation. The Corporation had 12 Divisions (5 at Bhubaneswar and 7 in other selected towns), each Division being headed by a General Manager for the discharge of the functions.

7.10.3 *Audit coverage*

Audit of the Corporation for the years 1983-84 to 1985-86 was conducted during January, 1988 to June, 1988 under section 14(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. The result of audit is given in succeeding paragraphs.

7.10.4 *Highlights*

- During 1983-84 to 1985-86 the shortfall in land development ranged between 43 and 61 *per cent* of the target, and in construction of factory sheds between 53 and 64 *per cent* of the target.
(Paragraph : 7.10.6)
- 2,079 acres, out of 6499 acres of land acquired by the Corporation during 1981-86 were yet to be developed. 970 acres of developed land involving total investment of Rs.397.11 lakhs were sold for Rs.215.32 lakhs, resulting in a loss of Rs.181.79 lakhs. Bulk of 690 acres of developed land (cost Rs.282.67 lakhs) remained unallotted (March, 1989) due to lack of demand.
(Paragraph : 7.10.7(a)(b)(c))
- Outstanding dues from allottees of land/sheds under Hire Purchase Schemes were not assessed till March, 1986. Rs.88.02 lakhs on account of lands and Rs.321.26 lakhs for sheds allotted were due in March, 1986 but progress of recovery was tardy.
(Paragraph : 7.10.7(d))
- 319 out of 1505 factory sheds constructed or acquired upto 1985-86, remained unallotted (May, 1988). 62 out of 127 mini-sheds constructed (cost Rs.6.97 lakhs) were unallotted.
(Paragraph : 7.10.8)

- Rental and water charges amounting to Rs.47.12 lakhs due for the period ending 1985-86 from units functioning in the estates remained unrealised. Water rates in respect of other industrial estates had not been assessed.

(Paragraph : 7.10.9)

- Land premium and development cost for 29 acres of land allotted to OSEB amounting to Rs.6.42 lakhs remained unrealised. Interest on deferred payment was also waived without Government approval.

(paragraph : 7.10.10)

7.10.5 *Financial position*

The table below indicates the financial position of the Corporation for three years from 1983-84 to 1985-86.

[Table

Particulars	1983-84	1984-85	1985-86	Particulars	1983-84	1984-85	1985-86
Liabilities	(in lakhs of rupees)			Assets	(in lakhs of rupees)		
(i) Loans				(i)			
(a) Government	623.00	681.00	831.00	(a) Fixed assets	199.76	282.78	331.47
(b) Other sources	810.08	1,124.26	1,175.55	(b) Less depreciation	36.29	58.90	84.69
(ii) Deposits received from Government departments for schemes undertaken on their behalf	100.00	122.00	112.00	(c) Net fixed assets	163.47	223.88	246.78
(iii) Deposits received from bodies other than government departments for schemes undertaken on their behalf	681.85	980.93	1,363.04	(ii) Investment	-	-	4.57
(iv) Current liabilities :				(iii) Capital Expenditure			
(a) Liabilities for construction and other capital expenditure	230.52	166.47	168.37	(a) Development of Industrial areas/ construction of Factory sheds	1,390.52	1,776.25	2,124.48
				(b) Agency works	52.38	-	-
				(c) Own works	25.03	29.42	61.90
				(iv) Current Assets, Loans and Advances :			
				(a) Current assets	69.34	82.09	186.07
				(b) Cash and Bank balance	51.85	108.68	166.35
				(c) Loans and advances	771.58	936.09	963.54

[Contd.]

[Table - Concl'd.]

<u>Particulars</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Particular</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
<u>Liabilities</u>	<u>(in</u>	<u>lakhs of</u>	<u>rupees)</u>	<u>Assets</u>	<u>(in</u>	<u>lakhs of</u>	<u>rupees)</u>
(b) Liabilities for establi- shment and other charges	74.85	87.52	108.13				
(c) Other liabilities	13.54	15.76	8.99				
(v) Investment allowance Reserve	<u>9.29</u>	<u>10.22</u>	<u>12.15</u>	(v) Cumulative deficit	<u>18.96</u>	<u>31.75</u>	<u>25.54</u>
Total =	<u>2,543.13</u>	<u>3,188.16</u>	<u>3,779.23</u>	Total =	<u>2,543.13</u>	<u>3,188.16</u>	<u>3,779.23</u>

There was revenue deficit of Rs.9.72 lakhs and Rs.12.79 lakhs during 1983-84 and 1984-85 respectively, whereas in 1985-86 the revenue surplus was Rs.6.21 lakhs.

