

Office of the Inspector General,
Orissa, Bhubaneswar.



Office of the Accountant General,
Orissa, Bhubaneswar.

R E P O R T
OF THE
COMPTROLLER AND
AUDITOR GENERAL
OF INDIA
FOR THE YEAR
1970-71

GOVERNMENT OF ORISSA

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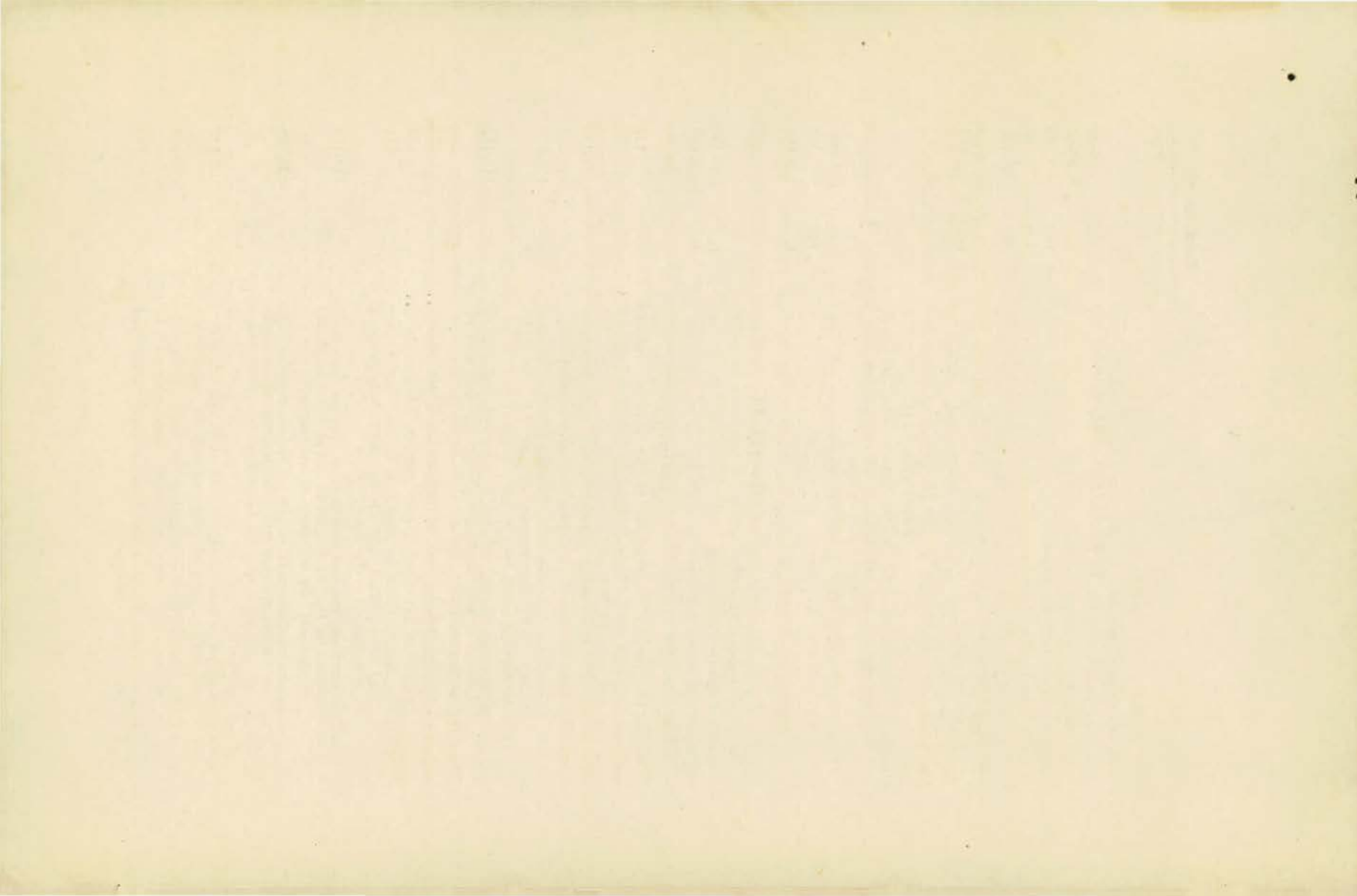
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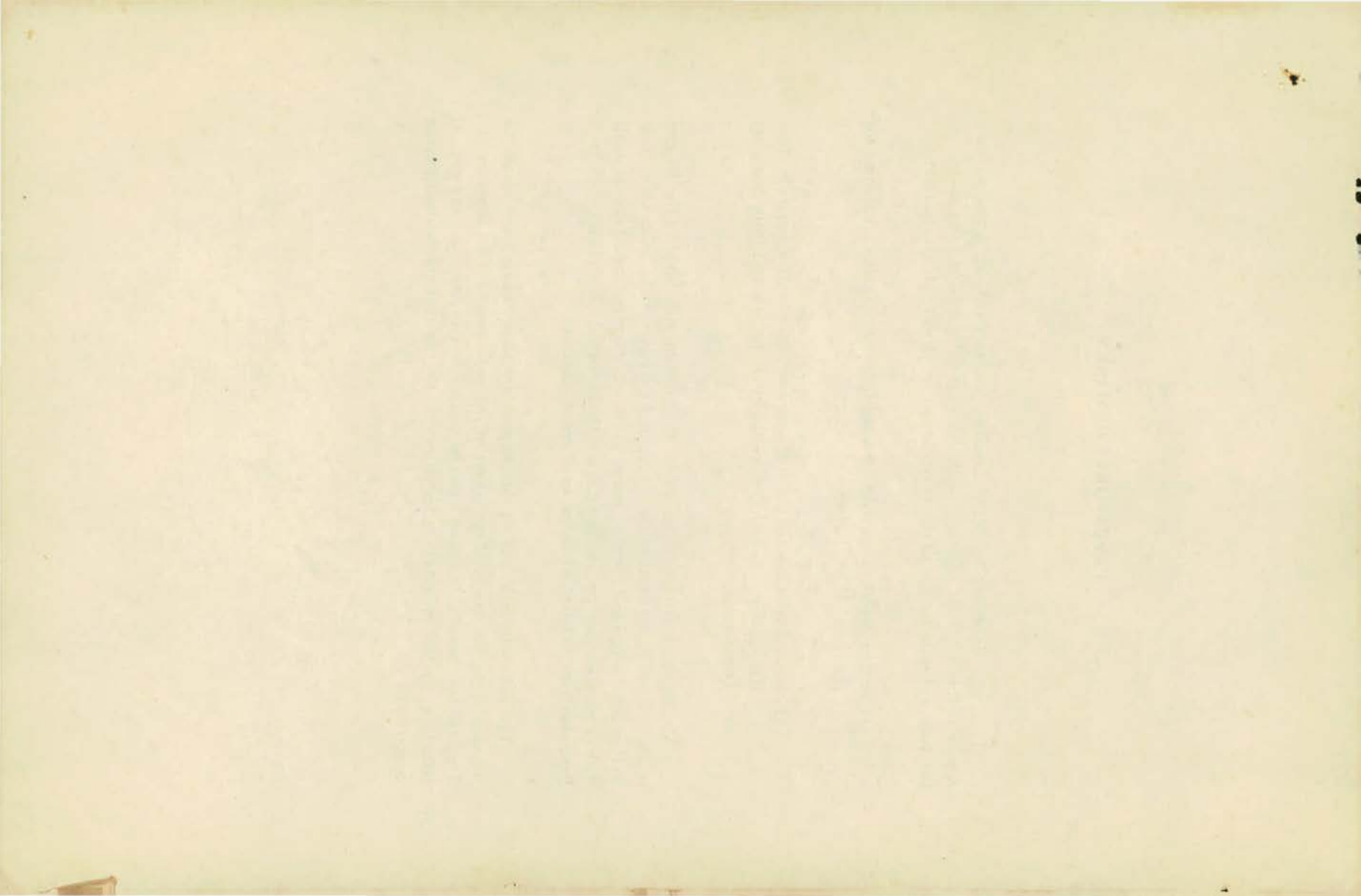
PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1970-71 together with other points arising from audit of the financial transactions of the Government of Orissa. It also includes:—

- (i) certain points of interest arising from the Finance Accounts for the year 1970-71; and
- (ii) matters relating to certain statutory and autonomous bodies, the accounts of which are audited by the Indian Audit and Accounts Department.

The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1970-71 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 1970-71 have also been included wherever considered necessary.

The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the departments. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/authorities concerned.



CHAPTER I

GENERAL

Transactions on revenue account—(a) The original budget estimates and actuals of revenue receipts, expenditure met from revenue and net revenue deficit/surplus for 1970-71 are shown below with the corresponding figures for the preceding two years :—

Year	Budget	Actuals	Variation		
			Amount	Percentage	
(In crores of rupees)					
<i>Revenue receipts</i>					
1968-69	123·08	116·62	-6·46	5	Revenue surplus(+) deficit(-) Year Budget Actual (In crores of rupees)
1969-70	121·38	131·12	+9·74	8	
1970-71	132·38	135·83	+3·45	3	
<i>Expenditure met from revenue</i>					
					1968-69 +0·89 -15·16
					1969-70 -9·54 +0·12
1968-69	122·19	131·78	+9·59	8	1970-71 -11·08 -4·05
1969-70	130·92	131·00	+0·08	1	
1970-71	143·46	139·88	-3·58	3	

(b) In 1970-71 revenue receipts exceeded the estimates by Rs. 3·45 crores while expenditure met from revenue fell short of the estimates by Rs. 3·58 crores. The year ended with a revenue deficit of Rs. 4·05 crores against an anticipated deficit of Rs. 11·08 crores.

(c) The scope and applicability of Entertainment Tax Act was extended to uncovered areas during 1970-71; this was not anticipated at the budget stage. The estimates of expenditure shown above do not take into account supplementary grants obtained for expenditure during the course of these three years. If these are taken into account, the position would be as follows :—

Year	Supplementary grant/ appropriation	Modified budget estimates of	
		Receipts	Expenditure
(In crores of rupees)			
1968-69	..	16·32	123·08 138·71
1969-70	..	12·10	121·38 143·02
1970-71	..	7·26	132·38 150·72

2. *Consolidated summary of transactions*—The following is a summary of Government's transactions for 1970-71 with comparative figures for the two preceding years :—

	1968-69	1969-70	1970-71
	(In crores of rupees)		
(1) Opening cash balance ..	+0.53	-7.50	+2.81
<i>Transactions on revenue account</i>			
(2) Revenue—			
(a) Taxes (including States' share of divisible Central taxes)	46.04	53.65	63.73
(b) Non-tax revenue ..	31.37	36.55	33.17
(c) Grants-in-aid from Central Government	39.21	40.92	38.93
Total—Revenue receipts ..	116.62	131.12	135.83
(3) Expenditure met from revenue ..	131.78	131.00	139.88
(4) Revenue deficit(—)/surplus(+)	.. -15.16	-0.12	-4.05
<i>Transactions outside the revenue account</i>			
(5) Receipts from borrowings (net) ..	23.90	24.87	23.18
(6) Disbursements outside the revenue account (net)			
(a) Capital expenditure ..	24.72	22.05	24.79
(b) Loans and advances by State Government	2.81	3.94	1.53
(7) Net effect of transactions outside the revenue account—surplus (+)/deficit (—) (5-6)	-3.63	--1.12	-3.14
<i>Contingency Fund and Public Account</i>			
(8) Net effect of transactions under the Contingency Fund, Provident funds, deposits and advances, remittances, etc.	10.76	11.31	11.82
(9) Net results of all transactions (4+7+8) ..	-8.03	+10.31	+4.63
(10) Closing cash balance ..	-7.50	+2.81	+7.44

Compared with 1969-70 the revenue of the State improved by Rs. 4.71 crores during 1970-71 while the expenditure on revenue account during the year increased by Rs. 8.88 crores.

The accumulated net revenue deficit of the State increased from Rs. 69.62 crores at the beginning of the year to Rs. 73.67 crores at the end of 1970-71.

The transactions during 1970-71 resulted in overall surplus of Rs. 4.63 crores which raised the overall surplus of Rs. 2.81 crores at the beginning of the year to Rs. 7.44 crores at the end of the year. The overall surplus of Rs. 4.63 crores during 1970-71 was due to surplus in the Contingency Fund and the Public Account (Rs. 11.82 crores) partly set off by revenue deficit (Rs. 4.05 crores) and deficit in the transactions outside the revenue account (Rs. 3.14 crores).

REVENUE RECEIPTS

3. (a) In 1970-71 revenue receipts showed increase of 4 per cent (Rs. 4.71 crores) over those in 1969-70. A comparative analysis of revenue receipts during the three years ending 31st March 1971 is given below :—

	1968-69	1969-70	1970-71	Percentage of revenue to total annual revenue during 1970-71
	(In crores of rupees)			
<i>Revenue raised by the State—</i>				
Tax revenue ..	26.05	28.40	33.27	25
Non-tax revenue ..	31.37	36.55	33.17	24
Total ..	57.42	64.95	66.44	49
<i>Receipts from Central Government—</i>				
States' share of divisible Central taxes	19.99	25.25	30.46	22
Grants-in-aid under Article 275 of the Constitution	30.35	26.02	24.03	18
Other grants ..	8.86	14.90	14.90	11
Total ..	59.20	66.17	69.39	51
Grand Total ..	116.62	131.12	135.83	100

During 1970-71 receipts from Central Government (Rs. 69.39 crores) were 51 per cent of the total revenue of the State for the year. The increased receipts during 1970-71 compared with those in 1969-70 (Rs. 3.22 crores) were mainly due to increase in States' share of the proceeds of Central taxes and duties assigned to the States (Rs. 5.21 crores) partly reduced by less statutory grants (Rs. 1.99 crores).

The revenue raised by the State during 1970-71 increased by Rs. 1.49 crores over that in 1969-70 and was due to increases under certain heads partly set off by decreases under certain others. These were mainly :—

(i) increase under sales tax (Rs. 3.04 crores) owing to better realisation and increase in the rate of tax on certain commodities,

(ii) increase under other taxes and duties (Rs. 1.21 crores) mainly due to more receipts from taxes and duties on electricity and taxes on goods and passengers carried by road,

(iii) decrease under multipurpose river schemes (Rs. 1.63 crores) due to inclusion of arrears in the previous year's receipts and

(iv) decrease under electricity schemes (Rs. 1.40 crores) due to less receipts from sale of power from Talcher Thermal scheme on account of transfer of completed portion of the power stations to Orissa State Electricity Board from 1st June 1970.

(b) *Additional resource mobilisation*—Government anticipated at the budget stage additional revenue of Rs. 6.02 crores during 1970-71 from (i) increase in the rates of cess on land (ii) rationalisation of assessment of agricultural income tax, (iii) reorientation of excise policy, (iv) *salami* for leasing Government lands, (v) revision of stamp duties, (vi) revision of sales tax rates, (vii) levy of tax on passenger fares, (viii) increase in electricity duty, (ix) increase in irrigation rates, (x) increase in rates of mining royalty, (xi) levy of toll on expressway no. 2, (xii) forests and (xiii) State lotteries. Government intimated that measures at (ii) and (x) did not materialise during 1970-71. No revenue was realised from the measure at (xiii). Revenue realised from the other ten measures was Rs. 6.19 crores against Rs. 5.77 crores anticipated. The scope and applicability of Entertainment Tax Act was extended to uncovered areas during the course of the year which was not contemplated at the budget stage and revenue of Rs. 0.04 crore was realised therefrom.

Rupees 26.38 crores were sanctioned and paid by the Government of India during 1970-71 as *ad hoc* loans to meet the resources gap during the year.

(c) *Arrears in collection of revenue and other receipts*—According to the information furnished by some of the departments of Government, arrears in collection of revenue, interest and other receipts at the end of March 1971 were Rs. 20.70 crores. Arrears were heavy under commercial taxes (Rs. 7.75 crores), electricity receipts including electricity duty (Rs. 2.92 crores), land revenue (Rs. 2.60 crores) forest leases (Rs. 1.52 crores) and interest receipts (Rs. 2.30 crores). The details of arrears are given in paragraph 63.

(d) *Write off and remission of claims to revenue*—During 1970-71 demands of Rs. 5.56 lakhs in 288 cases were written off, remitted or waived. The details of these cases are given in paragraph 64. Relief on account of legal expenses of Rs. 2 lakhs was granted in a dispute case of royalty on lease of iron and manganese mines, shortages of rice valuing Rs. 0.28 lakh were written-off and compassionate grants for Rs. 0.21 lakh were given by Government during 1970-71.

EXPENDITURE ON REVEUNE ACCOUNT

4. The expenditure on revenue account during 1970-71 was Rs. 139.88 crores as compared with Rs. 131.00 crores in 1969-70. The increase of Rs. 8.88 crores in 1970-71 was due to increase under certain heads partly set off by decreases under certain others. A comparative analysis of main increases and decreases along with the expenditure figures during the three years ending 1970-71 by broad group of Government activity is given below :—

	Expenditure			Increase(+)/decrease(—) over 1969-70	
	1968-69	1969-70	1970-71	Amount	Percentage
(In crores of rupees)					
<i>Debt Services—</i>					
Appropriation for Reduction or Avoidance of Debt	6.40	4.97	6.22	+1.25	25
Increase mainly due to more transfer to sinking funds for open market loans.					
<i>Administrative Services—</i>					
Police ..	6.03	6.48	7.51	—1.03	16
Increase mainly due to increase in dearness allowance to Government servants.					

	Expenditure			Increase (+)/decrease (-) over 196-70	
	1968-69	1969-70	1970-71	Amount	Percentage
(In crores of rupees)					
<i>Social and Developmental Services—</i>					
Education ..	18.79	20.39	23.64	+3.25	16
Increase mainly due to increase in dearness allowance to Government servants and increased expenditure on grants to non-Government secondary schools and grants to local bodies for primary education.					
Medical and Public Health	8.39	9.75	10.76	+1.01	10
Increase mainly under hospitals and dispensaries, medical colleges and schools and public health establishments.					
<i>Multipurpose River Schemes, Irrigation and Electricity Schemes—</i>					
Irrigation schemes ..	5.46	4.44	5.91	+1.47	33
Increase mainly due to adjustment of more interest on irrigation schemes for which revenue accounts were opened during 1970-71 and on account of more capital outlay on other irrigation schemes.					
<i>Public Works (including roads) and schemes of Miscellaneous Public Improvements</i>					
	9.06	7.79	8.71	+0.92	12
Increase due to more expenditure on maintenance and repairs of Government buildings and roads.					
Miscellaneous ..	17.05	11.97	9.52	-2.45	20

Decrease mainly due to less expenditure on relief works.

EXPENDITURE OUTSIDE THE REVENUE ACCOUNT

5. The expenditure recorded outside the revenue account includes, besides capital expenditure, the amount paid by Government as loans and advances (loans and advances are dealt with in paragraph 7 below).

6. (a) *Expenditure on capital account*—The expenditure on capital account during 1968-69, 1969-70 and 1970-71 is given below along with the budget estimates :—

Year	Budget	Actuals	Variation	
			Amount	Percentage
(In crores of rupees)				
1968-69 ..	17.85	24.72	+6.87	38
1969-70 ..	18.81	22.05	+3.24	7
1970-71 ..	24.98	24.79	-0.19	1

The figures under budget shown above are the original budget estimates. Supplementary provisions of Rs. 11.32 crores, Rs. 6.96 crores and Rs. 4.87 crores were subsequently made during 1968-69, 1969-70 and 1970-71 respectively.

(b) An analysis of the expenditure outside the revenue account during 1968-69 to 1970-71, the progressive outlay upto 1970-71 and the resources required to meet that expenditure is given below :—

Head of account	During 1968-69	During 1969-70	During 1970-71	Progressive outlay up to 1970-71
	(In crores of rupees)			
<i>I—Capital expenditure on—</i>				
(i) Irrigation schemes ..	6.54	4.47	4.61	75.33
(ii) Multipurpose river schemes ..	6.48	5.34	8.80	101.94
(iii) Electricity schemes ..	1.28	2.49	1.42	35.69
(iv) Agriculture ..	0.81	1.10	1.10	17.03
(v) Public Works ..	3.24	2.30	4.18	76.62
(vi) Schemes of industrial and economic development	3.32	5.53	5.29	40.45
(vii) Other items (such as, Public health, other works, ports, roads and water transport, forest and Government trading)	3.05	0.82	—0.61 (a)	28.00
(viii) Appropriation to the Contingency Fund	..	..	..	2.00
II— Net outgo under loans and advances by State Government (after taking into account recoveries of loans)	2.81	3.94	1.53	80.56
Total—Expenditure outside the Revenue Account	27.53	25.99	26.32	457.62
III— <i>All—Revenue Deficit/Deduct—Revenue surplus</i>	15.16	—0.12	4.05	73.67
IV—Resources required for expenditure outside the revenue account and for meeting revenue deficit or after utilising revenue surplus	42.69	25.87	30.37	531.29

(a) Comprises of (i) net *minus* expenditure under 'schemes of Government trading' (Rs. 1.48 crores) due to credits being more than debits in personal ledger accounts and (ii) capital outlay on other heads (Rs. 0.87 crore).

(c) The sources from which expenditure outside the revenue account including that on loans and advances during 1968-69 to 1970-71 and upto 1970-71 were met, were as follows :—

Head of account	During 1968-69	During 1969-70	During 1970-71	Progressive outlay up to 1970-71
	(In crores of rupees)			
I—Net addition to—				
(i) Permanent debt ..	1·55	7·79	4·39	65·24
(ii) Floating debt ..	9·61	—17·72	0·98	1·88
(iii) Loans from Central Government	11·50	33·90	16·34	384·41
(iv) Loans from other sources and Provident fund balances	2·78	3·29	6·17	33·41
II—Miscellaneous(excess of deposits, etc., received by Government over payments on that account excluding investment of cash balances)	9·22	8·91	7·06	54·71
III— <i>Deduct</i> —increase(—)/ decrease (+) in cash balance and investment of cash balances	8·03	—10·30	—4·57	—8·36
IV—Resources available for expenditure outside the revenue account and for meeting revenue deficit or after utilising revenue surplus	42·69	25·87	30·37	531·29

LOANS AND ADVANCES BY GOVERNMENT

7. (a) Comparative analysis of budget estimates and actuals of loans and advances by the State Government and recoveries thereof during the three years ending March 1971 are given below:—

Year	Budget	Actual	Variation		Year	Budget	Actual	
			Amount	Percentage				(In crores of rupees)
<i>Disbursement</i>								
1968-69 ..	2·77	5·68	+2·91	105	<i>Net outgo</i>			
1969-70 ..	3·10	7·88*	+4·78	154		1968-69 ..	—1·50	2·81
1970-71 ..	3·72	5·29	+1·57	42		1969-70 ..	—0·60	3·04
<i>Recoveries</i>								
1968-69 ..	4·27	2·87	—1·40	33	1970-71 ..	—0·56	1·53	
1969-70 ..	3·70	3·94	+0·24	6				
1970-71 ..	4·28	3·76	—0·52	12				

The budget estimates of disbursements shown above do not include supplementary grants of Rs. 4·79 crores, Rs. 5·29 crores and Rs. 1·71 crores subsequently obtained during 1968-69, 1969-70 and 1970-71 respectively.

* Excludes Rs. 17·24 crores being the capital expenditure incurred by Government on electricity generating assets of Hirakud system transferred to the Orissa State Electricity Board and treated as loan during 1969-70.

(b) The outstanding balances under loans and advances at the end of 1970-71 and the preceding two years together with the increase in the outstanding balance during 1970-71 are analysed below :—

	Outstanding on 31st March			Increase(+)/ decrease(-) over 1969-70
	1969	1970	1971	
	(In crores of rupees)			
Loans to Statutory Boards and Government companies—				
Loans to Orissa State Electricity Board—				
(a) for financing power schemes (cash loans)	6.90	8.22	9.59	+1.37
(b) value of assets transferred as loans	17.45	34.69*	34.69	..
Loans to Industrial Development Corporation	5.40	7.46	7.35	-0.11
Loans to State Commercial Transport Corporation	2.10	2.10	2.10	..
Loans to Orissa Mining Corporation	1.66	1.41	1.41	..
Loans to other Statutory Boards and Government companies	1.53	1.48	1.69	+0.21
Loans to cultivators ..	8.26	7.07	6.61	-0.46
Loans to local bodies ..	1.65	1.78	1.94	+0.16
Loans to displaced persons ..	1.61	1.89	1.94	+0.05
Loans to various housing schemes ..	3.43	3.09	3.25	+0.16
Loans to Co-operative institutions and Banks	3.76	4.02	4.31	+0.29
Other loans and advances ..	4.10	5.82	5.68	-0.14
Total ..	57.85	79.03	80.56	+1.53

The detailed accounts of loans and advances to municipalities, district boards and other local fund committees, land holders and other notabilities, Government servants and under the State-aid to Industries Act (balance of these loans on 31st March 1971 : Rs. 4.05 crores) are maintained by the Audit office and of all other classes of loans and advances (balance of these loans on 31st March 1971 : Rs. 76.51 crores) by officers of the State Government.

(c) Mention was made in paragraph 7 (c) of Report of the Comptroller and Auditor General of India for the year 1969-70 about the necessity of ascertaining at regular intervals that loans and advances are utilised for the purpose and on the objects for which these are sanctioned. The final decision of Government is awaited (January 1972).

* Includes Rs. 17.24 crores representing capital expenditure incurred by Government on electricity generating assets of Hirakud system transferred to the Orissa State Electricity Board and treated as loan.

8. Arrears in recovery of loans—

(a) Cases in which detailed accounts are kept in the Audit office—Of these loans recovery of Rs. 25.07 lakhs towards principal and Rs. 28.12 lakhs towards interest was overdue at the end of March 1971 as shown below :—

	Principal	Interest
	(In lakhs of rupees)	
(i) Borrowers under the State-aid to Industries Act ..	9.05	12.96
(ii) Municipalities ..	6.30	10.24
(iii) Government servants ..	6.74	2.34
(iv) District and local fund committees ..	2.98	2.58
Total ..	25.07	28.12

Of the total arrears of Rs. 53.19 lakhs, recovery of Rs. 8.05 lakhs towards principal and Rs. 13.38 lakhs towards interest was in arrears for three years or over.

(b) Loans detailed accounts of which are maintained by officers of the State Government—According to the standing instructions of Government, the departmental officers are required to intimate to Audit by 31st May each year the arrears (as on 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 31st March 1971 has been received from twenty departments so far (January 1972); the information received shows that recovery of Rs. 9,45.85 lakhs (principal : Rs. 7,43.91 lakhs and interest ; Rs. 2,01.94 lakhs) was in arrears. An analysis of the arrears is given below :—

Loans to Co-operative institutions and banks—	Arrears as on 31st March 1971	
	Principal	Interest
	(In lakhs of rupees)	
Co-operative institutions and banks ..	60.50	9.20
Power-loom weavers co-operative societies ..	19.25	15.19
Orissa State Co-operative Marketing Society ..	15.09	0.01
Fisheries co-operative societies ..	13.14	2.28
Aska Co-operative Sugar Industries ..	12.00	0.42
Kalinga co-operative silver filigree works ..	9.36	..
Co-operative societies for housing schemes ..	8.70	9.04
Farming co-operative societies ..	7.57	4.98
Large scale co-operative societies ..	7.24	3.67
Orissa State Handloom Weavers Co-operative Society ..	7.17	0.77
Consumers' co-operative societies ..	5.79	5.23
Labour contract co-operative societies ..	2.27	1.08
Weavers' co-operative societies for housing colonies ..	2.24	3.13
Regional co-operative marketing societies ..	1.85	0.79
Orissa weavers co-operative spinning mills ..	1.40	1.05
Panchayat samiti Industries ..	1.20	..
Tribal co-operative societies ..	0.28	..

	Arrears as on 31 st March 1971	
	Principal	Interest
	(In lakhs of rupees)	
Loans to land holders and other notabilities—		
Loans to Rulers of ex-states ..	0.12	..
Loans under Community Development Programme— Grama panchayats and panchayat samitis.	1.96	0.82
Advances to cultivators—		
Agriculturists ..	3,79.35	61.67
Loans to statutory corporations, boards and Government companies—		
Orissa Industrial Development Corporation ..	1,22.56	..
Orissa State Electricity Board ..	..	74.82
Orissa Fisheries Development Corporation ..	11.17	6.43
Orissa Mining Corporation ..	11.00	..
Orissa Construction Corporation ..	8.00	0.40
Orissa Agro and Small Industries Corporation ..	6.00	..
<u>Orissa Road Transport Corporation</u> ..	0.60	..
Miscellaneous loans and advances—		
Displaced goldsmiths ..	12.63	..
Industrial units including co-operatives ..	7.02	..
Private dairy farms and poultry farmers ..	6.16	..
Jagannath Temple ..	1.50	0.14
Orissa Hindu Religious Endowment Fund ..	0.79	0.69
Orissa Flying Club ..	..	0.13
Total ..	7,43.91	2,01.94

9. *Delay in conveying acceptances of loan balances by departmental officers—*(a) The balances of loans are communicated to departmental officers every year for verification and acceptance. The acceptance of such balances on 31st March 1971 of loans, detailed accounts of which are kept in the Audit office, was not received in 745 cases (total balance of Rs. 1.80 crores). The earliest of these outstanding acceptances date back to 1966-67.

(b) In cases where detailed accounts of loans are maintained by departmental officers, those officers are required at the end of each year to certify 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 the Audit office. Reconciliation has not been done in several cases and consequently acceptances of balances worked out in the Audit office have not been received in 119 cases (Rs. 10.58 crores some of these relate to 1962-63).

DEBT POSITION

10. *Public debt*—(a) The total public debt of Government increased by Rs. 23.18 crores during 1970-71 as shown below :—

	Receipt	Payment	Net increase(+)
(In crores of rupees)			
Open market loan ..	6.67(a)	2.28	4.39
Floating debt ..	1.88	0.90	0.98
Loans from Central Government ..	49.30	32.96	16.34
Loans from autonomous bodies ..	2.07	0.60	1.47
Total ..	59.92	36.74	23.18

During 1970-71 Government raised a loan of Rs. 6.67 crores. The loan bears 5½ per cent interest and is repayable at par in 1982. Out of Rs. 6.67 crores realised, Rs. 4.62 crores were realised in cash and the balance by conversion of 4¼ per cent Orissa Government Loan 1970.

Repayment of Rs. 2.28 crores represents discharge of expired loans to the extent tendered for discharge during the year. Rupees 1.32 crores of the expired loans are yet to be discharged as shown below :—

	Year of discharge	Repayment during 1970-71	Balance un- discharged
(In crores of rupees)			
4 per cent Orissa Government loan 1968 ..	1968-69	0.02	0.12
4 per cent Orissa Government loan 1969 ..	1969-70	0.03	0.15
4 1/4 per cent Orissa Government loan 1970 ..	1970-71	2.23	1.05

(a) Excludes Rs. 0.11 crore received on account of Orissa Government loans raised during 1969-70 and earlier years lying under 'T—Deposits and Advances—Civil Deposits' pending transfer to the head 'Public debt' on issue of scrips.

Ways and means advances of Rs. 1.88 crores (normal: Rs. 0.90 crore and special: Rs. 0.98 crore) were availed of by Government from the Reserve Bank of India on 31st March 1971. The repayment of Rs. 0.90 crore during the year represents the balance of the ways and means advances outstanding at the beginning of the year.

Out of the total repayment of Rs. 36.74 crores, repayment of Rs. 0.60 crore of loan from autonomous bodies was charged to revenue account.

(b) The outstanding public debt of the State at the end of March 1971 was Rs. 464.88 crores. An analysis of the debt, with the corresponding figures at the end of the preceding two years, is given below :—

	Public debt on 31st March		
	1969	1970	1971
	(In crores of rupees)		
Open market loans ..	57.97	60.96	65.35*
Floating loans—			
(a) Ways and means advances from the Reserve Bank	2.70	0.90	1.88
(b) Overdrafts from Reserve Bank ..	15.92	..	..
Loans from Central Government ..	334.17	368.07	384.41
Loans from autonomous bodies ..	10.87	11.77	13.24
Total ..	421.63	441.70	464.88

11. *Other debt and obligations*—In addition to public debt, the net balance 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 liabilities of Government. Such liability at the end of 1970-71 was Rs. 75.96 crores. Taking into account the regular debt and these liabilities together the debt position of Government at the end of each of the three years ending 1970-71 was as follows :—

	Total debt on 31st March		
	1969	1970	1971
	(In crores of rupees)		
Public debt ..	421.63	441.70	464.88
State provident funds ..	13.08	15.47	20.17
Sinking funds, reserve funds and deposit accounts	28.67	30.31	31.00
Deposits of local funds and civil deposits (excluding balances of market loans)	19.63	21.13	24.79
Total ..	483.01	508.61	540.84

* Includes Rs. 0.11 crore lying under deposit head pending transfer to this head on issue of scrips.

12. *Loans from Central Government*—(a) Loans from Central Government (Rs. 384.41 crores) constitute 83 per cent of the total public debt of Government. During 1970-71 Rs. 16.34 crores were added to this debt mainly on account of loans for financing development scheme (Rs. 3.58 crores) and for other miscellaneous schemes (Rs. 20.05 crores) partly set off by repayments on account of loans for flood and drought relief (Rs. 2.19 crores), Hirakud Dam Project (Rs. 1.99 crores) and Paradeep Port Project (Rs. 1.03 crores).

In order to improve the ways and means position of the State during 1970-71 Government of India paid Rs. 26.38 crores as *ad hoc* loans to meet the resource gap of the State Government. Rupees 4.60 crores were also received from Government of India as lump sum advances during the year for Centrally sponsored Plan schemes; of these Rs. 4.40 crores were adjusted as grants and Rs. 0.20 crore were converted as loans during the year.

Rupees 20.10 crores were received from Government of India as loans during 1970-71 for State Plan schemes.

(b) *Rehabilitation loans*—

(i) *Loans to displaced persons from East Pakistan*—To end of March 1967 Government of India paid Rs. 1,21.70 lakhs as loan for rehabilitation of displaced persons from East Pakistan. A further loan of Rs. 1.76 lakhs was granted for the purpose during 1970-71. The revised terms decided by Government of India in August 1959 for repayment of these loans have been accepted by the State Government; Rs. 83.74 lakhs and Rs. 27.50 lakhs as principal and interest respectively were due for payment to Government of India on 31st March 1971 according to these terms and conditions. The State Government is, however, paying to Government of India only the sums actually realised from the displaced persons. During 1970-71 Rs. 0.62 lakh towards instalments of principal and Rs. 1.45 lakhs towards interest on loans were repaid.

In June 1964 Government of India decided that State Government should be absolved of the responsibility for sharing any portion of losses on the loans granted to displaced persons from East Pakistan prior to 31st March 1964 (other than those granted to displaced persons migrating after 31st December 1963). Rupees 11.78 lakhs so far worked out by the State Government as loss on a portion of the loan has been remitted during 1970-71; such remissions to end of 1970-71 were Rs. 14.24 lakhs.

(ii) *Loans to repatriates from Burma*—Between December 1968 and March 1971 Government of India paid Rs. 45.18 lakhs as loans for rehabilitation of repatriates from Burma. According to the terms prescribed by Government of India Rs. 2.99 lakhs towards principal and Rs. 3.83 lakhs towards interest were due for payment to Government of India on 31st March 1971. State Government, however, decided to pay only the sums realised from the Burma repatriates; of the instalments of principal and interest due no payment was made to the Government of India during 1970-71.

13. *Arrangements for amortisation of Public debt*—The sinking funds created by State Government for amortisation of loans are given below :—

	Out- standing balance of loans for which sinking funds have been created	Balance in the sinking funds on 1st April 1970	Addi- tions to the sinking funds during 1970-71	With- drawals from the sinking funds during 1970-71	Balance in the sinking funds on 31st March 1971	Invest- ments of sinking funds at the end of 1970-71
(In crores of rupees)						
Ten market loans raised between 1959-60 and 1970-71	63.93	33.04	5.34	4.68	33.70	12.66
Loans from Central Government for Industrial housing scheme and share of market borrowings in 1963 in lieu of open market loan 1975	8.15	1.30	1.18	..	2.48	0.10
Loans from Life Insurance Corporation of India for various housing schemes	9.13	0.26	0.08	..	0.34	..
Total	81.21	34.60	6.60	4.68	36.52	12.76

For amortisation of loans raised in the open market contribution at 1½ per cent of the total nominal amount of loans is to be set apart annually to form a depreciation fund for purchasing securities of the loans for cancellation. In addition an annual contribution is made to the sinking funds at such rates as Government may decide from time to time.

For loans taken from Central Government for industrial housing scheme (Rs. 15.32 lakhs) and for the share out of market borrowings in 1963 received from the Government of India in lieu of open market loan 1975 (Rs. 8 crores), amortisation arrangements have been made by making contribution to a sinking fund every year. Amortisation arrangement has also been made by making contribution to a sinking fund for the loans taken from the Life Insurance Corporation for various housing schemes (Rs. 9.13 crores). No amortisation arrangements have been made for the remaining loans from Central Government (Rs. 376.26 crores) and loans from autonomous bodies (Rs. 4.11 crores); these loans are repaid by State Government as and when due.

