



REPORT (PAC)

**REPORT OF THE
COMPTROLLER AND
AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR
1972-73**

**GOVERNMENT OF ORISSA
(CIVIL)**



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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1972-73 together with other points arising from audit of the financial transactions of the Government of the Orissa. It also includes :—

- (i) certain points of interest arising from the Finance Accounts for the year 1972-73 ;
- (ii) reviews on Salary Saving Scheme, Coconut Development, National Loan Scholarships, construction of *Panchayat ghars* and Water Supply Schemes for Berhampur and Jharsuguda.

2. Audit Reviews on the expenditure incurred on (i) the Emergency Agricultural Production Programme and (ii) the Crash Scheme for Rural Employment by the Government of Orissa have already been submitted in an Advance Report.

3. The Report containing the Observations of Audit on Statutory Corporations, Government Companies and Orissa State Electricity Board is being presented separately.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1972-73 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 1972-73 have also been included, wherever considered necessary.

5. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Departments/bodies/authorities concerned.

CHAPTER I

GENERAL

1. *Summary of receipts and disbursements*:—The following is a summary of receipts and disbursements of Government during 1972-73 along with the corresponding figures for the preceding two years:—

	1970-71	1971-72	1972-73
	(In crores of rupees)		
(1) Opening cash balance ..	+2·81	+7·44	—6·23
(2) Consolidated Fund— ..			
(A) <i>Transactions on revenue account—</i>			
Revenue—			
(a) Taxes (including State's share of divisible Union taxes)	63·73	72·35	82·03
(b) Non-tax revenue ..	33·17	34·75	37·83
(c) Grants-in-aid from Government of India	38·93	44·22	48·27
Total— Revenue receipts ..	135·83	151·32	168·13
Less—Expenditure met from revenue ..	139·88	175·08	192·78
Revenue deficit (—)/surplus (+) ..	—4·05	—23·76	—24·65
(B) <i>Transactions outside the revenue account—</i>			
Receipts from borrowings (net) ..	23·18	45·53	52·60
Less—Disbursements outside the revenue account (net)—			
(a) Capital expenditure ..	24·79	29·87	32·07
(b) Loans and advances by State Government	1·53	13·61	6·00
Net effect of transactions outside the revenue account surplus (+)/deficit (—)	—3·14	+2·05	+14·53
(3) <i>Contingency Fund and Public Account—</i>			
Net effect of transactions under the Contingency Fund, Provident Funds, Deposits and Advances, remittances, etc.	11·82	8·04	—5·29
Over all surplus (+)/deficit (—) ..	+4·63	—13·67	—15·41
(4) Closing cash balance ..	+7·44	—6·23	—21·64

The budget estimates for 1972-73 envisaged that the year would begin with an opening cash balance of Rs. 0.34 crore and close with a cash balance of Rs. 0.32 crore. The actual opening cash balance was *minus* Rs. 6.23 crores and the actual closing cash balance was *minus* Rs. 21.64 crores as shown below :—

	Budget	Actual
	(In crores of rupees)	
(1) Opening balance ..	0.34	—6.23
(2) Consolidated Fund—		
(a) Revenue receipts ..	163.57	168.13
(b) Expenditure met from revenue ..	177.26	192.78
(c) Revenue deficit ..	13.69	24.65
(d) Expenditure outside the Revenue account ..	26.04	38.07
(e) Public debt (net receipts) ..	30.27	52.60
Total—Consolidated Fund ..	9.46	10.12
(3) Contingency Fund (net expenditure) ..	..	0.24
(4) Public Account (net receipts) ..	9.44	—5.05
(5) Closing balance ..	0.32	—21.64

2. *Revenue Receipts*:—(a) The actuals of revenue receipts of State Government for 1972-73 as compared with the budget estimates of the year along with the corresponding figures for 1970-71 and 1971-72 are shown below :—

Year	Budget	Actuals	Variation	
			Amount of increase(+)/decrease(—)	Percentage
(1)	(2)	(3)	(4)	(5)
(In crores of rupees)				
1970-71 ..	132.38	135.83	+3.45	3
1971-72 ..	151.89	151.32	—0.57	..
1972-73 ..	163.57	168.13	+4.56	3

No additional tax measure was introduced in any of these years after the budget.

The principal variations between budget and actuals were mainly in grants-in-aid from the Union Government (+Rs. 3.28 crores), State's share of Union Excise Duties (+Rs. 1.31 crores) and Taxes on Income other than Corporation Tax (+Rs. 1.57 crores). These increases were partly offset by shortfalls in other receipts.

(b) In 1972-73 revenue receipts (Rs. 168.13 crores) increased by 11 per cent over those in 1971-72 (Rs. 151.32 crores). A comparative analysis of revenue receipts during the three years ending 1972-73 is given below :—

	1970-71	1971-72	1972-73	Increase (+)/ decrease (—) in 1972-73 over 1971-72
	(In crores of rupees)			
<i>(i) Revenue raised by the State—</i>				
Tax revenue ..	33.27	34.78	39.97	+5.19
Non-tax revenue ..	33.17	34.75	37.83	+3.08
Total (i) ..	66.44	69.53	77.80	+8.27
<i>(ii) Receipts from Government of India—</i>				
State's share of divisible Union taxes	30.46	37.57	42.06	+4.49
Grant-in-aid under Article 275 of the Constitution	24.03	22.30	20.75	—1.55
Other grants ..	14.90	21.92	27.52	+5.60
Total (ii) ..	69.39	81.79	90.33	+8.54
Total receipts ..	135.83	151.32	168.13	+16.81

During 1972-73, receipts from Government of India (Rs. 90.33 crores) were 54 per cent of the total receipts of the State for the year. The increase (Rs. 8.54 crores) during 1972-73 compared with the receipts during 1971-72 (Rs. 81.79 crores) was mainly due to increase of Rs. 4.49 crores in State's share of the proceeds of Union Excise Duties (Rs. 3.72 crores) and Taxes on Income other than Corporation Tax (Rs. 1.06 crores); increase of Rs. 5.60 crores under other Union grants to the State mainly on account of increase in assistance for natural calamities and State Plan Schemes was partly offset by a decrease of Rs. 1.55 crores in the statutory grant.

The revenue raised by the State during 1972-73 increased by Rs. 8.27 crores over that in 1971-72. The overall increase was mainly due to increase under—

(i) Sales tax : Rs. 3.74 crores (on account of increased receipts from Central and State Sales Tax)

(ii) Electricity schemes : Rs. 1.05 crores (mainly due to realisation of arrears from Orissa State Electricity Board towards sale of power).

(c) *Additional resource mobilisation*:—For raising additional resources of Rs. 35 crores during the five year period 1969-70 to 1973-74 Government adopted measures such as tax on passenger fares, levy of toll on expressway, nationalisation of *kendu* leaf trade, revision of rates of sales tax, increase in rates of land cess, revision of stamp duties, increase in electricity duty, increase in irrigation rate, increase in rates of mining royalty, revision of rate of *salami* for leasing Government lands, extension of entertainment tax, enhancement of rate of tax on sale of motor spirit and rationalisation of the procedure for agricultural income tax. In 1972-73, these measures were anticipated to yield a revenue of Rs. 9.00 crores ; against this Rs. 9.26 crores were stated to have been realised.

Government proposed at the budget stage to implement fresh measures during 1972-73 by way of (i) tax on agricultural land on a graduated scale, (ii) re-introduction of compulsory basic water rate envisaged in the Orissa Irrigation Act and rules and (iii) increase in royalty on minor forest produce and minor minerals. These were expected to yield additional revenue of Rs. 1.75 crores. Measures mentioned at (i) and (ii) above were, however, not implemented during 1972-73. Revenue realised from the other measure was stated to be Rs. 0.05 lakh against Rs. 0.25 lakh anticipated.

(d) *Arrears in collection of revenue, interest and receipts*—According to the information furnished by some of the Departments, arrears in collection of revenue, interest and other receipts at the end of March 1973 were Rs. 42.91 crores. Arrears were heavy under commercial taxes (Rs. 26.21 crores), land revenue (Rs. 3.00 crores), forest leases (Rs. 1.76 crores), electricity receipts including electricity duty (Rs. 1.54 crores), mining revenue (Rs. 1.10 crores) and interest receipts (Rs. 6.71 crores). The details of arrears are given in paragraph 82.

(e) *Write-off, rebates and remissions of claims to revenue*—During 1972-73 demands in over 141 cases (total amount : Rs. 1.18 crores) were written off, rebate allowed or remitted by the competent authorities. Details of these are given in paragraph 84.

3. Expenditure on Revenue Account:—

(a) *Budget and actuals*:—The expenditure on revenue account as compared with the (i) budget estimates and (ii) budget estimates plus supplementary provision is shown below :—

Year	Budget	Budget plus supplementary	Actual	Variation between columns (4) and (3)	
				Amount of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(In crores of rupees)					
1970-71 ..	143.46	150.72	139.88	10.84	7
1971-72 ..	161.97	186.80	175.08	11.72	6
1972-73 ..	177.26	205.71	192.78	12.93	6

The principal variations between budget (including supplementary provision) and the actuals during 1972-73 are given in paragraph 26 (iii).

(b) Expenditure on revenue account in 1972-73 (Rs. 192.78 crores) increased by 10 per cent as compared with 1971-72 (Rs. 175.08 crores). The increase of Rs. 17.70 crores was the net result of increases under certain heads partly offset by decreases under other heads. A comparative analysis of the main increases along with the expenditure figures during the three years ending 1972-73 by broad groups of Government activity is given below :—

	Expenditure			Increase over 1971-72	
	1970-71	1971-72	1972-73	Amount	Percentage
	(In crores of rupees)				
<i>Debt Services</i> ..	26.86	32.00	33.02	1.02	3
Increase was mainly on payment of interest charges on open market loans unfunded debt, ways and means advances from the Reserve Bank of India and loans from autonomous bodies.					
<i>Social and Developmental Services—</i>					
Education	23.64	27.36	30.56	3.20	12
Increase was mainly due to payment of additional dearness allowance at higher rates to Government employees and to employees of local bodies and aided educational institutions.					
Medical	5.91	6.65	7.83	1.18	18
Increase was mainly under hospitals and dispensaries.					
Agriculture	7.26	7.97	12.37	4.40	55
Increase was mainly because of Emergency Agricultural Production Programme.					
Community Development Projects, National Extension Service and Local Development Works—	3.92	6.17	7.61	1.44	23
Increase was mainly because of implementation of Crash Scheme for Rural Employment.					
Miscellaneous Social and Developmental Organisations—	3.77	4.34	6.90	2.56	59

Increase was mainly in the expenditure on special welfare schemes.

Miscellaneous—

Miscellaneous	3.01	3.80	5.25	1.45	38
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Increase mainly in grants paid to local bodies, and in contribution paid to Government of India from levies for the relief of the refugees.

4. *Grants-in-aid*:—(a) In 1972-73 Rs. 27.13 crores were paid as grants to non-Government bodies, institutions and individuals against Rs. 28.22 crores paid during 1971-72; this formed 14 per cent of Government's total expenditure on revenue account. An analysis of the grants paid is given below:—

Department	Amount (In crores of rupees)
Education	20.78
Community Development and Panchayati Raj	1.63
Public Health	1.08
Other departments	3.64
Total	27.13

Expenditure incurred out of the grants to municipalities, notified area committees, universities, panchayat organisations, etc., is audited by the Examiner, Local Accounts. Some of the more important points reported by him to Government during 1972-73 are mentioned in paragraph 92.

(b) The chief beneficiaries of the grants were Panchayati Raj institutions which received Rs. 13.90 crores (51 per cent) during 1972-73 for the purposes shown below:—

Department	Amount (In crores of rupees)
Education—	
Primary and Secondary Education	.. 12.07
Community Development and Panchayati Raj—	
(i) Rural Development	.. 0.74
(ii) Community Development	.. 0.89
(iii) Other grants	.. 0.11
Tribal and Rural Welfare—	..
Development of tribal blocks	.. 0.09
Total	.. 13.90

In addition to grants, Rs. 1.51 crores were paid by Government in 1972-73 as assistance to panchayat organisations as shown below:—

	Amount (In crores of rupees)
Share of profits from Kendu leaf trade	1.21
Payment of rates and cess on land	0.30
Total	1.51

Further, Rs. 13.34 crores were spent by Government in 1972-73 for panchayat organisations on rural and community development (Rs. 9.39 crores) and development of tribal areas (Rs. 3.95 crores).

In addition, loans were advanced to Panchayati Raj institutions for carrying out rural development. Balances of these loans outstanding at the end of March 1973 against those institutions and under community development programme were Rs. 52.52 lakhs and Rs. 37.45 lakhs respectively.

(c) *Utilisation certificates*:—Under the financial rules, in all cases in which conditions are attached to grants, utilisation certificates that the grants have been utilised for the purpose for which they were paid are required to be furnished by the Departmental Officers to the Accountant General within a reasonable time.

At the end of September 1973, 46,996 certificates for Rs. 83.26 crores were awaited for grants paid up to the 31st March 1972. Of 46,996 outstanding utilisation certificates stated above, 25,688 certificates (Rs. 51.58 crores) relate

to grants paid up to the 31st March 1970. The remaining 21,308 certificates relate to grants paid during the period the 1st April 1970 to the 31st March 1972 as shown below:—

Period of payment of grant	Utilisation certificates					
	Due		Received		Outstanding	
	Number	Amount (In crores of rupees)	Number	Amount (In crores of rupees)	Number	Amount (In crores of rupees)
1st April 1970 to 31st March 1971	12,138	23.46	1,988	3.72	10,150	19.74
1st April 1971 to 31st March 1972	11,597	13.35	439	1.41	11,158	11.94
Total	23,735	36.81	2,427	5.13	21,308	31.68

Departmentwise and yearwise details of certificates outstanding on the 30th September 1973 are given in Appendix I.

The utilisation certificates have not been received although considerable time has passed after the grants were paid. In the absence of certificates, it is not possible to state that the recipients spent the grants for the purpose or purposes for which these were given and that no misappropriation, fraud, etc. took place.

5. *Public debt*:—(a) The public debt of Government increased by Rs. 52.60 crores during 1972-73 as shown below:—

	Receipt	Payment	Net increase(+)/ decrease(-)
(In crores of rupees)			
Open market Loan ..	9.43	5.58	+ 3.85
Floating debt ..	46.68	53.78	- 7.10
Loans from Government of India ..	92.59	40.53	+ 52.06
Loans from Autonomous bodies ..	4.72	0.93	+ 3.79
Total ..	153.42	100.82	+ 52.60

During 1972-73 Government raised a loan of Rs. 9.36 crores. The loan bears 5½ per cent interest and is repayable at par in 1984. Out of Rs. 9.36 crores realised against this loan, Rs. 5.53 crores were realised in cash and the remaining amount by conversion of 4½ per cent Orissa Government Loan, 1972.

(b) The outstanding public debt of the State at the end of March 1973 was Rs. 562.94 crores. An analysis of the debt, with corresponding figures at the end of the preceding two years is given below:—

	Public debt on 31st March		
	1971	1972	1973
	(In crores of rupees)		
Open market loan ..	65.35	70.33	74.10(a)
Floating loans—			
(a) Ways and means advances from the Reserve Bank	1.88	5.30	..
(b) Overdrafts from the Reserve Bank	..	1.80	..
Loans from Government of India ..	384.41	417.67	469.73
Loans from autonomous bodies ..	13.24	15.32	19.11
Total ..	464.88	510.42	562.94

(a) Includes Rs. 0.04 crore lying under deposit head pending transfer to this head on issue of scrips.

6. *Loans from Government of India*:—(a) Loans from Government of India (Rs. 469.73 crores) constitute 83 per cent of the total public debt of Government. During 1972-73 Government of India paid Rs. 38.80 crores as *ad hoc* loans to meet the resource gap of the State Government. Rupees 5.90 crores were also received from Government of India as ways and means advances during 1972-73 for Centrally sponsored schemes ; of these, Rs. 5.33 crores were adjusted as grants and Rs. 0.57 crore were converted as loans during the year.

Rupees 23.28 crores were received from Government of India as loans during 1972-73 for State Plan Schemes.

(b) *Rehabilitation loans*:—(i) *Loans to displaced persons from erstwhile East Pakistan*:—To the end of March 1972 Government of India paid Rs. 1,26.46 lakhs as loans for rehabilitation of displaced persons from the erstwhile East Pakistan. No fresh loan was sanctioned during 1972-73. Rupees 90.74 lakhs on account of principal and Rs. 31.23 lakhs on account of interest were due for payment on the 31st March 1973. The State Government is, however, paying to Government of India only the sums actually realised from the displaced persons. No amount was repaid to Government of India during 1972-73 as no recoveries were made from displaced persons.

In June 1964 Government of India decided that the State Government should be absolved of the responsibility for sharing any portion of losses on loans granted to displaced persons from what is now Bangladesh prior to the 31st March 1964 (other than those granted to displaced persons migrated after the 31st December 1963). Rupees 9.40 lakhs so far worked out by the State Government as loss on a portion of the loan have been remitted during 1972-73; such remissions to end of 1972-73 were Rs. 26.26 lakhs.

(ii) *Loans to repatriates from Burma*:—Between December 1965 and March 1972 Government of India paid Rs. 90.80 lakhs as loan for rehabilitation of repatriates from Burma of which Rs. 0.72 lakh were repaid (along with interest) by Government up to 1968-69 as per original terms and conditions. According to the revised terms decided by Government of India, Rs. 15.82 lakhs towards principal and Rs. 14.49 lakhs towards interest were due for payment on the 31st March 1973. State Government, however, decided to pay only the sums realised from the repatriates; of the instalments of principal and interest due, no amount was paid to Government of India during 1972-73.

7. *Other debt and obligations*:—In addition to public debt, the net balances at the credit of State provident funds, local funds, civil deposits and earmarked funds such as sinking funds, reserve funds and deposit accounts to the extent these have not been invested but are merged with the general cash balance of Government also constitute liability of Government. Taking into account regular debt and these liabilities together the debt position of Government at the end of each of the three years ending 1972-73 was as follows:—

	Total debt on the 31st March		
	1971	1972	1973
	(In crores of rupees)		
Public debt ..	464.88	510.42	562.94
State provident funds ..	20.17	23.58	27.39
Sinking funds, reserve funds and deposit accounts	31.00	32.04	32.92
Deposits of local funds and civil deposits (excluding balances of market loans)	24.79	25.77	28.50
Total ..	540.84	591.81	651.75

8. *Advances and overdrafts*:—(a) Under an agreement with the Reserve Bank of India, Government has to maintain with the Bank minimum balance of Rs. 30 lakhs on all working days. The Bank gives ways and means advances when the cash balance falls short of this minimum. The limit for normal ways and means advances was fixed as Rs. 0.90 crore for the year 1972-73. The Bank also agreed to give special ways and means advances up to Rs. 4.40 crores against Government of India securities. The rate of interest paid by Government during 1972-73 on these advances was 5 per cent. If after the maximum advance is given the cash balance is below the minimum the deficiency is left uncovered but the Bank charges interest on such overdrafts. During 1972-73 the Bank charged interest of 5 per cent on advances given to keep the minimum balance at Rs. 30 lakhs and 6 per cent on advances or overdrafts.

Rupees 5.30 crores were outstanding at the end of 1971-72 on account of ways and means advances. In addition ways and means advances of Rs. 32.05 crores were availed of during 1972-73. The entire advance of Rs. 37.35 crores was repaid during 1972-73. Interest paid on the advances during 1972-73 was Rs. 6.01 lakhs.

Government also availed of overdrafts of Rs. 14.64 crores during 1972-73; these were repaid during the year along with the balance of Rs. 1.80 crores outstanding at the beginning of the year. Rupees 0.99 lakh were paid as interest on the overdrafts.

Treasury bills of Rs. 68.42 crores were also discounted on various dates during 1972-73 to make up the deficiency in the cash balance.

(b) The cash balance with the Reserve Bank of India on the 31st March 1973 as shown in Government account was *minus* Rs. 22.10 crores and represents the balance after taking into account the inter-Governmental monetary settlements pertaining to 1972-73 advised to the Reserve Bank up to the 25th April 1973. The position at the close of the preceding two years was as follows:—

	Cash balance with the Reserve Bank	Ways and means advances outstanding	Overdrafts outstanding
(In crores of rupees)			
31st March 1971	7.30	1.88	..
31st March 1972	— 6.36	5.30	1.80

9. *Arrangements for amortisation of public debt*:—Sinking funds have been created for amortisation of open market loans (Rs. 71.40 crores), loans from the Government of India for industrial housing scheme and share of market borrowings in 1963 (Rs. 8.15 crores) and loans from the Life Insurance Corporation of India for housing schemes (Rs. 12.66 crores).

For amortisation of loans raised in the open market, contribution at $\frac{1}{2}$ per cent of the total nominal amount of loans raised up to 1971-72 is set apart annually to form a depreciation fund for purchasing securities of the loan for cancellation. A sum at the same rate is to be set apart to the depreciation funds, if necessary, for purchasing securities of the loan raised during 1971-72 in the event of any depreciation in the prices of the loan. No such provision has, however, been made for the loan raised during 1972-73.

The balances in the funds for amortisation of loans and depreciation funds for loans at the commencement and close of 1972-73 are shown below:—

	Amount
	(In crores of rupees)
Balance on the 1st April 1972	.. 39.07
Additions during 1971-72—	
(i) Contribution from revenue	.. 6.75
(ii) Interest from investments, etc.	.. 0.94
Withdrawals during the year	.. 6.28
Closing balance on the 31st March 1973	.. 40.48

Of the total accumulation of Rs. 40.48 crores, Rs. 13.81 crores were invested in the securities of Government of India (Rs. 4.62 crores), of other States (Rs. 5.65 crores) and in debentures and bonds of Orissa Co-operative

Land Development Bank, Electricity Boards of Orissa and other States and Ahmedabad Municipal Corporation (Rs. 3.54 crores). The remaining amount (Rs. 26.67 crores) is merged with the general cash balance of the State.

10. *Interest on debt and other obligations*:—The net burden of interest charges on public debt and other interest bearing obligations of the State on the revenue during 1972-73 and the preceding two years was as follows :—

	1970-71	1971-72	1972-73
(1) Interest paid by Government on debt and other obligations—	(In crores of rupees)		
(a) Market loans ..	3.22	3.77	4.05
(b) Loans from Government of India ..	15.88	19.59	18.96
(c) Other debt and obligations ..	1.54	1.79	2.34
Total ..	20.64	25.15	25.35
(2) <i>Deduct</i> —Interest received on loans and advances given by State Government, investment of cash balances and recoveries from Zamindari Abolition Fund ..	3.89	3.61	3.08
(3) Net burden of interest charges on revenue ..	16.75	21.54	22.27
(4) Percentage of gross interest to total revenue receipts	15	17	15
(5) Percentage of net interest to—			
(a) Total revenue receipts ..	12	14	13
(b) Total revenue raised by the State ..	25	31	29

In addition, Rs. 10.02 crores were received as interest from Commercial Departments (Rs. 9.77 crores) and interest on arrears of revenue and other receipts (Rs. 0.25 crore). If that also is taken into account, the net burden of interest on revenue would be Rs. 12.25 crores (7 per cent of the revenue).

11. *Expenditure outside the revenue account*:—(a) Expenditure outside the revenue account includes, besides capital expenditure, amounts disbursed by Government as loans and advances.

Capital expenditure during the three years ending 1972-73 as compared with the (i) budget estimates and (ii) budget estimates plus supplementary provision is shown below (loans and advances are dealt with in paragraph 17 below) :—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (5)	
				Amount of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(In crores of rupees)					
1970-71 ..	24.98	29.85	24.79	5.06	17
1971-72 ..	27.89	33.43	29.87	3.56	11
1972-73 ..	29.22	36.92	32.07	4.85	13

The principal variations between budget including supplementary (total grant) and the actuals during 1972-73 have been given in paragraph 26 (iii).

(b) Analysis of expenditure outside the revenue account is given below :—

Head of account	During 1970-71	During 1971-72	During 1972-73	Progressive outlay up to 1972-73
(In crores of rupees)				
I— Capital expenditure on—				
(i) Irrigation schemes ..	4.61	4.32	5.92	85.57
(ii) Multipurpose r i v e r Schemes	8.80	10.76	9.77	122.47
(iii) Electricity schemes ..	1.42	— 0.51(a)	— 0.39(a)	3.98
(iv) Agriculture ..	1.10	3.94	4.97	25.94
(v) Public Works ..	4.18	4.99	5.86	87.47
(vi) Schemes of industrial and economic development	5.29	4.40	4.62	49.47
(vii) Other items (such as Public health, other works, ports, road and water transport, forest and Government tra- ding)	— 0.61	1.97	1.32	31.29
(viii) Appropriation to the Contingency Fund	..	..	..	2.00
II— Net outgo under loans and advances by State Govern- ment (after taking into account recoveries of loans)	1.53	13.61	6.00	130.98
Total— Expenditure outside the Revenue Account	26.32	43.48	38.07	539.17
III— Revenue deficit (—)/Revenue surplus (+)	+4.05	+23.76	+24.65	+122.08
IV— Resources required for expendi- ture outside the revenue account and for meeting reve- nue deficit or after utilising revenue surplus	30.37	67.24	62.72	661.25

(a) The *minus* expenditure was under Talcher Thermal Scheme and was due to credits to the scheme being more than the expenditure during the year.

(c) The sources from which the expenditure outside the revenue account (including that on loans and advances) during 1970-71 to 1972-73 and up to 1972-73 was met were as follows :—

	During 1970-71	During 1971-72	During 1972-73	Progressive upto 1972-73
I. Net additions to—				
	(In crores of rupees)			
(i) Permanent debt ..	4.39	4.97	3.85	74.06
(ii) Floating debt ..	0.98	5.22	— 7.10	..
(iii) Loans from Government of India	16.34	33.26	52.06	469.73
(iv) Loans from other sources and provident fund balances	6.17	5.49	7.60	46.50
II. Miscellaneous (excess of deposits, etc., received by Government over payments on that account excluding investment of cash balances)	7.06	4.60	7.04	66.35
III. Increase (—)/decrease (+) in cash balance and investment of cash balances	— 4.57	+ 13.70	— 0.73	4.61
IV. Resources available for expenditure outside the revenue account and for meeting revenue deficit or after utilising revenue surplus	30.37	67.24	62.72	661.25

12. *Investments of Government—(a) Investment in Government commercial and trading activities :—*

Investment in statutory corporations/boards, Government companies, joint-stock companies and co-operative institutions :—

(i) In 1972-73 Government invested Rs. 4,17.30 lakhs in the shares of statutory corporations (Rs. 1.08 lakhs), Government companies (Rs. 1,69.72 lakhs), joint-stock companies (Rs. 19.14 lakhs) and co-operatives (Rs. 2,27.36 lakhs). The details of investment in the joint-stock companies are as follows :—

	(Rupees in lakhs)	
(1) Orissa Oil Industries Ltd., Sambalpur	2.96
(2) Konark Rubber Industries, Ltd., Cuttack	0.64
(3) East Coast Breweries and Distilling, Ltd., Cuttack	15.04
(4) C. I. Foods Ltd., Cuttack	0.50
Total	<u>19.14</u>

In addition Rs. 53.00 lakhs were invested in the debentures of co-operatives. Reference may please be made to statement no. 13 of Finance Accounts for further details.

(ii) The total investment of Government in the share capital and debentures of statutory corporations/boards, Government companies, joint-stock companies and co-operatives at the end of 1970-71, 1971-72 and 1972-73 were Rs. 44.94 crores, Rs. 49.23 crores and Rs. 53.62 crores respectively. Dividend and interest received therefrom during 1970-71, 1971-72 and 1972-73

were Rs. 0.64 crore, Rs. 0.34 crore and Rs. 0.47 crore respectively ; these formed 1.4 per cent, 0.7 per cent and 0.9 per cent of the total investment of Government at the end of those years. Further details are given in Appendix II.

(iii) Eleven companies in which Government had invested Rs. 17.66 lakhs have been liquidated. Seven other companies in which Government had invested Rs. 8.72 lakhs are under liquidation. Some Co-operative Societies are also under liquidation. Complete information about realisation or write off of Government investment in those companies/societies is awaited (July 1974).

(b) *Other investments* :—(i) By the end of 1972-73 Government had also invested Rs. 13.81 crores from the balances of earmarked funds in (a) securities of Government of India (Rs. 4.62 crores) and other State Governments (Rs. 5.65 crores) and (b) debentures of Orissa State Electricity Board (Rs. 2.64 crores), three State Electricity Boards of other States (Rs. 0.56 crore), Orissa State Co-operative Land Development Bank Rs. 0.29 crore) and Ahmedabad Municipal Corporation (Rs. 0.05 crore).

Interest realised during 1972-73 on the above investments was Rs. 91.68 lakhs.

(ii) In addition, Rs. 17.03 crores were held in the cash balance investment account at the end of 1972-73, of which Rs. 16.71 crores were invested in the securities of Government of India. The balance of Rs. 0.32 crore represents investment made by ex-princely states of Orissa brought to Government account. Interest realised on these investments during 1972-73 was Rs. 2.81 lakhs. Investments in Government of India treasury bills are also made from the cash balance investment account ; during 1972-73 treasury bills of Rs. 68.42 crores were rediscounted on various dates and interest realised on this account was Rs. 14.85 lakhs.

13. *Multipurpose River Schemes* :—The capital outlay of Government on multipurpose river schemes to end of 1972-73 comprised outlay of Rs. 69.37 crores on Hirakud Dam Project, Stages I and II, which have become revenue earning, Rs. 52.52 crores on Balimela Dam Project, a joint under-taking of the Governments of Orissa and Andhra Pradesh under construction by Government of Orissa and Rs. 0.58 crore on Bhimkund and Rengali Irrigation Projects taken up for construction during 1972-73.

Construction of Hirakud Dam Project, Stage I over river Mahanadi was commenced in 1948 and was completed during 1957-58. Water was let out from the project for irrigation in 1957. Revenue account for the project was opened from 1960-61. Irrigation potential created and utilised during 1972-73 was as follows :—

		Kharif	Rabi
		(In thousands of acres)	
Created	..	159.85	89.84
Utilised	..	157.83	89.84

Stage I provides Irrigation in Sambalpur and Bolangir Districts ; rice is the principal crop grown.

Hirakud Dam Project, Stage II is a power project and was undertaken in 1956. With the formation of the Orissa State Electricity Board in March 1961 the completed transmission system of the project was transferred to

the Board. The revenue account for the project was opened in 1964-65 for the generation system of the Stage II of the project when the entire energy generated was sold to the Orissa State Electricity Board. The power houses of the Hirakud system were transferred to the Orissa State Electricity Board during 1969-70.

Both the Stages of the Hirakud Dam Project have been classed as productive from 1966-67.

The working results of the Hirakud Dam Project—Stages I and II for 1972-73 and the preceding two years are given below :—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
Gross revenue ..	23.05	4.21	23.65
Working expenses ..	72.07	84.80	82.11
Net revenue (+)/Loss(-) before charging interest	-49.02	-80.59	-58.46
Interest on capital ..	2,37.21	2,37.47	1,93.49
Net revenue (+)/Loss(-) after charging interest	-2,86.23	-3,18.06	-2,51.95

14. *Financial results of irrigation schemes* :—(a) At the end of March 1973 the capital invested in the three major and twenty-two medium irrigation projects was Rs. 75.96 crores comprising the following :—

(i) Outlay of Rs. 67.37 crores on Mahanadi Delta Irrigation Project (Rs. 39.50 crores), Salandi Irrigation Project (Rs. 14.08 crores) and seven other medium irrigation projects (Rs. 13.79 crores) which are opened for service ; the financial results of these projects could not be worked out since information about the revenue earned by them was not made available by the Irrigation Department.

The working expenses of and the interest on capital invested on these projects in 1972-73 were Rs. 0.51 crore and Rs. 3.79 crores respectively.

(ii) Outlay of Rs. 5.30 crores on one major and thirteen medium irrigation projects which are under construction ; seven of these medium irrigation projects were taken up during 1972-73.

(iii) Outlay of Rs. 3.29 crores on Orissa Canal Project and Rushikulya system of which the accumulated net deficit to end of March 1973 was Rs. 5.58 crores. The working results of these two projects during 1972-73 and the preceding two years are given below :—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
Gross revenue ..	38.81	55.70	60.40
Working expenses ..	40.94	48.00	44.32
Net revenue (+)/loss(-) before charging interest	-2.13	+7.70	+16.08
Interest on capital ..	10.86	10.85	10.85
Net revenue (+)/loss(-) after charging interest	-12.99	-3.15	+5.23

(b) *Collection of water rates*—According to the rules framed by Government in November 1961 water rates are now being assessed and collected by the revenue authorities and the gross collection is accounted for under the major head "IX—Land Revenue". The question of prescribing a procedure for transferring the net collections to the irrigation major heads and allocation of the revenue collected to the individual schemes opened to service for working

but the financial results of the schemes separately was taken up with Government in 1968; final decision of Government is awaited (July, 1974). Figures of net revenue from the Orissa Canal Project and Rushikulya system which were executed before 1961 are available.

