ERRATA

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1985-86 (CIVIL) GOVERNMENT OF ORISSA

Page	Para	Further details	For	Read
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20	2.2.4	Sl.No.3, column 6 6th line from the bottom	requisite	requisition
28	2.2.9	Sub para (c) first column heading	Appropiration	Appropriation
29	2.2.9	Sub para (d), first column heading	Appropiration	Appropriation
41	3.1.5.1.1	Sub para (ii) 6th line	188	128
41	3.1.5.1.1	9th line	Rs.8.92	Rs.26.28
41	3.1.5.1.1	9th line	Rs.5.71	Rs.23.57
41	3.1.5.1.1	10th line	Rs.3.21	Rs.2.71
45	3.1.5.1.3	Second para 3rd line	Through	Though
60	3.1.8.1.1	Sub para (iii) 4th line from bottom	achievmnt	achievement
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71	3.2.1	First sub-para 4th line	Salflower	sun flower
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119	3.3.3	Sub-para (f)(i), 1st line	Out 110	Out of 110

Page	Para	Further details	For	Read
126	3.3.6	4th line from bottom	varities	varieties
129	3.3.8	Statement column (4) & (6)	(In lakh rupees)	(In lakhs of rupees)
130	3.3.8	Sub-Para (ii), 2nd line	Rs.3.08 lakh	Rs.3.08 lakhs
131	3.3.9	Second sub-para 3rd line	measurers	measures
137	3.4.2	14th line from bottom	Cutack	Cuttack
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170	3.8.10	4th line	1....)	1985)
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181	3.9.3.3	1st line	(iv)	(vi)
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REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR

1985-86

(CIVIL)

GOVERNMENT OF ORISSA

REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR

1985-86

(CIVIL)

GOVERNMENT OF ORISSA

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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1985-86 together with other points arising from audit of financial transaction of Government of Orissa. It also includes:

(i) Certain points arising from the Finance Accounts for the year 1985-86; and

(ii) Comments on Small Scale Industries, Oil Seeds Development Programme, Pulses Development Programme, Banana Development Programme, Minimum Wages for Agriculture Labour, Road Development Programme, Upper Kolab - Hydro Electric Project - Construction of Concrete-cum-Masonry Dam, Khadi and Village Industries Programme, Elementary Education, Micro Projects for primitive tribes and Fish Farmers Development Agencies.

2. The Report containing observations of Audit on Statutory Corporations and Government Companies and Report containing the observations of Audit on Revenue Receipts are prepared separately.

3. The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during the year 1985-86 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 1985-86 have also been included wherever considered necessary.

CHAPTER I
GENERAL

1.1. Summary of accounts

The summarised position of the accounts of the Government of Orissa emerging from the Appropriation Accounts and Finance Accounts for the year 1985-86 is indicated in the following statements:

I-Statement of Financial position of the Government

Amount as on 31.3.1985 (Rupees in crores)	Liabilities		Amount as on 31.3.1986 (Rupees in crores)
3,89.31	**Internal Debt including Ways and Means Advances** (Market loans, Loans from Life Insurance Corporation and other Autonomous bodies)		4,41.78
13,16.74	**Loans and Advances from Central Government**		15,04.11
	[illegible]-1979-80 loans	5,49.[illegible]	
	Non-Plan loans	2,44.17	
	Loans for State Plan schemes	2,45.65	
	Loans for Central Plan schemes	12.54	
	Loans for Centrally Sponsored schemes	18.59	
	Ways and Means Advances	13.12	
	Pre-1984-85 loans (Other loans)	9,70.04	
2,68.49	**Small Savings**		3,24.64
1,83.33	**Deposits**		1,95.03
54.95	**Overdraft from the Reserve Bank of India**		. . .
9.63	**Reserve Funds**		9.30
. . .	**Suspense and Miscellaneous balances**		88.41
12.77	**Contingency Fund**		10.17
55.36	**Surplus on Government Account**		0.17
	Surplus as on 31.3.1985	55.36	
	Deduct-Current year's deficit	60.09	
	Add-Miscellaneous Adjustments	0.16	
	Add-Differential value of assets of OSRTC	4.74	
22,90.58			25,73.61

of Orissa on 31st March 1986

Amount as on 31.3.1985 (Rupees in crores)	Assets		Amount as on 31.3.1986 (Rupees in crores)
18,68.88	**Gross Capital outlay on Fixed Assets**		21,22.76
	Investment in shares of Companies, Corporations, Co-operatives, etc.	2,90.59	
	Other Capital Outlay	18,32.17	
2,76.71	**Loans and Advances**		2,94.26
	Loans for Power Projects	1,60.27	
	Other Development Loans	1,21.19	
	Loans to Government servants and Miscellaneous Loans	12.80	
4.99	**Other Advances**		5.07
58.10	Remittance Balances		74.43
44.17	Suspense and Miscellaneous balances		. . .
17.73	**Cash**		57.09
	Cash in Treasuries and local remittances	1.38	
	Departmental Cash balances including permanent advances	2.05	
	Cash balance investment, Security deposit and investment of earmarked funds	31.13	
	Deposit with the Reserve Bank of India	22.53	
20.00	Contingency Fund		20.00
22,90.58			25,73.61

GOVERNMENT

II. Abstract of Receipts and

			Amount (Rupees in crores)
Receipts			
SECTION-A-REVENUE			
I. Receipts			9,40.84
(i)	Tax Revenue	12,85.90	
(ii)	Non-Tax Revenue	1,30.60	
(iii)	State share of divisible Union Taxes	2,75.54	
(iv)	Grants from Central Government:		
(a)	Non-Plan Grants	61.29	
(b)	For State Plan Scheme	1,04.23	
(c)	For Central Plan and Centrally sponsored Schemes	83.28	
II. Revenue Deficit carried down to Section 'B'			60.09
			10,00.93

OF ORISSA

Disbursements for the year 1985-86

Amount
(Rupees in crores)

Disbursements

I. Revenue expenditure					10,00.93
		Non-Plan	Plan	Total	
(i)	General Services	2,77.58	13.70	2,91.28	
(ii)	Social and Community Services	2,95.55	1,35.40	4,30.95	
(iii)	General Economic Services	20.85	7.59	28.44	
(iv)	Agricultural and Allied Services	65.90	1,27.39	1,93.29	
(v)	Industry and Minerals	4.00	10.55	14.55	
(vi)	Water and Power Development	11.79	1.44	13.23	
(vii)	Transport and Communication	23.71	0.72	24.43	
(viii)	Grants-in-aid and Contributions	4.76		4.76	
		7,04.14	2,96.79	10,00.93	10,00.93

(Rupees in crores)

SECTION-B-OTHERS

Receipts

III.	Opening cash balance including departmental cash balance, permanent advances, cash balance investment, security deposit and investment of earmarked funds.		17.73
IV.	**Recoveries of Loans and Advances**		41.98
(i)	From Government servants	11.67	
(ii)	From others	30.31	
V.	**Public Debt Receipts**		6,46.56
(i)	Internal Debt of the State Government	3,80.00	
(ii)	Loans and advances from the Central Government	2,66.56	
			7,06.27

(Rupees in crores)

Disbursements

II.	Revenue deficit brought down from Section-A		60.09
III.	Opening over draft from the Reserve Bank of India		54.95
IV.	**Capital outlay**		2,57.22
(i)	General Services	5.80	
(ii)	Social and Community Services	20.23	
(iii)	General Economic Services	11.01	
(iv)	Agriculture and Allied Services	20.21	
(v)	Industry and Minerals	22.57	
(vi)	Water and Power Development	1,42.59	
(vii)	Transport and Communications	34.81	
V.	**Loans and Advances disbursed**		51.45
(i)	For various projects	27.63	
(ii)	To Government servants	13.47	
(iii)	To others	10.35	
VI.	**Repayment of Public Debts**		4,06.72
(i)	Internal Debt of the State Government	3,27.54	
(ii)	Loans and Advances from the Central Government	79.18	
			8,30.43

(Rupees in crores)

Receipts

VI.	**Public Account Receipts**		11,43.41
(i)	Small Savings and Provident Funds	1,12.11	
(ii)	Reserve Funds excluding investments	13.84	
(iii)	Deposits and Advances	3,68.62	
(iv)	Suspense and miscellaneous excluding cash with Departmental officers, permanent Advances, cash Balance investment and investment of earmarked funds	1,96.30	
(v)	Remittances	4,52.54	
VII.	**Receipts from Contingency Fund**		4.35
			18,54.03

(Rupees in crores)

Disbursements

VII.	**Public Account Disbursements**		9,59.56
(i)	Small savings and Provident Funds	55.96	
(ii)	Reserve Funds excluding investments	14.17	
(iii)	Deposits and Advances	3,57.00	
(iv)	Suspense and miscellaneous excluding cash with departmental officers permanent advances, Cash Balance investment and earmarked funds	63.57	
(v)	Remittances	4,68.86	
VIII.	**Expenditure from Contingency Fund**		6.95
IX.	**Cash balance at end**		57.09
	Cash in treasuries and local remittances	1.38	
	Departmental cash balances, permanent advances	2.05	
	Cash balance investment, Security Deposits and investment of earmarked funds	31.13	
	Deposit with Reserve Bank of India	22.53	
			18,54.03

III. Sources on application of funds for 1985-86

I. Sources			Amount (Rupees in crores)
1. Revenue Receipts			9,40.84
2. Increase in Public Debt, Small Savings and Deposits			3,07.61
		Total	12,48.45
3. Adjustments			
(i)	Increase in suspense	(+)1,32.58	
(ii)	Net adjustment under miscellaneous Government Account	(+) 0.16	
(iii)	Less reduction in Reserve Funds	(-) 0.33	
(iv)	Effect on remittance balances	(-) 16.33	
4. Net Funds available			13,64.53
II. Application			
1. Revenue expenditure			10,00.93
2. Capital expenditure			2,57.22
3. Lending for development and other programme			9.47
4. Contingency Fund			2.60
5. Increase in cash balance			39.36
6. Repayment of over draft from Reserve Bank of India			54.95
			13,64.53

1.2. Review and Audit Comments

1.2.1. Government accounts being on cash basis, the surplus on Government account as shown in the statement of affairs indicates the position on cash basis, as opposed to accrual basis of commercial accounting.

1.2.2. The abridged accounts in the foregoing statements have to be read with the comments and explanations in the Finance Accounts.

1.2.3. There was an unreconciled difference of Rs. 1.38 crores as on 31st March 1986 between the figure reflected in the accounts and that communicated by the Reserve Bank under "Deposit with Reserve Bank of India".

1.2.4. The net additional Public debt (as augmented by the effect on remittance and suspense balance and drawals from Reserve Funds) raised during the year was Rs.4,23.69 crores. Out of this, Rs.2,57.22 crores were utilised on capital outlay, Rs.9.47 crores towards net disbursement under loans and advances and Rs.2.60 crores for expenditure under contingency fund. The balance of Rs. 1,54.40 crores was sufficient to cover the revenue deficit (Rs.60.09 crores) and clearance of the overdraft from RBI (Rs.54.95 crores), resulting in an increase in the closing cash balance of Rs.39.36 crores.

1.2.5. The revenue raised by the State was Rs.4, 16.50 crores against the anticipation of Rs.4,27.01 crores resulting in a variation of Rs. 10.51 crores. While there was less realisation of Rs. 18.64 crores (6.1 *per cent*) under tax revenue there was an excess of Rs.8. 13 crores (6.6 *per cent)* under non-tax revenue.

The shortfall in realisation was mainly under "Taxes and Duties on Electricity" (Rs. 10.79 crores) "Sales Tax" (Rs.5.61 crores) "Taxes on Goods and Passengers" (Rs.2.96 crores) and "Taxes on Vehicles" (Rs. 1.21 crores) partly set-off by excess under "Land Revenue" (Rs. 1.22 crores). The excess realisation under non-tax revenue was mainly under Miscellaneous General Services (Rs. 13. 17 crores), Social Security and Welfare (Rs.8.99 crores) Multipurpose River Projects (Rs.3.01 crores), Mines and Minerals (Rs. 1.81 crores), Public Health, Sanitation and Water Supply (Rs. 1.36 crores), partly set-off by less realisation under Forest (Rs. 11.57 crores), Interest (Rs.6.56 crores) and Education (Rs. 1.98 crores).

1.2.6. Revenue surplus of Rs. 10.06 crores was anticipated during the year at the budget stage against which the accounts exhibited a Revenue deficit of Rs.60.09 crores. There was a revenue deficit of Rs.73.74 crores during 1984-85.

1.2.7. State's share of Divisible union Taxes declined from Rs.2,84.11 crores in 1984-85 to Rs.2,75.53 crores in 1985-86.

1.2.8. According to the information received from eight departments, the uncollected revenue as on 31st March, 1986 amounted to Rs. 1,57.73 crores of which non-collection of Rs.28.69 crores was due to stay orders (Rs. 18.79 crores), certificate cases (Rs.6.75 crores) and proposal for writing-off (Rs.3. 15 crores).

1.2.9. The progressive capital outlay of Rs.21,22.76 crores to the end of 1985-86 including Rs. 8,31.75 crores on 39 multipurpose major and medium irrigation

projects under execution, formed 86 *per cent* of the Public debt, Small Savings and Deposits (Rs.24,65.56 crores).

1.2.10. The working expenses of Rs.6.02 crores on 30 irrigation projects (commercial) as shown in the accounts do not include interest charges amounting to Rs. 18.86 crores at 7 *per cent* (rate fixed for 1978-79 when charging of interest was discontinued by Government). Taking into account such interest charges, the schemes exhibited a net loss of Rs.20.23 crores. While revenue receipts from only 3 of the thirty schemes covered the working expenses, the revenue earning of the remaining 27 was not enough to meet the working expenses.

1.2.11. The interest charges on the capital invested on the schemes have not been adjusted in accounts for the year 1985-86, consequent on the decision of the State Government to discontinue maintenance of accounts separately for commercial schemes and consequently to discontinue the adjustment of interest charges on commercial schemes. Interest charges on the capital invested on Dam Project and Power Scheme of the Balimela Dam and Power Project for 1985-86 were worked out notionally to Rs.2.49 crores and Rs.2.59 crores respectively.

1.2.12. Consequent on transfer of Balimela Power House to the control of Orissa State Electricity Board from 1st April, 1979, no revenue receipts or working expenses against Balimela Power Scheme appeared in the accounts for 1985-86. Though no revenue receipt was booked against the Dam Project during 1985-86 the working expenses booked were Rs.0.44 crores.

1.2.13. According to information received from 18 departments, recovery of Rs.26.53 crores (principal: Rs. 15.39 crores; interest: Rs. 11.14 crores) towards loans and advances disbursed by State Government was overdue on 31st March 1986.

1.2.14. There is an unreconciled difference of Rs.2.47 crores between the figures of outstanding loans shown in the detailed records maintained by the departments with those shown under broad categories in the books of Accountant General. The earliest year to which the unreconciled difference relates is 1966-67.

1.2.15. Annual certificates of acceptance of balances as on 31st March 1986 of loans and advances have not been furnished by the departmental officers in a large number of cases. The total amount of outstanding loans in respect of 866 cases was Rs.5.14 crores against which certificates for an amount of Rs.3.01 crores were awaited for more than three years.

1.2.16. Public Debt includes Rs. 10.93 crores presenting undischarged market loans which expired in 1985 and earlier years and did not carry any interest.

1.2.17. The total amount of interest paid from revenue during the year amounted to Rs. 1,25.91 crores and constituted 13 *per cent* of the total revenue receipts. Interest realised on loans and advances and investment of cash balances, etc., and dividends from Public Undertakings and other investments was Rs. 11.35 crores. The net interest burden was thus Rs. 1,14.56 crores, a part of which was met from grants received from the Government of India. The interest charges paid on small savings,

provident funds etc., was Rs.29.05 crores, while the net accretion to the balance during the year was Rs.56.15 crores.

1.2.18. Against the plan provision of Rs.6,41.40 crores the actual expenditure on plan schemes on all accounts was Rs.5,64.17 crores during the year resulting in a short-fall of Rs.77.23 crores. Against non-plan provision of Rs.7,44.99 crores in the revenue account, the actual expenditure was Rs.7,04.14 crores leaving a short-fall of Rs.40.85 crores.

1.2.19. The total expenditure under non-Plan (including Capital) during the year 1985-86 was Rs.7,45.43 crores as compared to Rs.6,41.03 crores. The increase was mainly under Social and Community Services and Economic Services.

1.2.20. With the fresh investments of Rs.39.97 crores during 1985-86 in various Statutory Corporations, Government Companies and Co-operative Institutions, the total investment of Government at the end of the year was Rs.2,90.59 crores (shares and debentures Rs.2,90.24 crores; bonds: Rs.0.35 crore). Interest and dividend received on such investment during the year was only Rs.0.20 crore (0.07 *per cent).* Twenty seven companies in which Government had invested Rs.0.58 crore were under liquidation whereas 8 other companies with Government investment of Rs.0.21 crore had already been liquidated. Complete information about the realisation or the write-off of the Government investment in these companies had not been furnished by the department (June 1987).

1.2.21. The contingent liability for guarantee given by the State Government for repayment of loans etc., by the Statutory Corporations, Companies and Co-operatives etc., as on 31st March, 1986 was Rs.6,23.77 crores, including interest and dividend. Upto March 1986, Government paid Rs.0.87 crore in 54 cases in which guarantees were involved; of this, Rs.0.28 crore were recovered leaving a balance of Rs.0.59 crore.

The guarantee commission realised during the year was Rs.0.36 crore in 43 cases. In 118 cases the guarantee commission of Rs. 1.50 crores was due for recovery on 31st March 1986, main defaulters being the Statutory Corporations, Municipalities/NACs and Government Companies.

No law under Article 293 of the Constitution has been passed by the State Legislature laying down the limit within which the Government may give guarantee on the security of the Consolidated Fund of the State.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. General

2.1.1. The summarised position of actuals during 1985-86 against provision is as follows:

		Original grant/ appropriation (1)	Supplementary (2)	Total (3)	Actual expenditure (4)	Variation/ Saving(-)/ Excess(+)/ (5)
				(In crores of rupees)		
I.	Revenue					
	Voted	9,81.16	78.01	10,59.17	9,54.63	(-)1,04.54
	Charged	1,48.70	15.35	1,64.05	1,40.73	(-) 23.32
II.	Capital					
	Voted	3,38.69	29.65	3,68.34	3,63.72	(-) 4.62
	Charged	0.51	0.43	0.94	0.99	(+) 0.05
III.	Public Debt					
	Charged	5,01.15	. . .	5,01.15	4,06.71	(-) 94.44
IV.	Loans and Advances					
	Voted	50.49	13.47	63.96	51.44	(-) 12.52
	Charged	. . .	0.01	0.01	0.01	. . .
V.	Appropriation to Contingency Fund					
	Voted	. . .	50.00	50.00	50.00	. . .
	Grand total	20,20.70	1,86.92	22,07.62	19,68.23	(-)2,39.39

2.2. Results of Appropriation Audit

The following results emerge broadly from the Appropriation Audit.

2.2.1. *Supplementary provision*

Supplementary provision of Rs. 1,86.92 crores obtained during the year constituted 9 *per cent* of the original budget provision, as against 14 *per cent* in the previous year.

2.2.2. *Unnecessary/excessive/inadequate supplementary provision*

(a) The entire supplementary provision of Rs. 1,86.92 crores obtained in February 1987 was unnecessary in view of the over all saving of Rs.2,39.39 crores.

(b) In sixteen cases (vide Appendix 2.1) the supplementary provision of Rs.31.57 crores (Revenue: Rs.26.85 crores; Capital: Rs.4.72 crores) was entirely unnecessary as the expenditure (Rs.5,63.19 crores) did not come up even to original provision (Rs.6,71.11 crores).

(c) In 14 other cases, against the actual requirement of Rs.58.41 crores (Revenue: Rs.36.12 crores; Capital: Rs.22.29 crores), supplementary grant of Rs.89.56 crores (Revenue: Rs.58.69; Capital: Rs.30.87 crores) was obtained resulting in saving of more than Rs. 10 lakhs in each case and aggregating to Rs.31.15 crores (Appendix 2.2).

(d) The supplementary provision of Rs.62.05 crores (Revenue: Rs.4.52 crores; Capital: Rs.57.53 crores), obtained in 6 cases (Appendix 2.3), proved

inadequate by more than Rs. 10 lakhs in each case, leaving a total uncovered expenditure of Rs.26.68 crores

2.2.3. *Saving /Excess over provision*

The over all saving of Rs.2,39.39 crores comprises saving of Rs.2,77.34 crores in 27 grants and 2 charged appropriations and excess of Rs.37.95 crores in 6 grants and 1 appropriation. The excess requires regularisation under Article 205 of the Constitution.

Excess over grants/appropriation to the tune of Rs.7,76.92 crores for following years is yet to be regularised:-

	In crores of rupees
1980-81	1,19.51
1981-82	60.71
1982-83	1,70.57
1983-84	2,46.20
1984-85	1,79.93
	7,76.92

2.2.4. *Unutilised provision*

In the following grants/appropriations the expenditure fell short by more than Rs. 1 crore and also by more than 10 *per cent* of the total provision.

Sl. No.	Grant No.	Name of the Department	Amount of Saving (In crores of rupees)	Percentage of total provision	Main reason for saving
(1)	(2)	(3)	(4)	(5)	(6)
		Revenue Section			
1	5	Finance	64.03	67	Less requirement of salaries and allowances. Reason for less requirement not intimated.
2	16	Planning and Co-ordination	1.98	28	Mainly due to Non-receipt of assistance from Government of India for District Planning Unit (Rs.0.93 crore) for Orissa Maritime and Chilka Area Development Corporation (Rs.0.60 crore) and non-finalisation of schemes of improvement of statistics of Urban Local Bodies and preparation of "Municipal Statistical Year Book" (Rs.0.02 crore) and "Reorganisation of statistical machinery of various levels" (Rs.0.05 crore).
3	21	Transport	2.06	45	Anticipated saving (Rs.1.86 crores) was due to less receipt of requisite from Railway for land acquisition and non-filling of vacant posts (Rs.0.05 crore). Reasons for final saving have not been intimated.

Sl. No.	Grant No.	Name of the Department	Amount of Saving (In crores of rupees)	Percentage of total provision	Main reason for saving
(1)	(2)	(3)	(4)	(5)	(6)
		Revenue Section			
4	27	Science, Technology and Environment	1.95	33	Anticipated saving was due to less release of funds by Government of India mainly under "Non-Conventional Energy Sources" (Rs.1.21 crores) and under "Forest Conservation and Development" (Rs.0.37 crore).
		Capital Section			
5	11	Harijan and Tribal Welfare	2.81	72	Non-release of funds by Government of India for construction of Housing units (Rs.1.15 crores) and for providing infrastructural facilities to tribal villages (Rs.1.40 crores).
6	19	Industries	8.32	24	Non-receipt of sanction from Government of India for share capital investment in co-operative sugar mills and Orissa State Handloom Weavers' Co-operative Society

Sl. No.	Grant No.	Name of the Department	Amount of Saving (In crores of rupees)	Percentage of total provision	Main reason for saving
(1)	(2)	(3)	(4)	(5)	(6)
	Capital Section				
					(Rs.7.88 crores), delay in execution of co-operative spinning mills (Rs.0.20 crore) and non-release of loans to Orissa State Handloom Weavers' Co-operative Society (Rs.0.11 crore).
7	23	Agriculture and Co-operation	11.59	35	Non-release of funds by Reserve Bank of India for share capital investments in co-operative institutions (Rs.3.54 crores), by NCDC for consumers' co-operatives (Rs.0.56 crores), by Government of India for loans to Ware Housing and Marketing Co-operatives (Rs.2.36 crores) and by NCDC for loans to Ware Housing and Marketing Co-operatives (Rs.2.15 crores) and consumer co-operatives (Rs.0.11 crore), non-sanction of loan by Government of India under Agricultural Loan (Rs.1.14 crores).

2.2.5. *Savings under Plan Schemes*

Substantial savings exceeding Rs. 1 crore occurred in the following cases owing to non-implementation or slow implementation of plan schemes:

Sl. No.	Grant No.	Department	Scheme	Amount of saving (In crores of rupees)	Percentage of the provision
(1)	(2)	(3)	(4)	(5)	(6)
		Revenue Section	**State Plan**		
1	5	Finance	Pension to employees of State Aided Educational Institutions	1.63	100
			Centrally Sponsored Plan		
2	7	Works	Family Welfare Allopathy	1.21	100
			Central Plan		
3	10	Education and Youth Services	Assistance to local bodies for primary education	2.51	86
			Tribal Areas Sub-Plan **State Plan**		
4	13	Housing and Urban Development	Rural Water Supply Programme	1.21	55

Sl. No.	Grant No.	Department	Scheme	Amount of saving (In crores of rupees)	Percentage of the provision
(1)	(2)	(3)	(4)	(5)	(6)
	Revenue Section				
			Centrally Sponsored Plan		
5	13	Housing and Urban Development	Rural Water Supply Programme	4.67	57
	Capital Section		**State Plan**		
6	1	Home	Construction of Housing units for Police personnel	1.35	100

2.2.6. *Persistent savings*

Savings were noticed persistently in the following grants/appropriations:

Sl. No.	Grant Number/ Appropriation	Department	Percentage of saving		
			1983-84	1984-85	1985-86
(1)	(2)	(3)	(4)	(5)	(6)
Revenue Section (Voted)					
1	5	Finance	56	54	67
2	15	Tourism, Sports and Culture	12	22	12
3	16	Planning and Co-ordination	64	5	28
4	27	Science, Technology and Environment	25	31	33

Sl. No.	Grant Number/ Appropriation	Department	Percentage of saving		
			1983-84	1984-85	1985-86
(1)	(2)	(3)	(4)	(5)	(6)
Capital Section (Voted)					
5	12	Health and Family Welfare	38	34	37
6	17	Community Development and Rural Reconstruction (Gram Panchayat)	33	20	18
7	18	Community Development and Rural Reconstruction (CD)	21	18	16
8	19	Industries	25	25	24
9	23	Agriculture and Co-operation	21	26	35
10	26	Excise	22	44	37
11	27	Science, Technology and Environment	99	90	87
Revenue Section (Charged)					
12	10	Education	78	83	21
13	12	Health and Family Welfare	100	100	100
14	22	Forest, Fisheries and Animal Husbandry	100	15	80
15	23	Agriculture and Co-operation	100	60	34
Capital Section (Charged)					
16	9	Food and Civil Supplies	100	100	22

2.2.7. *Significant cases of excesses*

In the following grants/appropriations, the expenditure exceeded the approved provision by more than Rs. 1 crore and also by more than 10 *per cent* of the total provision:

Sl. No.	Grant No.	Name of the Department	Amount of excess	percentage of the total provision	Reasons for excess
(1)	(2)	(3)	(4) (In crores of rupees)	(5)	(6)
	Revenue Section				
1	7	Works	8.06	11	Excess expenditure incurred mainly under Electrical and Public Health wings and also under National Highway. Reasons for the excess have not been intimated (June 1987)
2	20	Irrigation and Power	3.36	10	Reasons for the excess not communicated (June 1987)
	Capital Section				
3	6	Commerce	2.20	29	Reasons for the excess not Communicated (June 1987)
4	22	Forest, and Fisheries	12.18	44	Reasons for the excess not communicated (June 1987)
5	Appropriation-Loans and Advances from the Central Government		11.16	16	Reasons for the excess not communicated (June 1987)

2.2.8. *Persistent excesses*

Persistant excesses were noticed in the following grants:

Sl. No.	Grant No.	Department	Percentage of excess		
			1983-84	1984-85	1985-86
(1)	(2)	(3)	(4)	(5)	(6)
1	7	Works	60	3	11
2	20	Irrigation & Power	6	7	10

2.2.9. *Surrender of savings*

(a) The rules require that all anticipated savings should be surrendered as soon as the possibility of saving is foreseen from the trend of the expenditure. Such surrender is, however, being made only in March every year, when it cannot be purposefully utilised. Out of Rs.3,06.82 crores surrendered during the year, surrender of Rs.3,04.85 crores was made on 31st March 1987, while actual saving of only Rs.2,77.34 crores was available.

(b) In the following grants/appropriations, savings exceeding Rs. 1 crore remained unsurrendered:

Grant number/ Appropriation	Department	Total grant	Total saving	Unsurrendered saving
(1)	(2)	(3)	(4)	(5)
		(In crores of rupees)		
	Revenue Section			
5	Finance	95.02	64.03	1.85
10	Education and Youth Services	2,05.15	11.77	3.54
13	Housing and Urban Development	69.15	3.34	2.16
19	Industries	37.41	2.41	1.09

Grant number/ Appropriation	Department	Total grant	Total saving	Unsurrenderd saving
(1)	(2)	(3)	(4)	(5)
		(In crores of rupees)		
	Capital Section			
20	Irrigation and Power	2,30.86	3.83	3.30
Charged appropriation 603-Internal Debt of the State Government	Finance Department	4,33.13	1,05.60	4.56

(c) In the following grants/appropriations surrender exceeding Rs.50 lakhs in each case was made in excess of the saving actually available:

Grant number/ Appropiration	Department	Total grant	Total saving	Actual surrender	Amount surrendered in excess
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
3	Revenue	79.77	5.74	7.45	1.71
11	Harijan and Tribal Welfare	33.44	1.43	2.07	0.64
12	Health and Family Welfare	80.77	4.61	9.00	4.39
26	Revenue and Excise	2.35	0.51	1.01	0.50
Charged Appropriation 249-Interest Payments	Finance	1,49.16	23.25	61.30	38.05

(d) In the following cases funds exceeding Rs.25 lakhs were surrendered in each case though no saving was available in the grant/appropriation.

Grant number/ Appropiration	Department	Total grant	Excess expenditure	Amount surrendered
(1)	(2)	(3)	(4)	(5)
		(In crores of rupees)		
	Revenue Section			
7	Works	73.84	8.06	1.26
22	Forest, Fisheries and Animal Husbandry	43.11	0.04	0.73
	Capital Section			
5	Finance	70.69	0.75	0.30
Charged Appropriation 604-Loans and Advances from Central Government	Finance	68.02	11.16	0.89

2.3. Injudicious re-appropriation

Reappropriation is transfer of funds within a grant, from one unit of appropriation to another unit where additional funds are needed. It is permissible only when there is definite or reasonable chance of saving under the unit from which funds are proposed to be reappropriated or it is meant to curtail expenditure under that unit, to meet more urgent expenditure under another. It should also be seen that the funds thus reappropriated are adequate enough to cover the urgent expenditure.

While issuing reappropriation orders during 1985-86 these aspects were not taken into consideration in 16 cases (vide Appendix No.2.4), which proved the reappropriations injudicious.

2.4. Error in Budget

Details of provisions made under voted and charged heads in the Capital Sector of Grant No.20 in the Budget of 1985-86 did not tally with the lump sum amounts included in the schedule to the Orissa Appropriation (No.2) Act, 1985. This error of Rs.0.10 crore resulted in identical differences in variations reflected in the detailed Appropriation Accounts and those shown in the summary.

The error has not been rectified nor any explanation therefor furnished by the Department (June 1987).

2.5. Advances from the Contingency Fund

The corpus of the Fund was raised from Rs.20 crores to Rs.70 crores temporarily during the year by promulgation of Orissa Contingency (Amendment) Ordinance, 1985 (Orissa Ordinance No.12 of 1985) on the 2nd November 1985 for meeting the emergent requirement of drought and flood relief operations. On lapsing of the ordinance on the 14th March 1986 the Consolidated Fund was replenished by Rs.50 crores.

Out of 88 sanctions of advances involving Rs.33.57 crores issued during the year two sanctions (Rs.1.05 crores) were cancelled in December 1986 (Rs.0.95 crore) and January 1987 (Rs.0.10 crore). The advance of Rs.0.95 crore was, however, drawn in March 1986. Advances aggregating Rs.9.83 crores

remained unrecouped on 31st March 1986, of which Rs.6.95 crores was drawn in 1985-86 and the balance in earlier years.