During 1970-71 Rs. 5.62 crores were appropriated from revenue to these sinking funds. The accumulated balance of Rs. 4.05 crores in the sinking fund of Orissa Government loan 1970 was transferred to the head 'Miscellaneous Government account' on maturity of the loan during 1970-71. Rupees 0.62 crore lying in the sinking funds of the Orissa Government loan 1969

(Rs. 0.30 crore) (matured during 1969-70) and Orissa Government loan 1968 (Rs. 0.32 crore) (matured during 1968-69) were also transferred to the head 'Miscellaneous Government account' during 1970-71. These loans ceased to bear interest from the date notified for discharge.

Out of the balance of Rs. 36.52 crores in the sinking funds to end of 1970-71, Rs. 12.76 crores were invested. The face value of the securities purchased from various sinking funds to end of March 1971 was Rs. 12.88 crores; their market value on 31st March 1971 as intimated by the Reserve Bank of India was Rs. 12.84 crores.

14. *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 1970-71 and the two preceding years was as follows :—

	1968-69	1969-70	1970-71
	(In crores of rupees)		
(1) Interest paid by Government on debt and other obligations—			
(a) Market loan ..	2.60	3.10	3.22
(b) Loans from Central Government ..	15.38	15.77	15.88
(c) Other debt and obligations ..	1.50	1.60	1.54
Total ..	19.48	20.47	20.64
(2) <i>Deduct</i> —Interest received on loans and advances given by State Government, investment of cash balances and recoveries from Zamindari Abolition Fund	3.84	6.34	3.89
(3) Net burden of interest charges on revenue ..	15.64	14.13	16.75
(4) Percentage of gross interest to total revenue receipts	17	16	15
(5) Percentage of net interest to—			
(a) total revenue receipts ..	13	11	12
(b) total revenue raised by the State ..	20	22	25
(6) Other interest receipts and adjustments—			
(a) Interest received from commercial departments	10.77	7.54	7.80
(b) Interest on arrears of revenue and other interest receipts	0.24	0.17	0.29
(7) Net amount of interest charges after deducting the interest receipts shown at item (6) above	4.63	6.42	8.66

ADVANCES AND OVERDRAFTS

15. (a) Under an agreement with the Reserve Bank of India, Government of Orissa has to maintain with the Bank a minimum balance of Rs. 30 lakhs on all days. The Bank advances ways and means advances when the cash balance falls short of this minimum. The limit for normal ways and

means advances has been fixed as Rs. 0.90 crore. The Bank has also agreed to give special ways and means advances upto Rs. 1.80 crores against pledge of Government of India securities. If even 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. The cash balance fell short of the minimum on four days in April 1970 and one day in March 1971 which was made up by taking ways and means advances.

Treasury bills of Government of India of Rs. 84.75 crores were re-discounted on various dates during the year to make up deficiency in the cash balance.

Ways and means advances of Rs. 1.88 crores were obtained from the Reserve Bank of India on 31st March 1971 (normal: Rs. 0.90 crore and special: Rs. 0.98 crore); normal ways and means advances of Rs. 0.90 crore outstanding at the end of the previous year was repaid in April 1970 leaving the balance of Rs. 1.88 crores at the end of the year. Interest paid on the advances during the year at 4 per cent during April 1970 and at 5 per cent during March 1971 was Rs. 0.07 lakh.

The cash balance with the Reserve Bank on 31st March 1971 as shown in Government account was Rs. 7.30 crores and represents the balance after (a) taking into account the inter-Governmental monetary settlement pertaining to 1970-71 advised to the Reserve Bank upto 27th April 1971 and (b) including Rs. 1.88 crores which on 31st March 1971 were outstanding as ways and means advances taken from the Bank.

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 1969 ..	-7.73	2.70	15.92
31st March 1970 ..	2.58	0.90	..

GUARANTEES

16. (a) Government has contingent liabilities arising out of guarantees given to third parties for repayment of loans, bonds and payment of interest thereon, payment of share capital and payment of minimum dividend thereon, cash credits, etc., on behalf of statutory corporations, Government companies, joint stock companies, Co-operatives, a municipality and private parties.

The parties on whose behalf guarantees have been given and the loan, etc., raised by them and outstanding at the end of 1970-71 are given below :—

	Total amount guaranteed	Amount of loans, etc., actually raised against the guarantee and outstanding on 31st March 1971	Outstanding guarantee commission
(In lakhs of rupees)			
<i>Statutory corporations—</i>			
Orissa State Electricity Board ..	18,24.56	16,02.89	0.65
Orissa State Financial Corporation ..	3,40.00	3,40.00	..
<i>Government companies—</i>			
Industrial Development Corporation ..	10,83.09	7,04.69	11.38
Orissa Mining Corporation ..	6,13.93	4,88.09	5.33
Fourteen other Government companies	46.30	23.55	0.55
<i>Joint-stock companies—</i>			
Indian Metals and Ferro Alloys ..	1,12.00	59.75	1.40
Five other joint-stock companies ..	29.91	8.36	1.65
<i>Co-operatives—</i>			
Orissa State Co-operative Land Development Bank	18,00.00	14,06.11	..
Orissa State Co-operative Bank ..	7,55.00	1,37.42	..
Two Co-operative Sugar Industries ..	2,50.00	1,63.50	..
One hundred and six other co-operative societies	1,70.99	1,21.89	0.86
<i>Local bodies—</i>			
Berhampur Municipality ..	4.91	3.19	..
<i>Private parties—</i>			
Three private parties ..	3.66	2.16	0.04
Total ..	70,34.35	50,61.60	21.86

(b) In consideration of the guarantees given by Government, the beneficiaries are to pay to Government guarantee commission at rates varying from $\frac{1}{4}$ per cent to $1\frac{1}{2}$ per cent. According to the information furnished by some of the departments, the outstanding guarantee commission due from beneficiaries was Rs. 21.86 lakhs.

(c) In order to fulfil the guarantees for payment of annual minimum dividend on the paid-up share capital of Orissa State Financial Corporation for 1969-70 Government paid Rs. 1.40 lakhs during 1970-71; the total subvention so far paid was Rs. 13.52 lakhs. The subventions paid are to be repaid by the Corporation out of its future profits.

(d) In 1969-70 Government constituted a guarantee reserve fund to meet 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, etc. from out of the payments made by Government in fulfilment of the guarantee obligation are to be credited to this fund. During 1970-71 Rs. 10.00 lakhs were contributed from revenue to this fund and Rs. 12.64 lakhs were paid from the fund in discharging guarantee obligation in favour of two Government companies, two joint-stock companies and three co-operatives. The balance at the credit of the fund on 31st March 1971 was Rs. 7.36 lakhs.

(e) Mention was made in paragraph 16 (c) of Report for the year 1969-70 that Rs. 25.64 lakhs were paid by Government during 1969-70 discharging guarantee obligation in favour of Orissa Spinning Mills, Cuttack. Rupees 2.36 lakhs were paid during 1970-71 to the Orissa State Financial Corporation on behalf of the Mills representing interest on the loan of Rs. 19.00 lakhs. The total payments upto 1970-71 were Rs. 28.00 lakhs.

The total payments made by Government to end of 1970-71 in discharging guarantee obligations to third parties were Rs. 50.63 lakhs. No recovery has been made from the principal debtors so far (October 1971).

(f) Rupees 4,00.86 lakhs were invested by Government in loans raised by the Orissa State Electricity Board (Rs. 2,92.87 lakhs), Orissa State Co-operative Land Development Bank (Rs. 29.30 lakhs) and other co-operative institutions (Rs. 78.69 lakhs) where repayment of the loans raised was guaranteed by Government itself. No security has been obtained for the investment or the guarantee for the investment of Rs. 3,22.16 lakhs and no particulars have been received for the balance investment of Rs. 78.69 lakhs.

INVESTMENTS OF GOVERNMENT

17. (a) *Investment in Government commercial and trading activities—*

(1) *Investments in statutory corporations /Board, Government companies, joint-stock companies and co-operative institutions—(a)* In 1970-71 Government invested Rs. 5,35.96 lakhs in shares of Government companies (Rs. 3,77.60 lakhs), joint stock companies (Rs. 10.55 lakhs) and co-operative institutions (Rs. 1,02.81 lakhs). In addition, Rs. 45 lakhs were invested in debentures of co-operative institutions. During 1970-71 shares of value of Rs. 0.84 lakhs in six Government companies were transferred to private entrepreneurs, Rs. 1.24 lakhs were realised as share value from a joint-stock company liquidated and debentures of Rs. 5.00 lakhs invested in a statutory board were sold.

The total investment of Government in the share capital and debentures of statutory corporations/Board, Government companies, joint-stock companies and co-operatives at the end of 1968-69, 1969-70 and 1970-71 were Rs. 34.26 crores, Rs. 39.65 crores and Rs. 44.94 crores respectively. Dividend and interest received therefrom was Rs. 0.22 crore, Rs. 0.25 crore and Rs. 0.64 crore respectively. Further details are given in Appendix I. The salient points noticed in audit of some of these bodies are detailed in Chapter VII.

Information about the details of shares, transfer of ownership of shares in favour of Government etc., of four joint-stock companies in which Rs. 12.61 lakhs were invested by the rulers of *ex-princely* States and brought to Government account on merger of those States has not so far been furnished by Government (October 1971).

Rupees 0.50 lakh were invested in Export House, a company floated during 1970-71. Details of shares, etc. for this investment have not been furnished by Government (January 1972).

(b) *Other investments*—(i) By the end of 1970-71 Government had also invested Rs. 9.23 crores from balances of earmarked funds in (i) securities of Government of India (Rs. 3.27 crores), Government of Orissa (Rs. 0.28 crore) and ten other State Governments (Rs. 5.63 crores) and (ii) debentures of Ahmedabad Municipal Corporation (Rs. 0.05 crore).

Interest realised during 1970-71 on the above investments was Rs. 43.37 lakhs.

(ii) In addition, Rs. 0.92 crore were held in the cash balance investment account at the end of 1970-71 of which Rs. 0.60 crore were invested in the securities of the Government of India and 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 1970-71 was Rs. 4.31 lakhs. Investments in Government of India treasury bills are also shown in this account; treasury bills of Rs. 84.75 crores were re-discounted on various dates during 1970-71 and interest realised on this account was Rs. 44.81 lakhs.

18. *Financial results of irrigation schemes*—At the end of March 1971 the capital invested in the three major and fourteen medium irrigation projects was Rs. 67.20 crores comprising the following:—

(i) Outlay of Rs. 58.08 crores on Mahanadi Delta Irrigation Project (Rs. 34.34 crores), Salandi Irrigation Project (Rs. 14.00 crores) and six other medium irrigation projects (Rs. 9.74 crores); the financial results of these projects could not be worked out since information about the revenues earned by the projects was not made available by the department.

The working expenses of, and the interest on capital invested on, these projects in 1970-71 were Rs. 0.41 crore and Rs. 3.25 crores respectively.

(ii) Outlay of Rs. 5.82 crores on one major and six medium irrigation projects under construction.

(iii) Outlay of Rs. 3.29 crores on Orissa canal project and Rushikulya system of which the accumulated net deficit to end of March 1971 was Rs. 5.60 crores. The working results of these two projects during 1970-71 and the preceding two years are given below:—

	1968-69	1969-70	1970-71
	(In lakhs of rupees)		
Gross revenue ..	61.57	65.20	38.81
Working expenses ..	42.34	37.38	40.94
Net revenue/loss before charging interest	+19.23	+27.82	-2.13
Interest on capital ..	10.86	10.86	10.86
Net revenue/loss after charging interest	+8.37	+16.96	-12.99

19. *Financial results of electricity schemes*—(a) With the formation of the Orissa State Electricity Board in March 1961 all completed transmission and distribution systems constructed by Government have been transferred to the Board. Completed portion of the power stations of Talcher Thermal scheme was transferred to the Board from 1st June 1970. To end of March 1971 assets provisionally valued Rs. 34.69 crores have been transferred and treated as loan to the Board. This excludes the value of assets of the power station of the Talcher thermal scheme (valued provisionally Rs. 31.30 crores) declared as transferred to the Board in June 1970. Pending receipt of detailed information about assets so transferred adjustment in accounts could not be made. The final allocation of assets and liabilities of these schemes/projects transferred to the Board upto March 1971 is yet to be made (October 1971). In addition Government has given Rs. 9.59 crores as cash loans to the Board for financing power schemes. Government also invested Rs. 2.93 crores in the debentures of the Board.

(b) Capital expenditure incurred to end of 1970-71 on the power projects retained by Government was Rs. 35.92 crores and includes the followings:—

(i) Machkund Hydro-Electric (Joint) Scheme undertaken jointly with the Government of Andhra Pradesh which is executing the project; capital invested by Government to end of 1970-71 was Rs. 4.63 crores. Debits raised by the Government of Andhra Pradesh for Rs. 74.54 lakhs representing Orissa's share of capital expenditure during 1959-60 to 1970-71 have not yet been accepted by the Government of Orissa.

(ii) Talcher Thermal scheme on which capital invested by Government was Rs. 31.31 crores. The scheme is under construction. Revenue account of the scheme was opened from 1968-69.

A summary of the financial result of the electricity schemes retained by Government is given below:—

	Machkund Hydro-Electric (Joint) Scheme	Talcher Thermal Scheme
	(In lakhs of rupees)	
Gross receipt ..	26.90	67.35
Working expenses ..	38.78	1,54.66
Net revenue before charging interest ..	-11.88	-87.31
Interest on capital ..	17.60	1,75.74
Net return ..	-29.48	-2,63.05

GRANTS-IN-AID

20. (a) In 1970-71 Rs. 22.63 crores were paid as grants to non-Government bodies, institutions and individuals against Rs. 21.00 crores paid during 1969-70; this formed 16 per cent of Government's total expenditure on revenue account. Of the grants paid 'Education' alone claimed about 70 per cent. An analysis of the grants paid is given below:—

Name of the department	Amount (In crores of rupees)
Education ..	15.67
Community Development and Panchayati Raj	2.29
Agriculture ..	1.13
Forest ..	1.21
Other departments ..	2.33
Total ..	22.63

Expenditure incurred out of the grants to municipalities, notified area committees, Universities, panchayat organisations etc., is audited by the Examiner, Local Fund Accounts, an officer of the State Government. Some of the more important points reported by him to Government during 1970-71 are mentioned in paragraph 111.

(b) The chief beneficiaries of the grants given by Government were Panchayati Raj institutions which received Rs. 11.75 crores during 1970-71 working upto 52 per cent of the total grants paid as indicated below:—

Department	Amount (In crores of rupees)
Education—	
Primary and secondary education ..	8.14
Community Development and Panchayati Raj—	
(i) Rural Development ..	0.69
(ii) Community Development ..	1.45
(iii) Other grants ..	0.15
Forest—	
Share of profits from Kendu leaf trade ..	1.21
Tribal and Rural Welfare—	
Development of tribal blocks ..	0.11
Total ..	11.75

In addition to the grants, Rs. 7.08 crores were paid by Government in 1970-71 as assistance to Panchayat organisations as shown below:—

	Amount (In crores of rupees)
Expenditure on Rural and Community development ..	3.45
Expenditure on development of tribal areas ..	3.26
Payment of rates and cess on land ..	0.37
Total ..	7.08

In addition, loans were advanced to Panchayati Raj institutions for carrying out rural development. Balances of these loans outstanding at the end of March 1971 against those institutions and under community development programme were Rs. 63.32 lakhs and Rs. 66.53 lakhs respectively.

21. *Non-receipt of certificates of utilisation of grants-in-aid*—The financial rules of Government required that certificates of proper utilisation of grants paid to non-Government bodies and institutions should be sent by the departments to the Accountant General within a reasonable time. On 1st October 1971, utilisation certificates were awaited for Rs. 66,34.43 lakhs paid as grants (numbering 29,281) between 1955-56 and 1969-70 as shown below; of that in 17,926 cases, Rs. 45,96.89 lakhs were paid as grants prior to 31st March 1968.

Purpose of grants	Number of cases in which utilisation certificates are awaited	Amount (Rs. in lakhs)
(1) Building grants	.. 429	2,18.41
(2) Equipments grants	.. 241	40.58
(3) Maintenance grants	.. 11,476	23,12.10
(4) Miscellaneous grants	.. 17,135	40,63.34
Total	.. 29,281	66,34.43

About 97 per cent of the certificates (97 per cent of the amount) are due from the following seven departments:—

	Number of utilisation certificates outstanding	Amount (Rs. in crores)
(1) Community Development and Panchayati Raj	.. 9,870	29.22
(2) Education	.. 17,038	26.19
(3) Tribal and Rural Welfare	.. 605	2.27
(4) Agriculture and Co-operation	.. 354	1.98
(5) Planning and Co-ordination	.. 143	1.85
(6) Urban Development	.. 449	1.80
(7) Industries	.. 113	1.30

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

22. *Summary*—The following table compares the expenditure during 1970-71 with the total voted grants and charged appropriations:—

	Grant/ appropriation	Actual expenditure	Variation saving		
			Amount	Percentage	
(In crores of rupees)					
Voted—					
Original ..	182·82	195·82	172·67	23·15	12
Supplementary ..	13·00				
Charged—					
Original ..	76·31	78·15	65·32	12·83	16
Supplementary ..	1·84				
Total		273·97	237·99	35·98	13

The total saving of Rs. 35·98 crores was the net result of savings of Rs. 36·82 crores under fiftyseven grants and twentysix appropriations set off by excesses totalling Rs. 0·84 crore under six grants and two appropriations.

23. *Supplementary grants/appropriations*—(a) *Voted grants*—During the year supplementary grants totalling Rs. 13·00 crores were obtained under fiftyone grants (including seven grants where token votes were obtained) in September 1970 (Rs. 5·19 crores) and March 1971 (Rs. 7·81 crores).

It would be seen from Appendix II that :—

(1) In fifteen* grants supplementary provision (exceeding Rs. 1 lakh in each case) proved unnecessary as the expenditure did not come up even to the original grant; in eleven of these cases supplementary provision of Rs. 1,49·04 lakhs was obtained as late as March 1971. In all these cases the departments surrendered Rs. 3,60·09 lakhs in excess of the supplementary grants as surplus to requirements. During 1968-69 and 1969-70 also supplementary provision of Rs. 1,80·31 lakhs (in twelve grants) and Rs. 3,83·73 lakhs (in eleven grants) proved unnecessary.

(2) In seven** grants supplementary provision proved excessive. In these cases Rs. 1,42·66 lakhs out of the total supplementary provision of Rs. 5,24·26 lakhs remained unutilised. In all these cases supplementary grants of Rs. 3,48·08 lakhs were taken as late as March 1971.

(b) *Charged appropriations*—Supplementary appropriation of Rs. 1·84 crores was made during the year under twentyfive appropriations.

In one case (serial no. 11 of Appendix II) the supplementary provision of Rs. 25·00 lakhs proved unnecessary as the expenditure did not come up even to the original provision.

*These grants are at serial nos. 1,4,6,10,14,16,19,20,21,24,25,30,32,34 and 36 of Appendix II.

**These grants are at serial nos. 23,26,27,29,31,33 and 37 of Appendix II.

24. (a) *Excess over voted grants*—Excess of Rs. 84.43 lakhs in the following seven voted grants require to be regularised under Article 205 of the Constitution.

Sl. no.	Particulars of grant	Total grant	Expenditure	Excess
		Rs.	Rs.	Rs.
(1)	4—Expenditure relating to the Planning and Coordination Department—			
	Original .. 3,25,82,400	4,42,49,400	4,98,47,738	55,98,338
	Supplementary .. 1,16,67,000			

Excess occurred mainly under 'Public Works—Suspense—Gross Debit' (expenditure : Rs. 1,63.87 lakhs; provision : Rs. 1,00.00 lakhs) relating to Rural Engineering Organisation due to more stores obtained towards the end of the year. The excess was partly set off by less expenditure under 'Original Works—Communication' (Rs. 2.84 lakhs).

(2) 10—Pensions—

Original ..	1,22,34,900	1,36,21,700	1,46,63,319	10,41,619
Supplementary ..	13,86,800			

Excess was mainly due to finalisation of more pension cases (expenditure : Rs. 91.76 lakhs, total provision : Rs. 70.00 lakhs) during the year. The excess was partly set off by less drawal of gratuities (Rs. 14.62 lakhs).

(3) 22—Medical and other expenditure relating to the Health and Family Planning Department—

Original ..	5,52,95,400	5,74,14,800	5,75,57,203	1,42,403
Supplementary ..	21,19,400			

Excess occurred mainly under 'Muffasil Hospitals and Dispensaries, (expenditure : Rs. 1,57.16 lakhs, total provision : Rs. 1,50.60 lakhs), 'Health Centres in Permanent Blocks' (expenditure : Rs. 1,17.11 lakhs, total provision : Rs. 1,14.80 lakhs) and 'Medical College and Hospital, Cuttack' (expenditure : Rs. 89.88 lakhs, total provision : Rs. 84.90 lakhs). The excess was partly set off by less expenditure under 'Post-graduate Medical Education' Rs. 2.56 lakhs) mainly due to less Central allocation.

(4) 25—Public Works—

Original ..	12,64,28,400	13,14,31,300	13,29,33,727	15,02,427
Supplementary ..	50,02,900			

Excess occurred mainly under 'Public Health—Suspense—Gross Debit' (expenditure: Rs. 92.31 lakhs, provision: Rs. 60.00 lakhs), 'Communication—Other Projects—Ordinary' (expenditure Rs. 23.39 lakhs, provision: Rs. 6.12 lakhs) and 'Suspense—Public Works—Debit, (expenditure: Rs. 5,06.61 lakhs, provision: Rs. 5,00.00 lakhs). The excess was partly set off by less expenditure under certain other heads.

Sl. no.	Particulars of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
(5)	40—Community Development Projects—			
	Original	79,200	87,475	8,275
	Supplementary 79,200			

Excess occurred under 'Community Development Projects—Central Stores—Suspense—Debit' (expenditure: Rs. 0.87 lakh, provision: Rs. 0.79 lakh).

This grant accommodates the debits in the personal ledger accounts opened for central stores of community development projects. Orders were issued as early as August 1961 to close the personal ledger accounts and to refund the advances sanctioned at the time of opening these accounts. Budget provision was required to be made for accommodating the debits for withdrawal of amounts for refunding the advances. The department obtained supplementary grant of Rs. 0.79 lakh in March 1971 to accommodate the debits only upto December 1970 arising out of the operation of personal ledger accounts by Block Development Officers. However, during January 1971 one Block Development Officer withdrew Rs. 0.08 lakh from his personal ledger account to refund the advance and close his personal ledger account.

(6) 46—Road and Water Transport Schemes—

Original	13,50,000	13,98,600	14,12,561	13,961
Supplementary	48,600			

Excess occurred under 'Motor Transport Services—Provision for Bus station, etc. in the State Transport Unit' (expenditure : Rs. 13.76 lakhs; provision : Rs. 13.64 lakhs).

(b) *Excess over charged appropriations*—The expenditure exceeded in the following two charged appropriations by Rs. 0.82 lakh; the excess requires to be regularised.

Sl. no.	Particulars of appropriation	Total appropriation Rs.	Expenditure Rs.	Excess Rs.
(1)	1—Elections and other expenditure relating to the Home Department—			
	Original	12,32,800	12,40,815	8,015
	Supplementary 12,03,000			
	Supplementary 29,800			

Excess occurred under 'High Court'.

(2) 43—Multipurpose River, Irrigation and Electricity Schemes—

Original	74,282	74,282
Supplementary	..			

Expenditure was incurred under 'Works—Delta Irrigation Scheme' on an award made by court in favour of a contractor, without budget provision.

25. *Unutilised provision—Voted grants—(i)* Appendix II shows that there were twentyfour grants in which more than ten per cent of the provision remained unutilised; in ten of these cases, the unutilised provision ranged between 23 and 87 per cent. In nine of these cases provision in excess of ten per cent had remained unutilised in the preceeding two years also.

(ii) Major cases of non-utilisation of provision for different classes of Government activity and reasons therefor are given below :—

	Total grant (In crores of rupees)	Saving	
		Amount	Percentage
<i>Expenditure met from Revenue—</i>			
(1) Administrative Services—			
General Administration ..	5.68	0.82	15
Saving occurred mainly under 'lump provision made for revision of pay',			
Other heads ..	10.58	0.36	3
Total—Administrative Services ..	16.26	1.18	7
(2) Social and Developmental Services—			
Education ..	24.69	1.05	4
Saving occurred mainly due to (i) less grants-in-aid for technical education on account of non-sanction of certain schemes by Government of India (Rs. 52.34 lakhs), (ii) less expenditure on staff in Government primary schools (Rs. 15.06 lakhs), (iii) late appointment of staff in (a) Government secondary schools (Rs. 8.93 lakhs), and (b) Government Arts colleges and non-Government secondary schools (Rs. 1.25 lakhs), (iv) less expenditure on Government special schools on account of abolition of some elementary training schools (Rs. 4.10 lakhs) and late admission of trainees into the schools (Rs. 1.79 lakhs), (v) less expenditure on technical institutions on account of late sanction or non-sanction of schemes (Rs. 2.77 lakhs) and non-sanction of new posts (Rs. 0.97 lakh) and (vi) less grants to non-Government special schools (Rs. 3.60 lakhs).			
Agriculture ..	8.80	1.54	17

Saving occurred mainly (i) due to post-budget reduced sanction as a measure of economy for production of high yielding varieties of foodgrains (Rs. 5.76 lakhs), schemes of subordinate and expert staff (Rs. 5.70 lakhs), (ii) under miscellaneous non-Plan schemes (Rs. 5.32 lakhs), intensive agricultural district programme (Rs. 2.46 lakhs), scheme for quality control of fertilisers (Rs. 2.17 lakhs) and other schemes (Rs. 3.39 lakhs) (iii) due to less expenditure (reasons are awaited) on fishing harbour development in minor ports and landing and berthing facilities (Rs. 16.77 lakhs), (vi) less expenditure on some schemes (Rs. 16.48 lakhs) (reasons are awaited), (v) less expenditure on tubewell irrigation (Rs. 8.89 lakhs) on account of less demand for subsidy by agriculturists for private tubewells and non-receipt of demand from the State Electricity Board for service connection and low tension lines, (vi) late appointment and non-appointment of officers and staff (Rs. 6.41 lakhs), (vi) non-purchase of rig and late sanction of some posts

for ground water survey and investigation (Rs. 4.67 lakhs), (viii) less requirement for certain schemes (Rs. 3.85 lakhs) (reasons are awaited), (ix) non-sanction of some schemes (Rs. 2.88 lakhs), (x) less expenditure on hydro-graphic survey of Chilika lake (Rs. 2.75 lakhs) (reasons are awaited) and (xi) less demand of pumps for hire (Rs. 2.01 lakhs).

	Total grant (In crores of rupees)	Saving	
		Amount	Percentage
Other heads ..	28.61	1.35	5
Total—Social and Developmental services..	62.10	3.94	6
(3) Multipurpose River Schemes, Irrigation and Electricity Schemes—			
Electricity Schemes ..	5.55	1.27	22
Saving occurred mainly under (i) Talcher Thermal Scheme on account of transfer of completed portion of the power station to the Orissa State Electricity Board from 1st June 1970 (Rs. 1,52.03 lakhs), (ii) Machkund Hydro-electric (joint) Scheme on account of less adjustment of interest due to revision of rate (Rs. 9.02 lakhs) and less working expenses paid to the Government of Andhra Pradesh who maintains that project (Rs. 6.70 lakhs). Saving was partly set off by more expenditure under 'Talcher Thermal Scheme—Suspense—Gross Debit' (Rs. 26.69 lakhs) (reasons are awaited).			
Other heads ..	10.46	0.25	1
Total—Multipurpose River Schemes, Irrigation and Electricity Schemes	16.01	1.52	9
(4) Miscellaneous—			
Miscellaneous ..	3.70	0.56	15
Saving occurred mainly under 'State Lotteries' due to less number of draws (Rs. 24.28 lakhs).			
Other heads ..	6.02	0.09	1
Total—Miscellaneous ..	9.72	0.65	7
(5) Other services ..	28.17	0.19	1
Total—Expenditure met from Revenue ..	132.26	7.48	6
<i>Expenditure outside the Revenue Account—</i>			
(6) Capital Account of Social and Developmental services—			
Capital outlay on Agricultural Improvement and Research	2.06	0.80	39
Saving was mainly due to (i) decision of Government to give grants to Panchayat Samitis for execution of minor irrigation projects and to treat it as expenditure met from revenue (Rs. 74.86 lakhs) and (ii) execution of less number of lift irrigation projects (Rs. 15.36 lakhs).			
Other heads ..	6.14	0.22	3
Total—Capital Account of Social and Developmental Services	8.20	1.02	12

Total grant	Saving	
	Amount	Percentage

(In crores of rupees)

(7) Capital Account of Multipurpose River Schemes, Irrigation and Electricity—Schemes—

Multipurpose River schemes ..	15.61	1.06	7
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Saving was mainly due to less expenditure relating to 'Dam and Appurtenant Works—Suspense—Gross Debit' of Balimela Dam Project (Rs. 1,39.92 lakhs) 'Generation—Works' of Balimela Power Scheme (Rs. 71.48 lakhs) and 'Dam and Appurtenant Works' of Hirakud Dam Project (Rs. 8.67 lakhs), reasons for which are awaited. Part of the saving was utilised under other grants.

Electricity Schemes ..	3.10	1.29	42
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Saving was mainly due to less expenditure on Talcher Thermal Scheme relating to 'Works' on account of certain unanticipated credits to works (Rs. 78.77 lakhs) and transfer of power station to the Orissa State Electricity Board (Rs. 50.00 lakhs), Suspense—Gross Debit' (Rs. 27.31 lakhs), transfer of establishment to the Board on transfer of power station (Rs. 5.57 lakhs) and 'Tools and Plant' (Rs. 3.39 lakhs).

Irrigation, Navigation, Embankment and Drainage works (Commercial) ..	5.81	0.80	16
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Saving was mainly under Salandi Irrigation Scheme (Rs. 57.10 lakhs) Delta Irrigation Scheme (Rs. 57.32 lakhs) and five medium irrigation schemes (Rs. 34.36 lakhs), reasons for which are awaited. Part of the saving was utilised under certain other heads.

Irrigation, Navigation, Embankment and Drainage works (Non-Commercial) ..	0.28	0.03	11
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Total—Capital Account of Multipurpose River Schemes, Irrigation and Electricity Scheme ..	24.80	3.18	13
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(8) Miscellaneous Capital Account—

Schemes of Government Trading ..	18.76	10.70	57
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Saving was mainly under (i) grain purchase scheme (Rs. 9,12.83 lakhs) due to less purchase of rice and wheat; (ii) trading in *Kendu* leaves (Rs. 94.49 lakhs) (reasons are awaited); (iii) purchase, sale and fair price shop (Rs. 24.30 lakhs) (reasons are awaited); (iv) purchase and distribution of seeds on account of less advance transferred to personal ledger account (Rs. 12.67 lakhs) and less purchase of seeds (Rs. 16.96 lakhs) (reasons are awaited) and (v) National Malaria eradication programme on account of less allocation of material and equipment by Government of India (Rs. 11.38 lakhs).

Other heads ..	0.16	0.02 (excess)	..
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Total—Miscellaneous Capital Account ..	18.92	10.68	56
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	Total grant	Saving	
		Amount	Percentage
	(In crores of rupees)		
(9) Other services ..	6·22	0·66	11
Total—Expenditure outside the Revenue Account	58·14	15·52	27
(10) Loans and Advances by the State Government	5·42	0·13	2
Grand Total ..	195·82	23·15	12

CONTROL OVER EXPENDITURE

26. The object of control over expenditure in this context is to secure as close an approximation as possible between actual expenditure and the final grant/appropriation under each sub-head of grant/appropriation. This is secured by:—

(i) Sanctioning re-appropriation of funds from sub-heads where saving is anticipated to other sub-heads within the grant/appropriation where there is need for additional funds,

(ii) obtaining supplementary grants/appropriations, where necessary,

(iii) surrender of surplus funds under a sub-head as soon as saving can be foreseen, and

(iv) taking advances from the Contingency Fund for meeting unforeseen requirement of additional funds during the year or for meeting expenditure on a 'new service' or 'new instrument of service'.

If the control is effective, actual expenditure should approximate closely to the final modified provision, i. e., the original provision as modified by supplementary provision, re-appropriation and surrender.

27. *Surrender of surplus funds*—(a) Although the rules require that unutilised amounts should be surrendered as soon as the possibility of saving is envisaged, Rs. 19·22 crores out of Rs. 19·48 crores surrendered in voted section during the year were surrendered only in March 1971.

(b) In thirteen* grants out of the unutilised provision of Rs. 17,01·47 lakhs, Rs. 5,03·13 lakhs were not surrendered.

(c) In seven** grants Rs. 3,09·89 lakhs were surrendered as surplus to requirements although the available savings were Rs. 2,78·15 lakhs.

(d) In three grants (grant no. 4—Expenditure relating to the Planning and Co-ordination Department, grant no. 22—Medical and other expenditure relating to the Health and Family Planning Department and grant no. 25—Public Works) Rs. 59·87 lakhs were surrendered although the expenditure eventually exceeded the provision by Rs. 72·43 lakhs.

*These grants are at serial Nos. 5, 10, 16, 18, 19, 21, 24, 25, 26, 29, 30, 32 and 33 of Appendix II.

**These grants are at serial nos. 2, 9, 20, 23, 28, 35 and 37 of Appendix II.

28. *Delay in submission of monthly accounts by Public Works Divisions—* Under the rules, the monthly accounts of Public Works Divisional Officers are due to reach the office of the Accountant General not later than 10th of the month following that to which they relate. During 1970-71 out of 116 Public Works Divisions, on an average 6 divisions delayed submission of accounts exceeding 7 days every month. The delay ranged up to fifty days. On average four monthly accounts received very late from three divisions in each month had to be excluded from the consolidated accounts of the month to which they related and thus the consolidated State civil accounts could not depict the correct position each month.

Such persistent delay impairs the value of the monthly accounts of Government and not only affects the closing of monthly accounts and communication of actuals to controlling officers by the due date but also render reconciliation of departmental figures with those booked by the Audit office difficult.

29. *Issue of sanctions towards the close of the year—(a)* Mention was made in paragraph 28 of Audit Report 1968 of the issue of sanctions towards the close of the year resulting in drawal of funds which are not required for immediate utilisation. Despite instructions issued by Government every year (last such instructions were issued on 26th February 1971) prohibiting issue of sanctions towards close of the year, 521 sanctions (for expenditure other than grants-in-aid) authorising expenditure of Rs. 3,16.72 lakhs were issued after 15th March 1971. The number of sanctions issued in the last week (between 25th and 31st March) of the financial year alone was 215 (Rs. 1,06.33 lakhs).

(b) The issue of sanctions towards the end of the financial year resulted in drawal of funds not required for immediate disbursement and also retention of unspent balances beyond 31st March 1971. Thus the orders of Government issued on 26th February 1971 were not fully effective. Certain illustrative cases where the amounts drawn in each case exceeded Rs. one lakh are given in Appendix III.

30. *Retention of heavy cash balances—*In paragraph 31 of Audit Report 1970 mention was made of large cash balances with departmental officers on 31st March 1968 not required for immediate disbursement. Similar instances of retention of heavy cash balances of Rs. 1,66.41 lakhs by one hundred and twentyfive departmental officers on 31st March 1970 have come to notice; in fortythree cases, the amount exceeded Rs. one lakh each as given in Appendix IV.

CHAPTER III

CIVIL DEPARTMENTS

TRIBAL AND RURAL WELFARE DEPARTMENT

31. "*Katha O Chitra*"—According to the procedure prescribed by Government, purchases of books from private publishers should be made through the State Government Press.

In November 1960 the Director of Public Instruction, Orissa, approved '*Katha O Chitra*', an eight page booklet brought out by a private publisher as supplementary reading material for primary schools. In June 1962 Government instructed the District Collectors to purchase copies of the booklet from the publisher and give them free to scheduled caste and scheduled tribe students reading in Government primary schools and Government sevashrams. The price at which the booklet was to be purchased was not fixed by the Tribal and Rural Welfare Department. Between 1961-62 and 1964-65 37,542 copies were purchased by the Collectors for Rs. 1.39 lakhs at the publisher's price of Rs. 4 per copy less discount of 5 to 10 per cent.

For the first time in September 1966 Government reviewed the price of the booklet and after negotiation with the publisher fixed it as Rs. 3 per copy less 10 per cent discount. The State Government Press was not consulted while fixing this price.

Government noticed in August 1967 that the price fixed as 'very exorbitant' and ordered stoppage of further purchase. The department had never informed the publisher how many copies it was likely to buy. Nevertheless, on a representation of the publisher in August 1967 that he had already printed a 'huge number' anticipating demand from Government, Government authorised the Collectors in January 1968 to resume purchase of the booklet at the further reduced price of Rs. 3 per copy less 15 per cent discount. Between September 1966 and July 1970 the Collectors purchased 55,000 copies for Rs. 1.49 lakhs at Rs. 3 per copy less 10 per cent discount. How many copies out of these 55,000 were purchased after issue of Government's letter of January 1968 has not been intimated by the department (October 1971). For these copies the discount should have been 15 per cent instead of 10 per cent actually claimed and obtained. This has resulted in overpayment of 15 paise per copy to the publisher. No action has so far been taken to recover the amount overpaid.

Again in August 1970 Government purchased (centrally) one more lakh copies of the booklet at Rs. 3 per copy less 15 per cent discount (i. e. Rs. 2.55 per copy) and ordered that there should be no further transaction with the publisher. Information about the number of copies distributed to students, out of the one lakh copies purchased, has not been intimated (December 1971).