(c) Of the eleven irrigation works (excluding multipurpose project—Hirakud Dam Project) executed in the State on which capital outlay to end of 1972-73 is more than Rs. 1 crore, Delta Irrigation Scheme, Orissa Canal Project and seven medium irrigation projects have been opened for service; of these Delta Irrigation Scheme has been classed as productive and the remaining projects as un-productive. Some details of these irrigation works are given below :—

Name of the project	Direct capital outlay (Rs. in lakhs)	Year of commencement	Date when water was let out for irrigation	Irrigation potential created		District in which irrigation land is situated	Principal crops grown	
		Year of completion		Extent to which the created potential has been utilised				
(1)	(2)	(3)	(4)	Kharif (A)	Rabi (A)	(A)	(A)	
(In thousands of acres)								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
(1) Delta Scheme	Irrigation	39.50	1955	1959-60	256.86	171.18	Cuttack and Puri	Rice, Jute, Mung, Potato.
			Under construction		256.86	145.69		
(2) Orissa Canal Project	Irrigation	2.76	1865	1895	68.40	17.30	Cuttack and Balasore	Rice, Jute, Mung, Potato.
			1895		68.40	17.30		
(3) Salandi Project	Irrigation	14.08	1961-62	1967-68	45.72	16.18	Balasore	Rice
			Under construction		40.47	8.09		
(4) Bahuda Project	Irrigation	1.17	1962	1965-66	6.10	0.61	Ganjam	Rice
			Under construction		6.10	0.61		
(5) Budhi Irrigation Project	Budhiani Project	1.54	1961	1966-67	2.96	1.09	Puri	Rice
			Under construction		2.95	1.09		
(6) Salki Project	Irrigation	1.70	1958-59	1961-62	19.02	2.02	Phulbani	Rice
			Under construction		19.02	2.02		
(7) Darjang Project	Irrigation	3.96	1960	1965-66	5.17	2.03	Dhenkanal	Rice
			Under construction		5.17	2.03		
(8) Dhanai Project	Irrigation	1.56	1959	1965-66	3.85	1.42	Ganjam	Rice
			Under construction		3.85	1.42		
(9) Salia Project	Irrigation	3.45	1960	1971-72	6.07	1.21	Puri and Ganjam	Rice
			Under construction		6.07	1.21		

15. *Financial results of electricity schemes* :—(a) With the formation of Orissa State Electricity Board in March 1961 all completed transmission and distribution systems and generating assets of Hirakud system and Talcher Thermal Scheme have been transferred to the Board. To end of March 1973 assets provisionally valued at Rs. 65.50 crores have been transferred to the Board and the amount treated as loan to the Board. Final allocation of

(A) These are as per information supplied by Government.

assets and liabilities of these schemes/projects transferred to the Board up to March 1973 is yet to be made (March 1974). In addition, Government has given Rs. 12.64 crores as cash loans to the Board for financing power schemes. Government has also invested Rs. 2.64 crores in the debentures floated by the Board. Besides, Government has guaranteed the loan raised by the Board to the extent of Rs. 28.55 crores. As on the 31st March 1973 the Board has utilised the guarantee in full.

(b) Government has retained Machkund Hydro-Electric (Joint) Scheme. It was undertaken jointly with Government of Andhra Pradesh which is operating the scheme. The capital invested by Government to end of 1958-59 was Rs. 4.63 crores. Debits raised by Government of Andhra Pradesh to the extent of Rs. 63.19 lakhs representing Orissa's share of capital expenditure during 1959-60 to 1972-73 have not yet been accepted by Government of Orissa

A summary of the financial results of Machkund Hydro-Electric (Joint) Scheme during 1972-73 compared with the preceding two years is given below :—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
Gross receipts ..	26.90	50.74	1,56.06
Working expenses ..	38.78	44.54	- 10.64*
Net revenue (+)/loss(-) before charging interest	- 11.88	+ 6.20	+ 1,66.70
Interest on capital ..	17.60	17.60	17.60
Net loss (-) after charging interest ..	- 29.48	- 11.40	+ 1,49.10

16. *Guarantees*—(a) Government has guaranteed (to third parties) repayment of loans, bonds and payment of interest thereon, repayment of share capital and payment of minimum dividend thereon, cash credits, etc., on behalf of two statutory corporations/boards, fifteen Government companies, six joint stock companies, one hundred and twelve co-operatives, seventeen municipalities and notified area councils and two private parties. The maximum amount of guarantees given by Government to end of 1972-73 was Rs. 103.40 crores against which loans, etc. actually raised by the parties were Rs. 76.49 crores.

Further details of guarantees are given in statement no. 6 of Finance Accounts 1972-73.

(b) Government charges the parties guarantee commission at rate ranging from $\frac{1}{4}$ per cent to $1\frac{1}{2}$ per cent. The outstanding guarantee commission due from the parties was Rs. 39.21 lakhs.

(c) In 1969-70 Government constituted a guarantee reserve fund to meet the liability arising out of the guarantees. Contributions to the fund are to be made from revenue by annual contribution from the Consolidated Fund. Guarantee commission realised, interest on investments and recoveries from parties are credited to this fund. During 1972-73 Rs. 11.00 lakhs were contributed from revenue and Rs. 20.37 lakhs were paid from the fund in discharging the guarantee obligation in favour of two joint-stock companies, one Government company and one industrial co-operative. The balance at the credit of the fund at the end of 1972-73 was Rs. 0.94 lakh. The total payments made by Government to end of 1972-73 in discharging the guarantee obligation were Rs. 78.03 lakhs. No recovery has been made from the debtors (July 1974).

* The *minus* expenditure was on account of recovery of tools and plant and establishment charges from other Departments, etc. shown under this head.

17. *Loans and advances by Government* :—(a) The actuals of disbursement of loans and advances by the State Government for 1972-73 as compared with the (i) budget estimates and (ii) budget estimates plus supplementary provision along with the corresponding figures for 1970-71 and 1971-72 are shown below :—

Year	Budget	Budget plus supplementary	Actual	Variation between columns (4) and (3)		
				Amount of decrease(-)	Percentage	
(1)	(2)	(3)	(4)	(5)	(6)	
(Amount in crores of rupees)						
1970-71	..	3.72	5.43	5.29	-0.14	3
1971-72	..	7.46	19.30	17.79*	-1.51	8
1972-73	..	4.04	12.80	11.62	-1.18	9

(b) The budget and actuals of recoveries of loans and advances for three years ending 1972-73 are given below :—

Year	Budget	Actual	Variation		
			Amount of decrease(-)	Percentage	
(Amount in crores of rupees)					
1970-71	..	4.28	3.76	-0.52	12
1971-72	..	5.91	4.18	-1.73	30
1972-73	..	7.22	5.62	-1.60	22

(c) The outstanding balances under loans and advances at the end of 1972-73 and the preceding two years together with the increase in the outstanding balance during 1972-73 are analysed below :—

	Outstanding on the 31st March			Increase (+)/ decrease (-) over 1971-72
	1971	1972	1973	
(In crores of rupees)				
Loans to Statutory Boards and Government Companies—				
Loans to Orissa State Electricity Board—				
(a) for financing power schemes (cash loans)	9.59	10.88	12.64	+1.76
(b) Value of assets transferred as loan	34.69	65.50**	65.50	..

* Excludes Rs. 30.81 crores being the capital expenditure incurred by Government on Talcher Thermal scheme transferred to Orissa State Electricity Board and treated as loan.

** Includes Rs. 30.81 crores representing capital expenditure incurred by Government on Talcher Thermal scheme upto 1971-72 transferred to Orissa State Electricity Board and treated as loan.

	Outstanding on the 31st March			Increase (+)/ decrease (-) over 1971-72
	1971	1972	1973	
	(In crores of rupees)			
Loans to Industrial Development Corporation	7.35	9.05	9.05	..
Loans to State Commercial Transport Corporation	2.10	2.10	2.10	..
Loans to Orissa Mining Corporation	1.41	1.26	1.26	..
Loans to other statutory boards and Government companies	1.69	1.94	2.35	+0.41
Loans to cultivators ..	6.61	9.68	10.27	+0.59
Loans to local bodies ..	1.94	2.14	2.26	+0.12
Loans to displaced persons ..	1.94	2.02	2.03	+0.01
Loans under various housing Schemes	3.25	3.35	5.40	+2.05
Loans to Co-operative institutions and banks	4.31	5.85	8.49	+2.64
Loans to Government servants ..	2.32	7.94	6.81	-1.13
Other loans and advances ..	3.36	3.27	2.82	-0.45
Total ..	80.56	124.98	130.98	+6.00

The detailed accounts of loans and advances to municipalities, district and other local funds committees, land holders and other notabilities, Government servants and under the State Aid to Industries Act (balance of these loans on the 31st March 1973 : Rs. 9.09 crores) are maintained by Audit office and of all other classes of loans and advances (balance of these loans on the 31st March 1973 : Rs. 121.89 crores) by officers of State Government.

18. *Arrears in recovery of loans* :—(a) *Cases in which detailed accounts are kept in audit office* :—Of these loans recovery of Rs. 26.90 lakhs towards principal and Rs. 29.53 lakhs towards interest was overdue at the end of March 1973 as shown below :—

	Principal	Interest
	(In lakhs of rupees)	
(i) Borrowers under the State aid to Industries Act ..	10.44	12.86
(ii) Municipal corporations and municipalities ..	7.28	11.14
(iii) District and local fund committees ..	3.91	2.79
(iv) Government servants ..	5.27	2.74
Total ..	26.90	29.53

Out of the total arrears of Rs. 56.43 lakhs, recovery of Rs. 31.16 lakhs towards principal (Rs. 11.73 lakhs) and interest (Rs. 19.43 lakhs) was in arrears for three years or more.

(b) *Loans detailed accounts of which are maintained by officers of State Government* :—According to the standing instructions of Government, Departmental Officers are required to intimate to Audit by the 31st May each year the arrears (as on the 31st March) in recovery of principal and interest of loans and advances the detailed accounts of which are maintained by them. Such information for the period ending the 31st March 1973 has been received from fourteen Departments (out of twenty-five Departments) so far (July 1974) ; the information shows that recovery of Rs. 12,56.26 lakhs (principal : Rs. 6,14.46 lakhs) and interest : Rs. 6,41.80 lakhs) was in arrears. A brief analysis of the arrears is given below :—

	Arrears on the 31st March 1973	
	Principal	Interest
	(In lakhs of rupees)	
(1) Loans to co-operative institutions and Banks ..	1,62.18	78.88
(2) Loans and advances under community development programme	13.66	8.47
(3) Loans to statutory corporations, boards and Government companies	1,77.63(a)	5,51.19(b)
(4) Advances to cultivators ..	62.98	2.13
(5) Miscellaneous loans and advances—		
(i) Advances to loan stipendiaries from Orissa Loan Stipend Fund	1,66.47	..
(ii) Other miscellaneous loans and advances ..	31.54	1.13
Total ..	6,14.46	6,41.80

19. *Acceptances of balances of loans*:—(a) The balances of loans are communicated to Departmental Officers every year for verification and acceptance. The acceptance of such balances on the 31st March 1973 of loans, detailed accounts of which are kept in Audit office, was not received in 1054 cases (total balance of Rs. 2.24 crores). The earliest of these outstanding acceptances dates back to 1966-67.

(b) In cases where detailed accounts of loans are maintained by Departmental Officers, these officers are required to certify at the end of each year that the balances shown as recoverable in their records agree with those shown outstanding in the books of the Accountant General ; for this purpose they are required to reconcile the transactions recorded in their books with those appearing in the books of Audit office. Reconciliation has not been done in several cases and consequently acceptances of balances worked out in Audit office have not been received in 151 cases for Rs.8.84 crores ; some of these relate to 1962-63.

(a) Of this Rs. 87.48 lakhs were outstanding against Industrial Development Corporation and Rs. 71.15 lakhs against Orissa State Commercial Transport Corporation.

(b) Of this, Rs. 3.65.25 lakhs were outstanding against Orissa State Electricity Board and Rs. 1,15.12 lakhs against Orissa Industrial Development Corporation.

20. *Plan outlay* :—The following table shows the approved Plan outlay for the year 1972-73, provision made in the Budget Estimate for State Plan schemes and the actual expenditure thereon during the year :—

		Amount (In crores of rupees)
Total Plan outlay approved	..	47.52
Budget Estimate for Plan schemes	..	50.81
Actual expenditure	..	46.72

The Budget Estimates and actuals for 1972-73 for the State Plan Schemes under the different grants are given in Appendix III.

During the year 1972-73 the State Government received from Government of India grants totalling Rs. 9.42 crores and loans totalling Rs. 23.28 crores in connection with the implementation of State Plan schemes.

21. *Orissa Contingency Fund* :—The *corpus* of the Orissa Contingency Fund (established under the Orissa Contingency Fund Act 1967) at the commencement of the year 1972-73 was Rs. 2 crores. This was considered insufficient to meet emergent demand caused by natural calamities and an Ordinance was issued on the 22nd June 1972 under Article 213 of the Constitution raising the *corpus* of the Fund to Rs. 5 crores ; Rs. 3 crores were accordingly transferred from the Consolidated Fund to Contingency Fund. Necessary Funds to cover this transfer were obtained through supplementary demand in September 1972. The Ordinance was laid on the table of the Legislature on its re-assembly on the 14th August 1972 but it was not replaced by an Act of the Legislature ; the ordinance, therefore, ceased to be operative on the expiry of six weeks and the *corpus* of the Contingency Fund consequently stood reduced to Rs. 2 crores. Rupees 3 crores were transferred from the Contingency Fund to the Consolidated Fund.

On the 20th December 1972, the *corpus* of the Contingency Fund was again increased from Rs. 2 crores to Rs. 5 crores by an Ordinance issued by the Governor under Article 213 of the Constitution. The *corpus* was further increased to Rs. 10 crores by another Ordinance issued on the 11th January 1973 under Article 213 of the Constitution. Rupees 8 crores were transferred to the Contingency Fund and necessary funds to cover this transfer were also obtained through supplementary demand in March 1973. These two Ordinances were laid on the table of the Legislature on its reassembly on the 9th February 1973 but these were also not replaced by an Act of the Legislature or Parliament. (The Legislature was dissolved on the 3rd March 1973 by a Proclamation of the President issued under Article 356 of the Constitution.) The Ordinances ceased to be operative on expiry of six weeks from the 9th February 1973 and the *corpus* of the Contingency Fund stood reduced to Rs. 2 crores. Rupees 8 crores were transferred from the Contingency Fund to the Consolidated Fund.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

22. *Summary*:—The following table compares the expenditure during 1972-73 with the total grants and appropriations:—

	Grant/ appropriation	Actual expenditure	Variation Saving(-)/Excess(+)		
			Amount	Percentage	
(In crores of rupees)					
Voted—					
Original	218.55	294.49	283.40	-11.09	4
Supplementary	75.94				
Charged—					
Original	84.38	119.56	135.46	+15.90	13
Supplementary	35.18				
Total	414.05	418.86	+4.81	1	

The supplementary provision (Rs. 111.12 crores) represented 37 per cent of the original provision (Rs. 302.93 crores).

The overall net excess of Rs. 4.81 crores was the net result of excess of Rs. 28.26 crores under eight grants (Rs. 10.58 crores) and five appropriations (Rs. 17.68 crores) off set by savings of Rs. 23.45 crores under fifty-nine grants (Rs. 21.68 crores) and twenty-six appropriations (Rs. 1.77 crores).

The overall net excess was mainly due to non-provision of funds to cover repayment of ways and means advances and overdrafts to the Reserve Bank of India [details in paragraph 25 (4)] and more transactions on purchase of stores and excess of expenditure on deposit works [details in paragraph 24 (1) 24 (5), 25 (7)].

The expenditure during 1972-73 excludes Rs.20.00 crores outstanding in the Public Account under "Public Works Remittances" (Rs.14.26 crores) and "Cash Settlement Suspense Account" (Rs. 5.74 crores) pending transfer to the appropriate heads in the Consolidated Fund; the increase in the outstanding balance during 1972-73 was Rs. 3.35 crores under "Public Works Remittances" and Rs. 0.09 crore under "Cash Settlement Suspense Account".

23. *Supplementary grants/appropriations*:—

(a) *Grants*:—During the year supplementary provision totalling Rs. 75.94 crores was obtained under sixty-three grants in September 1972 (Rs. 32.00 crores) and March 1973 (Rs. 43.94 crores).

Appendix IV shows the position of the utilisation of supplementary grants (exceeding Rs. 5 lakhs in each case) where the savings in the grants were not less than 5 per cent of the total provision.

It would be seen from the Appendix that:—

(1) In eleven grants supplementary provision of Rs. 3,27·68 lakhs proved unnecessary as the expenditure did not come up even to the original grant.

(2) In eleven grants supplementary provision proved excessive. In these cases Rs. 9,33·56 lakhs out of the total supplementary provision of Rs. 19,84·07 lakhs remained unutilised. In all these cases supplementary grants of Rs.8,44·08 lakhs were taken in March 1973.

(b) *Appropriations*:—Supplementary appropriation of Rs. 35·18 crores was made during the year under twenty-five appropriations.

24. *Excess over grants*:—Excess of Rs. 10·58 crores in the following eight grants requires regularisation under Article 205 of the Constitution.

Sl. no.	Grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
(1)	4-A—Expenditure relating to the Rural Development Department—			
	Original	5,13,71,100	} 9,36,11,100	11,07,30,712
	Supplementary	4,22,40,000		
				1,71,19,612

Excess occurred mainly under (i) “Public Works—Suspense—Gross Debit” (expenditure : Rs.3,74·00 lakhs, provision: Rs. 2,45·00 lakhs) due to purchase of more stores on account of more increase in the works undertaken and excess expenditure on deposit works. (ii) “Agriculture—Miscellaneous” (expenditure: Rs.3,00·77 lakhs, provision: Rs.2,80·00 lakhs) on account of more expenditure on minor irrigation (reservoir) schemes towards the end of the year and (iii) “Special Welfare Schemes” (expenditure : Rs. 23·73 lakhs, provision : Rs. 10·00 lakhs) on account of more expenditure on survey, investigation and improvement of roads and minor irrigation projects towards the end of the year.

(2) 6—Expenditure relating to the Political and Services Department—

O.	48,06,000	} 49,10,000	49,31,230	21,230
S.	1,04,000			

Excess occurred mainly under “District Administration—Other Establishment—Vigilance establishment” (expenditure: Rs. 37·82 lakhs; provision : Rs.36·95 lakhs) due to adjustment of more bus warrants and railway warrants, “Public Works—Common Establishment—Rent Section” (expenditure : Rs. 3·47 lakhs; provision:Rs. 3·27 lakhs) due to enhancement of dearness allowance of Government servants and “Miscellaneous—Petty Establishment” (expenditure : Rs.1·80 lakhs; provision:Rs.1·45 lakhs).

(3) 8—Stamps—

O.	8,46,800	} 8,48,800	8,79,782	30,982
S.	2,000			

Excess occurred mainly under “Charges for the sale of stamps (Non-judicial (expenditure: Rs. 5·59 lakhs; provision: Rs. 5·03 lakhs) due to increase in discount on sale of more impressed stamps.

Sl. no.	Grant	Total grant	Expenditure	Excess
		Rs.	Rs.	Rs.
(4)	22— Medical and other expenditure relating to the Health and Family Planning Department—			
	O.	7,15,91,400	7,36,70,900	7,64,01,556
	S.	20,79,500		
				27,30,656

Excess was mainly due to filling up of vacant posts and payment of arrear pay and allowances towards the end of the year (Rs. 31.16 lakhs) and non-provision of funds to cover adjustment of arrear bills of some suppliers of medicines (Rs.17.80 lakhs).

(5)	25— Public Works—			
	O.	12,82,23,700	14,86,99,700	20,93,41,078
	S.	2,04,76,000		
				6,06,41,378

Excess occurred mainly under "Suspense—Public Works— Debits" (expenditure:Rs.10.96.01 lakhs, provision: Rs.5.00.00 lakhs), "Suspense—Electrical—Debits" (expenditure: Rs.57.44 lakhs, provision: Rs.37.00 lakhs), "Communication—Public Works—Other Projects—Ordinary" (expenditure: Rs.21.02 lakhs, provision:Rs 10.84 lakhs), "Suspense—Public Health—Debits" (expenditure: Rs. 33.83 lakhs, provision: Rs. 25.00 lakhs), "Bulidings—Electrical—Medical—(Plan—State Sector)" (expenditure : Rs. 6.74 lakhs, provision: Rs.1.02 lakhs), incurring expenditure without budget provision under "Communication—Transfer of grants for Road Development to the Deposit head Subventions from Central Road Fund" (Rs. 10.00 lakhs), "Central Road Fund—Allocation—(Plan—State Sector)" (Rs.10.00 lakhs) and "Central Road Fund Reserve—(Plan—Central Sector)" (Rs.5.00 lakhs).

Reasons for the excesses have not been intimated (August 1974).

(6)	34— Expenditure relating to the Urban Development Department—			
	O.	4,34,08,500	6,46,24,100	6,89,26,521
	S.	2,12,15,600		
				43,02,421

Excess occurred mainly under "Public Health—Suspense—Gross Debit" (expenditure: Rs.1.59.80 lakhs, provision, (Rs.80.00 lakhs) "Special Welfare Schemes—Accelerated Water Supply Programme" (expenditure: Rs. 96.71 lakhs, provision: Rs.33.00 lakhs), "Public Works—Suspense—Gross Debit" expenditure: Rs.40.32 lakhs, provision: Rs.20.00 lakhs) and "Public Works—Public Health—Repairs" (expenditure : Rs.21.54 lakhs, provision: nil).

Reasons for excesses have not been intimated (August 1974).

(7)	43-A— Capital Expenditure relating to Lift Irrigation—			
	O.	44,00,000	2,27,00,000	3,73,87,969
	S.	1,83,00,000		
				1,46,87,969

Excess occurred mainly under "Lift Irrigation Works—Suspense—Gross Debit" (expenditure: Rs.1.93.81 lakhs, provision: Rs.15.00 lakhs) and "Lift Irrigation Works—Works" (expenditure: Rs.1.43.37 lakhs, provision: Rs.1.35.00 lakhs).

Reasons for excess have not been intimated (August 1974).

Sl. no.	Grant	Total grant	Expenditure	Excess
		Rs.	Rs.	Rs.
(8)	54—Capital outlay on Forests—			
	O. 7,07,23,800	8,95,84,400	9,59,03,908	63,19,508
	S. 1,88,60,600			

Excess occurred mainly under "Nationalisation of Kendu leaves trade—Suspense (Personal Deposits)—Debit" (expenditure: Rs.1,73.28 lakhs, provision:Rs.88.60 lakhs) due to construction of new *bhadies* and bush cutting not provided in the scheme and "Trading in Kendu leaves—Suspense—(Personal Deposits)—Debit"(expenditure: Rs.6.85.70 lakhs, provision: Rs.6.73.44 lakhs).

25. *Excess over appropriations* :—The expenditure exceeded in the following appropriations by Rs. 17.68 crores ; the excesses require regularisation.

Sl. no.	Appropriation	Total appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
(1)	1—Elections and other expenditure relating to the Home Department—			
	O. 13,48,000	14,17,800	14,31,161	13,361
	S. 69,800			

Excess occurred mainly under "High Courts" (expenditure : Rs. 14.31 lakhs, provision : Rs. 14.01 lakhs).

(2)	3—Police			
	O. ..	5,500	5,537	37
	S. 5,500			
(3)	34—Expenditure relating to the Urban Development Department—			
	O. ..	34,900	85,256	50,356
	S. 34,900			

Expenditure of Rs. 0.51 lakh was incurred under "Public Works—Public Health—Repairs" without budget provision.

(4)	Floating Debt (Repayment)—			
	O. 2,70,00,000	36,28,93,000	53,78,13,000	17,49,20,000
	S. 33,58,93,000			

Excess occurred under "Overdrafts with Reserve Bank of India" (overdrafts repaid during the year : Rs. 16.43.13 lakhs, provision made in March 1973 : Rs. 10.41.95 lakhs) and "Ways and Means Advances" (ways and means advances repaid by the 10th March 1973 : Rs. 37.35.00 lakhs, provision : Rs. 25.87.00 lakhs).

Reasons for the excesses have not been intimated (August 1974).

Sl. no.	Grant	Total appropriation	Expenditure	Excess
		Rs.	Rs.	Rs.
(5)	Other Loans (Repayment)—			
	O.	72,33,300	92,92,402	17,68,302
	S.	2,90,800		
		75,24,100		

Excess occurred under "Loans from National Agricultural credit (long-term operation) Fund of the Reserve Bank of India" (repayment : Rs. 31.95 lakhs, provision : Rs. 15.66 lakhs) and "Loans from Life Insurance Corporation of India" (repayment : Rs. 35.72 lakhs, provision : Rs. 34.36 lakhs) due to non-provision of funds to cover full repayment.

26. *Unutilised provision* :—(i) Rupees 23.45 crores remained unutilised in fifty-nine grants (Rs. 21.68 crores) and twenty-six appropriations (Rs. 1.77 crores).

(ii) In twenty-five grants, savings (more than Rs. 1 lakh in each case) were more than ten per cent of the total provision. Details of these grants are given in Appendix V.

(iii) Details of grants where savings were more than Rs. 0.50 crore are given below:—

Sl. no.	Number and name of grant	Total grant	Actual expenditure	Saving
			(In crores of rupees)	
(1)	5—Community Development Projects, etc.	12.52	11.13	1.39

Saving was mainly due to less grants given to *panchayat samitis* for Crash Scheme for Rural Employment on account of adjustment of unspent balance of previous year against current year's grant and non-receipt of more allocation from Government of India (Rs. 58.23 lakhs) and vacancies in posts of Sub-Assistant Engineers (Rs. 2.65 lakhs), non-payment of grants to *panchayat samitis* for piped water supply scheme as Central assistance was not available (Rs. 33.00 lakhs), less expenditure under Central Scheme for rural works programme in chronically drought affected areas on account of non-availability of building materials (Rs. 20.10 lakhs), late appointment of staff for rural engineering survey (Rs. 4.30 lakhs) and Project Officer and Assistant Engineer joining pilot intensive rural employment project late (Rs. 2.00 lakhs).

(2)	13—Land Revenue ..	5.66	5.02	0.64
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Saving was mainly due to less expenditure under "Land Revenue—Record of Rights and Settlement operations" on account of deputation of officers and staff for relief operations and non-sanction by Government of new posts and contingent expenditure (Rs. 28.46 lakhs), less assignment of

revenue from rates and cess on land to *panchayats* (Rs. 14.58 lakhs), not taking up statutory consolidation operation of land holdings in 154 *grama panchayats* on account of delay in enactment of consolidation law (Rs. 8.57 lakhs), non-issue of expenditure sanction by Government under compensation for ceiling surplus land under land Reforms Act (Rs.7.00 lakhs) and less payment of *solatium* to village officers (provision was made on *ad hoc* basis) (Rs. 2.71 lakhs).

Sl. no.	Number and name of grant	Total grant	Actual expenditure	Saving
(In crores of rupees)				
(3)	17—Expenditure relating to the Industries Department	5.22	3.31	1.91

Saving was mainly due to non-payment of grants to Regional Engineering College, Rourkela and University College of Engineering, Burla, on account of non-receipt of assistance from Government of India (Rs. 1,46.49 lakhs), less grants paid to technical institutions (Rs. 12.12 lakhs) irregular attendance and less number of students and posts kept vacant, late sanction of two new pilot projects of rural industries projects and less receipt of allocation from Government of India for industrial development (Rs. 8.11 lakhs), non-receipt of allocation from Government of India for establishment of Food Craft Institute at Bhubaneswar (Rs. 4.00 lakhs) and less sanction of expenditure for Industrial Development to find funds for investment in shares of Orissa Small Industries Corporation and Industrial Promotion and Investment Corporation (Rs. 3.95 lakhs).

(4)	31— Forest ..	5.03	4.36	0.67
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Saving was due to release of less grants to local bodies for development works from proceeds of kendu leaves (Rs. 19.07 lakhs); less expenditure under conservancy and works on account of shortage of staff, late posting of officers and staff and diversion of staff for salvaging cyclone damaged timber (Rs. 10.62 lakhs) late appointment and late joining of staff in respect of Nationalisation of kendu leaves trade (Rs. 8.51 lakhs) and less expenditure on forest establishment due to non-sanction of new establishment and diversion of staff for salvaging cyclone damaged timber (Rs. 6.60 lakhs).

(5)	37— Agriculture ..	8.62	7.19	1.43
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Saving was mainly due to post-budget reduced sanction as a measure of economy for schemes of subordinate and expert staff (Rs.7.64 lakhs), agricultural experiments and reasearch (Rs. 2.04 lakhs), agricultural demonstration and propaganda (Rs. 0.31 lakhs) and other schemes (Rs. 19.93 lakhs) and for finding funds for giving grants to small farmers development agency/marginal farmers and agricultural labourers for execution of minor irrigation works (Rs. 15.00 lakhs); non-sanction and non-implementation of certain schemes (Rs. 29.46 lakhs) and less requirement of funds under certain schemes (Rs. 20.41 lakhs) and late appointment and non-appointment of officers and staff (Rs. 14.59 lakhs).

Sl. no.	Number and name of grant	Total grant	Actual expenditure	Saving
(In crores of rupees)				
(6)	43— Multipurpose River, Irrigation and Electricity Schemes	30.29	26.87	3.42

Saving was mainly due to less expenditure on works of Bhimkund and Rengali Irrigation Projects, Salandi Irrigation Scheme and other medium irrigation projects (Rs. 2,73.27 lakhs) on account of less requirement of funds, non-finalisation of tenders, slow progress on account of Rabi irrigation and labour troubles, revision of Plan outlay, non-purchase of special tools and plant and non-selection of sites for certain works; less transaction under "Balimela Dam (Joint) Project—Suspense—Gross Debit" (Rs. 86.34 lakhs); less expenditure on embankments on account of release of less assistance by Government of India (Rs. 47.84 lakhs); posts kept vacant and non-sanction of additional staff for Rengali Irrigation Project, Balimela Dam Project and Balimela Power Scheme (Rs. 20.63 lakhs); and less payment of land compensation on account of non-finalisation of land acquisition cases in respect of some medium irrigation projects and flood control schemes (Rs. 17.54 lakhs).

(7)	47— Capital Expenditure relating to Public Health and Urban Development Department	2.20	1.50	0.70
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Saving was mainly due to non-finalisation of certain municipal water supply and drainage schemes (Rs. 38.43 lakhs), post-budget decision to meet expenditure on execution of water supply scheme for Talcher Fertiliser Project from the deposit made by the Fertiliser Corporation of India and to treat it as a deposit work (Rs. 35.00 lakhs) and less loans disbursed to displaced persons on account of closure of three rehabilitation camps from June 1972 (Rs. 2.29 lakhs) and late sanction of funds (Rs. 2.29 lakhs).

(8)	48— Capital outlay on Industrial Development	2.00	1.39	0.61
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Saving was mainly under "Construction of Buildings for Industrial Estates for educated unemployed" (Rs. 25.00 lakhs) and "Construction of Building for Industrial Estates for educated unemployed under the Special Employment Programme" (Rs. 20.00 lakhs) on account of post-budget change in classification and decision to treat it as expenditure on revenue account under grant no. 17—"Expenditure relating to the Industries Department"; and "Buildings—Establishment of Developed Areas" (Rs. 9.00 lakhs) mainly due to non-receipt of technical sanction.

27. *Recoveries adjusted in the accounts in reduction of expenditure*:— Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the budget estimate. During 1972-73 such recoveries were anticipated

at Rs. 43.77 crores. Actual recoveries during the year, however, were Rs. 81.57 crores. Some of the important cases of recoveries exceeding the anticipation are detailed below (reasons have not been intimated):—

Number and name of grant	Amount of excess of recoveries over estimates (Rs. in crores)	Reasons for the Excess
4-A—Expenditure relating to the Rural Development Department	2.02	Mainly, more transactions under "Public Works—Suspense".
25—Public Works ..	6.52	Mainly, more transactions under "Public Works—Suspense".
34—Expenditure relating to the Urban Development Department	1.09	Mainly, more transactions under Public Health—Suspense (Rs. 0.56 crore) and "Public Works—Suspense" (Rs. 0.53 crore) and more recoveries of tools and plant charges from other Departments, etc. (Rs. 0.13 crore).
41—Loans to Local Funds, Government Servants, etc.	11.00	Represent accounting of recovery to accommodate transfer from "Contingency Fund" to "Consolidated Fund" on reduction of <i>corpus</i> of the Contingency Fund on various dates.
43-A—Capital Expenditure relating to Lift Irrigation	1.27	More transactions under "Lift Irrigation—Suspense—Gross credit".
44—Agricultural Improvement and Research	1.32	Mainly, more sale proceeds accounted under "Purchase and Distribution of seeds, fertilisers, etc.—Suspense (P. D.)—credit".
45—Government trading Schemes ..	13.88	Mainly, more sale proceeds of foodgrains.
54—Capital outlay on Forests ..	1.81	Mainly, non-provision for recoveries under "Nationalisation of Kendu leaves trade—Suspense—(Personal Deposits)—Credit" as the scheme was introduced during the course of the year.