The annual accounts were audited by Chartered Accountants approved by Government upto the year 1985-86. According to them, the accounts did not disclose a true and fair view of the state of affairs of the Corporation, due to non-inclusion of the value of assets and liabilities taken over by the Corporation from Industrial Promotion and Investment Corporation of Orissa, Limited, and Orissa Small Industries Corporation.

7.10.6 *Targets and achievements*

The targets and achievements, both physical and financial, of the Corporation for the three years 1983-84 to 1985-86 were as under : -

[Statement

Year	Targets				Achievements							
	Deve- lop- ment of area of land (Acres)	Con- stru- ction of sheds (Num- bers)	Resi- den- tial Houses (Numb- ers)	Financial (Rupees in lakhs)	Land Deve- lopment Area (Acr- es)	Per- cen- tage to targe- ts	Constru- ction of sheds Num- bers	Per- cen- tage to targe- ts	Residen- tial Houses Num- bers	Per- cen- tage to tar- gets	Expen- diture (Rupees in lakhs)	Perce- ntage of financial achievem- ent
1983-84 (10 Industri- al Estates)	1,000	369	-	1,090.00	568	57	174	47	-	-	556.87	51
1984-85 (14 Industri- al Estates)	682	470	216	1,249.81	268	39	168	36	-	-	385.73	31
1985-86 (12 Industri- al Estates)	386	392	168	465.00	<u>214</u> <u>1050</u>	55	<u>167</u> <u>509</u>	43	<u>168</u> <u>168</u>	100	348.23	75

During the three years 1983-86 the percentage of shortfall in physical achievement ranged between 43 to 61 in land development, and between 53 and 64 in shed construction. The reasons for shortfall in achievement were attributed (June, 1988) by the management, to the shortfalls in the release of margin money by Government, and low demand for industrial sheds.

7.10.7 *Development of land*

(a) In 1981-82, when the Corporation was set up, Government had transferred 2,299 acres of land from Orissa Small Industries Corporation (OSIC) and Industrial Promotion and Investment - Corporation Limited (IPICOL) to the IDCO. The value of the assets so transferred was to be treated as grant to the Corporation. The Corporation also acquired 4,200 acres of land at a cost of Rs.132.82 lakhs between 1982-83 and 1985-86. Out of the total 6,499 acres of land available with the Corporation, only 1,800 acres (28 per cent) were developed at a cost of Rs.737.25 lakhs. 2,620 acres of undeveloped land were allotted to major industries, and the balance 2,079 acres were still to be developed (March, 1989).

(b) 970 acres of the developed land (total investment of Rs.397.11 lakhs) were allotted to entrepreneurs on outright sale basis for Rs.215.32 lakhs between April, 1981 and March, 1986, which resulted in a loss of Rs.181.79 lakhs to the Corporation.

(c) A part of the balance developed land (area not intimated by IDCO) was divided into plots. The Corporation allotted 304 plots (valued at Rs.169.05 lakhs) to different entrepreneurs between 1981-82 and 1985-86 on hire-purchase. The Corporation did not maintain year-wise details of the demand and collection of instalments from the allottees. It was, however, intimated by the Management (May, 1989)

that an amount of Rs.88.02 lakhs towards hire-purchase instalment dues upto March, 1986 was outstanding on 31 May, 1989. Remaining developed area has not yet been allotted (March, 1989).

7.10.8 Sheds

During 1981-82, Government of Orissa transferred 692 sheds (446 of Government and 246 sheds of OSIC) valued at Rs.484.40 lakhs to the Corporation free of cost. In addition, the Corporation constructed 813 factory sheds and 127 mini-sheds upto 1985-86, at an expenditure of Rs.1387.23 lakhs. Till March, 1986, the Corporation could allot only 308 factory sheds (Rs.490 lakhs) to different entrepreneurs on outright sale basis, and 878 sheds (Rs.859.40 lakhs) on hire-purchase, 319 sheds (Rs.508 lakhs) remained unallotted.

Similarly, out of 127 mini-sheds constructed at a cost of Rs.14.28 lakhs, only 65 sheds valued at Rs.7.31 lakhs could be allotted by the Corporation as on 31st March, 1986. The balance 62 sheds valuing Rs.6.97 lakhs were lying unallotted (November, 1990).