2.6. Trend of recoveries and credits

Under the system of gross budgetting by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the budget estimates. Actual recoveries exceeded the estimates under both Revenue and Capital Sections in the last three years as shown below:

Year		Estimate	Actuals	More(+)
		(In crores of rupees)		
1983-84	Revenue	47.38	108.97	(+) 61.59
	Capital	68.30	114.46	(+) 46.16
1984-85	Revenue	73.55	81.83	(+) 8.28
	Capital	79.26	97.97	(+) 18.71
1985-86	Revenue	69.99	94.43	(+) 24.44
	Capital	114.95	157.49	(+) 42.54

The decrease in recoveries in 1984-85 to Rs.81.83 crores in the Revenue Section from Rs. 108.97 crores in 1983-84 was mainly due to adjustment of arrears from Famine Relief Fund in 1983-84 (Rs. 11.51 crores), less recoveries under suspense transactions of Public Works (Rs.8.82 crores) and less recoveries under Agriculture (Rs.4.82 crores) and Health (Rs. 1.08 crores) programmes. The fall in the capital section from Rs. 1,14.46 crores in 1983-84 to Rs.97.97 crores in 1984-85 was mainly

due to less recoveries in respect of suspense transactions under Irrigation Projects (Rs. 19.42 crores) and capital outlay on food (Rs.3.80 crores).

In 1985-86, the excess recovery was mainly under suspense transactions relating to Works (Rs. 17.84 crores) and Irrigation (Rs.6.58 crores) in the Revenue Section; while in the Capital Section excess recovery was under suspense transactions in respect of Irrigation Projects (Rs.31.72 crores), Trading in Kendu Leaves (Rs.8.35 crores) and Minor Ports (Rs.2.21 crores). Reasons for excess were not intimated (June 1987).

2.7. Non-receipt of explanations for savings/excesses

After close of the accounts of each financial year, the detailed appropriation accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those under important sub-heads in particular. The provision of the State Budget Manual also requires the Controlling Officers to furnish promptly to the Accountant General all such information for preparation of Appropriation Accounts. It is, however, seen that the reasons for variations are not furnished in time to Audit. For the Appropriation Accounts 1985-86, explanations for variations were called for between February 1987 and April 1987 in respect of 4271 cases (Savings:2469; Excesses: 1802). Explanations were received (June 1987) only in 224 cases (*5 per cent*).

Departments from which the bulk of the remaining explanations is still awaited are Irrigation and Power (152), Forest, Fisheries and Animal Husbandry (46), Education and Youth Services(25), Housing and Urban Development (248), Works (186), Agriculture and Co-operation (184), Health and Family Welfare (149) and Home (135).

CHAPTER III

CIVIL DEPARTMENTS

INDUSTRIES DEPARTMENT

3.1. Small Scale Industries

3.1.1. *Introduction*

The development of small scale industries has been given high priority in successive Five Year Plans due to advantages of low cost investment and high potential for generation of employment in rural and semi-urban areas.

Small Scale Industries (SSI) include manufacturing and repairing units which have investment in plant and machinery upto Rs.20 lakhs and in the case of ancillary units upto Rs.25 lakhs. These units comprise of traditional industries such as sericulture, handicrafts, etc., mostly artisan based and usually located in rural/semi-urban areas providing part-time employment and modern small scale industries and power looms located in urban areas using power operated appliances and machinery. The main thrust of industrial policy during Sixth Plan period (1980-85) was on the widespread development of small scale sector including cottage and tiny house-hold industries.

3.1.2. *The Scheme*

3.1.2.1. *Objectives*

The main objectives envisaged in the Sixth Plan were viz., employment in the levels of production and earnings through measures like upgradation of skills and technologies and producer-oriented marketing; creation of additional employment opportunities on a dispersed and decentralised basis; significant

growth in the manufacturing sector through fuller utilisation of existing installed capacities; establishment of wider entrepreneural base through appropriate training and package of incentives; creation of viable structure of small scale industries sector so as to progressi ·ly reduce the role of subsidies; development of small scale and cottage industries through District Industries Centres(DICs) by providing all services and support needed by the entrepreneurs and expanded efforts in export promotion.

3.1.2.2. *Measures contemplated*

Entrepreneu.s intending to set up SSI units we. ? required to obtain provisional/permanent registration certificates from the Industries department (District Industries Centres) for availing fin·ncial assistance, infrastructural facilities, subsidy, etc. Provisional registration is issued on the basis of scheme prepared and approved by a competent authority, valid for six months which can be extended for another six months on request for revalidation. Permanent registration is issued after the unit goes into production or is practically equipped for commencement of production.

3.1.2.3. *Organisational set up*

The schemes and programmes are implemented by the Director of Industries, through the District Industries Centres created in each district to offer all services and support under a single roof to industrial sector and entrepreneurs under overall administrative ontrol of the Department of Industries. The State Small Industries Development Corporation and the State Financial Corporation have also been set up (1956-57) to aid, counsel, assist, finance

and promote small scale industries in the State. The Government have also provided regional testing centres for providing quality marketing facilities similar to that established for providing quality marketing services by the Centre.

3.1.3.1. *Outlays, Investments and Targets*

The total investment during 1980-86 by way of credit by bankers and financial institutions and other sources including own fund of entrepreneurs was Rs.1,79,92.21 lakhs which generated employment potential of 1,29,717 man-days by establishing 17,800 SSI units.

A test check (February - April 1986) of the records of the Industries department at Government level, Directorate of Industries(D.I.), Orissa, Directorate of Export Promotion and Marketing (Director, EPM), District Industries Centres (DICs), Cuttack and Bhubaneswar, Orissa Small Industries Corporation(OSIC), State Financial Corporation(OSFC), Cuttack, Orissa Infrastructure Development Corporation(IDCO), Bhubaneswar, Leather Corporation of Orissa Limited(LCOL), Cuttack and Directorate of Small Industries Service Institute (Directorate, SISI), Orissa revealed the following points.

3.1.3.2. *Targets and Achievements*

The records of the Directorate of Industries indicated the targets fixed for setting up SSI units, investment and employment for the period 1980-81 to 1985-86 and achievements as under:

(a) Physical:

Year	Number of SSI Units		Investment from own source		Employment	
	Target	Achievement	Target	Achievement	Target	Achievement
			(In lakhs of rupees)		(In number)	
1980-81	2,000	2,003	1,300	13,10.52	14,800	14,844
1981-82	2,500	2,600	1,910	18,95.02	18,590	17,951
1982-83	2,800	3,180	2,140	26,48.22	20,770	22,716
1983-84	3,200	3,333	2,446	39,26.08	23,735	26,779
1984-85	3,500	3,202	2,675	35,72.27	25,955	24,003
1985-86	3,300	3,482	4,290	46,40.10	26,400	23,424
	17,300	17,800	14,761	1,79,92.21	1,30,250	1,29,717

Results of test check of records of DICs at Cuttack and Bhubaneswar are as follows:

(i) Of 700 units targeted, 767 SSI units were reported by the DIC, Cuttack (excess was attributed to motivational compaign, advertisements, etc.) to have gone into production during 1984-85, (traditional: 568 and non-traditional: 199) against which, 519 units set up by village artisans from their own funds and loans taken from Banks were neither registered as SSI units nor any incentives received by them.

(ii) In the DIC, Bhubaneswar, out of 201 units reported to have been set up and gone into production during the year 1985-86, no unit was registered even provisionally as SSI unit and no assistance was given by the DIC for their setting.

(iii) Employment figures compiled by DICs were based on the reports of estimation made by IPOs; the entrepreneurs were found to have not maintained basic records of wage register, production register, sales register etc., in the absence of which the figures of employment were not susceptible of verification.

Thus, the SSI units, either traditional or set up by entrepreneurs with their own efforts, without any incentives received from DICs and not even registered provisionally were included to show the achievement against the annual targets fixed every year.

(b) Financial:

Year	Budget provision	Actuals	Central assistance received (included in Column 2)
	(Rupees in lakhs)		
(1)	(2)	(3)	(4)
1980-81	1,64.27	1,77.48	40.62
1981-82	1,91.60	1,94.68	58.50
1982-83	2,58.72	2,77.74	65.00
1983-84	2,86.55	2,79.31	70.00
1984-85	4,37.97	4,53.94	52.00
1985-86	2,56.48	2,35.33	83.66
Total	15,95.59	16,18.48	3,69.78

(i) Government provided Rs.4.50 lakhs during 1981-82 towards share capital of State Trading and

Export Development Corporation about which no details for investment were forthcoming with the Director.

Funds for Rs.75 lakhs (1981-82: Rs.24 lakhs; 1982-83: Rs.30 lakhs and 1983-84: Rs.21 lakhs) were allotted by Government to Orissa Electronics Development Corporation(OEDC) for setting up electronic testing development centres of which, Rs.47.93 lakhs were diverted during March 1982-84 to medium and large scale industries without approval of Government denying the benefits to small scale entrepreneurs.

Of Rs.10 lakhs grant given to OEDC during 1982-83 to undertake repairs, maintenance and calibration of electronic equipments and products, Rs.4 lakhs were diverted in March 1983 by the Corporation towards pay and allowances of staff of the Corporation. No information was available with OEDC to show that the remaining amount of Rs.6 lakhs given to Electronic Testing and Development centres was spent for the purpose sanctioned for want of details of expenditure from the centres.

(ii) The State share of expenditure of Rs.10 lakhs on account of seed capital loan to tiny industries (Central Sector and Centrally Sponsored schemes - Rs.5 lakhs each) during 1983-84 could not be utilised for the purpose, mainly due to non-drawal of the amount sanctioned to Orissa State Financial Corporation (OSFC) in March 1984.

(iii) As against allotment of Rs.1,38.55 lakhs by the State Government under various Central Plan schemes and Centrally Sponsored schemes, an expenditure of Rs.1,22.39 lakhs only was incurred resulting in less utilisation of funds.

(iv) Of Rs.3,78.75 lakhs released by Government between 1979-80 and 1985-86 under the scheme of seed capital loan, share capital investment, rent subsidy, sales tax loan etc., to OSIC, OSFC, IDCO, Director of Industries, Leather Corporation, a balance of Rs.91.32 lakhs remained unspent and lying with them (OSIC: Rs.29.38 lakhs, OSFC: Rs.59.34 lakhs, IDCO: Rs.0.28 lakh, Director of Industries: Rs.0.06 lakh , Leather Corporation: Rs.2.26 lakhs at the end of March 1986 for more than 5 years.

3.1.4. *Sanction and recovery of loans by OSFC*

Financial assistance in the shape of term loans and soft loans apart from subsidies (including those for SSI units) was provided by the OSFC as per sanctions given by DICs and Director of Industries. The present position of recovery of loans and balances pertaining to SSI units outstanding year-wise to end of 31st March 1986 as intimated by OSFC is indicated below (August 1986).

Period to which loan pertains	Amount of loan due for recovery		Amount recovered		Balance	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Rupees in lakhs)					
1956 to 1978-79	23,19.54	17,36.33	5,61.18	4,81.82	17,58.36	12,54.51
1979-80	7,84.01	4,74.48	1,89.27	2,16.36	5,94.74	2,58.12
1980-81	10,96.18	6,31.48	3,27.81	2,84.10	7,68.37	3,47.38
1981-82	12,27.14	8,24.93	5,22.04	5,16.36	7,05.10	3,08.57
1982-83	19,52.06	12,91.57	4,24.98	5,09.05	15,27.08	7,82.52
1983-84	20,52.25	15,31.30	6,84.53	7,96.18	13,67.72	7,35.12
1984-85	22,11.30	25,43.03	5,01.09	12,10.53	17,10.21	13,32.50
1985-86	17,78.00	13,16.00	9,44.97	10,95.65	8,33.03	2,20.35
	1,34,20.48	1,03,49.12	41,55.87	51,10.05	92,64.61	52,39.07

Less recovery of loans was attributed by OSFC in August 1986 to low capacity utilisation of units against their installed capacity, working capacity difficulties, lack of expertise of entrepreneurs in running units, power shortage, marketing problems and non-payment of bills by Government officers. Non-recovery of loans from trawler units was stated by the OSFC in August 1986 to be due to poor catch of fish and ecological disturbances in the coastal areas. Composite loans given to artisans as per Industrial Development Bank of India (IDBI) scheme in Cuttack district could not be recovered as the units were reportedly washed away by floods of 1982. Loan amount of Rs.4,00 lakhs given to entrepreneurs towards purchase of trucks remained unrecovered due to poor performance and mechanical breakdown of vehicles.

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3.1.5. *Subsidies, Investments and Loans*

3.1.5.1. *Subsidies*

3.1.5.1.1. *Capital investment subsidy*

(i) Under new Industrial Policy, 1980 of State Government, new industrial units and existing units going for expansion are eligible for 15 *per cent* capital investment subsidy on fixed capital investment, subject to maximum of Rs.15 lakhs in seven districts except Kalahandi, Mayurbhanj, Bolangir, Dhenkanal, Keonjhar and Koraput already covered under Central investment subsidy scheme since January 1977. The subsidy released by the State was drawn by the Director of Industries and placed at the disposal of the Orissa State Financial Corporation for disbursement to eligible units. Between 1980-81 and 1985-86 as against subsidy of Rs.18,03.90 lakhs (State investment subsidy: Rs.9,95.50 lakhs and Central investment subsidy: Rs. 8,08.40 lakhs) released by the

Director, the OSFC disbursed Rs.15,15.17 lakhs to 3,413 SSI units in the State scheme and Rs.3,91.47 lakhs to 1,219 SSI units under the Central Scheme, resulting in excess disbursement of subsidy amounting to Rs.5,19.67 lakhs in State side, while Central subsidy of Rs.4,16.93 lakhs remained undisbursed amongst 6 districts. The source from which the excess subsidy was paid in excess of released amount, could not be furnished to audit. Evidently the Central subsidy was utilised for meeting State subsidy disbursement and to this extent Central assistance was not admissible.

(ii) As per revised Industrial Policy effective from August 1980, eleven categories of traditional activities under small scale sector such as rice mill, flour mill, photographic studios, laundry, etc., were not eligible for any incentives and facilities available to SSI units but, such units (188 numbers) which went into production from 1st August 1980 were irregularly paid subsidy of Rs.8.92 lakhs (Central investment subsidy: Rs.5.71 lakhs and State investment subsidy: Rs.3.21 lakhs) between August 1980 and December 1985.

(iii) Seven hotel units located in Cuttack and Puri districts were paid by OSFC during March 1980 to March 1982, a total subsidy of Rs.13 lakhs against sanctioned and released amount of Rs.10.17 lakhs resulting in excess payment of Rs.2.83 lakhs without any authority.

(iv) Industrial units receiving Central/State subsidy were required to furnish to the disbursing agency, a copy of annual audited accounts and balance sheet within 9 months of closing of year for a period

of 5 years. It was seen that none of the 4,632 units which received subsidy could furnish audited accounts. No follow up action was taken by OSFC in this regard.

(v) Under the rules, Central investment subsidy was recoverable when the unit went out of production within 5 years from the date of commencement except for short periods of six months due to reasons beyond control or shortage of raw materials, power, etc. The amount recoverable has not been compiled by the department (May 1987). Information though called for by Central Government in July 1983 is yet to be furnished.

(vi) Though OSFC had disbursed Rs.19,06.64 lakhs to 4,632 SSI units to end of March 1986, no account of disbursement indicating particulars of DIC registration, date of starting production, fixed capital investment, amount of subsidy sanctioned, date of sanction, etc., could be produced. State Level Committee decided (January 1986) that the Vigilance Cell of OSFC should be strengthened to depute a special committee for inspection of units to verify facts mentioned in their applications. No such verification/ inspection reports were made available. Nevertheless these units were included as units that went into production in the statistics published by the State Government.

3.1.5.1.2. *Rent Subsidy*

Under State Industrial Policy 1980, the educated unemployed entrepreneurs occupying built up factory sheds for setting up SSI units were entitled to rent subsidy for four years at 100 *per cent* for first

two years, 50 *per cent* for 3rd year and 25 *per cent* for 4th year. Built up sheds were also available for outright sale or on hire purchase in which case 20 *per cent* cost of shed should be given as subsidy in the case of outright purchase and 15 *per cent* on hire purchase. Rent subsidy (drawn by Director of Industries) was disbursed through the Orissa Small Industries Corporation (OSIC) till 1980-81 and thereafter through Industrial Infrastructure Development Corporation (IDCO) to whom the control of industrial sheds was transferred since March 1981.

Of Rs.11.29 lakhs placed as rent subsidy between 1978-79 and 1980-81, OSIC had disbursed Rs.6.24 lakhs and the balance amount of Rs.5.05 lakhs (including Rs.1.30 lakhs meant for sheds in tribal areas) remained unutilised (August 1986). The OSIC has so far furnished utilisation certificates for Rs.2.96 lakhs only.

Between 1981-82 and 1985-86, IDCO was reported to have disbursed subsidy of Rs.84.75 lakhs out of Rs.85 lakhs placed in respect of 241 beneficiaries (number of beneficiaries for 1985-86 not available) against which IDCO had furnished utilisation certificates for Rs.69.84 lakhs only. Scrutiny of records in respect of IDCO indicated as follows:

(i) Out of Rs.84.75 lakhs, an amount of Rs.80.14 lakhs reportedly utilised towards rent subsidy was placed at the disposal of Orissa State Financial Corporation for crediting to the accounts of the entrepreneurs after rent subsidy was sanctioned by the State Level Committee (for want of clarification regarding competent authority to sanction

subsidy on cost of sheds). No detailed information was available with OSFC as to how much subsidy was actually disbursed and credited to the accounts of the entrepreneurs and how much still lying unutilised with OSFC (August 1986).

(ii) Under rules, subsidy was payable for outright purchase/hire purchase of sheds but it was found that Rs.15.05 lakhs was paid during 1982-83 to 1985-86 by IDCO in advance to entrepreneurs for purchase of land which is yet to be adjusted against rent subsidy.

(iii) Out of the funds placed with OSFC, Rs.9.82 lakhs were disbursed on recommendation by IDCO for outright purchase of sheds (Rs.6.22 lakhs) and outright purchase of land (Rs.3.60 lakhs) for medium industries for purposes not covered by rules. In reply to an audit query IDCO stated (August 1986) that steps would be taken for recovery of the amount from OSFC.

(iv) Under orders (January 1983) of Government, rent subsidy sanctioned by them was to be drawn by the Director of Industries to be placed at the disposal of IDCO after adjusting the arrear rent dues of the entrepreneurs upto 31st March 1977 (upto which the industrial sheds were under control of Government). Government also desired that arrear beyond March 1977 was to be adjusted by IDCO by taking subsidy to their own accounts. It was seen that out of Rs.20 lakhs sanctioned by Government (January 1983), a sum of Rs.14.56 lakhs representing arrear of rent in respect of 325 entrepreneurs to end of March 1977 was not adjusted as the Government order for arrear rent dues prior to March 1977

was not honoured by IDCO. Rupees 9.50 lakhs out of these recoverable dues were under certificate proceedings; Rs.2.12 lakhs recovered by OSIC (sheds were under their control from April 1977 to February 1981) during 1977-78 to 1978-79 were not shown as deposited; the remaining amount of Rs.2.94 lakhs representing Government dues are yet to be recovered by IDCO for credit to Treasury. No details were available with IDCO for recoveries made out of certificate proceedings for credit into Treasury.

3.1.5.1.3. *Interest subsidy to engineer entrepreneurs*

Unemployed Engineering Entrepreneurs, taking loans from OSFC and Banks for setting up SSI units, are entitled to an interest subsidy equal to the difference between the interest charged by the financing institutions and 7 *per cent*, subject to a maximum of Rs.20,000. Interest subsidy is to be sanctioned only after loanee paid interest to the financing institutions.

An amount of Rs.1.87 lakhs was disbursed as interest subsidy to 7 entrepreneurs during 1980-81 to 1984-85. Though interest subsidy was payable only after ensuring performance and attaining the desired object of unit, yet it was seen that subsidy of Rs.1.87 lakhs was paid in all cases without verifying performance results.

3.1.5.1.4. *Subsidy for management of Common Service Centres (Leather)*

(i) For rendering technical and financial assistance to rural artisans (cobblers), the Leather Corporation of Orissa Limited (LCOL) is running common service centres (Leather) at Berhampur,

Puri and Sundergarh from November 1979. For running centres during 1980-81 to 1985-86, a managerial subsidy of Rs.7.93 lakhs was granted by Government.

Test check of records of the Corporation revealed that no artisans had reportedly come to receive any technical assistance or for preparation of feasibility reports during the period. No records were kept about the artisans motivated in setting up industries. As LCOL did not render any service for the purpose for which grant was given, the entire expenditure of Rs.7.93 lakhs was proved to be unfruitful.

(ii) *Subsidy under Special Component Plan for Scheduled Castes*

Between 1980-81 and 1985-86, LCOL had received Rs.64 lakhs grant under Special Component Plan from Government (Harijan and Tribal Welfare Department) for execution of various schemes. Against this, the actual expenditure incurred was only Rs.21.95 lakhs (34.3 *per cent).* The balance of Rs.42.05 lakhs was utilised by the Corporation for its day-to-day expenditure as follows without refunding the surplus to Government.

(a) Under the scheme of collection of raw materials and reorganisation of Orissa Leather Corporation, Rs.9.58 lakhs were incurred out of Rs.19.94 lakhs allotted leaving Rs.10.36 lakhs as unspent due to non-construction of godowns of 14 societies including two centres at Boudh and Titlagarh (Rs.2.56 lakhs), non-investment of shares in the Corporation by Industrial Co-operative Societies (Rs.7.80 lakhs).

(b) Out of an allotment of Rs.29.26 lakhs on organisation of Raw Materials Bank (Rs.16.30 lakhs) and other items (Rs.12.96 lakhs), expenditure of Rs.10.48 lakhs only was incurred leaving an unspent amount of Rs.18.78 lakhs. The amounts available for investment in shares for purchase of raw materials (Rs.14.61 lakhs), expenditure for cabin/kiosk (Rs.0.87 lakh), purchase of bicycles and tools (Rs.1.30 lakhs) and disbursement of 50 *per cent* subsidy for tools and equipment (Rs.2 lakhs) remained unspent. The Managing Director, LCOL stated in May 1986 that no cobblers came forward to avail the opportunity as they could get tools at full subsidy through operation of other schemes.

3.1.5.2. *Investment*

3.1.5.2.1. *Share Capital Investment in OSIC under Joint Sector Project*

A new scheme styled as "Capital Participation Scheme" was launched (August 1982) by Government under which Orissa Small Industries Corporation would invest along with own share of entrepreneurs to increase the share base for promotion and development of capital intensive industries. During 1981-82 to 1985-86, Rs.39 lakhs were sanctioned by Government in favour of 26 SSI units and released the amount to OSIC of which, the latter disbursed Rs.27.97 lakhs to 6 units in full (Rs.12.24 lakhs) and 13 units partly (Rs.15.73 lakhs) whereas 7 units were not disbursed any amount till date. The Corporation stated (April 1986) that part disbursement of investment money was owing to the units below optimum utilisation capacity and the units not making proportionate investment were left out. The unutilised balance (Rs.11.03 lakhs) was not refunded to Government (August 1986).

Test check of records of OSIC revealed the following points:

(i) The scheme was in operation for more than five years but no information was available about the working of units, generation of employment and the amount of dividend, if any, received on shares worth Rs.27.97 lakhs invested to end of 1985-86.

(ii) The scheme provided for creation of a Revolving Fund with assistance from State Government by way of share capital investment in OSIC, sale proceeds of the shares under buy-back arrangement, dividends received and internal resources of the Corporation decided for investment to meet disbursements for investment under the scheme. No such Fund was operated by OSIC.

3.1.5.2.2. *Share capital investment by Government in pilot project companies*

(a) *Boat Builders Limited*

To revitalise the company which had gone sick, a sum of Rs.1.50 lakhs (1981-82: Rs.1 lakh and 1984-85: Rs.0.50 lakh) was invested in the share capital.

It was seen that out of total share capital of Rs.3.73 lakhs to end of 1980-81, Government share was for Rs.3.22 lakhs. As per proforma balance sheet for the year ending 31st March 1981, against the total liability of Rs.6.59 lakhs, the value of assets shown was for Rs.3.96 lakhs. However, the Project profile for revival prepared by the Directorate of Industries, Orissa showed that it would yield

a profit against estimated turn over of Rs.8.11 lakhs during 1981-82, as against the turn over of Rs.0.53 lakh during 1980-81 keeping in view the orders in hand. After taking over management (April 1981) by Government, the turnover of the company increased to Rs.3.57 lakhs in 1981-82 but declined to Rs.0.04 lakh in 1984-85. The decline was attributed by the Director of Industries (May 1987) to fall in demand of wooden country boats.

(b) *Orissa Instruments Company Limited*

The Company (incorporated in March 1961) engaged in manufacturing television cabinets was taken over by Government in January 1971. For expanding business, a sum of Rs.6 lakhs (1981-82 to 1982-83) was invested. The audit of the accounts of the company was in arrears from 1978-79. The company informed (January 1987) that no dividend has been declared by it so far as the Audit is in arrears and the reserve fund is inadequate.

3.1.5.2.3. *Share Capital Investment in OSIC for Export House*

There was no separate agency to look after the export interests of small scale sector in the State. Since February 1974, the OSIC was entrusted to export the products of SSI units with activities like identification of export-worthy items; forming consortium in specific product groups for participating in global tender on behalf of SSI units; participation in IDA tender and International Trade Fair.

Government invested Rs.7.50 lakhs as share capital in Export House upto 1985-86. As against the export target of Rs.50 lakhs for the period 1980-81 to

1984-85 at Rs.10 lakhs each year, the actual items exported consisted of handlooms, handicrafts, silver filigree and electrical transformers worth Rs.16.64 lakhs (33 *per cent).* The shortfall was attributed by the General Manager (Export), OSIC in October 1985 to irregular supply and stoppage of manufacturing transformers on account of non-availability of raw materials, paucity of capital, labour unrest, load shedding and non-clearance of their outstanding bills by Government departments and semi-Government undertakings.

3.1.5.2.4. *Share Capital Investment in Orissa Leather Corporation*

Government invested Rs.57.13 lakhs as share capital to end of March 1986 in Leather Corporation for development of activities based on leather and leather products to help weaker sections of the people. In order to tide over financial problems, the share capital of Rs.15.78 lakhs was diverted to be utilised as working capital. It was seen that the accounts of LCOL were in arrears from 1976-77 and in the absence of preparation of up-to-date final accounts and progress reports, the financial soundness of the Corporation could not be known. In the circumstances, the actual utilisation of funds and assistance given to weaker sections out of Rs.57.13 lakhs could not be ascertained (August 1986).

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3.1.5.3. *Loans*

3.1.5.3.1. *Seed Capital Loan to tiny industrial units*

To provide financial assistance in the form of seed/margin money for the promotion of small industries in semi-urban and rural areas for increasing employment opportunities including self-employment,

Government of India formulated (May 1981) margin money scheme for the tiny sector. This was in continuation of a similar scheme introduced in November 1977 but discontinued after March 1979. Margin money assistance is admissible only to those units whose investment in plant and machinery does not exceed Rs.2 lakhs; the extent of assistance is limited to 10 *per cent* of total investment or Rs.20,000 whichever is less. In case of entrepreneurs belonging to scheduled castes/tribes, assistance is upto 15 *per cent* of total investment or Rs.30,000 whichever is less. The assistance is shared equally by the Central and State Governments. The Central share is provided in the form of loan repayable in 12 equal annual instalments commencing from the first anniversary of date of drawal.

Of Rs.31 lakhs allotted to OSIC by Government upto 1979-80, Rs.14.82 lakhs were disbursed by the Corporation to 474 units against sanctioned amount of Rs.29.81 lakhs; OSIC had refunded Rs.8 lakhs out of Rs.16.18 lakhs allotted to Orissa State Financial Corporation consequent on transfer of management to the latter from 1980-81. Neither unspent balance of Rs.8.18 lakhs was refunded by OSIC nor any detailed account of disbursement rendered so far in the absence of which benefit derived by the tiny units out of Rs.8.18 lakhs could not be ascertained. After transfer (May 1981), assistance of Rs.211 lakhs was sanctioned as margin money and Rs.173 lakhs released by Government of which, an amount of Rs.113.66 lakhs was disbursed by OSFC to 2,032 units during the period 1980-81 to 1985-86.

Scrutiny of records of Director of Industries

and OSFC revealed the following:

(i) Funds were released to OSFC by Director of Industries year after year without ensuring their utilisation. The un-utilised balance retained by the Corporation varied from Rs.26.79 lakhs in 1981-82 to Rs.59.34 lakhs in 1985-86 resulting in blocking of Government funds.

(ii) An amount of Rs.26 lakhs sanctioned at the fag end of March 1984 by Government lapsed due to non-drawal before 31st March 1984 resulting in denial of benefit to a number of entrepreneurs under the scheme. This had also resulted in non-availing of Central assistance loan to the extent of Rs.13 lakhs.

(iii) Government of India released Rs.86.99 lakhs during 1981-82 to 1984-85 against total expenditure of Rs.113.66 lakhs. As 50 *per cent* of eligible loan assistance worked out to Rs.56.83 lakhs there was excess release of Rs.30.16 lakhs towards seed money.

(iv) According to scheme, seed loan was repayable by the entrepreneurs after discharge of debts and interest to the financial institutions or eight years whichever was less. The repayment of seed loan should be spread over a period of 4 years after moratorium period. Accordingly, loans advanced by OSFC during 1980-81 were due for recovery during 1989-90 and onwards. Of 433 SSI units which received seed capital loan of Rs.72.23 lakhs prior to 1980-81 from OSIC and due for recovery as on 31st March 1985, 187 units against which Rs.35.95 lakhs outstanding were closed on 31st March 1985 and only 246 units were working against which Rs.38.09

lakhs including principal and interest, were outstanding on the date. Certificate cases were instituted till end of 1984-85 against 31 units for recovery of Rs.10.79 lakhs (Principal: Rs.4.81 lakhs and Interest: Rs.5.98 lakhs) and the recoveries effected during last three years ending 31st March 1985 varied between 2.09 and 4.55 *per cent* of total demand.

3.1.5.3.2. *Liquidation of Loan liability*

Orissa Small Industries Corporation took a loan of Rs.30 lakhs from State Bank of India during 1973-74 to 1976-77 for operating scheme of hire purchase machine loan and Rs.25 lakhs from Syndicate Bank towards seed capital loan during 1977-78 on the strength of guarantee given by the Government. This apart, Government sanctioned Rs.40 lakhs during 1983-84 (Rs.20 lakhs) and 1984-85 (Rs.20 lakhs) as loan.

Out of Rs.25 lakhs loan taken from Syndicate Bank, Rs.10.12 lakhs only were disbursed to 40 SSI units and no detailed account of the remaining amount of Rs.14.88 lakhs was furnished to the Director of Industries. Besides, OSIC was reported to have spent Rs.70 lakhs (Bank loan: Rs.30 lakhs and Government loan:Rs.40 lakhs) towards purchase and supply of machines but details of expenditure were not furnished to audit.

The position of outstanding loans for repayment under hire purchase machine loans to end of March 1985 was Rs.96.86 lakhs (52 working units: Rs.51.39 lakhs and 45 closed units: Rs.45.47 lakhs). No effective steps were taken to recover the outstanding dues.

3.1.5.3.3. *Interest free loan on sales tax*

To end of 1980-81, assistance of Rs.12 lakhs was released to OSIC, before finalisation of the Orissa Sales Tax Loan Rules for payment of interest free loan, which could not be disbursed by the Corporation. During 1981-82 out of Rs.16.90 lakhs released, the Corporation disbursed only an amount of Rs.3.33 lakhs leaving a balance of Rs.25.57 lakhs to end of March 1982 resulting in unnecessary accumulation of Government money without any commensurate results.

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3.1.5.3.4. *Equity loan*

Government created "Equity/Soft Loan Fund" for revival of sick units and for the purpose funds were placed with the OSIC for maintenance of fund and disbursement. Against Rs.38 lakhs placed during the period 1978-79 to 1981-82, OSIC disbursed (March 1986) an amount of Rs.33.49 lakhs for revival of Konark Rubber Industries (Rs.2.30 lakhs), Unique Builders (Rs.10.75 lakhs), Mamta Drinks and Industries Limited (Rs.11 lakhs), Indo-East Extractions (Rs.4.50 lakhs), ORION (Private) Limited (Rs.3.78 lakhs) and Gayatri Pharmaceuticals (Rs.1.16 lakhs), leaving an unspent balance of Rs.4.51 lakhs (August 1986). No agreement stipulating the terms of utilisation and repayment of loan had been entered in the case of Unique Builders, Mamta Drinks and Industries Limited though more than 5 years had elapsed.