CHAPTER III

CIVIL DEPARTMENTS

FINANCE DEPARTMENT

28. *Salary saving scheme*:—In July 1964, the State Government and the Life Insurance Corporation of India jointly sponsored a salary saving scheme under which Government servants can take life insurance policies from the Corporation on more advantageous terms than otherwise available. Under this scheme Government servants are allowed a rebate of 75 paise over the usual annual premium for every Rs. 1,000 of the sum assured and they are also exempted from the usual additional charge of 5 per cent for payment of premium in monthly instalments. The premia are recovered from the salary of Government servants at source and a Government servant may join the scheme at his option.

Under the arrangement made by the Life Insurance Corporation, the Government acts as the Corporation's agent in so far as it recovers the premia from the salary of the policy-holders and remits it to the Corporation. Corporation pays the Government as commission 0.125 per cent of the premia recovered. The amount of premia collected is remitted to the personal deposit account of the Cuttack Divisional Office of the Life Insurance Corporation in the Cuttack treasury.

Under the procedure prescribed by the Government the Corporation is to send to the salary disbursing officer a monthly demand notice called invoice for each policy-holder. The invoices have to be sent sufficiently in advance of the date prescribed for preparation of monthly salary bills. The salary disbursing officers are required to show the recovery of the monthly premia in the monthly pay bills and to send intimation of the recovery to the Life Insurance Corporation after encashment of the salary bills. The treasury officers are to credit the premia recovered to a suspense account which is to be cleared every month by remitting the collections by bank draft to the Cuttack treasury. They are also to send the monthly schedules of deduction of premia to the Corporation. The Treasury Officer, Cuttack, is to credit the amounts received from the various treasuries and the recoveries made in his own treasury to the personal deposit account of the Corporation in his treasury. On the basis intimation of recovery received from the salary disbursing officers and the monthly schedules of deduction received from the treasury officers, the Corporation is to draw from the personal deposit account the amounts recovered as premia and credit these to the accounts of the policy-holders concerned.

By the end of 1972-73, 0.45 lakh Government employees (about one-fourth of the total number of employees) had taken life insurance policies under the scheme. Of these, upto March 1973, 4,600 policies had either lapsed or had been withdrawn by the Government servants due to one or more of the following reasons :—

(a) The salary disbursing officers were not prompt in recovering the monthly premia on account of the following :—

(i) demand invoices from the Corporation were either not received at all or were not received in time,

(ii) recoveries to be made were not mentioned in the last pay certificates of Government servants who came on transfer,

(iii) changes due to transfers, promotions, etc. of Government servants were either not intimated to the Corporation or the Corporation did not take notice of these changes when such changes were notified to it,

(iv) the salary disbursing officers did not make the recoveries in the monthly salary bills.

(b) The Treasury Officers were not prompt in preparing monthly schedules of deduction and sending them to the Life Insurance Corporation with the demand invoices (detached from monthly salary bills). In some cases the schedules were delayed for several years rendering it difficult to link the credits with the demands.

(c) Recoveries under the salary saving scheme were in some cases misclassified by the Disbursing officers or the Treasury Officers and the credits were wrongly passed on to the Postal Department as premia of Postal Life Insurance.

(d) The Corporation could not give credit to the policy-holders for the recoveries because—

(i) the recovery schedules received from the treasuries were incomplete or incorrect, or

(ii) the duplicate copies of the demand invoices were not received by the Corporation from the salary disbursing Officers or where received (mainly those prepared in manuscript as printed forms were not received by them) were incomplete and all the recoveries made were not shown in them.

According to the Director of Treasuries and Inspection, Orissa, an officer of the Finance Department (September 1971), inadequacy of staff largely contributed to delay in furnishing the schedules with demand invoices to the Corporation.

(e) Of the amount recovered from Government servants upto the end of March 1973, the Corporation had drawn Rs. 2,50.81 lakhs from the personal deposit account. Of this, Rs. 15.15 lakhs remained with the Corporation unadjusted (August 1973) to the policy-holders account. There was a balance of Rs. 3.15 lakhs in the personal deposit account at the end of 1972-73 yet to be drawn by the Corporation.

In July 1969, the Treasury Officer, Keonjhar, remitted Rs. 0.26 lakh by bank draft to the Cuttack treasury towards premia recovered from monthly salary bills in his treasury relating to the period from April to June 1969. The bank draft was not received by the Cuttack treasury. The loss of draft has not been investigated so far (May 1974).

The Corporation has determined the surrender value of 301 of the lapsed policies, the surrender value of the remaining 4,299 lapsed policies has not been worked out because the amount of premia received for them is not known.

In 14 cases, death claims for Rs. 0.62 lakh upto March 1973 remained unsettled (March 1974) for periods ranging from one to six years due to credits missing in the policy holders' accounts.

Neither the policy holders nor the Government are aware of the extent to which credits in the policy accounts are missing. Policy holders are also not aware that their policies have lapsed on this account.

The matter was reported to Government in September 1973 ; reply is awaited (July 1974).

29. *Alleged forged drawal* :—Cash transactions on behalf of Government at Bhubaneswar are handled by the State Bank of India, Bhubaneswar. Payments are made on bills presented at the Bank duly passed for payment by the Sub-Treasury Officer, Bhubaneswar (now redesignated as Special Treasury Officer, Bhubaneswar). Specimen signature of the Government officers authorised to draw funds from the Sub-Treasury are sent both to the Sub-Treasury Officer and the Bank. The specimen signature of the Sub-Treasury Officer is also on record with the Bank. The Bank is required to make the payments after verifying the specimen signatures of the drawing officer as well as the Sub-Treasury officer and send an advice of payment in the form of a scroll duly supported by the paid vouchers to the Sub-Treasury Officer on the very day on which payments are made or at the latest on the day following.

The bank scrolls relating to the transactions at the Bank on the 30th and the 31st March 1972 were sent by the Bank to the Sub-Treasury Officer on the 20th April 1972. On the 25th April 1972 the Sub-Treasury Officer, while checking the Bank scroll for the 31st March with the records of the Sub-Treasury, noticed that a voucher for Rs. 0.57 lakh, purported to have been drawn by the Joint Director of Agriculture (Fruit Preservation), Orissa, Bhubaneswar, for purchase of two jeeps, had not passed through his books. The matter was investigated by the Sub-Treasury Officer, Bhubaneswar, and according to him the signature and rubber stamps of the Joint Director of Agriculture, Fruit Preservation, Orissa on the bill had been forged as also the signatures of the Accountant and of the Sub-Treasury officer and the rubber stamp of the Sub-Treasury. The name of the messenger alleged to have received the payment was also, according to the Sub-Treasury Officer, fictitious. Moreover, the bill purported to have been drawn by the Joint Director of Agriculture (Fruit Preservation) whereas the District Agricultural Officer had been declared the drawing officer for Fruit Preservation Organisation.

The Sub-Treasury Officer reported the case to the Police where upon the voucher was seized by them. Police investigation is in progress (July 1974).

The debit (Rs. 0.57 lakh) for the alleged fraudulent drawal has been included in the accounts of Government under a suspense head pending receipt of the voucher. Whether the liability for the loss should be borne by Government or by the Bank has not yet been decided (July 1974).

AGRICULTURE AND CO-OPERATION DEPARTMENT

30. *Coconut development* :—To extend the cultivation of cocoanuts and to improve the yield thereof Government started in 1946 a coconut extension scheme under which three nurseries were set up at Balasore, Cuttack and Puri. The scheme provided for supply of coconut seedlings of proved merit to the growers and for instructing them in scientific methods of cultivation. The scheme was aided by the Indian Central Coconut Committee (I. C. C. C.); fifty per cent of the recurring expenditure was to be met by the Committee.

In April 1952 the scheme was converted into a nursery scheme with the main object of supplying seedlings to growers under continued assistance by the I. C. C. C. The three nurseries set up in 1946 were expected to supply annually 0.15 lakh good quality seedlings to the growers.

Upto the end of 1960-61 Rs. 6.27 lakhs were spent on the scheme of which Rs. 1.37 lakhs were reimbursed by the I. C. C. C. Performance in physical terms, i.e., the number of seedlings supplied, the acreage brought under cultivation of coconut and the improvement, if any, in the yield of coconut, was not assessed by the Department.

In April 1961 assistance from the I. C. C. C. was stopped. Simultaneously a Centrally aided coconut development scheme was started. The objects of this scheme were to supply good quality seedlings from the nurseries to the growers, to provide scientific advice on cultural and manurial aspects of coconut cultivation, to organise demonstrations to show how coconut cultivation could be remunerative and to establish a parasite breeding laboratory for controlling bacteriological diseases of the coconut trees. The cost of the scheme was to be shared equally between the Government of India and the State Government.

Anticipating a four fold increase in demand for coconut seedlings (from one lakh seedlings in 1960-61 to 4 lakhs in 1965-66) six more nurseries were set up between 1960-61 and 1964-65. Under a separate scheme, assisted by the Agricultural Refinance Corporation, long term credits were given from December 1964 by Land Development Banks to growers to enable them to bring more areas under coconut cultivation. Plantation of coconut sapplings on canal embankments departmentally was also taken up in September 1970.

Between April 1961 and March 1973 Rs. 42.02 lakhs were spent on coconut development and on departmental coconut plantation on the canal embankments. In addition Rs. 6.20 lakhs were spent on research up to March 1973.

Between 1952-53 and 1972-73 12.56 lakh seedlings were supplied against the estimated quantity of 38.20 lakhs which the nurseries were expected to supply. Information regarding the number of seedlings planted out of the number supplied or the additional acreage brought under cultivation of coconut from time to time is not available with the Department. Sample surveys conducted by the State Bureau of Statistics during the period from 1963-64 to 1966-67 with financial assistance from the Indian Council of Agricultural Research showed that 8 to 10 per cent only of the seedlings planted by private growers were supplied by the Department. No survey was made after 1966-67 on the ground that financial assistance was stopped by the Council.

The Coconut Development Scheme (1961-62) provided for a study of the yield of nuts in respect of at least 5 per cent seedlings supplied by the Department and planted by growers with a view to verify the improvement in the rate of yield. No such study has been made by the Department. While according to the sample survey made by the State Bureau of Statistics the average annual yield of nuts in private plantations was between 14 to 17 per tree, during the period from 1963-64 to 1966-67, according to departmental records the average annual yield in the departmental plantation at Regional Coconut Research Station at Sakhigopal was 4 nuts per tree during 1972-73.

Sample surveys conducted by the State Bureau of Statistics disclosed that 40 per cent of the coconut trees all over the State were affected by bacteriological diseases. The parasite breeding laboratory meant for controlling these diseases envisaged in the Coconut Development Scheme (1961-62) was sanctioned in November 1967 but has not been set up so far (July 1974) due to delay in construction of building for want of funds.

In departmental nurseries seed nuts are collected from selected trees, stored for three months and then sown. The seedlings then raised are distributed to growers when they are nine months old. According to the norms fixed by the Department, seedlings fit for distribution should be obtained from a minimum of 70 per cent of the seed nuts sown. Between 1965-66 and 1971-72, out of 12.04 lakhs of seed nuts collected 6.98 lakh seedlings only (58 per cent) were obtained and distributed to growers (March 1973). The short fall was attributed to non-germination of more nuts than anticipated and mortality of seedlings.

The Coconut Development Scheme (1961-62) also envisaged demonstrations being held to show how coconut cultivation could be remunerative to growers. This was to be done by selecting half acre coconut orchards or 36 young palms standing in compact blocks of land. In this area package practices were to be adopted in half of the land or for 18 palms and the other half left untreated so as to bring the perceptible difference in growth and yield rate of nuts in the treated and controlled plots. Government sanctioned 25 departmental demonstrations in July 1970 which were conducted during 1971-72 and 1972-73. The results of the demonstrations have not been analysed and disseminated to the growers (July 1974).

To increase the acreage under coconut plantation in the four coastal districts of the State by providing long term loans to intending cultivators from the Agricultural Refinance Corporation, a scheme for providing loan of Rs. 1,500 to Rs. 1,800 per acre through the Primary Land Development Banks was taken up in December 1964. The State Government stood guarantee to the Orissa State Co-operative Land Development Bank for losses if any, that might arise under the scheme. The Department was to certify suitability of land, forward loan applications to the banks and to recommend the second and subsequent instalments of loans after satisfying itself about proper utilisation of the instalments paid earlier. Between 1964-65 and 1971-72 loans of Rs. 28.42 lakhs were disbursed by the banks to 1,197 cultivators to bring 2,336 acres of land under coconut cultivation. Rupees 3.70 lakhs were spent

on establishment set up for processing the loan applications, etc. Of the 1,197 cultivators who availed of the loans, 550 cultivators have covered 1,296 acres of land under coconut cultivation and the remaining 647 cultivators who availed of loans amounting to Rs. 10.66 lakhs have not utilised the loans for the purpose for which these were granted (March 1973). The Department is yet to decide on the action to be taken in the cases where the loans have not been utilised for the purposes for which these were granted (July 1974).

EDUCATION AND YOUTH SERVICES DEPARTMENT

31. *National loan scholarships*:—(1) A Centrally sponsored national loan scholarship scheme has been implemented in the State from 1963-64. Under the scheme interest free recoverable advances (loan scholarships) are to be paid to selected meritorious but needy students (merit being determined on the basis of a qualifying examination conducted by recognised educational institutions after admission of the students to the institutions) to enable them to complete their education. Preference is to be given to students taking up professional and teaching courses. To induce the students to take up teaching after completing their studies, the scheme also provides for incentive in the form of waiver of recovery of one-tenth of the original loan for every year of service put in as a teacher in a recognised institution. The scheme provided for payment of loan scholarships ranging between Rs. 720 and Rs. 1,750 per annum to students securing at least 50 per cent marks in any qualifying examination for recognised full time course in the country, above matriculation to or school leaving stage in arts, science, commerce, engineering, technology, medicine, agriculture, law and education. Up to April 1973, the scholarships under this scheme were paid by the heads of the institutions on execution of a simple bond without any surety or security by the students for repayment of loan. From May 1973, the legal guardians have also to sign the bond jointly with the loanee students. The scholarships are sanctioned on an annual basis and remitted periodically to the heads of the institutions to which the students have been admitted for disbursement to the students in monthly instalments. Funds for the scheme are provided by Government of India as interest-free loans to the State Government. State Government has to provide the staff for operating the scheme and the Director of Public Instruction, Orissa, is to keep watch on recovery of loans from the scholars after they complete their studies.

From 1963-64 to end of 1968-69 Rs. 61.07 lakhs were paid by Government of India to the State Government as interest-free loan under the scheme. Of these, Rs. 47.08 lakhs were remitted by the State Government to the heads of various institutions for payment to 3,649 scholars. Rupees 13.63 lakhs were refunded to Government of India between March 1968 and February 1971 as unutilised, leaving a balance of Rs. 0.36 lakh with the State Government. Government of India desired in November 1971 that the unutilised amounts should be refunded in full by the State Government and certificates of utilisation furnished to the Accountant General for the amounts utilised. During 1969-70 Rs. 18.04 lakhs were paid by Government of India to the State Government; of this, unutilised amount of Rs. 3.15 lakhs was refunded by the State Government in March 1970. The balance of Rs. 14.89 lakhs was remitted to the educational institutions for disbursement to 787 scholars. Between 1970-71 and 1972-73 Rs. 61.43 lakhs were sanctioned by Government of India. No amount was paid to the State Government as conditions about refunds of

amounts disbursed and furnishing of utilisation certificates for loans paid earlier had not been fulfilled by the State Government. The State Government, however, sanctioned Rs. 55.90 lakhs during 1970-71 to 1972-73 which was remitted to educational institutions for payment to 2,382 scholars. Thus up to end of 1972-73, Rs. 1.40.55 lakhs were sanctioned by Government of India of which Rs. 62.32 lakhs were paid to the State Government (after excluding Rs. 13.63 lakhs refunded) and Rs. 1.17.87 lakhs were remitted by Government of Orissa to educational institutions for disbursement to 6,818 scholars. State Government has yet to settle the accounts with Government of India and furnish the utilisation certificates (May 1974).

Of Rs. 1.17.87 lakhs remitted to the educational institutions for disbursement to 6,818 scholars, Rs. 14.52 lakhs were refunded by the institutions (bulk of the refunds related to loans sanctioned upto 1968-69); the refunds were not linked with the particular scholars to whom the unpaid loans related.

Information about utilisation of the amounts remitted to educational institutions upto 1967-68 was not available with the Department as records for the purpose were not properly maintained in the Department due, it has been stated, to inadequate staff employed for the scheme. Between 1968-69 and 1972-73, Rs. 84.90 lakhs were remitted to 104 institutions. Of this, the disbursement certificates for Rs. 56.13 lakhs are still to be received by the Department.

As mentioned earlier as an incentive to bright students to join the teaching profession, the loanee scholars joining the profession were to be exempted from repayment of one-tenth of the loan taken by them for each year of service rendered as teacher in a recognised institution. Between 1967-68 and 1970-71 only 12 applications were received from students. Information about how many of the 12 applicants taking up teaching profession were sanctioned loans and how many of those obtaining loans served in recognised institutions after completion of study has not been kept by the Department. Government sanctioned exemption from re-payment of loans of Rs. 2.45 lakhs by 272 loanees who availed of loans between 1963-64 and 1965-66 on the ground that they had taken up the teaching profession.

A loanee scholar has to commence repayment of the loan after three years of termination of the scholarship or one year after he joins any service whichever is earlier; in case of default interest has to be paid at 6 per cent for the period of default. The Department has not kept a watch on the whereabouts of the scholars after completion of their studies. As such no recoveries have been made except where scholars repaid the loans on their own accord. One hundred thirty three scholars have so far (March 1973) repaid Rs. 0.37 lakh. Computed on the basis of instalments falling due for repayment after expiry of three years of termination of scholarship, by March 1972, for the loans sanctioned upto 1968-69, Rs. 20.56 lakhs had become overdue for recovery from 3,242 loanees. The Department has not calculated the overdue instalments for the loans disbursed during 1969-70 for which the three year period was over in March 1973. The Department stated in October 1973 that due to inadequacy of staff, recovery of loans was not taken up.

The matter was reported to Government in July 1973; reply is awaited (July 1974).

COMMUNITY DEVELOPMENT AND PANCHAYATI RAJ DEPARTMENT

32. *Construction of Panchayat Ghars*:—Government decided in 1963-64 to provide financial assistance to *grama panchayats* for construction of office buildings (called *panchayat ghars*). A type plan was also drawn up by Government and recommended to the *gram panchayats* for adoption. The *panchayat ghars* were to have a meeting hall, an office room and a bathroom with septic latrine. The estimated cost of a *panchayat ghar* was Rs. 10,000 and Government undertook to bear one half of the cost by payment of grant.

Between 1964-65 and 1965-66 Government sanctioned grants to 106 *grama panchayats* (amount Rs. 5.62 lakhs) for construction of *panchayat ghars* at Rs. 5,300 per *panchayat ghar*. Of the 106 *panchayats* only 31 utilised the grants (Rs. 1.64 lakhs) and constructed the *panchayat ghars*; 12 refunded Rs. 0.64 lakh as they had no resources to meet the balance cost and the remaining 63 which received Rs. 3.34 lakhs as grants did not construct the *panchayat ghars* nor did they refund the unutilised grants.

In August 1968 Government noticed that, due to abolition of *panchayat* taxes (like profession tax, vehicle tax, etc.) from September 1967, the *grama panchayats* were not able to meet even 30 per cent of the cost of construction of the *panchayat ghars*. Further, in the absence of adequate water supply, provision of septic latrine would be useless. Two smaller alternative type plans for the *panchayat ghars* (with a meeting hall and an office room in each *panchayat ghar*) estimated to cost Rs. 7,500 and Rs. 5,000 each were, therefore, got prepared from the Rural Engineering Organisation and the *grama panchayats* were asked to choose one of the three type plans including the one approved in 1968-69. Government also revised (in January 1969) the maximum grant payable for construction of a *ghar* to Rs. 5,000.

Between January 1969 and March 1973 grants totalling Rs. 5.78 lakhs were sanctioned to 117 more *grama panchayats* (only one *grama panchayat* selected the type plan for Rs. 7,500 while the other *grama panchayats* selected the cheapest plan). Of these, only 19 *grama panchayats* which had received Rs. 0.93 lakh as grants completed the *panchayat ghars*. The remaining 98 *grama panchayats* which had received Rs. 4.85 lakhs as grant have not taken up construction of the *panchayat ghars* nor have they refunded the unutilised grant (December 1973).

The following table shows in brief the position of the grants given up to March 1973 and their utilisation as at the end of December 1973.

		Number of grama panchayats	Amount (Rs. in lakhs)	Percentage of total grant
Grants given	..	223	11.40	..
<i>Panchayat ghars</i> constructed	..	50	2.57	22.6
Grants refunded	..	12	0.64	5.6
Grants neither utilised nor refunded		161	8.19	71.8

Meanwhile, in September 1964 Government decided that *grama panchayats* having huge balances out of kendu leaves grants would not be sanctioned any grants for construction of *panchayat ghars* as they should be in a position to construct the building from the balances out of the kendu leaves grants. Between September 1966 and May 1969 the Collectors of five districts (Ganjam, Kalahandi, Keonjhar, Koraput and Sundargarh), reported the names of some affluent *grama panchayats* which in their opinion would be able to construct *panchayat ghars* out of their own funds. Government, however, sanctioned Rs. 0.35 lakh as grants to 6 such *grama panchayats* between December 1971 and March 1973 for construction of *panchayat ghars*. These grants have remained unutilised with the panchayats (December 1973).

Under the Kendu Leaves (Control of Trade) Act, 1961, 50 per cent of the net profits derived by Government from the trade in kendu leaves was to be paid to *panchayat samitis* and *grama panchayats* as grants to be utilised on objects specified by Government. Government decided in March 1963 to retain 5 per cent of the distributable amounts as a reserve for hard cases. The amount so retained was to be distributed as grants to deserving *panchayat samitis* and *grama panchayats*. While reviewing the progress of construction of *panchayat ghars* in June 1969 Government noticed that a large number of *grama panchayats* were not able to take up construction even after receiving grants from Government as due to their overall poor financial position they were not able to meet their share of the expenditure. In June 1969 Government, therefore, decided to provide from this 5 per cent reserve further assistance to these *grama panchayats* to enable the panchayats to construct the *panchayat ghars*. Again in September 1969 Government decided that no utilisation certificates need be furnished by the *grama panchayats* for the grants received by them from the distributable profits of the kendu leaves trade. The Block Development Officers in the respective areas were made responsible to watch the progress of construction, to ensure completion of *panchayat ghars* and to satisfy themselves that grants given from the profits of the kendu leaves trade had been properly utilised. Between October 1969 and March 1973 grants (Rs. 10.76 lakhs) were sanctioned to 214 *grama panchayats* from the 5 per cent reserve of the profits of the kendu leaves trade. This assistance was, however, given to a set of *grama panchayats* who had not been given any grants for construction of *panchayat ghars*.

Mention was made in paragraph 97 (2) of the Audit Report for the year 1970-71 about the revenue credited to Government on account of Kendu leaves trade and non-preparation of working results of the scheme in the absence of which correctness of such revenue could not be verified. The working results are yet to be prepared (February 1974) and hence correctness of the amounts available for grants could not be verified.

A departmental survey undertaken in January 1971 disclosed that in 1963-64 out of 3,826 offices 1,358 *grama panchayats* were housed in rented buildings of which 437 were given financial assistance for construction of their own buildings. Of the latter, 50 *panchayats* only had fully utilised the assistance (Rs. 2.57 lakhs) given by Government and completed construction of the ghars (11 per cent), 12 *grama panchayats* had refunded the grants (Rs. 0.64 lakh) and 161 *grama panchayats* had not utilised the assistance (Rs. 8.19 lakhs); as regards the remaining 214 *panchayats*, there was no information as to how they had utilised the grants.

FOREST AND ANIMAL HUSBANDRY DEPARTMENT

33. *Freezing plant and freeze storage, Majhidia* :—Machines and equipment for freezing plant and freeze storage of the Pilot Marine Bye-products Scheme were purchased during 1961-62 for Rs. 1.90 lakhs. In paragraph 46 of Audit Report 1966, a mention was made about the non-utilisation of these machines and equipment due to delay in construction of buildings. The site for freezing plant and freeze storage was selected by the Department in 1961-62 at Majhidia at the conjunction of the creeks and the Mahanadi on the ground that the Paradeep Port was expected to be constructed at the mouth of the Mahanadi and the plant site would remain within the port area. The port site was, however, shifted subsequently to 8 kilometres south east of the river mouth and construction of the port at the new site was started in 1962-63. The site for the freezing plant and freeze storage could not be shifted as no suitable site within the port area was allotted by Government. Consequently, the plant site at Majhidia remained isolated and out of reach of normal traffic. The Public Accounts Committee (1971-72) in its third Report (29th July 1971) observed that it was not clear why the Department could not change the place of operation of the scheme in time (construction of Paradeep Port commenced in 1962-63 and the scheme for Pilot Marine Bye Products was taken up in 1961-62) and why they could not review the position and ascertain the difficulties earlier. The Committee wanted the department to find out the reason for this omission. Action taken has not been intimated so far (July 1974).

The freezing plant with a capacity of 500 kilograms per day, and the freeze storage with a capacity of 5,000 kilograms, were to utilise the unsold catch of shrimp, prawn and other marine fish of commercial value landed by the departmental fishing boats at Paradeep and nearby coastline and turn out frozen fish products for domestic and foreign markets.

The building for the freezing plant and freeze storage was completed in December 1966 at a cost of Rs. 0.59 lakh. The machines and equipment were installed in December 1966. The plant and the storage were not commissioned up to December 1968 as no surplus was available for the freezing plant from the departmental catch of shrimp, prawn and other marine fish since these were sold out fresh.

As the machines were not used for a long period, they were damaged ; extent of damage has not been assessed by the Department. To prevent further damage, in January 1969 the plant and the storage were hired out to a private party on condition that the hirer would pay each day freezing charges i. e., charges for chilling the products and frozen storage charges at rates fixed by the Department for the quantity of fish actually handled each day. The hirer repaired the machines for Rs. 0.11 lakh at his cost, but from the 27th July 1969 he stopped operating the plant. The departmental operational cost for the period it was hired out to the party was Rs. 2,347 while hire charges of Rs. 2,481 were paid by the party.

The plant and storage was leased out to another private party from July 1970 to March 1972 at an annual rent of Rs. 0.15 lakh to be paid in quarterly instalments. According to the agreement, default in payment of quarterly instalment was to entail automatic termination of the lease. The party paid the first quarterly instalment of rent, operated the plant for a few days (December 1970) and left the place in April 1971 after locking the premises and without handing over the plant and storage to the Department. The Department has not been able to get back the possession of the premises and is considering legal action (May 1974). Thus the purpose for which the plant was set up has not been achieved.

The case was reported to Government in July 1973 ; reply is awaited (July 1974).

HEALTH AND FAMILY PLANNING DEPARTMENT

34. *Purchase of tarpaulins*—According to Government industrial policy laid down in 1958, private entrepreneurs are to be encouraged to start small scale industries in the State by providing them with assistance in the form of factory space in industrial estates and other amenities. In January 1971 Government ordered that trade enquiries for purchases exceeding Rs. 0.02 lakh in value should be sent to the Director of Export Promotion and Trading at least 15 days ahead, for circulation among concerned small scale industries and that deviation from this would be treated as dereliction of duty rendering an officer liable for disciplinary action. According to the orders issued by Government from time to time, a price preference of 15 per cent can be given to the products of local small scale industries.

In connection with medical relief to be provided to people affected by cyclone in September/October 1971, the Health and Family Planning Department decided in November 1971 to purchase one thousand tarpaulins. On the 8th November 1971 the Director of Health Services sent a tender notice to the Director of Public Relations, Orissa, for publication in the papers. According to the notice, tenders were invited for supply of tarpaulins (20' x 20') from approved firms (enlisted with the Director of Health Services). The tenders had to be submitted on or before the 10th November 1971 and supplies were to be made within 48 hours from the time of placing the order. The tender notice was published in a daily newspaper of Cuttack on the 9th November 1971. By the 10th November 1971 six tenders were received. One of the tenders (Firm I) quoting a rate of Rs. 445 per tarpaulin with delivery period of 2 to 3 days, was rejected as the firm (Firm I) was not on the approved list of the Director. The other tenders were as follows :—

Tenderer	Quoted rate per tarpaulin	Delivery period
	Rs.	
Firm II	.. 422	2 to 3 days
Firm III	.. 422	200 to 300 per week
Firm IV	.. 575	Within 48 hours
Firm V	— 598	Within 7 days

After the opening of the tenders, another firm (Firm VI—a small scale enterprise having its factory in the Government Industrial Estate at Dhenkanal) gave a tender on the 12th November 1971 for supply of tarpaulins at Rs. 400 with delivery within 48 hours. More than 2 years earlier in October 1969, the Industries Department of Government had intimated all Departments that this Firm (Firm VI) was manufacturing tarpaulins, that it was the only small scale industry in the line, that price preference of 15 per cent was admissible for products of small scale industry and had recommended enlistment of the firm as an approved supplier. The Director of Export Promotion and Marketing informed the Director of Health Services on the 16th November 1971 that the tender enquiry had not been sent to him as required. He also pointed out that the firm was a local manufacturer of tarpaulins in the small scale industry sector and suggested that the purchase be made from that firm.

Taking into account the quality of the samples supplied with the quotation by Firm VI, the rates quoted and the period of supply mentioned by the firm and also the fact that the supplier was a small scale industry, the Director of Health Services recommended to Government (on the 25th November 1971) that the quotation of this firm should be accepted. While forwarding the tenders to Government the Director of Health Services also mentioned that the samples submitted by Firms II and III were of a superior quality and that of Firm IV was not good. Government rejected the recommendation of the Director of Health Services on the 1st December 1971 and ordered that purchase might be made from Firm IV provided it reduced its rate to Rs.445 (as quoted by Firm I) as it was the only firm who has agreed to deliver the tarpaulins within the stipulated time. Negotiation was accordingly held and order placed with Firm IV for supply of one thousand tarpaulins at Rs. 445 each for delivery within 48 hours. The firm made the supplies within a day.

The tarpaulins supplied by Firm IV were, as per the departmental records, not according to specifications nor did the tarpaulins conform to the sample furnished by the firm which (sample) itself was not considered as good. When this was pointed out by the Director of Health Services to Government, the latter ordered that only visual inspection should be made of the tarpaulins to ascertain whether the size of the tarpaulins compared to the specifications. Thirty-four tarpaulins which were far below the specified size were replaced by the firm. For the other tarpaulins which were undersized a deduction at Rs. 1'11 P. per square foot was made. Accordingly, Rs. 0'27 lakh was deducted from the supplier's bill for 24,000 square feet of tarpaulin short received and the balance amount of Rs. 4'18 lakhs was paid in May 1972.

Eight hundred of the 1,000 tarpaulins received in December 1971 were distributed to the Chief District Medical Officers only in May 1972. The mode of their utilisation by the District Officers has not been intimated. Two hundred tarpaulins are still kept in stock by the Director of Health Services (May 1974).

The matter was reported to Government in November 1973 ; reply is awaited (July 1974).

35. *Loss of Cash* :—In June 1961 Government issued instructions about precautions to be adopted when money is carried for being deposited in a treasury or when it is carried from the treasury to any office. These instructions, which were to supplement the provision contained in the Government Treasury Rules, provide that when the amount being carried exceeds Rs. 200 but is less than Rs. 2,500, the peon carrying the money should be accompanied by a clerk or the accountant. In case the amount being carried is Rs. 2,500 or more but less than Rs. 10,000 the peon is to be accompanied by a clerk and the accountant. Special arrangements are to be made by sending more guards or assistants to accompany the peon when the amount being carried is Rs. 10,000 or more. During the audit of accounts of Medical College, Burla, it was observed that on the 11th May 1973 8 bills for a total amount of Rs. 0.31 lakh were prepared and endorsed by the Accounts Officer of the College in favour of a peon for drawal from the treasury. A typist-cum-clerk of the Accounts Section accompanied the peon of his own accord as reported by the Principal to Government, and absconded with the money. The matter was reported to the police by the Accounts Officer of the College on the 12th May 1973. Police investigation is in progress (May 1974).

Non-observance of instructions and codal provisions facilitated the loss of Rs. 0.31 lakh.

The matter was reported to Government in December 1973 ; reply is awaited (July 1974).

HOME DEPARTMENT

36. *Alleged misappropriation* :—During test check of accounts of the District Public Relations Officer, Bolangir for the period February 1968 to February 1973, it was noticed that the sale proceeds of community listening sets and spare parts of radio sets supplied to youth centres, *panchayat* schools, *grama panchayats*, etc., between the 22nd February 1968 and the 5th March 1973 were shown in the cash book as having been remitted to the Bolangir treasury on 461 occasions ; the amount remitted on each occasion ranged between Re. 0.50 and Rs. 260 (total Rs. 0.28 lakh). Verification by Audit of the treasury challans kept on record by the District Public Relations Officer in support of the entries of remittances in his cash book with those in the treasury accounts disclosed that the amounts were not actually remitted and the treasury challans were forged. A lower division clerk of the office was in charge of collection of the sale proceeds, their remittance into the treasury and the maintenance of the cash book ; no security deposit was taken from him. He died on the 6th March 1973.