(a)(i) Lack of sufficient demand was attributed (May, 1988) as the reason for a large number of sheds (21 *Per cent*) remaining unallotted. Construction of sheds was undertaken by the Corporation without development of proper facilities, with the result a large number of the sheds remained unallotted. The management stated (January, 1989) that construction of new sheds had been stopped, and that they were concentrating on provision of roads, power supply and water supply to the existing sheds to attract industrial entrepreneurs.

(ii) For allotment on hire-purchase, the condition was payment of 10 per cent of cost as down-payment and the balance cost to be recovered within 10 years in suitable instalments with interest at varying rates (10/12.5 and 14 per cent). Although the Corporation allotted 878 factory sheds (valued at Rs.859.40 lakhs) on hire-purchase by March, 1986, year-wise details of dues and collection had not been worked out. Category-wise outstanding dues on hire-purchase as on 31st March, 1986 were as under :-

(Rupees in lakhs)

Government sheds ...	84.29
OSIC sheds ...	19.87
Corporation factory sheds	<u>213.60</u>
	<u>317.76</u>

In addition, Rs.3.50 lakhs was outstanding on account of the initial down-payments on Government sheds allotted on hire-purchase (November, 1990).

(iii) A test-check of the records revealed that 118 industrial units in Jagatpur, which were allotted sheds in the Mancheswar Division, had closed down their production during March, 1987. The management stated (January, 1989) that they were taking steps in consultation with the District Industries Centres for revival of these units, or alternatively taking back possession of the sheds (January, 1989).

(b) 107 eviction cases had been initiated (November, 1987) by the Corporation against the defaulters, involving total outstanding dues amounting Rs.71.50 lakhs. Of these, 31 cases had been settled. Rs.3.83 lakhs out of Rs.22.77 lakhs due in 18 cases settled was realised (leaving a balance of Rs.18.94 lakhs), and re-possession of 5 sheds had been taken; in 8 cases re-possession was yet to be taken (May, 1988).

40.49
6.65
17.14

7.10.9 *Outstanding rental, water charges*

(a) The Corporation had also taken over some Government sheds which had been rented out prior to 1981-82. As on 31st March, 1986 the outstanding dues for recovery from the allottees was Rs.40.49 lakhs, which included Rs.13.32 lakhs relating to 121 parties who had vacated the sheds much earlier. The Corporation could not specify the reasons for the default.

During 1987-88, the Corporation filed 4 certificate cases involving Rs.4.63 lakhs for recovery of hire-purchase dues from defaulters, which were yet to be settled in May, 1988. As filing such cases involved payment of substantial stamp duty and court fees, the management has stopped taking recourse to such action.

(b) The Corporation supplies water from borewells to industrial units established in the industrial estates, and collects water charges at rates fixed by it. Check of records of Water Supply and Environment Control Division of the Corporation revealed that out of water charges amounting to Rs.7.39 lakhs due from entrepreneurs in three industrial estates at Mancheswar, Jagatpur and Chandaka for the period ending March, 1986, only Rs.0.74 lakh had been recovered, and the balance of Rs.6.65 lakhs was outstanding. In the remaining 12 industrial estates, charges for water supplied had not been assessed (May, 1988).

7.10.10 *Other topics of interest*

29 acres of land (cost Rs.9.42 lakhs) at Chandaka Industrial Estate were allotted to Orissa State Electricity Board, and possession was given in November, 1984. The Electricity Board was required to pay an initial deposit of Rs.3 lakhs in April, 1984 and the balance amount in two instalments in March, 1986 and March, 1987. While the

initial deposit of Rs.3 lakhs was paid by the Electricity Board (September, 1984), the balance of Rs.6.42 lakhs remained unrealised (June, 1988).

The Management stated (November, 1989) that it had also been decided (March, 1984) not to charge interest on the delayed payment of instalments by the Board. Government's approval was not obtained for the waiver.

The matter was reported to Government in July, 1989 ; their reply has not been received (January, 1991).

7.11 Financial assistance for industrial development

The Union and State Governments provide incentives to non-Government institutions in the shape of grants-in-aid, subsidy and loans, in order to promote growth of industries in the State. The financial assistance is released through the Directorates of Industries and Textiles.