Of these, three medium scale industrial units viz., Konark Rubber Industries, Indo-East Extractions and Unique Builders which were not eligible for assistance, received assistance of Rs.17.55 lakhs and two of them were closed in 1980 due

to marketing problems in the first case and on account of managerial deficiency in the second case. The third one was closed in 1984 due to non-availability of working capital and non-shifting of the casting unit to Cuttack. The entire assistance, thus, was rendered unfruitful.

3.1.5.3.5. *Margin money loan*

The scheme was introduced mainly to revive sick units of small scale sector from the year 1982-83 as a Centrally sponsored scheme, the expenditure being shared equally between Centre and State. During the year the Central Government sanctioned Rs.10 lakhs but State Government provided Rs.20 lakhs under service head instead of loan head and the entire amount was disbursed to OSIC accordingly.

Under the rules, industrial units set up during the last seven years on the recommendations of State Level Co-ordination Committee (SLCC) were only entitled to margin money loan subject to minimum of Rs.1,000 and maximum of Rs.20,000 per unit. Of an amount of Rs.49 lakhs received by OSIC during 1982-83 to 1985-86, SLCC recommended loan assistance of only Rs.12.58 lakhs to 72 units out of which, Rs.4.61 lakhs were disbursed to 27 units (April 1986) leaving a balance of Rs.44.39 lakhs. The main reason for non-disbursement of loans was stated to be non-contribution of share money by the entrepreneurs. Thus, more than 91.6 *per cent* of funds meant for assistance of sick units was lying with the OSIC and the main purpose for which the Central Government released the assistance, remained unfulfilled.

3.1.6.1. *Registration of SSI Units*

Between 1978-79 and 1985-86, the DICs issued 64,334 provisional and 10,886 permanent registrations to SSI units; permanent registrations issued constituted 17 *per cent* only. This would indicate that viable structure for growth of small scale industries sector could not be established even after formation of DICs in the State.

Test check of records of DIC, Bhubaneswar (functioning from 1st October 1983) indicated that out of 3,239 entrepreneurs identified during 1983-84 to 1985-86, only 3,044 were provisionally registered for setting up units. To end of March 1986, 489 SSI units were granted permanent registration (16 *per cent).* Reasons for such low percentage of permanent registration were attributed by the Manager (SSI) of DIC, Bhubaneswar in May 1986 to young entrepreneurs changing their attitude and coming for services, failure to arrange margin money, want of project profile/scheme resulting in financial institutions not sanctioning loans, inability to meet the consultancy charges for preparation of project profiles and lack of knowledge about the eligibility of subsidy for the scheme/trade by entrepreneurs.

As already mentioned, certain categories of SSI units were not eligible for incentives and facilities available for SSI units. Out of 1,918 units granted permanent registration during 1980-81 to 1984-85 by the DIC, Cuttack, 374 units (rice mill: 248, flour mill: 31, pulse mill: 6, Photography studios: 2, ice candy: 14, laundry:4, tailoring other than ready made: 8, saw mill: 18, oil mill: 9 and bakery: 34) were not eligible but the concession of investment subsidy was already allowed to these units.

One hundred thirty two artisans engaged traditionally in manufacturing brass and alluminium utensils (out of 573 SSI units registered under DIC, Cuttack during 1981-82) were issued permanent registration on a single day (11th June 1981) although they had not received any assistance from the DIC, Cuttack. The date of starting production which was required for granting permanent registration was not recorded in any case. It was also noticed that particulars regarding annual installed capacity, investment of land, building, plant and machinery, working capital recorded were the same for all these units. Applications for permanent registration of these entrepreneurs though called for were not produced to audit for verification (February 1986).

3.1.7. *Technology and training*

3.1.7.1. *Training to workers*

Newer technologies developed or available in various Indian Institute of Technology, other research organisations and National Laboratories of the country were proposed to be delivered to the entrepreneurs with a view to make technology delivery mechanism more cost effective and transfer costs of technology reasonable enough to enable small and tiny entrepreneurs to experiment and adopt these new technologies.

SISI, Cuttack by conducting 56 courses between 1980-81 and 1984-85 after incurring an expenditure of Rs.1.64 lakhs, trained 303 (prospective entrepreneurs - Mechanics:123, Turners: 65, Welders: 53, Fitters: 51, Electro-plating: 7 and General Engineering: 4). For want of follow up action, no information was available as to how many of them were actually emloyed.

3.1.7.2. *Training under Entrepreneural Development Programme*

Between 1980-81 and 1984-85, 31 Entrepreneural Development Programme courses (EDP) were conducted and 1,238 entrepreneurs were trained, including 200 persons belonging to Scheduled Caste/ Schedule Tribe and weaker sections of the community of backward districts of Dhenkanal and Koraput. No follow up action taken to find out, how many trained persons had set up new SSI units and new technologies developed and made available for adoption. To a questionnaire sent by the Director, SISI to 225 persons trained, only 41 responded. Of these, 7 persons (17 *per cent)* set up industries and 6 persons (15 *per cent)* stated (May - June 1983) that they were taking steps for setting up industries. Further evaluation has not been done (January 1987).

3.1.7.3. *Grants-in-aid to voluntary organisation for Entrepreneural Development Programme(EDP)*

Voluntary organisations like Orissa Small Scale Industries Association, Orissa Youth Entrepreneurs Association and Orissa Productivity Council, having the objects of motivating the entrepreneurs for setting up industries and training them were given out-right grants amounting to Rs.2.25 lakhs during 1980-81 to 1984-85. No information was available with the authorities regarding utilisation of funds released to them for organising training and other related objectives. According to terms of grant, an officer of the Director of Industries was required to conduct periodical inspection to watch the progress made by the grantee but such inspections were not conducted (August 1986). The Director of Industries stated (February 1986) that

Steps are being taken to authorise a senior officer of the Directorate to conduct periodical inspection to watch over the progress made by the grantee.

3.1.8.1. *Supply of raw materials and critical inputs*

3.1.8.1.1. Assured supply of raw materials of requisite quality at reasonable rates and in sufficient quantity would help the small scale units to produce quality goods at a comparatively lower cost. The Industrial Policy Statement of 1980 envisaged creation of buffer stocks of essential and scarce raw materials through National Small Industries Corporation (NSIC) and supplying them through State Level Corporations to SSI units. In the case of supply of critical inputs like iron and steel, coal and coke, petrochemicals, etc., the impact of an overall scarcity is evenly spread between the large, medium, the village and small industries.

For ensuring proper supply of raw materials and critical inputs, a scheme of "Raw Material Bank" had been operating through the agency of Orissa Small Industries Corporation (OSIC) since 1974-75. During 1974-75 to 1985-86 an amount of Rs.1,28.50 lakhs was invested by Government in OSIC as margin money to increase the share base with a view to avail more institutional finance for operation of the Raw Material Bank.

Test check of records of OSIC revealed as under:

(i) Out of Rs.1,28.50 lakhs invested as margin money, Rs.12.50 lakhs (1980-81) and Rs.3 lakhs (1982-83) were diverted by the Corporation for construction and renovation of raw materials depots,

purchase of weighing scale/weigh bridge and purchase of vehicles. In 1984-85, Rs.5 lakhs were also diverted for purchase of crane for lifting materials and Rs.2 lakhs towards cost of land acquisition at Kalunga (Sundergarh district). In both the cases approval of Government for diversion of margin money for other purposes was not obtained (August 1986).

(ii) Eight raw material depots were opened in 8 industrial districts till 1981-82; margin money of Rs.28 lakhs was provided for opening of 5 more depots in remaining 5 districts (Rs.20 lakhs) during 1982-83 and another one at Angul (Rs.8 lakhs) during 1983-84. Of these, six depots were not opened and the manner in which funds were utilised by OSIC was not available (August 1986).

(iii) Against targeted annual turn over of Rs.8,00 to 10,00 lakhs (basis not known) during the periods 1980-81 to 1984-85 the actual turn over of raw materials was Rs.5,34 lakhs to Rs.8,03 lakhs resulting in shortfall. No information was available about the actual achievement for 1985-86, against the targeted annual turnover of Rs.9,50 lakhs. Reasons for shortfall in achievemnt called for from OSIC are awaited (August 1986). The purpose of establishment of raw material bank had not been achieved in full.

(iv) OSIC issued shares but the information regarding amount of dividend declared and the amount paid to Government was not furnished so far (January 1987).

(v) *Procurement and lifting of raw materials*

On the basis of requirement projected by different DICs (based on the applications received

from SSI units) every year, OSIC places indent for procurement of iron and steel materials with the Joint Plant Committee (JPC), Government of India. Even though indented quantity of materials were not received from the Steel Authority of India Limited (SAIL), the quantity received by the OSIC could not be disposed of at the end of each year. The following position would indicate the quantity indented, procured, sold and balance lying in stock for the period 1980-81 to 1985-86.

Year	Quantity indented	Quantity procured	Quantity allotted/ sold	Balance quantity of stock (including carry over stock quantity)
	(In tonnes)			
(1)	(2)	(3)	(4)	(5)
1980-81	N.A.	14,117.075	12,515.375	1,643.218
1981-82	32,099	17,083.407	12,939.204	5,787.421
1982-83	84,162	9,795.738	12,025.333	3,557.826
1983-84	63,388	6,677.281	7,017.724	3,217.383
1984-85	54,606	10,027.755	9,229.755	4,015.383
1985-86	41,130	8,354.000	9,739.000	2,630.000
		66,055.256	63,466.391	20,851.231

It would be seen from the table that procurement varied between 11 to 53 *per cent*, while the quantity lifted/sold varied from 11 to 40 *per cent* of the indented quantity not properly assessed. Taking into consideration continuance of large stock balances

the Controller of Iron and Steel decided (March 1983) that OSIC should dispose of stock to various large, medium and Government departments with approval of Government for allowing a rebate of Rs.180 per tonne which was done but the balance of stock exhibited at the end of 1985-86 was 2,630 tonnes valuing Rs.197.34 lakhs, which remained to be disposed of.

3.1.9.1. *Marketing*

(a) Small scale industries face a lot of marketing problems on account of their small scale operation, lack of standardisation, inadequate market intelligence, insufficient holding capacity and competition from large scale units. Artisans and craftsmen depend substantively on middle men for supply of their inputs and marketing outlets who appropriate most of the profits. It was proposed in the Sixth Plan to evolve an integrated system of supply of raw materials and marketing products through promotion of co-operatives and Government sponsored agencies.

For rendering marketing assistance and conclusion of rate contract for sale of products, the SSI units were required to be registered with the Directorate of Export Promotion and Marketing (Directorate of EPM) enabling them to get the benefits/concessions like price preference upto 15 *per cent* and further 3 *per cent* for products having ISI certification, exemption from payment of earnest money while tendering and benefit of 50 *per cent* security deposit executing orders for supplies to be made to Government departments, etc.

Between 1979-80 and 1985-86, 829 SSI units were registered with the Directorate of EPM and

for 176 items rate contract was concluded, 409 units were assisted during the period; between 1980-81 to 1985-86, 1,134 SSI units renewed the rate contracts with the Directorate of EPM.

Test check of records of the Directorate of EPM revealed the following:

(i) Although the number of SSI units registered increased from 428 units during 1980-81 to 957 units during 1984-85 (furnished by the Director, EPM), the value of sales decreased from Rs.22,74 lakhs (1980-81) to Rs.1,66 lakhs (1984-85). No information about the quantity and value of the items manufactured by SSI units entered into rate contract was available with the Directorate of EPM prior to 1980-81.

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(ii) Most of the Government offices, undertakings and semi-Government organisations failed to clear the bills (90 *per cent)* of these units within 7 days of receipt of goods as envisaged. Claims relating to period 1977-78 to 1985-86 amounting to Rs.1,84.61 lakhs of SSI units for supplies made to different Government offices (Rs.22.33 lakhs) and Orissa State Electricity Board (Rs.1,62.28 lakhs) were outstanding. Non-payment of dues in time resulted in shortage of working capital and sickness of SSI units especially cable industries units.

(iii) To ensure manufacture of quality products to conform to ISI specification, the Directorate of EPM established four testing laboratories at Cuttack, Rourkela, Berhampur and Talcher. During the period 1980-81 to 1985-86, 2,946 SSI units were inspected and 13,341 samples were reportedly tested

in the laboratories by inspection wing of the Directorate. No information was forthcoming, whether these units were advised to improve the quality in case deficiencies were found.

(b) *Export Promotion*

The Directorate of EPM was also functioning as a liaison office in promoting exports overseas keeping liaison with Export Promoting agencies and the Central Government. During 1979-80 to 1984-85, the Directorate arranged export of engineering chemicals and other allied products of SSI units worth Rs.3,73.08 lakhs; target, if any, fixed by the State Government in this regard during Sixth Plan period was not available.

3.1.10.1. *Working results*

3.1.10.1.1. SSI Units in private sector

A sum of Rs.29,45.26 lakhs (subsidy:Rs.26,84.81 lakhs and loan: Rs.2,60.45 lakhs) was granted during Sixth Five Year Plan to private units (number not known). Many private units became sick and no revival programmes were taken up. Desite instructions issued by the Director of Industries (November 1978 and December 1985) to ascertain the position as a whole, no detailed survey of units was carried out by the DICs. As per survey carried out by the Directorate during March-April 1986 and information furnished to Government, in 15 Industrial districts (13 normal districts, Rourkela and Bhubaneswar), 900 units in private sector were closed and 363 units became sick and needed revival. Failure of SSI units in this sector was attributed (February 1986) by the DIC, Cuttack to difficulties in marketing of the finished products; power interruption; non-

availability of sufficient working capital; lack of efficiency in managerial capacity of entrepreneurs; non-availability of raw materials.

It was noticed that the units being sick or closed included obsolete ones due to defective machinery, delay in sanction of loans, delay in payment by OSEB and other Government departments, lack of orders from Government departments/Public Undertakings inspite of price preference allowed and losses inherited from pilot projects while taking over by private entrepreneurs. Further the Director, EPM stated in May 1986 that some SSI units failed to deliver goods ordered within stipulated period due to above mentioned reasons resulting in cancellation of orders.

No regular survey of the SSI units was conducted to ascertain the quantum of sick and closed units; no strategy was adopted to keep a close watch over the units becoming sick and closing down despite large funds invested by way of subsidy and loans.

3.1.10.1.2. *Departmental Unit*

'Kanti Sharma Pottery Development Centre (KSPD), Jharsuguda' a departmental commercial unit in small scale sector, was functioning from 1st April 1967. Expenditure of Rs.18.25 lakhs was incurred during 1971-72 to 1985-86 for modernisation of the unit. Despite heavy investment on modernisation, the unit incurred losses for the years 1982-83 (Rs.0.07 lakh) and 1983-84 (Rs.3.34 lakhs). Information was not available for 1984-85 and 1985-86 as the audit of accounts was in arrears.

Reasons for losses were, however, attributed by the Additional Director of Industries in July 1985 to shortfall in production (less than 50 *per cent*) in artware and shortfall in turn-over (of 50 *per cent)* in insular goods (main earning finished product of the unit). Of the credit sales of Rs.7.36 lakhs to end of March 1984 (up-to-date information not available), Rs.2.63 lakhs related to the period upto 1975-76 the recovery of which is doubtful.

No detailed contingent bill for Rs.3.79 lakhs (Rs.2 lakhs drawn in March 1983 and Rs.1.79 lakhs in March 1985) was furnished so far (August 1986), though it was required to be submitted to Account within one month of drawal.

3.1.11.1. *Monitoring and Evaluation*

(i) The schemes taken under small scale industries programme are mainly promotional in nature and the investment in the sector was through State/ Central Government and financing agencies (Nationalised Banks). State-owned Corporations like OSIC, OSFC, IDCO, OLC play role of catalyst to generate investment, employment while performing functions as implementing agencies. But State-owned agencies had no cells of their own to monitor, evaluate and build up effective information system of various activities.

Industrial Policy Resolution, 1980 of Central Government contemplated establishing data Banks to keep watch over parties who willfully failed to implement letters of intent or tried to pre-empt capacity. No such data Bank was established/built up so far in the State (August 1986). Absence of sound statistical data was the main handicap in proper planning and formulation of development

programmes of small scale industries.

(ii) Although as many as 17,800 units were established after investment of Rs.1,79,92.21 lakhs from their own source and incentives provided by Government to the extent of Rs.13,83.15 lakhs to end of 1984-85 and 1,29,717 mandays of employment generated, no evaluation study of the impact of the programme in the Sixth Plan was conducted by State Government. A study was conducted by Orissa Small Industries Services Institute (OSISI) but no report was made available to audit as it was stated to have been furnished to the Development Commissioner (SSI) - New Delhi.

A committee was set up (November 1984) by Government under the Chairmanship of Secretary, Industries Department to review the working of Industrial Policy Resolution, 1980; the review report is still awaited (August 1986).

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Summing up

- Seed Capital loan of Rs.10 lakhs given for tiny industries during 1983-84 was not availed.

- Out of allotment of Rs.1,38.55 lakhs under Centrally Sponsored Plan schemes, Rs.16.16 lakhs were not utilised.

- Rupees 47.93 lakhs given to Orissa Electronics Development Corporation meant for SSI units were diverted and utilised for large and medium scale industries.

- Of Rs.19,06.64 lakhs capital investment subsidy

disbursed to 4,632 SSI units, no information was available with OSFC as to how many units had gone into production.

- Subsidy amounting to Rs.8.92 lakhs was paid to ineligible SSI units.

- Central investment subsidy was recoverable if the unit had not gone into production within 5 years; no information was available regarding units that had not gone into production.

- Rent subsidy of Rs.5.05 lakhs meant for educated unemployed entrepreneurs was lying unutilised with OSIC since 1980-81; information regarding extent of utilisation of rent subsidy of Rs.80.14 lakhs with OSFC was not furnished by them though it was treated as paid to entrepreneurs by IDCO.

- Rupees 15.05 lakhs of rent subsidy were irregularly paid in advance by IDCO to entrepreneurs for purchase of lands.

- Rupees 7.93 lakhs paid towards managerial subsidy to Leather Corporation of Orissa were proved to be unfruitful as no assistance out of it was rendered to artisans.

- Of Rs.64 lakhs given to Leather Corporation of Orissa under Special Component Plant for execution of schemes, Rs.42.05 lakhs were utilised by the Corporation for its day to day expenses without refunding the money to Government.

- Rupees 11.03 lakhs meant for promotion, the share base of entrepreneurs remained unutilised with OSIC.

- Investment of Rs.7.50 lakhs made in OSIC to achieve an export target of Rs.50 lakhs during Sixth Plan proved unrealistic as the achievement was only Rs.16.64 lakhs *(33 per cent)*.

- Out of Rs.57.13 lakhs invested in Leather Corporation of Orissa for giving benefit to weaker sections of community, Rs.15.78 lakhs meant for share capital were utilised as working capital but actual utilisation of balance funds for benefit of weaker sections was not forthcoming.

- Of Rs.1,73 lakhs released to OSFC for tiny industries, an amount of Rs.59.34 lakhs remained unutilised with the Corporation.

- Rupees 74.04 lakhs were recoverable from 433 tiny industries upto March 1985 of which 187 units were already closed from whom recovery of Rs.35.95 lakhs was outstanding.

- Under hire purchase machinery loan scheme, Rs.96.86 lakhs were given to 97 units of which 45 units receiving Rs.45.47 lakhs were closed and 52 units receiving Rs.51.39 lakhs became sick.

- Equity/soft loan assistance of Rs.33.49 lakhs to sick units by OSIC included 3 medium industry units which availed assistance of Rs.17.55 lakhs though not eligible for assistance and were subsequently closed.

- Out of an investment of Rs.1,28.5 lakhs for supply of raw materials in OSIC Rs.22.50 lakhs were diverted for other purposes.

- An amount of Rs.29,45.26 lakhs (Subsidy: Rs.26,84.81 lakhs and Loans: Rs.2,60.45 lakhs) was invested in private sector units but no survey was conducted to know how many of these SSI units were functioning and how many were sick for taking timely revival action.

- Claims of SSI units amounting to Rs.1,84.61 lakhs were outstanding with Government departments and Public Sector undertakings for periods ranging from 7 to 8 years.

- Despite heavy investments, no evaluation study of the impact of the programme in the Sixth Plan was conducted; the State-owned agencies had no cells of their own to build up effective monitoring system.

The matter was reported to Government in October 1986; reply is awaited (May 1987).

AGRICULTURE AND CO-OPERATION DEPARTMENT

3.2. Oil Seeds Development Programme

3.2.1. *Introduction*

Orissa is one of the premier oilseed growing States in the country and the oilseeds grown are ground-nut, sesamum, castor, rape-seed, mustard, niger, safflower and linseed. Sun-flower crop was also introduced in the State since 1979-80.

Government in collaboration with National Dairy Development Board (NDDB) formulated in 1979 a project for development of oilseeds and vegetable oils for implementation in three districts of Cuttack, Puri and Ganjam. The Orissa State Co-operative Oilseed Growers Federation (OSCOGF) came into existence in May 1982 as an apex body to look after the needs of farmers who formed different oilseed growers co-operative Societies at village level; Orissa State Seeds Corporation Limited (OSSC) a State owned Corporation was set up in 1978 with participation of the Central Government, State Government and registered growers for increasing agricultural production and ensuring availability of quality certified seeds.

The main objectives of the programme are to encourage farmers to increase the production of oil seeds by increasing the area under various oilsed crops and increasing productivity by distribution of improved variety of oilseeds and adopting improved technology.

The overall strategy adopted for development of oilseeds during the Sixth Five Year Plan (1980-85)

broadly comprised of yield maximisation efforts with an optimum blend of cash and non-cash crops; greater emphasis on development of non-traditional oilseeds like soyabean and sun-flower; extension of area under oilseed crops through double/multiple cropping and introducing oilseeds in various inter-cropping systems particularly soyabean and sunflower; increase in irrigated area under oilseed crops particularly rabi/summer groundnut and rapeseed, mustard; increased use of quality seeds; larger application of phosphatic fertilisers and other nutrients; intensive plant protection measures including weed control; organisation of demonstrations involving package of practices for different crops.

3.2.1.2. *Support Services*

The Programme provided for the following supports:

(i) Research support by way of evolving improved varieties, improved crop production technology, production of breeders and foundation seeds of oilseed crops along with production of super-elite and elite seeds of sun-flower and breeder seeds of other oilseed crops by the Indian Council of Agricultural Research (ICAR) through Agricultural Universities. The breeder seeds were to be supplied free of cost to the National Seeds Corporation (NSC), Orissa State Seeds Corporation (OSSC) and the State Directorate of Agriculture for further multiplication into foundation and certified seeds.

(ii) Extension efforts and training support through Training and Visit system (T&V system) to build a professional agricultural extension service capable of assisting the farmers in raising production and

income and for providing appropriate support for agricultural development.

(iii) Support in integration of production, procurement, processing and marketing of oilseeds through Co-operative Societies and State level federation which prepare project plans under the NDDB Project on oilseeds. The financial resources for the Project were to be generated through import and sale of edible oils received as gift from other countries.

(iv) Support in constituting the National oilseeds and Vegetable oils Development Board (1984) to look after development of oilseeds and vegetable oil industry from the stage of production, research, processing, marketing and other connected matters financed from cess levied on oil produced by the oilseed industry.

To protect oilseed growers from any abrupt fall in prices, the Central Government had been announcing support price for various oilseeds from time to time. The price support operations were entrusted to the National Agricultural Co-operative Federation Limited (NACF).

3.2.1.3. *Organisational set up for implementation*

The Directorate of Agriculture implements, monitors the schemes. The programmes of various schemes under State Plan, Centrally sponsored and Central Plan, are implemented in the State under overall charge of Director of Agriculture and Food Production (DA&FP), Orissa assisted by Assistant Project Officer, Oilseeds (APO, Oilseeds), Range Officers, District Agricultural Officers (DAOs) and

Agricultural Extension Officers (AEOs) at block level.

Test check of the records conducted during September 1985 to April 1986 of Agriculture department at the Government level, Directorate of Agriculture (Oilseeds), Deputy Directors of Agriculture of Ranges at Cuttack, Dhenkanal, Balasore, Puri and Jeypore for the period from 1980-81 to 1984-85 revealed the following points:

3.2.2. *Physical and Financial achievements*

Physical targets, achievements and the financial outlay and expenditure in respect of the programme are as under :

(a) Physical :

Year	Target			Achievements		
	Area coverage (In lakh hectares)	Production (In lakh tonnes)	Yield (In quintals per hectare)	Area coverage (In lakh hectares)	Production (In lakh tonnes)	Yield (In quintals per hectare)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1980-81	11.38	8.56	7.522	7.36	4.85	6.590
1981-82	10.60	7.26	6.849	8.32	5.91	7.103
1982-83	12.10	9.12	7.537	8.50	6.11	7.188
1983-84	9.67	7.58	7.839	10.19	7.36	7.223
1984-85	9.67	8.63	8.925	10.61	7.50	7.069

(b) Financial outlay and expenditure

Year	Budget provision	Sanctioned		Admissible share of expenditure on the basis of expenditure in column. 3		Expenditure as reported by Government of Orissa to Government of India	Amount of Central assistance released
		Centrally sponsored plan	State Plan	Centre	State		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(Rupees in lakhs)				
1980-81	45.41	15.53	11.59	13.59	12.72	26.31	17.03
1981-82	50.25	11.21	37.22	10.22	37.73	47.95	2.21
1982-83	47.06	17.73	26.93	10.61	33.83	44.44	10.62
1983-84	45.87	20.43	23.09	12.85	14.28	26.33	13.02
1084-85	171.51	90.00	13.99	88.79	2.09	90.88	106.55
	360.10	154.90	112.82	135.26	100.65	235.91	149.43

The actuals of expenditure as reported in the successive Budgets were totalling to Rs.292.63 lakhs (1980-81: Rs.62.29 lakhs; 1981-82: Rs.62.34 lakhs; 1982-83: Rs.44.20 lakhs; 1983-84: Rs.32.09 lakhs; 1984-85: Rs.91.71 lakhs) where-as the expenditure as reported to Government of India was Rs.235.91 lakhs. The Director was requested (October 1986) to reconcile the difference.

From the physical targets indicated it would be seen that the increase in production by end of 1984-85 compared with the earlier years was due to increase in the area of coverage. The anticipated yield as per targets fixed for 1984-85 was 8.925 quintals, whereas the actual yield was 7.069 quintals per hectare being less than the yield rate in the preceding three years. The reasons for shortfall were not analysed by the department. However, on the basis of the reported figures of expenditure the Central assistance admissible during 1980-85 worked out to Rs.135.26 lakhs while the actual release was Rs.149.43 lakhs.

3.2.2.1. *Inadequate demonstrations*

The programme envisaged demonstrations of improved package of farming practices on the farmers fields to educate them in the use of improved techniques with free inputs like seeds, phosphatic fertilisers, rhizobium culture and plant protection chemicals. The cost of demonstrations being shared 50:50 between the State and Central Government. Test check indicated that:

(i) DDA, Puri received allotment of Rs.1.08 lakhs during 1981-83 (Rs.0.75 lakh) for groundnut and 1983-84 (Rs.0.33 lakh) for mustard for conducting demonstrations of *Rabi* cultivation of groundnut and mustard. However, no seeds were purchased or demonstrations conducted in respect of groundnut during 1981-83 reportedly due to late receipt of allotment and non-receipt of seeds though, fertilisers and pesticides valuing Rs.0.67 lakh were purchased and shown as utilised by distribution to farmers. During 1983-84 also neither mustard seeds were purchased nor demonstrations conducted but funds

of Rs.0.06 lakh allotted for mustard demonstrations were utilised in purchase of fertilisers and pesticides. Out of Rs.0.27 lakh allotted for ground-nut demonstrations during 1983-84 *Rabi*, seeds worth Rs.0.12 lakh and inputs worth Rs.0.15 lakh were purchased for utilisation during *Kharif* 1984 but details of demonstrations conducted, area covered, number of beneficiaries involved, inputs utilised, etc., were not available due to want of information from field offices as reported (December 1986) by the Deputy Director of Agriculture.

(ii) For Balasore Agriculture district, 25 numbers of demonstrations under mustard crop and 61 numbers under groundnut crop were sanctioned for *Rabi* 1983-84 at the rate of Rs.200 per demonstration. In the case of mustard, fertilisers (8 quintals valuing Rs.0.03 lakh) and pesticides (25 litres costing Rs.0.02 lakh) were supplied and no demonstrations were conducted reportedly due to non-availability of seeds. As against requirement of 1.25 quintal seeds of groundnut per demonstration, only a small quantity was supplied and no other inputs were supplied for want of funds. The entire expenditure of Rs.0.17 lakh was proved to be wasteful as demonstrations were not conducted.

(iii) Rupees 0.06 lakh allotted to Bargarh Agriculture district for conducting groundnut demonstrations in 100 hectares during *Rabi* 1984-85 were spent for conducting demonstrations in 50 hectares only indicating no reasons for the extra expenditure and less demonstrations conducted.

3.2.2.2. *Irregular assessment of area and production*

For realistic assessment of area and actual production, the prescribed system is that there should be *cent per cent* joint inspection of crop cutting

experiments both by the representatives of the District Agriculture and Food Production and the staff of the Bureau of Statistics and Economics, Orissa; the crop survey/crop cutting reports are to be signed jointly by them authenticating the correctness of reports. It was ~~the fihe figu~~ figures of area coverage were arrived at by the department on eye estimation, while the basis on which production figures were arrived at was not made available. Assessment of yield and production was as follows:

(i) Crop cutting survey was found to be only in 32 out of 118 plots of groundnut cultivation in Sisuasasanpur (Cuttack district). Yield per hectare reported was 13.63 quintals by department, 9.96 quintals by Bureau of Statistics and Economics and 11.38 quintals (on dry weight basis) by the DAO, Cuttack. There was thus no consistency in the figures of yield reported by the field officers. In four blocks of Cuttack Sadar, there was no data on joint crop cutting with the Bureau of Statistics and Economics in respect of til and groundnut.

(ii) The average yield rate was worked out by the DAO, Cuttack by taking a small number of crop cuttings from limited fields growing groundnut, til and mustard and the average yield rate was worked out by him on the basis of small number of crop cutting which was not indicative of true position.

(iii) In Khurda Agricultural district for 1983-84 *Kharif* reports of average yield were not received in respect of 6 blocks for groundnut and 13 blocks for 'til' even though production was reported in all the blocks. In respect of other years, no records

were produced by the Range Office in support of the yield reported to Government.

(iv) In Nowrangpur Agricultural district, production figures of niger and other oil seeds were worked out for the year 1984-85for the Range, multiplying the estimated area with yield reportedly obtained in 1983-84 deducting percentage loss due to drought condition (in fact there was no basis for the yield rate for 1983-84).

Thus, the production figures reported were based on theoretical calculations rather than supported by actual statistical records after proper joint crop cutting surveys.

(v) Variations between figures of area, yield rate reported by the field staff of Directorate and Bureau of Statistics and Economics could be noticed as per details given below:

Crop		Figures reported by department		Figures reported by Bureau of Statistics and Economics	
		1978-79	1979-80	1978-79	1979-80
(1)		(2)	(3)	(4)	(5)
		(Production in thousand tonnes)			
(a)					
(i)	Til	78	48	9	7
(ii)	Mustard	68	39	5	3
(iii)	Groundnut	191	123	28	25
(b)	Crop area (In 1,000 hectares)	8,275*	8,166*	5,915*	5,608*

* Includes coverage of pulses.

For realistic assessment of area and actual production, Government had issued instructions (1983-84) that crop survey/crop cutting reports should be signed jointly by the field staff of the Bureau of Statistics and Economics and the staff of the Directorate. However, it was found (February 1986) that joint reports were not available and the figures were reported on the basis of departmental progress reports only compiled by the Chief Statistician of the Department.

3.2.2.3. *Unutilised balances*

(i) The Range Offices at Dhenkanal and Jeypore had drawn Rs.6.72 lakhs during 1984-85 under National Oilseeds Development Project (NODP) and deposited the amount under "Revenue Deposits" exhibiting as expenditure under the programme. Subsequently, during 1985-86, Rs.4.86 lakhs were spent and Rs.1.86 lakhs still remained unutilised.