Under financial rules of Government, when money is deposited into the treasury the head of the office remitting the money should compare the receipted treasury challan with the entry in the cash book. Where the number of remittances exceed ten or the total amount remitted exceeds Rs. 1,000 in a month, a consolidated treasury receipt is to be obtained by the head of the office at the end of the month and compared with the entries in his cash book. The procedure was not observed by the District Public Relations Officer, Bolangir. This facilitated commission of the fraud.

The matter was reported to Government (June 1973) and it was suggested that a special and detailed departmental audit should be conducted to determine the exact loss and follow up action should be taken up. Reply is awaited (July 1974).

GENERAL

37. *Misappropriations, losses, etc.*—The cases of misappropriations, losses, etc. of Government money, reported to Audit up to the end of March 1973 and on which final action was pending at the end of September 1973, were as follows :—

	Number	Amount (In lakhs of rupees)
Cases outstanding at the end of September 1972 ..	745	56.03
Cases reported during October 1972 to March 1973 ..	132	15.01
Cases disposed of till September 1973 ..	37	2.10
Cases outstanding at the end of September 1973 ..	840	68.94

There has been considerable delay in finalisation of the cases of misappropriation as shown below :—

	Number	Amount (In lakhs of rupees)
(i) Over five years (1948-49 to 1967-68) ..	404	39.86
(ii) Between three years and five years (1968-69 and 1969-70)	178	10.43
(iii) Up to three years ..	258	18.65
Total ..	840	68.94

The reasons for which the cases were outstanding are—

	Number	Amount (In lakhs of rupees)
(i) Cases awaiting departmental and criminal investigation	280	21.33
(ii) Cases in which departmental action having been started has not been finalised	338	38.71
(iii) Cases in which departmental proceedings have been finalised and recovery is in progress	28	0.74
(iv) Cases in which criminal proceedings have been finalised but execution/certificate cases for recovery of the amount are pending	39	2.58
(v) Cases awaiting orders for recovery or write-off	88	1.82
(vi) Cases pending in courts of law ..	67	3.76
Total ..	840	68.94

Departmentwise analysis of the outstanding cases is given in Appendix VI.

CHAPTER IV

WORKS EXPENDITURE

URBAN DEVELOPMENT DEPARTMENT

(Public Health Engineering Branch)

38. *Berhampur water supply scheme*—Berhampur town had a water supply system, installed in 1905, which was designed to supply water at the rate of 15 gallons *per capita* per day to a population of 30,000. The source of supply of the water was a reservoir at Dakshinapur which was fed by a canal from Rushikulya Irrigation system. As the population increased (by 1951 it was 0.62 lakh) and the pipe lines became old the existing system of water supply was found inadequate. In 1956, the Department drew up a scheme under the national water supply and sanitation programme to improve the water supply system. Under the scheme it was proposed to provide water supply at the rate of 25 gallons *per capita* per day to a population of one lakh which the town was expected to reach in a period of about 30 years. The scheme was to be transferred, on completion, to the Berhampur Municipality for maintenance. Two-thirds of capital cost was to be treated as grant to the Municipality and the balance one-third as loan. The estimated cost of the scheme was Rs. 50.14 lakhs. Due to paucity of funds it was decided to execute the scheme in phases. In July 1960, Government accorded administrative approval to the first phase of the scheme estimated to cost Rs. 16.50 lakhs (additional storage reservoir : Rs. 9.18 lakhs, four slow sand filter beds : Rs. 2.00 lakhs, extension of pipe line Rs. 1.52 lakhs, other items : Rs. 3.80 lakhs). The entire scheme at the revised estimated cost of Rs. 60.95 lakhs (additional storage reservoir : Rs. 9.18 lakhs, four slow sand filter beds : Rs. 2.00 lakhs, pipe lines : Rs. 12.66 lakhs, pipe mains : Rs. 5.30 lakhs, service reservoirs : Rs. 14.00 lakhs, treatment plant : Rs. 3.00 lakhs, land acquisition : Rs. 1.70 lakhs, other items : Rs. 13.11 lakhs) was approved in February 1961. The scheme was, however, not executed according to the phased programme as decided earlier. Work was taken up by Berhampur Public Health Division as and when funds were provided for the purpose.

Up to August 1973, Rs. 51.75 lakhs (85 per cent of revised estimated cost) had been spent but only one-third of the work was done. Expenditure on individual items of work executed under the scheme was not recorded by the Department separately. Work done on some of the main items was as follows :—

Work	Percentage of work done
Pipe mains	.. Nil
Distribution system (pipe lines)	.. 23
Service reservoirs	.. 14
Treatment plant	.. 33

Computed on the basis of rates in the revised estimate Rs. 29.09 lakhs more will be required for completing the balance portion of the work. Thus further expenditure of at least Rs. 19.19 lakhs has to be incurred for completion of the work over and above the revised estimated cost of Rs. 60.95 lakhs.

In the meantime, the population of the town, according to 1971 census, has gone up to 1.18 lakhs and due to non-completion of the improvement scheme the rate of supply of water has dwindled to less than 10 gallons *per capita* per day.

According to the latest estimates of the Department the enhanced requirements of the town cannot be met from the existing sources of supply. In November 1969 the Department undertook survey of an additional source of supply to augment the existing sources by constructing a dam across Ghadkeshwar nullah at a distance of 10 kilometres from Dakshinapur reservoir. After spending Rs. 0.34 lakh, of which Rs. 0.20 lakh was deposited by the Municipality, the Department reported that even that source would not be sufficient. As an alternative, the Department suggested tapping of sub-surface water of Rushikulya river to meet the requirements of not only of Berhampur but also of Berhampur University, the canttonment, the proposed port of Gopalpur and the town of Chatrapur which had no separate sources of water supply. Accordingly, a combined water supply scheme (estimated cost : Rs. 7,28.52 lakhs) was prepared and submitted to Government in December 1972. The scheme is under consideration of Government (July 1974).

As part of the improvement scheme, construction of an additional storage reservoir at Dakshinapur (estimated cost of work given on contract : Rs. 8.09 lakhs) was entrusted to a contractor (the lowest tenderer) in November 1961 for Rs. 9.80 lakhs with the stipulation that the work should be completed by November 1962. The contract provided *inter alia* for the following items of work :—

Items of work	Quantity (in lakh cubic feet)	Rate (per thousand cubic feet)
		Rs.
Excavation in all kinds of soil with all leads and lifts and dumping earth on embankments	71.74	69.25
Spreading and levelling excavated earth on embankments—		
(a) with contractor's own tractor and road roller ..	..	6.00
(b) with departmental tractor and road roller ..	..	3.00
Supply of rubble and rubble packing including all leads and lifts	8.74	270.00

While the work was under execution, the contractor was asked by the Executive Engineer, Berhampur Public Health Division, to execute additional quantities of earthwork and rubble supply and rubble packing necessitated by "raising of height of reservoir and canal embankments" and "construction of intake well in the reservoir". To execute the increased quantities the Chief Engineer granted extension of time up to the 31st December 1965. The entire work was completed by the extended date at a cost of Rs. 12.49 lakhs and the final bill was paid in June 1967. In the meantime, the contractor had been demanding enhancement of the rates for excavation and supply of rubble stone and rubble packing on the ground of frequent breakdown of departmental tractors, greater leads and lifts for additional quantities of work and increase in the cost of labour and materials. In September 1967 the Department

recommended to Government the following increased rates for the work executed from time to time adding two more reasons to justify the increase, namely, non-availability of funds during execution of work and scarcity of labour in the locality :—

Item of work	Period of execution of work	Quantity (in lakh cubic feet)	Rate recommended (per thousand cubic feet)	Rate as per contract (per thousand cubic feet)
			Rs.	Rs.
Earth work	June 1973 to March 1964	6.50	85	75.25/72.25
	From April 1964	22.69	117	
Rubble supply and rubble packing	April 1964	2.95	429	270.00

That the time allowed in the agreement was insufficient was mentioned as a reason for late completion of the work. In July 1972 Government approved payment at the higher rates recommended by the Department for extra work done by the contractor, and the contractor was paid Rs. 1.48 lakhs in October 1972 on account of the difference in the rates. The contractor was, however, not entitled to the payment for the following reasons :—

According to the contract, the contractor was at liberty to complete the spreading and levelling of earth over embankment with his own machinery for which a higher rate was provided and as such there was no justification for any increase in rates due to break-down of Government tractor. The agreement also provided that the contractor would do earthwork with all leads and lifts and that additional quantities would be executed at the same rates as in the original contract. Arrangement of labour was the responsibility of the contractor. Funds (Rs. 16.52 lakhs) were allotted for expenditure on the work during the period of its execution but Government was not approached for additional funds at any time. Above all, the contractor executed only 8.47 lakh cubic feet of earthwork extra (tendered quantity was 71.74 lakh cubic feet) and the extra quantity of rubble supply and rubble packing actually executed was less than the tendered quantity (tendered quantity : 8.74 lakh cubic feet ; quantity executed : 7.56 lakh cubic feet) while payment on account of the difference in rates was made for 29.19 lakh cubic feet of earthwork (Rs. 85 per 1,000 cubic feet for 6.50 lakh cubic feet and Rs. 117 per 1,000 cubic feet for 22.69 lakh cubic feet) and for 2.95 lakh cubic feet of rubble supply and rubble packing (at Rs. 429 per 1,000 cubic feet). The case was reported to Government by Audit in September 1973. Reply is awaited (July 1974).

39. *Water supply to Jharsuguda town* :—A combined scheme for supply of water to the town of Jharsuguda, the Orissa Military Police lines, the Engineering School and the Industrial Estate at Jharsuguda, in Sambalpur District, (estimated cost : Rs. 12.14 lakhs), with a common pumping main and intake from river Ib, was taken up by Sambalpur Public Health Division during 1961-62 on high priority basis with a view to complete it before 1963. Government accorded administrative approval for the scheme in February 1962. It was estimated that the scheme, when completed, would supply 0.375 million gallons of water per day (mgd) of which the requirement of the town would be 0.2 mgd. Expenditure on the scheme to end of May 1974 was Rs. 16.02 lakhs ; execution of the scheme is in progress (July 1974). The estimate has not so far been revised.

One of the reasons for the increase in expenditure is execution of the following items of work not originally included in the scheme :—

(i) Construction of a settling tank to remove turbidity of water before filtration for temporary water supply (construction was started in 1963 and completed in August 1965 at a cost of Rs. 0.30 lakh).

(ii) Construction of 1 mgd. capacity rapid gravity filtration plant to meet the future needs for expansion of the permanent water supply (construction taken up by the Department in 1969 at an estimated cost of Rs. 3.03 lakhs ; expenditure to the end of March 1974 : Rs. 1.19 lakhs ; the work still in progress).

(iii) Construction of an infiltration gallery (construction taken up in March 1972 at an estimated cost of Rs. 0.84 lakh, the first row of gallery completed at a cost of Rs. 0.34 lakh in November 1973).

A probe committee appointed by Government in February 1972 to review the water supply schemes in the State observed that neither the settling tank nor the filtration tank was in use and that water coming through the infiltration gallery was turbid as the gallery had not been constructed according to approved specifications.

As stated earlier the scheme was to be transferred, on completion to the Jharsuguda Municipality for maintenance. Water supply to the Jharsuguda town was started from January 1963 ; the system, however, is being maintained by the Department as the Municipality has not taken over the system. In November 1967, Government decided that the Municipality should bear 50 per cent of the net maintenance cost (after adjustment of water charges) for 3 years from 1966-67, 75 per cent for the subsequent two years and the entire net maintenance cost from the sixth year (1971-72) onwards. Accordingly, the Municipality was to pay Rs. 1.46 lakhs to Government upto end of March 1973 ; the amount has not been received so far (July 1974).

The matter was reported to Government in January 1974 ; reply is awaited (July 1974).

40. *Frequent changes in headquarters of a public health division*:—A Public Health Investigation Division in Sambalpur Public Health circle was created in 1963 to investigate public health projects in 8 districts (*viz.*, Dhenkanal, Keonjhar, Mayurbhanj, Sambalpur, Sundargarh, Bolangir, Kalahandi and Koraput) with headquarters at Dhenkanal. As the progress of investigation by the Division was found unsatisfactory, Government decided in November 1971 to transfer the headquarters of the Division to Sambalpur so that the working of the Division could be more effectively supervised by the Superintending Engineer whose headquarters were at Sambalpur. Accordingly in December 1971, Government issued orders transferring the headquarters of the Division to Sambalpur with effect from the 15th January 1972. Representations made by the Department to defer the transfer till January 1972 were not accepted. Of the 47 employees (19 belonged to Dhenkanal district), 46 moved to Sambalpur and one was on leave. The Division started functioning at Sambalpur from the 15th January 1972. On the following day, the 16th January 1972, at the instance of certain local leaders Government decided to defer the transfer upto the 31st March 1972. The headquarters of the Division were transferred back to Dhenkanal on the 22nd January 1972 where it started functioning from the 23rd January 1972. Again in

March 1972 Government issued orders transferring the headquarters of the Division to Sambalpur with effect from the 16th April 1972. The Division was accordingly shifted and started functioning from Sambalpur from the 17th April 1972. This time only 4 employees and the Executive Engineer moved to Sambalpur and the rest of the staff went on leave. In the meantime, on the ground of dislocation of education of employees' children, Government ordered on the 11th April 1972 that the headquarters of the Division would be transferred to Sambalpur only from the 1st June 1972; this was communicated to the Chief Engineer and other subordinate authorities concerned only on the 17th April 1972. The Division again shifted back to Dhenkanal and started functioning from there from the 20th April 1972. The Division finally shifted to Sambalpur on the 1st June 1972. The expenditure on travelling allowances of staff and contingent expenditure to move to Sambalpur and back on the two occasions was Rs. 0.22 lakh; this is apart from the salary paid to the staff for the time spent by them in preparing for the shifting on all the four occasions during which period no fruitful work can be stated to have been turned out.

41. *Water supply equipment*:—In March 1966 Government sanctioned temporary water-supply arrangements for 14 villages of drought affected areas of Kalahandi District (under the jurisdiction of Bolangir Public Health Division). Water from nearby rivers and nullahs was to be pumped into tanks and *kattas* for use of the villagers (cost : Rs. 1.46 lakhs).

Temporary pipe lines and pumps, strainers, etc., were laid for the 14 villages at a cost of Rs. 1.46 lakhs. The work of laying pipe lines for seven of these villages was done departmentally and for the other seven through contractors. The value of materials which were laid was Rs. 4.59 lakhs. In June 1966 the scheme was closed by Government as monsoons had set in. The Department could not state whether the water supply installations worked during March-May 1966. The water supply installations were, however, not dismantled on the closure of the scheme on the ground that no funds had been provided for the purpose. Two years later, in November 1968, the Chief Engineer sought orders of Government to dismantle the installations and bring back the materials and equipment to the stores, but no orders were issued. Rupees 0.32 lakh were spent on watch and ward upto April 1972.

Between July 1967 and December 1973, materials and equipment laid at 11 villages were dismantled of which materials of value Rs. 1.00 lakh were transferred to other works or sold and materials of value Rs. 0.85 lakh were transferred to the departmental stores and are lying undisposed of (May 1974).

Material and equipment laid (Rs. 2.74 lakhs) in three villages were not dismantled. Of these, material valued Rs. 0.70 lakh laid in two villages is to be traced (July 1974). Material valued Rs. 2.04 lakhs laid in Khariar village was not dismantled on the ground that the scheme in that village was continued. But the Divisional Officer could not point out whether the temporary water supply installations laid at Khariar in March-May 1966 are working; also there is no sanction of Government for continuance of the temporary water supply arrangement at that place beyond June 1966.

The matter was reported to Government in September 1973; reply is awaited (July 1974).

RURAL DEVELOPMENT DEPARTMENT

42. *Bhanginala minor irrigation project* :—In December 1970 Government accorded administrative approval for a minor irrigation project on river Bhanginala, a tributary of river Vamsadhara. The project consisting of a diversion weir on Bhanginala and a canal system was expected to provide irrigation to 5,000 acres in kharif and 500 acres in rabi in chronically drought affected area of Ramanaguda Block (predominantly inhabited by tribal people) of Koraput District. The project was estimated to cost Rs. 24.47 lakhs (head works : Rs. 9.56 lakhs, excavation of canals : Rs. 5.00 lakhs, canal structures consisting of regulators, falls, outlets, bridges, cross-drainage works, escapes, etc: Rs. 6.00 lakhs, other items including work charged establishment and supervision : Rs. 3.91 lakhs) and to be completed by June 1972 to make water available from October 1972 for rabi cultivation. Government directed that expenditure should be incurred only after technical sanction was accorded by the Chief Engineer. Government also directed that the work should be awarded on contract on the recommendation of the Contract Committee consisting of Departmental Secretaries of Finance, Law and Rural Development Departments.

The Chief Engineer split up the project into head works and distribution canal system and in January 1971 called for tenders for the two works separately. The estimated cost of the works put to tender was Rs. 8.41 lakhs for the head works and Rs. 8.05 lakhs for the distribution canal system. Technical sanction is still to be accorded (June 1974).

Two tenders were received in February 1971. On the ground that the value of work in each case was less than Rs. 10 lakhs, the tenders were considered by the Chief Engineer. The Contract Committee of Government was not consulted. (Finalisation of tenders by Contract Committee and approval of Government is normally required when the probable contract value of the work exceeds Rs. 10 lakhs.) One tender, of 'A', was both for the head works and the distribution canal system. The other tender that of 'B', was for the headworks only. Though the tender of 'A' was lower of the two for the head works, the work was awarded to 'B'. The work of construction of distribution canal was awarded to 'A' for which he was the sole tenderer. This was stated by the Executive Engineer, Rural Engineering Division, Rayagada (June 1973) to have been done with the object of providing irrigation expeditiously.

The work order for the head works was issued in May 1971 to 'B' (tendered cost : Rs. 9.50 lakhs) with the stipulation that the work should be completed by November 1972. The work was completed in February 1973 at a cost of Rs. 13.06 lakhs. The Divisional Officer intimated in May 1974 that the final bill of the contractor was yet to be settled. Approval of Government (as the cost exceeded Rs. 10 lakhs) has not been obtained so far (July 1974).

In August 1971 the work of distribution canal system consisting of excavation of 5 channels, construction of 112 structures and other items of works was entrusted to contractor 'A' at his tendered cost of Rs. 3.08 lakhs for excavation (estimated cost : Rs. 1.54 lakhs) and Rs. 6.54 lakhs for construction of structures and other items of work (estimated cost : Rs. 6.51 lakhs). The work was originally intended to be completed by June 1972, but, due to delay in consideration of tenders and loss of working period before monsoon the date of completion was fixed as February 1973.

On the understanding that the project would be completed by June 1972 according to the original programme, the Tribal Development Agency, Gunupur, undertook a scheme to reclaim land in Ramanaguda Block to make available 400 acres for rabi cultivation by October 1972 and 2,500 acres for khariff cultivation by June 1973. Central assistance of Rs. 10 lakhs was also received during 1972-73 under Emergency Agricultural Production programme for providing quick irrigation from this minor irrigation project. In April 1972 the Superintending Engineer, Southern Range, found that contractor 'A' was absenting himself from the work site and had executed mainly the earth work items and had not executed any structural works except excavating the foundations of 7 (out of 112) structures. (The contractor's rates for excavation were 74 to 100 per cent more than those of the schedule of rate and for structures they were 0.25 to 41 per cent less than those of the schedule of rate.) The Superintending Engineer, therefore, recommended to the Chief Engineer (April 1972) that the contract be rescinded with penalty and the work of structures got executed through another agency to ensure early availability of water for irrigation. The Chief Engineer approved the proposal to have the structures constructed through any agency as might be expedient but did not issue orders for rescinding the contract with 'A'. The contractor continued to do the work of excavation up to April 1973 after which he stopped work.

In the meantime, to provide irrigation to 400 acres of land for the following Rabi cultivation and 2,500 acres for the subsequent kharif crop, the Executive Engineer called (April 1972) for tenders for construction of 25 structures (including 3 structures not included in the contract with contractor 'A' but which could be treated as additional work under the contract if executed by the same contractor). The tenders received were 25 to 30 per cent above the estimated cost and were, therefore, rejected. The Superintending Engineer authorised execution of this work through job contractors. The work on the 25 structures was completed only in March-April 1973 at a cost of Rs. 3.09 lakhs and water could not be made available as required for rabi cultivation. The additional cost incurred in getting the work done through job contractors as compared to the cost payable to 'A' as per contract was Rs. 0.92 lakh.

The total value of the work done by contractor 'A' up to April 1973 was Rs. 11.70 lakhs (which included canal excavation of Rs. 7.04 lakhs against the estimated cost of Rs. 1.54 lakhs and tendered cost of Rs. 3.08 lakhs).

According to the contract with 'A' any additional cost on the work as a result of execution of the work through other agencies in respect of work left incomplete by the contractor is recoverable from him. In addition the contractor is liable to pay compensation for delay in completion or non-execution of work up to 10 per cent of the estimated cost. The Department has not invoked these penal clauses; reasons have not been intimated (June 1974).

Rupees 38.35 lakhs were spent on the project up to March 1974. Water was provided for irrigation from June 1973 to 2,100 acres at a cost of Rs. 1,826 per acre. The distributory system left incomplete by contractor 'A' as also a distributory in one reach and minors in four reaches on which work was not taken up by the contractor (total estimated cost: Rs. 9.72 lakhs) have yet to be executed (June 1974).

The matter was reported to Government in September 1973; reply is awaited (July 1974).

43. *Earthdam of Gundurposhi Minor Irrigation Project* :—Construction of earthen dam of Gunduriposhi Minor Irrigation (reservoir) Project in Dhenkanal District was entrusted to a contractor in March 1971. Under the terms of the contract, 1.24 lakh cubic metres were to be excavated from burrow areas 'A' (0.81 lakh cubic metres) and 'B' (0.43 lakh cubic metres) within a distance of one kilometre from the dam site towards upstream of the river and used for construction of the dam at Rs. 298 per hundred cubic metres. The rates for earth work were inclusive of any jungle clearance as may be necessary and transportation of the excavated earth with all leads and lifts either by head-load or by transport vehicles. The work was to be completed by the 31st January 1973.

While the work was in progress, the Department decided (May 1971) to increase the height of the earthen dam from 30 feet to 36 feet to increase the storage capacity of the reservoir and to advance the date for completion of earthen dam to the 30th June 1972. Because of the increase in the height of the dam the estimated quantity of earthwork was increased by 0.47 lakh cubic metres (37 per cent).

According to the terms of the contract entered into with the contractor, the contractor was to execute any additional quantity of work at the same rate as specified in his tender for the main work. In July 1971 the contractor was informed of the increase in quantities and the revised time schedule. He was also asked to state his willingness to execute the additional quantities at the agreed rate. He did not respond till September 1971. After executing earthwork of 0.24 lakh cubic metres from burrow area 'A' (excavation was not done in borrow area 'B'), the contractor represented to the Department (September 1971) that sufficient earth was not available from the borrow areas specified hence the Department should provide another area and that he would quote his rate for completion of the work by June 1972 thereafter. The Department, after investigation in September-October 1971, estimated that earth would be available up to 0.06 lakh cubic metres from burrow area 'A' and 0.53 lakh cubic metres from burrow area 'B' against balance quantity of 1.47 lakh cubic metres required for completion of the dam. Burrow area 'C' which was also situated within a distance of one kilometre from the dam site was selected on the suggestion of the contractor himself for excavation of the balance quantity of earthwork. The contractor intimated to the Chief Engineer in November 1971 his revised rate of Rs. 630 per 100 cubic metres for the work. The Superintending Engineer recommended that the contractor should be allowed only the originally agreed rate of Rs. 298 per 100 cubic metres. The Chief Engineer, however, decided (December 1971) a rate of Rs. 518.70 per 100 cubic metres on the ground that the entire excavated earth had to be transported by motor trucks and the work had to be completed by June 1972 against January 1973 fixed in the original contract. The Chief Engineer reported this to Government (December 1971), but sanction of Government was not obtained (July 1974). (At the time of preparation of estimate in June 1970 the Executive Engineer, Rural Engineering Division, Dhenkanal, had worked out a rate of Rs. 399 per 100 cubic metres if all the excavated earth was transported by motor trucks and Rs. 324 per 100 cubic metres if 45 per cent was transported by head-load and 55 per cent by motor truck.) A fresh agreement was executed at the enhanced rate in March 1972 with the specific stipulation that the work should be completed by June 1972.

The contractor did not execute any work between September 1971 and February 1972 and resumed it only from March 1972. The work was not completed by June 1972 although that was the main consideration for acceptance of the higher rate. The contractor applied for extension of time upto September 1973 ; extension of time has not been granted so far (July 1974).

In May 1972, based on the progress of work the Executive Engineer, Dhenkanal Rural Engineering Division reported to the Chief Engineer that the work could not be completed by June 1972, and recommended that the contractor should be paid at the original rate (Rs. 298 per 100 cubic metres) but the Chief Engineer ordered payment (in May 1972) at the revised rate according to the new agreement with a view to encourage the contractor to quicken execution of the work. The work was not completed even by January 1973 the date of completion of the work fixed in the original agreement.

No further work was done from burrow area 'A'. Upto end of September 1973, 1.49 lakh cubic metres of earthwork was done from burrow areas 'B' and 'C' and paid for at enhanced rate ; work done in each of these areas separately and the mode of transport (head-load or motor transport) was not recorded by the Division. The quantity of work increased in actual execution. The work is in progress (July 1974). Extension of time was not given nor penalty imposed for delay in execution.

Against 1.24 lakh cubic metres of earthwork to be done under the original contract of March 1971, only 0.24 lakh cubic metres of work was done. Even though 0.59 lakh cubic metres of earth was available from burrow areas 'A' and 'B', the Department did not insist on the supply of the quantities of earth therefrom at the stipulated rate of Rs. 298 per 100 cubic metres under that agreement. Payment was made at Rs. 518.70 per 100 cubic metres of work for this quantity done from burrow areas 'B' and 'C'. The extra expenditure on this account was Rs. 1.30 lakhs.

Even for work executed from burrow area 'C', which was within the same lead of one kilometre as burrow areas 'A' and 'B', the difference in cost for the balance of 0.41 lakh cubic metres in respect of the original contract quantity was Rs. 0.90 lakh.

The difference in cost of the additional quantity of 0.49 lakh cubic metres of earth work due to acceptance of a higher rate for earlier completion which did not materialise was Rs. 1.08 lakhs with reference to the original contract rate and Rs. 0.59 lakh with reference to the rate worked out by the Executive Engineer for entire transportation by motor trucks.

44. *Purchase of drilling machine*:—The Special Survey and Investigation Division (now defunct) created in April 1965 was in charge of investigation of minor irrigation projects to be taken up in the Third Five-Year Plan. In July 1966, a Madras firm gave a quotation to the Department on its own accord for supply of a drilling machine with some specified accessories capable of recovering samples of soil in all strata conditions. In November 1966 the firm gave a fresh quotation on unit rate basis adding a list of some more accessories to the quotation. The need for the drilling machine was not examined by the Department. The Divisional Officer requested (December 1966) the Chief Engineer to purchase two drilling machines and stated that the budget allotment of Rs. 0.70 lakh made for the purpose during 1966-67 had to

be spent before March 1967. In February 1967 the Chief Engineer placed orders for supply of one drilling machine with some accessories (cost : Rs. 0.40 lakh taxes, freight extra) on the Madras firm with reference to its quotations given in July 1966 and November 1966 with the stipulation that 90 per cent payment would be made against railway receipts for despatch of the machine and balance 10 per cent on receipt of machine at site in good condition, successful demonstration of the working of the machine at site by the service engineer of the firm, installation of the machine at site, training of an operator of the Department in handling, operation and maintenance of the machine at site and free service for the first six months after installation. Sanction of Government for the purchase, required under rules, was not obtained. The machine was received in March 1967 by the Special Survey and Investigation Division. The Division did not verify on receipt of the machine whether it compared to the specification given in the purchase order but kept it with the Refrigeration (Mechanical) Division, Bhubaneswar. The supplier was paid Rs. 0.36 lakh in March 1967 and Rs. 0.02 lakh in March 1971 towards 90 per cent of the cost of the machine and freight charges. Rupees 0.04 lakh, the balance 10 per cent value, have not been paid so far (June 1974). The firm did not give demonstration of the working of machine on the ground that the Department had not ordered from it complete accessories listed in its revised quotation of November 1966. The Division did not consider those accessories necessary. The Special Survey and Investigation Division was abolished in August 1967 and its work was taken by the Central Intensive Investigation Division, Bhubaneswar. The Executive Engineer, Central Intensive Investigation Division intimated the Chief Engineer in January 1970 that the firm had not supplied any "drilling bits for rock" and as such "it will be of little use" (the purchase order did not include this item of accessory). A representative of the agent of the firm inspected the machine in November 1972 and informed the Department that the machine had been kept in an open place, the parts had rusted, and the accessories had been thrown in sheds and had been damaged. In June 1973, the firm gave legal notice to the Department for payment of the balance 10 per cent of the purchase price of the drilling machine; the Department is examining the matter and payment has not been made so far (June, 1974). Purchase of the machine and accessories (value : Rs. 0.42 lakh) has proved unfruitful.

The Chief Engineer stated in October 1973 that unfortunately the indent of accessories was incomplete when purchase order for the machine and accessories was placed.

The matter was reported to Government in October 1973 ; reply is awaited (July 1974).

IRRIGATION AND POWER DEPARTMENT

45. *Works on dewatering for Dahuka Diversion Weir Project*:—Government issued administrative approval for the Dahuka Diversion Weir Project in Puri District in June 1971 for Rs. 56.05 lakhs which included Rs. 10.12 lakhs for the diversion weir. Technical sanction to the project estimate has not been accorded by the Chief Engineer so far (June 1974). On the basis of tender schedule approved by the Chief Engineer in September 1972, the Executive Engineer, Khurda Irrigation Division, issued notice calling for

tenders from registered special class contractors for construction of the diversion weir. On the basis of schedule of quantities accompanying the tender notice the work was estimated to cost Rs. 14.75 lakhs. The work included items such as "excavation of foundation in slushy soil", "cement concrete work" and "stone masonry work" which involved dewatering to keep the foundations dry. The tender schedule did not include separate item for dewatering. The following two special conditions were included in the tender notice :—

Special condition 11—Dewatering during construction is to be done by the contractor for which a separate rate per h. p. hour may be quoted. The cost of pipe lines, laying and installations is to be borne by the contractor. It is the contractor's responsibility to keep the foundation dry.

Special condition 44—Dewatering when and wherever necessary during execution will have to be done by the contractor and no extra payment will be made on that account.

Three tenders were received. Of these, tender of 'B' was the lowest ; the next higher tender was that of 'A'. Their rates compared as follows :—

	Tenderer 'A'	Tenderer 'B'
(In lakhs of rupees)		
(a) Excavation	.. 3.76	3.48
(b) Cement Concrete	.. 7.73	7.24
(c) Stone masonry	.. 4.52	4.90
(d) Other items	.. 5.94	6.35
(e) Dewatering	.. 0.75	..
Total	.. <u>22.70</u>	<u>21.97</u>

Tenderer 'A' quoted Rs. 0.75 lakh separately for dewatering while contractor 'B' intimated through a letter enclosed to the tender that his rate for excavation in fundation included dewatering also.

Items (a), (b) and (c) of the work involved dewatering. For these items, tenderer 'A' quoted Rs. 16.01 lakhs excluding dewatering while amount quoted by contractor 'B' including dewatering was Rs. 15.62 lakhs.

The Contract Committee (consisting of the Secretaries of Finance, Irrigation and Law Departments, with the Chief Engineer (Irrigation) and the Financial Adviser, Irrigation Department assisting them considered the tenders in December 1972/January 1973 and rejected the tender of tenderer 'B' on the ground that he had not executed much work for the Department (tenders were called for from registered special class contractors and tenderer 'B' was registered as special class contractor only after having acquired sufficient experience for executing works for the Department), that he had not quoted separately for dewatering and that his letter (stated in the comparative statement to have been enclosed to the tender) wherein he had stated that his rate for excavation in foundation included dewatering also would modify the tender already submitted and hence should not be considered. The Committee recommended

to Government departmental execution of dewatering work where found necessary and acceptance of the tender of contractor 'A' for Rs. 21.95 lakhs after excluding work on dewatering quoted by him although according to departmental rules the notice inviting tenders should not include the condition that the cost of bailing out water (dewatering) would be borne by the Department.

Work order was issued to contractor 'A' in January 1973 with stipulation to complete the work in 15 months. The Department has so far spent Rs. 0.59 lakh on dewatering ; the work is in progress (July 1974). Had the work been entrusted to contractor 'B', the dewatering would have been done by the contractor and there would have been a saving of Rs. 0.59 lakh so far.