32. *Tribal Orientation Training Institute*—For providing in-service training to departmental officers and staff the Tribal Orientation Training Institute was set up at Machkund in January 1967. Against a training capacity of 840 upto September 1970, only 374 persons were trained in the Institute

To attract more trainees, Government ordered that the Institute be shifted to Bhubaneswar and amalgamated with the Tribal Research Bureau there. Training was suspended at Machkund from October 1970 and has not been resumed at Bhubaneswar so far (April 1972) in the absence of building, construction of which was sanctioned in April 1971.

About Rs. 1,800 are being spent every month on the staff of the Institute from October 1970 onwards since when no training is being imparted.

Rupees 0.20 lakh were spent on hiring residential accommodation for staff at Machkund. No rent was recovered from the occupants. Government is yet (April 1972) to decide whether the staff is to be allowed the accommodation rent-free.

FOREST AND ANIMAL HUSBANDRY DEPARTMENT

✓ 33. *Cuttack-Bhubaneswar-Puri milk supply scheme.*—In order to meet the increasing demand for milk and milk products in the three towns a pasteurisation plant was set up at Phulnakhara in 1963 at a capital cost of Rs. 15.52 lakhs. Although Phulnakhara is situated in one of the best milk-sheds in the State, due to lack of communication facilities, low productivity of the cows and buffaloes (numbering over a lakh) of breedable age, etc., it was not possible to organise effective collection of milk from the area for the pasteurisation plant which has a capacity of pasteurising 6 to 8 thousand litres daily with the result that less than one-fourth of the capacity of the plant was being used and at the same time the milk needs of the three towns remained largely unsatisfied. In order to meet the situation, in July 1965 the State Government approved an intensive cattle development programme and increasing collection of milk in the area covering about 800 square miles. Expenditure on the intensive cattle development programme upto March 1971 was Rs. 54.71 lakhs (plant and equipment : Rs. 17.97 lakhs, works: Rs. 1.69 lakhs, establishment: Rs. 27.73 lakhs and contingencies: Rs. 7.32 lakhs). The programme included establishment of a centralised semen collection centre at Cuttack and artificial insemination centres in four regions, subsidising selected calves (it was proposed to subsidise during 1965-66, 200 calves in addition to the 120 which were already getting subsidy in the existing key village blocks), feed and fodder development (fodder cultivation was to be subsidised at Rs. 100 per acre), subsidisation of construction of silos, establishment of three balanced cattle feed preparation units, supply of improved milch cows, road development, establishment of 15 milk assembling centres and four chilling plants at convenient stations. It was proposed to organise the milk producers into 200 co-operative societies each of which was to be given a subsidy of Rs. 500 for collection of milk and its transport to the collection centres.

Improved milch cows were to be supplied to selected producers as interest-free loan to be repaid within five years. Repayment of the loan was to be effected by deduction from the price of milk to be supplied to Government by the producers who were to give an undertaking to supply milk regularly to the collection centres. It was also proposed that it would be made obligatory for such farmers to take up fodder cultivation in at least one-fourth of their land. (Fodder was not being grown by the villagers.) It was intended that during 1965-66 itself 2,000 acres of land would be brought under fodder cultivation. Actually, in 1968-69, 1969-70 and 1970-71, fodder was cultivated in

only 700 acres, 451 acres and 419 acres respectively in the area. It was intended that about 150 improved milch cattle would be supplied to selected producers during 1965-66. In that year, however, only 24 such cows were actually supplied and of them 13 have died. No cow was supplied thereafter and this part of the programme was abandoned.

Two ice making cabinets purchased in 1965-66 for Rs. 0.17 lakh for the centralised semen collection centre were installed between April and September, 1967. They worked for two months and thereafter went out of order and have not been repaired so far (December 1971).

Two cattle feed mixing units and grinding mills purchased in January 1966 for Rs. 0.21 lakh have not been installed so far (December 1971) as funds for construction of building for the purpose have not been provided.

Communication facilities in the area being extremely limited and also being in a deplorable condition, the programme recognised the urgent need for improvement of road communications in the area and accordingly provided Rs. 20 lakhs for that purpose. However, owing to paucity of funds roads have not been constructed.

Quick movement of milk to the collection centres being difficult owing to lack of good road communications, four chilling centres were to be established at convenient places to avoid souring and spoilage of milk in transit. Two chilling plants were purchased during April—July 1965. The building for installing them at Phulnakhara was completed in 1968-69. The two plants have not been installed so far. Two other chilling plants were procured in August—November 1966 for Rs. 0.80 lakh; although one was installed at Phulnakhara in March, 1968 it is not being used as milk is being chilled there with the plant already installed earlier. The other plant has not been installed so far (December 1971). Milk collected and lost on account of spoilage during 1968-69, 1969-70 and 1970-71 are shown below :—

Year	Milk collected	Milk curdled/separated	Cost	Value realised on sale of converted milk products	Loss on account of spoilt milk
	(litres in lakhs)	(litres in lakhs) (percentage)		(In lakhs of rupees)	
1968-69	10.31	0.96 9 per cent	1.20	0.21	0.99
1969-70	9.88	1.10 11 per cent	1.37	0.54	0.83
1970-71	12.76	2.24 18 per cent	2.87	1.11	1.76

The Director of Animal Husbandry and Veterinary Services proposed to Government in September 1970 that the loss in handling milk up to the final stage be fixed at 5 per cent. Orders thereon have not been passed by Government so far (December 1971).

In all 18 milk producers' co-operative societies were organised (between November 1965 and July 1969). None of them, however, functioned. This co-operative idea was abandoned in July 1969.

As would be seen from the following, milk now being collected for the scheme is substantially less than what it was when the programme was launched :—

Year	Milk collected (litres)
1st September 1965 to 31st March 1966	6.70 lakh
1966-67 ..	18.00 lakh
1967-68 ..	15.89 lakh
1968-69 ..	10.57 lakh
1969-70 ..	10.14 lakh
1970-71 ..	12.87 lakh

As against the capacity of the Phulnakhara pasteurisation plant to handle 6-8 thousand litres of milk daily, on the average only 3 thousand litres of milk were pasteurised by that plant during three year period ending 1970-71. During those three years the working expenses of the plant (excluding cost of collection and transport of milk, depreciation of plant and machinery and interest on capital) exceeded the total income by Rs. 5.90 lakhs.

Good veterinary aid is necessary for success of dairy development. The programme under consideration did not provide for increase in the existing level and extent of veterinary aid. As a matter of fact, the Dairy Extension Officers were engaged entirely on collection and despatch of milk with the result that even the existing level of dairy extension work suffered.

AGRICULTURE AND CO-OPERATION DEPARTMENT

34. *Duck breeding*—For supplying better breed of ducks a programme for increasing the layers (ducks) from 300 to 2,000 for annual production of 67,500 eggs for incubation and sale was taken up in the State Live Stock Breeding Farm at Chiplima from 1966-67. The cost of foundation stock and the total recurring expenditure on the programme upto 1969-70 was Rs. 0.78 lakh. Three hundred and thirtyeight birds were maintained during 1967-68 while 100 were maintained during 1968-69. In each of these two years about 4,000 eggs were sold, all as table eggs, the sale price being Rs. 2,000. No egg was used for hatching and breeding. The entire flock of ducks, drakes and ducklings in the farm was destroyed by the Department in 1969 as the birds were affected with tuberculosis. The expenditure of Rs. 0.78 lakh on the duck breeding section thus became unfruitful. Since the closure of the section the buildings constructed and equipment purchased for Rs. 2.76 lakhs remain unused.

35. *Fish canning factory*—In February 1964 Government decided to establish a fish canning factory in Chilika area and asked the Central Fishermen Co-operative Society, Balugaon, to implement the scheme. The Society

however, in September 1964 intimated its unwillingness to do so and suggested that instead it might be implemented through the Orissa Fisheries Development Corporation. Nevertheless, for establishing the factory Government in December 1965 sanctioned a loan of Rs.2.70 lakhs to the Society (interest: 5.5 per cent) and in July 1966 the amount was paid to the Society which kept the amount in fixed deposit in a co-operative bank and earned Rs. 0.46 lakh as interest thereon. In January 1968 Government decided to transfer the loan to Orissa Fisheries Development Corporation from the Society which refunded the amount in two instalments in November 1970 and May 1971. The Society has not paid to Government any amount as interest. The fish canning factory has not been set up.

INDUSTRIES DEPARTMENT

36. *Technical School, Choudwar*—Government set up in August 1964 a multipurpose residential technical school at Choudwar with a view to provide a diversified course of study (including humanities, science, engineering and technology) at the secondary stage of education so that those passing from the school would have the choice of taking up higher collegiate studies or earning their living as technicians. The school has a five year course and there can be 45 students in each of the classes. On this basis teaching staff were appointed. Only 15 to 29 students were admitted to the first year class of the school during 1964-65 to 1970-71.

The total number of students (in all the classes) who attended the school in any year during 1968-69 to 1970-71 was between 86 and 108. The average annual expenditure (recurring) during the three year period upto 1970-71 was Rs. 1,773 on each student. The students have to stay in the hostel attached to the school and spend about Rs. 100 each month towards school fees and hostel charges. Fifteen students in each class are given stipends of Rs. 40 to Rs. 45 each month and 10 per cent of the total number of students is given free-studentship each year. The poor intake in the school was due to the expense being not within the reach of poor and middle class people.

Against accommodation availability for 350 students provided in the hostel the actual number of students accommodated there from 1966-67 to 1970-71 was from 60 to 108. The vacant portions of the hostel building (21 rooms) and school building (2 rooms) were utilised for providing residential accommodation to the staff of the school from whom rent has not been realised. The question of fixing rent recoverable from them is under the consideration of Government.

37. *Establishment of developed areas*—For assisting small scale industries Government decided during the Third Plan period to provide developed industrial sites to them at Rourkela. Accordingly, Rs. 5 lakhs were paid as loan to the Special Planning Authority, Rourkela, in 1961-62 for development of sites. The amount, however, was refunded by that Authority in July 1967 in view of difficulties in acquiring land.

In February 1970 Government decided to entrust development of the sites to the Industrial Development Corporation of Orissa and for that purpose invested Rs. 36.56 lakhs in its shares in March 1970 (Rs. 11 lakhs) and March 1971 (Rs. 19.56 lakhs).

Between 1968-69 and 1970-71, 636 acres of land including 81 acres of private land acquired for Rs. 2.55 lakhs were obtained for the purpose. However, owing to legal difficulty the land could not be transferred to the Corporation and, therefore, Government decided in April 1971 that the Corporation should develop sites as its agent and Government would continue to retain ownership of the land. Detailed scheme for development has not been drawn up and work has not so far started (December 1971).

COMMERCE DEPARTMENT

38. *Typewriters*—For use in State Government offices the Orissa Government Press purchased between March 1966 and March 1967 2,000 Oriya typewriters for Rs. 17.18 lakhs. Up to August 1971 the Press supplied 1,892 of those typewriters to various offices for use. In six offices which were given 277 type writers, 14 persons have so far been trained in Oriya typing while in nine offices having 85 machines there are no trained typists (August 1971). Information about utilisation of the remaining 1,530 machines has not been intimated (December 1971).

HOME DEPARTMENT

39. *Incomplete works*—Construction of three constables' quarters for Ambabhona police station was administratively approved by Government in January 1962 for departmental execution at a cost of Rs. 0.15 lakh. The estimate was revised to Rs. 0.20 lakh in March 1964 due to higher cost of labour and materials. The work was commenced in May 1964. A revised estimate was prepared by the departmental engineering staff in April 1967 for Rs. 0.23 lakh and sent to the Inspector General of Police for sanction. When the work reached the roof level it was stopped in April 1967 as the revised estimate had not been sanctioned. Rupees 0.20 lakh were spent on the work.

The Superintendent of Police, Sambalpur, stated in May 1968 that 'although construction had gone upto roof level, yet big cracks have appeared on the walls', it was doubtful whether 'if at all it can take the load of the roof' and that it was a 'total loss'. An Assistant Engineer, Police Housing Scheme, who inspected the work in June 1971 reported that the condition of the structure had deteriorated considerably, workmanship was bad and that extensive repairs had to be made to the work already done needing extra expenditure. The Inspector General of Police informed Audit in July 1971 that the revised estimate was defective. The defects have not so far been rectified and the work remains incomplete (December 1971).

HEALTH AND FAMILY PLANNING DEPARTMENT

40. *Accountal of cash*—Test Audit of the accounts of the Zonal Medical Officer, Mass B. C. G. vaccination programme, Sambalpur, for the period April 1965 to December 1970 disclosed the following :—

(i) Bills presented at the treasury were not entered in the bill register prescribed by Government rendering it difficult to ascertain the intended withdrawals from the treasury.

(ii) Erasures and over writings in the cash book were not attested by the Head of the Office (prescribed in the financial rules of Government).

(iii) Non-accountal of cash of Rs. 53,085 was noticed in the transactions between May 1966 and December 1970 as follows :—

(a) Rupees 40,444 withdrawn from the treasury in sixty cases between February 1969 and December 1970 towards pay and allowances of staff and for contingent expenditure were not accounted for in the cash book. Payees' acquittances and receipts in support of the disbursements made to staff and other parties were not produced.

(b) Out of Rs. 25,859 withdrawn from the treasury in fifteen cases between April 1968 and June 1970 only Rs. 14,916 were accounted for in the cash book and the balance of Rs. 10,943 has neither been accounted for in the cash book nor acquittances/receipts in support of disbursements produced.

(c) Rupees 14,917 were withdrawn from the treasury towards pay and allowances of staff and were shown in the cash book as paid to staff between May and November 1966. Against this, acquittance rolls for Rs. 13,219 were produced by the department. The balance of Rs. 1,698 is not supported by acquittance rolls.

The matter was brought to the notice of Government in March 1971 for investigation and for arranging a detailed departmental check of the accounts. The detailed departmental checking was reported (in June 1971) to be in progress. Further developments are awaited (December 1971).

GENERAL

41. *Misappropriations, losses, etc. of Government money*—In paragraph 57 of the Report for the year 1969-70, 604 cases of misappropriations, losses, etc. (amount: Rs. 55.28 lakhs) which occurred up to July 1970 were reported to be pending finalisation at the end of September 1970. During August 1970 to September 1971 further 127 cases of misappropriations, losses, etc. (amount : Rs. 10.62 lakhs) were reported; the number of cases disposed of by the end of September 1971 was thirtyfive (amount: Rs. 11.11 lakhs).

Analysis of 696 cases (amount: Rs. 54.79 lakhs) pending finalisation at the end of September 1971 is given in Appendix V.

Yearwise analysis (when reported to Audit) is given below :—

Year in which cases were reported to Audit	Number of cases	Amount (Rs. lakhs)
1948 to 1964-65	220	13.44
1965-66	27	2.35
1966-67	68	14.01
1967-68	72	8.68
1968-69	87	4.04
1969-70	87	3.72
1970-71	117	7.13
1971-72	18	1.42
Total	696	54.79

42. *Miscellaneous irregularities, losses, etc.*—Cases of miscellaneous irregularities, losses, etc. are mentioned in Appendix VI.

CHAPTER IV
WORKS EXPENDITURE

URBAN DEVELOPMENT DEPARTMENT

43. *Cuttack Sewerage*—A sewerage disposal scheme for Cuttack city was prepared (estimate : Rs. 232.70 lakhs) by Government for Cuttack Municipality in 1957-58. In February 1967 the estimate was revised to Rs. 549 lakhs. Two-thirds of the expenditure is to be treated as Government grant and the balance as loan to the Municipality. Due to paucity of funds, Government decided that the scheme should be executed in a phased manner. In June 1968 Government issued administrative approval for the first phase (to cover one-fourth of the population) for Rs. 110.26 lakhs. The work is being executed (since 1957-58) by the State Public Health Engineering Organisation. Rupees 76.67 lakhs were spent on the scheme upto March 1971.

A Probe Committee, appointed by Government in January 1970 to find out the reasons for delay in completing the project and to inquire into proper utilisation of funds, reported in July 1970 that there was delay because (1) detailed investigation and survey had not been carried out and, in consequence, detailed plans had not been prepared and (2) a phased programme of work had not been drawn up.

In place of timber shoring and shuttering, provided in the estimate at a cost of Rs. 2.32 lakhs, 1,400 iron sheet piles were procured for the purpose between March and June 1962 for Rs. 3.34 lakhs. The work was awarded to a contractor with whom, however, no written agreement was executed. On the basis of an agreement executed with him at his quoted rate for a similar type of work, Rs. 0.57 lakh were paid to him between March 1963 and August 1966. After doing a part of the work the contractor asked for a higher rate. This resulted in further liability of Rs. 1.51 lakhs to Government whose decision in the matter is awaited (January 1972). The Probe Committee found the work not upto the standard and not expected to serve the intended purpose, considered the expenditure to be infructuous and recommended removal of the piles. No further action on the matter has so far been taken (January 1972). Two hundred and seventy sheet piles valued Rs. 0.54 lakh remain unused (January 1972).

The scheme provided for construction of three sumps (estimate : Rs. 7.38 lakhs) through which the sewage was to pass. Two sumps were sunk to a depth of 33 feet at a cost of Rs. 1.41 lakhs, and then left incomplete as it was found impossible to cope with the percolation of water into the sumps. This percolation was due to defective design and lack of proper soil survey. According to the estimate subsequently prepared on the suggestion of the Probe Committee for utilising a portion of the scheme already executed these sumps are to be by-passed and the sewage is to be pumped direct to the treatment site.

Four sludge lagoons were constructed at the treatment site at a cost of Rs. 1.42 lakhs. According to the Probe Committee, the lagoons had not been

properly designed, serious mistakes had been made and engineering principles had been ignored. In July 1970 Government decided to remodel the lagoons (estimate : Rs. one lakh) to utilise them as stabilisation ponds.

The work of laying the main sewage line and joining the ends of 24" and 18" diameter cast iron pipes by lead was entrusted to a contractor in January 1962. The (tendered and accepted) rate for joining was Rs. 50 and Rs. 25 respectively per joint. According to the specifications of the Public Health Engineering department, 36 lbs. of lead are required for a joint of 24" diameter and 27 lbs. for a joint of 18" diameter. In March 1962 the contractor told the department that more lead was being consumed in the joint than that provided in the specifications, and on that ground asked for higher rates. After verification, the department worked out that Rs. 70 and Rs. 45 per joint of 24" and 18" diameter pipes would be payable to the contractor. Although these rates have not so far been approved by the Chief Engineer, payments at these rates have been made to the contractor to whom extra lead was also issued. For 744 joints done between January 1962 and August 1963, 40,386 lbs. of lead were issued to him. A test check of the actual use of lead in the joints, subsequently made by the State Vigilance department in October 1963 in the presence of officers of the Public Health Engineering department and the contractor, showed that, on the average, after making due allowance for wastage, only 23-30 lbs. and 13 lbs. of lead were actually used by the contractor for each joint of 24" dia. and 18" dia. pipes respectively. On that basis 26,481 lbs. of lead valued Rs. 0.27 lakh had been issued in excess to the contractor. In July 1964 Government ordered that the value of excess lead should be recovered from him. The amount has not yet been recovered (December 1971). After October 1963 the department issued lead direct to the work (instead of to the contractor) under personal supervision of departmental officers and it was then found that 30 lbs. and 22 lbs. were actually required for joints of 24" and 18" dia. pipes respectively.

Tests conducted by the department in June 1966 to find out the consequence of use of less lead in joints disclosed that almost all the joints leaked and the line could not withstand any pressure. A draft estimate was prepared by the department in July 1967 for Rs. 0.50 lakh to bring the line into use. Action taken to repair the line and recover the cost of the defective work from the contractor has not been intimated (December 1971).

According to the financial rules of Government, iron and steel materials should be purchased from firms in the approved list of the Director General of Supplies and Disposals. Between December 1961 and March 1962 three orders were placed on a firm at Khuntuni (near Cuttack) for supply of huge pipes at a cost of Rs. 3.84 lakhs. This firm was not on the approved list of firms and had started business with an advance obtained from Government. The department did not specify in the supply orders, in adequate detail, the tests to which the pipes were to be subjected. Two orders placed in December 1961 and February 1962 (for Rs. 3.08 lakhs) provided for 2 per cent discount on the amount of the bills as per contract rates and delivery of pipes at Jobra Ghat at Cuttack. However, in March 1962 the discount clause was deleted from the supply orders and, on the ground of urgency, transit charges were allowed to the firm from its factory at Khuntuni to Cuttack. The third order placed on 31st March 1962 (for Rs. 0.76 lakh) stipulated the same rates but ex-factory, Khuntuni. No discount was included in this supply order. The

department paid Rs. 0.91 lakh as transport charges and lost discount of Rs. 7,000 on the three supplies. According to the orders, the supplies were to be completed by March 1963. The value of supplies made till then, however, was Rs. 0.70 lakh only. Between April 1963 and January 1967, the firm supplied more pipes worth Rs. 2.71 lakhs and the remaining pipes (Rs. 0.43 lakh) were not supplied. No penalty for the delay and non-supply has been imposed. Of the pipes received those valued Rs. 3.42 lakhs were not tested. Pipes worth Rs. 2.33 lakhs remained unused upto March 1971.

According to the report of the Probe Committee, materials valuing Rs. 4.86 lakhs (excluding Rs. 2.33 lakhs referred to in the above sub-paragraph) purchased between 1957-58 and 1967-68 remained unutilised by March 1970. Information about their subsequent utilisation is awaited (December 1971).

Twentyeight diesel motor driven pumps purchased for Rs. 1.53 lakhs between March 1959 and April 1965 for installation at the pumping station are also lying (December 1971) unused as the project has not been completed.

The matter was reported to Government in May 1971; reply is awaited (May 1972).

44. *Angul piped water supply*—The scheme (estimated cost : Rs. 5.15 lakhs) for supply of drinking water to Angul town from Raniguda tank through a service reservoir of 20,000 gallon capacity was taken up in October 1964. As the pressure filter of the water supply scheme got choked up frequently during rainy season due to heavy turbidity in the tank water, the department took up in March 1966 sinking of a 30-foot diameter well (close to the Raniguda tank) which was not provided in the scheme. Trial bores had not been taken to ascertain the suitability of the site for sinking the well. The sinking of the well proved unsuccessful, and after spending Rs. 0.68 lakh further sinking was stopped in 1967 as hard rock was met. A revised estimate for the scheme was sanctioned by Government in January 1970 (estimated cost, Rs. 11.05 lakhs) under which the tank continues to be the source of water with provision of a full scale treatment plant. The entire expenditure of Rs. 0.68 lakh on the well has proved unfruitful.

COMMERCE (PORTS) DEPARTMENT

45. *Construction of locks over Machgaon canal*—For providing navigational facilities over Machgaon canal, construction of two locks was taken up by the department — one at Kaijanga in 1960-61 and the other at Nawada in 1961-62. The locks were completed in 1963 (Kaijanga) and 1966 (Nawada) at a cost of Rs. 7.25 lakhs. No river or canal traffic has been handled at these two locks and consequently there has been no realisation of revenue on account of tolls since their completion.

WORKS AND TRANSPORT DEPARTMENT

46. *Excessive procurement of slack coal*—Between July 1962 and November 1964 two expressway divisions procured 4,181 tonnes of slack coal (for Rs. 1.76 lakhs) for surfacing of the Expressway between Nuna and Canal road junction. Of this 1,874 tonnes were used upto March 1968 and the rest was declared in August 1969 as surplus. Five hundred and sixteen tonnes of the

surplus coal were retained, 72 tonnes were subsequently used in maintenance works, 8 tonnes were sold and the balance 1,711 tonnes (purchase value:Rs.0.72 lakh) were offered for public auction sale. Quotations were obtained in May 1971 at which there were two bidders; the highest bidder offered Rs.0.43 lakh. In July 1971 the quotations were sent by the Superintending Engineer, Projects Circle, to the Chief Engineer for transmission to Government for decision which is awaited (December 1971).

47. *Construction of school building*—Construction of a school building with assembly hall at Anandpur was entrusted to a contractor (single tender in March 1962 for Rs. 2.79 lakhs (18 per cent over the estimated cost). The work was to be completed by March 1963. There was delay in giving the lay-out and handing over the site to the contractor. Accordingly, he, after doing a part of the work, asked for higher rates and this being not agreed to, the contract was cancelled in August 1963. No penalty was imposed. The remaining work was put to tender again and entrusted to the same contractor (single tender) in November 1963 for Rs. 4.19 lakhs (109 per cent over the estimated cost of Rs. 2 lakhs) with stipulation to complete the work by November 1964. Extension of time upto February 1968 was given on the ground that there was delay in giving the design of the assembly hall to the contractor. The main school building (without assembly hall) was completed in February 1968 and Rs. 3.21 lakhs (including Rs. 0.28 lakh for the assembly hall) were paid on the second contract. The value of the work would have been Rs. 1.86 lakhs at the rates of the first contract.

After spending Rs. 0.62 lakh, construction of the assembly hall was stopped in March 1966 due to defects in design, modification of which has not been finalised so far (October 1971).

RURAL DEVELOPMENT DEPARTMENT

(Rural Engineering Organisation)

48. *Kausalyaganga fish farm*—Government (Agriculture department) sanctioned Rs. 1.50 lakhs in January 1970 for special repair to the Kausalyaganga fish farm at Bhubaneswar. Work estimated to cost Rs. 1.30 lakhs was put to tender in January 1970 in the Rural Engineering division, Puri. Seven tenders were received in February 1970 and the Chief Engineer accepted the lowest tender of contractor 'A' for Rs. 0.97 lakh (25.57 per cent less than the estimated cost) on 12th February 1970 and directed the divisional officer to utilise the allotment of Rs. 1.50 lakhs and get the work completed by 31st March 1970. The work order (for 0.22 lakh cu.m. of earthwork and other items) was issued on 16th February 1970 stipulating that the work should be completed within forty five days. Work of the value Rs. 0.02 lakh was executed by the contractor upto 28th February 1970 when the divisional officer rescinded the contract on the ground that the contractor had not shown satisfactory progress in the work. Fresh tenders were not invited by the divisional officer as only thirty days were left (up to 31st March 1970) for completion of the work. On the recommendation of the divisional officer, the Chief Engineer ordered that the work be entrusted to the sixth lowest tenderer (contractor 'B') for Rs. 1.27 lakhs (2.16 per cent less than the estimate), the other four lower tenders being overlooked on the ground that the rates quoted, being more than 12.5 per cent below the estimated cost, were unworkable.

(During 1968-69 and 1969-70, rates varying between 13 and 35 per cent below the estimates had been accepted by the same division for works in the same locality. Even the first contract in this work had itself been awarded at 25.57 per cent below the estimated cost.) The new contractor gave a written undertaking to complete the earthwork (constituting 89 per cent of the work) by 31st March 1970 and a formal work order was issued on 4th March 1970 stipulating that the (whole) work should be completed in one and half months (i. e., 18th April 1970). In the meantime, Government sanctioned another work 'Improvement to Kausalyaganga fish farm' on 10th March 1970 for Rs. 11.94 lakhs. The divisional officer then permitted the contractor to execute additional 0.90 lakh cu.m. of earthwork relating to the second work also at the same rates as for the first work. A new work was thus entrusted to a contractor without a fresh tender being called.

Earthwork executed for the first work and the second work got mixed up and 0.28 lakh cu.m. of earthwork was measured and paid for up to 18th April 1970 (stipulated date of completion of the work) against 1.12 lakh cu.m. required to be executed. Extensions of time for completion of the work were given initially by the Chief Engineer upto July 1970 on grounds of additional work to be executed and later upto December 1970 on the application of the contractor on the ground that rains had started early and were heavy. The work was completed on 31st December 1970.

In all 1.15 lakhs cu.m. of earthwork were executed of which 0.93 lakh was against the additional work. Computed with reference to the rates of the second lowest tenderer, the extra expenditure on the total work was Rs. 1.09 lakhs.

49. *Dhobaghat minor irrigation project*—The Dhobaghat minor irrigation project (in Nilgiri sub-division) consisting of a diversion weir and two canals on either side of Ghogra Nullah was taken up in January 1964 (estimated cost : Rs. 6.50 lakhs). The estimate was revised in February 1965 to Rs. 9.26 lakhs but this has not been sanctioned so far (January 1972). While the work was in progress, some villagers obstructed the work in March 1964 on the ground that it would not benefit them. On persuasion by the Collector that another project would be constructed in the upper reach of the Nullah and that the alignment would be changed, the work was resumed. But again in June 1965 some other villagers obtained a stay order (which was later vacated) from court restraining further land acquisition proceedings and canal excavation and petitioned Government that there was not sufficient water and the project would be a waste. The work was stopped in June 1965. It has not been resumed so far. Rupees 5.07 lakhs have been spent on the project.

The department stated (September 1971) that fresh data on water discharge were being collected from October 1969.

IRRIGATION AND POWER DEPARTMENT

(Balimela Dam Project)

50. *Excavation for powerhouse*—In Balimela Powerhouse and Tail Race Division, tenders were invited in February 1966 for excavation for a portion of the powerhouse. The tender of contractor 'A' was accepted and work order was issued in June 1966, the work awarded being for the right side of the powerhouse. Subsequently, tenders were invited for excavation for the left side of the powerhouse and for the first reach of the tail race which was adjacent

to the reach entrusted to contractor 'A'. The work on the left side was entrusted to contractor 'B' in October 1966 and for the first reach of the tail race to contractor 'C' in January 1967. The three contracts provided that water should be suitably collected and drained away by gravity and, where not possible pumped out. Contractor 'A' represented to the department several times that his work being in the middle portion of the three reaches and that he having commenced work earlier, excavation of his reach was always at a level lower than that of the other two contractors and so water drained into his reach from the other two reaches. He pleaded that because of the site condition he could not make arrangements for natural drainage from his reach as the adjoining reaches had been taken up by other contractors. The departmental engineers instructed (between April and November 1967) contractors 'B' and 'C' not to drain off water from their reaches to the reach of contractor 'A'. Contractor 'A' completed the work in May 1968 and in June 1968 claimed Rs. 1.93 lakhs towards dewatering expenses. The Superintending Engineer, Balimela Civil Circle, forwarded the claim to the Additional Chief Engineer and recommended payment of Rs. 0.33 lakh. He added that Rs. 0.45 lakh were spent by Contractor 'A' on dewatering and that a spring had appeared in the reach where contractor 'C' was working and the water was draining into the reach of contractor 'A'. The Additional Chief Engineer rejected the claim. The contractor went for arbitration. In the absence of any records showing the dewatering done by the contractor, the arbitrator determined the extra dewatering on the basis of rainfall, during the period of working of the contract, in the catchment of the three reaches and in January 1970 awarded Rs. 1.49 lakhs to contractor 'A'. Government paid the amount to him in May 1970.

Government informed the Additional Chief Engineer in February 1970 that the claim towards extra dewatering arose due to lapses of field officers in late award of excavation work in higher reaches to contractors 'B' and 'C' and failure to take effective action to prevent water flowing into the reach of contractor 'A'. Government also ordered that the amount awarded to contractor 'A' should be recovered from contractors 'B' and 'C' and that legal advice also taken for contesting the award. Legal advice was, however, not taken. The amount has not been recovered from the contractors 'B' and 'C'.

51. *Construction of lower expansion gallery*—Construction of power tunnel, gate shaft, surge tank and penstock canals for Balimela powerhouse given on contract in June 1964 included construction of two lower expansion galleries, one on each side of the surge tank and each 175 feet long, according to drawing prepared in January 1964; each gallery was to be a circular tunnel (shape : horse-shoe) with an inner diameter of forty feet with three feet thick reinforced cement concrete lining. The department authorised the contractor in May 1965 to construct only one gallery (on one side of the surge tank) the length of which was later on increased to 350 feet. In October 1968 a revised drawing for the gallery was given according to which the thickness of lining was reduced from three feet to one foot and the shape changed from horse-shoe to circular. The Superintending Engineer brought to the notice of the Additional Chief Engineer in 1968 that before receiving the revised drawing, the contractor had already completed excavation as required for three feet thick lining for the entire gallery. The expenditure due to the extra excavation and concreting actually done but not required under the revised drawing and due to change from horse-shoe to circular shape was Rs. 3.04 lakhs (for payments made upto March 1971). The work is in progress.

52. *Construction of upper expansion gallery*—The original drawing for construction of power tunnel, gate shaft, surge tank and penstock canals prepared in October 1963 also included an upper expansion gallery. When the work was put to tender, this gallery was not, however, included in the tender drawing as the dimensions had not been finalised then. The above work, excluding the upper expansion gallery, was awarded to the contractor in June 1964. Subsequently, the design was modified and the gallery included, and the contractor was asked to do open excavation for that gallery and also to line it. The contractor, however, replied that the gallery was not in the tender drawing and that as per the new diagram the extent of open excavation had abnormally increased because of provision of the gallery. He also claimed higher rate for open excavation and for lining of the gallery due to non-availability of direct access into the gallery and this was allowed. Compared with the rates allowed for the lower expansion gallery (which was not open excavation but in tunnel), extra expenditure on account of higher rates for excavating and for lining of the upper expansion gallery was Rs. 2.25 lakhs.

The contractor constructed a separate adit (approach) for doing the work of the gallery and claimed Rs. 0.45 lakh for this and this was also allowed. However, this item had already been provided for in the analysis of the higher rates allowed and hence should not have been allowed once again.

53. *Bahuda medium irrigation project*—Construction of this project, comprising of five diversion weirs and distributaries, was taken up in July 1962 and was to be completed by 1966-67. The original and revised estimated costs, number of acres to be irrigated, actual expenditure and cost of irrigation per acre are shown below :—

	Estimated cost Estimated area of irrigation	Cost of irriga- tion per acre
Original estimate (November 1962)	Rs. 57.39 lakhs 19,600 acres	Rs. 293
Revised estimate (May 1968)	Rs. 158.94 lakhs 21,100 acres	Rs. 753
Actual expenditure (upto March 1971)	Rs. 97.94 lakhs	

Before the original estimate was sanctioned and construction commenced the needed field particulars had not been collected and detailed designs and estimates not prepared. In May 1968 the estimate was revised by 177 per cent. The increase in cost (Rs. 102 lakhs) was principally due to (1) inadequate provision for certain items (Rs. 56 lakhs), (2) increase in labour and material costs (Rs. 26 lakhs) and (3) increase in establishment cost (Rs. 10 lakhs).

According to the original programme (1962), construction of the five weirs was to be completed by 1964-65. Actually, however, only one weir has been completed (in 1966-67). Construction of two weirs was taken up in 1968 and is in progress (March 1972). The project was revised in 1970 and two weirs would not now be constructed, and the work is expected to be completed by 1974. It will thus be seen that the cost substantially increased mainly because

the original estimate had been prepared without detailed studies and that it will take twelve years to complete a project costing Rs. 159 lakhs. Two examples of delay in construction and their consequences on construction cost are given below :—

(1) Construction of weir at Kalingadola (estimated cost Rs. 9.78 lakhs) was entrusted in July 1962 to a contractor for Rs. 8.81 lakhs to be completed by July 1964. There was delay in giving the layout and in finalisation of revised plans and designs. After executing work valued Rs. 2.45 lakhs the contractor stopped work in May 1963. The residual work was then entrusted to job workers who completed it during December 1963 to 1967 for Rs. 26.02 lakhs. The account of the contractor has not so far been finalised, nor has the contract been formally terminated. Computed at the rates of the first contractor the extra expenditure on four items of masonry and concreting work alone for which details were available was Rs. 3.77 lakhs. On account of the long time to complete the work through job workers, Rs. 3.22 lakhs were spent on the following :—

	Amount (Rs. in lakhs)
(i) Clearing silt accumulated during rains of 1963 to 1965 (there was no provision for this work in the estimate)	0.21
(ii) Dewatering of foundation from 1962-63 to 1965-66 (provision in the estimate was for one year only)	1.03
(iii) Work-charged staff (like pump drivers etc.) retained beyond 12/24 months provided in the original estimate	1.98

(2) Excavation of left main canal of Kalingadola system was entrusted to a contractor in May 1966 for Rs. 0.90 lakh to be completed by November 1966. Land for part of the work was not available and the contractor did not commence work. The Chief Engineer accordingly terminated his contract in August 1967 without penalty. The work was entrusted to another contractor in February 1968 for Rs. 1.28 lakhs to be completed by November 1968. It was actually completed in September 1969.

Irrigation was provided from 1965 but agreements with the beneficiaries were executed from 1968 only. Thus Rs. 1.22 lakhs being the water rates from 1965 to 1967 came not to be recovered; reasons therefor have not been intimated (May 1972). Water rates from 1968 have also not been recovered so far (October 1971). Reasons therefor have also not been intimated (May 1972).

54. *Breach closing at Birabarpatna*—A breach occurred to the left embankment on Biluakhai river at Birabarpatna on 1st August 1969. On 4th August the Superintending Engineer, Eastern Circle, obtained a quotation of Rs. 180 per 1,000 c. ft. of earthwork for closing the breach; on 6th August the contractor commenced the work and on the same day the Additional Chief Engineer recommended to Government acceptance of that rate stating that the rate quoted covered also the cost of compensation to be paid to the people from whose lands earth was to be burrowed, that the work was urgent and was to be completed within six days. The contractor completed the work on 8th September 1969 taking 34 days. In all 8.55 lakh c. ft. of earthwork was done at a cost of Rs. 1.53 lakhs. The analysed rate, prepared by the Executive Engineer-in-charge of the work, was Rs. 54 per 1,000 c. ft. of earthwork in closing the breach and the department had estimated that compensation for acquisition of land would be Rs. 0.13 lakh. Extra expenditure of Rs. 0.94 lakh was thus incurred on this work.