The amounts paid as grants-in-aid, subsidies, share capital, loans etc. during the years 1985-86 to 1987-88 were as under : -

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>
	(Rupees	in	lakhs)
Grants-in-aid	182.25	265.81	226.11
Subsidy	484.98	914.17	621.11
Loan	474.40	577.60	944.00
Share Capital	1835.72	1998.83	1701.48
Other purposes	408.07	434.40	561.83
Total =	<u>3385.42</u>	<u>4190.81</u>	<u>4054.53</u>

Test-check of the records of Industries Department, Directorate of Industries, Orissa and Directorate of Textiles, Orissa, conducted between October, 1988 and January, 1989 revealed that out of Rs.1128.29 lakhs paid to 6 bodies during 1985-1988 as loans, subsidies and assistance to be utilised in the year of grants, Rs.193.78 lakhs remained unutilised for long periods and were also not surrendered. Details are given in Appendix - 7.1. The objects of the grants of loans/subsidies were thus not fulfilled.

In one case, a loan of Rs.21.23 lakhs released by Government of India, In April, 1986, was disbursed by the Industry Department to the Orissa State Handloom Development Corporation Limited only in April, 1987 after a delay of one year, resulting in liability to the State Government to pay interest of Rs.2.04 lakhs for the period from 1st May, 1986 to 31st March, 1987.

The matter was reported to Government in July, 1989 ; their reply has not been received (January, 1991).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

7.12 Orissa State Housing Board

Test-check of the accounts records of Orissa State Housing Board (Board) for the year 1983-84 to 1985-86 was conducted under Section 14(2) and 14(3) of Comptroller and Auditor General's (DPC) Act, 1971 as amended in March, 1984. It was noticed that large amounts paid as loans by Government to the Board for housing schemes at concessional interest rates remained unutilised for long periods, resulting in undue financial accommodation

to the Board. These and other points of interest are mentioned below :

(i) *Non-utilisation of margin money*

Between April, 1981 and June, 1984 Government released margin money totalling Rs.132.40 lakhs to the Board, for repayment of loan and interest to HUDCO. But the Board paid HUDCO only Rs.114.14 lakhs. The balance margin money of Rs.18.26 lakhs was neither refunded to Government nor paid to HUDCO, with the result that additional interest liability of Rs.4.34 lakhs (at 5 per cent per annum) has accumulated from July, 1984 to March, 1989 on the outstanding loan. The Board stated (June, 1988) that unutilised margin money would be adjusted at the time of complete repayment of loan to HUDCO by December, 1991.

(ii) *Loans under Village Housing Project (VHP) Schemes*

(a) A loan of Rs.88 lakhs was paid by the Government in June, 1982 to the Board for construction of houses for the economically weaker sections of society (EWS) under the Village Housing Project (VHP) Scheme. The loan carried simple interest at 8.5 per cent per annum, and was repayable in 25 consecutive annual instalments, on 31st March each year, with interest payable half yearly on 30th September and 31st March. In case of default, the interest was to be compounded. Under the proposed scheme, loans up to 80 per cent of the estimated cost of the house subject to a maximum of Rs.4000 per individual was to be given to *bona fide* residents of villages, where the scheme was implemented or to a beneficiary who intended to build a house to live in a village and had movable or immovable property there. However, no scheme was finalised by the Board (June, 1988) and the loan was deposited with the Boards' funds.

The Board paid interest of Rs.44.89 lakhs at 8.5 *per cent* for the period from 26th June, 1982 to 31st January, 1989 on the loan. The Board was also liable to pay penal interest of Rs.5.25 lakhs up to 31st March, 1989 for default in payment of principal and interest for the period 30th September, 1982 to 31st March, 1986.

(b) Government released (July, 1979) Rs.75 lakhs for construction of houses for the economically weaker sections of society under the Village Housing Project Schemes in 3 locations. Two schemes for construction of houses at Rourkela (Rs.20 lakhs) and at Baramunda, Bhubaneswar (Rs.20.93 lakhs) were approved by Government in July, 1981. The third scheme, at Satyanagar, Bhubaneswar (Rs.27.36 lakhs), was approved only on 30th April, 1982. According to the Memorandum of Understanding for the loan, the Board was liable to pay interest (at 8 *per cent*) only from the date of approval of the schemes by the State Government. Though the schemes of only Rs.40.93 lakhs had been approved by July , 1981 interest was paid by the Board on the full amount of loan of Rs.75 lakhs from August, 1981, resulting in excess payment of interest of Rs.2.03 lakhs (from August, 1981 to April, 1982). Government, by releasing the full amount of the loan to the Board without having the schemes ready for construction, also lost interest (Rs.12 lakhs) on the amount for the period from August, 1979 to July, 1981/April, 1982.