46. *Contract for supply of hard granite stone chips*:—Mention was made in paragraph 57 (5) of the Audit Report 1969 of supply of different kinds of stones for the masonry dam of the Salandi Irrigation Project which was entrusted to a contractor in April 1962.

Supply of 8 lakh cubic feet of hard granite chips, not covered by the earlier contract, at a cost of Rs. 7.20 lakhs (at Rs. 90 per 100 cubic feet) was entrusted to the same contractor in December 1964. The contractor was to supply 3 lakh cubic feet of stone before March 1965 and complete the entire supply by June 1966. The Department agreed to supply on payment electric energy at dam site, if available, for the crusher which the contractor was to install. The contractor did not supply any chips up to March 1965. Up to June 1966 he had supplied only 1.04 lakh cubic feet of chips. Extension of time for the supply of balance quantity was neither asked for by the contractor nor was any extension given by the Department. Between July 1966 and May 1967 the contractor supplied 0.19 lakh cubic feet of chips and the supply was accepted by the Department.

In May 1967 the contractor represented to the Department that there was no space at the dam site for stacking chips, that the crushers could not be worked due to power cut in May 1967 and the cost of production had increased due to increase in wages of labour and cost of materials. As he was incurring loss, the contractor represented that the rate for the supply of chips should be increased from Rs. 90 to Rs. 120 per 100 cubic feet. The Chief Engineer did not accept the demand for increase in the rate on the ground that there was no dearth of stacking space and power was not available only for a short period due to break down of Hirakud Power House and this was after the expiry of the period originally stipulated in the contract for completing the supplies. Moreover, since the supplies had been delayed by the contractor himself the Department could not be held responsible for increase in labour rate. The contractor stopped further supplies from June 1967 when there was heavy demand for supply of chips on the plea that higher rates were not given.

In June 1968 Government decided to terminate the contract with penalty. The Department has not so far (May 1974) decided the quantum of penalty to be imposed. The balance quantity of 6.77 lakh cubic feet of chips not supplied by the contractor was obtained through job-workers and other contractors between June 1967 and March 1970 at an extra cost of Rs. 0.74 lakh.

The matter was reported to Government in July 1973 ; no reply has been received (July 1974).

47. *Construction of rip-rap and toe trench of earthdam of Ghodohado Medium Irrigation Project*:—In Chikiti Irrigation Division, construction of rip-rap (placement of broken stones on the slopes of earthdam for protection against action of water) in two reaches and toe trench [foundation trench excavated at the base (toe) of the earthdam to be filled up with rough stone or dry stone course and fine aggregate to resist slipping of rip-rap and to allow free drainage of seepage water] in one reach of earthdam of Ghodohado Medium Irrigation Project in Ganjam District (estimated cost : Rs. 4.12 lakhs) was entrusted to a contractor in February-March 1971 for Rs. 3.73 lakhs. The work was to be completed by October 1971.

The contractor commenced the work in May 1971 and by October 1971 (stipulated date of completion) he had only executed work valued Rs. 0.45 lakh. Between May 1971 and March 1972 several notices were served on the contractor by the Divisional Officer for improving the progress of work. In March 1972 the contractor asked for extension of time up to June 1972 for completion of the work on the ground that there were heavy rains during July-November 1971. The extension was not granted by the Chief Engineer. The contract was also not rescinded. Again, in August 1972 the contractor asked for further extension of time till March 1973 on the ground of severe heat during May-June 1972 and non-availability of labour.

In November 1972 the Divisional Officer gave the contractor a time-bound programme for execution of the work. According to this programme the work was to be completed by March 1973. Under this programme the river gap (portion of the dam covering the natural section of the river) was expected to be closed by construction of dam by another contractor during the working season from November 1972-March 1973 for storing water in the reservoir. By that time construction of rip-rap and toe trench were also to be completed. The contractor did not, however, show the required progress and the Divisional Officer felt that the safety of the entire earthdam would be endangered by the omission on the part of the contractor to complete construction of rip-rap and toe trench by March 1973.

In January 1973 (work of value Rs. 1.85 lakhs was done by that time) the contract was rescinded by the Divisional Officer under orders of the Superintending Engineer, Southern Irrigation Circle, Berhampur and token penalty was levied. The remaining work (estimated cost on the basis of the agreed rates of the original contractor: Rs. 1.88 lakhs) was retendered, and on the basis of the tenders received it was entrusted to two contractors (probable contract value : Rs. 3.77 lakhs) for completion by end of May 1973. The river gap was closed in June 1973. The two contractors completed the works in February 1974 and May 1974.

Computed with reference to the rates of the original contractor the extra cost on the basis of the accepted tenders is expected to be Rs. 1.92 lakhs. According to the agreement with the original contractor he was liable to bear the entire additional cost but only token penalty of one per cent of agreed cost (Rs. 0.04 lakh) was levied and recovered from him (August 1973) on the ground that supply of blasting materials by the Department was not proper. Under the agreement, however, the Department was not required to supply any blasting materials to the contractor.

The matter was reported to Government in November 1973 ; reply is awaited (July 1974.)

48. *Alleged misappropriation in Balasore Irrigation Division*—Rupees 0.23 lakh were drawn by the Divisional Officer from the Treasury through self cheques. Against these drawals, Rs. 0.23 lakh were shown in the cash book as having been paid by bank draft towards cost of stores supplied by Salandi Irrigation Project (Rs. 0.12 lakh), services rendered by Chief Research Officer, Hiraikud Reserach Station (Rs. 0.06 lakh) and cost of land (Rs. 0.05 lakh). In addition Rs. 0.02 lakh out of the cash balance representing undisbursed stipends were shown as having been refunded by bank draft to the Director, Board of Practical Training, Eastern Region, Calcutta. No receipts for the payments shown as having been made were available. On enquiry made by Audit from the offices to whom the amounts were shown as having been remitted all of them intimated that they had not received the payments.

According to rules sub-vouchers of contingent expenditure not required to be sent to the Audit Office should be cancelled by a rubber stamp immediately after payment. Of the eleven telephone bills for Rs. 0.03 lakh which were paid in August 1970, October 1970 and August 1971 by Balasore Irrigation Division four sub-vouchers were not so cancelled. The amount was again drawn between February 1971 and January 1972 and shown in the cash book as paid. Receipts of the payees for the second drawal were not on record in the Division.

The cashier of the Division was placed under suspension in March 1973. Police investigation is in progress (July 1974).

The matter was reported to Government (August 1973) ; reply is awaited (July 1974).

49. *Alleged misappropriation in the erstwhile Lift Irrigation Division, Bhubaneswar*—According to rules a Public Works Divisional Officer is required to attest each entry of payment into Treasury in the cash book after comparing it with the receipted treasury chalan. He is also required to obtain from the Treasury, at the end of each month, a consolidated receipt for the remittances made during the previous month and reconcile the amounts shown in the consolidated receipt with the postings in the cash book.

Between March 1972 and December 1972 miscellaneous cash receipts amounting to Rs. 0.34 lakh were shown (Rs. 0.04 lakh each on the 29th March and the 29th April 1972, Rs. 0.09 lakh on the 25th August 1972, Rs. 0.07 lakh on the 26th September 1972 and Rs. 0.10 lakh on the 29th December 1972) in the cash book of *erstwhile* Lift Irrigation Division, Bhubaneswar (now under the control of Lift Irrigation Corporation) as having been remitted into the Bhubaneswar Sub-Treasury (now Bhubaneswar Special Treasury). The entries made in the cash book for these remittances were attested by the Divisional Officer. No treasury chalans in support of the remittances stated to have been made into the Treasury were, however, available in the Division nor were these remittances acknowledged in the remittance book of the Division. Monthly consolidated treasury receipts were also not obtained from the Treasury. During the course of test check of accounts of the Division in October 1973, no other proof to show that the amount was actually deposited could be produced. On an enquiry by Audit the Treasuries reported in March 1974 that the amounts stated to have been remitted were not traceable in their accounts.

Government decided to start a criminal case against the Divisional Officer and the cashier (December 1973) but subsequently instituted departmental proceedings (January 1974). The Lift Irrigation Corporation intimated Government in May 1974 that the Divisional Officer had been placed under suspension and departmental proceedings instituted against him and the matter had been reported to police and police investigations were in progress.

WORKS AND TRANSPORT DEPARTMENT

50. *Providing additional crust over expressway connecting Daitari Mines and Paradeep Port*—The work of providing additional crust over expressway between miles 24 and 25 in Cuttack District entrusted to a contractor (probable value of contract : Rs. 3.03 lakhs) in January 1967 was to be completed by him by October 1967. (The estimate, which provided mainly for earth work of 14.37 lakh cubic feet has not so far been sanctioned by the competent authority *viz.*, the Chief Engineer.) According to the tender call notice the Department was to provide burrow areas for excavating earth for earthwork which on acceptance of the tender became part of the contract. The rate provided in the contract for earthwork in all kinds of soil with all leads and lifts was Rs. 70 per thousand cubic feet. It was also stipulated that the same rate (Rs. 70 per thousand cubic feet) would apply to earth brought from outside (as and when the burrow areas provided by the Department could not provide sufficient earth) and to the work done in excess of the quantities stipulated in the contract made. The work was completed in October 1967 as per schedule and 18.38 lakh cubic feet of earthwork were executed. The Department paid at Rs. 70 per one thousand cubic feet of earthwork for 11.08 lakh cubic feet and at Rs. 189.83 per thousand cubic feet for the balance 7.30 lakh cubic feet on the ground that sufficient earth could not be obtained from the burrow areas provided by the Department. This rate has not so far been approved by the Chief Engineer. As the contractor was bound to do the entire earthwork at Rs. 70 per one thousand cubic feet as contemplated in the contract, the payment at enhanced rate of Rs. 189.83 per thousand cubic feet resulted in extra expenditure of Rs. 0.87 lakh.

The matter was reported to Chief Engineer in May 1973 and to Government in August 1973 ; replies are awaited (July 1974).

51. *Procurement of granite chips*:—In September 1972 the Superintending Engineer, Central Circle, Bhubaneswar, invited tenders for collecting and supplying 11,500 cubic metres of hard granite chips. The granite chips were to be properly stacked on laterite stone platform which was to be constructed by the supplier inside the Public Works Stores at Bhubaneswar at his (supplier's) own cost. The estimate for the work (estimated cost; Rs. 5.70 lakhs at Rs. 49.57 per cubic metre) was approved *ex-post-facto* by the Chief Engineer in October 1972. The analysis of rate accompanying the estimate showed that the rate of Rs. 49.57 per cubic metre included Rs. 20.98 towards carriage of one cubic metre of chips for a lead of 43 kilometres and Re. 1 towards cost of laterite stone platform for stacking one cubic metre of chips. Two tenders were received in October 1972 from contractors 'A' and 'B' for supply of chips at Rs. 60 and Rs. 57.65 per cubic metre. Contractor 'B' wanted the Department to meet the cost of constructing laterite stone beds for stacking the chips. On the 1st November 1972 contractor 'A' reduced his rate

to Rs. 55 per cubic metre. On the 2nd November 1972 the Superintending Engineer ignored the post-tender offer of contractor 'A' and recommended to the Chief Engineer acceptance of the rate of Rs. 57.65 per cubic metre of contractor 'B'. On the 10th November 1972 the Chief Engineer rejected this tender as the rate was high when compared with the estimate and directed the Executive Engineer, Capital Construction Division I, Bhubaneswar, who was to be incharge of supply of chips to invite fresh tenders. Tenders were accordingly called by the Executive Engineer. Of the two tenders received in December 1972, the lowest tenderer (contractor 'C') quoted Rs. 96 per cubic metre (inclusive of cost of laterite stone platform). The Executive Engineer increased the estimated rate in January 1973 to Rs. 79.73 per cubic metre by increasing the lead to 48.5 kilometres (Rs. 43.84) and cost of laterite stone platform to Rs. 8.30 for stacking 1 cubic metre of chips, and prepared a comparative statement. On negotiation by the Chief Engineer the lowest tenderer (contractor 'C') reduced his rate in January 1973 to Rs. 79 per cubic metre which approximated the revised estimated rate and contract for supply of 11,500 cubic metres of chips was entered into with him. Failure to accept the lower rates received on the first occasion resulted in obtaining granite chips at extra cost. Computed with reference to the rate of contractor 'A' (tender received in November 1972 which was inclusive of laterite stone platform) the difference in cost for the quantity of 12,050 cubic metres supplied up to January 1974 was Rs. 2.89 lakhs.

52. *Determination of lowest tenders for construction of Patnagarh-Khaprakhol-Harisankar road (mile 20/0 to 28/0)*—According to the Orissa Public Works Department Code, notice calling for tenders should be issued only after the authority competent to accept the tender has approved the tender documents. In October 1971 tenders were invited for construction of Patnagarh-Khaprakhol-Harisankar road (mile 20/0 to 28/0; estimated cost: Rs. 1.50 lakhs) by the Executive Engineer, Bolangir Roads and Buildings Division without the prior approval of the competent authority, the Chief Engineer. The tender schedule was approved *ex-post facto* by the Chief Engineer in February 1972. The schedule of quantities given in the tender papers showed the unit rate to be quoted for an item of earthwork as "one cubic metre" instead of "one hundred cubic metres" usually adopted for earthwork in other contracts and also in the State Public Works Schedule of Rates.

Five valid tenders were received. They quoted the following rates for earthwork.

Tenderer	Rate quoted Rs.
A	1.30
B	75
C	82
D	95
E	105

The last four tenderers wrote to the Executive Engineer, after the tenders were opened, that they had quoted rates for 100 cubic metres and that their tenders should be read accordingly. These letters together with the tenders were forwarded to the Chief Engineer who rejected the post tender clarification given by the four tenderers and accepted the tender of A (March 1972) for Rs. 1.79 lakhs.

There was an obvious mistake in the tenders of B, C, D, E due to change in the unit of work in the tender notice for which no valid reason had been placed on record. In all probability, had fresh tenders been called or the contract negotiated the extra liability incurred on account of acceptance of the highest tender (Rs. 0.39 lakh with reference to the tender of B) could have been avoided or reduced.

53. *Industrial Estate, Barbil*:—In January 1962 the Department proposed to provide 11 factory buildings and other amenities to enable private entrepreneurs to set up small industries in the mining area of Barbil in Keonjhar district. In March 1962 Government issued administrative approval for setting up the industrial estate at Barbil at a cost of Rs. 4.42 lakhs (civil works : Rs. 3.89 lakhs, acquisition of land, development of site, etc : Rs. 0.53 lakh) and made an allotment of Rs. 0.20 lakh during 1961-62.

While the proposal was under consideration of Government, the Executive Engineer, Mayurbhanj Roads and Buildings Division, issued (January 1962) tender notice for the civil works (proposed estimate : Rs. 3.89 lakhs, value of work put to tender : Rs. 3.00 lakhs). A single tender was received in February 1962 for the civil works ; it was 32 per cent above the estimated cost. In May 1962 on verbal orders of the Executive Engineer the contractor commenced site clearance as part of development of the site. This was not an item put to tender and hence the contractor had not quoted any rate.

In June 1962, after negotiation with the contractor by the Superintending Engineer, Northern Circle, the tendered amount was determined at 29.5 per cent above the proposed estimate. On this basis a revised estimate was prepared (civil works : Rs. 4.80 lakhs, development of site, etc : Rs. 0.70 lakh) and the detailed plans and estimates with the negotiated tender were sent (June 1962) by the Superintending Engineer, Northern Circle, to the Chief Engineer for acceptance and for obtaining administrative approval of Government for the revised estimate. Government, however, decided (June 1962) to set up panchayat samiti industries at Barbil and dropped the proposal for having an industrial estate. The work on site clearance was, therefore, stopped. Final bill of the contractor for site clearance, which consisted mainly of jungle clearance and removing stumps done during May-June 1962, for Rs. 0.73 lakh was paid in March 1973. The contractor did not accept payment for site clearance at the rates given in the Schedule of Rates. The Chief Engineer is competent to enhance the rate upto 20 per cent more than the rates specified in the schedule of rates for works in the mining area. The payment made with the approval of the Chief Engineer was, however, 167 per cent more than the rate up to which the Chief Engineer can allow ; reasons for exceeding the limit have not been recorded.

Even before the contractor commenced the work, the Executive Engineer issued materials (mild steel rods and angles) for the work from stock in March 1962 and in this manner utilised the allotment of Rs. 0.20 lakh made for the work during 1961-62. During May-June 1962, the contractor himself collected

some materials (sand, stones, etc.) of value Rs. 0.42 lakh which were paid for by the Department. Consequent on stoppage of work, materials of value Rs. 0.42 lakh collected in May-June 1962 were transferred by the Executive Engineer to other works during 1964-65. Materials (value : Rs. 0.20 lakh) issued to work in March 1962 are not traceable. Expenditure of Rs. 0.73 lakh incurred on jungle clearance, etc., has been unfruitful; there has been fresh growth of jungle over the ten-year period.

The matter was reported to Government in November 1973 ; reply is awaited (July 1974).

54. *Construction of staff quarters for Orissa High Court*:—In Cuttack Roads and Buildings Division tenders were invited in January 1968 for construction of civil engineering portion of 48 quarters for staff of Orissa High Court (estimated cost : Rs. 4.62 lakhs). The work was to be completed within one year of issue of work order. Administrative approval for the work was accorded by Government in October 1969. Technical sanction has not so far been issued by the Chief Engineer (May 1974).

Three tenders were received in February 1968. The lowest tender was 12.59 per cent less than the estimate (Rs. 4.08 lakhs), the next higher tender was 2.31 per cent above the estimate (Rs. 4.73 lakhs) and the third 7.45 per cent above the estimate (Rs. 4.97 lakhs). A day before the opening of the tenders the Department decided to complete the work by June 1968 on the ground that the High Court wanted the quarters urgently. After opening of the tenders, all the tenderers were asked (on the 12th February 1968) whether they were willing to work according to the revised schedule. The lowest tenderer demanded an increase of 12½ per cent over his tendered rates raising it to 1.5 per cent below the estimate. Even then his tender remained the lowest. The other tenderers agreed to work according to revised schedule without changing their rates.

The lowest tender was rejected on the ground that the rate quoted was unworkable and the work order was awarded to the next higher tenderer on the 19th February 1968. This was approved by the Chief Engineer *ex-post-facto* on the 25th May 1968.

Although the number of quarters to be constructed was 48 site was selected for 36 quarters only.

Construction of 36 quarters was completed in May 1969 and the quarters were handed over to the High Court authorities only in September 1970 after the sanitary fittings and electrification were completed. The remaining 12 quarters were not to be constructed as the site was not selected. The delay in execution of even 36 quarters was attributed by the Department to delay in supply of materials to the contractor by the Department for which extension of time was given to the contractor.

Difference in cost between the rates of the lowest tenderer and the payments made (final bill was paid in March 1971) to the contractor who executed the work, for the 36 quarters constructed was Rs. 0.36 lakh.

Even after the rejection of lowest tender and incurring extra expenditure of Rs. 0.36 lakh the work could not be completed by the stipulated date.

The matter was reported to Government in May 1973 ; reply is awaited (July 1974).

55. *Shortage of stores*:—In the course of physical verification conducted by the Store verification parties between January 1964 and September 1967, shortages of stores (mild steel rods, cement, asbestos cement concrete sheets, paints, etc.,) worth Rs. 0.50 lakh were noticed in Ganjam Roads and Buildings Division, Berhampur. In addition, shortages of stores worth Rs. 0.34 lakh were noticed during the same period on the occasion of handing over of charge to their successors by the Sub-Assistant Engineers. Value of the stores found short was placed under the suspense head "Miscellaneous Public Works Advances" in October 1967. In November 1968 Government ordered that to the extent stores found short are not accounted for their cost should be recovered from the persons responsible. Value of stores accounted for up to December 1972 was Rs. 0.19 lakh and the recovery made from persons responsible for the shortage was Rs. 142. Shortages of Rs. 0.65 lakh are yet to be recovered/accounted for (February 1974) as detailed below :—

(i) shortages of Rs. 0.03 lakh are to be recovered from persons who have since retired from Government service ;

(ii) shortages of Rs. 0.48 lakh await adjustment on the basis of reconciliation statements furnished by persons responsible;

(iii) recovery notices were issued for shortages of Rs. 0.13 lakh over 6 years back recovery is still due ;

(iv) whereabouts of persons responsible for shortages of Rs. 0.01 lakh are not known.

56. *Construction of left approach of high level bridge over Kula creek*:— In March 1967 construction of left approach of high level bridge over Kula creek in Cuttack District on Expressway connecting Daitari mines with Paradeep port was given on contract. According to the agreement entered into with the contractor, any class of work which the contractor was required to execute in addition to the items specified in the contract for which no rate had been specified in the agreement but a corresponding rate existed in the schedule of rates, the contractor was to be paid at the rate given in the schedule of rates. Some additional items of work which were not mentioned in the agreement and for which no rates were given in the contract but for which corresponding rates were available in the schedule of rates were got executed by the Engineer-in-charge during the course of execution of the work. Payment for these items was made (August 1968) at rates higher than the rates given in the schedule of rates. The difference between amount paid for these items and that payable at rates in the schedule of rates is Rs. 0.94 lakh.

The matter was reported to Government in July 1969. Government after obtaining legal opinion informed the Chief Engineer in October 1971 that the rate for additional items of work has to be derived from the schedule of rates when there is no rate for similar items in the agreement entered into with the contractor. The Department, however, has not so far (July 1974) initiated action for recovery of the overpayment of Rs. 0.94 lakh.

CHAPTER V

STORES AND STOCK ACCOUNTS

57. *Synopsis of important stores accounts* :—A synopsis of important stores and stock accounts for 1972-73 (other than those of commercial and quasi-commercial Departments/undertakings, etc.) to the extent received is given in Appendix VII.

Stores and stock accounts have not been received from some Roads and Buildings, Irrigation, Public Health, Projects, Lift Irrigation and Rural Engineering Organisation Divisions (March 1974). The number of Divisions which have not sent the accounts, the years for which the accounts have not been sent and the value of stores held by these Divisions is given below :—

Year	Number of Divisions	Value of stores (Rs. lakhs)
1963-64 to 1968-69	.. 41	51.06
1969-70	.. 9	15.26
1970-71	.. 26	1,66.02
1971-72	.. 43	1,47.26
1972-73	.. 40	2,18.21
Total	.. 159	5,97.81

The following stores and stock accounts are also awaited :—

Department	Stores and Stock Account	Outstanding from year
(1) Agriculture and Co-operation ..	Chemical fertilisers	.. 1967-68
(2) Forest and Animal Husbandry ..	Tools and miscellaneous stores of Forest Department	1968-69
(3) Commerce ..	Stationery articles, watermark plain paper, printing and binding materials, plant and machinery, spare parts and miscellaneous stores of Orissa Government Press	1970-71
(4) Irrigation and Power ..	Building materials, metal, fuel, miscellaneous stores, etc., of Balimela (Joint) Dam Project	1970-71
(5) Industries ..	Engineering instruments, equipment, miscellaneous stores, etc. of Orissa School of Engineering, Cuttack	1971-72

Department	Stores and Stock Account	Outstanding from year
(6) Health and Family Planning ..	Costly and life saving drugs of sales stores (Medicines)	1971-72
(7) Home (Public Relations) ..	Radios, Batteries, spare parts, audio-visual equipment, etc	1971-72
(8) Health and Family Planning ..	Instruments and appliances, medicines and drugs, bedding and clothing and miscellaneous stores of Government Headquarters Hospitals (including Medical College Hospitals at Cuttack, Burla and Berhampur)	1972-73

The rules require that the stores held in stock should be verified physically at least once in a year by Divisional Officers. Reports of physical verification conducted in 1972-73 have not yet been received from 42 out of 170 Public Works Divisions as detailed below :—

	Number of Divisions
(1) Irrigation ..	12
(2) Rural Engineering Organisation ..	11
(3) Lift Irrigation ..	6
(4) Public Health ..	5
(5) Roads and Buildings ..	4
(6) Projects ..	4

58. *Reserve limit of stock* :—According to the rules the value of stores held in stock should not exceed the limit specified by Government. But during 1972-73 reserve stock limit was not sanctioned for 72 Divisions. The value of stores held by the Divisions at the end of 1972-73 for which reserve stock limit has not been fixed was Rs. 4,37.11 lakhs as detailed below :—

	Number of Divisions	Value of stock held (In lakhs of rupees)
(1) Irrigation ..	25	1,51.83
(2) Lift Irrigation ..	8	72.45
(3) Roads and Buildings ..	13	71.00
(4) Rural Engineering Organisation ..	14	64.04
(5) Public Health ..	7	56.98
(6) Projects ..	5	20.81

In Bolangir Roads and Buildings Division, the balance of stock held at the end of 1972-73 exceeded the sanctioned reserve stock limit by Rs. 1.86 lakhs.

59. *Stock Registers and Stock Verification* :—Physical verification of stores (in Lift Irrigation Division, Bhubaneswar, Lift Irrigation Division, Balasore and Kalahandi Roads and Buildings Division) by the Stores Verification unit of Government during 1972-73, disclosed shortages (value : Rs. 5.59 lakhs) and discrepancies (value : Rs. 17.59 lakhs). The shortages and discrepancies have not been reconciled by the Divisions (July 1974).

The departmental engineering personnel detected shortages of stores valued Rs. 5.82 lakhs. In addition shortages of stores were also detected by the departmental engineering personnel in eight Divisions ; value of these shortages has not been computed by the Department so far (July 1974).

Stores valued Rs. 23.23 lakhs purchased in seven Divisions remained unused (July 1974) for over three years.

60. *Minus balances in stores and stock accounts* :—The stores and stock accounts of the following 14 Divisions closed with *minus* balances at the end of 1972-73.

	Number of divisions	Minus balances (In lakhs of rupees)
(1) Roads and Buildings	.. 4	25.19
(2) Public Health	.. 4	13.50
(3) Projects	.. 4	13.46
(4) Irrigation	.. 1	3.43
(5) Rural Engineering Organisation	.. 1	0.67

The *minus* balances arise either because materials received are not taken into account or the value of stores shown as issued is more than the value of receipts. Unless the *minus* balances are reconciled and adjusted the correctness of stock accounts cannot be ensured.

61. *Annual certificate of balances of stock and other suspense accounts* :—The rules require that Divisions should conduct a special review of balances of stock and other suspense accounts early in March and forward to Audit by end of May, an annual certificate of balances. These certificates for 1972-73 have not been received from 59 Divisions out of 170 Divisions (July 1974).

HEALTH AND FAMILY PLANNING DEPARTMENT

62. *Stores and stock accounts of Headquarters Hospitals including Medical College Hospitals* :—A test check of the stores and stock accounts of District and other Headquarters hospitals including Medical College Hospitals for the year 1971-72 conducted by audit during November 1973 disclosed the following :—

(i) In the Medical College Hospital, Burla, medicines worth of Rs. 0.24 lakh became time-barred (November 1973) or were otherwise rendered unfit for use mainly due to improper storage and failure to keep a watch on the expiry dates of drugs.

(ii) At the time of preparation of the consolidated stores and stock account for 1971-72 it was found that the opening balance of stores and stock on the 1st April 1971 of 9 hospitals was less by Rs. 6.40 lakhs compared with the closing balance on the 31st March 1971 in the stores and stock account for 1970-71. This comprised Rs. 4.22 lakhs representing value of non-consumable stores issued to various wards in the hospitals and Rs. 2.18 lakhs for which details have not been furnished by the Department.

(iii) Physical verification of stores was not conducted in 7 units (May 1974).

(iv) Stores worth Rs. 0.90 lakh were written off the stores and stock account without obtaining write off orders of the Director of Health Services or Government.

(v) Stores worth Rs. 27.70 lakhs were shown as sold by the Medical College Hospital, Cuttack (Rs. 26.26 lakhs) and the Headquarters Hospital, Baripada (Rs. 1.44 lakhs) which were not supported by authorisations for such sale issued by competent authority. Records of the sales were not produced to Audit at the time of checking of the consolidated stores and stock accounts.

(vi) The Chief Medical Officer, Bhubaneswar, has shown the closing balance of stores and stock of "Medicines and drugs" as at the end of March 1972 short by Rs. 1.00 lakh. The discrepancy remains to be settled (July 1974).

CHAPTER VI

RECEIPTS

Sales Tax

FINANCE DEPARTMENT

63. *Results of test audit in general* :—A test check of the assessments made under the Orissa Sales Tax Act, 1947 and under the Central Sales Tax Act, 1956 conducted during 1972-73 revealed under-assessment of tax to the extent of Rs. 1.16 lakhs in 136 cases and overassessment of tax of Rs. 3,733 in 3 cases.

Some of the irregularities noticed in the test check are mentioned in the following paragraphs.

64. *Under-assessment of tax* :—Inter-State sales from one registered dealer to another registered dealer of other States are taxable at the concessional rate of tax of 3 per cent provided the purchasing registered dealer furnishes a certificate in form 'C' duly filled in and signed by him. In other cases the sales are taxable at the normal rate of 10 per cent.

(i) During 1966-67 and 1967-68, in five cases inter-State sales of Rs. 5.83 lakhs were taxed at the concessional rate of tax though the purchasing dealers were not registered on the dates of sale. In 3 other cases through the 'C' forms were not filled in properly and did not mention the date of registration the sales of Rs. 1.20 lakhs were taxed at the concessional rate. As a result there was an under-assessment of tax of Rs. 0.45 lakh in all these cases.

The matter was reported to Government in August 1973 ; reply is awaited (July 1974).

(ii) In another case the inter-State sales of goods valued Rs. 1.11 lakhs were taxed at the concessional rate of 3 per cent instead of 10 per cent even though the sales were not supported by 'C' forms. On this being pointed out, the department agreed (August 1973) to raise the demand for Rs. 0.08 lakh. Report regarding recovery is awaited (July 1974).

65. *Turnover escaping assessment* :—In April 1961 a partnership firm with ten partners was formed to deal in kendu leaves and registered as a 'dealer' under the Orissa Sales Tax Act with a single principal place of business at Puruna-Cuttack (Boudh). This firm was dissolved with effect from 1st April 1962 and in its place a new partnership with four *ex*-partners of the dissolved firm was formed to carry on the business of kendu leaves in the same place. This new firm was not registered as a dealer either under the Orissa Sales Tax Act or under the Central Sales Tax Act, but continued to be assessed and to pay tax on the basis of registration granted to the dissolved firm. The partnership firm is still continuing business (August 1973). It was, however, noticed in Audit that a turnover of Rs. 31.76 lakhs relating to 1967-68 and 1968-69 had escaped assessment in the hands of the partnership firm and one partner of the firm leading to a loss of revenue of Rs. 2.35 lakhs as per details given below :—

(i) Inter-State sales to registered dealers are taxable at the rate of three per cent if the transaction is covered by 'C' and 'D' Forms. In this case the firm sold kendu leaves of value Rs. 0.95 lakh to dealers in Gujarat and tax

was levied at the concessional rate of three per cent even though the firm was not registered as a dealer under the Central Sales Tax Act and the transaction was not covered by the 'C' Form declarations from the purchasing dealers. Consequently there was an under-assessment of tax of Rs. 7,000.

(ii) During the period in question the firm transferred kendu leaves of Rs. 14.93 lakhs from Puruna-Cuttack to Calcutta. The transaction was not assessed to tax treating it as a branch transfer. As the firm had no place of business outside the State, the transaction cannot be treated as branch transfer. Owing to non-levy of tax on this inter-State sale, there was an under-charge of tax of Rs. 1.49 lakhs.

(iii) In February 1968 the partner of the new firm entered into agreement with the Government for purchase and processing of kendu leaves from a forest division. The kendu leaves so procured between February 1968 and March 1969 valued at Rs. 15.88 lakhs were sold to the partnership firm itself by the partner in his individual capacity and no tax was paid. As the partner was not registered as a dealer and as the sale was not supported by prescribed declaration forms from registered dealer, the sale of Rs. 15.88 lakhs to the partnership firm was taxable at 5 per cent under the Orissa Sales Tax Act, 1947. Non-levy of tax on this sale resulted in an underassessment of tax of Rs. 0.79 lakh.

The assessment of the turnover of Rs. 31.76 lakhs relating to 1967-68 and 1968-69 which escaped assessment is barred by limitation of time. The matter was reported to the Government in July 1973 ; reply is awaited (July 1974).

66. *Sales tax on gunnies* :—In accordance with the provisions of Orissa Rice and Paddy Control Order 1965 as amended from 12th July 1971, the miller agents of the Food Corporation of India (which was in charge of procurement of paddy) were allowed to procure paddy in their own capacity as dealers, mill the paddy into rice and sell fifty per cent of the rice to the Food Corporation of India in new gunnies.

In respect of three miller agents (dealers) in Koraput I Circle, the total taxable turnover of the dealers for the year 1971-72 was assessed without inclusion of cost of new gunnies (Rs. 2.01 lakhs) with which rice was sold to the Corporation ; this resulted in an underassessment of sales tax of Rs. 0.14 lakh. The department has reopened the case for realisation of the dues (January 1974). Report regarding realisation of the dues is still awaited (July 1974).