CHAPTER V

STORES AND STOCK ACCOUNTS

55. *Synopsis of important accounts*—A synopsis of the important stores and stock accounts for 1970-71 (other than those of commercial and quasi-commercial departments / undertakings etc.) 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 (November 1971). The number of divisions which have not sent the accounts, the year for which the accounts were not sent and the value of stores held by these divisions are given below :—

Year		Number of divisions	Value of stores (Rs. lakhs)
1963-64 to 1966-67	..	28	24.69
1967-68	..	11	20.63
1968-69	..	8	31.69
1969-70	..	15	-6.11
1970-71	..	38	2,24.05

(The reasons for the minus stores balances in many of the divisions have not been investigated by the department.)

The store and stock account of chemical fertilisers from 1967-68, Forest department from 1968-69, Government Headquarters hospitals including Medical College Hospitals at Cuttack, Burla and Berhampur and Orissa Government Press from 1969-70, and Balimela (Joint) Dam Project, Home (Public Relations) department, Orissa School of Engineering, Cuttack, stores and stock accounts of stamps and consolidated store and stock account of medicinal opium for 1970-71 are also awaited.

The rules of the Public Works Department require that the stores held in stock should be verified physically at least once in a year by divisional officers. Reports of physical verification due for 1970-71 have not been received from fifty-eight public works divisions.

56. *Non-fixation of Reserve limit of stock*—According to the rules of Public Works Department, the value of stores held in stock should not exceed the limit specified by Government. But during 1970-71 reserve stock was not sanctioned for forty-four divisions; the value of stock held by these divisions at the end of 1970-71 was Rs. 1,19.29 lakhs. In eight divisions the balance of stock held at the end of 1970-71 exceeded the sanctioned reserve stock limit fixed for the year by Rs. 12.96 lakhs.

57. *Stock Registers and stock verification*—Physical verification of stores in five public works divisions (two Roads and Buildings, one Expressway and two Irrigation divisions) conducted during 1970-71 by Government's stores verification party disclosed shortages of Rs. 20.86 lakhs. Physical verification of stores in one irrigation division and one roads and buildings division conducted by the Divisional officers disclosed shortages of stock materials worth Rs. 0.47 lakh. These shortages have not been reconciled by the divisions so far (December 1971).

Stock materials worth Rs. 10.92 lakhs were purchased in three divisions without requirement and were lying unused in stock for over five years.

58. *Minus balances in stores and stock accounts*—The stores and stock accounts of twelve divisions closed with minus balance at the end of 1970-71; the total minus balance of these divisions was Rs. 82.92 lakhs. The minus balance shows that either receipt of materials had not been taken into account or the value of stores shown as issued was more than receipts. Unless the minus balances are reconciled and adjusted the correctness of stock account cannot be ensured.

59. *Annual certificate of balances of stock and other suspense accounts*—The rules under the Public Works department require that divisions should conduct a special review of balances of stock and other suspense accounts early in March and forward to Audit by the end of May an annual certificate of balances. The certificates for 1970-71 have not been received from fifty-eight divisions (December 1971).

HEALTH AND FAMILY PLANNING DEPARTMENT

60. *Sales Stores (medicines)*—Mention was made in paragraph 40 of the Report for the year 1969-70 about this scheme.

A test check of the accounts of the sales stores (medicines) conducted during 1971-72 disclosed the following :—

(a) Out of two hundred and twenty sales centres opened under the scheme during 1961-62, one hundred and sixtyeight centres ceased functioning at the end of March 1971. Closing balance with the centres at the time they were closed has not been furnished by the department.

(b) Physical verification of the stock * on 31st March 1971 has not been conducted by the department.

(c) According to departmental rules, sale price of drugs is to be fixed after taking into account the cost price (inclusive of sales tax) 15 per cent departmental charges and State sales tax chargeable by the sales tax authorities. The department paid sales tax of Rs. 0.15 lakh in March 1970 and February 1971 for the period 1963-64 to 1967-68 and realised Rs. 0.01 lakh from the customers leaving a balance of Rs. 0.14 lakh; reasons for non-realisation of the balance tax are awaited from the department (December 1971).

*A synopsis of the stores and stock Accounts of these centres for 1970-71 (excluding that of Cuttack district) has been given in Appendix VII.

IRRIGATION AND POWER DEPARTMENT

61. *Purchase of traxcavators*—Two reconditioned traxcavators (heavy earth movers) were purchased for Budha Budhiani medium irrigation project (in May 1966) and Salia medium irrigation project (in August 1966) for Rs. 6.44 lakhs.

The traxcavator obtained for Budha Budhiani Project was not utilised for that work as the earthwork was almost over by the time it was purchased. The machine given on hire to Orissa Mining Corporation in November 1966 was received back in March 1968. The machine was in damaged condition at the time of its return by the Orissa Mining Corporation and the cost of repairs was estimated as Rs. one lakh by the supplying firm. The number of hours for which the machine worked with the Corporation was not been made available to the department. Hire charges of Rs. 2.16 lakhs were assessed by the department in June 1968 at two per cent of double the capital cost of the machine for each month it was kept by the Corporation. The hire charges have not been paid by the Corporation (October 1971). While the machine was still with the Corporation its cost was transferred and booked to the Salia project in May 1967.

The second machine received for Salia project in August 1966 worked for 150 hours upto May 1968 after which it was hired to Darjang medium irrigation project and received back in August 1969. The machine was reported to be in damaged condition and its engine beyond repair at the time of its return from the Darjang project. Hire charges for Rs. 1.18 lakhs were claimed from Darjang project in December 1970 and have yet to be paid (December 1971).

The engine of the machine received for Budha Budhiani project was fitted to the second machine and the assembled machine was lent to Orissa State Commercial Transport Corporation in July 1970. The Corporation returned the machine in March 1971 and reported that it had worked only for fifteen days after which it went out of order.

The two machines have not been repaired (December 1971).

62. *Laundry plant, generators etc.—*

Machines, equipments, etc.	Purchase value (Rs. lakhs)	Remarks
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HEALTH AND FAMILY PLANNING DEPARTMENT

(i) Laundry plant (one)	1'61	The Director of Health Services purchased the equipment (cost Rs. 1'61 lakhs between February 1968 and August 1969 for washing and cleaning the soiled beddings and clothings of in-patients of the S. C. B. Medical College hospital, Cuttack. Rs. 1'45 lakhs towards 90 per cent of the cost were paid on receipt of equipment; balance of Rs. 0'16 lakh was to be paid after installation and demonstration at site. Further Rs. 0'40 lakh were spent between March 1969 and April 1970 for making additions and alterations, electrical fittings, pipe fittings, etc., to the existing workshop building of the hospital to facilitate installation of the equipment. The plant has not been installed so far (December 1971).
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INDUSTRIES DEPARTMENT

(ii) Welding generators, universal tool cutter and grinder, milling, shaping, moulding and melting machines and pressure blower	0'66	The machines were purchased by the Director of Industries for the Industrial Training Institute, Balasore, between March 1959 and June 1965. The Principal of the Institute reported to the Director of Industries (November 1969) that the machines were not in use as there was no corresponding trade in the Institute. To avoid further deterioration of the machines he requested the Director of Industries (June 1970) for orders for their disposal; the machines have not been disposed of so far (December 1971).
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CHAPTER VI

REVENUE RECEIPTS

63. *Arrears in collection of revenue, interest and other receipts*—(a) According to the information furnished by some of the departments of Government, the arrears in collection of revenue, interest and other receipts on 31st March 1971 were Rs. 19.85 crores. A comparison of arrears in terms of percentage of the receipts under these heads during the years 1969-70 and 1970-71 is given below :—

Nature of revenue	Receipts during the year 1969-70	Arrears as on 31st March 1970	Percentage of arrears compared to the annual revenue yield	Receipts during the year 1970-71	Arrears as on 31st March 1971	Percentage of arrears compared to the annual revenue yield
	(In lakhs of rupees)			(In lakhs of rupees)		
(1) Sales Tax, agricultural income tax and taxes on goods carried on roads and inland waterways	14,91.16	5,06.22	34	18,48.01	7,74.78	42
(2) Electricity, receipts including electricity duty	4,48.43	2,67.49	60	3,73.73	2,92.13	78
(3) Land revenue	1,72.62	2,25.23	130	1,66.83	2,59.58	155
(4) Forest lessees	6,58.02	1,41.13	21	7,38.26	1,51.53	20
(5) Interest receipts	5,93.98	1,44.73	24	3,32.71	2,30.06	69
(6) Mining revenue	1,94.47	1,52.41	78	2,00.36	83.85	41
(7) Other revenues (such as recoveries for services rendered by State Police, receipts of the Industries Department, excise revenue, State Transport receipts, house rent, receipts from sale of text books, irrigation and lift irrigation receipts, hiring of pumps, receipts of the roads and buildings and Rural Engineering divisions, judicial receipts, audit fees of the Co-operative Department, receipts of the fisheries and Animal Husbandry Department, Orissa Government Press receipts, receipts from Jobra Workshop, etc.)	11,51.93	1,92.40	16	10,20.20	2,77.84	27

Information in respect of the arrears of some of the important sources of revenue on 31st March 1971 has not been received from the following departments :—

Department	Nature of revenue
(1) Agriculture and Co-operation	.. Agricultural receipts
(2) Irrigation and Power	.. Receipts of the Irrigation divisions
(3) Works	.. Receipts of the Public Health divisions
(4) Transport	.. Receipts from Motor Vehicle taxation

(b) Mention was made in paragraph 80 of the Report of the Comptroller and Auditor General of India for 1969-70 of the unsatisfactory position of the records in the subordinate offices in the Motor Vehicle Taxation Department of Government prior to August 1965, owing to which the department failed to furnish the position of arrears in collection of Government revenue as on the 31st March 1970. The department stated (May 1971) that the position regarding demand, collection and outstanding arrears of Motor Vehicle Taxation revenues has not yet been finalised.

(c) The arrears of forest revenue (Rs. 1,51.53 lakhs) date back to 1943-44; of these arrears pertaining to the years 1969-70 and 1970-71 alone were Rs. 67.18 lakhs (44 per cent). These arrears are exclusive of the amount due from the Orissa Forest Corporation as the rate of royalty in respect of the coupes leased out to it during 1970-71 was not fixed; according to Government (September 1971), the arrears against the Corporation to end of March 1971 were Rs. 1,23.61 lakhs. The breakup of the arrears indicating the stages at which these stood at the end of March 1970 and March 1971 is given below :—

	31st March 1970	31st March 1971
	(In lakhs of rupees)	
Under certificate cases ..	45.48	45.51
Other cases on which department is yet to take action	95.65	1,06.02
Total ..	1,41.13	1,51.53

64. *Write-off and remission of claims to revenue*—During 1970-71 demands in over 288 cases aggregating Rs. 5.56 lakhs were written-off or remitted as indicated below :—

Department	Nature of revenue	Number of cases	Amount Rs.
(1) Mining and Geology	Rent and royalty written-off	1	2,05,820
(2) Law	Judicial receipts— Written-off ..	4	46,338
	Remitted ..	2	96,914
(3) Political and Services ..	Remission of rent by way of rent-free occupation or at concessional rate	135	70,797
(4) Works	Remission of rent by way of rent-free occupation or at concessional rate	39	37,922
(5) Irrigation and Power ..	Lift irrigation receipts remitted	(Number of cases not given)	32,148
(6) Revenue and Excise ..	Excise revenue written-off	32	29,797
(7) Finance	Sales tax revenue written-off	5	20,523
(8) Forest and Animal Husbandry	Forest royalty remitted ..	3	11,048
(9) Cultural Affairs	Reservation of Rabindra Mandap at concessional rate	20	2,440
(10) Community Development and Panchayati Raj	Grama Panchayat revenue remitted	28	1,638
(11) Transport	Transport revenue written-off	7	414
(12) Commerce	Press receipts written-off ..	12	394
	Total ..	288	5,56,193

FINANCE DEPARTMENT

SALES TAX

65. *Arrears of Sales tax demands and assessments*—(a) On 31st March 1971 the total outstanding demands of sales tax assessed but not realised was Rs. 7,06.14 lakhs against Rs. 4,34.22 lakhs as on 31st March 1970. The detailed break up of the arrears indicating the stages at which these stood as at the end of March 1970 and March 1971 is indicated below :—

	31st March 1970	31st March 1971
	(In lakhs of rupees)	
(1) Amount covered by stay order ..	1,17.35	2,17.87
(2) Amount covered by certificate cases ..	56.46	62.97
(3) Amount covered by notices to third parties contemplated in the Act	19.06	13.47
(4) Amount covered by notices of penalty ..	2,08.79	3,00.45
(5) Amount awaiting recovery by coercive measures contemplated in the Act	5.21	80.97
(6) Recovery kept in abeyance—		
(i) Proposed to be written-off being irrecoverable	17.99	25.74
(ii) Outstanding against dealers outside the State recovery of which is stated to be beyond control	9.36	4.67
Total ..	4,34.22	7,06.14*

Compared to the previous year there was a rise of Rs. 2,71.92 lakhs in the arrears sales tax demands to end of March 1971. The year-wise breakup of the arrears has not been worked out by the department (October 1971).

According to the department, arrears of Rs. 2,48.28 lakhs are considered as other than effective arrears. These include (i) Rs. 25.74 lakhs (795 cases) likely to be written-off (ii) Rs. 4.67 lakhs (86 cases) outstanding against dealers outside the State and (iii) Rs. 2,17.87 lakhs (number of cases not given) representing the amount stayed by Judicial, Appellate and Revisional Authorities.

(b) On 31st March 1971, 37,068 quarterly assessment cases in twenty-one circles were pending assessment. The year-wise breakup of the pending assessment and the amount of tax involved in these cases have not been intimated by the department (October 1971).

(c) 23,876 appeal cases were pending disposal with the Appellate Authorities as on 31st March 1971; of these, 1,134 cases relate to appeals filed to end of March 1967 which were not disposed of till July 1971. The amount of tax involved in these cases has not been intimated by the department (October 1971).

* According to the returns furnished by the circle offices to the Commissioner of Commercial Taxes, Orissa, the arrears as on 1st April 1971 were Rs. 7,38.70 lakhs. Reconciliation of the figures has not yet been done (October 1971).

66. *Results of test audit in general*—(i) A test check disclosed 88 cases of under-assessment and short-realisation of sales tax to the extent of Rs. 19,084. Overassessment of tax of Rs. 2,253 in 5 cases was also noticed in audit. The details are given below:—

	Tax under-assessed and short-realised	
	Number of cases	Amount Rs.
(a) Application of wrong rate or lower rate under Central/Orissa Sales Tax Act	7	2,181
(b) Incorrect computation of gross turnover/taxable turnover for assessment of tax	11	4,255
(c) Arithmetical inaccuracy in assessment of tax ..	15	3,622
(d) Irregular allowance of deduction ..	17	6,644
(e) Irregular allowance of rebate ..	38	2,382
Total ..	88	19,084

	Tax over-assessed	
	Number of cases	Amount Rs.
(f) Arithmetical inaccuracy, etc. in assessment of tax	5	2,253

(ii) *Short levy of tax on inter-State sales*—Inter-State sales of goods are eligible for concessional rates of Central sales tax only if they are supported by valid declarations obtained from genuine registered purchasing dealers or from departments of Government. In 9 circles, 34 cases of short levy of tax of Rs. 15,753 were noticed. Details are given below:—

	Number of cases	Amount Rs.
(a) Acceptance of incomplete/defective declarations in form 'C'	9	3,682
(b) Misuse of declaration forms by dealers ..	25	12,071

(iii) *Non-levy of interest*—Orissa Sales Tax Act provides that if a dealer defaults in payment of tax or composition money by the due date specified in the notice issued to him, he shall be liable to pay interest at the rate prescribed in the Act. During the period under review, a test check of accounts disclosed that in 1,213 cases in 21 circles demands for interest of Rs. 6.53 lakhs as on 31st March 1971 were not raised.

(iv) *Delay in issue of demand notices*—Notice for payment of assessed tax is to be issued to the dealer within 15 days of completion of assessment. Delay (ranging from two to eight months) in issue of demand notices was noticed in 85 cases (in 5 circles) during the period under review.

67. *Under-assessment of sales tax*—The rate of Central sales tax on inter-State sales supported by valid declaration forms was raised from 2 per cent to 3 per cent from 1st July 1966. A dealer included a taxable turnover of Rs. 3.95 lakhs of August 1966 in his turnover for the quarter ending June 1966 and the same was assessed at the lower rate by the assessing officer. On this being pointed out, the assessing officer rectified the mistake (in April 1970) by raising a further demand of Rs. 3,954; report of recovery is awaited (January 1972).

68. *Arrears of tax demand and assessment of Agricultural Income tax and Taxes on goods carried by roads and inland water ways*—(a) According to the information furnished by the department, the taxes assessed in respect of Agricultural Income Tax and Taxes on goods carried by roads and inland water ways but not realised amount to Rs. 68.64 lakhs at the end of 1970-71. Of the arrears, recovery of Rs. 18.69 lakhs was stayed by Courts and Appellate Authorities, certificate proceedings were instituted for Rs. 17.88 lakhs, notices of penalty were issued for Rs. 29.10 lakhs, notices to third parties were issued for Rs. 1.42 lakhs and Rs. 0.13 lakh await recovery by coercive measures. The balance arrears of Rs. 1.42 lakhs, (27 cases in four circles) is proposed to be written-off being irrecoverable.

(b) The Department has intimated (May 1971) that as on 31st March 1971 agricultural income tax for 20,610 quarterly assessment cases was pending assessment in twenty circles. The year-wise break up of the pending cases and the tax involved therein has not been intimated by the department (October 1971).

AGRICULTURE AND CO-OPERATION DEPARTMENT

69. *Loss due to delay in registration as dealer under the Orissa Sales Tax Act*:—Under the Orissa Sales Tax Act (as it stood in 1964) a dealer was liable to pay sales tax from the month following a period not exceeding twelve months in which his gross turnover exceeded Rs. 10,000. Further, even though the dealer became liable to tax on his turnover exceeding Rs. 10,000 he could not collect sales tax from his customers unless he got himself registered as a dealer. The Cuttack Milk Union scheme (run by Government) which besides processing and selling milk was also producing and selling taxable milk products became liable to tax, and was assessed to tax from April 1964. It was noticed that the undertaking was registered as a 'dealer' only on 19th October 1970 and began realising sales tax on the sale of milk products from November 1970. Due to delay in registration, the undertaking could not recover Rs. 0.20 lakh in respect of sales made from April 1964 to October 1970.

FOREST AND ANIMAL HUSBANDRY DEPARTMENT

FOREST RECEIPTS

70. *Results of test audit in general*—A test check of the receipts from forest leases and other forest produce of the Forest department conducted during 1970-71 revealed the following points :—

(i) In the following cases forest revenue totalling Rs. 2.34 lakhs was not realised :—

(a) In one hundred sixtysix cases (twelve forest divisions), interest amounting to Rs. 0.19 lakh was not levied or was levied short on account of late payment and non-payment of lease money:

(b) In six cases of leases (three forest divisions), where the contracts were determined, the coupes were resold for lesser amounts ; the shortfall amounting to Rs. 0.11 lakh was not realised from the contractors.

(c) In fiftythree cases (seven forest divisions), compensation for illicit felling of trees by the contractors amounting to Rs. 0.55 lakh, was not realised.

(d) In 7,883 compounded forest offence cases (seven forest divisions), Rs. 1.44 lakhs due to be realised from the relevant parties were not realised.

(e) In three cases (three forest divisions), extension of time was allowed for working out of the coupes but the extension fee of Rs. 0.05 lakh was not realised from the contractors.

(ii) In twentythree cases (three forest divisions), certificate cases instituted for recovery of forest revenue amounting to Rs. 2.60 lakhs were dropped by the certificate courts as details of property of the debtors were not available.

(iii) In 1,830 cases (sixteen forest divisions), even though contracts for working the coupes had been closed, security deposits of Rs. 13.54 lakhs recovered from the contractors between 1957 and 1967 were not refunded to the contractors or adjusted against their dues.

(iv) In addition to offences which were compounded, 26,858 further forest offence cases were detected in sixteen forest divisions ; the cases were neither finalised nor the cost of forest produce involved in these cases (amount not determined) realised.

(v) In three divisions (twenty-six cases), Rs. 1.39 lakhs were paid by the contractors towards their dues between 1955 and 1971. The amount was not adjusted in the divisional accounts.

71. *Outstanding forest revenues*—In Baripada forest division, lease money of Rs. 6.87 lakhs relating to the period from April 1949 to December 1970 remained to be collected from contractors in 130 cases. Certificate proceedings have been instituted by the department in thirty cases for recovery of Rs. 1.79 lakhs; in the remaining 100 cases involving Rs. 5.08 lakhs the department has yet to take action.

Of the thirty certificate cases instituted, in two cases involving Rs. 0.22 lakh the department decided to write off the arrear as the contractors had no property. The write-off orders are awaited (January 1971). Cases against four contractors for realisation of Rs. 0.45 lakh were subsequently dropped by the department as two of them had no property (Rs. 0.39 lakh) and two other have absconded and their whereabouts were not known (Rs. 0.06 lakh).

Out of 100 cases where action has yet to be taken by the department, in five cases involving Rs. 0.53 lakh relating to the years 1961-62 to 1966-67, the contracts have been determined but certificate proceedings have not been instituted (January 1971) for want of property statement of the contractors from the Revenue Officers. Appeals in two more cases involving Rs. 0.40 lakh pertaining to the lease periods 1966-67 and 1967-68 are under consideration of Government. In another case (Rs. 0.26 lakh) relating to the year 1958-59 processing of the certificate case has been stayed by Government.

In thirteen cases involving Rs. 1.58 lakhs the agreements with the defaulting contractors were determined between May 1968 and December 1969, but the unworked forest coupes remained to be auctioned again (January 1971) as enumeration lists were not given to the division by range offices in ten cases and appeals from contractors were pending finalisation in three cases.

72. *Non-realisation of forest revenue*—A forest coupe was leased out for the period from November 1966 to May 1968 for a consideration of Rs. 0.92 lakh payable in four equal instalments in November 1966, March 1967, October 1967 and December 1967. The contractor paid a total sum of Rs. 0.31 lakh only upto May 1967; in May 1968, the contract was terminated and the material of the coupe which had not been removed by the contractor was sold (March 1970) for Rs. 0.05 lakh. The amount due from the contractor, including Rs. 0.03 lakh on account of interest on belated payment, is Rs. 0.59 lakh against which only Rs. 0.14 lakh deposited as security is available for adjustment. The Divisional Forest Officer stated (January 1971) that certificate proceedings would be instituted against the contractor for the dues soon after receipt of property statement from the Revenue Officers. No proceedings have been instituted so far (August 1971).

TRANSPORT DEPARTMENT

(TAXES ON VEHICLES)

73. *Results of test audit in general*—(i) A test check disclosed cases of under assessment and loss of revenue to the extent of Rs. 5.95 lakhs under Taxes on vehicles. Details of the cases grouped on the basis of the nature of under-assessment/loss of revenue are given below:—

Particulars	Number of cases	Amount Rs.
(a) Non-levy of tax from the date of purchase/acquisition of vehicles already registered	333	2,91,033
(b) Underassessment/short realisation of tax due to wrong application of rates, error in calculation, etc.	560	1,79,527
(c) Failure to levy and collect tax for violations of off-road declarations detected by Enforcement branch	37	36,316
(d) Cancellation of registration without realising arrear tax	17	34,348
(e) Non levy of tax for carrying standing passengers in Public buses	104	23,668
(f) Non-realisation/short collection of Orissa tax by other States	80	16,106
(g) Shortrealisation/non-realisation of penalty	36	10,620
(h) Non-realisation of tax at enhanced rate from 3rd May 1966 resulting in short realisation of tax (the rate was enhanced from 3rd May 1966)	1	3,675

(ii) In six regions there were cases of overassessment and excess realisation of tax to the extent of Rs. 0.12 lakh in eighty cases.

(iii) Test check of the records of the regional offices disclosed the following defects:—

(a) In ten regional offices the basic records for watching recovery of demands were either not maintained or had not been maintained in proper form. The tax outstanding in those regions could not be assessed.

(b) In eleven regions no action was taken for recovery of arrear tax of Rs. 3.28 lakhs in 314 cases.

(c) Assessment of motor vehicles tax is based on certain data statutorily required to be furnished by the owner of the vehicle. In nine regions, 216 cases of assessment were not supported by such data.

(d) In case of payment of tax after due date, penalty is leviable under the law. In five regions out of 114 cases of non-payment and delayed payment of tax, penalty proceedings (January 1972) have been initiated in 16 cases, and in the 98 remaining cases compliance reports from Regional Transport offices were awaited by Government.

74. *Issue of tax tokens on doubtful chalans*—According to departmental rules, motor vehicle tax is required to be paid by the vehicle owner direct into the treasury and tax token is to be issued by the Taxing officer only after verifying the treasury chalans produced by the motor vehicle owner either with the triplicate copy of the chalan received direct from the Treasury or with the treasury records by personal contact. The verification may however, be dispensed with if the Regional Transport Officer is otherwise satisfied about the genuineness of the treasury chalan produced and bonafides of the owner. The rules also require that the figures of tax collections as shown by the treasury be reconciled every month with the figures as appearing in the departmental books.

The annual test checks conducted by Audit in respect of the accounts of the Regional Transport Officer, Cuttack for the assessment years 1967 to 1969 revealed that in sixty-six cases involving tax of Rs. 0.28 lakh, tax tokens were issued on chalans credits for which have not appeared in the treasury account. This occurred as (i) tax tokens were issued without verification with the triplicate copy of the chalans received direct from the treasury or with the treasury records by personal contact and (ii) departmental figures were not verified with the treasury figures.

The matter was brought to the notice of the Government (after each test check was over) between May 1969 and April 1971 and in June 1971 Government was requested to arrange for detailed internal check of the accounts of the Regional Transport Officer, Cuttack ; reply is awaited (December 1971).

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION—A

Statutory Corporations

75. There were three Statutory Corporations/Electricity Board in the State as on 31st March 1971 viz. :—

- (i) The Orissa State Financial Corporation;
- (ii) The Orissa State Warehousing Corporation; and
- (iii) The Orissa State Electricity Board.

Government investment as on 31st March 1971 in the share capital of the first two statutory corporations was Rs. 64.17 lakhs and Rs. 11 lakhs respectively. The summarised financial results of the first two bodies are given in Appendix VIII (at page 121) and the third one in paragraph 78 (at page 62).

76. *Orissa State Financial Corporation*—(i) The divisible profits during the year 1970-71 amounted to Rs. 2.40 lakhs which was not sufficient to meet the guaranteed dividend of Rs. 3.75 lakhs. The liability of the State Government for the payment of the guaranteed dividend during 1970-71 was Rs. 1.35 lakhs. This amount was received by the Corporation in March 1972. The subvention received from the State Government to meet the guaranteed dividend upto 31st March 1972 was Rs. 14.87 lakhs.

(ii) *Overdue loans*—The books of the Corporation showed a balance of Rs. 3,02.85 lakhs on 31st March 1971 on account of loans outstanding in 267 cases (Corporation Fund). In 218 of these cases the loanees have not paid Rs. 1,30.43 lakhs being the equated instalments of principal of the loans (Rs. 82.33 lakhs) and interest (Rs. 48.10 lakhs) which were due by March 1971. This includes 30 cases involving overdues of Rs. 60.21 lakhs (equated instalments: Rs. 38.36 lakhs and interest: Rs. 21.85 lakhs) under litigation. In twelve of these cases involving recovery of Rs. 16.45 lakhs on account of equated instalments decrees had been obtained (upto December 1971) and execution proceedings were stated to be in progress (December 1971).

(iii) *Loan to Messrs. Utkal Equipments and Chemicals Ltd*—Five loans totalling Rs. 8.42 lakhs were disbursed between June 1966 and June 1968 (repayable in half-yearly instalments between December 1969 and June 1978) against Rs. 9.00 lakhs sanctioned to Messrs. Utkal Equipments and Chemicals, Ltd., Cuttack (under private management) for manufacture of scientific glasses and laboratory equipment against security of block assets of the company valued at Rs. 10.71 lakhs. The Regional Research Laboratory, Bhubaneswar, (which was consulted in January 1968 on the working of the company's scheme) intimated the Corporation in February 1968 about the possibility of the company sustaining loss unless production increased.

The Corporation sanctioned the fifth loan of Rs. 2.25 lakhs in June 1968 for procurement of laboratory equipment and disbursed Rs. 1.67 lakhs between 25th June and 20th November 1968. The Director of Industries, Orissa, (one of the Government Directors on the Board of the Corporation) inspected the factory on 8th June 1968 had observed in his report submitted to Government on 17th June 1968 that the company had spent Rs. 16.58 lakhs as against its resources of Rs. 13.15 lakhs, besides incurring heavy preliminary expenses and that the financial position of the company was not sound due to increased indebtedness.

The factory started production in November 1967 and stopped working from the middle of 1968 for want of capital. The company sustained loss of Rs. 5.90 lakhs during 1968-69. Government invested Rs. 3.00 lakhs in equity shares of the company during 1969-70 making upto 32.5 per cent of the paid up share capital of the company but production was not revived even thereafter. The company defaulted in repayment of instalments of principal and interest totalling Rs. 11.51 lakhs by end of March 1971. The Corporation intimated in December 1971 that rephasing of the repayment schedule is under consideration.

The Corporation decided in June 1971 to convert Rs. 4.00 lakhs of the loan into 9½ per cent redeemable cumulative preference shares. The conversion has not so far been made (September 1971). It was, however, seen that the initial sanction of the loan did not provide for conversion in terms of section 25 (g) of the State Financial Corporations Act, 1951. The Corporation expects (September 1971) the company to clear up the dues after its revival.

(iv) *Loan to Messrs. Orissa Board Mills Ltd*—Three loans totalling Rs. 4.00 lakhs were sanctioned (between March 1961 and February 1965) and disbursed (between September 1962 and July 1965) to Messrs. Orissa Board Mills Ltd., Cuttack (a Government company in which 90 per cent shares are held by Government) (repayable in annual instalments between June 1965 and March 1975) for setting up a factory to manufacture straw and mill board at Jagatpur Industrial Estate. Repayment of total loan of Rs. 4.00 lakhs with interest was guaranteed by Government of Orissa. The company failed to repay the instalments on due dates. The company stopped working from December 1967. Rs. 0.11 lakh were repaid by the company upto March 1971 and Rs. 5.46 lakhs (including interest) were due to the Corporation against which security of Rs. 3.72 lakhs being the depreciated value of machinery (as on 30th September 1968) was available.

In July 1968, the Corporation decided to recall the dues from Government by invoking the Government guarantee to the extent of Rs. 4.00 lakhs. Government have not so far been called upon to repay the dues (September 1971).

The company was leased out to a private party by Government in January 1969 at a monthly rent of Rs. 5,100. The Corporation intimated (May 1972) that the rent is not being paid by the party.

(v) *Loan to a private press*—Two loans of Rs. 2.50 lakhs repayable in ten years were sanctioned to a private press in 1960 and 1964 for printing text books, other printing, undertaking job works, etc. and were disbursed between February 1961 and December 1966. The party which was in default in paying interest on both the loans from June 1967 was further given another

loan of Rs. 1.19 lakhs in June 1970 (repayable in half-yearly instalments between June 1971 and December 1981) for purchase of a monotype Oriya composing machine and for working capital for increasing the earning capacity of the press. The Corporation also rephased the repayment of principal of all the three loans in instalments commencing from June 1971 and ending by 1981 and for payment of interest at regular intervals on due dates. The party continued to make default in repayment of instalments of loan due in June 1971 as well as interest; the total default at the end of June 1971 was Rs. 0.69 lakh.

Rephasing of repayment of instalments of the first loan sanctioned in 1960 upto 1981 had the effect of exceeding currency of the loan beyond 20 years. This contravenes the provisions of section 25(g) of the State Financial Corporations Act, 1951.

(vi) *Underwriting of shares of Messrs. Bhaskar Textiles Ltd.*—In June 1963 the Corporation agreed to underwrite 9½ per cent tax free redeemable cumulative preference shares of Rs. 4.00 lakhs in respect of M/S Bhaskar Textiles Ltd. on the express agreement that the company should redeem the shares with the dividend accrued but not paid within seven years. Of these, shares of Rs. 3.99 lakhs devolved on the Corporation in May 1964. Besides, another agreement was entered into with M/S Saroj Mal Mehata and Company Ltd., (promoters) in October 1963 stipulating that they should purchase these shares in case M/S Bhaskar Textiles Ltd., failed to honour their commitment.

The time limit of seven years expired in May 1971 and the shares have neither been redeemed by the Company nor purchased by the promoters. The Company asked for extension of time for five years in April 1971 for redemption of the shares, but the Corporation did not accept the proposal and issued legal notice in July 1971 to the promoters to purchase the shares.

The Corporation has not so far (September 1971) received any dividend on the investment.

77. *Orissa State Warehousing Corporation*—(a) The Orissa State Warehousing Corporation was incorporated in March 1958. Its paid up capital which stood at Rs. 22 lakhs as on 31st March 1971 was contributed equally by the Government of Orissa and the Central Warehousing Corporation. The summarised financial results of the Corporation for the year 1970-71 are given in Appendix VIII (page 121).

The Corporation sustained a net loss of Rs. 1.66 lakhs during 1969-70 as against a net profit of Rs. 0.14 lakh in the preceding year; the accumulated loss stood at Rs. 2.52 lakhs as on 31st March 1970. The Corporation stated (October 1970) that it had been incurring losses from 1962-63 mainly on account of low percentage of occupancy of the available warehousing space. The nominal profit during 1968-69 compared to previous year was mostly due to profit made on sale of G. C. I. sheets purchased in previous years for construction of warehouses. The increase in the loss during 1969-70 was largely on account of provision of arrears of depreciation (Rs. 0.72 lakh) on the Corporation's own warehouses from the year 1961-62. With a view to minimise the losses the Corporation increased the rates of storage charges in 1969-70 so as to bring them on par with the rates of Central and other State Warehousing Corporations. The accounts of the Corporation for 1970-71 indicate that it made a profit of Rs. 1.34 lakhs during 1970-71.

(b) *Other topics of interest—(i) Loss on account of abnormal shortages—* According to the books of the Corporation the value of shortages in excess of the permissible limits in respect of rice, wheat and milo of the Supply Department as well as the Food Corporation of India, was Rs. 0.68 lakh till end of 1969-70. The Corporation had not made any provision in accounts for this loss on the ground that the matter regarding the waiver of claims was under the consideration of the State Government and the Food Corporation of India. The Supply Department has, however, deducted Rs. 0.23 lakh in 1969-70 on this account from the storage charges bills of the Corporation.

(ii) *Uneconomical working of Godowns—*The receipts during 1969-70 from the following four godowns were much less than the expenditure incurred on their maintenance. The capacity was utilised in all the four godowns was less than 50 per cent.

Godown	Percentage of utilisation of storage capacity	Operating expenses	Receipts	Loss
		Rs.	Rs.	Rs.
Kesinga	42	22,033	17,575	4,458
Khariar Road	15	10,963	7,229	3,734
Bolangir	49	11,276	5,833	5,443
Angul	45	7,592	4,808	2,784

The Godowns at Khariar Road and Bolangir did not function economically during the two preceding years also and incurred losses as under :—

		Loss during 1967-68	Loss during 1968-69
		Rs.	Rs.
Bolangir	..	3,660	2,237
Khariar Road	..	7,992	2,531

(iii) *Loss of Rs. 0.16 lakh on handling of wheat—*The Corporation stored Government wheat stocks as storage agent of the Supply department during 1969-70. According to the storage agreement, the Corporation was entitled to (a) consolidated commission inclusive of handling charges of 64 paise per quintal for one month of storage, 75 paise per quintal for two months of storage and 87 paise per quintal for three months of storage and (b) transportation charges ranging from 3 paise to 5 paise per quintal per k. m. The usual storage charges were recovered by the Corporation from the customers (other than the Government) at 20 paise per month per quintal. An analysis of the storage, handling and transport charges recovered during 1969-70 revealed that the Corporation actually incurred an expenditure of Rs. 62,596 on account of handling and transportation charges against which the receipts amounted to Rs. 46,694 resulting in a loss of Rs. 15,902.

ORISSA STATE ELECTRICITY BOARD

78. (1) The Orissa State Electricity Board, formed on 1st March 1961 was initially entrusted with transmission and distribution of power generated from power houses belonging to Government. In 1969-70, the power houses at Hirakud and Chiplima under Hirakud (Hydro-electric) Generating System were transferred by Government to the Board. Completed portion of the Talcher Thermal Power Station was also transferred to the Board in June 1970.

(2) The State Government has provisionally fixed at Rs. 31.30 crores (May 1970) the loan in respect of value of assets of the Talcher Thermal Power Station transferred to the Board from 1st June 1970. This brings the provisional loans so far declared in respect of the value of assets transferred from time to time to the Board to Rs. 65.99 crores. The Board has, however adopted Rs. 64.45 crores in its accounts as on 31st March 1971. Government decided in September 1970 to treat the value of assets transferred to the Board including the expenditure on establishment, tools and plant on *pro rata* basis less amount standing at credit in the depreciation reserve fund in respect of each asset on the date of transfer as a loan to the Board at interest of $5\frac{1}{4}$ per cent per annum (valid upto March 1974).