(c) Government released a loan of Rs.100 lakhs in December, 1983 for construction of houses for the economically weaker sections at Dum Duma (Bhubaneswar) under a VHP scheme. The Board could utilise only Rs.79.65 lakhs on construction of houses between July, 1985 and January, 1987, and the balance of Rs.20.35 lakhs was lying unspent (March, 1989).

The Board had to pay interest of Rs.19.42 lakhs on the full amount of loans of Rs.100 lakhs up to June, 1985, (Rs.12.94 lakhs), and on balance of Rs.20.35 lakhs from July, 1985 to March, 1989 (Rs.6.48 lakhs). It was also liable to pay penal interest of Rs.1.47 lakhs for default in payment of instalment and interest from 31st December, 1983 to 30th June, 1985.

No separate accounts of the loans were maintained as required. The Board stated (June, 1988) that the loans were deposited with the funds of the Board.

(iii) *Non-utilisation of Government grants*

(a) The Board received (February, 1983) Rs.98 lakhhs as grant from the Board of Revenue, Orissa, for repair/restoration of houses damaged by floods in 1982. The grant was to be utilised by 31st March, 1983. Without maintaining any statistical data regarding the number of houses damaged and the extent of damage caused by the floods, the Board spent Rs.40.75 lakhs by way of advances (Rs.30.64 lakhs to BDOs of Cuttack, Puri, Dhenkanal and Bolangir districts, and Rs.10.11 lakhs to an Executive Engineer of the Board) between 1982-83 and 1984-85. The balance of Rs.57.25 lakhs was lying unspent with the Board (June, 1988). The details of expenditure incurred by the BDOs were not made available to Audit. But utilisation certificate for the entire amount of Rs.98 lakhs was submitted by the Board to Government (Rs.26.29 lakhs during 1982-83 and Rs.71.71 lakhs during 1983-84). The Board stated that this was done on the presumption that the value of works undertaken by the executing agencies would be more than the grant of Rs.98 lakhs, and because the Government insisted on submission of the certificate.

(b) Government released grants of Rs.15.25 lakhs, between 1983-87, to be utilised for infrastructural development works, viz. land development, roads and culvert, sewerage and water supply for EWS/LIG Flats proposed for construction at Chandrasekharapur (Bhubaneswar). Of this, Rs.10.81 lakhs were reported to have been spent by 31st March, 1986.

The balance unutilised grant of Rs.4.44 lakhs was neither spent nor refunded to Government (March, 1989). The Board stated that the amount was retained for future developmental expenses.

(iv) *Outstanding recoveries*

According to the rules/conditions for hire purchase, after collection of initial deposit the balance cost of houses/flats is recoverable from the purchasers in quarterly/monthly instalments, along with interest as fixed by the Board for each category of house/flat. The demand, collection and balance statement (DCB) prepared by the Board showed total outstanding dues of Rs.150.75 lakhs at the end of 1985-86, to be realised from the hire purchase allottees. Year-wise balances for three years test-checked were as under :

Year	Demand including arrears	Collection	Balance outstanding
	(Rupees	in lakhs)
1983-84	164.87	52.45	112.42
1984-85	208.60	61.41	147.19
1985-86	252.03	101.28	150.75

Specific reasons for the shortfall in recovery were not intimated. But the Board stated that the recovery wing would be strengthened to improve the position of collection.

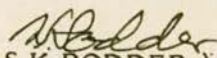
463 hire-purchase allottees had defaulted payment of instalments and interest as on 31st March, 1986. Of the total (Rs.150.75 lakhs) outstanding, Rs.30.56 lakhs were recoverable from 329 allottees who had not paid any amount. The progress of recovery from the defaulters has not been furnished by the Board (November, 1990). No effective steps were taken by the Board for collection of outstanding dues, and levy of penal interest, or to take back possession of the residences by cancelling the allotments, etc.(March, 1989).

The matter was reported to Government in July, 1989 ; their reply has not been received (January, 1991).