(ii) Funds to the extent of Rs.3.85 lakhs (Centrally sponsored Plan Rs.1.32 lakhs and State Plan Rs.2.53 lakhs) drawn during 1980-81 to 1981-82 by APO, Oilseeds were refunded subsequently between December 1982 and May 1983 crediting as State receipts. Though the amount drawn was not actually spent, the Central assistance claimed on this account was for Rs.1.10 lakhs.

3.2.2.4. *Seed Production and Distribution*

Seed being the basic agricultural input, the success of the programme for achieving better yields depended on availability of good quality seeds. It was, therefore, necessary to ensure adequate, easy and timely supply of quality seeds at reasonable prices to the farmers to achieve better results.

For oilseeds there was no specific programme for production of breeder seeds, foundation seeds, multiplication of foundation seeds and production and distribution of certified, truthfully labelled good quality seeds. In Sixth Plan, however, provision was made for production of super-elite and elite seeds of sun-flower and breeder seeds of other oil crops to be organised by ICAR through Agricultural Universities. In the State, quality seeds were required to be multiplied by Orissa State Seeds Corporation (OSSC), Orissa State Co-operative Oilseed Growers' Federation Limited (OSCOFG) and also from the seed minikits supplied by Government of India.

Purchase and sale of seeds

In the absence of production of seeds by the department, seeds were purchased from various sources by DA&FP, meeting the cost from Personal Ledger (PL) Account opened for the purpose. All-in-cost price for different seeds was arrived at by adding incidental expenses and losses for different seasons of *Kharif* and *Rabi*. Government approved the sale rate of seeds during a season. The difference between the sale price and all-in-cost price represents the subsidy admissible for each variety of seed. All receipts on sale of seeds along with the subsidy received from the Centre were credited to PL Account.

It was seen that crop-wise adjustment of subsidy on oilseeds was not available in the seed section of the State Directorate of Agriculture. Records of the Assistant Project Officer (Oilseeds) revealed the following targets and achievements

during 1980-81 to 1984-85:

Year	Crop	Targets		Achievements	
		Physical (In quintals)	Financial (In lakhs of rupees)	Distributed (In quintals)	Expenditure (In lakhs of rupees)
(1)	(2)	(3)	(4)	(5)	(6)
1980-81	Groundnut (TL)	4,245	4.25	4,745	5.00
	Groundnut (C)	500	0.75		
1981-82	Groundnut (TL)	7,000	7.00	7,000	7.00
1982-83	Groundnut (C)	910	1.37	910	1.37
1983-84	Groundnut	3,453	5.18	2,633	3.96
1984-85	Groundnut (TL)	9,000	9.00	9,000	9.00
					26.33

C: Certified
TL: Truthfully labelled

6.12.88

Test check of departmental records in respect of adjustment of subsidy revealed the following :

(i) The expenditure figures shown above represented the actual drawals from the treasury but not the entire subsidy amounts given for sale of seeds to farmers. Out of drawals during 1980-81 and 1981-82 in respect of Centrally sponsored schemes, Rs.0.88 lakh was credited to State receipt head

being unutilised amounts between March and May 1983 though Central subsidy to this extent was shown as expenditure.

(ii) During 1983-84, Rs.1.22 lakhs out of the amounts drawn in respect of Centrally sponsored schemes, were not utilised and subsidy was not adjusted which was explained by the APO (Oilseeds) as due to non-availability of seeds and late receipt of sanction.

(iii) A sum of Rs.1.62 lakhs out of Rs.9 lakhs sanctioned in 1984-85 as groundnut subsidy, drawn in March 1985 against proforma bill, was credited (March 1985) as Revenue deposit of which Rs.0.28 lakh was spent in July 1986 on subsidised sale of groundnut seeds and the remaining amount of Rs.1.34 lakhs was credited to the receipt head in July 1986 as unspent balance and thereby, the purpose of supplying seeds to cultivators to get the benefit of *cent per cent* Central assistance was not achieved.

(iv) Rupees 2 lakhs provided during 1983-84 under State Plan for giving subsidy in respect of mustard seeds were not utilised and surrendered reportedly due to non-availability of certified seeds. During 1983-84, under a State Plan Scheme, Rs.8 lakhs were provided for giving subsidy in respect of groundnut; only Rs.2.47 lakhs were spent and the balance Rs.5.53 lakhs was not utilised reportedly for want of demand from the farmers. Out of Rs.1 lakh sanctioned under State Plan for multiplication and distribution of oilseeds during 1983-84, only Rs.0.05 lakh was spent and the balance Rs.0.95 lakh remained unutilised reportedly for want of seeds.

3.2.2.5. *Departmental supply of seeds*

Quality seeds required for cultivation by farmers as per norms fixed by Government were to be supplied by the department to the full extent of requirement.

Scrutiny of departmental records indicated that full quantity of seeds required for cultivation as per norms were not supplied to the farmers during 1983-84 to 1984-85 and as a result the supply varied from 0.12 to 6.1 *per cent.*

Most of the seed requirements were met by the farmers themselves from local sources. At the National level Seeds Conference held at New Delhi on 20th August 1983, it was proposed that for 1983-84 *Rabi*, seeds replacement rates (replacement by distribution of quality seeds against local/traditional seeds used by farmers) should be 7.4 *Per cent* for groundnut and 19 *per cent* for mustard. It was seen that departmental distribution itself during 1983-84 *Rabi* in Dhenkanal and Puri districts was a maximum of 3.50 *per cent* for groundnut and 1.20 *per cent* for mustard. DDA, Dhenkanal stated to audit in November 1985 that the farmers exchanged seeds multiplied from certified seeds supplied to other farmers by the department without depending entirely on Government. DDA, Puri stated in December 1985 that even though indents were placed with OSSC quite in advance, supplies were not made timely and further, the low off-take from departmental sale centres was due to lack of sufficient sale points in rural areas; there was only one sale centre in each block; farmers were trained to maintain their own seeds to avoid dependence on Government; farmers had lost faith on departmental

seeds after Parijata Scandal, in which fake variety of paddy seeds were supplied due to which crops failed.

According to the OSSC, non-availability of foundation seeds particularly groundnut and pulses was the major constraint in achieving targeted production of certified seeds.

The Inter-Departmental Committee in their report (1984) on review of Agriculture department in Orissa indicated that the departmental supply during the last 15 years to end of 1981-82 was hardly about 2 to 3 *per cent* of the total requirement; the major constraints in the low supply being limited production certified seeds, heavy dependance on outside agencies resulting in untimely supply, lack of high yielding varieties of seeds suitable to saline and flood-prone areas of the State, etc.

3.2.2.6. *Quality test of seeds used by the farmers*

More than 90 *per cent* of the seeds used by the farmers were from their own resources and hence were not tested as to their quality. The DA&FP, Orissa issued instructions to the districts in January 1985 to draw up villagewise programmes covering all the contract farmers and progressive farmers and collect seed samples with other detailed information like methods of threshing, storage, period of harvesting etc., for all types of crops and all types of farmers. The samples after collection were to be sent for testing at the Seed Testing Laboratory, Bhubaneswar for ascertaining quality before use. It was noticed that such tests were not done so far, any where in the State.

3.2.2.7. *Supply of sub-standard seeds*

For boosting production and yield rate the department was required to supply good quality seeds to the farmers as an essential input. Test check of departmental records indicated supply of sub-standard seeds valuing Rs.19.14 lakhs as follows:

(i) As per the norms laid down for groundnut seeds (A.K.12-24) of certified and labelled variety, the maximum moisture percentage should be 9 *per cent* in ordinary container, 5 *per cent* in vapour - proof container and germination capacity at minimum of 70 *per cent*. Seed samples drawn (April 1985 and September 1985) in Dhenkanal Range and tested in the State Seed Testing Laboratory, Bhubaneswar indicated that moisture content varied from 1.9 to 12 *per cent* and germination percentage 54 to 66 and the seeds were distributed to the farmers. Information about the total quantity of the consignments from which samples were drawn was not separately available. It was, however, stated by the Range that local test gave more than 75 *per cent* germination.

(ii) In Balasore Range, AK-12-24 variety of groundnut (2,118 quintals valued at Rs.14.61 lakhs) received between October 1984 and January 1985 had germination capacity varying from 47 to 68 *per cent* against minimum of 70 *per cent* and moisture content from 5.9 to 10.8 *per cent* against normal 9 *per cent*. It was seen that 1,948 quintals of seed were supplied to sale centres for sale to farmers (between October 1984 and February 1985) and the balance quantity of 88 quintals (after shortage of 82 quintals apparently due to excess moisture)

which deteriorated was disposed of in August 1985 to IDCC at Rs.400 per quintal against purchase price of Rs.690. Not only sub-standard seed was released for sale but loss of Rs.0.82 lakh also occurred due to shortage and sale below the purchase price.

(iii) DA&FP, Orissa placed (September 1985) an order for supply of groundnut seeds during *Rabi* 1985-86 on OSCOGF Ltd., for a total quantity of 1,112 quintals to be supplied to the DDA, Balasore; the conditions for supply included *inter-alia* minimum purity of 97 *per cent*, germination percentage of 70, maximum moisture of 9 *per cent* and shelling 72 *per cent* minimum. Test Reports of seeds (December 1985) revealed that in 7 samples germination was varying from 42 to 64 *per cent* and shelling varying from 59 to 68 *per cent* except in one case where it was 72 *per cent*. Purity and moisture tests could not be conducted due to inadequate quantity of samples supplied. A quantity of 1,021 quintals were supplied to sale centres during November 1985 to February 1986 and due to public complaints about the inferior quality, only 657 quintals (procured in September 1985) valued at Rs.4.53 lakhs could be sold and the balance quantity of 364 quintals was withdrawn from the sale centres and returned to supplier in February 1986. Thus, sub-standard seeds of 657 quintals were distributed to farmers violating the norms prescribed for quality seeds by Government.

(iv) Against capacity of testing 10,000 samples each year, the Seed Testing Laboratory, Bhubaneswar tested during 1980-81 to 1983-84 a total of 35,627 samples of oil seeds and pulses of which 14,493 (40.68 *per cent*) were found to be sub-standard as the seeds were not processed properly; were affected by disease and pests; seeds were mechanically

damaged, physically immature, less vigorous or dead; they lost viability due to improper storage.

3.2.2.8. *Acc-umulation of seeds and loss thereof*

Stores and stock accounts were not maintained in respect of seeds put on sale indicating the period of certification to ascertain whether the seeds were actually issued to farmers within the validity period of the certificate (six to eight months) as also the viability period of seeds. Stock of seeds which lost their viability had either accumulated and been lying in stock or were auctioned for sale at a lesser rate resulting in loss. Cases noticed are as follows:

(i) In Dhenkanal Range, 12,362 quintals of groundnut were procured during 1982-83 at a cost of Rs.65 lakhs for distribution in the State. Of this, 747 quintals were sold to farmers, 6,079 quintals were transferred to Cuttack Range, 2,995 quintals were supplied to other districts and sale centres (June-July 1983) after expiry of their viability, 599 quintals were sold by auction during April-June 1984 (long after the viability period) at a loss of Rs.1.74 lakhs. Of the remaining 1,942 quintals, there was shortage of 187 quintals in weight valuing Rs.1.29 lakhs and 1,755 quintals worth Rs.12.11 lakhs which lost viability were retained in stock the disposal of which is awaited (December 1986). From the stock (6,079 quintals) transferred to Cuttack Range DDA, Cuttack had during 1983-84 sold by auction 78 quintals of groundnut found non-viable at a loss of Rs.0.23 lakh. The relevant records of both the Ranges were seized (June 1984) by Vigilance. Further developments are awaited (December 1986).

(ii) In Koraput Range, 875 quintals of groundnut seeds have accumulated from the year 1979-80 as at the end of March 1985 and the cost of the seeds which had viability of one season only was worked out as Rs.1.15 lakhs. On further verification (December 1986) it transpired that 0.80 quintals of seeds were sold (May 1986) in auction and write-off proposals for 127.03 quintals of seeds were sent (August 1986) to the DA&FP and proposals for write-off of the remaining stock were awaited from field offices.

(iii) In Sambalpur Range, oilseeds of value Rs.0.32 lakh relating to 1981-82 and 1982-83 were sold in auction in February 1984 for Rs.0.07 lakh resulting in a loss of Rs.0.25 lakh.

3.2.2.9. *Excess payment*

An agreement was entered into (1st October 1982) between Government and Orissa State Co-operative Oilseed Growers' Federation Limited (OSCOGF) for supply of 10,000 quintals of groundnut seeds (of J-11 variety) by the latter at Rs.725 per quintal inclusive of purchase tax and other local taxes. The agreement stipulated supply of groundnut seeds between 1st to 15th October 1982 procured from *Rabi* 1982 crop with minimum germination percentage of 70 and purity of 94 *per cent* (prescribed standard is 97 *per cent)* subject to germination test and purity test to be conducted by the Deputy Directors or their representatives within 7 days after supply with condition that the Federation should take back the seeds at their own cost from the district godowns if affected by pest and not conforming to the prescribed standard or unfit for use as seeds. Certificate of test of seeds issued by

the State Seed Testing Laboratory, Bhubaneswar would be final and binding on both the parties.

OSCOGF purchased a total quantity of 8,029 quintals (valued Rs.58.21 lakhs) from the State of Gujarat and supplied between 15th October and 10th November 1982 furnishing a certificate that seeds were the produce of 1981-82 *Rabi* with 85 *per cent* purity against 94 *per cent* stipulated and a sum of Rs.5.57 lakhs was deducted towards 9 *per cent* less purity and another sum of Rs.2.33 lakhs deducted towards purchase tax of 4 *per cent* claimed. OSCOGF had not accepted deduction towards purity on the grounds of non-communication of results of test within 7 days, no opportunity was given for their representation at the time of tests and percentage of purity was communicated after lapse of one year. The department observed (July 1984) that normally the percentage of purity will not change in the sample even after one year. When the supplier threatened to go to Court for arbitration, after discussion (details not known) held in November 1984 with the department, amount of Rs.5.57 lakhs deducted was paid (January 1985) and the purchase tax of Rs.2.33 lakhs was decided by the DA&FP in October 1983 to be released after confirmation from the Commercial Tax authorities. The amount has not been released so far (December 1986).

Thus, non-observance of provisions of agreement had resulted in avoidable payment of Rs.5.57 lakhs.

3.2.3. *Plant Protection Measures*

To minimise losses due to disease and insects attack pests, plant protection (PP) measures comprising

supply of plant protection chemicals and subsidised sale of plant protection equipment were formulated by the department in June 1981; the farmers were encouraged to adopt the PP measures at right time; pesticides and fungicides were sold at 50 *per cent* subsidised rates as an incentive to the farmers.

Pest attacks of oilseed crops were noticed during *Kharif* 1984 in Cuttack, Ganjam, Mayurbhanj, Koraput, Sundergarh, Keonjhar and Balasore districts. The Deputy Director of Plant Protection (Headquarters) stated in January 1986 that requisite information about the control and preventive measures taken had not been furnished by the DDA of the ranges concerned. DDA Headquarters also stated in September 1984 to the DDA, Cuttack, that no adequate pesticides were there for supply and the cultivators were asked by the Deputy Director of Agriculture (plant protection) in September 1984 to purchase them for controlling brown plant hoppers.

As reported by the DDA, Cuttack Range to Deputy Director, Plant Protection in his fortnightly reports during 1984-85 mustard crop was affected by different kinds of pests during 1984-85 *Rabi* over an area of 63,573 hectares in Cuttack Range of which, the department was reported to have controlled 5,400 hectares (8.5 *per cent)* and the farmers themselves controlled an area of 30,203 hectares (47.5 *per cent).* An area of 27,970 hectares (44 *per cent*) was left without any control measures.

According to the report of the Collector, Phulbani for September 1985, there were pest attacks to groundnut and mung crops and the farmers were advised to take preventive measures. There was

no assistance from the department.

In September 1984, Government decided that there should be no departmental purchase of PP chemicals and the subsidised sale should be effected through the OSCMF, OAIC and OSCOGF and not through the departmental sale centres to bring down the all-in-cost price and that the extra money released may be given as subsidy to more farmers. Reports from the districts received in May 1985 by the department (Dhenkanal Range and Sonepur Agricultural districts) indicated that the service co-operatives at the grass-root level were not dealing with the pesticides or were not keeping stocks to enable the farmers to lift them at the subsidised rates.

According to the guidelines (June 1984) of Government of India, pesticides had shelf life of 2 years for solid, 1.5 years for liquid and 1 year for fumigrants but stock registers maintained did not show that issues took place within their life period.

Reports also indicated that in Dhenkanal Range, appointment of pesticide dealers by manufacturers was inadequate in rural areas and the pesticides were not available in service co-operative societies which resulted in low utilisation of pesticides which hampered production.

Test check of departmental records revealed the following:

(i) During 1979-80 in range offices of Dhenkanal, Kalahandi, Sundergarh and Koraput, from the allotments made for PP chemicals, amounts of Rs.0.42 lakh

(out of Rs.0.43 lakh allotted under State Plan) and Rs.0.73 lakh (out of Rs.1.07 lakhs allotted under Tribal Areas Sub-Plan)were not utilised due to non-availability of chemicals with nearest co-operative societies. This amount of Rs.1.15 lakhs was proposed (March 1980) by APO (Oilseeds) for purchase of chemicals to be used for groundnut crop in the subsequent year which was approved by Government but details of purchase and their utilisation were not made available.

(ii) Under the Centrally Sponsored Scheme sanctioned during 1980-81, the DAO, Khurda could not utilise the allotment of Rs.0.21 lakh as there was no compact patch of 10 hectares in any of the blocks.

(iii) In Koraput Range, Rs.0.15 lakh sanctioned during 1984-85 for subsidy on PP chemicals for groundnut remained unutilised as the proposal for utilising the amount for mustard was not approved. The amount was lying unutilised under "Revenue Deposit".

(iv) Rupees 0.89 lakh out of the amount sanctioned during 1984-85 for allowing subsidy on PP chemicals for mustard crop in Koraput Range was utilised on purchase of PP chemicals for demonstrations during 1985-86.

(v) A sum of Rs.0.67 lakh received (as 50 *per cent* subsidy of PP chemicals) to cover 1,110 hectares and Rs.0.17 lakh out of sanction of Rs.2.50 lakhs for covering 2,400 hectares could not be utilised during 1984-85 by the DDA, Cuttack due to late receipt of sanction.

(vi) Rupees 1.47 lakhs from the funds sanctioned during 1984-85 towards subsidy on PP chemicals were paid during May 1985 to the Oilseeds Growers' Federation for coverage of 790 hectares in Cuttack, Puri and Ganjam districts as against Rs.0.79 lakh admissible (at Rs.100 per hectare). Reasons for excess payment of Rs.0.68 lakh and details of chemicals purchased, sold and list of beneficiaries were not made available.

3.2.4. *Plant Protection equipment and ground operational charges*

Test check of departmental records revealed the following:

(i) Against subsidy of Rs.0.80 lakh for supply of 412 numbers of PP equipment during 1979-80 (State Plan) by OAIC, Rs.1.07 lakhs were paid resulting in excess payment of Rs.0.18 lakh.

(ii) During 1984-85, in Cuttack Range, Rs.1.50 lakhs were sanctioned under the Centrally Sponsored Scheme for supply of 600 sets of equipment but only 554 sets involving subsidy of Rs.1.37 lakhs were supplied and the balance amount of Rs.0.13 lakh remained unutilised and was surrendered (March 1985).

(iii) During 1984-85, Rs.1 lakh allotted to Puri Agricultural district under the Centrally Sponsored Scheme towards equipment subsidy was drawn and deposited under Revenue Deposits in March 1985. Orissa State Co-operative Marketing Federation (OSCMF) sold 376 numbers of equipment to the farmers. From the hand receipts obtained from

the farmers by the department as a proof for allowing subsidy, it was seen that receipts (27 numbers) from the farmers were taken earlier to the dates of actual sale which gives rise to suspicion about the actual transaction. This apart, signatures of the recipients were not obtained in 3 cases and in 12 cases dates of receipt were not indicated. The amount (Rs.1 lakh) kept under Revenue Deposits was withdrawn in October 1985; but no payment was made till February 1986 to the supplier reportedly for want of proper acknowledgements from beneficiaries. The amount was, however, paid in March 1986 as the remaining 24 equipments (out of 400) were supplied in January 1986.

(iv) According to the instructions issued by the DA&FP in September 1984, the Range Officers during their tours were required to verify the records maintained by the Village Agriculture Workers (VAWs) regarding identification of compact patches, beneficiaries eligible for subsidy and ground operational charges. No records showing such verification during the visit of the DDA were forthcoming in the Range Offices.

3.2.5. *Distribution of minikits*

Under a Central Sector Programme, distribution of Minikits of oilseeds (consisting of a small quantity of seed along with seed dressing chemicals) free of cost to farmers was in operation from 1979-80. The Programme envisaged popularising the latest improved varieties to achieve better coverage of area by making available seeds of high yielding varieties in all the villages of the State and their subsequent spread by exchange of seeds at the farmers

level. Progressive farmers (contact farmers) were to be selected for giving the minikit.

According to the guidelines circulated (August 1983) by the Government of India, the Programme should be formulated at the State level under the Chairmanship of DA&FP, Orissa and the State Level Committee was required to evaluate and furnish detailed reports to the Commodity Directorates at Lucknow/Hyderabad of the Government of India about the area and farmers (small/marginal, SC and ST farmers) covered, quality/variety of seeds distributed with increase in yield and overall impact of the Programme. Though the State Level Committee was formed in the year 1985 evaluation of the Minikit Programme to study the impact of the Programme was not attempted at all.

Test check of departmental records revealed the following points:

(i) Against Rs.0.16 lakh sanctioned in January 1983 for supply of 80 minikits with 40 quintals of groundnut for conducting demonstrations in farmers fields in Puri Range, minikits were supplied with 20 quintals only incurring full expenditure. The less supply of seed was not adequately explained.

(ii) Although during 1981-82, (*Kharif* and *Rabi)* demonstrations were contemplated by supply of 200 minikits of sunflower, not a single demonstration was conducted reportedly for want of seeds. Again out of 200 sunflower demonstrations contemplated in 1981-82 with supply of minikits, only 80 were conducted reportedly due to non-availability of seeds.

(iii) During 1983-84, out of a sum of Rs.9.32 lakhs (for Mustard: Rs.8.72 lakhs; Linseed: Rs.0.10 lakh; Niger: Rs.0.30 lakh and for Sun-flower: Rs.0.20 lakh) sanctioned for minikits only Rs.6.12 lakhs were spent and Rs.3.20 lakhs (Rs.2.87 lakhs mustard: Rs.0.10 lakh Linseed and Rs.0.23 lakh on Niger) could not be utilised due to late receipt of sanction and non-availability of seeds. Similarly, a sum of Rs.0.20 lakh sanctioned in 1984-85 towards sunflower minikit demonstrations was not utilised due to non-availability of seeds. In respect of mustard minikit demonstrations, Rs.0.57 lakh out of Rs.0.80 lakh sanctioned was spent. Although demonstrations were not conducted in full, fertiliser allotment of Rs.6.06 lakhs (Mustard: Rs.5.56 lakhs and Sun-flower: Rs.0.50 lakh) was shown as utilised by the APO (Oilseeds) of the Directorate.

(iv) To ensure proper utilisation, the DA&FP, Orissa prescribed (August 1983) percentage check of minikit distribution by the DDA, DAO, ADAO, etc., but no such check was conducted during 1983-84 and 1984-85; minikit registers were not maintained as required in Puri Sadar and Brahmagiri Blocks.

(v) During 1984-85, 13,670 groundnut minikits were targeted at a cost of Rs.13.67 lakhs. Full achievement was shown by the APO (Oilseeds), but it was seen from records that 1,664 numbers of kits valued Rs.1.98 lakhs were only received and distributed. Details of receipt and distribution for balance of quantity and amount have not been furnished to Audit.

It would be seen from the above that Programme of minikit distribution/demonstration was

not based on actual availability of essential inputs like seeds and the performance had not the desired impact.

3.2.6. *Distribution of fertilisers*

Fertiliser being an important input for increasing the productivity of oilseeds, the Programme envisaged increased use of fertilisers and provided for subsidy (25 *per cent* of cost in case of Phosphate and Rs.200 per tonne for gypsum).

Under Centrally Sponsored Plan, during the year 1984-85, an expenditure of Rs.5.10 lakhs was incurred for covering an area of 8,500 hectares; under the State Plan, during the period 1980-81 to 1984-85, against targeted coverage of 22,125 hectares at a sanctioned cost of Rs.33.83 lakhs, 11,640 hectares only were covered at a cost of Rs.31.62 lakhs. Reasons for low coverage of area at a high cost of input of fertilisers were not investigated and furnished.

The following points were seen:

(i) During 1981-82 (State Plan) DAO, Puri received Rs.2.22 lakhs towards 50 *per cent* subsidy of fertilisers. The amount was shown as utilised towards purchase of IFFCO fertilisers and distributed to oilseed growers. Though subsidy was to be paid to the beneficiary farmer on proof of purchase of balance 50 *per cent* of the required fertilisers it was seen that details of area-wise distribution, beneficiaries, quantity purchased by the beneficiaries, permits issued by the DAO to co-operative societies towards allowing 50 *per cent* subsidy were not available. No stock entry certificate was recorded on

vouchers. Even where recorded, it did not reflect the correct position of receipt.

(ii) A sum of Rs.1.97 lakhs out of allotment of Rs.3.69 lakhs for 1984-85 (State Plan) towards subsidy on groundnut seeds were surrendered by the APO (Oilseeds) due to non-utilisation.

(iii) Subsidy amount of Rs.0.31 lakh drawn by the APO in March 1985 was credited to Revenue Deposit and ultimately credited to State receipt in July 1986.

(iv) Assistance towards subsidised sale of fertilisers for Oilseeds Development Programme was found to be very meagre when compared to actual coverage of crops. Scrutiny of records in respect of Dhenkanal and Puri Ranges revealed the following:

Year	District	Actual coverage of crop area (In lakh hectares)	Coverage by supply of fertilisers (In hectares)	Percentage
(1)	(2)	(3)	(4)	(5)
1983-84	Puri	0.38	NIL	NIL
1984-85	Dhenkanal	1.70	2,050	1.21
	Puri	0.41	486	1.18

(v) According to the policy of Government, fertiliser should be available at the farmers' doorstep. Government decided that the dealers of fertilisers

should be 45 *per cent* from co-operatives, 15 *per cent* by OAIC and 40 *per cent* from private parties from the year 1976-77. The study made by State level workshop from the records compiled by the department for 1981-82 revealed that the co-operatives and the outlets of Orissa Agro Industries Corporation (OAIC) together accounted for 32 *per cent* against 60 *per cent* envisaged.

3.2.7. *Subsidy on Irrigation*

Productivity of irrigated crop, especially groundnut, was substantially higher than rainfed crop (unirrigated) and provision was accordingly made under Centrally Sponsored Plan for intensive cultivation of groundnut under irrigated conditions for which irrigation subsidy was available. From 1983-84, subsidy on cost of irrigation was fixed at Rs.200 per hectare in *Kharif* season and at Rs.125 per hectare in *Rabi* season.

Test check of departmental records revealed the following:

(i) A sum of Rs.0.50 lakh for 1984-85 credited to Civil Deposits (March 1985) was placed (November 1985) by the Dhenkanal Range after redrawal at the disposal of the Executive Engineer, Lift Irrrigation Corporation (Dhenkanal Division) for providing irrigation to groundnut cultivators during summer of 1985-86. Details of number of Lift Irrigation points working, beneficiaries, amount of water charges paid, by the cultivators were not made available (November 1985).

(ii) Rupees 1.25 lakhs allotted as irrigation subsidy during 1984-85 was surrendered in March 1985

by the DDA, Puri as the sanction was received late and there was no scope for utilisation within the short period.

(iii) Out of an allotment of Rs.6.60 lakhs sanctioned during 1984-85, Dhenkanal Range received Rs.0.50 lakh and deposited with the Lift Irrigation Corporation (Dhenkanal Division); Rs.6.10 lakhs drawn was lying with the Directorate unspent (December 1986) in the shape of Deposit-at-call Receipts (DCR).

The amounts drawn were thus not utilised during the year of sanction and kept in the shape of DCRs, Bank drafts and Revenue Deposits for utilisation in subsequent years.

3.2.8. *Monitoring and Evaluation*

The Programme Committee at the State Level was responsible to undertake evaluation study and furnish detailed reports thereon to the Directorate of Oilseeds Development, Hyderabad as well as to the Government of India. The State Level Committee formed in the year 1985 did not undertake evaluation study on the impact of the programme. No effective monitoring was done since there was no system to ensure correctness of the figures reported by the Ranges; production figures reported were not based on actual crop-cutting/joint crop cutting survey.

Summing up

- Against budget provision of Rs.3,60.10 lakhs during 1980-85 for the Programme, an expenditure of Rs.2,35.91 lakhs was reported by the Directorate to Government, on the basis of which

the Central assistance admissible was Rs.1.35.26 lakhs, while the assistance released was Rs.1,49.43 lakhs.

The anticipated yield of oilseeds during 1984-85 was 8.925 quintals per hectare whereas the actual yield was 7.069 quintals per hectare which was also less than the yield rate in the preceding three years.

Funds sanctioned were not utilised for demonstrations but utilised mainly in purchase of fertilisers and pesticides; details of demonstrations conducted were not adequate; less demonstrations were conducted with more funds.

The production figures reported were not based on actual crop cutting survey.

Departmental supply of quality certified seeds varied during 1982-85 from 0.12 *per cent* to 6.1 *per cent*. From 1967-68 to 1981-82, it was hardly 2 to 3 *per cent* of requirement.

Quality tests of the seeds being used by the farmers were not conducted.

Sub-standard seeds worth Rs.19.14 lakhs were noticed to have been supplied by the department/OSSC to farmers/demonstrations.

Local germination tests were not conducted and certificate tags were not given for seeds put on sale. Stocks of value Rs.13.26 lakhs which lost their viability were accumulated resulting in a loss of Rs.2.22 lakhs; loss on account of shortage of seeds stored was Rs.1.29 lakhs.

- On purchase of sub-standard seeds there was excess payment of Rs.5.57 lakhs to a supplier.

- Details of cropwise adjustment of seed subsidy amounting to Rs.26.33 lakhs during 1980-85 drawn as Central assistance were not available with the Department.

- Pest attacks to oilseed crop were noticed in *Kharif* 1984 in 7 districts; information about the preventive measures taken were not intimated by the DDAs concerned to DA&FP.

- Funds to the extent of Rs.1.15 lakhs drawn during 1979-80 were decided to be utilised in purchase of pesticides during 1980-81; details of utilisation were not furnished.

- On distribution of fertilisers at subsidised cost, during 1980-85, under the State Plan Scheme, coverage of 22,125 hectares with subsidy of Rs.33.83 lakhs was programmed against which 11.640 hectares were covered and subsidy of Rs.31.62 lakhs was allowed without assigning any reasons for low coverage at high cost of input.

- Irrigation subsidy available for *Rabi* cultivation under irrigation conditions remained largely unutilised (Rs.6.10 lakhs) and where utilised (Rs.0.50 lakh), the beneficiary-wise details were not made available.

The matter was reported to Government in August 1986; reply is awaited (May 1987).

3.3. Pulses Development Programme

3.3.1. *Introduction*

3.3.1.1. Pulses provide the cheapest protein nutrition to the people of vegetarian diet. To augment the production of pulses for bridging the gap between the demand and supply of pulses and for providing the much needed nutrition to the people, the State launched a scheme on Pilot Project Demonstration from 1972-73 as a State Plan Scheme. Besides, a Centrally Sponsored Plan Scheme "Intensive Pulses Development Programme" was also undertaken at the same time to supplement the efforts of the State with *cent per cent* assistance upto 1978-79 and *50 per cent* assistance from 1979-80 when the State Sector scheme was merged with the Centrally Sponsored Scheme.

The main objectives of the Programme are increasing production of pulses by increasing the area under various pulse crops and increasing the productivity by distribution of improved varieties of pulse seeds and adopting improved technology (agriculture practices).