67. *Incorrect exemption on sale of motor vehicles* :—Under the Orissa Sales Tax Act, sales from one registered dealer to another registered dealer are allowed as deduction if (i) the goods so sold are specified in the registration certificate of the purchasing dealer and (ii) the purchasing dealer certifies that the goods are intended for resale in the State. The Act also empowers Government to levy tax at any point of sale in a series of transactions and to fix points of sale where tax can be levied. The Orissa Sales Tax Rules which were amended in 1963 specified that the sales of motor vehicles would be liable to tax at the first point of sale. It was, however, noticed in one case that the first sales of motor vehicles valued Rs. 3.67 lakhs and Rs. 6.31 lakhs

during the assessment years 1965-66 and 1966-67 respectively to another registered dealer were allowed as deduction. Tax was collected by the purchasing dealer on sale to customers (last point of sale) and paid it to Government.

On its being pointed out that such transactions are liable to tax at the first point of sale (April 1969) the department raised (October 1969) an additional demand of Rs. 63,138 in respect of the transaction pertaining to the assessment year 1966-67 and realised the amount in June 1973; tax collected at the last point of sale had to be refunded later under orders of High Court of Orissa. Additional demand of Rs. 39,707 in respect of transaction pertaining to 1965-66 could not be raised on account of time bar; in this case the party has not also claimed refund of the tax collected at the last point of sale.

68. *Payment of interest due to delay in refund of dues* :—Sales tax paid by a dealer in excess of the tax determined on assessment or reassessment has to be refunded on application of the dealer. Under the provision of the Orissa Sales Tax Act, when the refund is not made within ninety days of application of the dealer, interest at 6 per cent per annum on the amount refundable calculated from the date of expiry of the period is also payable to the dealer. In Sambalpur circle, Rs. 1.96 lakhs became refundable to a dealer after reassessment of tax (in June 1967) on the orders of the Appellate Authority. The dealer applied for the refund in September 1967 and the amount was refunded to him in May 1970. Owing to delay in the refund, the dealer claimed interest of Rs. 25,545 for the period from January 1968 to February 1970 which was paid to him in September 1972.

69. *Non-levy of penalty for purchase of goods not covered by registration certificate* :—In Rourkela circle, purchases of goods were made by three dealers during 1971-72 in the course of inter-State trade and commerce availing concessional rates of tax at 3 per cent on the strength of their registration certificates although such goods were not specified therein. Penalty not exceeding Rs. 0.21 lakh was leviable in this case for infringement of the Central Sales Tax Act. On this being pointed out in Audit, the department agreed to initiate action against the dealer (March 1973), results of which are awaited (July 1974).

70. *Non-levy of interest for belated payments* :—Under the Orissa Sales Tax Act, tax shall be paid within 30 days from the date of service of the demand notice and a dealer who defaults in payment of tax within the due date is liable to pay interest at 6 per cent per annum for the first three months and 12 per cent per annum thereafter.

During 1972-73, a test check disclosed that in 2,197 cases demands for interest of Rs. 21.48 lakhs, as on 31st March 1972, were not raised and realised. Two such cases of non-levy of interest involving substantial amounts are mentioned below:—

(i) In Sambalpur circle, a dealer, who was required to pay tax of Rs. 0.30 lakh on 23rd April 1968 had not paid it till 31st March 1972; interest payable in this case was Rs. 0.14 lakh. But no demand was raised for this amount.

(ii) The interest due as on 31st March 1972 from another dealer in the same circle for non-payment of tax amounting to Rs. 0.23 lakh on the due date (19th October 1967) was Rs. 0.12 lakh. But no action was taken to levy this interest.

71. *Delay in issue of demand notices*:—Notice for payment of assessed tax is required to be issued to the dealer within 15 days of completion of assessment. Delay in issue of such notices ranging from 2 to 7 months in 48 cases were noticed. Two instances are given below:—

(i) In Balasore circle, an unregistered dealer was assessed to a tax of Rs. 0.17 lakh for the quarters ending March 1970 to March 1971 on the 25th November 1971. Notice for payment of the tax demand of Rs. 0.18 lakh was not issued upto June 1972. Details of issue of demand if any, subsequently and collection of tax and reasons for delay have not been intimated (July 1974).

(ii) In Sambalpur circle, assessment for the year 1968-69 in respect of a dealer was completed on 30th March 1972 with a tax demand of Rs. 5,000; the notice for payment of the demand tax in this case was delayed for 4 months till the end of July 1972.

Forest receipts

FOREST AND ANIMAL HUSBANDRY DEPARTMENT

72. *Sal seeds*:—“Sal fat” extracted from Sal seeds, is used as raw material in the manufacture of soap and confectionary and as substitute for Vanaspati. The annual yield of Sal seeds from the northern and southern forest divisions of Orissa is estimated at 3.5 lakh quintals and 2.5 lakh quintals respectively.

Utilisation of seeds in northern forest divisions:—Till the year 1966-67, no systematic efforts had been made to use the Sal seeds as a source of revenue. In May and June 1966, applications were received from two firms, one at Calcutta and the other at Sambalpur, asking for long term lease for collection of Sal seeds and extraction of oil therefrom.

Government entered into agreement only with the Sambalpur firm. Under this agreement the firm was granted a ten year lease (effective from October 1967) for collection of Sal seeds in 11 forest divisions in northern Orissa. The formal agreement finalised in January 1970 provided for:—

(i) Payment of royalty by the firm at 25 paise per quintal of sal seeds “as falling on the ground”, subject to a minimum annual royalty of Rs. 500 per division;

(ii) revision of rate of royalty after 3 years (i. e., in October 1970);

(iii) an undertaking by the firm that they would establish an oil extraction Unit by September 1970.

In connection with this lease the following points came to notice:—

(a) On enquiry made in May 1969, Government came to know that lease for collection of Sal seeds had been settled in Bihar on the basis of tenders at Rs. 1.71 per quintal with a minimum annual royalty of Rs. 2,100 to 15,100 per division per annum. Similarly, in the State of Madhya Pradesh, rate of royalty had been fixed at Rs. 2 per quintal on the basis of open auction. As against these, in Orissa, no tenders had been invited nor any auction held before granting the lease to the Sambalpur firm and the royalty was also fixed at a much lower rate. Government, however, clarified in a Press note issued

in July 1969 that "for the purpose of increasing employment opportunities by way of encouraging industrial enterprises in the State, the required materials are at the first instance given at incentive price to parties capable or interested in establishing industries" and that "there was no question of leasing out industrial raw materials by means of open auction or tender".

One of the conditions of the lease granted to the Sambalpur firm was that they would set up an oil extraction unit by September 1970. The firm was, however, not able to fulfill this commitment. The date for setting up of an oil Unit was extended by the Government and the oil Unit was stated to have finally gone into production in October 1972 only. It has not been ascertained whether the performance of the Unit has been according to expectations.

(b) According to the agreement the rate of royalty was to be revised in October 1970. Here again on a representation from the firm the date for revision was extended to October 1972. Actually, however, only in June 1973, Government decided to revise the rate of royalty to 50 paise per quintal retrospectively with effect from October 1972, ignoring the recommendations (May 1973) of a Committee of officials constituted to consider the question of revision of royalty, in terms of which the rate should have been fixed at Re. 1 per quintal.

(c) It was also noticed that while in terms of the agreement the lessee was required to pay royalty at 25 paise per quintal of Sal seeds "as falling on the ground", he had actually been removing the kernel of the Sal seeds paying royalty on the weight of kernels only which is about one-third of the weight of the seeds falling on the ground. As a result of payment of royalty on the basis of the weight of the kernel, as against that of the seeds, Government suffered a loss of Rs. 1.46 lakhs upto March 1973 in 5 forest divisions from which reports have been received (reports from 6 forest divisions are awaited.).

(d) Further in February 1972, it came to the notice of Government that the firm had a contract for annual supply of 2.10 lakh quintals of Sal seed kernel at Rs. 40 per quintal with a company registered in 1970-71, in which Government had invested to the extent of 34 per cent of the share capital for the purpose of setting up an oil extraction plant. Government also came to know that as against the cost of collection of Rs. 20.40 per quintal (inclusive of royalty, collection charge, gunny, establishment and transport to rail head), the firm had actually sold 1.45 lakh quintals of seed kernel at Rs. 35 to 40 per quintal. The firm had thus obviously been making high profits.

Utilisation of seeds in southern forest divisions:—In the case of 14 southern divisions, applications were received from a number of firms asking for long term lease for collection of Sal seeds and one of the applicants offered as a high rate as Rs. 1.35 per quintal of seeds. In October 1969, Government granted the lease of 12 of these divisions to a different firm at Sambalpur without inviting tenders, at a rate of royalty of 25 paise per quintal of seeds "as falling on the ground", subject to minimum of Rs. 500 per annum and also on the condition that an industrial unit should be installed in the area by 30th September 1972. The remaining 2 southern divisions were also

settled for 10 years with the firm already operating in the northern divisions, on the same terms, subject to the condition that another oil extraction unit should be set up in Kalahandi and revision of rate of royalty would be considered in October 1972. The contractor who was granted lease of the 12 divisions, however, actually exploited only 9 of these divisions during 1969-70 and 1970-71 and one in 1971-72 and did not exploit the rest. Government accepted the surrender of this lease by the lessee in May 1972, but the amount of compensation recoverable from the lessee is yet to be determined (May 1974). In this case also though the lessee enjoyed the benefit of lower rate of royalty, the condition of setting up of an industrial unit was not fulfilled. Incidentally these 12 surrendered divisions were leased to another firm on the basis of the highest tendered rate of Rs. 4.10 per quintal, with a minimum royalty of Rs. 25,000 for the period of lease from May 1973 to 15th June 1973. However, from October 1973, these forest divisions were leased to a Public Undertaking again at the rate of 25 paise per quintal for 10 years on the condition that the undertaking would set up an oil extraction plant within 3 years.

As in the case of the northern divisions, in the southern divisions also, the lessee paid royalty on the weight of kernels only and not on that of the seeds, as provided for in the agreement, and as a result Government suffered a further loss of Rs. 0.32 lakh for the period of working of the lease.

Though Government had granted the leases at very low rates of royalty, the seeds available were not fully exploited. According to departmental estimates 21 lakh quintals of Sal seeds were available in the northern divisions between 1967-68 and 1972-73 and 7.50 lakh quintals were available in the southern divisions between 1969-70 and 1971-72. Against the total estimated availability of 28.50 lakh quintals, only 13.4 lakh quintals were actually collected during those years. It also appears that no comprehensive scheme has yet been evolved to ensure full exploitation of these precious sal seeds.

73. Non-levy or short levy of interest on lease money:—Under the Orissa Forest Contract Rules, which form part of the agreement between the Government and the forest contractors for the sale of forest coupes, the forest contractor is liable to pay interest at $6\frac{1}{4}$ per cent per annum on instalments of consideration money paid after the due dates as prescribed in the agreement, after allowing for specified grace periods.

In the course of test check it was noticed that in 186 cases (13 forest divisions) interest of Rs. 0.32 lakhs was not levied or was levied short for late payment and non-payment of lease money.

The matter was reported to the department in December 1973 but reply thereto is awaited (July 1974).

74. Resale of forest coupes:—Under the Rules, if a contractor makes default in the payment of the consideration money for his contract or any instalments thereof, such contract may be terminated, and the coupe may be put to resale; the amount by which the price secured on such resale falls short of the consideration money fallen due and also that is likely to fall due but for such termination, together with interest calculated upto the date of termination, is recoverable from the defaulting contractors as arrears of land revenue.

During 1972-73, nineteen such cases in five forest divisions came to notice where the contracts were determined and the coupes were resold for lesser amounts but the short fall in receipts amounting to Rs. 0.33 lakh had not been realised from the original contractors.

75. *Illicit fellings*:—The Rules provide that the forest contractor should be responsible for illicit fellings within the contract area or within 20 chains thereof and to pay such compensation as may be assessed by the department in respect of such fellings.

In the course of test check it was noticed that in seventy-two cases (six forest divisions), compensation money of Rs. 0.73 lakh due to be realised from the contractors for illicit fellings of trees had not been realised (March 1974).

76. *Non-refund of security deposits and non-realisation etc. of compounding fee*:—(a) In 1,805 cases (fourteen forest divisions) even though contracts for working the coupes were closed, security deposits of Rs. 14.57 lakhs recovered from the contractors between 1942-43 and 1969-70 were not refunded or adjusted against the dues of the contractors.

(b) In the course of test check it was noticed that 10,623 forest offences (in sixteen forest divisions) were compounded during the period from 1942-43 to 1971-72 but the compounding fees of Rs. 3.07 lakhs due to be realised had not been realised upto July 1974.

(c) In addition to offences which were compounded, 24,384 further forest offence cases relating to the period from 1949-50 to 1971-72 were detected in ten forest divisions. The cases were neither finalised nor the cost of forest produce involved in these cases was determined and realised.

Taxes on vehicles

TRANSPORT DEPARTMENT

77. *Results of test audit in general*:—A test check of 15 Regional Transport Offices and the office of the State Transport Authority during 1972-73 disclosed cases of under-assessment and loss of revenue to the extent of Rs. 18.03 lakhs in 2,046 cases under Taxes on Vehicles. Details of the cases grouped on the basis of the nature of under-assessment/ loss of revenue are given below:—

	Number of cases	Amount Rs.
(i) Failure to levy and collect tax for the violation of off-road declarations detected by the Enforcement Branch (nine regions)	122	4,79,480
(ii) Non-realisation of penalty imposed towards late payment of tax (four regions)	393	4,30,235
(iii) Non-realisation of tax in case of tractors and trailers from the date of purchase of trailers (two regions)	48	3,28,259
(iv) Non-levy of tax from the date of purchase/acquisition of the vehicles already registered (fifteen regions)	318	1,53,899
(v) Non-realisation of tax due to acceptance of belated off-road declarations (fourteen regions)	433	98,925
(vi) Under-assessment/short realisation of tax due to wrong application of rates, errors in calculation, etc. (twelve regions)	368	1,00,154

	Number of cases	Amount Rs,
(vi) Non-levy/short collection of standees tax for carrying standing passengers in public buses (eleven regions)	201	63,638
(viii) Assignment of Orissa Registration mark without realising Orissa tax (two regions)	11	46,760
(ix) Irregular exemption of tax (two regions) ..	121	40,950
(x) Non-realisation/short collection of Orissa tax from Motor Vehicles before removal to other States (one region)	5	28,633
(xi) Cancellation of registration without realising arrear tax (two regions)	2	22,204
(xii) Irregular refund of tax already collected (five regions)	24	10,058
Total ..	2,046	18,03,195

A few of the irregularities among many are mentioned in the following paragraphs.

78. *Non-realisation of tax in case of tractors and trailers*:—Tractors are prime movers intended either to be used with other agricultural implements like ploughs, harvestors, etc., or with trailers to carry agricultural produce on roads, or for other haulage. According to the Bihar and Orissa Motor Vehicles Tax Act 1930, the tractors when they are registered alone could be considered as used solely for agricultural purposes and thus exempt from motor vehicles tax. When a trailer is added, the usage of the tractor includes transport on roads and consequently the exemption from tax given for the tractor ceases to operate under the Act. Tax liability for a tractor arises as soon as a trailer is added to it and under the Act, it has to be computed on the basis of the combined laden weight of the tractor and the trailer. In nine cases the tax was not levied on the basis of tractor-trailer combination from the date of purchase of the trailers. Consequently there was an under-charge of tax of Rs. 1.18 lakhs.

The department stated that steps would be taken to recover the amount.

79. *Cancellation of registration without realising arrear tax*:—Registration marks of vehicles are cancelled on grounds mentioned in Section 34 of Motor Vehicles Act 1939. Before such cancellation, all Government dues in respect of such vehicles are required to be realised. It was noticed that in one case, the tax in arrears to the extent of Rs. 4,550 and outstanding penalty of Rs. 17,150 were not realised prior to the cancellation of their registration marks.

The matter was brought to the notice of the department in November 1972. The department raised the demand against the party in December 1973. Report of recovery is awaited (July 1974).

80. *Incorrect assessment of tax*:—The motor vehicle tax is leviable on the laden/un-laden weight of the particular vehicle. A motor vehicle which does not itself carry load but is used for haulage of trailers is to be taxed on the basis of total laden weight of the vehicle and all the trailers which it is expected to haul. Only when a tractor plies without any trailer, it can be assessed to tax on the basis of its own laden/un-laden weight.

In Sambalpur region, tax for the period April 1967 to December 1972 for two tractors and twenty trailers owned by a paper mill was assessed and realised on the basis of laden/un-laden weight of each of the tractors and trailers. One of the tractors was meant to haul 12 trailers and the other tractor hauls 8 trailers. Tax is leviable on the combined laden weight of the tractor and 12 trailers for the first tractor and the tractor and 8 trailers for the second tractor. On this basis, the short assessment of tax was Rs. 0.20 lakh.

The department agreed (March 1973) to issue show cause notice to the assessee for realisation of the full tax ; the demand is yet to be raised (July 1974).

State Excise Duties

REVENUE AND EXCISE DEPARTMENT

81. *Issue of distillery spirit free of excise duty*:—Prior to April 1971 the department used to supply distillery spirit to the licensee for manufacture of country spirit and its sale on payment of excise duty at rates ranging between Rs. 5 and Rs. 6 per London Proof litre according to the off take of spirit, subject to minimum of Rs. 0.40 lakh in each month. For sale not covered by license duty was to be charged at Rs. 16 per London Proof litre.

From April 1971 a system of grant of exclusive right to the licensee for manufacture of country spirit in four outstill shops and its sale on payment of consideration money was introduced. As the highest bid of Rs. 25,000 offered in auction held on 17th February 1971 was far short of the reserve price of Rs. 54,000, tenders were invited on 7th March 1971 and the shops settled by the department on 27th March 1971 with the highest tender for Rs. 38,000 per month. However, owing to belated settlement of the shop there was hardly any time for the tenderer to organise manufacture of country spirit in the outstill shops from 1st April. Hence on a representation made by the licensee requesting that he should either be allowed to start the outstill shops from 1st May 1971 or distillery spirit should be issued to him free of duty during April 1971 for preparing country spirit under the old system on payment of consideration money under the new system, the Excise Commissioner allowed him to lift duty free 19,000 London Proof litres of distillery spirit for 15 days of April 1971. The licensee started manufacturing liquor under the new system in the four outstill shops with effect from 6th April, 12th April, 27th April and 1st May 1971 and paid the consideration money of Rs. 0.38 lakh for April 1971. According to the rates obtaining in 1970-71, however, duty on 19,000 London Proof litres of spirit would amount to Rs. 1.04 lakhs.

Further, the issue of 19,000 London Proof litres of distillery spirit for the fifteen days of April 1971 was obviously excessive when viewed against the average monthly issue of 4,128 London Proof litres of spirit during 1970-71. In fact the licensee sold only 2,872 London Proof litres of liquor up to 15th April 1971. Hence the retention and use of the balance quantity of duty free distillery spirit of 16,128 London Proof litres beyond 16th April 1971 was unauthorised and duty at Rs. 16 per litre should have been recovered on this quantity which was, however, not done.

The matter was reported to Government in September 1973. Reply is awaited (July 1974).

82. *Arrears in collection*:—(a) According to information furnished by some of the departments of Government, the arrears in collection of revenue, interest and other receipts on 31st March 1973 were Rs. 42.91 crores. The

figure of arrear for the entire State as on 31st March is not, however, available. A comparison of arrears in terms of percentage of the receipt under these heads during the years 1971-72 and 1972-73 is given below :—

Nature of revenue	Receipts during 1971-72	Arrears as on 31st March 1972	Percentage of arrears compared to the annual revenue yield	Receipts during 1972-73	Arrears as on 31st March 1973	Percentage of arrears compared to the annual revenue yield
	(In lakhs of rupees)			(In lakhs of rupees)		
(1) Sales tax, agricultural income tax, taxes on goods carried on roads and inland water ways and entertainment tax	18,54.10	24,41.01	132	23,09.24	26,20.60	113
(2) Land Revenue ..	1,78.77	2,98.67	167	2,06.16	3,00.41	146
(3) Forest ..	7,91.31	4,10.44	52	7,96.56	1,76.33	22
(4) Electricity receipts including Electricity duty	3,43.99	3,41.53	99	3,29.51	1,53.88	47
(5) Mining revenue ..	2,10.41	84.21	40	2,56.40	1,09.77	43
(6) Interest receipt ..	3,06.28	4,50.29	147	2,87.04	6,71.33	234
(7) Other revenue (such as guarantee fees, Excise revenue, agricultural receipts of the Health and Family Planning department, Judicial receipts, receipts of the Text Book Press, fishery revenue, receipts of the Co-operative department, O r i s s a Government Press, House Rent, revenue of State Transport Service, receipts from prison products, receipts from irrigation and lift irrigation schemes, receipts of Public Works Department, etc.)	10,98.30	2,35.25	21	12,86.57	2,59.05	20

(b) According to the information furnished by the department as on 31st March 1973, total outstanding demands of sales tax assessed but not realised was Rs. 25,57.66 lakhs. The detailed break-up of the arrears at the end of 31st March 1973 compared with the previous two years as worked out by the Commissioner, Commercial Taxes is as shown below :—

	31st March		
	1971	1972	1973
	(In lakhs of rupees)		
(i) Amount covered by stay orders issued by—			
(a) Supreme Court/High Court	2,17·87	17,76·21	17,84·38
(b) Departmental Appellate and revisional authorities		65·74	1,18·63
(ii) Amount covered by certificate cases ..	62·97	95·47	96·68
(iii) Amount covered by notices to third parties contemplated in the Act	13·47	21·15	12·51
(iv) Amount covered by notices of penalty ..	3,00·45	4,01·40	5,32·19
(v) Amount awaiting recovery by coercive measures contemplated in the Act	80·97	5·68	3·86
(vi) Recovery kept in abeyance—			
(a) Proposals for write off under contemplation of the department	25·74	6·27	9·41
(b) Outstanding against dealers outside the State recovery of which is stated to be beyond control	4·67	4·29	..
Total ..	7,06·14	23,76·21	25,57·66

The yearwise breakup of the arrears has not been worked out by the department in the absence of which, the amount of arrear which became irrecoverable having been barred by limitation could not be ascertained. Compared with the previous year there was a rise of Rs. 1,81·45 lakhs in the arrears of sales tax demands at the end of 1972-73.

Rupees 4·29 lakhs were shown by the department as the demand outstanding for recovery from dealers outside the State as at the end of 1971-72. During 1972-73 no part of this was recovered, nor any orders for write off or wiping out the demand were issued by the department. Yet, no demand was shown as outstanding at the end of 1972-73 on this account.

(c) Information regarding arrears in respect of the following types of receipts on 31st March 1973 were not received from the department concerned :—

Department	Nature of revenue
(1) Industries	.. Receipts of the Industries department
(2) Irrigation and Power	.. Receipts from Irrigation Divisions and Jobra workshop
(3) Rural Development	.. Receipts from Rural Engineering Organisation Divisions
(4) Forest and Animal Husbandry	.. Receipts from Animal Husbandry and Veterinary Services
(5) Home	.. Recoveries of the Police Department
(6) Urban Development	.. Receipts from the water supply schemes and Public Health divisions
(7) Tribal and Rural Welfare	.. Receipts from Tribal and Rural Welfare Schemes

(d) Mention was made in paragraph 60 (d) of the Report of the Comptroller and Auditor General of India for 1971-72 of the arrears in collection of Motor Vehicle revenue. The department has not so far (December 1973) intimated the position of arrears for the period upto July 1965, when registration and taxation of motor vehicles were with the Police Department, reportedly for want of proper records. For the period between August 1965 and March 1971, the arrears as worked out by the department in respect of 23,169 vehicles for which tax was not paid although they were not declared off-road in any region of the State, were Rs. 6,23.83 lakhs. The department has not issued demand notices in any case for recovery of the arrears reportedly for want of staff. The arrears in respect of (i) vehicles registered in the State for the years 1971-72 and 1972-73, (ii) vehicles of other States temporarily visiting this State and (iii) tax on passenger fares to end of March 1973 are under compilation by the department (December 1973).

In three regions tax amounting to Rs. 16.97 lakhs in 17 cases was not realised from the fleet owners ; of this, Rs. 9.57 lakhs were due from Orissa State Commercial Transport Corporation, Rs. 5.09 lakhs from District Transport Manager, State Transport Service, Rourkela and Rs. 2.31 lakhs from 15 private fleet owners.

(e) Mention was made in paragraph 60 (c) of the Report of the Comptroller and Auditor General of India for the year 1971-72 regarding arrears of royalty due from the Orissa Forest Corporation and non-framing of rules to regulate the leases awarded to the company. The royalty payable to Government for operating the forest coupes by the company has been finalised upto 1967-68 and the royalty for the years 1968-69 to 1970-71 has been assessed provisionally; the royalty, thus, assessed by Government from the inception of the company to 1970-71 was Rs. 5,40.42 lakhs, of which Rs. 3,74.56 lakhs have been realised leaving a balance of Rs. 1,65.86 lakhs yet to be paid by the company to Government (September 1973).

The practice of allotting coupes to the company without settling the rate of royalty payable was continued during the years 1971-72 and 1972-73. The royalty payable for these years for the coupes awarded to the company is yet to be assessed by Government (December 1973).

(f) Government have issued instructions from time to time prohibiting credit sales. With a view to arresting accumulation of arrears, in April 1970, the Director of Agriculture and Food Production reiterated these instructions and ordered stoppage of credit sales of agricultural farm produce from departmental farms making the officers incharge of farms personally responsible to follow the instructions failing which value of credit sales made would be recovered from them. Test check of 37 out of 87 agricultural farms revealed the following :—

(i) In twenty farms, the outstanding credit sales relating to the period from 1944-45 to 1969-70 awaiting realisation were Rs. 8.55 lakhs (January 1974).

(ii) In eleven farms the outstanding credit sales relating to the period from April 1970 to October 1973 awaiting realisation were Rs. 2.21 lakhs (January 1974).

83. (a) *Arrears in assessment* :—The total number of arrear cases of assessments brought forward, number of current assessments for disposal, total number of assessments disposed of and the pending cases during 1971-72 and 1972-73 are given below :—

		Opening balance (Number of cases)	Number of current assess- ments for disposal	Total (Number of cases)	Number of cases disposed of	Balance pending (Number of cases)	Perce- ntage of pending cases
1971-72	..	37,068	1,23,010	1,60,078	1,10,495	49,583	31
1972-73	..	49,583	1,19,249	1,68,832	1,17,354	51,478	31

Assessments relating to the period prior to March 1970 which are barred by limitation by March 1973 have not been determined by the department (October 1974).

(b) *Rush of assessment* :—The number of assessments completed and demands raised monthwise during 1971-72 and 1972-73 are as below :—

		1971-72		1972-73	
		Number of assessments completed	Demand raised Amount (Rs. lakhs)	Number of assessments completed	Demand raised Amount (Rs. lakhs)
April	..	3,796	3·91	3,833	7·07
May	..	5,140	9·68	4,380	3·42
June	..	7,192	7·37	7,152	4·69
July	..	7,886	7·97	8,425	11·26
August	..	10,252	9·70	7,823	10·12
September	..	8,114	9·62	9,645	10·12
October	..	8,422	20·81	8,330	13·07
November	..	9,861	41·97	11,367	20·41
December	..	10,847	24·27	11,096	32·10
January	..	9,488	16·03	12,162	14·50
February	..	9,182	35·39	11,624	49·37
March	..	20,315	1,60·41	21,517	86·02
Total	..	1,10,495	3,47·13	1,17,354	2,62·15

84. *Write-off, rebate and remission of claims to revenue* :—(a) During 1972-73 demands in over 141 cases aggregating Rs. 1,17.66 lakhs were written off, rebates allowed or remitted as indicated below :—

Department	Nature of Revenue	Number of cases	Amount Rs.
Political and Services ..	(i) Remission of rent by way of rent-free occupation, or at concessional rate	109	86,868
	(ii) House rent written off	1	2,325
Health and Family Planning	(i) Remission of rent by way of rent-free occupation	(Number of cases not given)	16,624
	(ii) Refund of tuition fees to students belonging to cyclone affected areas	(Number of cases not given)	3,480
Education ..	Reimbursement of tuition, fees for September and October 1972 to students belonging to areas affected by natural calamities	(Number of cases not given)	10,00,000
Revenue and Excise ..	Remission of excise revenue as a cyclone relief measure	1	53,350
Works and Transport ..	(i) Remission of rent by way of rent free occupation, or at concessional rate	27	49,882
	(ii) Other remissions ..	1	1,344
Irrigation and Power ..	(i) Interest on arrears of electricity duty due from Hindustan Steel Ltd., Rourkela for the years 1961-62 upto December 1971 remitted	1	55,60,000
	(ii) Eight per cent rebate allowed to Hindustan Steel Ltd., towards auxiliary consumption for calculation of electricity duty on the self generation by the Hindustan Steel, Ltd., Rourkela	1	49,91,895
	Total ..	141	1,17,65,768

(b) *Remission and abandonment of forest revenue* :—In seven forest divisions, forest revenue of Rs. 5.57 lakhs became irrecoverable for the following reasons :—

(i) In 135 cases (five forest divisions) certificate cases instituted for recovery of forest revenue of Rs. 4.52 lakhs were dropped by the certificate courts for want of property statement of the debtors.

(ii) In 33 cases (two forest divisions) certificate proceedings could not be initiated for realisation of forest revenue of Rs. 1.05 lakhs for want of property statement of the debtors.

In five cases (one forest division) no progress could be made in the certificate cases, instituted between 1950 and 1966 for recovery of forest revenue of Rs. 2.36 lakhs either for want of property statement or for whereabouts of the contractors.

CHAPTER VII

COMMERCIAL ACTIVITIES, INVESTMENTS AND GUARANTEES

SECTION A

GENERAL

85. This chapter deals with the results of audit of—

- (i) Departmentally managed Government Commercial and *Quasi-Commercial* Undertakings, and
- (ii) Investments and guarantees by the State Government.

SECTION B

DEPARTMENTALLY MANAGED COMMERCIAL AND *QUASI*-COMMERCIAL UNDERTAKINGS

86. On 31st March 1973 there were eighteen departmentally managed commercial and *quasi*-commercial undertakings. The *pro forma* accounts of two undertaking, *viz.*, Scheme for State Trading in *Kendu* leaves and Text Book Press, Bhubaneswar declared as commercial/*quasi*-commercial from November 1965 and October 1966 respectively have not been made available to audit so far (February 1974).

The *pro forma* accounts for 1972-73 have not been received for any of the remaining 16 undertakings. The *pro forma* accounts are in arrears for three years (from 1970/1970-71) in respect of four undertakings and for more than three years in respect of eleven undertakings, as indicated below :—

Name of the undertaking	Year from which accounts are in arrears
(i) State Schemes of Government Trading—Grain Supply Scheme (inoperative from 1st January 1959)	1963-64
(ii) State Schemes of Government Trading—Cloth and Yarn Scheme (inoperative from 1954-55)	1965-66
(iii) Cold Storage Plant, Bhubaneswar	.. 1966
(iv) Cold Storage Plant, Sambalpur	.. 1966
(v) State Schemes of Government Trading—Grain Purchase Scheme	1966-67
(vi) State Transport Service	.. 1967-68
(vii) Production Centre for Development of Ceramic Industry, Cuttack (closed during August 1965)	1967-68
(viii) Government Tile Factory, Kendrapara (closed during April 1966)	1967-68
(ix) Government Tile Factory, Panikoili (closed during April 1966)	1967-68
(x) Scheme for Trading in Iron ore through Paradeep port (inoperative from 1966-67)	1967-68
(xi) Cold Storage Plant, Cuttack	.. 1970
(xii) Government Leather Industries— <i>cum</i> —Tannery, Titilagarh	.. 1970-71
(xiii) Government Tannery, Boudh	.. 1970-71
(xiv) K. S. Potteries Development Centre, Jharsuguda	.. 1970-71
(xv) Government shoe Factory, Cuttack	.. 1971-72

The assets and liabilities of the inoperative and closed schemes have not been disposed of/liquidated.

The summarised financial results of the undertakings whose *pro forma* accounts were received upto November 1972 were given in paragraph 91 of the Report of the Comptroller and Auditor General for 1971-72. Since then, *pro forma* accounts of only one undertaking (*viz.*, Government Raniganj Pattern Tile Factory, Balasore) for 1971-72 were received. The summarised financial results of this undertaking are given in Appendix VIII (at page 111).

SUPPLY DEPARTMENT

87. *Grain Purchase Scheme* :—(1) For building up buffer stocks by collection of levy from food grain licencees the grain purchase scheme was introduced from 1st January 1959. The scheme of monopoly procurement of food grains was introduced from 29th December 1965 ; under the scheme Government undertake procurement of paddy and store it, mill the paddy and sell rice through retail shops to the consumers at reasonable prices and also supply surplus stocks to deficit areas. Licencees are required to be taken by all dealers (excepting producers) for storing more than 10 quintals of rice/paddy and non-licencees are not permitted to keep more than 5 quintals on any day. Procurement is done through supply agents ; storage and disposal of stocks is made through storage agents who are required to execute agreements with Government. During 1971-72 and 1972-73 the scheme for procurement and distribution of hand-pounded rice was also taken up. Wheat and wheat products are imported into the State on Government account and sold through retail fair price shops.