BHUBANESWAR

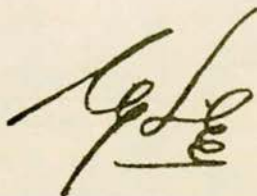
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-2 APR 1991


(S.K.PODDER)

Accountant General (Audit)-I
Orissa

Countersigned



NEW DELHI

The

22 APR 1991

(C.G.SOMIAH)

Comptroller and Auditor General
of India

APPENDICES

APPENDIX

Statement showing failure/

(Reference to Paragraph :

Component	Area planted	Expenditure on plantation
	(in hectares)	(Rupees in lakhs)
Village wood lot	18,345.70	644.61
Reforestation	13,737.30	452.39
Rehabilitation	14,184.00	76.23
Forest farming for rural poor	<u>1,508.90</u>	<u>118.94</u>
	<u>47,775.90</u>	<u>1,292.17</u>

3.1

shortfall in seedlings

3.5.8(e) at Page 22)

Area under percentage of survival below 50 <i>per cent</i> (hectares)				Area under failed plan- tation (in hectares)	Total expendi- ture on fa- iled plantation (Rupees in lakhs)
0	1 to 10 <i>per cent</i>	11 to 30 <i>per cent</i>	31 to 49 <i>per cent</i>		
2,004.45	122.10	252.00	349.50	2,728.05	57.31
967.00	145.20	250.00	212.00	1,574.20	36.08
476.00	-	10.00	85.80	571.00	2.59
<u>125.70</u>	<u>11.00</u>	<u>15.50</u>	<u>12.00</u>	<u>164.20</u>	<u>7.59</u>
<u>3,573.15</u>	<u>278.30</u>	<u>527.50</u>	<u>658.50</u>	<u>5,037.45</u>	<u>103.53</u>

APPENDIX

Statement showing misappropriation, losses etc. reported up to

(Reference to Paragraph :

Sl. No.	Name of the Department	Cases in which criminal departmental proceedings have not been initiated due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised	
		Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Home	3	0.36	18	6.39
2	Agriculture and Co-operation	36	11.09	79	17.52
3.	Community Development and Rural Reconstruction	28	8.42	16	9.91
4.	Forest, Fisheries and Animal Husbandry	66	9.69	153	130.36
5.	Information and Public Relation	52	3.58	2	0.26
6.	Labour and Employment	1	0.05	1	0.23
7.	Food and Civil Supplies	-	-	1	0.03
8.	Housing and Urban Development	3	4.60	80	23.33

3.2

31st March, 1989 pending finalisation at the end of September, 1989.

3.17 at Page 37)

Cases in which criminal cases were finalised but execution of certificate cases for recovery of the amounts are pending	cases awaiting Government orders for recovery or write off	cases in courts of law	Total
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Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)	Num- ber of cases	Amount (Rs. in lakhs)
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
-	-	1	0.79	9	3.51	31	11.05
-	-	19	0.93	8	0.53	142	30.07
3	0.37	7	0.61	7	0.87	61	20.18
-	-	95	7.67	20	13.37	334	161.09
-	-	-	-	-	-	54	3.84
-	-	-	-	1	0.70	3	0.98
4	3.04	1	0.01	-	-	6	3.08
-	-	1	0.14	4	0.34	88	28.41

Contd. -

Statement showing misappropriation, losses etc. reported up to

(Reference to Paragraph :

Sl. No.	Name of the Department	Cases in which criminal, departmental proceedings have not been initiated due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised	
		Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
9.	Revenue and Excise	27	19.15	66	9.75
10.	Health and Family Welfare	11	6.71	19	4.63
11.	Education and Youth Services	14	6.84	37	12.12
12.	Harijan and Tribal Welfare	3	0.65	24	3.57
13.	Industries	5	1.59	10	0.73
14.	Finance	6	0.51	10	2.92
15.	Irrigation and Power	86	43.11	166	73.19
16.	Law	8	1.04	1	0.04

3.2 - contd.

31st March, 1989 pending finalisation at the end of September, 1989.

3.17 at Page 37)

Cases in which criminal cases were finalised but execution of certificate cases for recovery of the amounts are pending	cases awaiting Government orders for recovery or write off	cases in courts of law	Total
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Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
34	5.89	6	0.52	11	0.78	144	36.09
-	-	3	0.21	8	5.27	41	16.82
-	-	1	0.13	8	3.62	60	22.71
3	0.05	2	0.42	8	3.02	40	7.71
-	-	5	0.54	3	0.09	23	2.95
-	-	4	0.30	4	0.91	24	4.64
3	0.12	22	12.49	6	0.19	283	129.10
-	-	2	1.70	5	2.81	16	5.59

Contd. . .