The production strategy adopted in the Sixth Five Year Plan period included *inter-alia* extension of pulses in irrigated area; bringing additional area under short duration varieties of pulses in the rice fallows utilising the residual moisture in *Rabi* season; cultivation of short duration varieties of mung with irrigation in summer after oil seeds, sugar-cane, potato, wheat as cash crops; inter-cropping of arhar in soyabean, bajra, cotton, sugar-cane and ground-nut, both under irrigated and unirrigated conditions; multiplication and use of improved pulse

seeds, use of phosphatic fertilisers and rhizobium culture, adoption of plant protection measures, price support and propagation of latest technology.

3.3.1.2. The Programme comprises Centrally sponsored schemes and Central sector schemes. The pattern of Central assistance for the main components are indicated below:

Components of the Programme	Rate of subsidy 1980-85
I. Demonstration	50 *per cent* or Rs.375 per hectare
II. Breeder seed	50 *per cent* or Rs.200-Rs.500 per quintal depending on the variety of seed produced.
III. Foundation seed	100 *per cent* or Rs.150 per quintal
IV. Certified seed	100 *per cent* or Rs.150 per quintal
V. Truthfully labelled seed	100 *per cent* or Rs.100 per quintal
VI. Plant Protection Chemicals	50 *per cent*
VII. Plant Protection Equipment	50 *per cent* subject to maximum of Rs.250 per piece.

Components of the Programme	Rate of subsidy 1980-85
VIII. Operational charges	100 *per cent* -Rs.15 per hectare for ground spraying and Rs.27.50 per hectare for aerial spraying.
IX. Rhizobium Culture (Production and strengthening of laboratories)	50 *per cent*
X. Staff at State level	50 *per cent*

3.3.1.3. *Organisational set up*

The Programme is executed under overall charge of Director of Agriculture and Food Production (DAFP), Orissa assisted by the Deputy Director of Agriculture (Pulses) at Headquarters, Range Officers, District Agricultural Officers (DAOs), Assistant District Agricultural Officers (ADAOs), at the district level and Agriculture Extension Officers (AEOs) at block level. To look after the entire programme of the Centrally Sponsored Scheme, specific staff has been provided at the State Headquarters and important pulse growing districts for which assistance is provided by the Centre. The Agriculture Deaprtment of Government looks after effective implementation and superyision of programme.

3.3.2. *Targets and achievements*

(i) Physical

Year	Area coverage		Production		Yield	
	Target	Achievement	Target	Achievement	Target	Achievement
	(In lakh hectares)		(In lakh tonnes)		(In quintals per hectare)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1980-81	19.71	17.26	9.90	8.86	5.023	5.133
1981-82	20.35	18.74	10.75	10.45	5.283	5.567
1982-83	21.93	16.16	11.68	9.37	5.325	5.798
1983-84	19.13	20.37	10.89	10.59	5.694	5.199
1984-85	21.03	20.45	11.59	10.72	5.515	5.242

(ii) Financial

Year	Budget	Expenditure as reported	Admissible share of expenditure		Amount released as Central assistance
			Centre	State	
			(Rupees in lakhs)		
(1)	(2)	(3)	(4)	(5)	(6)
1980-81	4.65	27.95	11.05	16.90	13.26
1981-82	30.28	33.55	16.70	16.85	11.56
1982-83	48.58	29.13	16.28	12.85	14.26
1983-84	37.59	34.21	17.91	16.30	13.46
1984-85	45.94	29.79	15.44	14.35	8.64
Total	167.04	154.63	77.38	77.25	61.18

In the State, the acutal yield per hectare was around 5.1 quintals at the beginning of the Sixth Plan. The Sixth Plan envisaged the annual growth rate of 6.5 *per cent* and accordingly the yield rate per hectare at the end of 1984-85 should have been 6.610 quintals against which 5.242 quintals were achieved as yield per hectare by the department. Moreover, on the basis of actual area covered (20.45 lakh hectares) the production should have reached 13.52 lakh tonnes in place of 10.72 lakh tonnes shown at the end of 1984-85. As regards financial position, it would be seen that expenditure in a year was incurred without reference to the budget provision. On the basis of expenditure figures reported, the Central assistance admissible during 1980-85 was Rs.77.38 lakhs, while the actual release was Rs.61.18 lakhs.

3.3.3. Test check (September 1985-April 1986) of the records of Agriculture department for the years 1980-81 to 1984-85 at Government level, Deputy Director of Agriculture (Pulses) at the Directorate level, Deputy Directors of Ranges at Cuttack, Dhenkanal, Balasore, Puri and Jeypore and six out of 30 Agriculture districts at Cuttack, Dhenkanal, Balasore, Puri, Khurda and Jeypore, revealed the following:

(i) *Inadequate methods of demonstrations*

The programme contemplated laying out extensive demonstration of different pulse crops in selected farmers' fields to educate the farmers in use of improved techniques with a view to have higher yield by adopting improved package of practices. The cost of demonstration would be shared

by the Centre and State Government on 50:50 basis with effect from 1979-80. The demonstrations conducted were found to be inadequate involving an expenditure of Rs.4 lakhs as detailed below:

(a) For summer mung development demonstrations, DDA, Puri received allotment of Rs.0.23 lakh during 1983-84 which was stated (December 1985) to have been spent on purchase of fertilisers and pesticides but no seeds were purchased or demonstrations conducted due to late receipt of allotment in August 1984 for summer mung. No beneficiary lists showing utilisation of inputs as stated in December 1985 by the Deputy Director to have been used in subsequent season, were available.

(b) In Nayagarh and Daspalla sub-division, the DDA, Puri decided in October 1984 to give 50 KGs of Di-Ammonium Phosphate (DAP) per acre free of cost and the seeds were to be arranged by the participating farmers themselves while 50 per cent cost of irrigation was to be provided as irrigation subsidy during 1984-85. By the time funds were allotted in December 1984, the DAP worth Rs.0.24 lakh was given to cover an area of 128 acres when the sowing season for mung was over in November 1984 and for T.9. Biri in 2nd fortnight of December. Reports about details of sowing, irrigation subsidy provided, beneficiaries involved etc., were not available on record as the information was stated (April 1986) to have not been received in Range Office from field offices.

(c) During summer of 1982-83, 78 demonstrations on mung, targeted at a cost of Rs.0.13 lakh in Dhenkanal Agriculture District, were not taken up for

want of seeds as the seeds to be used were determined by the DDA as prone to yellow mosaic (a disease). Instead, T.9. Biri demonstrations were taken up during *Rabi* 1983-84 along with Mung. Against 78 demonstrations conducted, the result sheets of 47 received (Mung-29 and Biri-18) indicated that though the sowing season was over before November 1983, actual sowing was done between November 1983 and March 1984; against requirement of 4.70 quintals of seeds for demonstration, only 1 quintal of mung and 0.7 quintal of T.9. biri were supplied; against requirement of 32.90 quintals (at 0.70 quintal per demonstration) of single super phosphate, the actual utilisation in demonstration was 3.50 quintals resulting in inadequate demonstration.

(d) Fiftyeitht numbers of pulse demonstrations during 1981-82 *Rabi* sanctioned at a cost of Rs.0.16 lakh could not be conducted by the DAO, Dhenkanal due to non-availability of seeds. The entire amount was spent unauthorisedly for purchase of fertilisers during *Kharif* of 1982-83.

(e) In November 1981, the DA&FP allotted 116 demonstrations in respect of different pulses (mung, biri, gram, pea) to be conducted in Dhenkanal Agriculture district during 1981-82 summer *Rabi* but demonstrations were not conducted at all as stated (February 1986) by the DAO, Dhenkanal, due to non-availability of seeds. Entire amount of Rs.0.13 lakh allotted was spent on purchase of fertilisers. Progress reports for March 1982, however, showed performance of 116 demonstrations.

(f) Summer mung seeds (Pusa Baishakhi variety) sown during March-April 1983 after demonstration

in Keonjhar Range did not flower even by June 1983 (flowering comes within one month of sprouting for this variety) in two blocks in cultivated area of 7 hectares. The Director suggested to Deputy Director of Agriculture in July 1983 for examination of left over stock to ascertain whether the correct variety of seeds were used, but no report in this regard was available.

(g) Against 125 summer mung demonstrations, sanctioned at a cost of Rs.0.11 lakh during 1984-85, in Koraput Range, only 91 demonstrations were conducted. Pesticides and Rhizobium culture packets required and included in the cost of demonstration were not supplied to the farmers as stated in April 1986 by the Deputy Director of Agriculture, Koraput Range due to insufficient allotment of funds.

In March 1984, Government sanctioned Rs.3 lakhs for summer mung development during 1983-84. The entire amount drawn in March 1984 remained unutilised and in May 1984 the DA&FP observed that as the summer mung cultivation was over, there was no scope for utilisation of funds. The DA&FP authorised utilisation of funds drawn in March 1984, for summer mung development during 1984-85 but fresh sanction of Government for such deviation was not obtained.

It was found that demonstrations were not conducted in time with full package of practices; inputs were not supplied as per guide-lines and result sheets in proof of demonstrations having been conducted were not available.

(ii) *Irregular assessment of yield*

(a) In four blocks of Cuttack Sadar Agriculture district no joint crop cutting with the Bureau of Statistics and Economics as envisaged was done in respect of pulses like Mung, Biri, Kulthi and Arhar.

(b) In Puri district, the average yield rate for *Kharif* 1983-84 was reported to have been calculated on the basis of joint crop cutting result. Test check, however, revealed that in 12 out of 14 blocks in Agriculture district, Khurda, there were no figures of average yield in respect of biri, but production was shown as 3,137 tonnes. Production figures in respect of biri (*Kharif* 1983-84) did not indicate whether it was based on dry weight or green-weight basis. In respect of Mung, there were no reports of average yield (*Kharif* 1983-84) in 13 blocks though production was reported on all these blocks on green-weight basis.

(c) In Nowrangpur Agricultural District (Koraput) production figures were not based on crop cutting results for *Kharif* 1982-83 but were worked out by multiplying the estimated area of arhar, biri and other pulses with 5 quintals per hectare and mung with 6 quintals per hectare respectively. For the year 1984-85, the production figure was worked out for the range by multiplying the area of 1983-84 (71,203 hectares) by 6 quintals per hectare and deducting a loss of 15 *per cent* therefrom. In fact, there was no basis for the yield rate for 1983-84. Thus production figures reported were based on theoretical calculations only.

For realistic assessment of area and actual production, Government had issued instructions (1983-84) that crop survey/crop cutting reports should be signed jointly by the field staff to the Bureau of Statistics and Economics and the staff of the Directorate. It was found (February 1986) that joint reports were not available on the actual average yield and the figures were reported on the basis of departmental progress reports compiled by the Chief Statistician of the department.

(iii) *Production and distribution of seeds*

The Sixth Plan envisaged production of seeds of short duration and improved varieties which were not available in adequate quantities. While circulating proposed outlays for Sixth Plan, the Central Government proposed to produce breeder seeds which were to be multiplied into foundation seeds and turn to be multiplied into certified/truthfully labelled seeds for meeting the needs of the farmers. The quantum of production and distribution of seed was as follows:

(a) *Breeder Seeds:*

Pulse Specialist, Nayagarh (District Puri)was entrusted with production of breeder seeds at Pulse Research Station(functioning from the year 1966-67). The expenditure on production was to be treated initially as on contingencies of the Research Station. Based on the quantum of produce of breeder seeds, the amounts were to be drawn as expenditure on the schemes for which the seeds were produced and deposited with the Research Station at Rs.500 per quintal for mung, biri and cowpea, at Rs.350 per quintal per lentil and at Rs.300 per

quintal per arhar. Between 1980-81 and 1984-85, breeder seed multiplication contimplated was for a quantity of 137 quintals at a cost of Rs.0.45 lakh. However, the actual production was 34.98 quintals (25.35 *per cent* of target) and the amount realised was Rs.0.26 lakh. Actual expenditure incurred from the contingencies of the Pulse Research Station was not available separately in respect of production of pulse breeder seeds.

During 1984-85, the programme sanctioned by the Government of India for Rs.22.80 lakhs included production of 28 quintals of breeder seeds at a cost of Rs.0.10 lakh. The scheme sanctioned by the State Government in February 1985 (cost of Rs.19.40 lakhs) excluded the provision for production of breeder seeds and as reported by the Pulse Specialist the production was not taken up due to want of irrigation water.

(b) Foundation seeds

Foundation seeds were multiplied from breeder seeds mainly in Government farms, State Agricultural University and National Seeds Corporation. It was seen that there was no production programme during 1980-81 and 1981-82 whereas during 1982-83 to 1983-84, against a target of 300 quintals (cost Rs.0.45 lakh), the actual production was 290 quintals and in 1984-85 the amount of Rs.0.30 lakh allotted (June 1984) was withdrawn (February 1985), reasons for which were not on record.

(c) Production and distribution of certified seeds/truthfully labelled seeds

Certified seeds were produced mainly by National Seeds Corporation, State Seeds Corpora-

tion and Government farms. Seeds before certification were however, subjected to test to ascertain germination and purity and the State Seeds Certification Agency was entrusted with certification of seeds; *cent per cent* Central assistance was available for production and distribution of certified seeds.

Seeds were purchased from various sources by DA&FP, Orissa meeting the cost from Personal Ledger (PL) Account opened for the purpose; all-in-cost price for different seeds was arrived at by adding incidental expenses, losses in different seasons of *Kharif* and *Rabi*; the sale rate during a season was approved by Government. The difference between all-in-cost price and sale price represented the subsidy admissible for each variety of seed. Subsidy under different Central Schemes and all receipts on sale of seeds were credited to PL account.

Scrutiny of records revealed the following:

(i) During 1980-81, Rs.9 lakhs were provided towards subsidy for distribution of 6,000 quintals of pulse seeds at the rate of Rs.150 per quintal against which a susbsidy claim of Rs.8.66 lakhs towards reported distribution of 5,775 quintals of pulses, was received during *Kharif* and *Rabi* 1980-81 from the Orissa State Seeds Corporation (OSSC). But neither the details of distribution made by OSSC nor the final disposal of the claim were made available by the DA&FP even though asked for. Besides, an amount of Rs.2.12 lakhs was adjusted in March 1981 as subsidy on departmental sale

of 1,412 quintals to cultivators, details of which were also not made available by the DA&FP.

(ii) The subsidy admissible for certified seeds was Rs.150 per quintal and that admissible for truthfully labelled seeds of mung and biri was Rs.100 per quintal. Btween October 1981 and March 1982, Government sanctioned Rs.7.15 lakhs as Central Seed subsidy for 2,463 quintals of certified seeds and 3,450 quintals of truthfully labelled seeds of mung and biri which was credited to the PL account as Central subsidy. Against this, a total quantity of 4,655 quintals (2,565 quintals of certified seeds and 2,090 quintals of truthfully labelled mung and biri seeds) was distributed as admissible subsidy working out of Rs.5.94 lakhs. This resulted in an excess adjustment of Rs.1.21 lakhs towards Central subsidy in PL Account.

(iii) Against subsidy of Rs.9.72 lakhs sanctioned in October 1982 (Rs.6 lakhs) for sale of 5,621 quintals of Truthfully Labelled (TL)/Certified seeds and in March 1983 (Rs.3.72 lakhs) for sale of 3,720 quintals of TL mung seeds, a total quantity of 17,133.14 quintals of pulse seeds (both certified and TL variety) were sold during 1982-83 to the farmers raising the expenditure on seed subsidy to Rs.18.66 lakhs and exceeding the total sanction by Rs.8.94 lakhs due to floods in Cuttack and Puri districts during monsoon of 1982.

(iv) An amount of Rs.0.69 lakh was credited to PL Account during 1983-84 representing claim made by OSSC for supply of 345 quintals of summer mung seeds at Rs.200 per quintal; the details of claim were not available with the DA&FP.

(v) Government accorded (February 1985) sanction of Rs.6.98 lakhs towards seed subsidy (2,325 quintals of certified seeds at Rs.200 per quintal and 2,325 quintals of TL seeds at Rs.100 per quintal) under special summer mung programme. Only 1,871 quintals (break-up under certified and TL variety was not available) of mung could be supplied to sale centres for sale during 1984-85 *(Kharif* and *Rabi)* and the same figures were not ascertained by the DA&FP. However, the entire amount of Rs.6.98 lakhs was adjusted to PL Account by DA&FP recording a certificate that seeds would be distributed at subsidised rate. Evidently therefore subsidy was adjusted as sanctioned without any reference to sales effected.

(d) Departmental supply of seeds

Full quantity of seeds required for cultivation as per norms were not supplied to the farmers by the department during the period 1982-83 to 1984-85 *Rabi* Kharif seasons; the departmental supply varied from nil to 7.8 *per cent* of requirement as per details given in Appendix 3.1.

Most of the seed requirements were met by the farmers themselves from local sources. At the national level Seeds Conference held at New Delhi on 20th August 1983, it was proposed that for 1983-84 *Rabi*, seed replacement rates (replacement by distribution of quality seeds against local/traditional seeds used by farmers) should be 17.4 *per cent* for mung and 11.2 *per cent* for biri. It was found that the departmental distribution itself during 1983-84 *Rabi* in Dhenkanal and Puri Agriculture Districts was a maximum of 1.14 *per cent* of total requirement.

DDA, Dhenkanal stated in November 1985 that the farmers exchange seeds multiplied from the certified seeds supplied to other farmers by the department without depending entirely on Government. DDA, Puri stated in December 1935 that even though indents were placed with OSSC quite in advance, supplies were not timely and further, the low off-take from departmental sale centres was due to lack of sufficient sale points in rural areas; farmers were trained to maintain their own seeds to avoid dependence on Government; farmers had lost faith on departmental seeds after "Parijat Scandal", in which fake variety of paddy seeds were supplied due to which crops failed resulting in loss and misery to farmers.

According to the OSSC, non-availability of foundation seeds particularly pulses and groundnut was the major constraint in achieving targeted production of certified seeds.

(e) Quality test of seeds used by the farmers

More than 90 *per cent* of seeds used by the farmers were from their own sources and hence were not tested as to their quality. The DA&FP, Orissa issued instructions to the districts in January 1985 to draw up village-wise programmes covering all the contact farmers and progressive farmers and collect seed sample with other detailed information like methods of threshing, storage, period of harvesting etc., for all types of crops and for all types of farmers. The samples after collection were to be sent for testing at the State Seed Testing Laboratory, Bhubaneswar for ascertaining quality before use but such tests were not conducted any where in the State.

(f) Supply of sub-standard seeds

The department was required and expected to supply good quality seeds to the farmers being an essential input for boosting production and yield rate. The following were the instances were sub-standard seeds were supplied.

(i) Out 110 quintals of T-9 biri seeds valuing Rs.0.55 lakh supplied to the different blocks in Cuttack district during January - April 1981, demonstration of seeds (1.20 quintals) conducted during *Rabi* 1981 (February to March 1981) in Niali Block in 23 villages showed failure of crop on account of defective seeds; T-9 biri seeds sown (2.88 quintals) during March-April 1981 in Niali and Kantapada blocks could not yield due to wrong variety of seeds.

(ii) In Koraput (Jeypore) Range 38.97 quintals of Arhar seeds valuing Rs.0.31 lakh supplied to sale centres between April and May 1984 were partially attacked by pest and were not suitable for sowing.

(iii) During 1980-81 to 1983-84, against capacity of testing 10,000 samples each year, the Seed Testing Laboratory, Bhubaneswar tested 35,627 samples of pulses, oil seeds and found 14,493 samples (40.68 *per cent)* to be sub-standard.

1-2-89

(g) Stock of seeds loosing viability

It was found in Audit that stores and stock accounts were not maintained in respect of the seeds put on sale indicating the period of certification of seeds so as to ascertain whether the

seeds were actually issued to farmers within the validity period of the certificate and also within the viability period of the seeds. Large stock of seeds which had lost their viability accumulated and are still lying in stock or were auctioned at prices lower than the all-in-cost price in the following cases:

(i) In Cuttack Range 92.36 quintals of T-9 Biri seeds valuing Rs.0.58 lakh were not found viable at the end of 1983-84 and were reportedly put to auction. The relevant records were seized by vigilance and hence the value realised and the quantity disposed of in this regard could not be ascertained.

(ii) In Koraput Range 710.85 quintals of pulse seeds costing Rs.4.45 lakhs accumulated in stock from 1979-80 as at the end of March 1985 and are still carried over without any action for their disposal.

(iii) In Sambalpur Range pulse seeds of value Rs.1.62 lakhs relating to 1981-82 and 1982-83 were sold in auction in February 1984 for Rs.0.33 lakh resulting in a loss of Rs.1.29 lakhs.

(h) Local germination tests

According to the instructions of Government, before any seeds were put on sale for supply to farmers, those were required to be tested (local germination test) and certificate tags given indicating the validity period of the certification of such seeds (generally valid for six to eight months).

In Puri Range local germination tests were not conducted in respect of 290.28 quintals of T-9 biri, mung, arhar, field pea seeds supplied by OSSC and distributed mainly for use in kits under Massive Programme between July 1984 and October 1985. The effective use and performance of kits in the programme were not kept on record.

(i) Extra avoidable expenditure in purchase of biri seeds and recoveries from suppliers

The Deputy Director of Agriculture (DDA), Puri Range procured 3,606.5 quintals of local biri seeds at the rate of Rs.450 per quintal (excluding the cost of gunny and purchase tax) between September and October 1982 based on the quotations obtained from four dealers of Khurda and Puri. The prescribed purchase procedure of inviting open tenders with wide publicity and acceptance of lowest one was not adopted on the grounds of urgent requirement for flood as per instructions of the Directorate. Prevailing market rate at the time of purchase as per Market Intelligence Inspector was Rs.360 per quintal. Non-observance of prescribed procedure and executive instructions issued by Government to effect purchase from Orissa State Seeds Corporation had resulted in extra avoidable expenditure of Rs.3.25 lakhs computed with the local market rate.

3.3.4. *Plant protection measures*

(a) As pulses are highly vulnerable to disease and pest attacks, the programme was intended to avoid loss of pulse crop due to disease and insect/pest attacks. To minimise such losses, plant protection measures comprising supply of plant protection chemicals and subsidised sale of plant protection equipment were formulated and the

farmers were encouraged to adopt the plant protection measures at right time. As an incentive to the farmers, pesticides and fungicides were sold at subsidised rates varying from year to year and crop to crop.

Scrutiny of records revealed the following:

(i) Under Centrally Sponsored Plan scheme during 1981-82, for covering 8,000 hectares, Rs.2.40 lakhs were allotted (at Rs.30 per hectare at 25 *per cent* subsidy) of which, only 7,133 hectares were covered showing full utilisation of subsidy. This resulted in excess adjustment of Rs.0.26 lakh towards Central subsidy.

(ii) No targets were fixed for the State Plan Scheme from 1981-82 to 1984-85. In April 1982, Government sanctioned Rs.18.22 lakhs for Pulse Development Programme which included Rs.2.50 lakhs for P.P. Chemicals. It was revised from time to time and finally stood at Rs.9.70 lakhs (February 1983) utilised for purchase of phosphatic fertilisers and the balance Rs.8.52 lakhs was diverted for Ganja cultivation by the Directorate without any specific authority of Government. The diversion is still pending regularisation.

(iii) For the Jeypore Agriculture Range, Rs.18.34 lakhs were sanctioned for the programme which included Rs.3.03 lakhs towards prophylactic spray which was surrendered as it was decided not to give any pesticides free of cost during the year.

(iv) Pest attacks of pulse crops were noticed during *Kharif* 1984 and *Rabi* 1985-86 in Puri, Balasore, Cuttack, Kendrapara, Jajpur, Ganjam, Mayurbhanj, Koraput, Sundergarh and Keonjhar agricultural

districts. The Deputy Director of Plant Protection (Headquarters) stated (January 1986) that the requisite information about the control and preventive measures taken had not been furnished by the DDA of the ranges concerned. The Deputy Director also stated to DDA, Cuttack in October 1984 that no adequate pesticides were there for supply and the cultivators were asked to purchase them for controlling brown plant hoppers.

(v) During 1981-82 and 1982-83, 705 and 194 sprayers respectively were supplied to pulse growers, for which an amount of Rs.2.25 lakhs was payable to Orissa Agro Industries Corporation and Orissa Marketing Federation (OSMF) being the dealers at Rs.250 for each sprayer (in both the cases) against which, Rs.2.55 lakhs were paid (March and September 1982) resulting in excess payment of Rs.0.30 lakh still remains to be recovered from the dealers.

(vi) As per guidelines issued by Government of India, subsidy under the programme was payable to actual growers only. Certificates furnished by AEOs at block level did not indicate that the beneficiary was a pulse grower.

(vii) (a) During 1982-83 and 1983-84, Rs.0.50 lakh allotted in each year was drawn by DA&FP but details of equipment supplied along with beneficiary lists etc., were not made available.

(b) Towards subsidy for 400 sprayers, a sum of Rs.1 lakh was drawn (March 1985) and kept in shape of deposit at call-receipt by the Directorate for utilisation under Intensive Pulse Development

but details of adjustment of subsidy were not available (March 1986).

3.3.5. *Distribution of Rhizobium culture*

For increasing the production of pulses under low cost technology, rhizobium inoculation culture evolved by research is an important component. To enable mass production of rhizobium culture packets for distribution to farmers either free of cost or at nominal cost, the Centre provided grants for equipping the microbiological laboratories and subsidised the cost of production. Laboratories established at Bhubaneswar, Balasore and Sambalpur produced rhizobium culture packets for sale to cultivators. During 1980-85, Rs.3.14 lakhs were spent and 68,904 rhizobium culture packets were produced at a cost of Rs.4.56 for each packet excluding overhead charges. The subsidised sale rate was fixed notionally by the department at 50 paise per packet.

Results of test check of records of Mycologist, Bhubaneswar indicated as follows:

(i) Against annual production capacity of 1.40 lakh packets (279 days at 500 packets per day), the production at Bhubaneswar laboratory during 1980-85 varied from 6,832 (1982-83) to 13,695 packets (1981-82) and thereby reduced to 10 *per cent* of the production capacity due to problems of electricity and less laboratory space as reported by the Mycologist, Bhubaneswar in January 1986.

(ii) The period of viability of the packets produced is only one month from the date of

manufacture. Actual differences (1981-82: 1134 numbers, 1982-83: 4330 numbers, 1983-84: 3418 numbers and 1984-85: 3430 numbers) between book balances and verified physical balances at the end of March 1985 represented the packets destructed from time to time on account of stocks remaining beyond expiry date and contamination. Loss due to damage on account of contamination or expiry of life of packets (12,312 numbers) destroyed worked out to Rs.0.55 lakh.

(iii) Indents were placed between August 1979 and May 1985 for 25,412 packets of rhizobium culture of biri, mung, cowpea, arhar pulse seeds on Bhubaneswar laboratory by Range Officers of Ganjam, Kalahandi, DAOs of Sonepur, Malkangiri, Nowrangpur and OSSC against which only 2,755 packets were lifted by them. The low production and loss on account of expiry of life of packets produced was attributed (January 1986) by the Mycologist to non-lifting to a large extent.

(iv) OSSC indented in April 1982, 25,000 packets (5,000 arhar, 10,000 mung and 10,000 biri) against which 1,230 packets of mung could be supplied and the balance could not be supplied due to contamination of the plant culture and also for want of space to store culture of heavy quantity at a time.

(v) Between 1981-82 and 1985-86, rhizobium culture laboratory, Balia (Balasore district) produced 35,587 packets (against production capacity of 40,000 packets) of which 24,111 packets could be distributed and balance 11,476 packets were rejected on account of expiry of life period. Heavy

rejection due to expiry of life of packets had resulted in loss of Rs.0.29 lakh (at average cost of Rs.2.50 per packet).

(vi) DDA, Cuttack received 59 packets on 29th January 1985 for Minikit Demonstration (*Kharif* 1984) and DDA, Balasore received 5,250 packets between December 1983 and February 1984. Of these, 59 packets were distributed between 19th March and 22nd March 1985 by the former and 125 packets between March and April 1984 by the latter. It was doubtful whether it had served the intended purpose of increased yield by 10 to 15 *per cent* due to delayed distribution.

(vii) In Dhenkanal and Koraput ranges, during 1981-82 to 1983-84, there was neither any receipt nor distribution of culture packets. Similarly in Khurda district, during 1982-83, receipt and distribution of rhizobium culture packets were nil. The extent to which the production suffered in these districts was not on record.

3.3.6. *Distribution of minikits*

Under a Central Plan programme, distribution free of cost of minikits of pulses (consisting of small quantity of seed along with seed dressing chemicals with rhizobium culture) to farmers was in operation since 1981-82. The programme envisaged popularising the latest improved varieties to achieve better coverage of area by making available seeds of high yield varieties in all the villages of the State. It also envisaged that after harvest, seeds of promising varities would be available in the village itself and their subsequent spread can be achieved by exchange of seeds at the farmers level. Progressive farmers (contact farmers) were

to be selected for giving the minikit.

Against Central assistance of Rs.16.37 lakhs received during 1982-83 to 1984-85, an expenditure of Rs.21.53 lakhs was incurred including Rs.5.80 lakhs met by the State during 1983-84 for manufacturing 1.46 minikits of which, 1.43 lakh kits were distributed. No evaluation study of the impact of the programme was attempted though required under the guidelines issued by the Government of India.

3.3.7. *Distribution of fertilisers*

(a) During 1980-85, no area was envisaged to be covered under the Centrally Sponsored Plan scheme. Under State Plan, the scheme provided for coverage of 28,900 hectares at a cost of Rs.51.77 lakhs which was actually covered with an expenditure of Rs.41.33 lakhs for distribution of fertilisers.

Test check of departmental records revealed that during 1984-85 against Rs.1.11 lakhs allotted to DDA, Koraput towards subsidy on sale of phosphatic fertiliser for 600 hectares at Rs.185 per hectare, the coverage was only 232 hectares at a cost of Rs.0.75 lakh for which subsidy admissible was Rs.0.43 lakh. This resulted in excess adjustment of subsidy to the extent of Rs.0.32 lakh. Details of area covered and beneficiary-wise details in suppport of actual expenditure were not made available.

(b) Supply of fertilisers was found to be very meagre in respect of the Pulse Development Programme when compared to the actual requirement

of crops. Results of study in Audit in respect of Dhenkanal (DKL) and Puri ranges revealed the following:

Year	District	Crop coverage of area (In lakh hectares)	Coverage in area by supply of fertiliser (In hectares)	Percentage
(1)	(2)	(3)	(4)	(5)
1982-83	Dhenkanal	1.20	1,500	1.25
1983-84	Puri	1.78	750	0.42
1984-85	Dhenkanal	1.33	500	0.37
1984-85	Puri	1.38	700	0.50

According to the policy of Government, fertiliser should be available at the farmers' door-step and that the dealers of fertilisers should be 45 *per cent* from co-operatives, 15 *per cent* by OAIC and 40 *Per cent* from private parties. The study made from the records compiled by the department for 1981-82 at State Level Workshop in April 1982 indicated that the co-operatives and the outlets of OAIC together accounted for 32 *per cent* against 60 *per cent* envisaged. Whatever quantity of fertiliser was lifted by co-operatives was only against loan schemes where subsidy was payable to the farmers through the co-operatives and not for outright sale as dealers. This indicates that farmers were deprived of easy availability of valuable input in the village itself.

3.3.8. *Subsidy on Irrigation*

Productivity of irrigated crop is substantially higher than rainfed crops (un-irrigated). Subsidy was provided for mung crop grown under irrigated conditions in summer season under Centrally Sponsored Plan scheme of summer mung from the year 1982-83.

The subsidy sanctioned based on the area to be covered was as under:

Year	Rate of Irrigation Subsidy per hectare	Sanctioned		Achievements	
		To be covered (In hectare)	Amount (In lakh rupees)	Covered (In hectares)	Expenditure (In lakh rupees)
(1)	(2)	(3)	(4)	(5)	(6)
	Rs.				
1982-83	25	12,000	3.00	10,200	3.00
1983-84	25	15,200	3.80	15,200	3.80
1984-85	30	12,916	3.88	12,916	3.88

The following points emerged:

(i) Irrigation subsidy of Rs.0.11 lakh for covering 450 hectares (at Rs.25 per hectare) sanctioned under summer mung programme for 1983-84 was not utilised by the DDA, Puri and the amount drawn was kept (November 1985) in the shape of bank draft to be utilised later. Similarly, for allowing subsidy to farmers under summer mung

programme of 1984-85, bank draft for Rs.0.70 lakh was received by the DDA, Puri in June 1985 which was not utilised as the earlier amount itself was left unutilised.