Pro forma accounts for the years from 1966-67 to 1972-73 have not been made available so far (March 1974).

Personal ledger accounts exist in the names (by official designation) of the District Officers and Secretary, Supply Department, in connection with purchase/trading of rice and paddy. The transactions in the personal ledger accounts from 1966-67 to 1972-73 were as follows :—

Year	Opening balance as on 1st April	Debits	Credits	Closing balance as on 31st March
(In lakhs of Rupees)				
1966-67	.. 3,10.25	22,66.72	20,28.91	72.44
1967-68	.. 72.44	15,50.35	20,95.43	6,17.52
1968-69	.. 6,17.62	11,28.21	9,30.15	4,19.46
1969-70	.. 4,19.46	4,99.71	5,22.35	4,42.10
1970-71	.. 4,42.10	1,42.17	2,83.84	5,83.77
1971-72	.. 5,83.77	8,68.88	9,40.63	6,55.52
1972-73	.. 6,55.52	19,78.92	20,88.17	7,64.77

The debits exclude cost of establishment, pensionary liability, interest on capital, etc. which have to be determined and adjusted in *pro forma* accounts. In the absence of *pro forma* accounts, the liabilities to be discharged, the book debts to be realised, the value of closing stock, etc. are not known.

Physical varification of stock with the supply and storage agents as on 31st March 1973 was not done in seven out of thirteen districts (December 1973).

(2) *Deterioration of atta and wheat* :—(a) Anticipating market demand through fair price shops in Cuttack, during 1968 and 1969, 3,794 quintals of wheat were converted into *atta* by the storage-cum-milling agents without Government approval. Of this, 1,465 quintals of *atta* were disposed of and the balance 2,329 quintals remained with the storage-cum-milling agents for want of demand. The Collector, Cuttack noticed (between December 1969 and February 1970) that the quality of the *atta* in stock deteriorated due to prolonged storage and it was unfit for human consumption. Government authorised the Collector, Cuttack, in April 1971, to dispose of the stock and to intimate the loss incurred.

1,491 quintals of *atta* and 61 quintals of wheat which had also deteriorated in quality in storage were put to auction in June 1971. The highest bid received at the auction was Rs. 0.11 lakh against the value (at *ex-godown* price) of Rs. 1.40 lakhs. While the auction was in progress, a citizen of Cuttack raised an objection against disposal of old and deteriorated stocks of foodstuffs on the ground that the purchasers might use them for adulteration of foodstuffs and thereby endanger the health of the community at large. Conceding the objection, Collector, Cuttack, cancelled the auction and recommended to Government to write off the deteriorated stock for which auction was being held. In October 1971, Government sanctioned the write off and ordered destruction of damaged stocks and investigation into the loss for fixing responsibility therefor. No decision has yet (May 1974) been taken in respect of the balance 857 quintals of deteriorated *atta* in stock.

Total loss on the deteriorated *atta* (including the quantity in stock) and wheat at the *ex-godown* price was Rs. 2.17 lakhs. The department has not so far investigated the loss (July 1974).

(b) In November 1968, 430 quintals of *atta* were transported from Phulbani district to Puri and kept with two storage agents. Of these, 161 quintals remained undisposed of by the end of December 1969. The quality had also deteriorated due to storage for long period. The Civil Supplies Officer, Puri recommended to Government in January 1970 the disposal of the stock by auction or its delivery to Veterinary department for utilisation as cattle feed. In January 1971, Government issued orders for transfer of the stock (by sale) to Veterinary department. The latter refused to take the stocks as these were unfit even as cattle feed.

In Puri district, 418 quintals of wheat were stored with four storage agents during September/October 1969. The stocks deteriorated in storage, and in September 1970, the storage agents offered to take the deteriorated stocks at a reduced price of Rs. 80 per quintal against the departmental *ex-godown* price of Rs. 85.75 per quintal. Though Government readily agreed, the

storage agents did not clear the stocks. In June 1971, the stocks were disposed of by auction along with the 161 quintals of deteriorated *atta*. Government desired (June 1971) that the Collector, Puri should investigate the losses and fix responsibility therefor.

The auction sale conducted in June 1971 fetched Rs. 0.10 lakh against *ex-godown* price of Rs. 0.51 lakh. No investigation has been conducted in these cases so far (July 1974).

(3) *Damaged stocks of food stuffs*—Departmental stocks of wheat, *atta* and rice stored in the godown of a storage agent at Rahinda (Balasore district) were reported by him to have been damaged due to water logging on account of heavy rains on 13th and 14th July 1972. Subsequent departmental varification revealed the extent of damages as follows :—

		Fully damaged (quintals)	Partly damaged (quintals)
Wheat	..	39	686
<i>Atta</i>	..	53	..
Rice	..	11	169

The Collector, Balasore, reported the matter to Government in September 1972 and recommended for sale of partly damaged stock, auction of fully damaged stock of wheat and rice and write off of fully damaged *atta*. In March 1973 Government issued orders for auction sale of both fully damaged and partly damaged stocks. The auction was conducted in May 1973, when Rs. 0.40 lakh were realised by disposal of both fully damaged and partly damaged wheat and rice against their value (at *ex-godown* rate) of Rs. 1.10 lakhs.

(4) *Uncertified shortages*—In the course of receipt of food grains from other districts/States by Railways, any shortages found at the destination point has to be certified by the receiving authorities preferring a claim against Railways. The shortages which have not been certified by the receiving officers constitute uncertified shortages. During 1971-72 and 1972-73 uncertified transit shortages of rice and wheat valuing Rs. 16.56 lakhs (details given below) were excluded from store accounts without proper investigation.

Stock	Year	No. of districts concerned	Quantity of uncertified shortages (In quintals)	Value (Rs. in lakhs)
Rice	.. 1971-72	6	5,655	0.42
Rice	.. 1972-73	10	7,530	5.70
Wheat	.. { 1971-72	8	3,792	3.41
		10	5,002	7.03
Total				16.56

(5) *Shortages* :—According to the agreements entered into with the supply agents and storage-cum-milling agents for the *khari* year 1971-72, no shortage in respect of paddy/rice stored by the agents was admissible. When shortages were found, the cost was recoverable in full from the agents at *ex-godown* price. When the shortages exceeded 0.625 kilogram per quintal of the stock stored the Collector of the district can levy a penalty of Rs. 15 per quintal in addition to recovery of the cost of the shortage of paddy/rice at *ex-godown* price. During 1971-72 and 1972-73 the ruling market price of rice was between Rs. 129 and Rs. 170 per quintal according to the variety of rice. The *ex-godown* price was between Rs. 101 and Rs. 127 per quintal. The difference between the market price and *ex-godown* price which ranged between Rs. 28 and Rs. 43 per quintal was much higher than the penalty of Rs. 15 per quintal fixed for the excess shortages. During 1971-72 and 1972-73, in Sambalpur and Sundargarh districts, 1,450 quintals of rice were reported short in excess of the prescribed limit of 0.625 kilogram per quintal of stock stored. The value of this shortage was recovered at *ex-godown* rate plus penalty of Rs. 15 per quintal as required under the terms of the agreements. The difference between the market rate and the penalty rate was Rs. 0.41 lakh.

The matter was reported to Government in December 1973 ; reply is awaited (July 1974).

SECTION C

INVESTMENTS AND GUARANTEES BY GOVERNMENT

AGRICULTURE AND CO-OPERATION DEPARTMENT

88. *Co-operative institutions* :—(a) *Financial Assistance* :—Government have been rendering financial assistance to co-operative institutions in the shape of investments in share capital, loans, grants-in-aid and subsidies. Government investment in the share capital at the close of each of the three years ending 1972-73 was as follows :—

Year	No. of institutions	Amount (In lakhs of Rupees)
1970-71 ..	2,893	7,12.90
1971-72 ..	3,287	9,49.41
1972-73 ..	4,229	11,78.76

Loans, grants and subsidies paid by Government to various co-operative institutions during the three years ending 1972-73 were as follows :—

Year	Loans				Grants and subsidies during the year
	Balance at the end of the previous year	Disbursed during the year	Repayment during the year	Balance at the end of the year	
	(In lakhs)		(of Rupees)		
1970-71 ..	4,01.86	60.26	39.98	4,31.14	35.73
1971-72 ..	4,31.14	2,50.91	97.37	5,84.68	28.94
1972-73 ..	5,86.80*	4,17.53	1,55.01	8,49.32	66.50

(*) Difference of Rs. 2.12 lakhs with the closing balance for 1971-72 was due to correction of balance *pro forma*.

Government had also guaranteed loans raised by 112 co-operative institutions to the extent of Rs. 26,76.42 lakhs upto March 1973. Details of guarantees are available in statement no. 6 of Finance Accounts 1972-73.

(b) *Dividend received by Government* :—Dividend received by Government in respect of 32 co-operative institutions (including Banks) during 1971-72 amounted to Rs. 4.06 lakhs against investment of Rs. 8,38.39 lakhs in these institutions ; information about dividend paid in 1972-73 was not furnished by the Department (July 1974).

(c) *Delay in completion of audit* :—In accordance with the Orissa Co-operative Societies Act, 1962 the accounts of Co-operative institutions are required to be audited by auditors appointed by the Registrar of Co-operative Societies, Orissa once in every year. According to the information furnished by the Registrar (October 1973) the accounts of 4,151 societies (as detailed below) remained unaudited on 30th June 1973.

(i) Accounts upto the co-operative year 1966-67	..	1,711
(ii) Accounts upto the co-operative year 1967-68	..	223
(iii) Accounts upto the co-operative year 1968-69	..	206
(iv) Accounts upto the co-operative year 1969-70	..	337
(v) Accounts upto the co-operative year 1970-71	..	892
(vi) Accounts upto the co-operative year 1971-72	..	782
		<hr/>
Total	..	4,151
		<hr/>

Out of these, 1,930 societies had ceased functioning and 830 societies were in moribund condition. Information for the year ending 30th June 1973 has not been received from the Department (March 1974).

Delay in completion of audit was attributed by the Registrar, (November 1973) to (i) inadequate staff, (ii) improper maintenance of records (iii) inexperienced hands entrusted with audit work, and (iv) non-availability of records.

Audit reports prepared by the Co-operative Department in respect of Societies in which the State Government hold shares have not been made available for 1970-71 to 1972-73.

(d) *Societies wound up*—By 31st March 1973, 526 co-operative societies had been wound-up. Rupees 43.05 lakhs were provided upto 31st March 1973 as assistance by Government to those societies on account of subsidies (Rs 3.75 lakhs) and loans (Rs. 39.30 lakhs). Government contribution in shares of these societies was Rs. 5.19 lakhs. The Department stated (March 1974) that Government has been keeping a close watch over the matter with a view to realising Government loans.

(e) *Misappropriations and shortages* :—Rupees 7.17 lakhs were alleged to have been misappropriated during 1967-68 to 1971-72 by staff in three non-banking Societies and in three co-operative banks.

Shortages of fertilisers, consumable stock and deficit of stock valued at Rs. 21.10 lakhs were noticed in 63 non-banking societies which are awaiting investigation (July 1974).

OTHER INVESTMENTS AND GUARANTEES

89. *Other investments* :—During 1972-73 Government invested Rs. 19.14 lakhs in share capital of the following four joint stock companies.

	Amount of investment (Rupees in lakhs)
Orissa Oil Industries Ltd., Sambalpur ..	2.96
Konark Rubber Industries Ltd., Cuttack ..	0.64
East Coast Breweries and Distilling Ltd., Cuttack ..	15.04
C. I. Foods Ltd., Cuttack ..	0.50
	<hr/>
Total ..	19.14
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To the end of 1972-73 Government invested Rs. 1,20.18 lakhs in the share capital of 26 joint stock companies (other than Government companies). Of these the following five companies (Government investment: Rs. 4.74 lakhs) are under liquidation:—

	Amount of investment (Rupees in lakhs)
Puri Electric Supply Co. Ltd., Puri ..	0.53
Mayurbhanj Glass Works Ltd., Bahalda Road ..	1.00
Gauhati Electric Supply Corporation Ltd., Assam ..	0.32
Hindusthan Minerals and Quarries Ltd. ..	1.00
National Vanadium Trust ..	1.89
	<hr/>
Total ..	4.74
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During 1972-73, Rs. 4.69 lakhs were received as dividend from investment of Rs. 54.00 lakhs in the following companies :—

	Investment (Rupees in lakhs)	Year to which relates	Dividend (Rupees in lakhs)
Orissa Textile Mills Ltd., Choudwar ..	12.75	1954-55 to 1956-57	2.09
Orissa Cement Ltd., Rajagangpur ..	40.00	1971	2.34
Orissa Ceramic Industries Ltd., Jharsuguda	1.25	1965-66 to 1967-68	0.26
Total	54.00		4.69

Government investment in debentures/bonds of Electricity Boards of other States and Municipal Corporation to the end of 1972-73 was Rs. 60.87 lakhs. Interest received on these investments during 1972-73 was Rs. 3.89 lakhs.

90. *Guarantees by Government* :—Government guaranteed repayment of loans raised by Statutory Corporations, Joint Stock Companies, Co-operative Societies, etc. Payment of minimum dividend on the share capital of the Orissa State Financial Corporation and payment to a foreign firm towards supply of equipment to Orissa Weavers' Co-operative Spinning Mills Limited had also been guaranteed by Government. Brief particulars of such guarantees which are in the nature of contingent liabilities are given below :—

	Maximum amount guaranteed	Amount actually covered by guarantee
(In lakhs of Rupees)		
Statutory Corporation/Electricity Board ..	38,53.48	33,94.63
Government Companies ..	20,40.84	14,83.82
Joint Stock Companies ..	1,20.61	31.29
Co-operative Institutions ..	42,48.06	26,76.62
Municipalities/Notified Area Committees	75.08	62.14
Private parties ..	1.87	0.96
Total ..	103,39.94	76,49.46

During 1972-73 one Government Company, two Joint Stock Companies and one industrial Co-operative defaulted in repayment of loans and interest to Orissa State Financial Corporation, State Bank of India and some other banks which were guaranteed by Government. Rupees 20.37 lakhs were paid by Government on their behalf during 1972-73. The total payment made by Government during 1968-69 and 1972-73 in discharge of guaranteed obligation was Rs. 78.05 lakhs. Information about recoveries made from principal debtors concerned has not been received from the Department (February 1974).

CHAPTER VIII

FINANCIAL ASSISTANCE TO ORISSA STATE HOUSING BOARD, LOCAL BODIES AND OTHERS

ORISSA STATE HOUSING BOARD

91. The Orissa State Housing Board was constituted on the 5th July 1968 under the Orissa Housing Board Act 1968 to provide for measures to deal with and satisfy the needs of housing accommodation.

The Board has a Housing Board Fund into which all moneys received by the Board are deposited and from which all expenditure of the Board is met. Moneys forming part of the Fund are deposited with the schedule banks. Receipts to the Fund are mainly from grants, donations, subventions and gifts from the Union/State Government, local bodies or private individuals or bodies and borrowings, including borrowings from the open market by issue of debentures.

Loans, grants and subsidies given by the Government of Orissa since the inception of the Board upto 1972-73 are as follows :—

		Loans	Grants and subsidies
		(In lakhs of rupees)	
1968-69	..	..	0.50
1969-70	..	..	1.00
1970-71	..	15.00	1.00
1971-72	..	15.00	2.01
1972-73	..	17.00	1.00
	Total ..	47.00	5.51

After its formation, the State Housing Board decided with the approval of Government, to run a lottery known as "Orissa Housing Board Charities Lottery" with a view to raise funds for the housing schemes. Lottery is not a source of funds for the Board under the Orissa State Housing Board Act 1968. While giving licence to run the lottery, Government laid down that proper accounts of receipts and of tickets printed, sold, condemned etc. should be maintained and the accounts should be audited by a chartered accountant appointed by Government. In November 1968, the Board appointed a sole agent to run the lottery. According to the agreement entered into by the Board with the sole agent (in November 1968 for the first draw and in September 1969 for the second draw) the agent was to bear all expenses for conducting the lottery including the cost of printing the tickets and the pay and allowances of Accountant-cum-Treasurer and Secretary appointed by the Board for the lottery and the audit charges for the lottery accounts. Each ticket of the lottery was priced at one rupee. The agent was to lift the tickets after pre-deposit of Rs. 3 for every 18 tickets subject to a minimum amount which was Rs. 1 lakh for the first draw and Rs. 3 lakhs for the second draw. The agent was also to pay all the prizes of the lottery.

The first draw was held in August 1969 and the second in December 1969.

A security deposit of Rs. 2.00 lakhs was obtained by the Board from the agent. From this, the Board advanced to the agent Rs. 0.35 lakh, Rs. 0.25 lakh in July 1969 and Rs. 0.10 lakh in September 1969.

The lottery tickets were printed at a private press at the cost of the agent. The number of tickets to be printed was determined by the sole agent. The tickets printed were not obtained by the Board and then issued to the sole agent but the agent was authorised to obtain the tickets from the press direct.

In respect of the first draw 1,76,000 ticket books of 18 tickets each were stated to have been printed as determined by the agent. The agent obtained 80,000 ticket books on pre-deposit of Rs. 2.40 lakhs. The Board authorised the agent to lift 32,000 ticket books direct from the press without pre-deposit. The agent, however, obtained the balance 64,000 ticket books also from the press without authorisation from the Board and without pre-deposit. The Board cautioned the private press for the unauthorised delivery of the ticket books. Of 1,76,000 ticket books obtained by the agent, only 86,425 ticket books were included in the draw held in August 1969; the remaining 89,575 ticket books were stated to have remained unsold with the agent. According to the legal opinion obtained (October 1969) by the Board from the State Advocate General, the agent was liable for payment to the Board at Rs. 3 per ticket book for 86,425 ticket books included in the draw of the lottery. The ticket books (89,575) remaining unsold and which were not included in the draw were not returned by the agent, nor were any steps taken by the Board to obtain them from the agent.

For the second draw, 64,000 ticket books were made over to the sole agent from which 39,504 ticket books were included in the draw.

The sole agent paid Rs. 4.04 lakhs in all towards share of the Board and the reimbursement of administrative expenses for the two draws together.

The prizes for the two draws were guaranteed by the Board but the cost of the prizes was to be met by the sole agent. The value of prizes declared was Rs. 1.89 lakhs for the first draw and Rs. 1.97 lakhs for the second of which the agent paid Rs. 1.41 lakhs only leaving a liability of Rs. 2.45 lakhs towards prizes for the two draws. Of this, the Board subsequently paid Rs. 0.83 lakh. The Board also paid fees of Rs. 0.02 lakh to the Chartered Accountants for auditing the accounts of the lottery. The following is an account of the amounts paid by the agent and the amounts due from them :—

<i>Amounts due from sole agent:—</i>	(Rs. lakhs)
First draw—share on 86,425 ticket books included in the draw at Rs. 3 per ticket book	2.59
Second draw—share on 39,504 ticket books included in the draw at Rs. 3 per ticket book: Rs. 1.18 lakhs subject to a minimum of Rs. 3 lakhs	3.00
Administrative expenses (pay and allowances of Accountant-cum-Treasurer and Secretary appointed for the lottery)	0.21
Advance from security deposit	.. 0.35
Prizes paid by the Board (contingent liability of the Board)	.. 0.83
Undisbursed prize money	.. 1.62
Audit fees	.. 0.02
Total	8.62

<i>Amounts paid by the Sole agent:—</i>	(Rs. lakhs)
Security deposit ..	2'00
Pre-deposit and share of the Board from sale of tickets ..	4'04
Total ..	6'04

Rupees 2.58 lakhs are yet to be recovered by the Board from the sole agent (May 1974).

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

92. *Grants to local bodies:—*The expenditure incurred out of the grants to local bodies is audited by the Examiner, Local Accounts. During 1972-73 the accounts of 64 municipalities and notified area committees and 312 panchayat samitis were audited by the Examiner. Besides, special audit of one panchayat samiti was conducted by him. The following are some of the important points reported by the Examiner to Government during 1972-73.

(a) Urban local bodies (Municipalities and Notified Area Committees:—

(i) Out of the total amount of Rs. 1,73.42 lakhs (Rs.1,18.10 lakhs paid by Government as grant during 1971-72 and Rs. 55.32 lakhs being the previous year's unspent balance) available for expenditure, Rs. 1,10.65 lakhs were spent during 1971-72 leaving Rs. 62.77 lakhs unspent on the 31st March 1972.

(ii) Twenty-two local bodies diverted a portion of the grants for purposes other than those for which the grants were received by them from Government, the total amount of grant so diverted to end of 1971-72 was Rs. 15.02 lakhs.

(iii) Recovery of Rs. 1,37.98 lakhs towards principal of loans paid by Government to various local bodies was outstanding at the end of March 1972.

(iv) The total money value of observations raised by the Examiner remaining unsettled on the 31st March 1972 was Rs. 2,69.12 lakhs.

(v) Thefts and misappropriations, etc. of Rs. 1.59 lakhs (in 31 institutions) and shortages of stores worth Rs. 0.12 lakh (in 27 institutions) were noticed during 1971-72.

(vi) Recovery of overpayments, infructuous expenditure and inadmissible payments of Rs. 57.15 lakhs was suggested by the Examiner.

(vii) Advances of Rs. 87.50 lakhs were outstanding for recovery/adjustment as on the 31st March 1972 with municipal staff (Rs. 11.12 lakhs) and contractors and other executants of works (Rs. 76.38 lakhs); of these, Rs. 20.50 lakhs relate to 1969-70 and earlier years.

(viii) Utilisation certificates in support of the total grant of Rs. 3,79.46 lakhs paid to the local bodies were due for submission by them to the Administrative Departments of Government on the 31st March 1972, out of which such certificates for grants amounting to Rs. 2,37.60 lakhs were only furnished by the local bodies. Utilisation certificates for the grants of Rs. 1,41.86 lakhs (for 37 per cent of the grants paid) were outstanding for submission to Government on the 31st March 1972 ; of these, Rs. 51.63 lakhs relate to the year 1969-70 and earlier years.

(ix) Rupees 1,23.57 lakhs were due for realisation as taxes, rents and fees by the local bodies up to the 31st March 1972 ; of these, Rs. 23.79 lakhs were barred by limitation and Rs. 4.96 lakhs were covered under certificate cases.

(b) *Panchayat Samitis*:—(i) During the year 1971-72 the *Panchayat Samitis* did not get any income from their own sources (taxes, donations, etc.).

(ii) Large balances of grants given by Government remained unspent with 310 *Panchayat Samitis* as shown below :—

	Amount (Rs. in lakhs)
Balance on the 1st April 1971 ..	7,27.75*
Grants received during 1971-72 ..	20,05.77
Spent during 1971-72 ..	17,79.64
Balance on the 31st March 1972	
(a) in cash ..	52.36
(b) in personal ledger account in Government treasuries ..	9,01.52
	9,53.88

(iii) Two hundred and twenty-three *Panchayat Samitis* diverted a portion of the grants received from Government for purposes other than those for which grants were sanctioned ; the total amount of grants so diverted to end of 1971-72 was Rs. 55.80 lakhs.

(iv) Heavy cash balances (Rs. 10,000 or more in each case) totalling Rs. 43.11 lakhs were kept in hand by 135 *Panchayat Samitis* on the 31st March 1972. Security deposit was realised from staff handling cash in only 5 of these institutions.

(v) Thefts, misappropriations and losses of cash totalling Rs. 0.52 lakh (in 71 *Panchayat Samitis*) and shortages of stores of Rs. 0.87 lakh (in 132 *Panchayat Samitis*) were noticed during 1971-72.

* The difference of Rs. 4.67 lakhs between the closing balance on the 31st March 1971 and the opening balance on the 1st April 1971 was due to inclusion of balances of two *Panchayat Samitis* which were not audited during 1970-71 and exclusion of balances of accounts of two more *Panchayat Samitis* which were not audited during 1972-73.

(vi) Overpayment and infructuous expenditure of Rs. 38.28 lakhs in works were noticed in 305 *Panchayat Samitis*. Recoveries of Rs. 99.29 lakhs from 312 *Panchayat Samitis* on account of miscellaneous overpayments, inadmissible payments, arrear house rent, hire charges of vehicles, etc., were suggested by the Examiner.

(vii) Of the irregular expenditure of Rs. 9,60.53 lakhs suggested for regularisation up to 1971-72 by *ex-post-facto* sanction, Rs. 2,25.99 lakhs only were regularised leaving a balance of Rs. 7,34.54 lakhs to be regularised at the end of March 1972.

(viii) Advances of Rs. 6,97.16 lakhs were outstanding for recovery/adjustment at the end of March 1972 against contractors, *Grama Panchayats* and other executants (Rs. 6,10.44 lakhs) and Government servants (Rs. 86.72 lakhs) ; of these, Rs. 4,97.80 lakhs relate to 1969-70 and earlier years.

(ix) Recovery of Rs. 1,25.81 lakhs towards principal (Rs. 82.08 lakhs) of the loans paid by Government to *Panchayat Samitis* and interest (Rs. 43.73 lakhs) on the loans was outstanding at the end of March 1972.

(x) The total money value of observations raised by the Examiner remaining unsettled at the end of March 1972 was Rs. 10,74.83 lakhs.

(xi) Out of the total grants of Rs. 91,18.58 lakhs paid to *Panchayat Samitis* up to the 31st March 1971 utilisation certificates for which were due by the end of March 1972, utilisation certificates for Rs. 33,70.20 lakhs were outstanding from the *Panchayat Samitis* for submission to Government on the 31st March 1972 ; of these certificates for Rs. 17,52.85 lakhs related to grants paid in 1969-70 and earlier years.

CHAPTER IX

OUTSTANDING AUDIT OBSERVATIONS AND
INSPECTION REPORTS

93. *Outstanding audit observations*:—Audit observations of financial transactions of Government are communicated to departmental authorities from time to time. Half-yearly reports of such observations which remain outstanding for more than six months are also sent by Audit to Government/Heads of Departments.

(i) The number of such outstanding audit observations for civil and Commercial Departments/activities is large. Yearwise analysis of the observations issued up to end of March 1973 which were not settled up to the 30th September 1973 is given below:—

Year of issue	Civil Departments		Commercial Departments/activities		Total	
	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
1968-69 and earlier years	87,425	39,33.43	1,302	1,32.42	88,727	40,65.85
1969-70 ..	5,706	4,66.84	234	35.12	5,940	5,01.96
1970-71 ..	6,985	9,06.66	349	53.83	7,334	9,60.49
1971-72 ..	8,114	18,68.90	408	90.72	8,522	19,59.62
1972-73 ..	11,780	21,81.35	375	1,05.76	12,155	22,87.11
Total ..	1,20,010	93,57.18	2,668	4,17.85	1,22,678	97,75.03

(ii) The following is a broad analysis of the nature of audit observations which have remained outstanding (Department-wise analysis showing the nature of observations, their number and amount is given in Appendix IX).

Nature of observations	Civil Departments		Commercial Departments/activities	
	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
(1) Sanction for establishments not received	456	60.45	..	..
(2) Sanctions not received for contingent and miscellaneous expenditure	7,876	1,92.85	87	3.70
(3) Sanctions to estimates or excess over sanctioned estimates not received	4,295	25,34.36	..	..
(4) Detailed bills for lumpsum draws not received	45,032	33,41.91	110	32.61
(5) Vouchers not received ..	10,998	7,05.08	..	..
(6) Payees' receipts not received ..	27,721	11,80.54	2,264	3,64.54
(7) Advances paid to Government servants not recovered	8,236	18.94	43	0.07
(8) Agreements with contractors/suppliers not received	3,775	4,91.02	..	..
(9) Overpayments or amounts disallowed in audit not recovered	868	2.55	..	..
(10) Sanction to write-off of losses, etc. not received	14	2.76	..	..
(11) Breach of financial propriety ..	4	5.14	..	..
(12) Other reasons ..	10,704	6,85.34	164	16.93
(13) Sanctions to Reserve stock limit or excess over Reserve stock limit not received	31	1,36.24	..	..
Total ..	1,20,010	93,57.18	2,668	4,17.85

Rules require that detailed contingent bills should be submitted to Audit within three months for expenditure on works and one month in other cases.

Unless the detailed contingent bills are received, it is not possible for Audit to examine whether all the amounts drawn through abstract contingent bills have been spent on the purpose or purposes for which these were drawn and that no misappropriation, fraud, etc., took place. In these cases as also the cases in which payees' receipts etc. have not been furnished misappropriations, fraud, etc. may remain undetected.

About 57 per cent (Rs. 56.25 crores) of the total amount is held under observation as detailed contingent bills, vouchers, payees' receipts and other documents have not been received. The Departments for which comparatively heavy amounts are held under observation as detailed contingent bills have not been received are mentioned below:—

Department	Amount (In crores of rupees)
Revenue	12.44
Agriculture	6.95
Health and Family Planning	6.87
Tribal and Rural Welfare	6.37
Transport	4.33
Co-operation	3.19
Irrigation	3.06
Community Development and Panchayati Raj (C.D.)	2.88
Home	2.08

94. *Outstanding inspection reports*:—Important irregularities and defects in accounts noticed during local audit and inspection are included in inspection reports which are sent to Departmental Officers and Heads of Departments and also to Government, where necessary. Unless these inspection reports were attended to promptly and the audit observations settled expeditiously, there is likelihood of irregularities mentioned in the inspection reports persisting.

The number of inspection reports which were outstanding for one year or more as on the 30th September for the last three years is shown below:—

	On the 30th September 1971	On the 30th September 1972	On the 30th September 1973
Number of inspection reports outstanding	5,662	5,886	6,173
Number of paragraphs in the reports	25,228	24,661	25,558

The number of inspection reports outstanding has been increasing every year.

Year-wise analysis of the outstanding at the end of September 1973 is shown below:—

Year of issue	Civil Departments		Commercial Departments/activities		Revenue receipts	
	Number of inspection reports	Number of paragraphs	Number of inspection reports	Number of paragraphs	Number of inspection reports	Number of paragraphs
1967-68 and earlier years	2,220	8,000	426	887	77	221
1968-69	727	3,397	134	278	41	184
1969-70	745	3,693	120	393	49	230
1970-71	691	3,442	137	483	57	414
1971-72	541	3,072	166	522	42	342
Total	4,924	21,604	983	2,563	266	1,391

Department-wise analysis of the reports outstanding for one year or more is given in Appendix X.

The common types of irregularities noticed during 1972-73 are shown in Appendix XI.