(3) During 1970-71, the borrowings by the Board amounted to Rs. 7.30.17 lakhs and Rs. 42.43 lakhs were repaid by the Board. The borrowings at the end of the year amounted to Rs. 37,27.70 lakhs (excluding the value of assets transferred by Government and treated as loan) as shown below :—

	Balance at the end of 1970-71
	(In lakhs of rupees)
Cash loan from Government ..	9,58.71
Open market loans (by issue of debentures guaranteed by Government)	15,42.22 (of this Rs. 2,92.87 lakhs were subscribed by Government)
Loans from Life Insurance Corporation of India by mortgage of assets	11,57.50
Loans from Rural Electrification Corporation, Ltd., New Delhi	60.67
Interest-free temporary accommodation provided by Government	8.60
Total ..	37,27.70

(4) The accounts of the Board for the year 1970-71 together with the audit certificate and report thereon forwarded to State Government are awaiting presentation to the State Legislature as required under Section 69 (4) of the Electricity (Supply) Act, 1948 (December 1971).

(5) A comparative picture of the working results of the Board for three years ending with 1970-71 is given below :—

	1968-69	1969-70	1970-71
	(In lakhs of rupees)		
(A) Capital invested—			
(i) Capital liabilities	46,75.57	63,39.65	1,01,72.71
(ii) Reserves—			
(a) Development Reserve	2,46.97	4,19.35	91.79
(b) Depreciation Reserve	7,42.43	7,73.11	10,50.04
(c) Other Reserves	1,64.04	3,01.59	4,01.32
(d) Loan Bond Redemption Fund	2,67.61	2,67.61	..
(B) Working Results—			
(a) Gross Revenue	9,40.79	10,58.75	12,06.47
(b) Working expenses	7,65.58	7,01.41	9,83.13
(c) Net surplus as per consolidated revenue accounts [(a)—(b)]	1,75.21	3,57.34	2,23.34
(d) Appropriation towards interest on bonds, loans, etc., Reserve for bad and doubtful debts, general Reserves etc.	1,53.75	2,41.03	85.71
(e) Balance available towards interest on loans from Government	21.46	1,16.31	1,37.63
(f) Interest due on loans from Government	44.44	1,47.24	2,76.48

According to the provisions of Section 67 of the Electricity (Supply) Act, 1948 interest on loans provided by the State Government is payable only from the surplus to the extent available after making appropriation for various items in the order of priority specified in that section. The revenue earned by the Board during 1970-71 was not adequate to meet the interest payable to Government on the loans availed. Interest of Rs. 2,76.48 lakhs was due on loans from Government during 1970-71. Of this Rs. 2,72.78 lakhs were paid (leaving an arrear of Rs. 3.70 lakhs which was shown as contingent liability in the accounts of the Board). Only Rs. 1,37.63 lakhs were available as surplus during 1970-71 for payment of interest on loans from Government. The balance of Rs. 1,35.15 lakhs was appropriated out of Development Reserve.

(6) *Internal check*—According to the provisions of section 69 (i) of the Electricity (Supply) Act, 1948 the Board is required to have an effective system of internal check. The internal check has been in arrears in respect of fourteen units for six months, one unit for seven months and twenty-nine units for three years.

(7) *Under-charges*—Nine cases involving Rs. 3.66 lakhs where consumers were charged less than the amount chargeable during April 1967 to February 1971 were noticed in local audit between November 1970 and September 1971 in four divisions.

(8) *Cases of losses due to theft*—In eight divisions of the Board, thirty-seven cases of losses by theft of stores materials had occurred between January 1970 and March 1971. The total loss in these cases was Rs. 0.25 lakh. Departmental action is yet to be taken.

(9) Persistent irregularities noticed in audit in connection with the execution of works by the Board during 1970-71 are detailed below :—

	Number of divisions	Number of cases	Amount involved (Rs. lakhs)
(a) Works expenditure incurred without Administrative approval and technical sanction	2	18	7.73
(b) Works expenditure incurred without sanctioned estimates	5	44	29.21
(c) Expenditure incurred in excess of sanctioned estimates	7	71	9.81
(d) Expenditure incurred in excess of allotment of funds	5	33	3.60

(10) *Energy charges*—In four cases remission of energy charges involving Rs. 1.71 lakhs was allowed by reduction in the contract demand with retrospective effect pertaining to periods between August 1964 and July 1970.

(11) *Non-recovery of minimum charges*—In eight divisions Rs. 2.35 lakhs representing the minimum charges required to be recovered for the period from May 1967 to March 1971 under relevant clauses of the agreements were not recovered in fifty cases.

(12) *Bad and Doubtful Debts*—In one case a claim of Rs. 0.12 lakh representing recovery of energy charges pertaining to January 1968 remained unrecovered for more than three years. Action has not been initiated for recovery of the claim (September 1971).

79. *Supply of power at concessional rates*—Supply of power was made to Messrs. Indian Metals and Ferro Alloys Ltd., Theruvali (in Koraput district) from April 1967 and Messrs. Jayashree Chemicals, Ganjam and Ferro-Manganese Plants at Joda and Rayagada from May 1967 at certain concessional rates. At the time the supply was made the tariff to be adopted to certain power-intensive industries was under the examination of the Board and the State Government.

Government decided to extend the following lower tariff in the above cases:—

Sl. no.	Name of Consumer	Effective date	Rate applicable (Paise per unit)
(1)	Indian Metals and Ferro Alloys Ltd., Theruvali	July 1968	2.5 to 3.5
(2)	Jayashree Chemicals, Ganjam	October 1968	3 to 4
(3)	Ferro Manganese Plants at Joda and Rayagada	October 1968	4.5

The resultant loss of revenue on account of the above concessional rates amounted to Rs. 89.61 lakhs upto 1970-71 which was claimed by the Board as subsidy from Government (February 1971).

This was not agreed to by Government and the matter was referred to a Committee appointed by Government. The Committee *inter alia* recommended a subsidy of 0.08 paise per unit for the supply of power at concessional rates to Ferro Manganese Plants at Joda and Rayagada and 0.02 paise per unit for the supply of power to Messrs. Jayashree Chemicals, Ganjam and Messrs. Indian Metals and Ferro Alloys Ltd, Theruvali effective from 1971-72 only on the ground that the cost of generation in the State Electricity Board went up only with the transfer of the Talcher Thermal Power Station and that the revenue realised by the Board earlier was enough to cover the total expenses in supply of power. These recommendations were forwarded to the Board in February 1971. No final decision has been taken so far (May 1972).

80. *Purchase of A. C. S. R. conductors*—The Superintending Engineer, Stores and Purchases, placed orders on a manufacturing firm in Kerala in May 1965 for supply of 4,500 k.m. of A. C. S. R. conductors at a cost of Rs. 56.17 lakhs. The purchase order provided for variation in the price depending on the variation in the price of aluminium ingots and steel. The supply was to commence in February 1967 and was to be completed by August 1969. Due to paucity of funds the Board intimated the supplier in December 1967 to go slow with the

supplies of manufactured conductors and also in further manufacture of the conductors ordered. The entire supply was completed by March 1971. Due to the delay in taking delivery of the manufactured conductors, the Board paid interest charges of Rs. 2.76 lakhs in March 1971 from the date of manufacture of the conductors till the date of taking delivery in March 1971. In addition Rs. 4.73 lakhs were paid by the Board to the supplier on account of increases in price of raw materials as claimed by the supplier due to the extended period of delivery.

81. *Omission to claim refund of customs duty*—According to customs regulations, customs duty on imported equipment for setting up an electrical project is refundable if the claim is preferred with the customs authorities within six months of the payment of duty. Customs duty of Rs. 4.00 lakhs paid in May 1970 (Rs. 2.86 lakhs) and August 1970 (Rs. 1.14 lakhs) on two items of imported equipment for an electrical project was not claimed by the Board within the period of six months and thus, became time-barred. No reasons were furnished by the Board for not claiming the refund.

82. *Talcher Thermal Power station—(i) Excess consumption of coal*—Mention was made in paragraph 68(3) of the Audit Report 1970 about the efficiency of the power plant and the excess consumption of coal during 1968-69. On the basis of standards assumed in the project report consumption of coal used for the plant should vary between 0.480 tonnes to 0.550 tonnes for each M. W. H. of energy produced. The energy produced and coal consumed during 1969-70 and 1970-71 (the power station was under Government up to end of May 1970) were as follows:—

	1969-70	1970-71
Production of energy (in lakhs of M. W. H.)	4.20	5.23
Coal consumed (in lakhs of tonnes)	2.78	3.50
Consumption of coal for production of one M. W. H. of energy (in tonnes)	0.662	0.670

Assuming the highest figures of consumption the excess consumption of coal during 1970-71 was 0.120 tonnes for each M. W. H. of energy produced, the total excess consumption of coal was 62,747 tonnes involving an extra expenditure of Rs. 20.71 lakhs at Rs. 33 per tonne. The Management has not analysed the reasons for excess consumption of coal.

(ii) *Stores and other materials*—In Talcher Thermal Power Station the value of closing stock of general stores on the 31st March 1971 was Rs. 63.28 lakhs and other materials was Rs. 13.80 lakhs. Even after the power house was taken over by the Board priced stores ledger was not maintained. Reserve stock limit of various categories of stores was not fixed. Inventory of closing stock was not prepared and physical verification of stores material has not been conducted so far (August 1971).

SECTION B

Government Companies

83. (1) There were 44 Government Companies in existence in the State at the end of March 1971 with a total investment of Rs. 25,65.28 lakhs * by Government as share capital. Of the 44 companies, 33 were floated under the Pilot Project scheme embarked upon by the State Government in March 1958 to accelerate promotion of small-scale industries; of the remaining 11 companies 6 were fully owned by Government and 5** were partly owned by Government.

(2) Only one company (*viz.*, Orissa Road Transport Co. Ltd.) furnished its accounts for 1970-71 till December 1971. The rest of the companies have submitted the accounts upto the following years:—

Years	Number of companies
1969-70 ..	2 Fully owned by Government
1968-69 ..	3 Including one fully owned by Government
1967-68 ..	10 Including two fully owned by Government
1966-67 ..	4
1965-66 ..	8 Including one fully owned by Government
1964-65 ..	7
1963-64 ..	1
1962-63 ..	4
1961-62 ..	3
Total ..	42

A synoptic statement showing the summarised financial position of 43 companies of the latest year for which audited accounts were available upto October 1969 and October 1970 was given in Appendix XI of the Audit Report 1970 and the Appendix VII of the Report of the Comptroller and Auditor General of India for the year 1969-70, respectively. Financial position of 16 companies for a subsequent year for which audited accounts are available (up to December 1971) is given in Appendix IX (at pages 122-123).

(3) *Companies fully owned by Government*—The latest available accounts show that 2 companies (serial numbers 2 and 4 of the synoptic statement) with a total capital investment of Rs. 1,58.30 lakhs sustained a loss of Rs. 69.48 lakhs and 3 companies (serial nos. 1, 3 and 5 of the synoptic statement) with a total investment of Rs. 45,08.57 lakhs earned a profit of Rs. 22.44 lakhs.

*Differs from that shown in Chapter I as the figure in Chapter I shows the position of Government investments up to 1970-71 while this figure shows the position of Government investments in the companies upto the years for which audited accounts have been received,

**Included in the five is Khosal Industrial Development Sydicate Ltd. about which, no information is available.

(4) *Companies partly owned by Government*—Accounts of 30 companies indicate that they have gone into production. According to latest available accounts 3 companies (serial numbers 6, 10 and 12 of the synoptic statement) with a total capital investment of Rs. 1,17.92 lakhs earned a profit of Rs. 17.18 lakhs and 8 companies (serial numbers 7, 8, 9, 11, 13, 14, 15 and 16 of the synoptic statement) with a total capital investment of Rs. 16.56 lakhs sustained a loss of Rs. 3.56 lakhs.

I—Companies fully owned by Government

ORISSA MINING CORPORATION LTD.

84. (1) The Orissa Mining Corporation Ltd., was incorporated as a fully owned Government company in May 1956 with the object of exploiting minerals in Orissa. The authorised and paid up capital of the Company as on 31st March 1970 were Rs. 10,00.00 lakhs and Rs. 4,24.38 lakhs respectively. Loans of Rs. 5,81.94 lakhs were raised by the Company by 31st March 1970 (from Government of India : Rs. 2,66.00 lakhs, from Government of Orissa : Rs. 1,40.50 lakhs, open market debenture loan guaranteed by State Government : Rs. 1,00.00 lakhs and from other sources : Rs. 75.44 lakhs).

During 1969-70 the Company after providing for Development Rebate Reserve of Rs. 0.43 lakh sustained a net loss of Rs. 23.98 lakhs as against a net profit of Rs. 5.74 lakhs in the previous year after providing Rs. 5.76 lakhs towards Development Rebate Reserve. The loss during 1969-70 was attributed mainly to increase in (i) expenses of overburden removal, (ii) interest and depreciation charges and (iii) establishment charges including retrenchment benefits. The accumulated loss stood at Rs. 28.98 lakhs as on 31st March 1970. The accounts of the Company for 1970-71 have not been made available to Audit so far (March 1972).

(2) The Company became liable for payment of interest at the end of 31st March 1970 on various loans as under :—

	Interest	Penal interest	Total
	(In lakhs of rupees)		
To Government of India ..	73.24	11.01	84.25
To Government of Orissa ..	34.60	0.61	35.21
To Banks ..	8.01	0.21	8.22
Total ..	1,15.85*	11.83	1,27.68

The above amounts were due since 1967-68 ; yearwise analysis has not been furnished by the Company.

Rupees 10.93 lakhs were subsequently paid by the Company in October 1971. The balance of the liability (Rs. 1,16.70 lakhs) was outstanding (February 1972). The Management attributed (February 1972) the outstanding to "financial difficulties".

(3) Royalty and dead rent payable to Government by the end of March 1970 amounted to Rs. 24.14 lakhs. Of this, Rs. 23.92 lakhs were paid during 1970-71 and 1971-72. "Financial difficulties" were stated by the Company (February 1972) to be the reasons for non-payment of the rent.

* Includes interest of Rs. 32.16 lakhs accrued and not due for payment on 31st March 1970.

(4) The Dunguri Lime Stone Mine was transferred to the Industrial Development Corporation of Orissa Ltd. (a fully Government owned company) in May 1969 and the valuation of assets (estimated by the Company at Rs. 61.39 lakhs) has not been finalised so far (September 1971). The terms and conditions of the transfer have not so far been finalised (February 1972). Upto March 1971, the Industrial Development Corporation of Orissa Ltd. has paid only Rs. 31.00 lakhs.

The Uliburu Manganese Mine was closed down in March 1969 owing to high cost of operation and low yield of materials. Another manganese mine at Nishikal has not so far (January 1972) been worked out owing to high phosphorous content of the ore and non-availability of market for such ore ; Rs. 1.96 lakhs were spent upto March 1970 on development of the mine.

(5) *Demurrage charges.*—Liability for demurrage charges of Rs. 1.41 lakhs was incurred by the Company for under-loading of ships for the shipment of chrome ore made from Visakhapatnam Port during August and September 1969 as sufficient stocks were not kept at the port head. The matter was stated by the Management (February 1972) to be under correspondence with the foreign buyer.

85. *Shortages noticed during physical verification*—(a) Physical verification of iron-ore/manganese ore/chrome ore conducted by the company officials during 1969-70 revealed shortages of ore valuing Rs. 20.54 lakhs.

	Amount (Rs. in lakhs)
Iron ore	18.73
Chrome ore	1.71
Manganese ore	0.10
Total	20.54

The Management has not ascertained the reasons for the shortages (March 1971).

(b) Physical verification of iron-ore stock at Daitari conducted by the Company on 27th August 1968 revealed that the ground balance was 16,762 tonnes against the book balance of 30,642 tonnes. The verified balance was adopted as the subsequent book balance. Reasons for the shortage of 13,880 tonnes valued at Rs. 8.20 lakhs have not been ascertained (March 1971).

86. *Daitari Iron Ore Project*—(1) Mention was made in paragraph 103(ii) of the Audit Report 1970 about this project. The revised estimate of Rs. 9.41.11 lakhs approved in January 1967 was based on the assumption that the project would be ready by October 1967 ; the project has not been completed so far (December 1971). The Hungarian and Indian firms contended (October 1970) that the Company had not carried out the pre-requisites provided in the agreement. The Company on the other hand contended that the Hungarian firm had not completed their obligations. An expenditure of Rs. 10.73.13 lakhs has been incurred upto June 1970. The Board which reviewed the progress of work in July 1970, decided to take up and complete some priority works of the ore handling plant before December 1970 which were not completed by the contractors (Hungarian firm and an Indian firm) so that operations could start immediately thereafter. The cost was expected by the Company to go upto Rs. 14.94.21 lakhs on this account by December 1970.

In respect of works under execution by the contractors under the contract, the trial runs had to be completed in respect of works done, and rectification of shortcomings, etc. due in respect of works done or works in progress completed before handing them over to the Company. After the Company took up the execution of the priority works, the Indian firm informed the Company on 1st October 1970 that the damage that might be caused due to non-availability of trained personnel or due to any shortcomings, modifications and alterations of the specification done by the Company would be to its risk and responsibility. On an application made by the Indian firm, the Calcutta High Court issued an injunction order in October 1970 restraining the Company from taking up any further work connected with the ore handling plant at Daitari. The Company cancelled the contract with the Indian firm in May 1971 and filed a petition in the Court of Sub-Judge, Keonjhar (Orissa) which issued an injunction order restraining the Indian firm from interfering with the structure, machineries and instruments on the plant site of the Daitari Ore Project. The Indian firm again filed a suit in the court of Keonjhar in June 1971 praying for prohibiting the Company from proceeding with the case. The case is *sub judice* (July 1971).

(ii) *Agreement with the Indian firm*—(a) According to the agreement (June 1965) with the Indian firm who had supplied the indigenous machines for the ore handling plant, the contract price of the supply, civil engineering works, erection of both indigenous and Hungarian plant, machinery and equipment was Rs. 1,92.50 lakhs subsequently revised in February 1966 to Rs. 1,94.02 lakhs. According to a report considered by the Board of Directors on 1st August 1969 the total payment to be made to the Indian firm on completion of work amounted to Rs. 2,07.11 lakhs on account of certain additions/deletions and substitutions made subsequently with the concurrence of the suppliers. The agreement provided for 'lump sum payments' to the Indian firm in instalments (which was not on the basis of work done), but the terms of payment were modified in practice and from time to time and payments were made on an '*ad hoc*' basis on the firm's statements of work done/supplies made and services rendered. Such statements were not subjected to any scrutiny by the officials of the Company.

The Management reviewed the position of the payments in August 1969 with reference to the work done/supplies made and services rendered and the position as then reviewed was as follows:—

	Amount (Rs. in lakhs)
(a) Total payments to be made on completion of work as per agreement	2,07.11
(b) Value of work yet to be done	.. 82.37
(c) Value of work done	.. 1,24.74
(d) Total payments made	.. 1,94.57

Rupees 69.83 lakhs were thus paid to the Indian firm which was not covered by work done, supplies made or services rendered.

(b) The agreement entered into by the Company with the Indian firm was for a lumpsum on a 'turn key basis' covering supply of indigenous plant and machinery and completing civil engineering and erection works of the Daitari Ore Project. Claims on account of the following items, not covered by the agreement, have since been accepted by the Company. Payments have, however, not so far been made (April 1972).

(1) The agreement specified the quantities of steel structures and sheeting to be supplied by the Indian firm. The Indian firm supplied steel structures of 412 tonnes (against 120 tonnes specified in the agreement) and 3,500 square metres of sheeting (against 1,600 square metres specified in the agreement) for use on the work. The firm claimed extra payments over and above the lump sum contract amount for the extra steel structure and sheeting supplied.

(2) Similarly, the agreement specified supply of two end storage bridges weighing 343 tonnes. The Indian firm supplied bridges weighing 459 tonnes for use on the work and claimed extra payment for 116 tonnes at Rs. 2,700.

The claim was subjected to a detailed scrutiny by the Project Engineer of the Company in December 1967 who refuted the contention of the firm regarding lack of information, drawings, and want of time while giving his rates. The Board, however, accepted this liability; no specific reasons for accepting the claims were furnished.

87. *Accumulation of stores*—A review of the stock register of spares and other stores of the Company at Daitari revealed the following :—

(i) Spares worth Rs. 20·95 lakhs held in stock as on December 1970 included spares worth Rs. 15·00 lakhs lying unutilised since 1967-68.

(ii) Spares worth Rs. 0·49 lakhs, purchased for a traxcavator obtained on hire from Government and returned in March 1968, were lying unused.

(iii) Building materials worth Rs. 0·32 lakh were declared surplus by the Company in 1969-70 and were lying unused (March 1971).

(iv) Out of 1·23 lakhs of J. Hooks lying in the stores a quantity of 1·10 lakhs 4" hooks costing Rs. 0·17 lakh were stated by the Management to be unserviceable and declared surplus (December 1970).

88. *Loss on export of iron ore to a foreign country*—(a) Export of iron ore to a foreign country through Messrs. Minerals and Metals Trading Corporation Ltd. (MMTC) was agreed to by the Company. MMTC fixed the price and arranged for shipment, charging handling charges of one rupee per tonne. MMTC entered into a contract with the foreign purchaser for supply of iron ore with ferrous content of 60 to 62 per cent at Rs. 59·05 per dry tonne f. o. b. Paradeep Port. The Company in turn entered into an agreement with the MMTC in April, 1969 for supply of 2·54 lakh tonnes of iron ore initially under the above arrangement and subsequently raised it from time to time to 10·26 lakh tonnes.

The table below compares the f. o. b. cost of Daitari Iron ore with the sales realisation thereof in respect of this contract :—

	Rs. P.
Mine head cost (variable)	14.68
Road Transport from Mine to Port	33.50
Port charges	7.60
Export duty	6.00
Other incidental charges	0.91
M. M. T. C. Commission	1.00
	<hr/> 63.69
Other fixed cost	7.57
Total f. o. b. cost	<hr/> 71.26
Sale realisation	59.05
Loss per tonne	<hr/> 12.21
	<hr/> or Rs. 12.00

The road haulage cost of Rs. 33.50 over a lead of only 188 kms. from Mine to Port proved costly and compared very unfavourably with the cost of Rs. 28 per tonne during 1968-69 incurred by the National Mineral Development Corporation Limited for the Kiruburu Ore for a haulage by rail over a distance of 768 kms.

A quantity 5.43 lakh tonnes of Iron Ore had been supplied under the contract to end of June 1970 resulting in a loss of Rs. 65.16 lakhs to the Company.

(b) In respect of four shipments made between April and July 1970, the Company paid Rs. 2.83 lakhs as demurrage charges for idle waiting of the ships at the port.

89. *Extra expenditure on transportation of iron ore*—Transportation of iron ore from Daitari to Paradeep via Cuttack (a distance of 212 k.m.) was entrusted to the Orissa State Commercial Transport Corporation Ltd. (a fully Government owned company) during July 1967, without inviting tenders or obtaining quotations, at Rs. 40.75 per tonne (including loading, unloading and toll charges). The Orissa State Commercial Transport Corporation Ltd. in turn awarded the work to their contractors at Rs. 38.50 per tonne. With the opening of the Expressway in February 1969 which reduced the length of haulage by 24 k.m. the Company reduced the rate payable to the Commercial Transport Corporation to Rs. 36.50 per tonne. The Commercial Transport Corporation had also in turn reduced the rates payable to their contractors to Rs. 32 per tonne for transport over the Expressway. As the margin of profit to the Commercial Transport Corporation was considered by the Company to be very high the Managing Directors of the two companies decided (on 2nd August 1969) to reduce the rate to Rs. 40.50 per tonne for transportation via Cuttack and Rs. 33.50 per tonne for transportation via Expressway. There was no transport of ore via Cuttack after

this decision. The quantity of ore transported *via* Cuttack and *via* Expressway, the rates paid by the Company and the extra expenditure incurred, etc. are given below :—

	Quantity (Lakh tonnes)	Rate per tonne at which paid		Difference in cost Rs.	Extra Expenditure (Rs. in lakhs)
		By Mining Corporation to Transport Corporation	By Transport Corporation to contractors		
		Rs.	Rs.		
<i>Via</i> Cuttack	1.84	40.75	38.50	2.25	4.14
<i>Via</i> Expressway up to 2nd August 1969	1.34	36.50	32.00	4.50	6.03
<i>Via</i> Expressway after 2nd August 1969	1.92	33.50	32.00	1.50	2.88
				Total	13.05

Extra expenditure for Mining Corporation for transporting the iron ore through an intermediary *viz.*, Commercial Transport Corporation) was Rs. 13.05 lakhs.

90. *Extra expenditure on loading of chrome ore into railway wagons*— Without calling for tenders the work of loading of chrome ore into Railway wagons at J. K. Road railway station was entrusted to contractor 'X' in December 1968 at an agreed rate of Rs. 2.25 per tonne. Subsequently on the basis of tenders called for in March 1970 the work was entrusted to another contractor 'Y' in May 1970 at the rate of Rs. 1.41 per tonne. 0.63 lakh tonnes were loaded into wagons by contractor 'X' between December 1968 and April 1970. Computed with reference to the rate at which the work was given from May 1970 there was an extra expenditure of Rs. 0.53 lakh on the loading of 0.63 lakh tonnes of ore up to April 1970.

91. *Industrial Development Corporation of Orissa Ltd. (1) Introductory*— A review on the working of the Company upto 1968-69 was included as paragraph 102 of Report of the Comptroller and Auditor General for the year 1969-70. The authorised and paid up capital of the Company as on 31st March 1970 were Rs. 50,00.00 lakhs and Rs. 16,64.00 lakhs respectively. Besides an amount of Rs. 11.00 lakhs was received during 1969-70 from Government as advance money towards share capital. In addition loans raised by the Company stood at Rs. 15,15.56 lakhs as on 31st March 1970. (Rs. 7.63.00 lakhs from the State Government, Rs. 0.28 lakh from Government of India under West German credit and Rs. 7,52.28 lakhs from other sources which included loans of Rs. 7,24.62 lakhs guaranteed by the State Government). The above loans included Rs. 17.00 lakhs and Rs. 1.34 lakhs due respectively to the State Government and Messrs. Kalinga Industries towards the value of the assets of Hirakud Industrial Works and Kalinga Iron Works transferred to

the Company. The accounts of the Company for 1970-71 have not been received (December 1971). By the end of March 1971 the Company had to pay Rs. 1,22.56 lakhs and Rs. 32.69 lakhs to Government towards instalments of principal of loans and interest on loans and cash credits provided by banks. Government invested Rs. 1,94.56 lakhs in share capital of the Company during 1970-71.

(2) *Working results*—(i) All the seven units of the Company were in production during 1969-70. The working of the Company during 1969-70 resulted in a net profit of Rs. 2.61 lakhs. However, after taking into account, the accumulated losses up to 1968-69, income tax for earlier years and provision for development rebate reserve during 1969-70, the accumulated net loss at the end of 1969-70 amounted to Rs. 4,64.67 lakhs.

Four of the units of the Company sustained losses as indicated below :—

	Loss		Remarks
	1968-69	1969-70	
	(Rs. in lakhs)		
Kalinga Iron Works (acquired from Messrs.Kalinga Industries Ltd. in running condition in April 1963)	(—)4.94	(—)1,32.22	The net loss during 1969-70 was after charging Rs. 1,30.26 lakhs for development rebate reserve.
Re-rolling Mills (commissioned in June 1968)	(—)31.21	(—)6.93	The net loss during 1969-70 was after charging development rebate reserve of Rs.0.08 lakhs
Choudwar Tile Factory (commissioned in March 1966)	(—)2.93	(—)2.29	Incurring loss since inception.
Hira cables (commissioned in November 1967)	(—)23.80	(—)26.66	The net loss during 1969-70 was after charging development rebate reserve of Rs. 23.04 lakhs.

(ii) The loss in Hira cables and Re-rolling Mills was due to non-attainment of rated capacity (production targets were not fixed for 1969-70). The rated capacity and actual production are shown in the table below :—

	Rated capacity (In tonnes)	Production in 1969-70 (In tonnes)
I—Hira cables		
A. C. S. R. and A. A. C. conductors	3,000	1,275
Super enameled copper wire	300	36
Paper and cotton insulated wire	360	nil
II—Re-rolling Mills		
Steel	15,000	4,049
Copper and Aluminium (both to be on two-shift basis)	3,000	(The unit has worked on one shift only)

Non-attainment of rated capacity was attributed by the Management (May 1971) to inadequate supply of raw materials.

The production in the cement project was 1.88 lakh tonnes during 1969-70 against the rated capacity and production target of 3.96 lakh tonnes; non-attainment of rated capacity was attributed by the Management (May 1971) to shortage of lime stone.

(3) *Investments*—The Industrial Development Corporation's investment in shares of four companies stood at Rs. 51.42 lakhs on 31st March 1970.

Mention was made in paragraph 114 (4) (d) of Audit Report 1966 and paragraph 112 of Audit Report 1969, of a loan of Rs. 6 lakhs advanced to the Managing Director of Messrs. Indian Metals and Ferro-Alloys Limited on a directive from the State Government to enable him to invest in the share capital of the company and obtain a foreign exchange loan of Rs. 39 lakhs for the company. The Corporation also invested Rs. 22 lakhs (Rs. 9.63 lakhs in 1963-64, Rs. 4.12 lakhs in 1964-65 and Rs. 8.25 lakhs in 1965-66) between May 1963 and August 1965 in the equity shares of the company and by virtue of such investment had also its nominee on the Board of the company. The plant of Indian Metal and Ferro Alloys Limited was commissioned in April 1967 and the factory started commercial production from May 1967. The company sustained a net loss of Rs. 20.70 lakhs in 1967, but made profits of Rs. 1.43 lakhs and Rs. 25.61 lakhs during the years 1968 and 1969 respectively. In 1970 the net profit of the company amounted to Rs. 71 lakhs and after wiping of the past losses, the company was able to declare the dividend due on preference shares, an interim dividend of 15 per cent on equity shares and a final dividend of 30 per cent on equity shares.

In May 1970, the Corporation sold its share holding at par to the Managing Director of the company who received financial assistance from the Corporation for acquiring his own shares in the company earlier.

No dividend has been received by the Corporation from investment of Rs. 29.42 lakhs in other companies (May 1970).

(4) *Unfruitful expenditure on feasibility report for ferro vanadium project*—The Company had entrusted (April 1964) the work of preparing a feasibility report for establishing a Ferro-vanadium project to a private firm for a fee of Rs. 0.75 lakh. The report submitted by the firm in 1965 was considered by the Company and the Government of India and it was revealed by the representatives of the firm at a meeting held in August 1967 that the process suggested by them was not actually tried for manufacture of ferro-vanadium anywhere but was being used in United States of America for production of pig iron from ores similar in character to Orissa ore's. In view of this the application of the Corporation for an industrial license for manufacture of ferro-vanadium could not be processed. The Company entrusted the work of preparation of feasibility report to another firm in July 1969 at a fee of Rs. 3.80 lakhs. The Board decided in July 1969 that 'it would not be wise' to pursue further with the first firm 'who had no previous experience in the ferro-alloys industry' in the country. The expenditure of Rs. 0.75 lakh on obtaining feasibility report from the private firm was thus unfruitful.

(5) *Interest paid on cash credits obtained from banks*—(i) Four units of the Company had obtained cash credits from some banks at 9 to 9.5 per cent interest per annum. They had at the same time large sums in current accounts in banks exceeding Rs. one lakh in each case during 1969-70 and 1970-71. Had this money kept in current accounts (which do not fetch interest) been utilised and adjusted against the cash credit accounts, the interest charges on the cash credits could have been reduced by Rs. 2.57 lakhs.

(ii) In another case the Head Quarters office of the Company issued instructions in August 1969 to Kalinga Iron Works to deposit in the current account of a bank the increase in price (difference between new price and the old price) which the Works got for the finished product. Kalinga Iron Works had a cash credit account with the Bank of Baroda, carrying interest of 9½ per cent per annum. As there was no sufficient cash in some periods the Works obtained Rs. 18.63 lakhs from the cash credit account towards difference in cost and paid the amounts into the current account between August 1969 and February 1970. This practice was discontinued from March 1970. The money thus deposited in the current account was kept idle. This resulted in payment of interest charges of Rs. 2.78 lakhs on the cash credit obtained from the bank.

(6) *Concessional supply of power to staff*—Power was supplied to the staff by Ferro-chrome project between November 1969 and October 1970 at Rs. 3 to Rs. 10 per month. The amount so recovered was Rs. 0.05 lakh, while Rs. 0.41 lakh were paid to the Electricity Board for that power. Amount of concession given to staff was thus Rs. 0.36 lakh; the Board of Directors have not sanctioned this concession.

(7) The following points have been noticed in respect of some of the Units:—

(i) *Hira cement works*—(a) *Loss of Rs. 4.84 lakhs on packing charges*—Sale price of cement manufactured by Hira cement works during 1968-69 was fixed on f.o.r. destination basis by the Cement Controller of Government of India which included basic price, excise duty and packing and forwarding charges. The cement works are permitted to use new gunny bags and second hand serviceable gunny bags in proportion of 72.5 per cent and 27.5 per cent respectively. Packing charges included in the sale price of cement were determined on this basis. However, in practice the percentage of new bags used exceeded by 17.5 per cent and the cement works incurred an extra expenditure of Rs. 4.84 lakhs during 1968-69 in this regard. The Management attributed (in October 1969) the loss to 'inadequate use of second hand gunny bags in packing'.

(b) *Delay in delivery of gunny bags*—The agreements entered into by the cement works during 1969 with two suppliers of gunny bags contained a provision for levy of liquidated damages at two per cent of the value of the cement bags for delay in delivery in a fortnight. The agreements also provided for recovering the 'loss or damage caused' as a result of making effective alternative purchases. The two suppliers delayed supplies of bags valued Rs. 37.95 lakhs which were due for delivery between January 1969 and March 1970. As the payment was to be made at rates declared daily by the Gunny Trade Association the delayed supplies were charged for and paid at rates ruling on the date of supply which were higher than those on the due dates of supply. Extra payment

made on these delayed supplies was Rs. 0.17 lakh. The Company did not levy liquidated damages of Rs. 0.76 lakh. The Management stated in May 1971 that penalties in accordance with the provisions of the agreement were not insisted upon due to failure of jute crop and difficulties in procuring the requirements of gunny bags.

(c) *Loss of slack coal*—A quantity of 3,600 tonnes of slack coal valued Rs. 1.82 lakhs was lost in a fire during 1968-69 and 1969-70 (1,786 tonnes and 1,814 tonnes respectively). The Management stated in May 1971 that 'coal because of volatile matter is likely to catch fire due to friction when stacked in heaps. Claim was stated to have been made with the insurance company and the matter was stated to be pending settlement with the insurers (October 1971).

(ii) *Kalinga Iron Works*—(a) *Shortage of raw materials*—Physical verification of various raw materials as on 31st March 1970 conducted by the company officials had disclosed shortages of Rs. 9.72 lakhs in addition to the normal permissible shortages of Rs. 6.03 lakhs. The Management attributed the excess shortage (in November 1970) to 'dust loss, screening and handling losses'. The excess shortages have not been investigated and approved by the Board of Directors (September 1971).

(b) *Power plant*—While taking up expansion programme of Kalinga Iron Works, a power plant with capacity to generate 12 M. W. of power with furnace gas (a waste product arising during the process of manufacture of pig iron in the furnaces) was installed at a cost of Rs. 1,89.18 lakhs. The power plant was commissioned in April 1969. After the second furnace had come into operation from April 1969 it was stated by the Kalinga Iron Works during the course of audit that 8 M. W. of power can be generated with the available furnace gas. Against this 3.5 M. W. of energy is only being generated from April 1969 and utilised by Kalinga Iron Works.

Orissa State Electricity Board was supplying power to the Kalinga Iron Works under three different contracts for a total contract demand of 1,700 K. W. and minimum charges of Rs. 0.26 lakh each month were paid to the Board as the utilisation was far below the connected load. The low utilisation was due to utilisation of power generated by the power plant with furnace gas. Between April 1969 and October 1970 Kalinga Iron Works paid Rs. 4.43 lakhs (including Rs. 0.56 lakh on account of electricity duty) as minimum charges against Rs. 2.10 lakhs (including Rs. 0.33 lakh on account of electricity duty) payable calculated on the basis of actual consumption. There was thus an extra expenditure of Rs. 2.33 lakhs. The unit has also paid Rs. 0.29 lakh on account of low power factor.

According to condition in the agreements with the Electricity Board the agreements shall continue for the period specified therein and thereafter shall continue unless and until the same shall be determined by either party giving to the other six calendar months notice in writing of his intention to terminate the agreement. The Management stated in May 1971 that no fresh agreements could be entered into for drawal of emergency power from the State Electricity Board cancelling the existing agreements as the setting up of the transformer had not been completed.

(c) *Machinery lying unutilised*—One pelletization plant purchased during 1965-66 for Rs. 0.74 lakh has not been installed so far (October 1971). The Management stated in May 1971 that the machine was not required and would be disposed of. Blocking up of funds on the idle machine resulted in loss of interest of over Rs. 0.35 lakh between 1966-67 and 1970-71 calculated at nine per cent per annum.