(ii) Subsidy amounts of Rs.5.38 lakhs (1982-83: Rs.3.08 lakh; 1984-85: Rs.0.50 lakh and 1985-86: Rs.1.80 lakhs for 1984-85) received by the DDA, Cuttack Range from the DA&FP in the shape of bank drafts were not spent as Lift Irrigation Corporation had not submitted demand lists for release of irrigation subsidy; the bank drafts were lying with the DDA (December 1985).

(iii) DA&FP had drawn Rs.3.13 lakhs (March 1985) under Centrally Sponsored Plan for pulse development 1984-85 recording a certificate that irrigation subsidy at the rate of Rs.30 per hectare covering an area of 10,417 hectares would be made available to farmers cultivating summer mung crop. Details of utilisation of subsidy were not made available.

(iv) Of Rs.0.16 lakh subsidy (1983-84: Rs.0.10 lakh and 1984-85: Rs.0.06 lakh) placed with DAO, Jeypore under Centrally Sponsored pulse programme, a sum of Rs.0.08 lakh was deposited between March 1984 and April 1986 with Lift Irrigation Corporation. Copies of receipts granted to cultivators in support of payment of water charges as proof of providing irrigation were to be kept by DDA, Koraput according to instructions issued. Against 184 beneficiaries, only 3 receipts were made available.

3.3.9. *Non-fulfilment of objectives*

Though the scheme was in operation since 1978-79, the full objectives contemplated thereunder still remained unfulfilled in as-much-as extension of pulses in irrigated areas had not been achieved; the programme of bringing additional area under short duration varieties in rice fallows was not drawn up nor implemented; cultivation of short duration varieties of mung with irrigation in summer was not achieved due to non-release of irrigation subsidy to farmers.

Multiplication and use of improved seeds through use of fertilisers, rhizobium culture, plant protection measurers and training the farmers through demonstrations did not also reveal achievements of the objectives as (a) sale of certified seeds through departmental sale centres was not popular, the subsidy to be allowed remained unutilised in the PL Account, quality tests of seeds used by farmers were not conducted, sub-standard seeds were supplied mainly by OSSC and local germination tests were not conducted; (b) propagation of latest technology through distribution of rhizobium culture did not fully succeed as only 10 *per cent* laboratory capacity to produce the rhizobium Culture packets was utilised and large number of packets produced became time-expired and had to be destroyed due to poor take-off by indentors (Ranges and OSSC); (c) evaluation of minikit distribution programme with rhizobium Culture seeds required to be done to know the impact of the Programme was not attempted; (d) funds provided on plant protection measures were not utilised or were diverted to a large extent; (e) demonstrations

to educate and train the farmers in the use of improved techniques were not conducted or where conducted were not in time, funds provided were utilised for purchase of fertilisers and pesticides without conducting demonstrations and (f) overall growth rate of 6.54 *per cent* envisaged during 1980-85 was not achieved.

3.3.10. *Monitoring and Evaluation*

Monthly progress reports regarding the achievement in the field were required to be submitted by the State Department of Agriculture to the Directorate of Pulses, Lucknow (under Government of India) to enable the latter to maintain a close liaison with the Department of Agriculture and Officers dealing with the programme. The reports were obtained from the Ranges and submitted to the Centre. There is no system to ensure the correctness of the figures reported.

The Programme Committee at the State Level was given the responsibility to undertake evaluation and furnish detailed reports thereon to the Directorate of Pulses, Lucknow as well as to the Government of India. The State Level Committee was formed in the year 1985 only. Evaluation was not attempted at any stage. The production figures were to be based after actual crop cutting survey but no such crop cutting survey was done in all cases.

Summing up

- The Sixth Plan envisaged the annual growth rate of 6.54 *per cent* and accordingly the yield rate per hectare should have been 6.610 quintals

at the end of 1984-85 against which 5.242 quintals were achieved as yield per hectare by the department.

- On the basis of actual area covered (20.45 lakh hectares) the production should have reached 13.52 lakh tonnes in place of 10.72 lakh tonnes shown at the end of 1984-85.

- The production figures reported were not based on joint crop cutting survey instead, they were compiled on the basis of departmental progress reports compiled by the Chief Statistician of the department.

- Demonstrations to educate the farmers in the use of improved techniques were not conducted in time with full package of practices, inputs were not supplied as per guidelines and result sheets in proof of demonstrations having been conducted were not available involving an expenditure of Rs.4 lakhs.

- Quality tests from samples of the seeds being used by the farmers were never conducted.

- Sub-standard seeds worth Rs.0.86 lakh were noticed to have been supplied to farmers/ demonstration mainly by OSSC.

- Local germination tests were not conducted and certificate tags were not given for seeds put on sale; stock valuing Rs.6.65 lakhs

which lost their viability had accumulated of which stocks valuing Rs.1.62 lakhs fetched Rs.0.33 lakh in auction, stocks of value Rs.4.45 lakhs were carried over since 1979-80 and no information was available about disposal of balance stock (1983-84) of Rs.0.58 lakh.

- Biri seeds were purchased from OSSC much in advance of requirement involving an extra cost of Rs.3.25 lakhs.

- There was excess adjustment of Central subsidy on distribution of plant protection chemicals (Rs.0.26 lakh), funds provided for distribution of these chemicals were diverted (Rs.8.52 lakhs) and funds provided for prophylactic spray were surrendered (Rs.3.03 lakhs).

- Distribution of rhizobium culture to increase yield by 10 to 15 *per cent* did not come upto the expectations as capacity created in the laboratories established to produce rhizobium culture packets was not utilised in full.

- Evaluation of minikit distribution programme required to be done to know the impact of the programme was not attempted by the department.

- The off-take of fertilisers by Co-operative was only against loan schemes and not for outright sale to the farmers; the number of outlets for sale of fertilisers was not

sufficient thereby contributing to low utilisation (0.05 *per cent* to 1.25 *per cent*) of fertilisers in the area covered under the programme.

- Subsidy available for summer cultivation under irrigation conditions remained largely unutilised or where utilised, beneficiary-wise details were not available. A large amount (Rs.5.38 lakhs) of the subsidy amount was retained in the shape of Bank drafts. Details of utilisation of Rs.3.13 lakhs (drawn by DA&FP) were not available.

- The points indicated were reported to Government in August 1986; reply is awaited (May 1987).

3.4. Banana Development Programme

3.4.1. *Introductory*

Government introduced "Intensive Banana Development Programme" (IBDP) during 1973-74 for motivating farmers to grow exportable varieties of banana on commercial basis by which time, a Centrally Sponsored Scheme, "Banana Development for Export Promotion" was in operation from 1971-72. Another scheme, "Package Programme of Banana Cultivation" was also introduced from 1973-74 as an adjunct to the above two schemes. The main scheme being "IBDP", the expenditure on all the three schemes was incurred as under "Package Programme of Banana". The Programme provided for demonstrations on farmers' fields; sucker multiplication to provide improved suckers to farmers; subsidy to farmers in shape of suckers; pesticides

and fertilisers; assistance to farmers by providing technical advice and guidance in getting institutional finance and inputs in marketing the produce.

"IBDP" was concentrated mostly in the coastal districts to facilitate transport of Banana crop to the nearest port at Paradeep for export.

A total expenditure of Rs.64.94 lakhs was incurred on the 3 schemes during 1971-72 to 1984-85. In respect of the Centrally Sponsored Scheme of "Banana Development for Export Promotion", expenditure of Rs.5 lakhs was incurred during 1971-72 to 1978-79 out of Central assistance of Rs.9.30 lakhs received reportedly for banana and other horticultural development; the scheme is not in operation from 1979-80 and utilisation of the remaining Central assistance of Rs.4.30 lakhs was not available with the Director of Horticulture.

"IBDP" was being implemented by the Director of Agriculture and Food Production, Orissa and the District Agricultural Officers upto 1977-78 and the Director of Horticulture and the Horticulturists (in the districts) from 1978-79 onwards.

Results of test check (November 1984 to April 1985) of accounts records so far made available in the Directorate of Horticulture, 7 District Agricultural Officers, 7 Horticulturists and 6 departmental farms are given in the following paragraphs:

3.4.2. *Demonstrations in farmers' fields*

The scheme provided for organisation of demonstrations in farmers' fields to bring home

to the farmers, the benefits of application of inputs and improved cultural practices. Each demonstration was to be in an unit area 0.08 hectare with free supply of inputs worth Rs.5,500 (manure and fertilisers: Rs.5,000; pesticides: Rs.500) per hectare, spread over two years. From 1975-76, the unit area was increased to 0.20 hectare while inputs were reduced to Rs.4,500 (suckers: Rs.1,000; fertilisers: Rs.2,975; pesticides: Rs.525) per hectare without assigning any reasons. The average yield of banana at the end of 2 year term of demonstration was estimated as 50 tonnes per hectare.

Between 1975-76 and 1978-79, against a target of 186 demonstrations, 134 were organised and expenditure of Rs.0.88 lakh was incurred on inputs against requirement of Rs.1.21 lakhs. Information about the yield from the demonstrations was not available with the Directorate of Horticulture. Apart from the inputs being insufficient, in the absence of any yield being known, the expenditure of Rs.0.88 lakh cannot be stated to be fruitful. In the district level offices (Cutack, Angul and Bhubaneswar), however, it was seen that in organising demonstrations no fertilisers were used in 10 cases and fertilisers below the norms were used in 54 other cases; only in 12 cases there was yield (full yield: 8 cases and 35 *per cent* yield: 4 cases) and there was no yield in the other 52 cases. The expenditure of Rs.0.46 lakh in organising the demonstrations in the 52 cases had not yielded fruit. Reasons for failure of the demonstrations were not on record. Demonstrations were also organised by some other field offices (DAO, Balasore and Baripada; Horticulturist, Baripada), but no records to that effect were produced to audit.

3.4.3. *Sucker multiplication programme to provide improved suckers to farmers*

To meet the entire requirement (7.2 lakh numbers) of qauality banana suckers of exportable (Cavandish type) varieties internally, sucker multiplication was taken up (1973-74) in 20.63 hectares of land in 4 departmental farms (Deras, Sakhigopal, Gambharipalli and Nackchi) where multiplication of quality local variety (Champa, Bantal etc.) of banana suckers under normal programme was in operation since 1964-65. Two more farms (Saptasajya and Tirtol) were also brought under the scheme during 1978-79 and 1979-80. The department estimated (1974-75) an average production of Cavandish type of banana suckers at 0.10 to 0.12 lakh numbers at a cost of Rs.9,500 per hectare.

During 1973-74 to 1983-84, the area covered varied from 20.63 hectares to 12.62 hectares. A total of 6.71 lakh suckers were produced against the requirement of 79.20 lakh suckers during the 11 year period; percentage of production to total requirement was 8.47 *per cent* in different years. The average production during the period of 11 years was 3,635 suckers per hectare against 0.08 lakh suckers fixed by the department and the average expenditure was Rs.5,314 per hectare against Rs.9,500 fixed by the department. There was, thus, a declining trend in the area covered per hectare of production and expenditure thereon.

Test check in field offices revealed that detailed records indicating the plantations of banana suckers of the export variety, their multiplication and utilisation were not maintained except in Deras

farm. The overall loss in all the 6 farms where the plantation was undertaken was Rs.5.18 lakhs (expenditure on producing suckers: Rs.9.81 lakhs less receipts on sale of suckers, banana bunches, etc: 4.63 lakhs) upto March 1984. In Deras farm, the suckers of export variety initially supplied during 1973-74 multiplied to 246 *per cent* during 1977-78 and began dwindling thereafter being wiped out to nil during 1979-80. The loss in the Deras farm alone was Rs.0.98 lakh. No precise reasons for the low yield and loss in the farms could be furnished except in Deras farm where it was attributed by the Superintendent of the farm in April 1979 mainly to continued plantation in the same field for more than 3 years.

The Banana Development Officer advanced Rs.1.81 lakhs to these 6 farms during 1974-75 to 1978-79 for supply of suckers. Supply was made by the farms to the extent of Rs.0.41 lakh only and the balance amount of Rs.1.40 lakhs still remains unadjusted (May 1986).

3.4.4. *Compact area plantation in farmers' fields*

The Scheme provided for supply of suckers to farmers for compact area plantation with supply of pesticides and fertilisers at the following scales mainly to motivate the farmers to grow exportable varieties of banana on commercial scale.

	Period	Subsidy	
		Quantity	Amount
Suckers	1973-74 to 1978-79	3,000 numbers per hectare	Free supply
	1979-80 to 1982-83	2,500 numbers per hectare	Rs.750

	Period	Subsidy	
		Quantity	Amount
Pesticides	1975-76 to 1978-79		Two-third rate
	1979-80 to 1982-83		Rs.75 per hectare
Fertilisers	1979-80 to 1982-83		Rs.375 per hectare

Besides retaining the produce, the farmers were to multiply the suckers, have self-sufficiency and supply the surplus to others.

The area programmed to be covered during 1973-74 to 1982-83 (10 years) was 2,720 hectares (initially started with 250 hectares increasing gradually to 400 hectares from 1977-78 and finally reducing to 100 hectares in 1982-83) involving subsidy of Rs.21.36 lakhs. No programme was finalised after 1982-83 for providing subsidy except providing funds for maintenance of staff and the farms. The trend of performance at the end of 1982-83 indicated that there were no plantations of export variety of banana in the State. The actual coverage during 1973-74 to 1979-80 (7 years) was 1,621 hectares (at 50 to 385 hectares each year) with subsidy payment of Rs.19.43 lakhs; the coverage during 1980-81 to 1982-83 (3 years) was not available as no reports were received by the department even though subsidy of Rs.8.34 lakhs was paid during these 3 years. Assuming the coverage during the last three years to be equal to the area programmed (600 hectares), the total area covered works

out to 2,221 hectares, in respect of which a total subsidy of Rs.27.77 lakhs was disbursed against Rs.21.36 lakhs due according to the prescribed norms resulting in an excess payment of Rs.6.41 lakhs.

The basis of reporting the area covered (1,621 hectares upto 1979-80) district-wise was not on record.

The impact of the compact area plantation involving subsidy payment of Rs.27.77 lakhs was not available with the department for want of information about the produce obtained by the farmers, extent of supply of surplus suckers made to others, increase in the area of plantation and whether the area for which subsidy paid was continuing under the plantations.

3.4.5. *Package of practices*

For boosting up production of high yielding varieties of banana suckers in farmers' fields and departmental farms, the scheme laid down a "Package of practices" in the application of fertilisers in definite doses on 3 occasions (particular days after plantation), besides plant protection measures. The demonstrations organised in the farmers' fields were meant to educate the farmers on these and disseminate that knowledge among other farmers.

The department had no information about the quantity of fertilisers supplied to the farmers or used in the demonstrations organised, or that applied by the farmers out of their own sources keeping to the package of practices.

Test check of departmental records in 12 departmental offices and 6 departmental farms in 7 districts revealed the following:

(i) The package of practices for Cavandish type of banana (adopted for plantation) require rich and well drained soil with good irrigation facilities during dry season avoiding planting suckers during severe summer months and during heavy monsoon. Plantations were, however, taken up in departmental farms (for suckers multiplication) having no irrigation facilities (Deras and Tirtol farms) and poor soil condition (Nakchi farm) requiring more labour and excess use of fertilisers. The excess expenditure so incurred compared with the norm of Rs.9,500 per hectare fixed by the department was Rs.0.79 lakh (Deras farm: Rs.0.16 lakh during 1976-77; Nakchi farm: Rs.0.63 lakh during 1976-77 to 1979-80).

(ii) During 1973-74 to 1975-76, a total of 13.55 lakh suckers of high yielding (Cavandish type) variety were procured at a cost of Rs.9.27 lakhs from Tamil Nadu. Of this, 3.34 lakh suckers costing Rs.2.11 lakhs were procured and distributed during heavy monsoon and severe summer months between 1973-74 and 1975-76 to farmers and the results of plantation were not known to the department; 0.58 lakh suckers costing Rs.0.25 lakh were either damaged or found short in transportation (from departmental farms to field units) during summer months of 1973-74 for scarcity of water.

(iii) Fertiliser and pesticides worth Rs.0.18 lakh out of purchases made for Rs.0.40 lakh during 1974-75 and 1975-76 and kept with the Banana

Development Officer, Bhubaneswar were not issued to the farmers as suckers were not supplied; the stock deteriorated and lost value as fertiliser/ pesticides resulting in a loss of Rs.0.18 lakh.

3.4.6. *Assistance to farmers*

The scheme provided for staff on extension work in respect of banana cultivation. Assistance to farmers by way of arranging institutional finance, imparting technical advice, promoting marketing facilities, etc., was envisaged. The expenditure on such staff increased from Rs.0.73 lakh in 1973-74 which was 18 *per cent* of total expenditure of Rs.3.99 lakhs during that year to Rs.3.76 lakhs by 1983-84 forming 84 *per cent* of total expenditure of Rs.4.48 lakhs during that year and thereby leaving only a marginal expenditure for developmental activities. The records produced by the field offices in 7 agricultural districts did not show that the area to be brought under banana plantation was surveyed or that suitable records were kept showing full particulars of the farmers benefitted by the scheme with requisite undertaking duly submitted or any assistance was rendered to farmers in getting loans and other facilities wherever necessary or arranged any marketing facility for farmers' produce.

Government invested (March 1973) Rs.1 lakh in share capital of Banana and Fruit Development Corporation Limited, Madras, for promoting extension, marketing and export of babnana. After such investment, the department was expecting that Company to promote marketing and export but no such service was rendered by that Company in the State. Finally export of banana through Paradeep Port did not materialise as the Company

at Madras was reportedly incurring loss.

3.4.7. *Monitoring and evaluation*

All field offices test checked, except one (Horticulture Office, Sambalpur) could not produce any guideline or instruction received by them for carrying out the programme effectively. On being directed (February 1978) by the Banana Development Officer, the Horticulturist, Berhampur distributed banana suckers, received by him, to some farmers free of cost without ensuring their eligibility to receive suckers under the scheme. Most of the field officers were not even aware of subsidy rules framed (July 1975) under the scheme; misutilisation of inputs under such circumstances cannot be over-ruled.

To sum up, even though the scheme as advocated by Government was to be profitable from commercial and export view point and was in operation since 1971-72 incurring total expenditure of Rs.64.94 lakhs by end of March 1985, evaluation of performance of the scheme has not so far (August 1986) been made,profit or otherwise on banana cultivation was not worked out with reference to expenditure incurred. Government observed in July 1983 that the Director of Horticulture has not furnished information about useful investment made so far and that "it becomes difficult to appreciate the utilisation" of the investments made on the scheme from year to year, "without any assessment of the actual functioning of the scheme" and asked the Director, Horticulture for detailed information on the working of the scheme. Such detailed information has not so far (August 1986)

been compiled by the Director reportedly due to inadequacy of staff and facilities and the evaluation report on the scheme has yet to be furnished to Government.

The matter was reported to Government in November 1985; reply is awaited (May 1987).

3.5. Umerkote Agricultural Farm

The Dandakaranya Development Authority (DDA) of the Government of India, transferred the Mixed Farm at Umerkote (in Koraput district) having an area of 252.17 hectares (land under cultivation: 180;11 hectares; Orchards: 29.06 hectares; buildings, roads and tanks: Rs.28.08 hectares and other land: 14.92 hectares) to the State Government as an ongoing Agricultural Farm in July 1979.

The value of the movable and immovable assets of the farm amounting to Rs.6.02 lakhs (administrative buildings: Rs.1.24 lakhs; residential quarters: Rs.1.52 lakhs; fencing: Rs.0.49 lakh; irrigation tanks and lift irrigation pumps: Rs.1.80 lakhs; tractors, bullocks, agricultural implements and equipments, furniture and fixtures: Rs.0.97 lakh) was treated as "grants-in-aid from Central Government" showing the value as capital expenditure on the farm during 1980-81.

While under DDA, the farm was required to prepare *pro forma* accounts on the working results. From 1980-81, after the farm was transferred to the State, *pro forma* accounts were not reportedly prepared as they were not so prescribed. Review of working of the farm was not attempted by

the Director of Agriculture and Food Production (DA&FP), Orissa from 1980-81, though it continued to produce improved seeds through cultivation for supply to cultivators by sale. From 1980-81 onwards, the working of the farm showed excess of expenditure over receipts as indicated below:

	Expenditure	Receipts	Excess of expenditure over receipts
	(In lakhs of rupees)		
1980-81	8.79	7.10	1.69
1981-82	13.69	11.73	1.96
1982-83	12.53	11.57	0.96
1983-84	9.30	7.11	2.19
1984-85	9.12	4.62	4.50
	53.43	42.13	11.30

The loss would be more, if the elements of depreciation on land, buildings, machinery and live stock were also included. Despite infrastructural facilities available it was found that the farm was incurring loss every year due to less return per rupee in case of paddy, jute, maize, cotton, niger etc., variation in adoption of crops from the approved cropping programme resulting in low yield, excess entertainment of casual labour, etc.

The deviations from the approved cropping programme noticed were as follows:

Year	*Kharif* coverage		*Rabi* coverage	
	Approved	Actual	Approved	Actual
		(Area in hectares)		
1980-81	166.00	164.08	99.00	28.40
1981-82	168.28	134.00	Nil	Nil
1982-83	153.35	160.91	40.00	13.25
1983-84	169.00	180.11	16.50	12.60
1984-85	142.40	127.10	18.40	20.44

The following points were also noticed during test check:

(i) Two irrigation tanks and six electric pumps for pumping water for irrigation were in the farm of which, three pumps were stated by the farm authorities to be out of order at the time of transfer to the State. Subsequently four pumps were out of order, one was not utilised and the sixth pump was being utilised for pumping water from one tank for irrigation of 8 hectares, while canal of Bhaskal dam was providing irrigation to 33.50 hectares. The second tank was not also used for want of water source because of its situation in the down level of the farm area.

During 1983-84, the farm area brought under cultivation was 180.11 hectares while in the subsequent year only 127.10 hectares were brought under cultivation; 48 hectares were given to the Orissa University of Agriculture and Technology

and 5.01 hectares remained fallow. The Farm Superintendent informed Audit in November 1985 that only a limited area had got the irrigation facilities.

(ii) During 1980-84 the return from cultivation in the farm for supply of improved seeds was more than a rupee for each rupee of investment in respect of high yielding paddy, maize and dhanicha, but fell to 72 paise, 60 paise and 18 paise respectively during 1984-85 (*Kharif).* Except vegetable cultivation, the departmental records indicated that other crops fetched less than the investment e.g., groundnut fetched 17 paise, arhar 37 paise, mustard 45 paise and sunhemp 62 paise. It was seen that there were deviations from the approved cropping programme, non-adherence to the targeted (marked) area and cropping pattern adopted without taking into account the suitability of the crop to the soil conditions of the area during all the years which resulted in low returns.

(iii) There are 2 tractors with only one tractor driver and 47 bullocks (23.5 pairs) in the farm for undertaking ploughing. Information about 2 more tractors obtained at the time of transfer from DDA is not available with the farm.

Against 496 tractor hours available for the two farm tractors worked during July 1982 for cultivation operations for 1982-83 *(Kharif),* they worked for 290 hours in ploughing 56 hectares of farm land and remained idle awaiting repairs for 206 hours (42 *per cent).* Yet, three private tractors were hired for 456 hours for ploughing 170 hectares paying hire charges of Rs.0.31 lakh. The bullocks were utilised in ploughing an area of

27 hectares. Of the 253 hectares ploughed for *Kharif* cultivation, the area brought under cultivation during 1982-83 *(Kharif)* was only 161 hectares as per the overseers diary which was more or less equal to the ploughing done by hired tractors alone. During 1981-82 to 1984-85 the ploughing was also done through hired private tractors at a cost of Rs.1.86 lakhs. There was no tractor driver even from August 1983 as he was diverted to drive the jeep of the farm from that month.

(iv) Though 1771 ploughing days were available for 23.5 pairs of bullocks in a *Kharif* season, only 731 days during 1983 and 518 days during 1984 *Kharif* were utilised indicating that 10 to 15 pairs of bulloks were not utilised on an average each day. During 1984-85, 20 bullocks (10 pairs) were utilised on average per day leaving the balance 27 numbers (13.5 pairs) idle. According to the assessment of the Farm Superintendent, Umerkote (November 1985), 12 pairs (24 numbers) of bullocks could not be transferred to any other farm in the State or sold by auction. The expenditure on feeding of the 12 pairs during 1984-85, as assessed by him, was Rs.0.15 lakh. These bullocks have neither been transferred to other farms nor disposed of so far (June 1986).

(v) Between April 1983 and October 1985 (857 working days) there were 10 permanent labourers working in the farm. Against 8570 permanent labour mandays available, only 3139 mandays (37 *per cent)* were utilised keeping 5431 mandays idle. Non-utilisation of permanent labour to full extent during the period resulted in payment of idle wages of Rs.1.06 lakhs to permanent labour. Further

it also resulted in an extra avoidable expenditure of Rs.0.34 lakh in entertaining casual labour at the same time when permanent labour was available but kept idle. Besides, payment to private tractors as hire charges amounted to Rs.0.25 lakh by not utilising the permanent labour in the farm for ploughing through bullocks which were also kept idle.

Farm Superintendent, Umerkote informed (November 1985) that the Director of Agriculture was requested to examine the necessity for retaining permanent labour in the farm when casual labour at cheaper rates were available. No final decision has been taken in this regard (July 1986).

(vi) According to standing instruction of Government, credit sales are prohibited. Yet, credit sales were affected by the farm to the extent of Rs.13.20 lakhs between 1979-80 and 1984-85 of which Rs.3.54 lakhs remained to be recovered (June 1986)from various departmental offices of Agriculture Department (Rs.3.36 lakhs) and a private firm (Rs.0.18 lakh).

(vii) An amount of Rs.0.15 lakh was shown as paid in July 1982 to Regional Co-operative Marketing Society Limited towards their claim for Rs.0.20 lakh for lime sludge supplied which was not supported by any voucher. On being pointed by Audit, Administrative enquiry was conducted when the amount was *prima facie* determined to have been misappropriated. Responsibility for the loss has yet to be fixed (July 1986).

The matter was reported to Government in September 1985; reply is awaited (May 1987).

3.6. Loss due to shortage of seeds

The rules for distribution of seeds among farmers at subsidised rates issued by Government (May 1968), prescribe the maximum percentage of shortage in respect of seeds to be limited to 10 *per cent* in case of groundnut and 3 *per cent* in respect of other seeds sold at the level of District Agriculture Officers (DAOs) and Block Development Officers (BDOs). The rules also prescribe that shortages in excess of prescribed percentages should be investigated by the DAOs (now Deputy Director of Agriculture) and responsibility fixed; sale of *Rabi* seeds should be stopped after 31st March and the left over stock of seeds (other than paddy) be disposed of through public auction within one month thereafter keeping in view the upset price.

Test check of the stock accounts of *Rabi* seeds procured by the Deputy Director of Agriculture, Cuttack Range for sale during 1982-83 disclosed shortages pertaining mostly to the stock of 1982-83 in excess of the prescribed limit aggregating to 1,610.19 quintals of seeds, valuing Rs.8.97 lakhs. In addition, there was loss of Rs.7.59 lakhs due to delayed disposal of 5,776.71 quintals during August 1983 to March 1984 through public auction, as detailed below:

Name of seed		Closing balance on 31st March 1983	Ground balance as per joint/ physical verification on 1st April 1983	Quantity disposed of through auction during 1983-84	Total shortages (in quintals) (2)-(3) and (3)-(4)	Amount of loss
		(In quintals)				(Rupees in lakhs)
(1)		(2)	(3)	(4)	(5)	(6)
(i)	Groundnut	6,203.64	4,843.86	4,400.43	1,803.21	3.50
(ii)	Mung	2,156.21	1,504.57	1,153.57	1,002.64	3.73
(iii)	Mustard	355.91	86.25	73.18	282.73	0.12
(iv)	Biri	711.11	454.92	149.53	561.58	0.24
		9,426.87	6,889.60	5,776.71	3,650.16	7.59

	Admissible shortage (10% for groundnut and 3% for other seeds of the quantity sold) during		Total	Shortage (5)-(9)	Value (Rupees in lakhs)
	1982-83	1983-84	7+8		
	(In quintals)				
	(7)	(8)	(9)	(10)	(11)
(i)	1,518.67 limited to 1,359.78 (actuals)	440.04	1,799.82	3.39	0.02
(ii)	18.00	34.61	52.61	950.03	5.13
(iii)	4.72	2.20	6.92	275.81	1.87
(iv)	176.13	4.49	180.62	380.96	1.95
Total	1,558.63	481.34	2,039.97	1,610.19	8.97

To an audit query, DDA, Cuttack stated (June 1983) that the extent of admissible and inadmissible shortages would be assessed finally at the time of finalising the annual accounts for 1982-83 which is still to be finalised (November 1986). He, however, indicated in October 1986 that out of 164 sale centres and 5 sadar centres under his range, accounts of 96 sale centres and 3 sadar centres had been finalised and that the records relating to PL Accounts of seeds for 1982-83 which were seized in May 1983 by the Vigilance for investigation, had not been released. No action was taken to fix the responsibility for losses even after lapse of 3 and half years.

Government stated (August 1986) that action was being taken to fix-up responsibility for the shortages in excess of the permissible limit. Further developments are awaited (May 1987).

3.7. Non-functioning of insecticide testing laboratory

An Insecticide Testing Laboratory was set up by Government during 1977-78 at Bhubaneswar with 100 *per cent* Central assistance for equipment and staff to improve the quality of agriculture inputs and for strict enforcement of various provisions of Insecticides Act, 1968. Till August 1983, the Laboratory was in charge of the Lecturer, Plant Protection in the Plant Protection Training Institute, Baramunda and from 1st September 1983, it was entrusted to a Senior Analyst as Head of Office for independent functioning.

In September 1977, Government sanctioned expenditure of Rs.6 lakhs (equipment: Rs.5.50 lakhs and furniture: Rs.0.50 lakh) for setting up the

laboratory. Equipment worth Rs.4.92 lakhs (infra-red-Spectro-Photometer: Rs.1.66 lakhs; Gas liquid Chromatograph: Rs.3.19 lakhs; Spectro-photometer: Rs.0.07 lakh) were imported during May-August 1979 from a foreign firm through its Indian Agent; Polarograph machine ordered was purchased in October 1978 from an Indian firm for Rs.0.16 lakh.

Scrutiny of the records in January-February 1985 of the Senior Analyst disclosed that none of the machines purchased at a cost of Rs.5.08 lakhs were commissioned and put to use as detailed below:

(a) Infra-Red-Spectro-Photometer received in May 1979 was found during verification (September 1979) by Representative of the firm to be defective and needed replacement of some minor parts. The machine was installed and operated only in April 1981 after a delay of more than 20 months and after expiry of guarantee period of one year, the reasons for which were not on record. The Service Engineer of the firm recommended (April 1981) for keeping the equipment in a separate air conditioned and dehumidified room which was not done. The machine was finally commissioned in July 1981, when some defects had developed as reported by the Senior Analyst. Thereupon, the Service Engineer after check (November 1981), recommended replacement of thermocouple and purchase of additional accessories of Hydraulic Press and Infra-Red-Light. The replacement has yet to be done (June 1986).

(b) Of the other three equipments, Gas liquid Chromatograph could not be installed and commissioned as Rs.0.27 lakh demanded by the firm towards

techinical charges, installation and commissioning were not paid; Spectrophotometer was not installed as the terms of sale did not include inspection, demonstration or installation by the firm and Polarograph could not be operated as the power line was not earthed so far.

After acquisition of equipment valuing Rs.5.08 lakhs, the main objective of checking of quality and strict enforcement of provisions of Ins-ecticide Act, 1968, could not be achieved even after lapse of 6 years in as much as pesticide samples received for analysis were being tested by volume-tric method; quantity analysis of pesticides was limited to 13 items as against 48 items identified. As against 8,000 samples to be analysed during the period 1977-78 to 1985-86 (1000 samples per year) only 3098 samples were analysed, the shortfall being 61 *per cent*. As a result, the entire expenditure of Rs.5.08 lakhs on laboratory equipments was found to be unfruitful so far due to its non-utilisation (June 1986). Government intimated (December 1986) that remedial measures are being taken to develop all the infrastructural facilities to achieve the target of 1000 samples every year.