BHUBANESWAR,
The

(R. K. A. SUBRAHMANYA)
Accountant General, Orissa

Countersigned

NEW DELHI,
The

(A. BAKSI)
Comptroller and Auditor General of India

APPENDIX

(Reference : paragraph

Statement showing Department wise and yearwise analysis of

Sl. no.	Name of Department	Year in which the grants-in-aid was paid	Building grants		
			Number of utilisation certificates outstanding	Amount (Rs. lakhs)	
(1)	(2)	(3)	(4)	(5)	
1. Health and Family Planning ..		1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
2. Urban Development ..		1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
3. Labour, Employment and Housing		1969-70 and earlier years	1	0.02	
		1970-71	1	0.19	
		1971-72	..	..
4. Planning and Co-ordination ..		1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
5. Rural Development ..		1969-70 and earlier years	14	20.52	
		1970-71	..	..
		1971-72	37	1.90	
6. Community Development and Panchayati Raj—	(a) Community Development	1969-70 and earlier years	..	..
		1970-71	256	11.26	
		1971-72	6	0.43	
	(b) Grama Panchayat ..		1969-70 and earlier years	3	0.10
			1970-71	89	6.48
			1971-72	87	15.45
7. Forest and Animal Husbandry—	(a) Forest ..	1969-70 and earlir years	..	..
		1970-71	..	..
		1971-72	..	..
	(b) Animal Husbandry ..		1969-70 and earlier years
			1970-71
			1971-72
8. Home ..		1969-70 and earlier years	
		1970-71	
		1971-72	

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utilisation certificates awaited as on the 30th September 1973

Equipment grants		Maintenance grants		Miscellaneous grants		Total	
Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
..	268	36.37	268	36.37
..	12	1.20	12	1.20
..	36	5.17	36	5.17
..	..	158	20.73	58	25.86	216	46.59
..	..	43	5.64	55	26.52	98	32.16
..	..	61	9.36	36	46.36	97	55.72
..	4	1.70	5	1.72
..	1	0.19
..	1	1.27	1	1.27
..	95	1,48.11	95	1,48.11
..	11	45.87	11	45.87
..
..	..	2,040	2,95.72	1,352	2,09.17	3,406	5,25.41
..	..	562	37.28	837	24.83	1,399	62.11
..	..	763	43.50	1,075	8.91	1,875	54.31
..	4,199	16,43.77	4,199	16,43.77
..	845	1,31.33	1,101	1,42.59
..	2,049	3,38.05	2,055	3,38.48
..	..	1	0.06	..	..	4	0.16
..	19	0.10	108	6.58
..	6	3.88	93	19.33
..	1	0.14	1	0.14
..
..
..	..	8	18.95	13	15.79	21	34.74
..	..	2	1.14	4	3.10	6	4.24
..	..	5	5.35	7	6.00	12	11.35
..	2	0.10	2	0.10
..	3	0.74	3	0.74
1	0.10	..	..	2	0.98	3	1.08

APPENDIX

Sl. no.	Name of Department	Year in which the grants-in-aid was paid	Building grants	
			Number of utilisation certificates outstanding	Amount (Rs. lakhs)
(1)	(2)	(3)	(4)	(5)
9. Agriculture and Co-operation—				
	(a) Agriculture	.. 1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
	(b) Co-operation	.. 1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	2	0.20
10.	Tribal and Rural Welfare	.. 1969-70 and earlier years	213	1,27.51
		1970-71	7	1.16
		1971-72	42	4.00
11.	Transport	.. 1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
12.	Law	.. 1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	..	..
13.	Cultural Affairs	.. 1969-70 and earlier years	..	..
		1970-71	..	..
		1971-72	1	0.05
14.	Education	.. 1969-70 and earlier years	121	32.59
		1970-71	155	11.65
		1971-72	86	8.04
15.	Revenue	.. 1969-70 and earlier years	9	0.24
		1970-71	12	0.81
		1971-72	1	0.02
16.	Industries	.. 1969-70 and earlier years	1	4.38
		1970-71
		1971-72
Total			1,144	2,47.00

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Equipment grants		Maintenance grants		Miscellaneous grants		Total	
Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)	Number of utilisation certificates outstanding	Amount (Rs. lakhs)
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
..	..	..	..	60	95.98	60	95.98
..	..	..	..	5	23.95	5	23.95
..	..	..	..	17	52.44	17	52.44
..	..	1	2.00	280	87.63	281	89.63
..	..	..	..	38	14.88	38	14.88
..	..	1	0.10	63	46.94	66	47.24
70	4.31	80	11.32	196	56.42	559	1,99.56
3	0.41	19	2.60	33	3.22	62	7.39
14	1.04	19	1.61	37	1.43	112	8.08
..	..	1	0.19	..	..	1	0.19
..
..
..
..	..	..	..	1	0.07	1	0.07
..	..	..	..	1	0.05	1	0.05
..	..	75	5.46	6	0.17	81	5.63
..	..	45	2.72	..	..	45	2.72
5	0.37	34	12.18	1	*	41	12.60
145	33.64	7,365	16,88.57	8,821	5,46.20	16,452	23,01.00
55	2.36	1,349	12,09.08	5,675	3,86.61	7,234	16,09.70
123	2.55	1,296	3,82.70	5,188	1,86.15	6,693	5,79.44
6	0.05	2	0.15	16	24.32	33	24.76
2	0.04	2	0.04	3	0.10	19	0.99
..	..	3	0.31	48	0.86	52	1.19
..	..	3	0.16	..	..	4	4.54
..	..	7	18.50	..	..	7	18.50
..	..	4	5.80	..	..	4	5.80
424	44.87	13,949	37,81.22	31,479	42,52.74	46,996	83,25.83

* Rs. 100

APPENDIX

(Reference : paragraph

Investment of Government at the end of 1970-71, 1971-72 and 1972-73

1970-71

	No. of concerns	Amount invested	Dividend/interest received		
			Amount	Percentage return on capital	
(In lakhs of rupees)					
Statutory Corporations	..	7	4,28.90	51.66	12.0
Government Companies	..	53	31,54.51	5.28	0.2
Joint stock companies	..	21	90.05	3.74	4.1
Co-operatives	..	2,893	8,20.89	2.94	0.4
Total	..	2,974	44,94.35	63.62	1.4

The amount of investments given in this Appendix include funds met out of Consolidated Fund as well as earmarked funds and differ from those shown in Appendix I of Finance Accounts which includes the amount debited to "96—Capital Outlay, etc. only.

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dividend/interest earned therefrom during 1970-71, 1971-72 and 1972-73

1971-72				1972-73			
No. of concerns	Amount invested	Dividend/interest received		No. of concerns	Amount invested	Dividend/interest received	
		Amount	Percentage return on capital			Amount	Percentage return on capital
(In lakhs of rupees)				(In lakhs of rupees)			
7	4,29.70	23.09	5.4	7	3,96.94	37.56	9.5
51	32,75.97	2.34	0.1	53	34,45.68	2.34	0.1
25	1,01.04	3.74	3.7	26	1,20.18	4.69	3.9
3,288	11,16.38	4.66	0.4	4,140	13,98.74	2.35	0.2
3,371	49,23.09	33.83	0.7	4,226	53,61.54	46.94	0.9

APPENDIX III

(Reference : paragraph 20, page 21)

Statement of estimates and expenditure for State Plan Schemes for the year 1972-73

Major Heads	Estimate (Budget <i>plus</i> supplementary)	Expenditure
9— Land Revenue	.. 40.00	27.65
11— Taxes on Vehicles	.. 1.72	0.50
19— General Administration	.. 9.18	7.82
25— Supplies and Disposals	.. 2.93	1.39
27— Scientific Departments	.. 21.30	17.92
28— Education	.. 4,33.86	3,75.15
29— Medical	.. 1,80.64	1,48.96
30— Public Health	.. 57.85	55.28
31— Agriculture	.. 4,40.17	3,67.58
32— Rural Development	.. 1.60	2.02
33— Animal Husbandry	.. 79.12	61.34
34— Co-operation	.. 45.49	44.48
35— Industries	.. 29.20	21.80
37— Community Development Projects, National Extension Service and Local Development Works	1,54.00	1,51.90
38— Labour and Employment	.. 8.29	4.50
39— Miscellaneous Social and Developmental Organisations	1,25.77	1,02.24
42— Multipurpose River Schemes	.. 15.00	16.23
44— Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial).	15.00	16.20
50— Public Works	.. 1,40.12	1,38.81
52— Capital Outlay on Public Works	.. 0.78	..
68— Stationery and Printing	.. 31.90	13.24
70— Forest	.. 73.20	58.20
71— Miscellaneous	.. 8.30	7.73
94— Capital Outlay on Improvement of Public Health	1,12.39	73.96

APPENDIX III—concl.

Major Heads	Estimate (Budget <i>plus</i> supplementary)	Expenditure
	(In lakhs of rupees)	
95— Capital Outlay on Schemes of Agricultural Improvement and Research	3,35.03	3,53.52
96— Capital Outlay on Industrial and Economic Development	4,12.24	3,99.54
98— Capital Outlay on Multipurpose River Schemes ..	7,84.02	9,18.56
99— Capital Outlay on Irrigation, Navigation Embankment and Drainage Works (Commercial)	6,38.42	4,80.59
100— Capital Outlay on Irrigation, Navigation, Embankment and Drainage Works (Non-Commercial)	1,05.00	92.59
101— Capital Outlay on Electricity Schemes ..	— 56.61	— 39.39
103— Capital Outlay on Public Works ..	4,88.81	4,45.79
109— Capital Outlay on Other Works ..	33.74	22.30
114— Capital Outlay on Road and Water Transport Schemes	25.88	25.78
119— Capital Outlay on Forests ..	33.77	30.06
124— Capital Outlay on Schemes of Government Trading	6.53	0.05
Q— Loans and Advances by the State/Union Territory Governments	2,46.08	2,27.53
Total ..	<u>50,80.72</u>	<u>46,71.82</u>

APPENDIX IV

(Reference : paragraph 23, page 22)

Statement showing extent of utilisation of supplementary grants

Sl. no.	Number and name of grant	Original grant	Supplementary grant and the month in which obtained	Total grant	Expenditure	Saving	Amount surrendered	Percentage of saving
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(Amount in lakhs of rupees)								
<i>A—Cases where the supplementary grants proved unnecessary</i>								
1.	10—Pensions ..	1,98.84	18.96	2,17.80	1,74.14	—43.66	27.84	20
2.	13—Land Revenue ..	5,58.40	7.24	5,65.64	5,01.93	—63.71	52.01	11
3.	17—Expenditure relating to the Industries Department	4,50.73	71.56	5,22.29	3,31.06	—1,91.23	1,81.15	37
4.	21—Tribal and Rural Welfare	4,36.68	11.06	4,47.74	4,03.86	—43.88	10.49	10
5.	31—Forest ..	4,42.57	60.50	5,03.07	4,36.19	—66.88	53.13	13
6.	33—Co-operation and Marketing	1,82.74	21.78	2,04.52	1,79.14	—25.38	23.17	12
7.	35—Animal Husbandry	3,03.69	6.97	3,10.66	2,76.96	—33.70	7.08	11
8.	37—Agriculture ..	8,02.92	59.30	8,62.22	7,19.42	—1,42.80	99.75	17
9.	47—Capital Expenditure relating to Public Health and Urban Development Department	2,13.09	6.57	2,19.66	1,50.24	—69.42	84.13	32
10.	48—Capital Outlay on Industrial Development	1,43.09	57.38	2,00.47	1,39.23	—61.24	59.99	30
11.	62—Capital expenditure relating to Tribal and Rural Welfare Department	53.86	6.36	60.22	48.44	—11.78	6.53	20
<i>B—Cases where the Supplementary grants proved excessive</i>								
1.	1—Elections and other expenditure relating to the Home Department	95.92	16.06	1,11.98	1,00.19	—11.79	6.76	10
2.	5—Community Development Projects, etc.	10,63.99	1,87.95	12,51.94	11,12.67	—1,39.27	1,22.63	11
3.	23—Public Health ..	5,31.68	74.58	6,06.26	5,54.62	—51.64	48.77	9
4.	28—Electricity Schemes	67.36	1,49.17	2,16.53	86.35	—1,30.18	27.63	60
5.	42—Compensation for abolition of Zamindari system and other expenditure relating to the Revenue Department	41.00	1,30.00	1,71.00	1,58.64	—12.36	15.35	7
6.	43—Multipurpose River, Irrigation and Electricity Schemes	25,33.05	4,96.16	30,29.21	26,87.33	—3,41.88	2,53.23	11
7.	44—Agricultural Improvement and Research	3,81.48	5,36.12	9,17.60	7,99.02	—1,18.58	30.94	13
8.	55—Share Capital Contribution and Loans to Co-operative Organisations	1,27.11	1,67.38	2,94.49	2,49.63	—44.86	44.86	15
9.	59—Capital expenditure relating to Health Department	..	53.28	53.28	40.50	—12.78	..	24
10.	60—Capital outlay on Public Works	5,45.81	87.95	6,33.76	5,78.54	—55.22	85.80	9
11.	61—Capital expenditure relating to the Mining and Geology Department	15.00	85.42	1,00.42	85.42	—15.00	15.00	15

APPENDIX V

(Reference : paragraph 26 (ii), page 26)

Statement showing savings under voted grants/charged appropriations

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Total grant	Expenditure	Saving	Amount surrendered	Percentage of saving
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(Amount in lakhs of rupees)								
I—Cases where savings amounted to 20 per cent or more								
1.	10—Pensions ..	1,98·84	18·96	2,17·80	1,74·14	—43·66	27·84	20
2.	17—Expenditure relating to the Industries Department	4,50·73	71·56	5,22·29	3,31·06	—1,91·23	1,81·15	37
3.	20—Labour, Employment and Housing	73·31	2·49	75·80	55·20	—20·60	17·62	27
4.	28—Electricity Schemes	67·36	1,49·17	2,16·53	86·35	—1,30·18	27·63	60
5.	47—Capital expenditure relating to Public Health and Urban Development Department	2,13·09	6·57	2,19·66	1,50·24	—69·42	84·13	32
6.	48—Capital outlay on Industrial Development	1,43·09	57·38	2,00·47	1,39·23	—61·24	59·99	30
7.	49—Hirakud Dam Project	..	1·10	1·10	—5·45	—6·55	..	655
8.	50—Capital Outlay on Ports	73·43	..	73·43	25·84	—47·59	11·36	65
9.	57—Capital expenditure relating to Animal Husbandry Department	4·50	4·63	9·13	0·20	—8·93	..	99
10.	59—Capital expenditure relating to Health Department	..	53·28	53·28	40·50	—12·78	..	24
II—Cases where savings amounted to 10 per cent or more but within 20 per cent								
11.	1—Elections and other expenditure relating to the Home Department	95·92	16·06	1,11·98	1,00·19	—11·79	6·76	10
12.	5—Community Development Projects, etc.	10,63·99	1,87·95	12,51·94	11,12·67	—1,39·27	1,22·63	11
13.	12—Taxation ..	98·16	2·08	1,00·24	82·84	—17·40	2·77	16
14.	13—Land Revenue ..	5,58·40	7·24	5,65·64	5,01·93	—63·71	52·01	11
15.	19—Government Press and other expenditure relating to Commerce Department	1,41·07	2·96	1,44·03	1,19·14	—24·89	18·43	17
16.	31—Forest ..	4,42·57	60·50	5,03·07	4,36·19	—66·88	58·13	13
17.	32—Fisheries ..	1,12·50	2·25	1,14·75	93·45	—21·30	1·32	19
18.	33—Co-operation and Marketing	1,82·74	21·78	2,04·52	1,79·14	—25·38	23·17	12
19.	35—Animal Husbandry	3,03·69	6·97	3,10·66	2,76·96	—33·70	7·08	10
20.	37—Agriculture ..	8,02·92	59·30	8,62·22	7,19·42	—1,42·80	99·76	17
21.	43—Multipurpose River, Irrigation and Electricity Schemes	25,33·06	4,96·15	30,29·21	26,87·33	—3,41·88	2,53·23	11
22.	44—Agriculture Improvement and Research	3,81·48	5,36·12	9,17·60	7,99·02	—1,18·58	30·94	13
23.	55—Share Capital contribution and Loans to Co-operative Organisations	1,27·11	1,67·38	2,94·49	2,49·63	—44·86	44·86	15
24.	61—Capital expenditure relating to Mining and Geology Department	15·00	85·42	1,00·42	85·42	—15·00	15·00	15
25.	62—Capital expenditure relating to Tribal and Rural Welfare Department	53·86	6·36	60·22	48·44	—11·78	6·53	19

APPENDIX

(Reference : paragraph 37,

Misappropriations, losses, etc. reported up to the 31st July 1973

Sl. no.	Department	Cases in which departmental/criminal proceedings have not been instituted due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised		Cases in which departmental proceedings finalised and recovery is in progress	
		Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1. Agriculture and Co-operation	56	2.65	17	0.59	4	0.26	
2. Community Development and Panchayati Raj (C. D.)	11	0.53	14	1.70	..	..
3. Commerce ..	1	0.01	..	..	..	..
4. Education ..	13	1.98	14	1.71	..	..
5. Finance ..	7	0.14	4	1.26	1	0.06	
6. Forest and Animal Husbandary	12	0.90	15	0.93	6	0.06	
7. Home ..	17	0.47	8	0.13	..	..
8. Industries ..	6	0.24	9	0.21	2	0.07	
9. Irrigation and Power	26	5.69	55	6.69	6	0.20	
10. Labour, Employment and Housing	2	0.16	..	..	..	..
11. Law ..	3	1.71	..	..	..	..
12. Mining and Geology	1	*	3	0.06	..	..
13. Public Health ..	25	1.54	3	0.33	..	..
14. Planning and Co-ordination	..	..	1	0.03	..	..
15. Political and Services	2	0.08	..	..	..	..
16. Revenue ..	19	1.24	77	5.58	2	0.02	
17. Supply ..	..	..	1	**	..	..
18. Tribal and Rural Welfare	8	1.39	22	4.06	..	..
19. Transport ..	4	0.04	18	0.37	..	..
20. Urban Development	25	0.76	..	..	..	..
21. Works ..	29	1.67	74	14.96	2	0.03	
22. Rural Development	13	0.13	3	0.10	5	0.04	
Total ..	280	21.33	338	38.71	28	0.74	

*Amount not intimated.

**Rs. 500

VI

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and pending finalisation at the end of September 1973

Cases in which criminal proceedings finalised but execution/certificate cases for recovery of the amount are pending		Cases awaiting Government orders for recovery or write-off		Cases in Court of law		Total	
Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
6	0.15	4	0.10	10	0.37	97	4.12
5	0.67	4	0.05	5	0.30	39	3.25
..	..	..	..	1	0.09	2	0.10
..	..	3	0.11	3	0.26	33	4.06
..	..	..	..	..	..	12	1.46
..	..	..	..	..	..	33	1.89
..	..	2	0.08	..	..	27	0.68
..	..	2	0.02	1	0.01	20	0.55
2	0.18	32	0.65	5	0.15	126	13.56
..	..	..	..	..	..	2	0.16
..	..	1	0.01	..	..	4	1.72
..	..	..	..	..	..	4	0.06
..	..	1	***	..	..	29	1.87
..	..	..	..	..	..	1	0.03
..	..	..	..	..	..	2	0.08
22	1.46	10	0.16	33	1.88	163	10.34
1	0.01	1	0.02	2	0.35	5	0.38
2	0.06	6	0.17	..	..	38	5.68
1	0.05	..	..	2	0.17	25	0.63
..	..	..	..	4	0.17	29	0.93
..	..	..	..	..	..	105	16.66
..	..	22	0.45	1	0.01	44	0.73
39	2.58	88	1.82	67	3.76	840	68.94

*** Rs. 468

APPENDIX VII

(Reference : paragraph 57, page 63)

Synopsis of important stores and stock accounts

A synopsis of Stores and Stock accounts for 1972-73 of the Departments whose accounts have been received is given below :—

Sl. no.	Name of accounts	Stores	Opening balance	Receipt	Issue	Closing balance
---------	------------------	--------	-----------------	---------	-------	-----------------

(In lakhs of rupees)

IRRIGATION AND POWER DEPARTMENT

(1)	Delta Irrigation Project	} Building materials, Small stores, Miscellaneous stores, fuel, spares, etc.	—6·76	34·35	31·81	—4·22(a)
(2)	Salandi Irrigation project		4·70	2·36	6·38	0·68
(3)	Hirakud Dam project					
	(a) Stage I ..		1,90·51	6·27	2·25	1,94·53
	(b) State II ..		—3·86	0·19	..	—3·67(a)

HOME DEPARTMENT

(4)	Jail Manufactory	Manufactured stores, raw materials, etc.	4·39	10·43	10·45	4·37
(5)	Jail Maintenance	Rations, equipment, etc.,	8·86	49·65	48·03	10·48
(6)	Orissa Police Motor Transport Workshop, Cuttack	Spare parts of vehicles, etc.	0·94	3·71	3·44	1·21

FINANCE DEPARTMENT

(7)	Non-Judicial stamps		5,09·99	1,86·45	2,20·22	4,76·22
(8)	Judicial Stamps		3,81·38	35·56	52·47	3,64·47

REVENUE DEPARTMENT

		Kilograms	Kilograms	Kilograms	Kilograms
(9)	Medicinal Opium				
	(a) In Central Depot	1,378·494	1,200·000	778·255	1,800·239
	(b) With district excise officers	62·628	769·400	781·007	51·021

(a) Reasons for the minus stores balances have not been ascertained by the department.

(d) Includes 8·841 kilograms net decrease in weight in storage before processing and 0·014 kilogram net deficiency and wastage in operation during processing.

APPENDIX VIII

(Reference : paragraph 86, page 82)

Summarised financial results of working of departmentally managed undertakings disclosed by the *pro forma* accounts for the latest year available

INDUSTRIES DEPARTMENT

(Amount in lakhs of rupees)

1. Name of the concern	..	Government Raniganj Pattern Tile Factory, Balasore.
2. Year of accounts	..	1971-72
3. Government Capital	..	0'60
4. Mean Capital	..	0'66
5. Free Reserve	..	..
6. Block assets	..	0'43
7. Depreciation	..	0'06
8. Profit (+) / Loss (-)	..	(-)'0'10
9. Percentage of return on mean capital	..	..
10. Remarks	..	..

APPENDIX

(Reference : paragraph 93,

Departmentwise analysis of the audit observations

(Amount in lakhs of

Sl. no.	Department	Sanction for establishments not received		Sanctions not received for contingent and miscellaneous expenditure		Sanction to estimates or excess over sanctioned estimates not received	
		Number of items	Amount	Number of items	Amount	Number of items	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Agriculture and Co-operation—						
	(a) Agriculture ..	..	..	747	48.38	..	..
	(b) Co-operation ..	..	..	80	1.68	..	..
2.	Revenue and Excise—						
	(a) Revenue ..	..	..	553	13.30	..	..
	(b) Excise ..	..	..	8	0.12	..	..
3.	Tribal and Rural Welfare	..	..	826	19.46	..	..
4.	Finance ..	..	..	91	0.91	..	..
5.	Industries ..	..	..	316	15.61	..	..
6.	Urban Development ..	..	..	..	..	2	0.33
7.	Rural Development ..	..	..	..	..	..	..
8.	Law ..	..	..	22	0.33	..	..
9.	Works ..	..	..	56	0.39	..	..
10.	Transport (Commercial)	..	..	103	5.18	..	..
11.	Health and Family Planning	..	..	420	20.22	..	..
12.	Irrigation and Power—						
	(Secretariat) ..	..	..	52	10.43	6	2.67
	(a) Irrigation ..	284	51.50	..	..	4,284	25,31.24
	(b) Power ..	..	..	..	..	..	..
13.	Cultural Affairs ..	..	..	..	..	..	..
14.	Commerce ..	34	0.93	109	9.83	1	(D)
15.	Mining and Geology ..	..	..	10	0.12	..	..
16.	Forest and Animal Husbandry—						
	(a) Forest ..	..	..	53	1.32	..	..
	(b) Animal Husbandry ..	..	..	408	10.06	..	..
17.	Labour, Employment and Housing	6	0.05	2	0.01	..	..
18.	Political and Services ..	..	..	1	0.03	..	..
19.	Planning and Co-ordination	..	..	1	0.01	..	..
20.	Education ..	24	0.43	302	13.40	1	(G)
21.	Home ..	108	7.54	316	10.58	1	0.12
22.	Community Development and Panchayati Raj—						
	(a) Community Development ..	..	..	3,440	14.91	..	..
	(b) Grama Panchayat	33	0.16
23.	Supply	14	0.11
	Total ..	456	60.45	7,963	196.55	4,295	25,34.36

(D) Rs. 325

(G) Rs. 364

IX

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the nature of the observations and the amounts
rupees)

Detailed bills for lump sum drawal not received		Vouchers not received		Payees' receipts not received		Advances paid to Government servants not received	
Number of items	Amount	Number of items	Amount	Number of items	Amount	Number of items	Amount
(6)		(7)		(8)		(9)	
7,010	4,95'31	..	..	3,730	1,99'95	536	0'79
113	2,68'69	..	..	597	50'53	236	0'40
13,987	11,18'59	431	4'39	3,532	1,20'88	2,714	4'32
..	..	..	..	215	8'53	3	(A)
4,542	5,22'63	..	..	3,784	1,14'32	289	3'98
306	16'18	18	0'14	516	17'08	271	0'48
868	1,68'81	65	3'66	76	7'07	124	0'05
488	38'75	91	9'90	..	..	..	..
..	..	298	22'72	144	45'25	..	..
91	0'40	2	(C)	162	3'71	24	0'05
22	0'26	240	40'33	413	11'41	101	0'29
257	59'81	90	5'39	2,411	3,67'58	70	0'11
3,136	1,66'91	8,571	5,18'32	90	1'32	346	0'91
738	12'43	55	1'53	258	3'19	14	0'02
..	..	398	78'17	875	2,23'00	..	..
..	..	9	0'56	..	..	..	..
14	0'43	..	..	22	1'77	6	0'01
50	17'37	..	..	169	19'45	7	0'01
154	27'09	..	..	168	15'86	30	0'08
85	0'20	..	..	..	..	1,190	0'55
394	29'32	..	..	1,488	83'29	219	0'44
145	3'69	..	..	33	0'45	20	0'02
224	5'44	9	0'03	..	..	77	0'62
..	..	..	..	39	0'74	81	0'18
1,327	1,05'31	578	16'90	1,458	37'30	177	0'99
1,558	1,26'66	143	3'04	818	78'35	462	1'86
8,863	1,57'21	..	..	8,808	1,30'34	1,239	2'75
235	14'39	..	..	179	3'71	31	0'07
535	18'64	..	..	..	..	12	0'03
45,142	33,74'52	10,998	7,05'08	29,985	15,45'08	8,279	19'01

(C) Rs. 500

(A) Rs. 164

APPENDIX

Sl. no.	Department	Agreement with contractors/suppliers not received		Overpayments or amounts disallowed in Audit not recovered		Sanctions to write-off of losses, etc. not received	
		Number of items	Amount	Number of items	Amount	Number of items	Amount
		10		11		12	
1.	Agriculture and Co-operation—						
	(a) Agriculture ..	..	..	5	0'01	..	..
	(b) Co-operation ..	..	..	..	..	..	..
2.	Revenue and Excise—						
	(a) Revenue ..	..	..	49	0'09	..	..
	(b) Excise ..	..	..	..	..	..	..
3.	Tribal and Rural Welfare	..	..	14	0'01	..	..
4.	Finance ..	..	..	38	0'01	..	..
5.	Industries ..	..	..	..	..	..	..
6.	Urban Development ..	21	13'89	..	..	11	2'73
7.	Rural Development ..	43	49'63	..	..	..	..
8.	Law ..	..	..	..	..	..	..
9.	Works ..	165	3,36'15	18	0'03	..	..
10.	Transport (Commercial)	..	..	..	..	..	..
11.	Health and Family Planning	..	..	..	..	..	..
12.	Irrigation and Power—						
	(a) Secretariat ..	..	..	..	..	..	..
	(b) Irrigation ..	3,546	91'35	696	2'35	..	..
	(c) Power ..	..	..	..	..	..	..
13.	Cultural Affairs ..	..	..	..	..	..	..
14.	Commerce ..	..	..	..	..	..	..
15.	Mining Geology ..	..	..	..	..	..	..
16.	Forest and Animal Husbandry—						
	(a) Forest ..	..	..	..	..	..	..
	(b) Animal Husbandry ..	..	..	20	0'04	..	..
17.	Labour, Employment and Housing	..	..	3	(E)	3	0'03
18.	Political and Services ..	..	..	8	(F)	..	..
19.	Planning and Co-ordination	..	..	..	..	..	..
20.	Education ..	..	..	..	..	..	..
21.	Home ..	..	..	15	0'01	..	..
22.	Community Development and Panchayati Raj—						
	(a) Community Development ..	..	..	..	..	..	..
	(b) Grama Panchayat ..	..	..	..	..	..	..
23.	Supply ..	..	..	2	(H)	..	..
	Total ..	3,775	4,91'02	868	2'55	14	2'76

(E) Rs. 14. (F) Rs. 305. (H) Rs.480

IX—Concl.

(Amount in lakhs of rupees)

Breach of financial propriety		Other reasons		Sanction to reserve stock limit or excess over reserve stock limit not received		Total	
Number of items	Amount	Number of items	Amount	Number of items	Amount	Number of items	Amount
13		14		15		16	
..	..	1,248	1,28'06	..	..	13,276	8,72'50
..	..	259	16'29	..	..	1,285	3,37'59
..	..	2,308	1,94'27	..	..	23,574	14,55'84
..	226	8'65
..	..	2,073	47'57	..	..	11,528	7,07'97
..	..	170	1'60	..	..	1,410	36'40
..	..	954	1,28'57	..	..	2,403	3,23'77
1	(B)	670	34'37	..	..	1,284	99'97
..	..	51	0'50	..	..	536	1,18'10
..	..	170	1'90	..	..	471	6'39
..	..	176	11'34	..	..	1,191	4,00'20
..	..	195	18'44	..	..	3,126	4,56'51
..	..	765	44'12	..	..	13,328	7,51'80
2	5'14	97	0'30	..	..	1,222	35'71
..	..	4	0'16	31	1,36'24	10,118	31,14'01
..	9	0'56
..	42	2'21
..	..	107	34'88	..	..	477	82'47
..	..	21	2'29	..	..	383	45'44
..	..	42	0'79	..	..	1,370	2'86
..	..	25	1'45	..	..	2,554	1,24'60
..	..	42	1'08	..	..	254	5'33
..	..	47	1'31	..	..	366	7'43
..	..	8	0'08	..	..	129	1'01
..	..	250	8'21	..	..	4,117	1,82'54
..	..	229	13'42	..	..	3,650	2,41'58
..	..	937	9'98	..	..	23,287	3,15'19
..	..	2	0'15	..	..	480	18'48
1	(I)	18	1'14	..	..	582	19'92
4	5'14	10,868	7,02'27	31	1,36'24	1,22,678	97,75'03

(B) Rs. 91 (I) Rs. 42

APPENDIX

(Reference : paragraph 94,

Inspection reports outstanding for more than one year at the end of

Sl. no.	Department	Number of reports and paragraphs outstanding for 5 years or more	
		Inspection reports	Paragraphs
1	2	3	4
1.	Community Development and Panchayati Raj	663	3,025
2.	Agriculture and Co-operation—		
	(a) Agriculture	271	694
	(b) Co-operation	18	51
3.	Revenue	252	676
4.	Works and Transport—		
	(a) Works	187	854
	(b) Transport	83	238
5.	Irrigation and Power—		
	(a) Irrigation	179	645
	(b) Electricity	121	230
6.	Industries	194	507
7.	Education	120	333
8.	Supply	107	167
9.	Rural Development	82	395
10.	Home	81	171
11.	Forest and Animal Husbandry—		
	(a) Forest	54	120
	(b) Animal Husbandry	63	125
12.	Urban Development—		
	(a) Urban Development	59	287
	(b) Public Health	27	74
13.	Tribal and Rural Welfare	57	199
14.	Health	39	90
15.	Finance	32	87
16.	Labour, Employment and Housing	7	18
17.	Commerce	15	44
18.	Political and Services	4	6
19.	Law	3	8
20.	Mining and Geology	4	62
21.	Cultural Affairs	1	2
22.	Planning and Co-ordination
	Total	2,723	9,108

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the 30th September 1973

Number of reports and paragraphs outstanding for 2 years but less than 5 years		Number of reports and paragraphs outstanding for one year or more but less than 2 years		Total	
Inspection reports	Paragraphs	Inspection reports	Paragraphs	Inspection reports	Paragraphs
5	6	7	8	9	10
405	3,380	100	866	1,168	7,271
203	898	41	187	515	1,779
18	64	8	21	44	136
298	1,052	66	244	616	1,972
209	1,016	60	348	456	2,218
97	510	19	71	199	819
248	1,139	81	593	508	2,377
163	360	90	188	374	778
117	512	32	226	343	1,245
197	759	50	159	367	1,251
66	148	23	54	196	369
111	472	32	201	225	1,068
84	235	24	67	189	473
101	345	31	135	186	600
43	97	14	46	120	268
66	381	16	124	141	792
32	106	6	25	65	205
33	215	2	20	92	434
61	195	12	59	112	344
81	354	24	246	137	687
11	42	4	13	22	73
24	82	8	35	47	161
3	19	2	2	9	27
17	32	4	6	24	46
4	81	..	..	8	143
5	15	..	..	6	17
4	5	..	..	4	5
2,701	12,514	749	3,936	6,173	25,558

APPENDIX XI

(Reference : paragraph 94 , page 97)

Common types of irregularities noticed during local Audit and inspection

Type of irregularities	Number of offices in which the irregularities noticed in the year 1972-73
I—Public Works divisions—	
(Total number of offices inspected—113 public works divisions and 34 other non-P. W. divisions which follow P. W. pattern of accounts.)	
(i) Non-observance of rules regarding record of measurements ..	3
(ii) Delay in debiting to contractor's ledger cost of materials issued ..	19
(iii) (a) Commencement and continuance of work without plan and estimate	10
(b) Delay in sanctioning technical estimate ..	12
(iv) Award of work without calling tenders ..	8
(v) Project started without sanction of estimate ..	2
(vi) Commencement of work by the contractor before execution of agreement	13
(vii) Issue of materials not provided in agreement and in excess of requirement	5
(viii) Irregularities in payment of bills ..	4
(ix) Commencement of work before issue of work order ..	3
(x) Acceptance of tenders other than the lowest ..	8
(xi) Allowing rates other than the schedule of rates to job workers ..	2
II—Treasuries and sub-treasuries—	
(Seven treasuries and ten sub-treasuries were inspected during 1972-73)	
(i) Non-realisation of security deposit from staff ..	6
(ii) Annual certificate of the safety of the strong room not obtained ..	7
(iii) Retention of spare pad locks without permission ..	1
(iv) Normal balance fixed for the sub-treasuries exceeded ..	5
(v) Interest on G. P. Notes remained undrawn for ten years or more not struck off	3
(vi) Date of death of pensioners and commencement of family pension not furnished	3
(vii) Payment of pensions without receipt of photos ..	13
III—Other offices—	
(Total number of offices inspected—602)	
(i) Non-realisation of security deposit from persons handling cash ..	19
(ii) Diversion of funds for other purposes ..	15
(iii) Expenditure incurred in excess of the prescribed limit ..	15