APPENDIX

Statement showing misappropriation, losses etc. reported up to

(Reference to Paragraph :

Sl. No.	Name of the Department	Cases in which criminal, departmental proceedings have not been initiated due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised	
		Number of cases	Amount (Rupees in lakhs)	Number of cases	Amount (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
17.	Works	21	12.46	142	121.92
18.	Mining and Geology	3	0.04	-	-
19.	Commerce and Transport	1	0.75	2	0.48
20.	General Administration	-	-	-	-
21.	Planning and Co-ordination	—	—	—	—
		374	130.64	827	417.38

3.2 - Concl.

31st March, 1989 pending finalisation at the end of September, 1989.

3.17 at Page 37)

Cases in which criminal cases were finalised but execution of certificate cases for recovery of the amounts are pending	cases awaiting Government orders for recovery or write off	cases in courts of law	T o t a l
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Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs.in lakhs)	Num- ber of cases	Amount (Rs. in lakhs)
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
-	-	1	0.38	-	-	164	134.76
-	-	-	-	1	0.47	4	0.51
-	-	4	0.88	-	-	7	2.11
-	-	-	-	1	0.95	1	0.95
-	-	-	-	1	0.08	1	0.08
17	9.47	174	27.72	105	37.51	1527	622.72

APPENDIX

Summarised financial position of schemes taken

(Reference to Paragraph :

SL. No.	Name of the Undertaking	Name of Department	Year of accounts	Government Capital
(1)	(2)	(3)	(4)	(5)
				(Rupees in lakhs)
1.	Cold Storage Plant, Unit-I, Cuttack	Agriculture and Co-operation Department	1977 1978 1979	10.50 14.20 13.49
2.	Cold Storage Plant, Unit-II, Cuttack	Agriculture and Co-operation Department	1977 1978 1979	19.70 19.36 17.92
3.	Government Trading on Kendu leaves	Forest, Fisheries and Animal Husbandry Department	1982-83 1983-84	70.10 70.10

6.1

over by Orissa State Seeds Corporation

6.1 ; Page 84)

Mean Capital (6) (Rupees	Block Assets (7)	Depre- ciation (8) in	Loss (-) Profit (+) (9) Lakhs	Percentage of return to mean capital (10)
7.37	5.50	4.24	(+) 2.38	32.29
10.93	5.50	4.31	(+) 2.28	20.86
14.32	5.51	4.38	(-) 1.69	-
21.27	18.56	3.29	(-) 3.29	-
20.01	18.74	4.25	(-) 2.37	-
19.44	18.74	5.16	(-) 2.97	-
70.10	-	-	(+) 762.95	1088.37
70.10	-	-	(+) 981.19	1399.70

APPENDIX

Statement showing position of unutilised funds out of Central Assistance,

(Reference to Paragraph :

Name of the body/ Institution	Purpose for which the assistance was given	Amount (Rupees in lakhs)	Year of payment
(1)	(2)	(3)	(4)
1. Industrial promotion and Investment Corporation Ltd., (IPICOL), Bhubaneswar	i) Interest free Sales Tax loan	624.00	1981-82 to 1987-88
	ii) Power subsidy to large and medium industries	11.00	1979-80 to 1981-82
2. Orissa Small Industries Corpo- ration (OSIC), Cuttack.	i) Margin money for revival of sick units	49.00	1982-83 to 1985-86
	ii) Equity and soft loans	60.00	1978-79 to 1987-88

7.1

lying with non-Government bodies/Institutions as on 31st March, 1989

7.11 at Page 124)

Period stipulated for utilisation	Amount utilised (Rupees in lakhs)	Balance	Reasons for non-utilisation	Remarks
(5)	(6)	(7)	(8)	(9)
Before 31st March of the financial year	622.68	1.32	IPICOL required funds always as it is a on going scheme	
Before 31st March of the financial year	2.54	8.46	There was no claim for power subsidy	The balance of Rs.8.46 lakhs which remained unutilised since 1983-84 was diverted to "interest free loan scheme" during 1985-86.
Before 31st March of the financial year	9.36	39.64	Non-compliance of the conditions by industrial units as stipulated in the sanction.	-
Before 31st March of the financial year	38.94	21.06	No reasons were stated by OSIC.	-

Contd. ...