Between June 1978 and March 1986, twelve posts (both Gazetted and Non-Gazetted) were sanctioned and personnel entertained and expenditure of Rs.8.74 lakhs incurred towards their pay and allowances. Non-achievement of targeted samples, testing of 13 out of 48 identified items, keeping imported equipment idle and the entertainment of full complement of staff, resulted in under-utilisation of services rendering expenditure of Rs.5.33 lakhs on salaries also largely ufruitful.

REVENUE AND EXCISE DEPARTMENT

3.8. Relief of Distress by Natural Calamities

Mention was made in para 3.1.1 of the Audit Report (Civil) for 1984-85 regarding assistance given and relief measures adopted by the State following natural calamities which were severe during 1982-83. Further points noticed (December 1984 to July 1985) in Audit of the transactions pertaining to the period 1980-81 to 1984-85 are indicated below:

3.8.1. *Subsidy for transportation of agriculture inputs*

For transportation of seeds for supply to cyclone affected farmers, Rs. 10 lakhs each were allotted in December 1982 to the Director of Agriculture and the Registrar of Co-operative Societies (RCS) Orissa. Of this, the Director of Agriculture spent Rs.2.47 lakhs during 1982-83 for transportation of 16,470 quintals of paddy to 111 cyclone affected blocks in 7 districts and the remaining amount of Rs.7.53 lakhs was incurred for transportation of 1,69,036 quintals of seeds under other normal schemes to the cyclone affected blocks as surplus funds were available under relief grant. Utilisation certificate for the whole amount was however furnished in January 1985 by Director of Agriculture and Food Production, Orissa to Revenue Department without proper utilisation of funds.

Entire amount of Rs. 10 lakhs drawn in December 1982 by the RCS was distributed to seven districts; utilisation of funds to the extent of only Rs.9.44 lakhs to end of June 1986 was forthcoming from the records of RCS.

3.8.2. *Assistance to betelvine growers*

Government (Revenue Department) approved (June 1982) financial assistance to betelvine owners whose gardens were affected by the cyclone and flood of 1982. The assistance was at Rs.50 per owner having less than 0.04 acre and Rs.75 per owner having 0.04 acre but less than 2 acres. During 1982, Rs.15 lakhs were allotted to three districts (Cuttack: Rs.9.84 lakhs; Puri: Rs.4.90 lakhs and Balasore: Rs.0.26 lakh) for the purpose.

Test check revealed that only Rs.5.99 lakhs (Cuttack: Rs.3.62 lakhs; Puri: Rs.2.34 lakhs and Balasore: Rs.0.03 lakh) were utilised and the amount of Rs.9.01 lakhs remained unspent. Low utilisation of funds was attributed by the Collector, Cuttack in April 1985 to disputes in ownership of gardens, absence of land owners and non-verification of reports of genuine betelvine growers initially.

3.8.3. *Assistance for Soil Conservation Works*

During 1982-83, a ceiling of Rs.9.75 lakhs was approved by the Government of India for providing subsidy for Soil Conservation Works. The amount was stated to have been drawn between September and November 1982 and utilised by the Director of Soil Conservation and utilisation certificate furnished to the Revenue Department. Scrutiny of records in the Directorate, however, showed that funds were spent during September 1982 to December 1983 to the extent of Rs.5.44 lakhs for cashew plantation and balance for other purposes like construction of temporary sheds, avenue plantation, farm roads, sign boards, office buildings, staff quarters, godown, creak control, etc. The

entire amount was thus utilised for purposes other than those for providing subsidy in respect of which approval of Government of India or of the Special Relief Commissioner (SRC), Cuttack was not obtained.

It was seen that twelve villages of Keonjhar district were affected by the tornado which struck in April 1981 for which, Board of Revenue allotted Rs.1 lakh for taking up relief works (soil conservation) in the area. Pending receipt of funds, the Assistant Soil Conservation Officer (ASCO), Keonjhar was authorised to spend the money from his available cash. Funds were, however, provided for the purpose in January 1982 and in the meantime, ASCO reported (September 1981) that cashew plantations were raised on 525 acres in tornado affected blocks of Patna and Sahapara at a cost of Rs.0.91 lakh meeting the expenditure from available cash and the Collector was requested to provide funds for meeting watch and ward and maintenance expenditure. By July 1982, 102 acres of plantations were distributed to ERRP beneficiaries retaining 423 acres for departmental operation. As funds were not provided by the Collector in the absence of provision to provide funds for watch and ward of plantations raised out of relief grant, the ASCO discontinued watch and ward from September 1982 and as a result an expenditure of Rs.0.73 lakh on the cashew plantation over 423 acres was rendered wasteful. According to the report of ASCO, in October 1985, 22,170 plants in that area died and the gaps were not filled up for want of maintenance.

3.8.4. Assistance to farmers for repair of damaged tube wells, pump sets, etc.

For exploiting irrigation in the cyclone and flood affected areas, Government, as per the

ceiling fixed by the Centre, sanctioned Rs.50 lakhs as subsidy for shallow filter point tube wells at 30 *per cent* subsidy to small and marginal farmers (Rs.30 lakhs in January 1983) and as assistance for repairing the tube wells (Rs.20 lakhs in February 1983) and authorised the District Collector to operate the funds (Rs.50 lakhs). Sanctions for grants were accorded to the District Rural Development Agencies (DRDAs) on condition to spend the allotted funds before 31st March 1983. The subsidy amounts were required to be paid in advance to the financing Banks who were to sanction loans to identified eligible farmers sponsored by the blocks adjusting the subsidy against the loans after receipt of lease instructions (sanctions) from the Collectors/blocks. The subsidy 30 *per cent* from out of the cyclone/ flood funds was in addition to 25 *per cent* subsidy granted under Intergrated Rural Development Programme. Funds on this account were allotted to 6 districts (Cuttack: Rs.23.69 lakhs; Balasore: Rs.8.33 lakhs; Puri: Rs.15.10 lakhs; Mayurbhanj: Rs.0.56 lakh; Keonjhar: Rs.1.11 lakhs and Ganjam: Rs.1.21 lakhs) as flood and cyclone grants during 1982-83.

Test check of records in the districts of Cuttack and Puri revealed the following:

(i) Amounts allotted were paid to the Banks by the DRDAs for providing subsidy in respect of 464 tube wells in Cuttack district and 129 in Puri district. Out of Rs.38.79 lakhs allotted, Rs.12.20 lakhs (Cuttack: Rs.5.54 lakhs and Puri: Rs.6.66 lakhs) remained unutilised (September 1985) with the Banks; 97 tube wells in Cuttack district and 102 tube wells in Puri district were not financed at all. The progress made in this respect had not been

ascertained by the DRDAs/Blocks/Collectors from the Banks and the reasons for non-provision of subsidy as reflected by the non-utilisation of funds, were not on records. Advance payment of subsidy amounts to Banks, the delayed sanction of loans for adjustment of subsidy benefitted the financing institutions instead of the affected farmers who did not receive the aid timely, soon after the natural calamity.

(ii) In respect of tube wells for which subsidy adjustments were made by the Banks during February to March 1983, 24 tubewells in both the districts for which Rs.1.29 lakhs adjusted, were found to be unsuccessful.

(iii) The utilised subsidy amounts of Rs.12.20 lakhs with the Banks in the two districts were not refunded as the Banks were reluctant to refund the amounts voluntarily and also there was lack of follow up action by the DRDAs.

(iv) Utilisation certificates in respect of the grants were not yet furnished by the DRDAs due to non-receipt of list of beneficiaries from the financing institutions and non-receipt of information from Agro Industries Corporation (executing agency) regarding number of tube wells actually installed.

3.8.5. *Co-operative Credit*

(a) Credit Stabilisation Fund towards the State share

During 1982-83, Government of India fixed a ceiling of Rs.3.82 lakhs (loan) for providing the State's share of 15 *per cent* contribution to the

National Agricultural Reserve Fund of the Reserve Bank of India now known as National Bank for Agriculture and Rural Development (NABARD) for stabilisation of credit arrangement of Co-operative Banks. The financing Co-operative Banks acting through the credit co-operatives depend upon these loan funds when difficulty arises in realising short-term loans from farmers suffering crop loss of 50 *per cent* or more in drought (post-monsoon) affected areas and the Banks were asked to convert short term loans to medium term loans. The Apex Bank was required to create stabilisation Fund to the extent of 20 *per cent* of estimated amount of short term loan repayable.

Consequent upon heavy floods in August 1982 and prevailing post-monsoon drought condition in March 1983, Government sanctioned a loan of Rs.3.82 lakhs to the Orissa State Co-operative Bank (OSCB), which is the Apex-Co-operative Bank in the State for the above purpose, towards State share of 15 *per cent* to enable the OSCB to obtain further loan from the NABARD; the loan was repayble in 15 equal annual instalments along with interest at 9.75 *per cent* per annum on outstanding principal amounts with rebate of 2 *per cent* for punctual repayment of principal and payment of interest. The loan was to be utilised by 30th June 1983 and as laid down by Government, the unutilised loan amount was to be surrendered immediately after the period was over. A certificate of utilisation of the amounts sanctioned as loans to farmers with the payees' receipts were required to be obtained from the societies and made available to audit by the RCS, Orissa. The entire loan funds (Rs.3.82 lakhs) were reported (January 1985) by the RCS to have been utilised.

Test check of departmental records revealed the following:

(i) The Apex Bank of the RCS could not state for want of information as to the total number of beneficiaries benefitted by the conversion of short term loans as medium term loans by the primary societies by 30th June 1983.

(ii) During *Kharif* season of 1982, 17 Central Co-operative Banks (CCB) disbursed Rs.42.49 lakhs as short term loans to the societies to favour 4.38 lakh farmers. Due to heavy floods of August 1982 and prevailing post-monsoon drought conditions since September 1982, it was anticipated by the RCS that 60 *per cent* (Rs.25.49 lakhs) of the short term loans would be converted as medium term loans. Against State's share of Rs.3,21.05 lakhs (Out of Rs.3.82 lakhs) loans provided by Government in March 1983, NABARD provided Rs.16,17.23 lakhs as loan to the Bank and the OSCB itself contributed Rs.1.07 lakhs to the Stabilisation Fund.

Of the total amount of Rs.20,45.28 lakhs available with the Apex Bank, Rs.20,15.44 lakhs were advanced (June 1983) to 17 CCBs in 13 districts to enable coversion of short term loans of eligible beneficiaries to medium term loans. While the OSCB and CCBs maintained records changing the nature of loans, they had no records to show how much of the amount was converted into medium term loans by the Primary Agricultural Co-operative Societies (PACs) by way of extending benefit to the eligible farmers (January 1987).

(b) *Grants to consumer co-operatives towards loss of stock*

Government of India approved (November 1982) a ceiling of Rs.40 lakhs for providing grants to consumer co-operatives towards loss of stock due to the floods in August 1982. Government sanctioned the funds in January 1983 and the RCS distributed Rs.40 lakhs to 8 districts and intimated Revenue Department to have utilised the funds. Test check revealed that against full utilisation reported, certificate of utilisation was furnished to Government for Rs.25.73 lakhs; approval of Special Relief Commissioner (Board of Revenue), who co-ordinated the relief programme, was not obtained for the district-wise distribution of funds. When *ex-post-facto* approval was sought for in June 1983, by which time the funds were already spent, SRC had not approved allotment to the extent of Rs.0.51 lakh to co-operatives in Aul block of Cuttack district (Rs.0.13 lakh) and Sadar II Block in Sambalpur district (Rs.0.38 lakh) as the two areas were not affected by floods.

(c) *Subsidy towards operational cost of consumer retail outlets*

The Central Government approved (August 1982) a ceiling of Rs.4 lakhs for providing subsidy towards operational cost of 650 consumer retail outlets of cyclone affected areas of June 1982. The funds were placed at the disposal of Assistant Registrar of Co-operative Societies for distribution to the outlets only in January 1983. Though the department reported (January 1985) full utilisation of subsidy, it was seen that utilisation certificate was furnished to Revenue Department only for

Rs.1.33 lakhs. Scrutiny of departmental records further indicated that Rs.1.94 lakhs were distributed as subsidy to 437 outlets leaving Rs.2.06 lakhs remaining unutilised (September 1985). Due to late sanction of funds, the incentive to open retail outlets was not available at the appropriate time soon after the calamity thus defeating the purpose of subsidy.

3.8.6. *Drinking Water supply*

(a) *Diversion of funds from the allotment for transportation of water to the drought affected areas*

On the requisition placed by the Chief Engineer (Public Health), Orissa, Government (Housing and Urban Development) sanctioned (April 1983) an expenditure of Rs.30 lakhs for purchase of Galvanised Iron Tanks (Rs.4.25 lakhs) and transportation of water to drought affected areas (Rs.25.75 lakhs) with instructions that funds meant for water transportation should not be diverted for any other purpose. The Chief Engineer allotted funds in May 1983 to 116 core blocks under 14 Public Health divisions with stipulation that the funds were to be utilised fully within 30th June 1983 as laid down by the Government of India without any spill over to July 1983.

Out of Rs.30 lakhs allotted, Rs.12.42 lakhs (constituting 41.4 *per cent* of allotment) was utilised by the divisions upto November 1983 leaving an unspent balance of Rs.17.58 lakhs with the divisions (January 1984). An amount of Rs.10.86 lakhs was also adjusted as *pro-rata* charges from the unspent balance of Rs.17.58 lakhs and the remaining amount

of Rs.6.72 lakhs was irregularly diverted to four other urban water supply schemes. The decision to set apart *pro-rata* charges, which would mean charging at a fixed percentage on establishment, etc., from out of flood repair grants was irregular.

Against expenditure of Rs.0.58 lakh stated to have been incurred in January 1984 by Balasore P.H. division, it was found that an amount of Rs.0.06 lakh was paid to Orissa Small Industries Corporation, Cuttack towards cost of materials, Rs.0.04 lakh advance to the Superintendent, Balasore Technical School for manufacturing one tanker and trolley and Rs.0.48 lakh remained unspent reportedly due to non-supply of tanker and trolley for which advances were paid (May 1985) and as a result, water transport could not be made. The division stated in May 1985 that no water was transported to drought affected villages as they were unapproachable by vehicle.

The Public Health division, Dhenkanal spent Rs.0.43 lakh for purchasing 21 G.I. tankers and 3 barrels without any requisition sent by him for funds which were not utilised for transportation of water to drought affected areas and the problems of core blocks in inaccessible areas remained unsolved.

Thus, funds were placed with the Public Health divisions without their requirement out of drought grants resulting in unauthorised diversion.

(b) *Execution of original works out of FDR grants*

Provisions of Rs.2.50 lakhs was made for construction of 1 lakh gallon capacity RCC underground reservoir in MLA Colony of Unit IV in

Bhubaneswar against the composite estimate submitted (May 1981) by the PH Construction division to the Superintending Engineer, PH Circle, Bhubaneswar. However, the PH maintenance division spent Rs.2.78 lakhs out of FDR grant of 1980-81 for construction of under-ground reservoir and an expenditure of Rs.1.16 lakhs was also incurred in 1980-81 by the division in sinking 8 tube wells in Bhubaneswar Municipal town area out of FDR grant for 1980-81.

The entire expenditure of Rs.3.94 lakhs incurred during 1980-81 on original works did not fall under the category of repair/restoration works for which FDR grant was required and the areas were also not affected by floods.

During 1982-83, PH Division-I, Cuttack spent Rs.23.06 lakhs on 11 original works of water supply to Cuttack city, construction of pump chamber, laying of feeder line, construction of pipe line from tube well to existing feeding main, laying of C.I. connecting line from tube wells to settling tank filteration plant, etc., which was met out of the FDR grant for 1982-83 despite instruction of the Central Government that no expenditure should be incurred on original work out of FDR grants. The diversion was unauthorised.

3.8.7. *Irregular payment of subsidy to OLIC for crop loss*

According to the instructions of Revenue Department (July 1982), the Collectors of the districts were to determine the specific areas of dry spell due to inadequate rainfall to enable OLIC to allow 50 *per cent* concession on water rate to cultivators affected during 1982 *Kharif*. Similarly, as per orders

(October 1982), 50 *per cent* concession of water rate was also to be allowed in addtion to all cultivators of Lift Irrigation Points in areas which faced dry spell that prevailed during *Rabi* season of 1982. Payment of subsidy was met from out of margin money.

Based on the crop cutting reports of 1982-83 furnished by the Collectors, Government (Revenue Department) declared (February 1983) that 24,572 villages were affected by drought bearing crop loss of 50 *per cent* and above and this list of villages was circulated (June 1983) by Lift Irrigation Corporation to all divisions. In Bhadrak and Dhenkanal LI division, it was found that due to delayed circulation though 3 blocks as a whole and 214 villages in 19 blocks were not affected during *Kharif* of 1982 and 3 blocks as a whole and 84 villages in 12 blocks were not affected by the drought during *Rabi* of 1982, a subsidy of Rs.2.08 lakhs (*Kharif* 1982: Rs.0.68 lakh and *Rabi* 1982: Rs.1.40 lakhs) allowed by the divisions without obtaining the list of villages eligible for subsidy, was found to be inadmissible.

3.8.8. *Replacement of vehicles-avoidable expenditure*

The Central team which visited the flood effected areas after floods of September 1980 and August 1982 recommended assistance of Rs.29 lakhs (non-Plan ceiling for 1980-81: Rs.9 lakhs and Plan ceiling for 1982-83: Rs.20 lakhs) for replacement of vehicles lost/damaged due to floods in Gunupur Sub-division (Koraput district) and Banki and Kendrapara of Cuttack district. Reports received by the Board of Revenue indicated that 11 motor vehicles pertaining to offices located in Gunupur were washed away by 1980 floods and the Special Relief Commissioner decided in January 1981 to purchase 7 trekkers for replacement and 3 vehicles for repair. Out

of non-plan assistance for Rs.9 lakhs, the Board purchased during March-April 1981, 10 diesel trekkers at a cost of Rs.8.06 lakhs (1980-81 allotment: Rs.7.50 lakhs and 1981-82 allotment: Rs.0.56 lakh) and placed with Collector, Koraput for purchase of diesel jeep (Rs.0.83 lakh) and Registrar, Finance Department for purchase of an Ambassador Car (Rs.0.67 lakh) for Revenue Department. Of 10 trekkers purchased, 8 numbers were distributed to the offices for replacement of vehicles though 4 of them were actually replaced in lieu of the vehicles lost due to flood and 4 were issued extra since equal number of vehicles were only repaired and put to use; remaining two vehicles were issued to Tahasildar, Nayagarh (Puri district) and Revenue Department which were not in replacement of lost vehicles due to floods. Thus, purchase of at least 6 vehicles could have been avoided and thereby the department could have saved Rs.4.92 lakhs (@ Rs.0.82 lakh each).

Out of Rs.20 lakhs allotted during 1982-83, Rs.19.86 lakhs were spent by the Board of Revenue for purchase of 21 jeeps, one Trekker and one truck from out of flood grant. Of these, 3 jeeps were proposed to be distributed to the Collectors, Phulbani, Bolangir and Board of Revenue, Cuttack in replacement of existing vehicles which were stated by them in March 1983 to be beyond economic repairs; 14 jeeps and one trekker were stated by the Board to have distributed to some officers (a list of vehcles damaged due to flood was not produced); the truck was being used by the Board office (period of use not known); remaining 4 jeeps (cost Rs.3.15 lakhs) were still lying unallotted (September 1985).

3.8.9. *Construction of Community mounds*

Construction of village mounds was taken up as a measure against floods. During 1979-80, Government (Revenue Department) deposited Rs.11.16 lakhs with Orissa Construction Corporation Limited (OCC) for construction of 117 community mounds in the district of Balasore. It was noticed that 104 mounds were completed to end of May 1985 at a cost of Rs.9.57 lakhs but none of the mounds was handed over to Tahasildars/Block Development Officers for maintenance as per decision (September 1981) of the SRC. Due to cyclone of June 1982, 19 mounds were partially damaged but were not repaired reportedly for want of funds. An amount of Rs.1.59 lakhs was still retained by OCC out of Government account for want of instructions from Government for further utilisation or refund (May 1985) and 13 mounds were not constructed till now.

3.8.10. *Construction of temporary flood shelters*

For construction of flood shelter sheds in Sambalpur town, Rs.3 lakhs were made over (March 1983) by the Collector, Sambalpur to the Secretary, Sambalpur Regional Improvement Trust(SRIT) from out of the Chief Minister's Relief Fund. The amount received was deposited by SRIT in Postal Savings Bank Account. After an estimate for Rs.6.32 lakhs prepared for the sheds in May 1983, tenders were called for in July 1983 but no tenders were received in response and the work could not be taken up by the SRIT. Government (Housing and Urban Development Department) directed the Chairman, SRIT in August 1984 to place the funds with R&B division, Sambalpur, which did not materialise since the

latter refunded in September 1984 the money (Rs.3 lakhs) with interest (Rs.0.05 lakh) to the Collector. The work still remained to be completed (October 1985).

Delayed decision in fixing the agency for execution of work and lack of pursuance at the district level deprived the people of Sambalpur town of any protection from flood/cyclone due to non-construction of sheds even after lapse of more than 2 years.

Summing up

- Assistance to betelvine growers of Rs.9.01 lakhs remained unspent due to disputes in ownership of gardens, absence of land owners and non-verification of reports of genuine growers initially.

- Expenditure of Rs.0.73 lakh on cashew plantation was rendered wasteful due to discontinuance of watch and ward arrangement.

- Out of Rs.9.75 lakhs earmarked for soil conservation works, Rs.5.44 lakhs were spent during 1982-84 for purposes unconnected with approved items of work without approval of the Special Relief Commissioner.

- Advance payment of subsidy amounts to Banks, the delayed sanction of loans for adjustment of subsidy benefitted the financing institutions instead of the affected farmers who did not receive the aid timely soon after the natural calamity.

- Grant of Rs.0.51 lakh utilised by consumer co-operatives towards loss of stock, was not approved by the Special Relief Commissioner as the amount was spent in areas not affected by floods.

- Funds out of drought grants placed with the Public Health divisions without their requirement resulted in unauthorised diversion.

- Expenditure of Rs.3.94 lakhs incurred during 1980-81 on original works did not fall under the category of repair/restoration works for which FDR grant was required and the areas were also not affected by floods.

- Out of Rs.11.16 lakhs placed with OCC during 1979-80 for construction of 117 village community mounds as a measure against flood, 104 mounds were completed at a cost of Rs.9.57 lakhs and were not handed over to Tahasildars/BDOs; 19 mounds were partially damaged but not repaired; 13 mounds were not constructed at all.

The matter was reported to Government in February 1986; reply is awaited (May 1987).

LABOUR AND EMPLOYMENT DEPARTMENT

3.9. Minimum Wages for Agricultural labour

3.9.1. *Introduction*

3.9.1.1. The Minimum Wages Act, 1948, enacted by the Central Government (effective from 15th March 1948) aims at preventing exploitation of

workers unorganised (weaker section); fixation of minimum rates of wages, hours of work, spread over and payment of overtime wages; providing penalties for offences under the Act and Rules made thereunder. Orissa Minimum Wages Rules were also framed during 1954.

3.9.1.2. According to 1981 Census, there were 63.3 lakhs agricultural labourers including small and marginal farmers. Most of them are exploited as 75 *per cent* come under un-organised labour force. Wages paid to agricultural labour in private employment are governed by non-economic factors like heridity, tradition, illiteracy and backwardness.

3.9.1.3. In implementation of minimum wages through legislation, the main constraints were lack of suitable enforcement machinery, proper environment, scattered nature of agricultural farms, unusual character of employment in that it was mostly seasonal, casual and not regular. After inter-departmental meeting held in February 1982 in the Ministry of Labour conclusions were arrived at which were circulated to all State Governments for active implementation through adoption of notification method in implementation of minimum wages, review of staff requirements to ensure periodical inspections, prosecution of defaulters, formation of separate directorate, strengthening of monitoring units for reporting every month, etc.

3.9.1.4. *Organisation*

The Labour Commissioner, Orissa (post operated from 1st April 1953) under the adminstrative control of Labour and Employment Department assisted by six Zonal Officers of the rank of Deputy Labour Commissioner/Assistant Labour Commissioner

(stationed at Balasore, Berhampur, Cuttack, Jeypore, Rourkela and Sambalpur), sixteen District Labour Officers and sixty-five Assistant Labour Officers (posted at sub-divisional headquarters) is responsible for administration and enforcement of various labour laws including Minimum Wages Act. No separate Directorate for looking into problems of Minimum Wages Act has been created so far (June 1986).

3.9.1.5 *Enforcement of the Act*

The Inspector appointed under the Act (Departmental Officer only) ensures enforcement of minimum wages, inspects any premises or places where employees work or work is given out to workers of any scheduled employment where minimum wages have been fixed under the Act. The Zonal Assistant Labour Commissioners have been declared under Section 20 of the Minimum Wages Act as the authority to decide the claims for payment of minimum rates to the employees which are recoverable as fine by the Magistrate.

3.9.1.6. *Appointment of inspectors/honarary rural organisers*

District Labour Officers (DLOs) and Assistant Labour Officers (ALOs) were declared initially as Inspectors under the Act. As the enforcement staff was not sufficient, Government declared (October-November 1975) Tahasildars, Additional Tahasildars, Revenue Supervisors, Revenue Inspectors of Revenue Department and District Welfare Officers (DWOs) and Assistant District Welfare Officers (ADWOs) of Harijan and Tribal Welfare Department as Inspectors to solve the problems of agricultural labourers through periodical inspections of agricultural establishments. Monthly/yearly quota of inspections,

target of inspection to be conducted by the Inspectors under the Labour Directorate is fixed by the Labour Commissioner, Orissa. Government intimated in November 1986 that the existing staff was not sufficient to cover vast and scattered agricultural operations in remote and inaccessible areas of the State. Consequently the Centre introduced (November 1981) a scheme for organising rural organisers and apointing honorary organisers with matriculation qualification in the age group of 35-65 years in 40 blocks in first stage and another 40 blocks during 1984-85 with 100 *per cent* Central assistance on condition that 30 to 40 *per cent* of them should be from women-folk and proportionate representation to be given to SC/ST candidates. These organisers are required to be trained for two months at the Central Board of Workers Education Centre at Cuttack/Rourkela and educate the workers on monthly honorarium of Rs.200 and Rs.50 to cover tour expenses.

3.9.1.7. *Rural Labour Inspectors*

The Central Government also sponsored (February 1985) a scheme of "Appointment of Rural Labour Inspectors" for supervision of work of Rural Organisers attached to DLOs in Blocks having 70 *per cent* of agricultural workers of Scheduled Caste/ Scheduled Tribe (SC/ST) population, providing Central assistance to cover the expenditure on their salaries only and requiring the State to give an undertaking that these posts would be continued even after Seventh Plan and that the expenditure would be borne by the State. As many as 65 posts of Labour Inspectors duly empowered as Inspectors under the Act were sanctioned (March 1986) by

the State Government after lapse of 13 months of the decision of Central Government. These posts were filled up in May 1986 and the persons were imparted training between May and July 1986.

3.9.1.8. Test check of departmental records in the Department of Labour and Employment and in eight labour districts (Bolangir, Cuttack, Ganjam, Kalahandi, Koraput, Phulbani, Puri and Rayagada), by Audit was made mainly for the years 1981-86 and the results thereof are included in this review.

3.9.2. *Finances of the Programmes*

No specific budget provision was made for implementation of minimum wages to agricultural labour on the ground that the staff of Labour Directorate and Collectorates were responsible for enforcement of the provisions of the Act. However, between 1980-81 and 1985-86, the State Government incurred an expenditure of Rs.0.35 lakh at Rs.0.07 lakh each year (except during 1980-81) for conducting seminars and Rs.1.50 lakhs (at Rs.0.25 lakh each year) for organising training camps for all classes of unorganised labour and agricultural labour. Central assistance was available for Centrally Sponsored Programmes of "Scheme for Organising Rural Workers" (November 1981) and "Appointment of Rural Labour Inspectors" (February 1985). Year-wise allotment and expenditure for the Central Programmes are as follows:

Year	Scheme for Organising the Rural Workers (100% Central Assistance)		Balance unutilised
	Allotment	Expenditure	
	(Rupees in lakhs)		
1981-82	0.20	0.20	Nil
1982-83	1.20	1.17	0.03
1983-84	1.20	1.10	0.10
1984-85	1.20	1.10	0.10
1985-86	2.66	2.28	0.38
	6.46	5.85	0.61

It would be seen from the above that an amount of Rs.0.61 lakh remained unutilised due to non-disbursement of honorarium/conveyance allowance to rural organisers. As regards appointment of Rural Labour Inspectors, the Central assistance of Rs.9.75 lakhs per annum admissible towards their cost of salaries and allowances could not be availed of by the State during 1984-85 to 1985-86 due to non-operation of the scheme during these years. However, in 1985-86, funds of Rs.5.83 lakhs were allotted for this scheme of which Rs.0.95 lakh was drawn and kept (March 1986) in the Bank by the Labour Commissioner and the remaining amount of Rs.4.88 lakhs remained unutilised (December 1986).

3.9.3. *Implementation of the Programme*

3.9.3.1. *Fixation of minimum wages*

3.9.3.1.1. Under the Act, the State Government was to review the minimum wages fixed at such

intervals not exceeding five years and on the recommendations of Minimum Wages Advisory Committee, fix minimum wages after notifying, for a period less than two months, the proposed rates in the Official Gazette. Tripartite Committees at Collectors' level required to be constituted as per Labour Ministers'Conference (July 1980) to oversee the working of the Act, were not constituted on the ground that there were exclusive committees at blocks, sub-divisional, district and State levels to review 20-Point Programme as intimated by Government in November 1986. Government had not constituted so far (May 1986) any Advisory Committees in respect of agricultural employment. Minimum Wages Advisory Boards were found constituted (other categories) under the Chairmanship of Minister for Labour and Employment with officials, special invitees and representatives of employees as members.

3.9.3.1.2. Between 1980 and 1985, minimum wage of agricultural labourers was revised thrice increasing the rate of Rs.5 to Rs.6 and Rs.7.50 per day with delay in preliminary and final notification ranging from three and half months to eight months. As per decision taken (July 1980) at the Conference of the State Labour Ministers, the wages were to be revised once in at least two years or on the rise of 50 points in Consumer Price Index, while the Central Standing Committee recommended (April 1984) revision once in a year in view of steep price escalation. Between January 1976 and March 1983, the price index rose from 336 to 610 points necessitating revision more than 5 times (on increase of every 50 points) but revision was made only thrice. Though there was a steep rise

in price index above 50 points between December 1982 and December 1983, Government revised the wages raising from Rs.6 to Rs.7.50 only from 5th November 1984 after 23 months of last revision done on 1st December 1982. On 17th January 1986, a preliminary notification inviting objections/suggestions was made for revision of wages from Rs.7.50 to Rs.10 and the final notification for implementation of higher wage rate is yet to be released (May 1986). Thus agricultural labourers in Orissa have been denied the rightful increase of wages when compared to their counterparts in other States due to belated action and delay in notification resulting in erosion of real wages.

3.9.3.1.3. For all types of agricultural operations, Government fixed a uniform rate of wage though it varied from district to district and for different agricultural operations. It was noticed that on paddy cultivation the wages paid in Cuttack district ranged from Rs.7 to Rs.12 while in Rayagada Labour district it was Rs.9 per day. In Marshghai block (Cuttack district) Rs.20 to Rs.25 per day were paid for jute cultivation operations.

3.9.3.2. *Loss of wages to agricultural labourers due to delayed implementation*

The revised rate of wages of Rs.7.50 to agricultural labour was applicable from 5th November 1984. Test check of records of eight labour districts (Bolangir, Cuttack, Ganjam, Kalahandi, Koraput, Phulbani, Puri and Rayagada) for the year 1984-85 relating to Forest, Soil Conservation, Horticulture and Agriculture Departments revealed delay in the implementation of rates by the departmental

officers for a period ranging from one to ten months. Delay in implementation was attributed in February/ March 1986 by the departmental officers to delay in receipt of notification of enhanced wage rate from their respective heads of departments, non-revision of plantation norms and non-receipt of revised allotment of funds to meet the increase.