(3) *Delay in commissioning third furnace*—Kalinga Iron Works constructed a third furnace for production of 35,000 tonnes of pig iron per annum at a cost of Rs. 1,58.25 lakhs (excluding the value of the plant and machinery common to the second and third furnances). According to the Project Management (May 1971), the furnace was ready for commissioning in the last quarter of 1969-70, but was actually commissioned in February 1971 after a delay of about one year; the delay was attributed to (i) shortage of coke and (ii) lack of demand for the finished product. The interest on capital for the period of delay in commissioning the furnace during the first three quarters of 1970-71 was estimated by the Management as Rs. 4.54 lakhs.

(iii) *Hira cables—Non-utilisation of import entitlement of the export of conductors*—The Joint Controller of Imports and Exports, Government of India allows as exports incentive, cash assistance of 10 per cent and import entitlement at 90 per cent of f. o. b. value of exports. Hira cables had exported a total quantity of 146,794 tonnes of conductors (ACSR : 109,794 tonnes and AAC : 37 tonnes) between January and December 1969. The invoice value of the conductors received against the letters of credit opened by the overseas buyers was Rs. 13.04 lakhs. The cash assistance and import entitlement due and received on this deal are detailed below :—

		Amount (Rs. in lakhs)
Invoice value of the exports	..	13.04
Less ocean freight	..	1.11
		11.93
Cash assistance admissible at 10 per cent of f. o. b. value of exports		1.19
Cash assistance received	..	1.07
Balance not received	..	0.12
Import entitlement admissible at 90 per cent of f. o. b. value of exports		10.73
Import entitlement received	..	5.26
Balance not received	..	5.47

Out of claims for cash assistance of Rs. 0.33 lakh for the first quarter of 1969 which were required to be preferred by May 1969 duly supported by bank certificates claims with bank certificates for Rs. 0.21 lakh could only be preferred within that time. The balance of bank certificates were obtained by the Company in June 1969 and submitted to the Government of India in the same month. Cash assistance of Rs. 0.21 lakh only was allowed for that quarter and the claim for balance Rs. 0.12 lakh was finally rejected by the Joint Controller of Imports and Exports in May 1970 due to "late submission of bank certificates".

(5) *Loss of interest*—In connection with the construction of dykes II and III of Balimela Dam Project, Government of Orissa paid an advance of Rs. 50.00 lakhs on 31st March 1971 bearing interest of seven per cent per annum. The advance was meant for utilisation as working capital and purchase of machinery for the work. The field officer of the Company at Chirakonda received the advance on 31st March 1971 and remitted Rs. 35.00 lakhs to the head office on 19th April 1971. The head office invested Rs. 30.00 lakhs on the same day in fixed deposit with the State Bank of India for one year bearing interest at six per cent per annum. Rupees thirty lakhs of the advance was thus kept idle and the Company became liable to pay extra interest of Rs. 0.30 lakh per annum over what it would earn by way of interest on the fixed deposit.

93. *Orissa Forest Corporation Ltd.*—The Company was registered in September 1962 with the object of exploiting forest coupes to get maximum utilisation of forest resources to the State. The Company obtains leases of coupes subject to payment of royalty to the Forest Department of the State Government. The authorised and paid up capital of the Company as on 31st October 1968 were Rs. 200 lakhs and Rs. 69 lakhs respectively. Loans raised by the Company stood at Rs. 35.93 lakhs as on the same date (Rs. 7.15 lakhs from the Government of Orissa and Rs. 28.78 lakhs from a bank guaranteed by the State Government).

The accounts of the Company from 1968-69 and onwards have not been made available to Audit (July 1971).

The Company sustained a cumulative loss of Rs. 75.60 lakhs to end of 1967-68, the loss during 1967-68 being Rs. 62.48 lakhs.

The following points have been noticed during the course of Audit :—

(1) *Shortage and loss of stock*—Joint physical varification of stocks of timber as on 31st October 1968 conducted by the nominees of the Company and representatives of Government revealed shortages and loss due to deterioration of timber worth Rs. 53.95 lakhs. A Special Officer who was appointed by the Company in November 1970 to enquire into the shortages and to fix responsibility had inspected three (out of nine) divisions of the Company and gave his report in April 1971. According to the report the shortages were due to (i) unregulated felling of trees, (ii) poor extraction of forest produce, (iii) rotting of forest materials due to excessive exposure, (iv) burning of coupe areas due to *podu* fire, (v) theft of forest produce, (vi) incomplete felling and (vii) wrong measurement of the work done. The report also revealed improper maintenance of records by the divisions, lack of vigilance, absence of field staff in the forest and non-transportation of materials in time. One Deputy Divisional Manager, nine Forest Rangers, two Subdivisional Managers and seventeen Field staff were held responsible by the Special Officer for the shortages and losses.

Pending receipt and consideration of the report Rs. 53.95 lakhs were excluded from the value of closing stocks of timber in the accounts of the Company as on 31st October 1968. The Board of Directors considered the report of the Special Officer in October 1971 and decided to take action against individual officers.

(2) *Idle plant and machinery*—Mention was made in paragraph 97(5) of the Audit Report 1969 about the timber treatment plant (worth Rs. 0.75 lakh) lying idle after installing in January 1966. The Board of Directors decided (in April 1969) to dispose off the plant. The disposal of the plant has not been made so far (December 1971).

(3) *Defects pointed out by the Company Auditors*—The Company's Auditors have reported *inter alia*, the following defects in their special report on the accounts of the Company for 1967-68 :—

- (a) Check on cash was far from satisfactory.
- (b) The saw mill worked very unsatisfactorily; the outturn of sawn timber was unusually low and disproportionate to the input. The Directors also confirmed it.
- (c) Internal check on the working of the various divisions as well as Head office was inadequate.

94. *Orissa State Commercial Transport Corporation Ltd.*—Mention was made in paragraph 104 of Audit Report 1970 about the working of the Orissa State Commercial Transport Corporation Ltd. to end of 1966-67. The paid up capital of the Company as on 31st March 1968 was Rs. 200 lakhs. In addition, the unsecured loan raised by the Company from Government stood at Rs. 1,93.37 lakhs (inclusive of Rs. 12.37 lakhs being the interest accrued on the loan which was capitalised) as at the end of March 1968. The accounts of the Company for the years 1968-69, 1969-70 and 1970-71 have not been made available to audit so far (August 1971).

During 1967-68 the Company earned a net profit of Rs. 8.53 lakhs as against the loss of Rs. 4.44 lakhs during 1966-67. The accumulated loss of Rs. 6.45 lakhs as on 31st March 1967 has since been wiped out as on 31st March 1968.

The following other points have been noticed :—

(i) *Idle machinery*—Mention was made in paragraph 104 (ii) and (iii) of Audit Report 1970, about the purchase of 93 prime movers (tractors) from Japan at a cost of Rs. 1,31.78 lakhs and their remaining idle and about orders placed with an Australian firm for 50 units of trailers and payment of Rs. 2.39 lakhs as advance thereagainst. Twenty seven prime movers were put into use between April and June 1970 with indigenous trailers. The other prime movers (tractors) were not used by the Company and were lying idle as trailers were not supplied by the Australian firm. The Company decided in January 1967 to sell 50 prime movers at Rs. 1.31 lakhs per unit against the purchase of Rs. 1.39 lakhs each; they have not been sold so far (August 1971). The expenditure on maintenance of these tractors which remained idle from 1967-68 to 1969-70 was Rs. 0.90 lakh.

In May 1970 the Company filed a suit in a Cuttack Court against the Australian firm for recovery of the advance of Rs. 2.39 lakhs paid to them and also costs of Rs. 2.29 lakhs incidental to the deal with that firm; the case is *sub judice* (December 1971).

(ii) *Alleged shortages in transport of iron ore*—The Company entered into an agreement with Messrs. Minerals and Metals Trading Corporation Limited in October 1966 for transport of iron ore from Bhubaneswar Railway Station to Paradeep, initially for a period of eight months from March 1967

and thereafter extended upto March 1970; according to the agreement, the permissible limit of shortage in transport was 1.5 per cent for the period March 1967 to October 1967 which was revised to 1 per cent thereafter. Messrs. Minerals and Metals Trading Corporation Limited intimated the Transport Corporation in July 1970 that there were shortages of 9,261 tonnes of iron ore in excess of the permissible limits between March 1967 and March 1970 and claimed Rs. 3.91 lakhs towards the shortages. The Company has not accepted the claim; further developments are awaited (August 1971).

II—Companies partly owned by the State Government Pilot Project Companies

(Jointly owned by the State Government and private parties)

95. *Orissa Wood Products Limited*—(i) Mention was made in paragraph 89 of the Audit Report 1967 about working of the Orissa Wood Products Limited and defects noticed in maintenance of accounts records of the Company and certain other irregularities. The paid up capital of the Company as on 31st March 1970 was Rs. 3.58 lakhs, of which Government contributed Rs. 3.27 lakhs and the balance by a private entrepreneur, who is Resident Director of the Company. The accounts of the Company from 1965-66 onwards have not been made available to audit so far (July 1971).

(2) The following main defects were noticed in audit in maintenance of accounts records of the Company :—

(a) Non-maintenance of cash book from day to day and absence of physical verification of cash.

(b) Non-issue of money receipts in many cases.

(c) Payment of bills which were not passed by any responsible official of the Company and were not supported by payee's acknowledgement.

(d) Delay in billing in several cases, some of which date back to 1960-61.

(3) The following other points were also noticed :—

(i) The Resident Director obtained loans totalling Rs. 0.09 lakh between June 1969 and February 1970 for the Company from two private parties even when the Board of Directors had decided (in June 1966) not to obtain loans from private parties.

(ii) Mention was made in paragraph 89 (ii) of Audit Report 1967 about the suspense account in the name of the Resident Director.

The Board decided in March 1967 that transactions in the suspense account which were in the nature of temporary loans from the company to the Resident Director or *vice versa* should have its prior approval. Yet this running account continued. Prior approval of the Board for all the transactions taken into this Suspense Account was not taken at any time.

(iii) The Resident Director was also having a personal ledger account with the Company from 1962-63 and was drawing cash from the Company from time to time. A sum of Rs. 2,000 obtained by the Resident Director in November 1965 as loan for the Company from another pilot project company and a sum of Rs. 7,318 being the cost of a wagon load of timber received by the Resident Director for the Company from a supplier in October 1964, were

not accounted for in the books of the Company. Both these amounts were ordered by the Board in January 1969 to be recovered from the Resident Director. They were shown in the personal ledger account of the Resident Director in March 1970. Some recoveries were made from the pay of the Resident Director between June 1969 and March 1970 towards the amount outstanding in the personal ledger account. The outstanding balance payable by him to the Company at the end of March 1970 was Rs. 7,917.

(iv) The Resident Director of the Company undertook during 1969-70 to execute some works at Bhawanipatna on behalf of the Company for Rs. 0.76 lakh. For this he drew cash and remitted cash to the Company from time to time for which a separate account was kept by the Company. This account showed a credit balance of Rs. 0.19 lakh in December 1971. Full details of all the connected transactions were not made available to Audit.

(v) Rupees 0.05 lakh realised towards employees' provident fund during 1969-70 were not deposited with the authorities concerned together with the equivalent employer's share of contributions; the outstanding amount payable by the Company on this account from 1964-65 upto March 1970 was Rs. 0.46 lakh.

(vi) The outstandings under Sundry Debtors as on 31st March 1970 were Rs. 1.94 lakhs as against Rs. 1.62 lakhs at the end of 31st March 1969. The yearwise breakup of these outstandings was not made available to Audit. Confirmation of balances was not obtained. No reserve for doubtful debts was made in the accounts for 1964-65 which were the latest accounts produced for audit.

SECTION C

Government Commercial and Quasi-Commercial Departments

96. *Departmentally managed undertakings*—At the end of 1970-71 there were sixteen departmentally managed commercial and quasi-commercial undertakings. Fourteen of these undertakings had a total capital of Rs. 8,91.56 lakhs, the *pro forma* accounts of the other two undertakings (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 (October 1971).

The summarised financial results of the undertakings whose *pro forma* accounts were received subsequent to the finalisation of last Report of the Comptroller and Auditor General are given in Appendix X (at page 124-125).

The *pro forma* accounts for 1970-71 have not been prepared for any of the undertakings. These are in arrears (i) for eight years (from 1963-64) in respect of State schemes of Government Trading (Grain Supply Scheme) (inoperative from 1st January 1959), (ii) for seven years (from 1964) in respect of Cold Storage Plant, Sambalpur (iii) for six years (from 1965-66) in respect of State Schemes of Government Trading (cloth and yarn) (inoperative from 1954-55) and State Transport Services, (iv) for five years (from 1966-67) in respect of State schemes of Government Trading (Grain Purchase Scheme), (v) for four years (from 1967-68) in respect of Government Raniganj Pattern Tile Factory, Balasore (factory closed during March 1967), Production centre for Development of Ceramic Industry, Cuttack (factory closed during August 1965),

Government Tile Factories at Kendrapara and Panikoili (both closed during April 1966) and scheme for Trading in Iron Ore through Paradeep Port, (vi) for three years in respect of Government Leather Industries-cum-Tannery, Titilagarh (from 1968-69), (vii) for two years in respect of Cold Storage Plant, Cuttack (from 1969) and (viii) for one year in respect of Government Tannery, Boudh and Government Shoe Factory, Cuttack (1970-71).

The assets and liabilities of three inoperative schemes viz., State schemes of Government (Trading Grain Supply scheme and Cloth and Yarn scheme) and Trading in Iron ore through Paradeep Port have not been disposed of/liquidated completely so far (October 1971).

FOREST AND ANIMAL HUSBANDRY DEPARTMENT

97. *State Trading in kendu leaves*—(1) In pursuance of Orissa Kendu Leaves (Control of Trade) Act, 1961, Government undertook State trading in kendu leaves with effect from May 1963. To facilitate transactions under the scheme personal ledger accounts within the Consolidated Fund were opened in the treasuries in the name of twentyfour divisional forest officers from December 1965.

According to the accounting rules prescribed by Government each divisional officer operating a State Trading account is required to prepare *pro forma* accounts of his transactions during the year and the Chief Conservator of Forests is to render the consolidated *pro forma* accounts to audit by 15th May of the following year. The consolidated annual *pro forma* accounts of the entire scheme from December 1965 to March 1971 have, however, not been prepared by the Department so far (December 1971).

The rules require that the annual certificates of balances in personal ledger accounts operated by each of the divisional officers are to be rendered by them to audit through treasury officers maintaining those accounts. Only six out of twentyfour divisional forest officers rendered the required returns for the year 1970-71. It has, therefore, not been possible to ascertain the reconciled balance of the personal ledger accounts of the scheme at the end of 1970-71.

The rules also require the divisional officers to render to audit along with the monthly accounts an extract of all transactions of the personal ledger account recorded in the treasury pass book duly certified by the treasury officer concerned to facilitate reconciliation of figures in monthly accounts with those in the treasury pass books of the scheme. These returns are not being received regularly from the divisional officers ; the difference between the two sets of figures by the end of May 1971 was Rs. 94.78 lakhs.

(2) The amounts credited to Government on account of revenue from Kendu leaves upto 1965-66 has been mentioned in paragraph 68 of Audit Report 1967. The revenue credited to Government on account of the Kendu leaves during 1966-67 to 1970-71 is as follows :—

	Amount (Rs. in lakhs)
1966-67	99.15
1967-68	1,04.01
1968-69	1,63.28
1969-70	2,48.66
1970-71	2,40.70

The Public Accounts Committee (1971-72) observed in paragraph 144 (2) of their Third Report (Fifth Assembly) that the net profit had to be calculated after giving sales tax and collection dues and these should be reflected in the net revenue transferred to the revenue head. In the absence of working results of the trading scheme, correctness of the revenue credited to Government could not be verified.

(3) Under the system of State Trading in kendu leaves the entire kendu leaves producing areas of the State are divided into a number of units, in each of which agents are appointed by the department on agreed terms and conditions for collection, processing, storage, bagging and transport of kendu leaves and handing over the collected processed leaves to authorised purchasing agents. The agents are remunerated at rates specified in the agreements. The stipulated quantity of leaves to be produced from a unit in a year is fixed by the Department on the average yield during the preceding three years. If more leaves are collected, the agents are paid remuneration at enhanced rates. Similarly failure to collect the minimum stipulated quantity will render the agents to pay compensation at rates fixed by the Department.

Purchasing agents are also appointed by Government for each unit and they are allowed to purchase the bagged leaves on the basis of competitive tenders and on terms and conditions fixed by Government. The purchasing agents are to purchase the entire stipulated collection of leaves in the unit at an agreed rate, and at a lower rate for the quantity collected in excess of the stipulated production. The Department is to pay compensation to the purchasing agents at an agreed rate for short delivery in cases where collection is less than the minimum fixed.

(4) Government (Finance Department) decided in 1951 that Government departments dealing with any trade should realise sales tax from the purchasers. Forest Department (through the Divisional Forest Officers) having undertaken the sale of kendu leaves under the trading scheme became liable to pay sales tax on the turn over. The agreements executed with the purchasing agent did not contemplate recovery of sales tax from the purchasers of kendu leaves. The Forest Department had therefore to bear the entire burden of the tax from out of revenue of the trade. Sales tax of Rs. 60.00 lakhs was paid from May 1963 to 1965-66 of which mention was made in paragraph 68(i) of Audit Report 1967. Between 1966-67 and 1970-71, fourteen out of twentyfour forest divisions paid sales tax amounting to Rs. 97.22 lakhs on account of the kendu leaves trade ; information from other divisions is awaited (February 1972). No part of the tax could be realised by the Department from the purchasers of the kendu leaves. The matter was brought to the notice of Government by Audit in December 1966 and again in January 1970. No remedial measures to prevent loss of revenue have been taken by Government (December 1971).

(5) Mention was made in paragraph 68(iii) of Audit Report 1967 of certain cases where rates of remuneration to agents for the quantity beyond the minimum specified number of bags collected in a unit were fixed by Government at higher rates while the corresponding sale price was fixed at a lower rate compared with the rate fixed for the minimum specified number which resulted in loss of revenue. The Public Accounts Committee (1971-72) observed in paragraph 144(4) of the Third Report (Fifth Assembly) that there was excess collection of leaves beyond the minimum specified in the agreements with the agents, that the rates of remuneration were fixed at higher

rates as also the sale price was fixed at a lower rate compared with the minimum specified bags with the result that Government was the loser in both the ways. The Committee recommended that while fixing the minimum quantity for collection, the previous years' quantity and the area of operation should invariably be taken into account and similarly while fixing the remuneration and sale price, the market rate prevailing outside the State where the leaves were taken and sold by the agents should be taken into account. Test check of accounts of some forest divisions during 1971-72 showed that the previous practice of paying higher remuneration for excess collection and lower sale price for larger quantities cleared by purchasers was followed. In thirty units covering fifty seven cases, 0.48 lakh bags of leaves were delivered to the purchasers in excess of the minimum of 2.54 lakh bags stipulated during the procurement seasons of 1966 to 1970; in these cases the concession allowed to the purchasers by way of lower selling price for the excess bags was Rs. 7.08 lakhs.

Similarly in 14 units covering seventeen cases 6,374 bags of one quintal each were collected in excess of the stipulated quantity for which Rs. 5.52 lakhs were paid to the agents and after paying sales tax of Rs. 0.27 lakh realised Rs 5.42 lakhs as sale proceeds from the purchasers resulting in a loss of Rs. 0.37 lakh.

(6) Test check of the accounts of the scheme revealed the following other points—

(i) *Rebate on sale price and arrears in collection of sale proceeds*—Out of 175 units, records produced by the Department for 11 units reveal that after considering representations of six purchasers of kendu leaves that they lifted leaves of third class quality during the procurement seasons of 1969 and 1970, Government allowed in November and December 1970 a rebate of twenty per cent of the agreed sale price in ten units and five per cent in one unit. Government revoked this concession in January 1971 and asked the divisional Forest Officers to realise the full purchase price at agreed rates from the purchasers. In these 11 units, price payable by the purchasers was Rs. 1,04.51 lakhs of which Rs. 14.76 lakhs have not so far been paid by them (December 1971).

(ii) *Non-realisation of compensation for shortfall in collection, etc.*—(a) Whenever there is a shortfall in collection of kendu leaves against the minimum stipulated quantity, the agents are required to pay compensation for the shortfall at the rates stipulated in the agreement. In thirteen units covering fifteen cases for the procurement years 1969 and 1970, Government, (after consideration of the representations of eight agents for their inability to collect the stipulated quantity of leaves on account of unfavourable weather conditions, insect attack on leaves and other natural calamities), issued orders between November 1970 and August 1971 waiving the entire compensation due for the shortfall in collection of leaves in some cases and reducing the stipulated target of production in other cases. The compensation thus foregone in these cases was Rs. 5.64 lakhs. Subsequently Government issued orders in January and February 1971 keeping in abeyance the earlier orders in nine units covering a revenue of Rs. 3.03 lakhs ; this revenue remains to be realised from the agents (December 1971).

(b) In 11 other cases pertaining to 9 units, compensation of Rs. 3.85 lakhs remained to be recovered (December 1971) from agents for the shortfall in delivery of stipulated quantity of kendu leaves during the procurement seasons of 1969 and 1970.

(iii) The shortfall in collection of leaves by the agents results in shortfall in delivery of leaves to purchasers against the minimum stipulated quantity and the department is required to pay compensation at rates stipulated (fixed by Government) in the agreements. In twenty-nine units there was short fall in collection and delivery of 6,889 quintals during 1967-68 and 1968-69. In these cases, a net profit of Rs. 2.97 lakhs could have been realised had the stipulated quantities been collected by the agents and delivered to the purchasers. The rates of compensation payable to the purchasers for the shortfall in collection are less than the rates of compensation required to be realised from the agents for the shortfall. In these cases the compensation realised by Government was Rs. 2.09 lakhs for the shortfall in collection while the compensation paid to the purchasers for the shortfall in delivery of leaves to them was Rs. 0.23 lakh. The net compensation retained by Government was thus Rs. 1.86 lakhs and is less than the net profit (Rs. 2.97 lakhs) that would have been earned if the full quantity of kendu leaves had been collected and delivered. This difference between the net compensation and the net profit was Rs. 1.11 lakhs.

(iv) Consequent on a judicial decision (December 1962) declaring the rule envisaging the terms of appointment of agents prescribed in the Orissa Kendu Leaves (Control of Trade) Rules 1962 as invalid, the agencies given by the Department under the rule to carry on the trade on behalf of Government during 1962-63 were terminated. Government decided in December 1962 that the leaves already collected by those agents may be lifted by the respective agents on payment of the amount fixed for the purpose by Government in each case. Out of twenty-five such *ex*-agents who lifted the leaves, six *ex*-agents have not paid their dues amounting to Rs. 0.51 lakh so far (December 1971).

(v) According to the agreements a purchaser is required to purchase the entire quantity of leaves collected in the units at the rates agreed to by him, failing which his agreement is to be terminated and the shortfall, if any, between the price payable by him according to the agreement and the actual sale price obtained by selling the leaves in the market, will be realised from the defaulting purchaser. In three units pertaining to year 1968, 849 bags of leaves of one quintal each not lifted by the purchaser were disposed of by Government at a loss of Rs. 0.77 lakh; the shortfall has not been realised from the appointed purchasers so far (December 1971).

(vi) Orissa Forest Corporation Ltd. (a fully Government owned company) was appointed both as agents for procurement, processing, etc. of kendu leaves and as purchaser of the leaves in unit 2 of Rairakhol Forest division for three years from 1969-70 to 1971-72. The Department fixed a sale price of Rs. 156.01 per bag of one quintal for the first 8,000 bags of leaves and Rs. 147.01 for the quantity in excess thereof. The basis of the fixation of the agreement rates has not been intimated by the Department. (The Orissa Kendu Leaves (Control of Trade) Rules 1962 provide that Government may without inviting tender sell the leaves of one or more units directly to the Orissa Forest Corporation Limited on such terms and conditions as may be decided by Government.) The sale price of leaves in the adjacent units 1,1-A and 1-B ranged between Rs. 238 to Rs. 253.89 for the minimum stipulated quantities and Rs. 230 to Rs. 248.89 for the quantity in excess thereof. Orissa Forest Corporation has so far (September 1971) purchased 7,203.40 quintals (in bags) of leaves. The difference in price compared with the lowest rate of Rs. 238 per quintal in the adjacent units so far is Rs. 5.91 lakhs.

TRANSPORT DEPARTMENT

98. *State Transport Service*—A review on the working of the State Transport Service for 1964-65 was given in paragraph 108 of the Report of the Comptroller and Auditor General for the year 1969-70. The summarised financial results of the working of the service for 1965-66 has been given in Appendix X (at pages 124—125). The accounts of the undertaking from 1966-67 to 1970-71 have not been prepared so far (October 1971) nor the Department explained reasons for their non-preparation. The following points have been noticed in audit :—

(i) The gross income, gross expenditure, net revenue and other working results as disclosed by the *pro forma* accounts of the undertaking during the three years upto 1965-66 are as follows:—

	1963-64	1964-65	1965-66
	(In lakhs of rupees)		
Gross income ..	1,76.61	2,00.71	2,18.89
Gross expenditure ..	1,41.71	1,66.45	1,90.80
Net revenue ..	34.90	34.26	28.09
Operating ratio (percentage of expenditure to income)	80	83	87
Fleet strength ..	528	498	548
Mileage done (lakh Km.) ..	1,66.81	1,82.41	1,90.37
Net revenue per Km. (Rs.) ..	0.21	0.19	0.15

There was increase in fleet strength and increase in mileage done during 1965-66. But there was decrease in net revenue per kilometre.

(ii) The Gross revenue, working expenses (including depreciation and interest), ratio of working expenses to gross revenue and net revenue from 1966-67 to 1970-71 as disclosed in the accounts kept in the Audit Office (*pro forma* accounts have not been prepared by the Department) are as follows :—

	1966-67	1967-68	1968-69	1969-70	1970-71
	(In lakhs of rupees)				
Gross revenue ..	2,21.82	2,35.65	2,91.88	2,88.21	3,19.49
Working expenses (including depreciation and interest)	1,83.66	2,02.81	2,54.66	2,46.77	3,06.66
Percentage of working expenses to gross revenue	83	86	87	86	963
Net revenue ..	38.16	32.84	37.22	41.44	12.89

(iii) Some units of the State Transport Service have been continuously incurring loss as detailed below:—

Unit	Loss		
	1963-64	1964-65	1965-66
	(In lakhs of rupees)		
Central Workshop, Sambalpur	1.23	0.87	1.67
Bhadrak Zone ..	0.05	0.23	1.65
Taxi Reservation Scheme (closed from January 1969)	0.22	0.49	0.69
Sundargarh Zone ..	0.22	0.14	0.09

Central Workshop, Sambalpur, incurred loss of Rs. 0.60 lakh during 1962-63 also.

(iv) *Spare parts and accessories*—The closing stock of spares and accessories at the end of March 1966 included obsolete spares of Rs. 4.70 lakhs as against Rs. 3.47 lakhs at the end of March 1965. Government decided in July 1965 to sell the obsolete spares at twentyfive per cent less than the book value. Even then disposal could not be made. The stock of obsolete spares was stated by the Department (February 1971) to have increased to Rs. 6.60 lakhs by end of March 1970 and that Government was approached to sanction more discount. Decision of Government is awaited (October 1971). Reserve or the obsolete stock has not been created by the undertaking.

(v) *Sundry Debtors*—Rupees 18.30 lakhs were outstanding under Sundry Debtors as at the end of March 1966. The balances were not got confirmed from the parties concerned. Some of these are outstanding from 1948-49 onwards. Provision for bad and doubtful debts has not been made as according to the department all outstanding debts were considered 'fairly good'.

AGRICULTURE AND CO-OPERATION DEPARTMENT

99. *Government Cold Storage Plant, Cuttack*—The Cold Storage Plant at Cuttack was installed during 1950 with the main object of procuring and storing genuine and improved varieties of seed potatoes for distribution to cultivators at a reasonable price and to encourage extensive cultivation of potatoes throughout the State.

According to the Director of Agriculture and Food Production, Orissa, there would be demand from the cultivators for seed potatoes upto first week of December in every year. 2,112 quintals of seed potatoes procured at a cost of Rs. 1.45 lakhs during 1968 and stored in the cold storage became surplus at the end of the first week of December 1968. The Director of Agriculture issued orders on 31st December 1968 for disposal of these surplus seed potatoes for edible purposes at reduced rates. They were sold for Rs. 0.56 lakh in January 1969 and afterwards. Similarly 2,070 quintals of seed potatoes procured during 1969 at a cost of Rs. 1.08 lakhs became surplus and were sold at reduced rates for Rs. 0.49 lakh during January 1970 and afterwards after the Director of Agriculture issued orders for disposal of the surplus stock on 8th January 1970. The loss during the two years was Rs. 1.48 lakhs.

The Cold storage gave advances to departmental officers and staff for procurement of potatoes and maintenance charges of the storage. These advances which are recoverable either by adjustment against accounts to be rendered for the advances or by recovery accumulated over a period (from the year 1960) to Rs. 9.02 lakhs by end of December 1970.

SUPPLY DEPARTMENT

100. *Civil Supplies scheme*—A test check of the accounts of the Civil supplies scheme, Kalahandi conducted by Audit in June 1970 revealed the following irregularities :—

(a) Overpayments of Rs. 0.30 lakh were made in the following cases ; these have not been recovered so far (September 1971).

(i) Rupees 0.15 lakh on account of transport, commission and other charges were paid to a supply agent in November 1966 on the claims preferred by him based on originals of two orders issued on 23rd May 1966 and again in March 1967 on duplicate copies of the orders.

(ii) Storage and transport charges amounting to Rs. 0.05 lakh were paid to an agent in September 1966 and again in March 1967 for the same claim on two different bills preferred by the agent.

(iii) Rupees 0.07 lakh were paid in excess to two agents in 1966-67 due to wrong totalling of the bills prepared by them.

(iv) Commission charges amounting to Rs. 0.03 lakh were paid in excess to two agents due to payment on the basis of weight of paddy instead of on the basis of weight of rice.

(b) Although there was a surplus of 0.77 lakh gunnies (cost : Rs. 1.53 lakhs) from the purchases made for storing paddy and after conversion of paddy stored in new gunnies into rice during 1964-65, another 0.74 lakh new gunnies were purchased (cost : Rs. 1.47 lakhs) for export of the converted rice. No action has been taken by the Department either to conduct a physical verification of gunnies or to dispose off the excess gunnies.

EDUCATION DEPARTMENT

101. *Text Book Press*—Government started a text book press at Bhubaneswar in June 1962 under the scheme for Nationalised Text Books. The press was declared a commercial undertaking in October 1966 ; *pro forma* accounts have not been prepared for any of the years so far (January 1972). This was stated by the Department in November 1971 to be due to non-availability of qualified staff to keep accounts in double entry system and non-sanction of commercial accounting cell by Government. Twentynine text books were printed under the scheme to end of March 1970. The expenditure (exclusive of interest on capital and depreciation on assets), receipts (on cash basis) and the surplus or deficit during 1967-68 to 1969-70 are as follows :—

Year	Expenditure		Receipts (In lakhs of rupees)	Surplus (+) Deficit (—) *
	Value of gift paper used	Other expenses (In lakhs of rupees)		
1967-68	8.68	15.32	19.80	—4.20
1968-69	5.20	14.60	18.22	—1.58
1969-70	11.93	17.53	35.43	(+)5.97

* Excluding stock of text books for which figures are not available in the absence of *pro forma* accounts.

In June 1967, Government prescribed for the letter press a weekly outturn of 15 lakh impressions (780 lakhs annually); the actual outturn during 1967-68 to 1969-70 ranged between 67 and 77 per cent of that prescribed. The shortfall was attributed by the Management (December 1970) to electrical and mechanical shut downs, absenteeism and irregular attendance of workers.

While allotting the gift paper Government of India prescribed in May 1963 that the market value of gift paper, received as aid, was to be taken into account while fixing the sale price of the text books and books of not less than the value of gift paper should be distributed free to the poor and needy students. Later, an alternative was given to the State Government to utilise the 'gift of paper to bring down the price of text books'. This procedure was accepted by the State Government in the accounting procedure prescribed in July 1966 for the use of gift paper. Between 1963-64 to 1968-69 gift paper valued at Rs. 85.05 lakhs was received by the press and was utilised in full for printing text books.

A review (December 1970) disclosed the following points :—

(i) Rupees 35.35 lakhs being the value of books supplied to the Block Development Officers and District Social Education Officers between 1963-64 and 1969-70 were recoverable by end of March 1970. Value of books supplied and the sale proceeds actually deposited towards sale of text books during 1963-64 to 1969-70 are shown below :—

	Value of books supplied	Sale proceeds deposited towards sale of text books
	(In lakhs of rupees)	
1963-64	9.99	2.52
1964-65	18.04	9.37
1965-66	21.44	12.96
1966-67	27.79	24.53
1967-68	23.21	19.80
1968-69	18.98	18.22
1969-70	38.73	35.43
Total	1,58.18	1,22.83

The Department has not furnished the party-wise details of the amount recoverable as these are stated (December 1970) to be not available. According to the Manager of the press, the amount recoverable includes Rs. 10.41 lakhs misclassified in treasury accounts, value of unsold books, sale proceeds not remitted and amount involved in theft, damage and misappropriation of cash and books ; details of these have not been furnished or reconciled. The verification of arrears of amounts recoverable conducted by the Department (upto December 1970) in 200 Blocks revealed loss and damage and misappropriation of sale proceeds of books or books in stock amounting to Rs. 0.50 lakh ; another 100 Blocks are yet to be inspected by the Department (December 1970). Action taken in this regard has not been intimated by the Department so far (January 1972).

(ii) Physical verification of all stores of the press conducted upto 1967-68 and general stores for 1968-69 revealed shortages amounting to Rs. 0.19 lakh for the period 1963-64 to 1968-69 ; no action has been taken to investigate into the shortages so far (January 1972). Physical verification of stores for 1968-69 and 1969-70 was stated (December 1971) by the Department to have been completed and the reports of physical verification have not been made available by the Management.

(iii) According to the report of the Manager of the Press (February 1970) to Government irregularities and misappropriation involving Rs. 2.79 lakhs (non-accountal of sale proceeds by Block Development Officers :Rs. 2.27 lakhs, misappropriation of cash and books : Rs. 0.44 lakh, damage of books : Rs. 0.07 lakh and theft : Rs. 0.01 lakh) were noticed in the records of various district agents in respect of the transactions pertaining to previous years ; action taken for recovery or regularisation thereof is awaited (October 1971).

(iv) For charging outside jobs undertaken by the press on actual cost basis, the press has adopted an hourly rate of working of the press. For this, hourly cost of operation of each Department has been computed by the press from the total cost of operation of each Department with a deduction of 33 $\frac{1}{3}$ per cent on account of work-in-progress. This had the effect of reducing the hourly rate also by 33 $\frac{1}{3}$ per cent. This deduction resulted in short assessment of Rs. 2.57 lakhs for the cost of the jobs over a period of three years upto 1969-70.

(v) The following deficiencies and irregularities were noticed in the maintenance of the account records of the press :—

(a) Although the press runs two departmental sale centres at Bhubaneswar and Cuttack subsidiary cash books were not maintained for the centres.

(b) There was delay in remittance of sale proceeds to treasury besides short remittance of available cash resulting in unnecessary holding of cash ranging between Rs. 25,000 and Rs. 82,000.

(c) Ledger, Journal and other subsidiary records required for completion of *pro forma* accounts were not maintained.

(d) A surprise check of the cash by the Secretary to Government on 13th November 1970 revealed shortage of Rs. 0.21 lakh which was made good during the surprise check by producing another cash box containing Rs. 0.22 lakh. The matter has been reported (July 1971) by the Department to be under enquiry ; further report is awaited (January 1972).

SECTION—D

Investments and guarantees by the State Government AGRICULTURE AND CO-OPERATION DEPARTMENT

102. *Co-operative Institutions—(a) Financial Assistance*—With a view to strengthen the co-operative movement in the State, Government have been rendering financial assistance to co-operative institutions in the shape of investments in share capital, loans, grants and subsidies. Government investment in the share capital at the close of each of the three years ending 1970-71 was as follows :—

Year	Number of institutions	Amount (In lakhs of rupees)
1968-69	2,792	5,62.58
1969-70	2,891	6,10.08
1970-71	2,893	7,12.90*

Loans, grants and subsidies paid by Government to various co-operative institutions during the three years ending 1970-71 were as follows :—

Year	Balance at the end of previous year	Disbursed during the year	Repayment during the year	Balance at the end of the year	Grants and subsidies during the year
(In lakhs of rupees)					
1968-69	3,28.17	72.67	32.28	3,68.56	60.77
1969-70	3,75.50**	62.47	36.40	4,01.57	45.39
1970-71	4,01.86**	60.26	30.98	4,31.14	35.73

Government have also guaranteed loans raised by 110 co-operative institutions to the extent of Rs. 29,75.99 lakhs upto March 1971. Details of guarantees are available in statement no. 6 of Finance Accounts 1970-71.

*Differs from that mentioned in chapter I as Rs. 1,07.99 lakhs invested in debentures has not been included in this figure.

** Differ from the closing balance at the end of previous year due to addition of balance against some co-operative institutions which was not included in the previous years.