APPENDIX

Statement showing position of unutilised funds out of Central Assistance,

(Reference to Paragraph :

Name of the body/ Institution	Purpose for which the assistance was given	Amount (Rupees in lakhs)	Year of payment
(1)	(2)	(3)	(4)
3. Orissa State Hand- loom Weavers Co-ope- rative Society Ltd., (OSHWCS Ltd.), Bhubaneswar	i) Share capital loan	36.00	1982-83 to 1987-88
	ii) Modernisation of looms	70.98	1985-86 to 1987-88
	iii) Publicity and propoganda (Documentary Film)	2.00	1986-87
	iv) Relief/Repair/Restoration works in flood (1982) affected areas		
	a) Assistance to Handloom weavers	78.53	1982-83
	b) Grant for repair of buildings and godowns	60.00	1982-83

7.1 - Contd. .

lying with non-Government bodies/Institutions as on 31st March, 1989

7.11 at Page 124)

Period stipulated for utilisation	Amount utilised (Rupees in lakhs)	Balance	Reasons for non-utilisation	Remarks
(5)	(6)	(7)	(8)	(9)
Before 31st March of the financial year	30.79	5.21	Due to want of loan bonds from the Weavers Co-operative Societies.	-
Before 31st March of the financial year	50.31	20.67	Delay in procurement of looms.	-
Before 31st March of the financial year.	-	2.00	Non-finalisation of the script of the film.	-
Before 31st March of the financial year	77.95	0.58	Non-supply of looms to the flood affected weavers.	-
Before 31st March of the financial year	34.11	25.89	Non-availability of Government land for construction of common weaving sheds.	-

Contd. - ..

APPENDIX

Statement showing position of unutilised funds out of Central Assistance,

(Reference to Paragraph :

Name of the body/ Institution	Purpose for which the assistance was given	Amount (Rupees in lakhs)	Year of payment
(1)	(2)	(3)	(4)
4. Orissa State Handloom Deve- lopment Corpora- tion Ltd., Bhuba- neswar (OSHDC).	i) Relief/Repair/Restoration works in flood (1982) affected areas		
	a) Assistance to Handloom weavers	21.47	1982-83
	b) Grant for repair of buildings and godowns	20.00	1982-83
	ii) For Revival of Hank Dying Industry, Bolangir	21.23	1986-87

7.1 - Contd.

lying with non-Government bodies/institutions as on 31st March, 1989

7.11 at Page 124)

Period stipulated for utilisation	Amount utilised (Rupees in lakhs)	Balance	Reasons for non-utilisation	Remarks
(5)	(6)	(7)	(8)	(9)
Before 31st March of the financial year	17.38	4.09	Non-supply of looms to the flood affected weavers.	-
Before 31st March of the financial year	9.12	10.88	Non-availability of Government land for construction of common weaving shed.	-
Before 31st March of the financial year	5.94	15.29	-	The projects scheduled to within 6 months has not been completed (April, 1989).

Contd. ...

APPENDIX

Statement showing position of unutilised funds out of Central Assistance,

(Reference to Paragraph :

Name of the body/ Institution	Purpose for which the assistance was given	Amount (Rupees in lakhs)	Year of payment
(1)	(2)	(3)	(4)
5. State Tassar and Silk Co-operative Society Ltd. Bhubaneswar(STSCS)	Different projects	52.08	1978-79 to 1985-86
6. Orissa Co-operative Textiles Processing Society Limited, Jagatpur	Installation of additional machinery	22.00	1983-84
Total =		<u>1128.29</u>	

7.1 - Concl.

lying with non-Government bodies/Institutions as on 31st March, 1989

7.11 at Page 124)

Period stipulated for utilisation	Amount utilised (Rupees in lakhs)	Balance	Reasons for non-utilisation	Remarks
(5)	(6)	(7)	(8)	(9)
Before 31st March of the financial year	23.53 -	28.55	Non-organisation of pilot project centres, non-identification of ST beneficiaries, non-finalisation of quotations, non-availability of land etc.	
Before 31st March of the financial year	11.86	10.14	-	The balance of Rs.10.14 lakhs was diverted towards effluent disposal system and land cost without the approval of Government.
	<u>934.51</u>	<u>193.78</u>		