(b) *Dividend received by Government*—Dividend received by Government in respect of co-operative institutions (including banks) during 1969-70 amounted to Rs. 0.88 lakh against an investment of Rs. 32.98 lakhs by end of 1969-70 in those institutions paying that dividend ; information for 1970-71 has not been furnished by the Department (October 1971).

(c) *Delay in completion of audit*—In accordance with the provisions of the Co-operative Societies Act, 1962 the accounts of co-operative institutions are required to be audited by the auditors appointed by the Registrar of Co-operative Societies, Orissa once in every year. According to the information furnished by the Registrar of Co-operative Societies, Orissa (September 1971) the accounts of 4,429 societies (as detailed below) remained unaudited as on 30 June 1971.

Accounts upto Co-operative year 1964-65	..	1,994
Accounts for Co-operative year 1965-66	..	192
Accounts for Co-operative year 1966-67	..	248
Accounts for Co-operative year 1967-68	..	356
Accounts for Co-operative year 1968-69	..	467
Accounts for Co-operative year 1969-70	..	1,172

Delay in completion of audit was attributed (September 1971) by the Registrar of Co-operative Societies, Orissa to (i) inadequate audit staff (ii) non-availability of records to audit (iii) inexperienced and new hands being entrusted with audit work and (iv) unsystematic and improper maintenance of accounts.

Audit Reports of audit conducted by the Co-operative Department in respect of societies in which the State Government hold shares are required to be forwarded to the Accountant General. The position of receipt of audit reports (October 1971) is indicated below :—

Year	Number of co-operative institutions	Number of reports due for submission	Number received as on 1st October 1971
1968-69	2,792	Not furnished by	151
1969-70	2,891	the Registrar of	Nil
1970-71	2,893	Co-operative	Nil
		Societies	

(d) *Review of audited accounts/reports*—A review of audited accounts/reports of certain selected societies revealed the following points :—

(i) Rupees 1.69 lakhs were alleged to have been misappropriated by staff in twentyone non-banking societies and two banks.

(ii) Shortages of fertilisers and consumable stock and deficit stock worth Rs. 8.65 lakhs were noticed in twentyfive non-banking societies which are awaiting investigation.

103. *Consumers' Co-operative Stores*—To ensure equitable distribution of consumer goods at fair prices to consumers particularly in urban areas, Government organised a State Wholesale Consumers' Co-operative Federation and eight Wholesale Consumers' Stores with primary societies thereunder between 1962 and 1967; during 1967-68 and 1968-69 the wholesale consumers' stores of Cuttack and Bhubaneswar organised two departmental stores with a wide range of consumer goods. Upto March 1970 Government invested Rs. 15.43 lakhs in the share capital of these institutions, provided loans of Rs. 20.50 lakhs for construction of godowns, purchase of trucks, furniture and fixtures and for working capital and gave subsidies of Rs. 7.07 lakhs towards managerial expenses, etc.

Two societies have not submitted their accounts for 1969-70 to the Registrar of Co-operative Societies for audit so far (May 1971). The financial results of seven Wholesale Consumers' Stores revealed losses up to 1969-70 as indicated below :—

	Government investments			Loss (—)
	Share capital	Loan	Subsidy	
(In lakhs of rupees)				
(1) Cuttack Central Consumers' Co-operative Store	3.00	4.88	1.06	—2.80
(2) Bhubaneswar Wholesale Co-operative Store	2.74	4.88	1.10	—1.13
(3) Puri Wholesale Co-operative Store	1.12	3.12	1.01	—0.54
(4) Rourkela Wholesale Co-operative Store	1.10	0.75	0.36	—0.23
(5) Koraput Wholesale Co-operative Store	1.08	0.75	0.46	—0.25
(6) Sambalpur Wholesale Co-operative Store	1.08	0.75	0.39	—0.04
(7) Balasore Wholesale Co-operative Store	1.04	0.75	0.44	—0.14

The losses were attributed by the Department and in the audit reports prepared by the Co-operative Department mainly to (i) dealing in stores like controlled commodities where the margin of profits was limited (ii) lack of internal check and supervision leading to heavy shortages of stock and (iii) mismanagement by Board of Directors.

The following other points were noticed :—

(i) Cases of non-utilisation or utilisation of financial assistance provided by Government for purpose other than those for which it was given are indicated below :—

(a) Out of Rs. 11.00 lakhs (loan : Rs. 8.25 lakhs and subsidies : Rs. 2.75 lakhs) given to eight wholesale stores between 1962-63 and 1969-70 for purchase of trucks and construction of godowns, only Rs. 3.27 lakhs (loan : Rs. 2.27 lakhs and subsidies : Rs. 1.00 lakh) were utilised for those purposes. Out of the balance, Rs. 6.36 lakhs (loan : Rs. 4.61 lakhs and subsidies : Rs. 1.75 lakhs) were utilised as working capital by five stores and Rs. 1.37 lakhs (loan) were utilised by two stores for purchase of land and building.

(b) During 1968-69 loans amounting to Rs. 2.00 lakhs were given to the two departmental stores of Cuttack and Bhubaneswar Wholesale Consumers' Co-operative Stores for construction of buildings. They were, however, utilised as working capital by the two stores.

(c) (1) Loan and subsidies amounting to Rs. 2.00 lakhs were granted during 1967-68 to the Orissa State Wholesale Consumers' Co-operative Federation for construction of godown (Rs. 1.50 lakhs) and purchase of truck (Rs. 0.50 lakh). Of these Rs. 0.27 lakh have been spent so far (March 1971) on acquisition of land for constructing the godown ; Rs. 0.53 lakh had been spent on purchase of a truck in February 1970. On receipt of the vehicle in February 1970 the Federation found that the truck could not be used as the body was not built according to specification. The Federation decided (August 1970) to dispose off the truck. The truck has not been disposed off so far (March 1971).

(2) Between 1964-65 and 1967-68 managerial subsidies of Rs. 1.00 lakh had been granted to the Federation. It was reported to the Board of Directors of the Federation (August 1970) that a sum of Rs. 0.81 lakh had been spent upto the end of 1969-70.

(ii) Additional share capital of Rs. 1.25 lakhs was contributed during 1968-69 in two wholesale stores (Rs. 0.59 lakh) and the Federation (Rs. 0.70 lakh) for establishing five process manufacturing units. None of the units has been established (March 1971).

(iii) Shortages of stock of Rs. 7.47 lakhs were noticed in seven wholesale stores (Rs. 3.36 lakhs) and their branches (Rs. 4.11 lakhs) as on 30th June 1970; information in respect of one wholesale store (Sambalpur) is awaited (December 1971).

The Department stated (November 1971) that dispute cases for Rs. 1.40 lakhs (out of Rs. 4.11 lakhs shortage in branches) had been filed and decrees for Rs. 0.50 lakh were obtained ; information regarding realisation of the amounts is awaited (December 1971).

(iv) The value of unsold textile goods accumulated in the departmental store of Bhubaneswar Wholesale Consumers' Co-operative Store as on 30th June 1970 was Rs. 4.10 lakhs (at retail value) ; this retail value of the stock was reduced to Rs. 3.44 lakhs to push up sales of heavy stocks resulting in a loss of Rs. 0.66 lakh.

(v) Defaults in repayment of loans and payment of interest as on 31st March 1971 by the eight wholesale stores and the Federation were Rs. 10.99 lakhs (principal : Rs. 5.77 lakhs and interest : Rs. 5.22 lakhs).

(vi) According to the accounts of the Federation Rs. 0.31 lakh were outstanding as advances paid to private parties between 1965-66 and 1968-69 for supplies to be made. The advances were paid by the Federation even though its bye-laws did not provide for the same. The Federation noticed that the chances of recovery of those advances were remote and requested (December 1970) the Registrar of Co-operative Societies to advise further action.

(vii) Rupees 2.05 lakhs were payable by the Rourkela Consumers' Co-operative Stores to Government on account of shortages in stock (Rs. 0.85 lakh) in excess of permissible limits while it served as Government's storage agent during 1966-67 and cost of stores purchased from Government on credit during 1966-67 (Rs. 1.20 lakhs). The dues remained unpaid so far (May 1971).

104. *Co-operative farming societies*—(1) Mention was made in paragraph 110 of the Audit Report 1968 on the working of 105 co-operative farming societies organised between 1961-62 and 1966-67. Five more societies were organised during 1967-68 and no society was organised thereafter. The expenditure on the scheme between 1967-68 and 1969-70 was Rs. 0.96 lakh (share capital contribution : Rs. 0.10 lakh, working capital loan : Rs. 0.58 lakh, loan for construction of godown-cum-cattle shed : Rs. 0.15 lakh and subsidies : Rs. 0.13 lakh).

Between 1963-64 and 1970-71 thirtyeight out of 110 societies went into liquidation ; three of these societies have been finally closed and five societies have refunded the assistance given to them by Government. Out of the total assistance of Rs. 2.84 lakhs given to the remaining thirty societies Rs. 2.25 lakhs could not be recovered from them before liquidation and remained to be regularised (February 1972) by recovery on completion of liquidation proceedings and write off of the unrecovered amounts.

Twentyfour other societies which received a total assistance of Rs. 4.28 lakhs were not in working condition and this was attributed by the department to lack of initiative by the Board of Management, failure of leadership and evasion of responsibility by the co-operators leading to inefficient functioning and mismanagement. A test check of the accounts of four out of the thirty societies conducted by Audit during October 1971 revealed that (i) three societies suffered a net loss of Rs. 0.11 lakh to end of 1969-70, (ii) of the total financial assistance paid (Rs. 0.49 lakh), a sum of Rs. 0.07 lakh was lying unutilised in the central co-operative banks, (iii) one society has invested Government assistance amounting to Rs. 0.01 lakh in a proposed sugarmill. (iv) two societies have not started construction of the godown-cum-cattle shed for which assistance was received by them and (v) audit of one society (by the Registrar of Co-operative societies) is in arrears since 1962-63.

(2) The following points have been noticed in test check conducted by Audit in October 1971 in respect of the remaining forty-eight societies.

(i) According to the conditions laid down by Government of India, a co-operative farming society should pool a minimum area as may be fixed by State Government so as to be eligible for financial assistance under the scheme and joint cultivation should be the main activity. Government of Orissa fixed (in January 1962) the minimum area as thirty acres having perennial irrigation facilities or fifty acres in case of rain fed area. Eleven out of thirty-two societies were paid financial assistance of Rs. 1.34 lakhs during 1962-63 to 1966-67 even though they pooled less than the minimum prescribed. Two more societies, which had received financial assistance of Rs. 0.24 lakh, during 1964-65 to 1966-67 decided not to cultivate land jointly but to give the land on rent for tilling in order to repay the outstanding loan from Government (Rs. 0.14 lakh) and from the local Central Co-operative Bank (Rs. 0.21 lakh).

(ii) According to the pattern of assistance decided by Government of India share capital to the societies should not as a general rule exceed the total investment made by the members subject to the ceiling of Rs. 2,000 per society. Government contributed share capital of Rs. 2,000 for each of the 110 societies.

Investment of the members in share capital of twenty-nine out of forty-eight societies test checked by audit ranged between Rs. 100 and Rs. 440; the excess contribution by Government was Rs. 0.54 lakh.

The following other points have been noticed:—

(a) Share certificates for Rs. 0.60 lakh invested in thirty societies were not issued by the societies (October 1971).

(b) The Bye-laws of the societies provided retirement of shares held by Government within a period of ten years; shares of value Rs. 2,000 overdue for retirement from one society have not been repaid (October 1971).

(c) No dividend has been declared by any of the societies since 1964-65.

(iii) Of the thirty societies, the audit of accounts was completed by the Registrar of Co-operative Societies for one society upto 1970-71, twenty societies upto 1969-70, eight societies upto 1968-69 and one society upto 1967-68. According to the reports on the accounts audited by the Registrar the following points have been noticed :—

(a) Twenty societies incurred losses aggregating Rs. 1.20 lakhs; the loss was attributed by the Department to damage of crop due to drought, increase in labour charges and mismanagement.

(b) Twenty-two societies invested a total sum of Rs. 0.23 lakh in a proposed sugar mill from out of the assistance received by them for joint co-operative farming.

(c) Four societies with a total financial assistance of Rs. 0.49 lakh have been organised by persons mostly belonging to the same families defeating the purpose for which such societies were organised.

(d) Rs. 0.93 lakh stands recoverable from either Presidents or Secretaries of nineteen societies.

(e) According to the financial procedure, the sums paid to the societies are to be deposited in the accounts of grantee societies held in the local Central Co-operative Bank and has to be drawn after obtaining prior permission of the Department. Out of the total financial assistance of Rs. 3.66 lakhs paid to thirty societies in Bargarh circle, Rs. 1.14 lakhs were still lying unutilised in the bank in the names of the societies (October 1971).

The scheme provided for financial assistance of Rs. 5,000 (loan : Rs. 3,750 and subsidy : Rs. 1,250) for construction of a godown-cum-cattle shed to each society depending on the largeness of the farm and pooling of the cattle Rs. 2.40 lakhs (loan : Rs. 1.80 lakhs and subsidy : Rs. 0.60 lakh) were paid to forty-eight societies for construction of godown-cum-cattle shed even though Government decided not to pool bullocks and the land pooled in a number of societies was less than the minimum required under the scheme. Of the forty-eight societies which received the assistance, two have refunded the assistance, four have completed the construction, twelve have partly completed and the remaining thirty have not yet started construction (October 1971).

(v) According to the Registrar of Co-operative Societies, Orissa (September 1971) Rs. 2.41 lakhs (principal : Rs. 1.27 lakhs and interest : Rs. 1.14 akhs) were overdue from 97 societies by March 1971 (September 1971).

105. *Rickshaw pullers' co-operative societies*—With a view to improve the economic condition of rickshaw pullers in the State, six co-operative societies were organised between 1964-65 and 1967-68 one each at Cuttack, Bhubaneswar, Puri, Baripada, Bhadrak and Angul. According to the approved pattern of assistance, each society was to be given a working capital loan of Rs. 20,000 and managerial subsidy up to Rs. 1,000 spread over a period of five years from the year the society started functioning. Rs. 1.20 lakhs disbursed by Government to the six societies as loan between 1964-65 and 1968-69 were deposited by the Department in the District Central Co-operative Banks and were to be utilised by the societies only with the permission of the Department. Of that Rs. 0.89 lakh were drawn by the societies between 1964-65 and 1968-69; according to the Department the balance loan of Rs. 0.31 lakh sanctioned to three societies at Mayurbhanj (Rs. 0.20 lakh sanctioned during 1965-66), Bhadrak (Rs. 0.07 lakh out of Rs. 0.20 lakh sanctioned during 1966-67) and Bhubaneswar (Rs. 0.04 lakh out of Rs. 0.20 lakh sanctioned during 1964-65) remained with the banks. The total subsidy disbursed to the societies between 1964-65 and 1968-69 was Rs. 0.03 lakh.

Out of the six societies, the society at Mayurbhanj has not started functioning so far (May 1971). According to the Department (September 1971), the defaults in repayment of loan and payment of interest by the end of March 1971 by the Mayurbhanj society were Rs. 0.14 lakh and Rs. 0.04 lakh respectively.

Working results prepared by the Department for different years revealed that the Puri (functioning from 1965-66) and Bhadrak (functioning from 1967-68) societies had sustained net losses of Rs. 4,689 and Rs. 3,318 respectively from the date of their functioning upto 30th June 1969. Capital Rickshaw Pullers' Co-operative Society at Bhubaneswar was liquidated in April 1970; the assets of the Society have not been taken over by the Department or disposed of (September 1971).

The Cuttack society was superseded by the Department in December 1968; according to information furnished by the Department (September 1971) Rs. 0.18 lakh were recoverable from the ex-president of the society against whom dispute cases have been filed.

The Department proposed (April 1971) liquidation of the society at Angul.

According to the Department (September 1971) the defaults in repayment of loan and payment of interest by five societies at the end of March 1971 were Rs. 0.72 lakh (principal : Rs. 0.62 lakh ; interest Rs. : 0.10 lakh).

INDUSTRIES DEPARTMENT

106. *Co-operative cold storages*—Certain points noticed in connection with the construction and working of co-operative cold storages at Barpali and Aska are mentioned below :—

(i) *Barpali co-operative cold storage plant*—This cold storage was constructed by Government under the rural industries programme at a cost of Rs. 6.76 lakhs (building : Rs. 3.09 lakhs and machinery : Rs. 3.67 lakhs); installation of machinery was completed by the Department in March 1968. A co-operative society was formed in 1966-67 to take over the cold storage and work it ; Government invested Rs. one lakh in shares of the society and

advanced Rs. 0.39 lakh as working capital loan during 1966-67. The cold storage was made over to the co-operative society after trial run in April 1968. The Cold Storage Co-ordination Committee (appointed by Government to advise on construction and working of cold storages) recommended in June 1968 to treat the value of machinery as loan to the society recoverable in one instalment and to treat the building as sold to the society at cost the value being recoverable in twenty equal instalments. Out of the amount spent by Government on machinery Rs. 2.11 lakhs were treated as loan; the terms and conditions of the transfer of the balance assets of Rs. 4.65 lakhs have not been finalised so far (August 1971). The society has not executed any loan bond so far (August 1971) either for the working capital loan or for the cost of machinery treated as loan; the Secretary of the cold storage society intimated Audit in September 1971 that no part of the value of the building was paid to Government in the absence of any instructions from any of the quarters'.

The cold storage was commissioned in August 1968. Against the storage capacity of 22,000 maunds, the maximum storage achieved was 5,808 maunds during 1970-71; the shortfall was attributed by the Project Officer, Rural Industries programme in October 1970 to lesser acreage of cultivation and output of potatoes. The society sustained a total loss of Rs. 0.65 lakh during 1968-69 and 1969-70; the loss was attributed (July 1970) by the Project Officer, Rural Industries Programme to large establishment expenses and non-utilisation of full capacity of the plant.

(ii) *Aska cold storage plant*—The Panchayat Samitis Co-operative Cold Storage Ltd. was formed at Aska in December 1963. Rs 3.74 lakhs were invested in share capital of the co-operative cold storage between February 1964 and February 1971 by Government (Rs. two lakhs) and eight Panchayat Samitis (Rs. 1.74 lakhs). Construction of the cold storage plant was entrusted to the Orissa Agro and Small Industries Corporation (a Government company) in June 1964. The cold storage started functioning from February 1968. Government gave a working capital loan of Rs. 1.35 lakhs bearing interest during March 1968 to the Cold Storage recoverable in fifteen instalments. The Orissa Agro and Small Industries Corporation Ltd. was stated to have spent Rs. 6.67 lakhs on the building and machines for the cold storage. Of this the Cold Storage paid Rs. 4.89 lakhs to the Corporation. The Secretary of the cold storage intimated Audit (September 1971) that Rs. 0.42 lakh were overdue to be paid to Government towards instalments of principal of the loan (Rs 0.12 lakh) and interest (Rs. 0.30 lakh) to end of August 1971 and that Government was requested (February 1970) to convert the loan into share capital.

Against the storage capacity of 20,000 maunds a maximum storage of 5,855 maunds was achieved during 1968-69; the storage achieved during 1970-71 was only 3,450 maunds. The shortfall was attributed by the cold storage (July 1971) to want of working capital and negligible quantity of potatoes stored by growers and traders in the storage. The cold storage is running at loss. The total loss during 1968-69 to 1970-71 was Rs. 2.57 lakhs; the loss was attributed by the cold storage (July 1971) to non-utilisation of the full storage space for want of working capital and spoilage of preserved potatoes in excess of the percentage allowed.

OTHER INVESTMENTS AND GUARANTEES

107. *Other investments*—Government invested Rs. 10.55 lakhs in share capital of two joint stock companies (*viz.*, Messrs. Orissa Oil Industries, Sambalpur : Rs. 7.05 lakhs and Messrs. Indo East Extraction Ltd., Bhubaneswar Rs. 3.50 lakhs). Investment of Government in share capital of twentyone joint stock companies (other than Government companies) to end of 1970-71 was Rs. 90.05 lakhs. One company (*viz.*, Messrs. National Vanadium Trust Ltd., Rairangpur) in which Government investment was Rs. 3.13 lakhs was liquidated during 1970-71. The assets of this company were disposed of by the liquidator for Rs. 2.50 lakhs ; of this share of Government amounting to Rs. 1.24 lakhs has been received during 1970-71. Write off orders for the balance of investment (Rs. 1.89 lakhs) are awaited (January 1972). Seven other of these companies (investments : Rs. 4.65 lakhs) are under liquidation. During 1970-71 Rs. 3.74 lakhs were received by Government as dividend from the investment of Rs. 52.75 lakhs in two companies.

The bonds of Electricity Board of a State in which Government investment was Rs. 5 lakhs were sold at par during 1970-71. Investment of Government in debentures/bonds of Electricity Boards of four other States and a Municipal Corporation to end of 1970-71 was Rs. 65.87 lakhs. The interest received on these investments during 1970-71 was Rs. 3.99 lakhs.

108. *Guarantees by Government*—Government has given guarantees for repayment of loans, etc. raised by a Statutory Corporation/Electricity Board, Government Companies, Joint Stock Companies, Co-operative societies, etc. The payment of minimum dividend on the share capital of the Orissa State Financial Corporation and payment to foreign firms towards supply of equipment to Orissa weavers' Co-operative Spinning Mills Ltd. has also been guaranteed by Government. Brief particulars of such guarantees which are in the nature of contingent liabilities on the State revenues are given below :—

	Maximum amount guaranteed	Amount actually covered by guarantee
(In lakhs of rupees)		
Statutory Corporation/Electricity Board ..	21,64.56	19,42.89
Government Companies ..	17,43.32	12,16.3
Joint stock companies ..	1,41.91	68.11
Co-operative institutions ..	29,75.99	18,8.92
Municipality ..	4.91	3.19
Private parties ..	3.66	2.16
Total ..	70,34.35	50,61.60

During 1970-71 three Government Companies, three Joint stock companies and three industrial co-operatives defaulted in repayment of loans and interest to the Orissa State Financial Corporation, State Bank of India and some other Banks which were guaranteed by Government. Rs. 12.64 lakhs were paid by Government on their behalf during 1970-71. The total payment made by Government between 1968-69 and 1970-71 in discharge of guarantee obligation was Rs. 50.63 lakhs. Information about recoveries made from principal debtors concerned has not been received from the Departments (December 1971).

CHAPTER VIII

FINANCIAL ASSISTANCE TO ORISSA KHADI AND VILLAGE
INDUSTRIES BOARD, CO-OPERATIVE INSTI-
TUTIONS, LOCAL BODIES AND OTHERS

INDUSTRIES DEPARTMENT

109. *Orissa Khadi and Village Industries Board*—Mention was made in paragraph 113 of Audit Report 1969 of dissolution of the erstwhile Orissa Khadi and Village Industries Board in March 1968. The Board was reconstituted in September 1969 and all funds, properties and liabilities of the ex-Board were vested in the reconstituted Board. In paragraph 116 of Audit Report 1970 certain points about the loans and grants received by the Board and about the working of some of its units were mentioned. A test check of accounts of the Board for 1968-69 and 1969-70 disclosed the following :—

(i) *Financial assistance received by the Board*—Grants and loans received by the Board from the Khadi and Village Industries Commission and from Government of Orissa during 1968-69 and 1969-70 and to end of 1969-70 were :—

	During 1968-69		During 1969-70		To end of 1969-70	
	Grants	Loans	Grants	Loans	Grants	Loans
(In lakhs of rupees)						
From Khadi and Village Industries Commission	4.31	11.50	3.19	29.46	1,44.43	3,22.57
From Government of Orissa ..	5.00	12.00*	5.00	..	84.93	12.00

Of the funds received from the Commission unspent balances of loans amounting to Rs. 45.32 lakhs were refunded to end of 1969-70.

(ii) *Arrears in payment of loan to the Commission*—At the end of June 1971 loans of Rs. 1,13.22 lakhs were due to be repaid to the Commission (upto 31st March 1970) and remained unpaid. The year-wise analysis of the arrears has not been furnished by the Board (December 1971).

(iii) *Outstanding loans* :—Rupees 1,40.14 lakhs were paid as loans by the Board to 896 co-operative societies between 1957-58 and 1969-70 for promotion of village industries ; of that Rs. 74.44 lakhs were repaid by 665 societies upto June 1971. Out of the balance of Rs. 65.70 lakhs recovery of Rs. 46.71 lakhs became overdue at the end of March 1971. The overdues are from 1957-58 onwards and included Rs. 12.47 lakhs due from 198 societies which were reported to be defunct by 1970-71.

*These loans were given by the Khadi and Village Industries Commission and routed through the State Government.

(iv) *Outstanding advances*—Rupees 3.26 lakhs paid as advance upto March 1970 were due for recovery from *ex-employees* (Rs. 1.14 lakhs) and present employees of the Board (Rs. 0.02 lakh) and from firms and institutions (Rs. 2.10 lakhs). Of these, Rs. 3.04 lakhs remained unrecovered/unadjusted (September 1971) for more than five years and related to 1956-57 and 1965-66.

(v) *Outstanding utilisation certificates*—For grants and loans received from the Commission, the Board has to furnish utilisation certificates to the Commission within a year from the date of receipt of grants and loans. Utilisation certificates were not furnished to the Commission for Rs. 31.20 lakhs of grants and Rs. 50.64 lakhs of loans upto September 1971; these related to the years from 1963-64 to 1969-70. The yearwise analysis of the outstanding has not been furnished by the Board (December 1971).

(vi) *Loss on disposal of accumulated stock*—Mention was made in paragraph 116 (i) of Audit Report 1970 of unsold accumulated stock of khadi and yarn valuing Rs. 8.36 lakhs kept in the headquarters of the Board for retail sale to the public. Of that, stock worth Rs. 4.12 lakhs was disposed of between September 1969 and June 1971 at the reduced price of Rs. 1.88 lakhs, resulting in loss of Rs. 2.24 lakhs. The balance stock of Rs. 4.24 lakhs is yet to be disposed of (July 1971).

(vii) *Loss*—The statement of account of khadi industries as on 31st March 1970 prepared by the Board disclosed accumulated net loss of Rs 25.22 lakhs between June 1966 and March 1970; the loss sustained by the Board including village industries from its inception to the end of March 1970 as depicted in the accounts prepared by the Board was Rs. 29.17 lakhs. The loss on khadi industries was attributed by the Board in September 1971 mainly to (i) excess of overhead expenditure over earnings, (ii) sales of stocks of implements at nominal value in auction and (iii) disposal of khadi accumulated over eight years to twelve years at reduced price.

110. *Glazed pottery unit, Udyogpuri*—With a view to manufacture glazed pottery articles, the Orissa Khadi and Village Industries Board decided to open a mechanised unit at Udyogpuri, Bhubaneswar, in 1961-62. Rupees 0.40 lakh were spent on machines (Rs. 0.27 lakh), kiln (Rs. 0.12 lakh) and shed (Rs. 0.01 lakh) and while the machines purchased between November 1966 and September 1967 were being installed suggestion was made by the supplier that an additional machine also be purchased. The installation was left incomplete as the Central Khadi Commission did not agree to purchase of the additional machine; the installation has not been taken up so far (December 1971).

In April 1964, the Board started a hand driven unit by utilising the kiln partially and a part of the machines on experimental basis for imparting training in the trade. The hand driven unit was closed down in September 1968. Between April 1964 and September 1968 Rs. 0.21 lakh were spent on its working. On the date of its closure, the unit had unsold finished goods worth Rs. 0.14 lakh of which goods worth Rs. 0.09 lakh are yet to be disposed of (July 1971).

111. *Grants to local bodies*—During 1970-71 Rs. 13,82.31 lakhs were paid as grants to local bodies, panchayat samitis, etc. as shown below :—

	Amount (Rs. lakhs)
Zilla Parishads ..	5.00
Panchayat Samitis ..	11,37.80
Grama Panchayats ..	32.20
Municipalities and Notified Area Committees ..	69.07
Universities ..	1,38.24

The expenditure incurred out of the grants to local bodies is audited by the Examiner, Local Fund Accounts, an officer of the State Government. The following are some of the important points reported by the Examiner to Government during 1970-71 :—

(a) *Local bodies* :—(i) Out of the total amount of Rs. 1,24.81 lakhs (Rs. 73.28 lakhs paid by Government as grants during 1969-70 and Rs. 51.53 lakhs* being previous year's unspent balance) available for expenditure, Rs. 75.38 lakhs were spent during 1969-70 leaving Rs. 49.43 lakhs unspent by 31st March 1970.

(ii) Ten local bodies diverted the unspent balances for purposes other than those for which the grants had been received by them from Government ; the total amount of grants so diverted to end of 1969-70 was Rs. 8.61 lakhs.

(iii) The total money value of objections raised by the Examiner remaining unsettled on the 31st March 1970 was Rs. 1,32.34 lakhs.

(iv) Thefts, misappropriations and losses of cash of Rs. 0.66 lakh in twenty institutions and shortages of stores worth Rs. 0.44 lakh in sixteen institutions were noticed during 1969-70.

(v) Recovery of overpayments and infructuous expenditure of Rs. 6.66 lakhs (work accounts : Rs. 1.36 lakhs and other cases : Rs. 5.30 lakhs) was suggested by the Examiner.

(vi) Recovery of Rs. 31.61 lakhs towards principal (Rs. 25.63 lakhs) and interest (Rs. 5.98 lakhs) of loans paid by Government to various local bodies was outstanding at the end of March 1970.

(vii) Out of the total grants of Rs. 1,65.67 lakhs paid to the local bodies, utilisation certificates for Rs. 1,07.57 lakhs were outstanding for submission to Government by 31st March 1970.

(viii) Rupees 79.77 lakhs were due for realisation as taxes, rents, and fees by the local bodies upto 31st March 1970 ; of these Rs. 18.08 lakhs were barred by limitation and Rs. 4.95 lakhs were covered under certificate cases.

(b) *Panchayat Samitis and Zilla Parishads*—There was no income of the panchayat samitis during the year from their own sources (taxes, donations, etc.)

* The difference of Rs. 15.38 lakhs between the closing balance on 31st March 1969 and opening balance on 1st April 1969 is due to exclusion of balance of two municipalities and one notified area committee owing to non-completion of audit of these institutions during 1970-71.

(ii) Two hundred and fortythree panchayat samitis diverted the unspent amount of grants received from Government for purposes other than those for which the grants were sanctioned ; the total amount of grant so diverted to the end of 1969-70 was Rs. 43.47 lakhs.

(iii) Heavy cash balances (Rs. 10,000 or more in each case) totalling in all Rs. 22.50 lakhs were kept in hand by fiftyfive institutions on 31st March 1970.

(iv) Thefts, misappropriations and losses of cash totalling Rs. 0.85 lakh (in 48 institutions) and shortages in stores of Rs. 1.63 lakhs (in 210 institutions) were noticed during 1969-70.

(v) Overpayments and infructuous expenditure of Rs. 6.06 lakhs on works were noticed in 308 institutions during 1969-70. In addition, recoveries of Rs. 19.38 lakhs in respect of 313 institutions on account of miscellaneous overpayments and inadmissible payments were suggested.

(vi) Of the irregular expenditure of Rs. 9,32.91 lakhs suggested for regularisation upto 1969-70 by *ex-post-facto* sanction, Rs. 86.49 lakhs only were regularised leaving a balance of Rs. 8,44.03 lakhs to be regularised by the end of March 1970.

(vii) Rupees 4,73.08 lakhs paid as advances upto 1968-69 for execution of works and other purposes were outstanding against contractors, executants of works and samiti staff on 31st March 1970.

(viii) Rupees 1,13.89 lakhs towards principal (Rs. 76.38 lakhs) and interest (Rs. 37.51 lakhs) on loans paid by Government to various institutions were outstanding for recovery at the end of March 1970.

(ix) The total money value of objections raised by the Examiner remaining unsettled at the end of March 1970 was Rs. 9,83.06 lakhs.

(x) Out of the total grants of Rs. 65,58.78 lakhs paid to panchayat samitis utilisation certificates for which were due by the end of March 1970, utilisation certificates for Rs. 26,57.74 lakhs were outstanding for submission to Government by 31st March 1970.

(xi) Large balances of grants given by Government remained unspent with 313 panchayat samitis in the personal ledger accounts in Government treasuries as shown below :—

		Amount (Rs. lakhs)
Balance on 1st April 1969	--	5,82.09*
Grants received during 1969-70	--	13,87.76
Spent during 1969-70	--	11,72.21
Balance on 31st March 1970	..	7,97.64

In addition to the unspent balance of Rs. 7,97.64 lakhs, Rs. 31.33 lakhs were retained in cash by the institutions on 31st March 1970; of these Rs.26.74 lakhs relate to panchayat samiti funds and the balance of Rs. 4.59 lakhs relates to funds placed at the disposal of panchayat samitis for execution of works.

* The difference of Rs. 10.50 lakhs between the closing balance on 31st March 1969 and the opening balance on 1st April 1969 is due to exclusion of balances of the Zilla Parishads and a Panchayat Samiti, as audit of accounts of these bodies were not taken up during 1970-71, partly counter balanced by inclusion of balances of three Panchayat Samitis accounts of which were audited during 1970-71.

CHAPTER IX

OUTSTANDING AUDIT OBSERVATIONS AND
INSPECTION REPORTS

112. *Outstanding audit observations*—Audit observations on 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 upto end of March 1971 which were not settled upto 30th September 1971 is given below :—

Year of issue	Civil Departments		Commercial departments/activities		Total	
	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
1966-67 and earlier years	99,015	33,28.18	1,443	1,11.24	1,00,458	34,39.42
1967-68 ..	5,179	5,54.62	68	9.62	5,247	5,64.24
1968-69 ..	5,435	11,52.64	318	65.33	5,753	12,17.97
1969-70 ..	6,879	7,60.64	329	56.18	7,208	8,16.82
1970-71 ..	11,239	17,84.38	545	91.52	11,784	18,75.90
Total ..	1,27,747	75,80.46	2,703	3,33.89	1,30,450	79,14.35

(ii) The following is a broad analysis of the reasons for which audit observations have remained outstanding (Department-wise analysis showing the nature of observations, number and amount is given in Appendix XI) :—

Nature of observations	Civil departments		Commercial departments/activities	
	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
(a) Want of sanction to establishment or continuance of establishment	64	7.48	87	17.00
(b) Want of sanction to miscellaneous and contingent expenditure	5,269	1,34.11	..	..
(c) Want of sanction to estimates or excess over sanctioned estimates	3,367	16,40.82	..	..

Nature of observations	Civil departments		Commercial departments/ activities	
	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
(a) Want of detailed bills, vouchers, payees, receipts, or other documents	98,949	42,34.63	2,348	3,00.51
(e) Recoverable advances not recovered and adjusted within the prescribed period	7,225	16.76	52	0.07
(f) Wants of agreements	379	5,27.33	..	..
(g) Non-recovery of over-payments or amounts disallowed in audit	493	5.29	..	..
(h) Other reasons	12,001	10,14.04	216	16.31
Total	1,27,747	75,80.46	2,703	3,33.89

The entire expenditure for which detailed bills and vouchers are not submitted escapes audit scrutiny. In such cases as also the cases in which payees' receipts etc. have not been furnished misappropriation, fraud etc. may remain undetected.

About 57 per cent (Rs. 45.35 crores) of the total amount is for want of detailed contingent bills, vouchers, payees' receipts and other documents. Rules require that detailed contingent bills should be submitted to Audit within three months for expenditure on works and one month in other cases. The departments with comparatively heavy outstandings are mentioned below :—

Department	Amounts (In crores of rupees)
Agriculture	9.64
Revenue and Excise	7.78
Tribal and Rural Welfare	5.51
Health and Family Planning	3.20
Transport	3.16
Co-operation	2.73
Industries	2.49
Home	2.08

(iii) In addition 166 observations (Rs. 5.38 crores) relating to Hirakud Dam Project raised by the Assistant Financial Adviser upto March 1971 were awaiting settlement at the end of September 1971.

113. *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 are attended to promptly and the audit observations settled expeditiously, there is likelihood of irregularities persisting.

There has been considerable delay in settlement of the outstanding inspection reports ; the number of inspection reports and paragraphs is increasing year after year as shown below :—

	Shown in Report		
	As on 31st December 1969	As on 30th September 1970	As on 30th September 1971
Number of inspection reports outstanding ..	4,546	5,505	5,862
Number of paragraphs in the reports ..	20,514	24,347	25,228

At the end of September 1971, 5,862 inspection reports containing 25,228 paragraphs were not settled for one year or more. These include 3,760 reports containing 14,349 paragraphs which were outstanding for three years or more.

Yearwise analysis of the outstandings at the end of September 1971 is shown below :—

Year of issue	Civil departments		Commercial departments/activities		Revenue receipts	
	No. of inspection reports	No. of para- graphs	No. of inspection reports	No. of para- graphs	No. of inspection reports	No. of para- graphs
1965-66 and earlier years	1,892	7,151	306	632	10	27
1966-67 ..	518	2,073	118	401	7	18
1967-68 ..	736	3,531	145	370	28	146
1968-69 ..	845	4,571	161	378	27	172
1969-70 ..	884	4,958	145	513	40	287
Total ..	4,875	22,284	875	2,294	112	650

Departmentwise analysis of the reports outstanding for one year or more is given in Appendix XII.

In addition eight inspection reports (145 paragraphs) relating to Hirakud Dam Project, issued by the Assistant Financial Adviser upto March 1971 were awaiting settlement at the end of September 1971.

The common types of irregularities noticed during 1970-71 are shown in Appendix XIII.

S. P. Gugnani

BHUBANESWAR,

The 25th July 1972

(S. P. GUGNANI)

Accountant General, Orissa

Countersigned

A. Bakshi

NEW DELHI,

The 3rd August 1972.

(A. BAKSI)

Comptroller and Auditor General of India

APPENDIX I

(Reference : paragraph 17, page 19)

Investment of Government at the end of 1968-69, 1969-70 and 1970-71
and dividend/interest earned therefrom

	1968-69			1969-70			1970-71			
	No. of con- cerns	Amount invested	Divi- dend/ interest received	No. of con- cerns	Amount invested	Divi- dend interest received	No. of con- cerns	Amount invested	Divi- dend/ interest received	
	(In lakhs of rupees)			(In lakhs of rupees)			(In lakhs of rupees)			
Statutory Corporations	8	4,33.90	13.02	8	4,33.90	11.43	7	4,28.90	51.66	
Fully State-owned com- panies	6	21,67.63	1.96	6	26,26.39	..	6	29,84.95	..	
Other Governm e n t companies	45	1,41.64	2.34	45	1,51.36	3.67	47	1,69.56	5.28	
Joint stock companies	17	77.34	2.34	19	80.74	2.34	21	90.05	3.74	
Co-operative institu- tions	2,854	6,05.58	2.61	2,892	6,73.08	7.11	2,893	8,20.89	2.94	
Total	..	2,930	34,26.09	22.27	2,970	39,65.47	24.55	2,974	44,94.35	63.62

The amounts 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 the Finance Accounts which includes the amount debited to "96—Capital Outlay etc." only.

APPENDIX II

(Reference : paragraphs 23, 25 and 27, pages 23, 26 and 29)

Saving under voted grants/charged appropriations

Sl. no.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation and the month in which obtained	Total grant/appropriation	Expenditure	Excess+ Saving—	Amount surrendered	Percentage of saving
1	2	3	4	5	6	7	8	9
(In lakhs of rupees)								
<i>I—Cases where savings amounted to 20 per cent or more</i>								
Voted—								
1.	17—Expenditure relating to the Industries Department	3,37.18	1.50 September 1970 (1.50) March 1971 (*)	3,38.68	2,57.54	—81.14	76.96	24
2.	28—Electricity Schemes	5,56.85	March 1971 (**)	5,56.85	4,29.52	—1,27.33	1,45.17	23
3.	32—Fisheries	97.60	September 1970 (**) March 1971 (**)	97.60	74.33	—23.27	23.08	24
4.	44—Agricultural Improvement and Research	2,18.36	6.50 September 1970 (4.00) March 1971 (2.50)	2,24.86	1,65.32	—59.54	59.22	26
5.	45—Government Trading Scheme	10,55.50	..	10,55.50	1,42.29	—9,13.21	8,12.16	87
6.	47—Capital expenditure relating to Public Health and Urban Development Department	1,08.25	25.00 September 1970, (15.00) March 1971 (10.00)	1,33.25	89.06	—44.19	41.47	33
7.	50—Capital Outlay on Ports	16.00	..	16.00	5.91	—10.09	9.89	63
8.	52—Capital expenditure relating to the Education Department	24.79	..	24.79	12.76	—12.03	12.03	49
9.	56—Capital expenditure relating to Planning and Co-ordination Department	1,50.00	..	1,50.00	75.14	—74.86	75.00	50
10.	62—Capital expenditure relating to Tribal and Rural Welfare Department	34.88	17.18 September 1970, (5.00) March 1971 (12.18)	52.06	26.76	—25.30	..	49
Charged—								
11.	Permanent Debt (Repayment)	3,28.60	25.00 March 1971	3,53.60	2,28.34	—1,25.26	..	35
12.	Floating Debt (Repayment)	10,00.00	..	10,00.00	90.00	—9,10.00	9,10.00	91

* Rs. 300

** Rs. 200

APPENDIX II—contd.

Sl. no.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation and the month in which obtained	Total grant/appropriation	Expenditure	Excess+ Saving—	Amount surrendered	Percentage of saving
1	2	3	4	5	6	7	8	9
(In lakhs of rupees)								
<i>II—Cases where savings exceed 10 per cent or more but within 20 per cent</i>								
Voted—								
13.	2—Jails ..	92.05	..	92.05	80.83	—11.22	9.06	12
14.	9—Ministers, Civil Secretariate and other expenditure relating to the Finance Department	2,79.45	22.40 September 1970	3,01.85	2,54.33	—47.52	46.26	16
15.	15—Registration ..	19.60	..	19.60	16.94	—2.66	2.52	14
16.	16—District Administration and other expenditure relating to the Revenue Department	2,75.77	12.01 September 1970 (12.00) March 1971 (0.01)	2,87.78	2,46.28	—41.50	8.37	14
17.	20—Labour, Employment and Housing	52.74	..	52.74	45.80	—6.94	4.81	13
18.	21—Tribal and Rural Welfare	3,80.32	March 1971(**)	3,80.32	3,36.33	—43.99	27.46	12
19.	23—Public Health ..	4,65.09	9.84 September 1970 (9.84) March 1971 (***)	4,74.93	4,04.67	—70.26	60.01	15
20.	27—Public Works common Establishment	1,97.60	13.46 September 1970 (4.90) March 1971 (8.56)	2,11.06	1,88.77	—22.29	23.27	11
21.	37—Agriculture ..	5,94.97	3.02 September 1970 (3.00) March 1971 (0.02)	5,97.99	4,88.96	—1,09.03	82.52	18
22.	38—Supply Department	73.99	..	73.99	65.38	—8.61	7.77	12
23.	42—Compensation for Abolition of Zamindari system and other expenditure relating to the Revenue Department	30.00	41.64 September 1970 (27.00) March 1971 (14.64)	71.64	60.60	—11.04	11.10	15
24.	43—Multipurpose River, Irrigation and Electricity Schemes	25,39.44	99.52 September 1970 (*) March 1971 (99.52)	26,38.96	23,58.46	—2,80.50	1,49.45	11
25.	54—Capital outlay on Forests	6,56.22	10.00 March 1971	6,66.22	5,73.40	—92.82	0.05	14
26.	59—Capital expenditure relating to Health Department	..	41.78 March 1971	41.78	34.69	—7.09	..	17

* Rs. 100

** Rs. 300

*** Rs. 400

APPENDIX II—concl'd.

Sl. no.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation and the month in which obtained	Total grant/appropriation	Expenditure	Excess+ Saving—	Amount surrendered	Percentage of saving
1	2	3	4	5	6	7	8	9
(In lakhs of rupees)								
<i>III—Cases where the savings were below 10 per cent</i>								
27.	1—Elections and other expenditure relating to the Home Department	82.45	38.69 September 1970 (15.52) March 1971 (23.17)	1,21.14	1,15.33	—5.81	3.75	
28.	3—Police ..	7,81.23	**** September 1970 (*) March 1971 (**)	7,81.24	7,61.52	—19.72	21.40	3
29.	5—Community Development Projects, etc.	5,14.62	89.58 September 1970 (21.38) March 1971 (68.20)	6,04.20	5,74.04	—30.16	18.72	
30.	11—Expenditure relating to the Education Department	22,62.36	5.54 September 1970 (5.51) March 1971 (0.03)	22,67.90	22,30.93	—36.97	9.53	2
31.	13—Land Revenue ..	4,15.11	29.77 March 1971	4,44.88	4,22.12	—22.76	20.50	5
32.	19—Government Press and other expenditure relating to the Commerce Department	1,14.20	3.12 September 1970 (0.80) March 1971 (2.32)	1,17.32	1,09.97	—7.35	..	6
33.	24—Irrigation ..	9,97.56	1,19.60 September 1970 (39.97) March 1971 (79.63)	11,17.16	10,73.87	—43.29	30.07	4
34.	31—Forests ..	3,68.41	6.00 September 1970 (3.00) March 1971 (3.00)	3,74.41	3,50.90	—23.51	18.98	6
35.	34—Expenditure relating to the Urban Development Department	1,93.54	47.51 September 1970 (24.62) March 1971 (22.89)	2,41.05	2,40.65	—0.40	5.35	..
36.	35—Animal Husbandry	2,65.57	1.34 September 1970 (0.43) March 1971 (0.91)	2,66.91	2,52.36	—14.55	13.08	5
37.	60—Capital outlay on Public Works	3,28.35	1,63.20 September 1970 (72.31) March 1971 (90.89)	4,91.55	4,69.04	—22.51	28.60	5
<i>Charged—</i>								
38.	Interest on Debt and other obligations	22,96.94	** September 1970 (*) March 1971 (***)	22,96.94	20,64.05	—2,32.89	52.77	10

* Rs. 100

** Rs. 500

*** Rs. 400

**** Rs. 600

APPENDIX III

[Reference: paragraph 29 (b), page 30]

Drawal of money in advance of requirement

Sl. no.	Name of the office and purpose of drawal	Date of drawal	Amount (Rs. lakhs)	Remarks	
COMMERCE DEPARTMENT					
1.	Deputy Superintendent Orissa Government Press, Cuttack, for cost of machines of various kinds	30th March 1971	2.82	Details of utilisation of the amount drawn are awaited (December 1971)	
INDUSTRIES DEPARTMENT					
2.	Director of Industries, Orissa Cuttack	..	..
(i)	for payment of compensation of 210 acres of land	16th March 1971	6.07		
(ii)	for cost of construction of industrial estate buildings	31st March 1971	8.65		
TRANSPORT DEPARTMENT					
3.	Accounts Officer, State Transport Service, Orissa, Cuttack towards the cost of 12 Bus chassis	29th March 1971	7.99	Rs. 7.98 lakhs spent during April to June 1971 and the unspent balance refunded in July 1971	
HEALTH AND FAMILY PLANNING DEPARTMENT					
4.	Secretary to Government of Orissa, Health and Family Planning Department for purchase of Ambulance vans	31st March 1971	2.83	Rs. 1.87 lakhs spent during April-June 1971 and balance has been kept in the shape of Bank draft	
TRIBAL AND RURAL WELFARE DEPARTMENT					
5.	Executive Engineer, R. E. Division, Phulbani for the cost of construction of new High School buildings and Ashram schools	29th March 1971	2.47	Details of utilisation of the amount are awaited (December 1971)	
6.	Executive Engineer, R. E. Division, Sambalpur North, towards the construction of 1 no. of High School and special repair work of Ashram school	29th March 1971	1.06		
7.	Executive Engineer, R. E. Division, Sundargarh—				
(i)	for construction of residential sevashram	27th March 1971	1.35	The amount has been kept under P. W. Deposits (December 1971)	
(ii)	for construction of Central Girls' Hostel for scheduled castes and scheduled tribes students	27th March 1971	2.00	Rs. 0.25 lakh spent during April-August 1971 and the unspent balance has been kept under 'P. W. Deposits' (December 1971)	

APPENDIX III—contd.

Sl. no.	Name of the office and purpose of drawal	Date of drawal	Amount (Rs. lakhs)	Rema
8.	Executive Engineer, R. E. Division, Ganjam, Berhampur, towards construction of residential sevashram and High School buildings	31st March 1971	4.15	Rs. 1.70 lakhs spent during April to June 1971. The unspent balance was kept under 'P. W. Deposits' (December 1971)
9.	Executive Engineer, R. E. Division, Baripada for construction of new High School buildings	29th March 1971	2.40	Rs. 0.17 lakh spent in March 1971; Rs. 0.38 lakh spent during April-July 1971 and the balance retained in hand (December 1971)
10.	Executive Engineer, R. E. Division, Baripada for construction of Ashram school buildings	29th March 1971	1.00	Details of the utilisation of the amount drawn are awaited (December 1971)
11.	District Magistrate, Mayurbhanj for improvement of roads	24th March 1971	1.50	
12.	Executive Engineer, R. E. Division, Kalahandi towards construction of Ashram school buildings	31st March 1971	1.00	Details of the utilisation of the amount drawn are awaited (December 1971)
13.	Collector, Koraput for construction of twin hutments, maintenance grants to families and purchase of bullocks, seeds and agricultural instruments, etc.	31st March 1971	2.31	Rs. 0.88 lakh spent in March 1971, Rs. 0.22 lakh spent during April-June 1971 and unspent balance kept with the Rehabilitation Officer, Malkangiri, (December 1971)
14.	Executive Engineer, R. E. Division, Koraput—			
	(i) for construction of hostels for scheduled caste girls students	30th March 1971	2.00	Details of utilisation of the amount awaited (December 1971)
	(ii) for construction of residential sevashram	30th March 1971	1.48	
15.	Executive Engineer, R. E. Division, Cuttack (West) for construction of new High School and completion of Kanyashram	29th March 1971	1.26	Entire amount spent during April-September 1971
16.	Executive Engineer, R. E. Division, Puri for construction of Tribal Orientation Training Institute, Bhubaneswar	30th March 1971	1.53	Rs. 0.19 lakh utilised in recoupment of expenditure already incurred from December 1970 to February 1971, Rs. 0.52 lakh spent in March 1971 and the balance spent from April to September 1971

APPENDIX IV

(Reference: paragraph 30, page 30)

Large cash balances (exceeding Rs. one lakh in each case) with departmental officers as on 31st March 1970

Name of office	Amount (Rs. lakhs)	Remarks
ANIMAL HUSBANDRY DEPARTMENT		
1. Rural Dairy Farm, Office of the Deputy Director, Dairy Development, Cuttack	1.70	Rs. 0.05 lakh remained unspent (August 1970)
2. District Veterinary Officer, Bolangir	1.52	Rs. 0.77 lakh remained unspent (July 1970)
3. Milk Union Scheme, Phulnakhara	1.96	..
4. Poultry Development Officer, Orissa, Bhubaneswar	1.17	Rs. 0.13 lakh remained unspent (June 1970)
TRIBAL AND RURAL WELFARE DEPARTMENT		
5. District Welfare Officer, Koraput	6.48	Rs. 3.52 lakhs remained unspent (October 1970)
6. District Welfare Officer, Baripada	5.37	Nil (January 1971)
7. District Welfare Officer, Ganjam	2.69	Rs. 1.96 lakhs remained unspent (December 1970)
8. District Welfare Officer, Phulbani	1.17	Rs. 0.16 lakh remained unspent (October 1970)
9. District Welfare Officer, Balasore	3.20	Rs. 0.68 lakh remained unspent (April 1970)
URBAN DEVELOPMENT DEPARTMENT		
10. Rehabilitation Officer, Sunabeda	2.48	Rs. 0.86 lakh remained unspent (August 1970)
REVENUE AND EXCISE DEPARTMENT		
11. Collector, Dhenkanal	2.28	Rs. 0.44 lakh remained unspent (September 1970)
12. Sub-divisional Officer, Athamallik ..	1.26	Rs. 0.20 lakh remained unspent (November 1970)
13. Collector, Phulbani ..	1.14	Rs. 0.17 lakh remained unspent (October 1970)
14. Collector, Bolangir ..	1.53	Rs. 0.47 lakh remained unspent (October 1970)
15. Collector, Koraput ..	2.33	Rs. 0.73 lakh remained unspent (September 1970)
16. Tahsildar, Marsaghai ..	1.00	Rs. 0.21 lakh remained unspent (June 1970)
17. Tahsildar, Jajpur ..	1.29	Rs. 0.18 lakh remained unspent (May 1970)
EDUCATION DEPARTMENT		
18. District Inspector of Schools, Nayagarh	2.73	Rs. 0.32 lakh remained unspent (July 1970)
19. District Inspector of Schools, Dhenkanal	4.39	Rs. 0.23 lakh remained unspent (August 1970)
20. District Inspector of Schools, Sambalpur	12.46	Rs. 0.50 lakh remained unspent (June 1970)
21. District Inspector of Schools, Mayurbhanj	18.58	Rs. 2.46 lakhs remained unspent (July 1970)

APPENDIX IV—contd.

Name of office	Amount (Rs. lakhs)	Remarks
22. Principal, G. M. College, Sambalpur ..	1.57	Rs. 0.47 lakh remained unspent (June 1970)
23. District Inspector of Schools, Balasore II Circle, Balasore	5.55	Rs. 1.59 lakhs remained unspent (May 1970)
24. District Inspector of Schools, Phulbani	1.52	Rs. 0.06 lakh remained unspent (December 1970)
25. Inspector of Schools, Bolangir ..	4.45	Rs. 1.16 lakhs remained unspent (May 1970)

AGRICULTURE DEPARTMENT

26. Assistant Soil Conservation Officer, Nandapur	1.08	Rs. 0.91 lakh remained unspent (April 1970)
27. Oil Seeds Development Officer, Bhubaneswar	1.10	Rs. 0.12 lakh remained unspent (February 1971)
28. District Agricultural Officer, Aska ..	1.12	Rs. 0.98 lakh remained unspent (July 1970)
29. District Agricultural Officer, Balasore ..	2.47	Rs. 0.10 lakh remained unspent (September 1970)
30. District Agricultural Officer, Athgarh ..	1.00	..
31. District Agricultural Officer, Bargarh ..	1.39	Rs. 0.22 lakh remained unspent (December 1970)
32. District Agricultural Officer, Kendrapara	1.12	Rs. 1.00 lakh remained unspent (August 1970)
33. District Agricultural Officer, Cuttack ..	1.31	Rs. 0.81 lakh remained unspent (January 1971)
34. Assistant Agriculture (Mechanical) Engineer, Implement Factory, Bhubaneswar	1.44	Rs. 1.16 lakhs remained unspent (June 1970)

INDUSTRIES DEPARTMENT

35. Industrial Training Institute, Khapuria	1.70	Rs. 0.40 lakh remained unspent (March 1971)
36. District Industrial Officer, Cuttack ..	1.11	Rs. 0.91 lakh remained unspent (April 1970)
37. Director of Industries, Orissa, Cuttack ..	16.35	Rs. 3.34 lakhs remained unspent (November 1970)
38. Principal, Orissa School of Engineering, Cuttack	1.41	Rs. 0.84 lakh remained unspent (September 1970)
39. Project Officer, Jajpur ..	1.47	Rs. 0.62 lakh remained unspent (October 1970)

HEALTH DEPARTMENT

40. District Family Planning Medical Officer, Puri	2.18	..
41. Administrative Officer, State Medical Planning Bureau, Bhubaneswar	4.81	..
42. District Family Planning Medical Officer, Koraput	1.31	Rs. 0.51 lakh remained unspent (July 1970)
43. Superintendent, Medical College Hos- pital, Burla	3.94	..

APPENDIX

(Reference: para-

Misappropriations, losses, etc., reported up to 31st July 1971 and

Department	Cases in which departmental/criminal proceedings have not been instituted due to non-receipt of detailed reports from subordinate 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. Education ..	2	0.23	4	0.88	3	0.11
2. Transport ..	2	0.17	3	0.17	..	..
3. Works ..	31	4.03	44	4.54	2	5.89
4. Industries ..	4	0.04	3	0.05	1	0.01
5. Law ..	..	..	..	..	1	0.01
6. Commerce ..	1	0.09	1	0.05	..	..
7. Home ..	2	0.07	3	0.04	3	0.08
8. Revenue ..	8	0.98	29	1.75	19	0.63
9. Public Health ..	2	0.09	1	0.02	..	..
10. Scientific ..	..	..	..	..	..	..
11. Supply ..	1	0.31	1	0.02	1	0.01
12. Forest ..	..	..	4	0.06	2	0.02
13. Urban Development	16	0.28	3	0.17	1	0.02
14. Tribal and Rural Welfare	2	0.32	9	2.35	1	0.01
15. Finance ..	2	0.07	1	0.06	1	0.82
16. Political and Services	..	..	..	..	1	0.04
17. Irrigation and Power	38	1.13	42	6.33	2	0.07
18. Planning and Co-ordination	14	0.20	1	0.08	7	0.08
19. Labour, Employment and Housing	..	..	..	..	1	0.18
20. Mining and Geology	..	..	..	..	..	..
21. Community Development	4	0.29	15	1.32	3	0.21
22. Agriculture and Co-operation	11	0.63	22	1.15	6	0.08
Total ..	140	8.93	186	19.04	55	8.27

V

graph 41, page 37)

pending finalisation at the end of September 1971

Cases in which criminal proceedings finalised but execution / certificate cases for recovery of the amounts are pending		Cases awaiting Government orders for recovery or write-off		Cases in courts of law		Total	
Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)	Number	Amount (Rs. lakhs)
..	..	1	0.03	15	2.53	25	3.78
1	0.01	..	..	9	0.17	15	0.52
..	..	7	1.46	2	0.04	86	15.96
3	0.08	..	..	9	0.41	20	0.59
..	..	..	..	..	..	1	0.01
..	..	..	..	..	..	2	0.14
1	0.01	..	..	10	0.28	19	0.48
2	0.03	45	2.90	47	1.55	150	7.84
3	0.03	..	..	17	1.21	23	1.35
..	..	1	0.01	..	..	1	0.01
..	..	..	..	1	0.03	4	0.37
..	0.02	1	*	7	0.29	16	0.39
1	0.09	4	0.17	..	..	25	0.73
4	0.08	2	0.04	11	1.49	29	4.29
..	..	..	..	4	1.28	8	2.23
..	..	..	..	..	..	1	0.04
..	..	26	0.66	1	0.01	109	8.20
..	..	10	0.19	4	0.09	36	0.64
..	..	..	..	1	**	2	0.18
..	..	..	..	2	0.01	2	0.01
3	0.29	3	0.22	11	1.02	39	3.35
6	0.09	3	0.03	35	1.70	83	3.68
26	0.73	103	5.71	186	12.11	696	54.79

* Rs. 451

** Rs. 300

APPENDIX VI

(Reference: paragraph 42, page 37)

Cases of miscellaneous irregularities, losses, etc.

In the following seven cases (other than those relating to revenue) loss and compassionate grants totalling Rs. 2.49 lakh were written off/sanctioned during 1970-71; (cases of write-off and remissions of revenues have been mentioned in paragraph 64).

Department	Particulars	Write-off, etc.	
		Number of cases	Amount Rs.
(1) Mining and Geology	Relief on account of legal expenses	1	2,00,000
(2) Revenue ..	Shortages of rice written-off	1	27,920
(3) Finance ..	Grant from compassionate fund	5	21,288
	Total	7	2,49,208

APPENDIX VII

(Reference: paragraph 55, page 46)

Synopsis of important stores and stock accounts

A synopsis of stores and stock accounts for 1970-71 is given below:—

Sl. no.	Name of Account	Stores	Opening balance	Receipts	Issue	Closing balance
(In lakhs of rupees)						
IRRIGATION AND POWER DEPARTMENT						
1.	Delta Irrigation Project	Building materials, small stores,	—12.76(a)	25.26	19.74	—7.24(b)
2.	Salandi Irrigation Project	miscellaneous stores fuel, spares etc.	17.57	2.26	5.82	14.01
3.	Hirakud Dam Project—					
	(a) Stage I ..		192.12	7.23	11.21	188.14
	(b) Stage II ..		—4.42	0.33	..	—4.09(b)
HOME DEPARTMENT						
4.	Jails (Manufacturing) Department	Manufactured stores, raw-materials, etc.	2.14	6.71	5.62	3.23
5.	Jails (Maintenance) Department	Rations, equipment, etc.	9.20	36.00	35.05	10.15
6.	Orissa Police Motor Transport Workshop, Cuttack	Spare parts of vehicles, etc.	1.34	4.59	4.54	1.39
HEALTH AND FAMILY PLANNING DEPARTMENT						
7.	Sales Stores (Medicine)	Costly and life saving drugs	0.52	..	0.01	0.51(c)

(a) Differs from the closing balance (Rs. 12.50 lakhs) for 1969-70 due to adoption of divisional figures as opening balance.

(b) Reasons for the minus stores balances in many of the divisions have not been ascertained by the department.

(c) Includes time-barred drugs (value: Rs. 0.07 lakh) and drugs transferred to District Head-quarters Hospitals and other Dispensaries (Rs. 0.10 lakh) value of which was not adjusted.

APPENDIX VIII

(Reference: paragraph 75, page 58)

**Summaried financial results of Orissa State Financial Corporation
and Orissa State Warehousing Corporation for the year 1970-71**

(1) Name of the Corporation	Orissa State Financial Coporation	Orissa State Warehousing Coproation
(2) Date of incorporation	20-3-1956	March 1958
	(In lakhs of rupees)	
(3) Capital ..	1,00.00	22.00
(4) Loans ..	2,62.28	..
(5) Free reserve ..	28.60	0.11
(6) Total Capital invested (3+4+5) ..	3,90.88	22.11
(7) Net profit (before taxation) ..	12.14	1.34
(8) Interest on loans ..	15.16	..
(9) Total return (7+8) ..	27.30	1.34
(10) Percentage of return on capital invested ..	6.98	6.06

APPENDIX

(Reference: paragraph

Summarised financial results of (a) companies wholly owned by the State Government

Sl. no.	Name of the company	Name of the department	Date of incorporation	Total capital invested	Profit(+) Loss(-)	Total interest charged to Profit and Loss account
1	2	3	4	5	6	7
<i>(A) Companies fully owned by the State Government—</i>						
<i>Accounts for 1969-70</i>						
1.	The Industrial Development Corporation of Orissa Ltd.	Industries Department	29-3-1962	20,53,36	2,61	44,06
2.	The Orissa Construction Corporation Ltd.	Irrigation Department	22-5-1962	77,50	(-)7,00	..
<i>Accounts for 1968-69</i>						
3.	The Orissa Mining Corporation Ltd.	Mining and Geology Department	16-5-1956	10,76,03	11,50	4,01
<i>Accounts for 1967-68</i>						
4.	Orissa Forest Corporation Ltd.	Forest and Animal Husbandry Department	28-9-1962	76,15	(-)62,48	3,32
5.	The Orissa State Commercial Transport Corporation Ltd.	Commerce Department	7-1-1964	3,82,80	8,33	59
<i>(B) Companies partly owned by the State Government—</i>						
<i>Accounts for 1970-71</i>						
6.	Orissa Road Transport Co., Ltd.	Transport Department	1-12-1950	1,12,68	16,84	1
<i>Accounts for 1968-69</i>						
7.	Utkal Foundry and Engineering Co. Ltd.	Industries Department	3-4-1959	2,76	(-)166	21
8.	Mayurbhnaj Textiles Ltd.	Industries Department	1943	4,46	(-)73	9
<i>Accounts for 1967-68</i>						
9.	Orissa Boat Builders Ltd.	Industries Department	18-3-1958	2,20	(-)67	..
10.	Rourkela Fabrications Ltd.	Industries Department	28-3-1959	4,36	16	24
11.	Orissa Concrete Products, Ltd.	Industries Department	23-9-1959	1,93	(-)28	14
<i>Accounts for 1966-67</i>						
12.	Orissa Agrico Ltd.	Industries Department	16-3-1961	2,48	18	9
13.	Chilika Cashew Manufacturing Co., Ltd.	Industries Department	28-3-1959	50	..	..
14.	Gajapati Steel Industries Ltd.	Industries Department	15-2-1960	3,95	(-)44	10
<i>Accounts for 1965-66</i>						
15.	Eastern Aquatic Products Ltd.	Industries Department	6-5-1959	58	(-) 1	..
<i>Accounts for 1964-65</i>						
16.	Cuttack Iron and Steel Products Ltd.	Industries Department	15-3-1958	75	(-) 5	3

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(b) companies partly owned by the State Government

(Amount in thousands of rupees)						
Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
..	2,61	0.09	29,61,96	46,67	1.58	
..	(-7,00)	..	47,93	(-7,00)	..	
(A)	11,50	1.07	6,37,67	15,51	1.80	(A) Information not available in accounts
49	(-61,99)	..	19,15	(-59,16)	..	
..	8,33	2.18	3,47,61	8,92	2.56	
..	16,84	15.16	95,99	16,85	17.85	
..	(-66)	..	3,19	(-45)	..	
(A)	(-73)	..	1,70	(-64)	..	(A) Information not available in accounts
..	(-67)	..	77	(-67)	..	
(A)	16	3.68	5,36	40	7.5	(A) Information not available in accounts
..	(-28)	..	1,97	(-14)	..	
..	18	7.24	2,75	27	9.63	
..	..	..	6	..	..
3	(-41)	..	3,32	(-34)	..	
..	(-1)	..	35	(-1)	..	
..	(-5)	..	78	(-2)	..	

APPENDIX

(Reference: para-

Summarised financial results of working of the departmentally managed undertakings

Sl. no.	Name of the concern and year of accounts		Government capital	Mean capital
1	2		3	4
INDUSTRIES DEPARTMENT				
1.	Government Tannery, Boudh (1969-70)	..	5,52	5,35
2.	Government Shoe Factory, Cuttack (1969-70)	..	5,21	5,86
AGRICULTURE DEPARTMENT				
3.	Cold storage Plant, Cuttack (1968)*	..	6,70	12,50
4.	Cold storage Plant, Sambalpur (1963)*	..	5,02	4,74
TRANSPORT DEPARTMENT				
5.	State Transport Services (1965-66)	..	1,55,26	1,36,59

*Accounts for the calendar year.

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graph 96, page 84)

disclosed by the *pro forma* accounts for the latest year available

(Amount in thousands of rupees)

Free reserve	Block assets	Depre- ciation	Profit(+) Loss(-)	Percentage of return on mean capital	Remarks
5	6	7	8	9	10
21	54	3	-4	Loss	Not audited (October 1971)
24	1,33	8	38	6.54	..
..	2,43	13	-75	Loss	..
..	4,24	28	-19	Loss	..
64,68	1,53,98	1,15,86	35,87	26.26	..

APPENDIX

(Reference: paragraph 112,
Departmentwise analysis of the audit observations,

Sl. no.	Department	Want of sanctions to establishment or continuance of establishment	Want of sanctions to miscellaneous and contingent expenditure	Want of sanctions to estimates or excess over sanctioned estimates	Want of detailed contingent bills, vouchers, payees' receipts or other documents
(1)	(2)	(3)	(4)	(5)	(6)
1.	Revenue and Excise ..	..	7.02	..	7,78.19
2.	Political and Services ..	..	0.14	..	12.33
3.	Home ..	7.46	11.56	..	2,08.40
4.	Education ..	..	8.41	..	1,68.19
5.	Industries ..	..	19.33	..	2,48.92
6.	Community Development and Panchayati Raj ..	..	18.12	..	1,85.16
7.	Finance ..	..	0.88	19.83	12.80
8.	Tribal and Rural Welfare ..	..	18.60	..	5,50.50
9.	Health and Family Planning ..	..	19.10	..	3,20.11
10.	Agriculture and Co-operation				
	(i) Agriculture ..	..	10.18	23.72	9,63.67
	(ii) Co-operation ..	..	1.69	..	2,72.84
11.	Commerce ..	..	4.91	..	35.60
12.	Planning and Co-ordination ..	..	0.01	..	0.06
13.	Works (Roads and Buildings) ..	0.02	0.34	..	8.49
14.	Transport ..	17.00	..	..	3,16.06
15.	Law ..	..	0.33	..	4.60
16.	Mining and Geology ..	..	0.14	..	40.06
17.	Cultural Affairs ..	..	2.03	..	..
18.	Irrigation and Power—				
	(i) Irrigation ..	*	0.34	7,69.92	33.16
	(ii) Power ..	..	..	8,27.35	1,06.10
19.	Forest and Animal Husbandry—				
	(i) Forest ..	**	1.12	..	0.41
	(ii) Animal Husbandry ..	..	9.39	..	87.94
20.	Labour, Employment and Housing ..	..	0.03	..	68.20
21.	Supply ..	..	0.11	..	30.15
22.	Urban Development—				
	(i) Urban Development ..	..	0.33	..	71.80
	(ii) Public Health Engineering	2.59
23.	Rural Development	8.81
	Total ..	24.48	1,34.11	16,40.82	45,35.14

*Rs. 300

**Rs. 112

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page 106)
the nature of the observations and the amounts

(Amounts in lakhs of rupees)

Recoverable advances not recovered and adjusted with- in the pres- cribed period	Want of agreements	Non-recovery of over-pay- ments or amounts dis- allowed in Audit	Other reasons	Total
(7)	(8)	(9)	(10)	(11)
4.70	..	0.10	2,32.33	10,22.34
0.37	..	..	13.52	26.36
1.94	..	0.01	18.13	2,47.50
0.84	..	0.01	8.36	1,85.81
0.08	..	..	3,01.72	5,70.05
2.96	..	..	25.97	2,32.21
2.71	..	0.01	3.97	40.20
0.52	..	..	47.46	6,17.08
0.19	..	..	25.08	3,64.48
0.82	..	0.05	1,20.67	11,19.11
0.40	..	..	90.37	3,65.30
0.01	..	..	20.29	60.81
0.04	..	..	0.08	0.19
0.58	3,64.19	0.04	5.08	3,78.74
0.07	..	..	16.31	3,49.44
0.02	..	..	2.09	7.04
0.01	..	..	2.29	42.50
0.01	..	..	3.13	5.17
0.04	16.17	0.64	10.63	8,30.90
..	23.21	3.98	42.73	10,03.37
0.43	..	*	0.35	2.31
0.06	..	@	0.14	97.53
0.01	..	..	1.29	69.53
0.02	..	†	4.55	34.83
..	..	..	33.36	1,05.49
..	7.93	0.14	..	10.66
..	1,15.83	0.31	0.45	1,25.40
16.83	5,27.33	5.29	10,30.35	79,14.35

*Rs. 296
@Rs. 118
†Rs. 480

APPENDIX

(Reference : paragraph 113,

Inspection Reports outstanding fore more than

Sl. no.	Department	Number of reports and paragraphs outstanding for 5 years or more	
		Inspection reports	Paragraphs
1.	Community Development and Panchayati Raj	593	3,079
2.	Agriculture and Co-operation		
	(a) Agriculture	205	704
	(b) Co-operation	42	120
3.	Revenue and Excise	292	1,003
4.	Works and Transport—		
	(a) Roads and Buildings	84	290
	(b) Transport	64	190
5.	Irrigation and Power—		
	(a) Irrigation	93	361
	(b) Power	60	127
6.	Industries	126	345
7.	Education	69	169
8.	Health	107	205
9.	Supply	111	137
10.	Forest and Animal Husbandry—		
	(a) Forest	27	82
	(d) Animal Husbandry	53	112
11.	Home	38	81
12.	Planning and Co-ordination	..	..
13.	Tribal and Rural Welfare	87	267
14.	Finance	22	63
15.	Labour, Employment and Housing	44	119
16.	Urban Development—		
	(a) Urban Development	19	45
	(d) Public Health Engineering	31	145
17.	Commerce	5	40
18.	Law	..	..
19.	Cultural Affairs	..	..
20.	Mining and Geology	3	6
21.	Political and Services	3	7
22.	Rural Development	30	113
	Total	2,208	7,800

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one year at the end of 30th September 1971

Number of reports and paragraphs outstanding for two or more years but less than 5 years		Number of reports and paragraphs outstanding for one year or more but less than 2 years	
Inspection reports	Paragraphs	Inspection reports	Paragraphs
418	2,738	154	1,514
223	828	65	303
21	63	12	59
171	595	109	388
199	1,390	74	508
88	248	43	223
205	936	95	549
174	393	72	193
175	753	61	325
190	702	66	247
95	254	52	199
80	210	22	60
71	276	35	148
44	96	19	47
80	248	30	91
1	2	3	7
44	231	21	146
71	400	41	211
6	10	3	9
22	86	13	47
63	493	24	197
18	37	6	21
14	25	6	10
3	7	1	2
4	15	..	..
2	4	1	12
103	620	41	242
2,585	11,660	1,069	5,758

APPENDIX XIII

(Reference : paragraph 113, page 109)

Common types of irregularities noticed during local audit and inspection

Type of irregularities	No. of offices in which the irregularities noticed in the year 1970-71
I—Public Works Divisions—	
(i) Non-observance of rules regarding recording of measurements	1
(ii) Commencement and continuance of work without plan and estimates	1
(iii) Delay in sanctioning technical estimate ..	2
(iv) Award of work without call of tenders ..	5
(v) Projects started without sanction of estimates ..	2
(vi) Commencement of work by contractor before execution of agreements	10
(vii) Tenders accepted in excess of sanctioned estimate ..	1
(viii) Issue of materials not provided in agreement and in excess of requirement where provided in the agreement	3
(ix) Irregularities in payment of bills ..	4
(x) Commencement of work before issue of work order ..	2
(xi) Acceptance of tenders other than lowest ..	7
(xii) Allowing job-workers rates higher than schedule of rate ..	1
(xiii) Deposit works executed in excess of amounts deposited ..	5
II—Treasuries and Sub-treasuries—	
(i) Non-realisation of securities from sub-treasurers/stamp clerks/shroffs	5
(ii) Non-receipt of the annual certificate of the safety of strong room	3
(iii) Retention of spare pad locks without permission ..	2
(iv) Excess over normal balance for sub-treasuries ..	1
III—Other offices—	
(i) Non-maintenance/defective maintenance of important books of account and initial records of cash, store and stock/accounts not produced	17
(ii) Utilisation/diversion/appropriation of departmental receipts for departmental expenditure	4
(iii) Delay/non-realisation of Government dues/overpayments of Government money	3
(iv) Non-realisation of security deposit from persons entrusted with cash and stores	3
(v) Omission to conduct physical verification of cash, stock and stores and mistakes in valuation of stock	2
(vi) Improper maintenance of vehicle log book ..	1
(vii) Shortages and losses of stock stores theft and mis-appropriation	2
(viii) Withdrawal of funds and rush of expenditure at the close of the financial year to avoid lapse of budget provision	114