Due to delayed implementation and non-payment of enhanced rate of Rs.7.50 per day, the agricultural labourers deployed were deprived of higher wage benefit to the extent of Rs.21 lakhs (Forest: Rs.12.54 lakhs; Soil Conservation: Rs.7.97 lakhs; Agriculture: Rs.0.38 lakh; Horticulture: Rs.0.08 lakh and Sericulture: Rs.0.03 lakh). Government intimated in November 1986 that it was the responsibility of concerned departments to arrange necessary funds to meet the additional expenditure due to revision of minimum rates of wages.

3.9.3.3. *Ineffective functioning of honorary Organisers*

Test check of monthly progress reports and tour diaries of honorary rural organisers with records of DLOs of 1984-85 for eight labour districts indicated the following:

(i) Out of 80 organisers appointed in 196 identified low wage pocket areas and also those having concentration of about 50 *per cent* SC and ST population, 26 organisers were found posted in development blocks (other than low wage pocket areas); only seven SC and six ST were posted against 25 and 10 *per cent* respectively; female candidates were ten against 20 *per cent* required; 17 organisers were found working without any training and it is doubtful if their functioning as rural organisers

would have yielded any results. Government stated (November 1986) in reply that due to non-availability of suitable SC/ST and female candidates having requisite qualification, age and experience, it was not possible to appoint 25 *per cent* SC, 10 *per cent* ST and 20 *per cent* female candidates as honorary organisers.

(ii) Monthly reports of their performance were not submitted by 14 organisers for periods ranging from 3 to 13 months.

(iii) Though tour diaries were not submitted by 23 organisers for periods ranging from 8 to 49 months, they were paid conveyance allowance without ascertaining the performance of tours. Conveyance allowance of approximately Rs.0.26 lakh found paid between April 1982 and December 1985 to 13 organisers during the period of training was not admissible.

(iv) Unspent honorarium and coveyance allowance of Rs.0.04 lakh in six blocks relating to the period ranging from February 1982 to March 1984 were kept in P.L. Accounts of blocks not qualifying for Central assistance.

(v) From the monthly tour reports of the organisers rendered to DLOs, it was seen that agricultural labour in blocks of Turkela and Birmaharajpur in Bolangir district and Dharakote farm (Ganjam district) were paid wages at Rs.5 to Rs.7 instead of Rs.7.50 per day. These facts were not reported properly by the organisers and action was not taken by DLOs.

(iv) Activities of organiser attached to Kashipur block (Koraput) were not known to the Block Development Officer (BDO) and Assistant Labour Officer. Similarly, as no job charge of the organiser was supplied to BDO, Mohana (Ganjam district), the work done by him could not be checked.

Government informed (November 1986) in reply that the work of the Rural Origanisers suffered qualitatively; the work of the honorary organisers would be reviewed by the Officers of Labour Enforcement Machinery.

3.9.3.4. *Inspections*

Scrutiny of inspection reports of departmental officers and the connected records in eight districts for the year 1984-85 revealed the following:

(i) Establishments to be inspected were not identified in most of the cases rendering it difficult to work out monthly programmes. Government intimated in November 1986 that due to shortage of Inspecting Officers it has not been possible to identify all the agricultural establishments scattered in the State. DLO, Ganjam stated (March 1986) that identification of establishments was done in his district but no list could be furnished to Audit. In the District Level Committee meetings in all the eight districts covered, it was noticed that no problem relating to minimum wages came up for discussion.

(ii) Monthly inspections conducted were mostly once and were found to be casual and routine. In large number of cases, inspections were conducted

on the same day and at the same time covering a number of areas in the village. No mention was made of addresses of establishments visited, statement of cultivators, agricultural labourers working in the farms, their names, signatures/thumb impressions in the relevant column provided in the formats of the reports. Government stated (November 1986) that due to illiteracy of workers, they hesitated to make complaints and refused to lend signatures/ subscribe thumb impressions also.

(iii) Inspections conducted were confined to private establishments while Government establishments relating to Agriculture Dairy, Forest, Horticulture, Soil Conservation Offices were rarely visited reportedly due to the fact that the inspectors were saddled with implementation of various labour laws including agriculture.

(iv) No indication was forthcoming in regard to 5 *per cent* check of inspections of establishments, particularly low wage pockets relating to SC/ST dominated areas, by Zonal Assistant Labour Commissioner or District Labour Officers. Government informed in November 1986 that the DLOs have been instructed to conduct adequate supervisory inspections.

(v) Against 35.78 lakhs agricultural establishments, only 40,972 (1.14 *per cent)* were covered by inspections to end of 1984-85 and compared to annual target of 11,460 numbers (DLO: 10 numbers; ALO: 15 numbers per month) fixed by Government (raised further to 16,080 during 1985-86) this was found to be too low. Considering the vastness of establishments, the targets fixed seemed very low.

No systematic programme was drawn up for coverage of uncovered establishments. Government intimated (November 1986) that after posting of Rural Labour Inspectors in all the blocks of the State, systematic programme would be drawn up for coverage of uncovered establishments.

(vi) Follow-up action was not taken except issuing notices in a few cases of violations. Of 40,972 inspections conducted between 1980-81 and 1984-85, 30,752 cases of violations were noticed mostly pointing out non-maintenane of registers and a few cases related to non-payment/under-payment of wages. To end of March 1985, 79,007 cases of irregularities remained unrectified.

Government intimated (November 1986) that for taking up follow up action on large number of inspection reports, adequate staff was necessary in the field offices and it has not been possible to provide for separate machinery to supervise the work of inspecting officers at field offices as well as headquarters level.

(vii) In many cases, inspection reports were not made available to Audit relating to year 1984-85. Inspections conducted/reported through monthly progress reports did not tally with the records of field offices as given below:

District	Inspections	
	As per monthly progress reports	As per records of field offices
Cuttack Sadar & Kendrapara	1,097 numbers	489 numbers
Koraput(Jeypore)	282 numbers	169 numbers
Phulbani(Boudh)	571 numbers	152 numbers

(viii) Thirty six low wage pockets (Bolangir: 5; Ganjam: 6; Kalahandi: 2; Koraput: 12; Phulbani:10 and Puri: 1) were not inspected at all and where inspected, the coverage was only 1-7 inspections during the year 1984-85.

(ix) Total pendency of prosecution cases was 19 to end of 1985 against 5 to end of 1981. Similarly, claim cases of under-payment of wages to agricultural labour pending finalisation in Courts of Sub-divisional Judicial Magistrates at the end of 1985 was 137, out of which 82 complaints filed by labourers were pending disposal (Bolangir: 63 cases and Phulbani: 19 cases).

(x) No Government establishment had implemented the weekly day of rest with wages so far (June 1986) (except Bhubaneswar Dairy) as required under the amended Orissa Minimum Wages Rules 1954 which came into effect from May 1985. Government informed (November 1986) that the matter is being pursued by the field officers with the respective executing departments of Government.

3.9.3.5. *Publicity*

During 1978-79, Rs.0.05 lakh was spent for publicity and an amplifier was purchased which was kept in the Directorate. No Cell existed in the Labour Directorate for implementation of this Programme through the media of publicity. DLO, Cuttack had only notified the minimum wage through radio and telecast while DLOs, Koraput and Kalahandi distributed pamphlets during training camps organised for labourers.

3.9.4. *Seminars and Training Camps*

3.9.4.1.*Seminars*

Rupees 0.35 lakh were allotted by the State Government between 1981-82 and 1985-86 for conducting 10 seminars, two in each year, for unorganised labour including agricultural labour at Rs.3500 per seminar. The DLOs were required to conduct the seminars allotted to their districts. No guidelines were issued by Government in conducting seminars. It was seen that there was delay of eight months by the DLO, Cuttack in conducting seminar allotted for the year 1982-83 and details of expenditure were yet to be furnished to the Labour Commissioner, Orissa (June 1986).Similar expenditure statement in support of seminar conducted at Rourkela on 30th March 1983 was yet (June 1986) to be received. No seminar was conducted by the field officers against allotment of Rs.0.14 lakh made for the year 1984-85 and 1985-86 which remained unspent. Government intimated (November 1986) in reply that the matter was under investigation.

3.9.4.2. *Training Camps*

A sum of Rs. 1.50 lakhs was placed by Government at the disposal of concerned DLOs during 1981-82 to 1985-86 for organising training camps at the rate of Rs.2,500 for each camp. During test check, it was found that camps were not organised timely during the year of allotment and there was delay ranging from one to 24 months. Of ten training camps proposed during 1985-86, only one camp at Rajgangpur (23rd March 1986)

was conducted. Test check of records in the Directorate of Labour revealed that proceedings in 19 cases and expenditure statements in 14 cases relating to the years 1982-83 to 1985-86 were not received by the Labour Directorate. The matter is stated (November 1986) to be under investigation.

3.9.5. *Monitoring and evaluation*

No separate monitoring cell has been set up in the Directorate. The Labour Commissioner, Orissa looks after the reports received from field offices and the Deputy Secretary of Labour and Employment was stated to be monitoring the programme since July 1982. As seen from the quarterly returns sent to Central Government during 1982 to 1985, delay of one week in case of nine returns, two weeks in case of four returns and three weeks in case of three returns was noticed.

At the Central level, in the 12th meeting of the Minimum Wages Central Advisory Board held in May 1983, there was general agreement that the minimum wage fixed by the State Government needed to be enforced strictly and the suggestions given included involvement of Revenue machinery, constitution of Tripartite Bodies at Collectors' level, powers to be given to inspectors to impose fines and formation of special machinery for implementation of the Act. The final recommendations of the Central Advisory Board are awaited (July 1986).

No evaluation study on the impact of the programme has been conducted so far (July 1986).

Summing up

- Implementation of providing minimum wages to labour, through legislation suffered due to lack of suitable enforcement machinery, proper environment, scattered nature of agricultural farms and unusual character of employment being mostly seasonal, casual and not regular.

- There was ineffective functioning of Honorary Rural Organisers; twenty six organisers were posted in development blocks whereas they were required to be appointed in low wage pocket areas. Of the 80 appointed, only 7,6 and 20 belonged to SC, ST and females as against 25,10 and 20 *per cent* respectively.Seventeen were found working without the required training.

- Orissa Minimum Wages Rules, 1954 for carrying the provisions of the Act was amended in May 1985 giving weekly holiday with wages which is yet to be implemented in all departments of Government.

- Minimum wages were revised thrice only during the period 1980-85 raising from Rs.5 to Rs.7.50 though the consumer price index raised from 336 to 610 necessitating revision more than 5 times.

- The Central Advisory Board recommended giving D.A. on wages for protection of real wages and action in this regard is still awaited.

Delayed receipt of notification of minimum wages and implementation resulted in under-payment of wages to agricultural labour to the extent of Rs.21 lakhs.

- Against 35.78 lakhs agricultural establishments, only 40,972 were inspected to end of 1984-85.

- Nineteen prosecution cases, 137 claim cases and 82 complaints were pending for disposal to end of 1985.

EDUCATION AND YOUTH SERVICES DEPARTMENT

3.10. Avoidable expenditure

According to the staffing pattern sanctioned by Government in December 1980 for Government High Schools, one trained Intermediate teacher was to be entertained for Class VII and one additional teacher for every additional section of that Class. The Government High School of Khytriyabarpur (Ganjam district) with 5 Classes (Class VI to X) had one section of Class VII during 1980-81, 1981-82 and 1984-85 justifying one post of trained Intermediate teacher and two sections during 1982-83 and 1983-84 eligible for two such teachers. Test check of the records of the High School conducted in April 1985 revealed that seven trained Intermediate teachers were entertained during 1980-81 and 1981-82 of which six posts were continued during 1982-83 and 1984-85 rendering 6 surplus teachers in 1980-81 and 1981-82, 4 numbers in 1982-83 and 1983-84 and 5 numbers in 1984-85. No action was taken to adjust the surplus staff requirements sent by the school to the Inspector of Schools, Ganjam Circle.

Thus, entertainment of staff in excess of the sanctioned strength during 1980-81 to 1984-85 resulted in an avoidable expenditure of Rs.2.13 lakhs towards their pay and allowances.

It was seen that the trained graduate teachers according to the sanctioned strength for other higher classes were already in position during all these years. To an audit query, the Head Master of the School stated (April 1985) that though the fact was brought to the notice of Inspector of Schools, the authority was silent over the issue.

The matter was reported to Government in May 1986; reply is awaited (May 1987).

HOME DEPARTMENT

3.11. Unfruitful expenditure on Police Training

Under Re-orientation Training Programme, the National Police Commission (NPC) recommended (1981-82) three courses of training for Inspectors and Deputy Superintendents of Police (DSPs) to be imparted at the State Police Academy as detailed below:

(i)	For Inspectors	Six weeks
(ii)	For DSPs (Direct recruits)	Training similar to that of IPS probationers.
(iii)	For DSPs (Promotees)	Refreshers course of about 3 months to equip them to understand the additional responsibilities and also to give them necessary exposure to managerial techniques.

The State Police Academy (SPA) has neither its own building (proposed to be constructed in 75 acres of land and the land not yet transferred till May 1985) for imparting theoretical training nor any facilities of parade ground etc., exist for imparting practical training. As such, during the years 1981-82 to 1983-84, no training courses could be conducted as per the recommendations of NPC. However, posts of one Deputy Director from May 1981 (rank of Additional Inspector General), two Senior Assistants from December 1981,one Junior Assistant and a Stenographer from February 1982, one Typist from March 1982 and one Section Officer and three Constables during 1982-83 (fourth added in March 1984) were entertained exclusively for the purpose. Pending hiring of a building for the SPA, the Deputy Director proposed re-orientation training course of shorter duration to Senior Inspectors and for DSPs for one month in batches of 8 to 10 officers. Government accepted (August 1984) the proposal and by end of March 1985, the first batch admitted (October 1984) completed the training in the hired building and the second batch admitted (April 1985) was undergoing training (May 1985). Thus, expenditure of Rs.5.49 lakhs incurred during the period 1981-82 to end of September 1984 on establishment without conducting any training courses in achieving the aims and objectives of SPA proved to be unfruitful.

The matter was reported to Government in September 1985; Government stated (September 1986) that during the period although training programme could not be effectively implemented, the Officer and the ministerial staff appointed were engaged in revision of Police Manual and OMP Manual,

supervision work of the staff of the PTC, etc., by the Deputy Director. This reply is not tenable as the nature of duties performed by the Officer and staff was not connected with the Police Training programme.

3.12. Unfruitful expenditure

The State Forensic Science Laboratory, Bhubaneswar (SFSL) has been examining and conducting laboratory analysis of the exhibits (such as finger-prints, foot-marks, blood-stains, dead bodies etc.,) collected in the course of investigation of crimes for the State. Between January 1980 and August 1986 the laboratory received and tested 7,043 exhibits (ranging from 725 in 1980 to 1,267 in 1985). Due to steady increase in the flow of exhibits, Government accorded sanction (August 1983) for establishment of two more Regional Forensic Science Laboratories (RFSLs) at Berhampur (to cover Ganjam, Koraput, Kalahandi and Phulbani districts) and Sambalpur (to cover Sambalpur, Sundargarh, Bolangir and Dhenkanal districts) for analysis of exhibits. The two Regional Laboratories opened in hired buildings from January 1985 (rent paid amounted to Rs.0.34 lakh up to 20th February 1986), have not started functioning and as a result the exhibits continue to be (August 1986) analysed only at the SFSL, Bhubaneswar. Records of the Director, SFSL were test checked (February 1985) and the following observations are made:

(i) Government sanctioned (March 1984) Rs.21.60 lakhs (equipment and books: Rs.20 lakhs and two vehicles: Rs.1.60 lakhs) of which, Rs.20 lakhs were drawn on 31st March 1984 and kept under Civil deposits on the same day though orders of Government

stipulated submission of detailed contingent bills (D.C. bills) within one month.

For the supplies made by the firms approved by the Purchase Committee between March 1984 and May 1986, proforma bills were funished by the supplying firms on the basis of which, Rs.16.28 lakhs were drawn (out of Rs.20 lakhs in deposit account) in shape of Bank Drafts on the firms in July 1984 and retained in the office but shown in the cash book as paid to the firms. By end of January 1985 (even after the extended time for submission of D.C. bills by 31st December 1984) equipment valued at Rs.9.94 lakhs only was received. Two vehicles were also purchased in September 1984 at a cost of Rs.1.60 lakhs. Some other equipment of value Rs.9.28 lakhs including imported items costing Rs.8.10 lakhs were yet to be received by that date. Government permitted in March 1985 to utilise the balance of Rs.0.78 lakh before March 1985 and to submit the D.C. bills before 15th April 1985 (later extended upto end of June 1986). The amount was stated (August 1986) to have been utilised subsequently for purchase of equipments like photographic, electrical and miscellaneous accessories. Despite repeated extension by Government, the D.C. bills for Rs.20 lakhs required to be submitted by 30th April 1984 have not been submitted so far (February 1987). Imported equipment for Rs.5.45 lakhs and indigenous equipment worth Rs.0.32 lakh are yet to be received. The equipments valuing Rs.14.23 lakhs so far received have also not been installed in the two R.F.S.Ls. and the work is being carried out in the S.F.S.L., Bhubaneswar (August 1986).

(ii) Posts of Officers (one Deputy Director and three Senior Scientific Officers) and staff

(18 including three Senior Scientific Assistants and three Laboratory Assistants) for each of the R.F.S.L. were sanctioned by Government during August-December 1983. Between November 1983 and June 1986 all posts of Officers (7) and staff (28) were filled in for both the laboratories including the Deputy Director for RFSL, Sambalpur who joined in June 1986. The Senior Scientific Officers and Senior Scientific Assistants with a qualification of M.Sc., at the time of recruitment, were required to be trained in a particular discipline for at least six months besides general training for a period of two years in hand-writing, finger-prints, foot-marks, photography, etc. It was, however, reported to Audit (August 1986) that the Senior Scientific Officers (recurited in March 1985) were trained in a particular discipline only for six months and they were not imparted general training for two years as required. Expenditure of Rs.6.74 lakhs was incurred from November 1983 to August 1986 towards the pay and allowances of staff entertained for the two regional laboratories which are yet to start functioning.

Thus, even after incurring an expenditure of Rs.27.08 lakhs it has not been possible to use the laboratories for conducting examination of exhibits rendering the entire expenditure unfruitful.

The matter was reported to Government in February 1985; Government stated in February 1987 that although the main function of SFL is the examination of exhibits, both the R.F.S.Ls at present are not functioning properly due to inadequate staff, equipments; the staff and officers who joined are attending to the duties for maintenance and

upkeep of equipments to keep them in operational conditions.

COMMUNITY DEVELOPMENT AND RURAL RECONSTRUCTION (C.D.) DEPARTMENT

3.13. Short/non-accountal of cash

A test check (April 1985) of the accounts records of Principal, State Institute of Rural Development, Bhubaneswar for the period from March 1978 to 1985 revealed a net shortage of cash to the extent of Rs.0.61 lakh as follows:

(i) Drawal of a contingent bill for Rs.194.42 on 23rd March 1978 though exhibited in the Book of Drawals was not taken to the receipt side of the Cash Book; nothing could be stated if the amount drawn was spent for contingent purposes.

(ii) Amount of Rs.1,337.61 shown as remitted to treasury in three different challans as per the Cash Book on 31st March 1978 was not traceable from Bhubaneswar special treasury records.

(iii) Transactions in the disbursement side of the Cash Book on 31st March 1978 totalled upto Rs.4,438.76 but shown in the cash book as Rs.8,798.56 and thereby reduced the cash balance by Rs.4,359.80.

(iv) An amount of Rs.16,308 drawn and received on 26th October 1984 was not exhibited in the receipt side but shown as expenditure incurred (March 1985).

(v) On 22nd January 1985, the closing balance in the Cash Book was reduced by Rs.1,000 with a remark that the closing balance on 8th December 1981 was wrongly worked out less by the amount though computation of cash balance on 8th December 1981 by Audit did not disclose any mistake.

(vi) On 29th March 1985, the net cash balance in the Cash Book was reduced by Rs.37,998 by exhibiting the money in the advance ledger as advance to the Block Development Officer, Jatni but no record in support of the advance could be produced.

The shortage of cash was rendered possible and remained undetected *inter-alia* due to non-observance of the following codal provisions by the concerned authority.

(i) Money transations were not entered in the Cash Book promptly; entries therein were not checked and attested by the head of the institution concurrently as required under the rules.

(ii) Verification of remittances of departmental receipts into the treasury with reference to treasury challan was not done by the head of the institution.

(iii) Verification of cash balance was also not regularly done at the end of the month.

The matter was reported to Government in June 1986; Government stated (July 1986) in reply that the factual position contained in the para is correct; departmental special audit conducted,

confirmed the shortage of cash leading to misappropriation and on the basis of this special report departmental proceedings have been initiated against the Principal and the Cashier; it will take some time to finalise the proceedings.

3.14. Purchase of Mung Dal

Government issued instructions to all Collectors in August 1984 to purchase 'mung dal' (under the 'Special Nutrition Programme') for feeding children and expectant and nursing mothers by inviting local short tenders; purchase of mung dal could be made from the Co-operative if cheaper or equal to lower tendered rate. No Co-operative came forward during 1984-85 for supply of mung dal.

Test check of records of Collectors, Bolangir and Koraput during October-November 1985 indicated the following:

Against a short tender call notice issued by Collector, Bolangir in September 1984 for supply of mung dal, 12 tenders were received of which, the lowest tender of supplier 'G' of Titlagarh was accepted on condition that in case he hesitates or refuses to supply according to sample ("A" grade) at the quoted of Rs.660.67 per quintal, the earnest money of Rs.0.10 lakh would be forfeited and order placed on the 2nd lowest tenderer,supplier "M",at Rs.674.73 per quintal.As per terms of agreement entered into with the suppliers,if the supplier failed to deliver the goods in time,the Collector might purchase the goods from open market and realise the differential cost from the

defaulting supplier as a public demand. Order was accordingly placed (November 1984) on "G" for supply of 364 quintals of "A" grade mung dal at his quoted rates but the standby position was not intimated to "M". When "M" applied for refund of his earnest money deposit, it was promptly refunded in November 1984 even before commencement of supply by "G". Thereafter, supply of 228 quintals (out of 364 quintals) of mung dal by "G" not being found by the Collector to be of the approved grade was rejected (November 1984) and he was asked to supply the full quantity of "A" grade mung dal within a week by 6th December 1984. Extension of time till 31st December 1984 asked for by "G" was not granted and the order was cancelled on 7th December 1984 on the ground of urgent need for the feeding programmes. The 2nd lowest tender of "M" was ignored and no order was placed on him contrary to the earlier tender decision. Two other tenderers who had earlier submitted tenders and the Bolangir Consumer Co-operative Stores Limited, a fresh tenderer were called (December 1984) for negotiation and the lowest rate of Rs.704 per quintal of a supplier "H" of Kesinga obtained at the negotiation was approved in December 1984 and he was asked to made the supply of mung dal. "H" commenced the supply from January 1985, but the quality of dal supplied by this supplier was reportedly found by the District Social Welfare Officer, Bolangir in January 1985 to be inferior to that of the approved sample. Nevertheless, the first supply of 300 quintals received in January 1985 was accepted under orders of Collector and "H" was asked to improve the quality of future supplies. Further supply of 1,000 quintals was made by "H" upto June 1985 without any improvement

and full payment for Rs.9.15 lakhs at Rs.704 per quintal was made (January-August 1985) to him.

Non-adherence of the terms of agreement resulted in not recovering the differential cost of Rs.0.56 lakh from "G". This apart, inferior quality of mung dal was accepted paying higher rate involving extra expenditure.

TRANSPORT DEPARTMENT

3.15. Non-installation of weigh bridges

Following the Government sanctions issued between March 1985 and March 1986 for installation of weigh bridges at the check gates to facilitate assessment of weighment and collection of motor vehicles tax, the Transport Commissioner purchased between March 1980 and March 1985 five weigh bridges (two of 30 ton and three of 40 ton capacity) from a local firm 'CJ' a dealer for Atlas Weigh Bridge at a total cost of Rs.15.49 lakhs for installation at Regional Transport Office, Bhubaneswar and four check gates at Borigumma (Koraput), Jamsola (Mayurbhanj), Biramitrapur (Sundergarh) and Sunki (Koraput). For all the 5 purchases, tenders were invited and the lowest quotation of 'WB' (a Government of India Undertaking) in all the cases was ignored due to its poor performance as intimated (August 1985) by the Deputy Commissioner, Transport (Technical). Early delivery was also a factor in deciding the purchase from 'CJ'. None of the weigh bridges were installed or used so far (June 1986) even though the guarantee period of 18 months from the date of supply lapsed except in the case of one which was supplied in March 1985.

Test check of the records of Transport Commissioner revealed the following points:

(i) The weigh bridge (30 ton capacity) supplied in March 1980 at a cost of Rs.1.36 lakhs was to be installed in the premises of Regional Transport Office at Bhubaneswar on National Highway where surprise checks were desired to be conducted. Due to non-selection of site and non-availability of land for installation, the machine was lying in the open without any provision for watch and ward. The Regional Transport Officer(RTO) intimated the Deputy Commissioner, Transport (Technical) in October 1984 that there was no necessity at all to purchase this weigh bridge. The Deputy Commissioner intimated in October 1985 that purchase was made with good intention but installation was a time consuming process due to non-finalisation of estimates for civil works.

(ii) The remaining 4 weigh bridges purchased at a cost of Rs.14.13 lakhs between September 1980 to March 1985 also remained uninstalled due to non-selection of site at Biramitrapur, non-acquisition of land at Borigumma and Jamsola check gates and approval of Government of India required for widening of National Highway approach road for weigh bridge at Jamsola not being obtained. Non-acquisition of land was stated by the Regional Transport Officer, Koraput in February 1986 to be the reason for non-installation of weigh bridge at Sunki.

(iii) Due to shifting of office building from place to place at Bhubaneswar, the machine was also shifted during 1980-83 resulting in loss/damage

of some parts/components valuing Rs.0.33 lakh. Details of damages, if any, in respect of other idle weigh bridges were neither assessed nor made available.

All the five weigh bridges were thus purchased before selection of sites, acquisition of requisite land. Non-installation and non-commissioning of weigh bridges not only resulted in blockade of Government money amounting to Rs.15.49 lakhs but also in loss of Rs.0.33 lakh by way of damage of spare parts. The object of collection of motor vehicle tax based on actual weighment also remained to be achieved even after lapse of a period ranging from 14 to 74 months.

The matter was reported to Government in May 1986; their specific reply is awaited. While intimating the present position of installation, Government intimated (November 1986) that the Civil Works portion in three cases is in progress and in two other cases, plans and estimates are under preparation.

TOURISM, SPORTS AND CULTURE(TOURISM) DEPARTMENT

3.16. Unfruitful outlay

With a view to developing road Tourism in the State, Government in Tourism, Sports and Culture (Tourism) Department accorded (August 1981) administrative approval for Rs.9.91 lakhs for construction of a motel at Bhadrak. The execution of the work was entrusted (August 1981) to Balasore Roads and Buildings division (subsequently came under the control of Bhadrak Roads and Buildings division) for completion within three years (Sixth Five Year

Plan period). The original estimate was revised to Rs.16.41 lakhs taking into account acquisition of private land as Government land was not available and development of site for which revised administrative approval was accorded by Government in August 1982.

The motel project envisaged construction of main building consisting of two dormitories, restaurant, bar, garrage, shopping complex and one 'E' type quarter for Caretaker besides, compound wall and an approach road. The allotment of Rs.5.44 lakhs (Rs.2.54 lakhs in 1981-82 and Rs.2.90 lakhs in 1982-83) provided during the initial two years was fully spent on acquisition of land, development of site, construction of compound wall and one 'E' type quarter. Allotment of Rs.3.29 lakhs (including Rs.3.01 lakhs for this work) provided during the subsequent year 1983-84, was diverted under instructions of Government for development of +2 education in the State and payment of share of Tourism Department towards the expenditure on participation of State Government in India International Trade Fair, 1983. No provision for this project could be made in the budget estimate for 1984-85 due to constraint on resources and remote possibility to complete the project during Sixth Plan period. In July/August 1984, a decision was taken by the Tourism Department not to go ahead with further construction and to find out a private entrepreneur willing to complete the motel project treating the amount of Rs.6.31 lakhs (inclusive of *pro rata* charges of Rs.0.87 lakh) already spent on the Project by the State P.W.D. as State contribution and the rest amount to be spent would be given as loan to the entrepreneur. Subsequently it

was decided (October 1984) by the Tourism Department to transfer the project to Orissa Tourism Development Corporation (OTDC), a State Government Undertaking on "as is where is basis" to explore the possibility of completing it in collaboration with private entrepreneurs, which is yet to be implemented (September 1986). The Government stated (September 1986) that the feasibility report of the project proposed to be prepared by the private entrepreneur is still awaited.

Thus, the amount of Rs.6.31 lakhs already spent on the motel project, has remained unfruitful (September 1986) for the past over two years.

GENERAL

3.17. Misappropriations, losses, etc.

Cases of misappropriations, losses etc., of Government money reported to audit up to the end of March 1986 and on which final action was pending at the end of September 1986 were as follows:

	Number	Amount (In lakhs of rupees)
(1)	(2)	(3)
Cases outstanding at the end of September 1985	1,408	5,41.73
Cases reported during April 1985 to March 1986	83	10.77
Cases disposed of till September 1986	56	11.37
Cases outstanding at the end of September 1986	1,435	5,41.13

A department-wise analysis of the outstanding cases is given in Appendix 3.2. The periods for which these are pending finalisation are given below:

		Number	Amount (In lakhs of rupees)
	(1)	(2)	(3)
(i)	Over five years (1948-49 to 1980-81)	989	2,34.60
(ii)	Exceeding three years and within five years (1981-82 to 1982-83	217	2,37.12
(iii)	Up to three years (1983-84 to 1985-86)	229	69.41
	Total	1,435	5,41.13

The reasons for which the cases were outstanding were:

		Number	Amount (In lakhs of rupees)
	(1)	(2)	(3)
(i)	Awaiting departmental and criminal investigation	425	1,72.48
(ii)	Departmental action started but not finalised	734	2,90.70
(iii)	Criminal proceedings finalised but execution/ certificate cases for recovery of the amount pending	49	8.78
(iv)	Awaiting orders for recovery of write-off	122	34.12
(v)	Pending in Courts of Law	105	35.05
	Total	1,435	5,41.13

CHAPTER IV

WORKS EXPENDITURE

WORKS(INCLUDING RURAL ROADS AND BUILDINGS) DEPARTMENT

4.1. Road Development Programme

4.1.1. *Introductory*

Mention was made in the Supplementary Report (Civil) for the year 1973-74 regarding development of roads in the State to the end of Fourth Five Year Plan.

As adequate improvement to the road works was not achieved in the previous Plan periods, the Fifth Five Year Plan (1975-80) contemplated completion of incomplete projects of the Fourth Plan, convertion of 480 Kms. of unsurfaced roads to surfaced ones including widening and improvement, renewing the crust of many roads which were failing due to heavy modern traffic, replacement of old narrow bridges and culverts and construction of 66 new roads and bridge projects out of which, 43 numbers were to be completed during the Plan period and the balance to be spilled over to the Sixth Plan.

4.1.2. *Sixth Plan*

But the Sixth Plan was formulated mainly as a bridge oriented programme for an anticipated outlay of Rs.98,75 lakhs against which provision of Rs.52.25 lakhs was made. The programme *inter-alia* aimed at completing spill over works of the previous Plan period, up-grading the important existing

roads to desired standards, connecting district, Sub-divisions and block headquarters of the State through shortest routes.

4.1.3. *Target and achievement*

4.1.3.1. (a) *Physical*

The Sixth Plan originally contemplated execution of 138 spilled over works along with 114 new works under the State Plan consisting of 136 bridges and 116 road projects with an outlay of Rs.98,75 lakhs. With the revision of Plan provision (June 1981) to Rs.52,25 lakhs, this could accommodate 155 works (118 spilled over and 37 new works) of which, 102 were bridge and 53 road projects. Against this, the achievement indicated (March 1986) by the Chief Engineer (Roads) was 59 projects (State Highway: 12, Major District Roads: 19, other district and classified village roads: 28) leaving 96 projects spilled over to the Seventh Plan.

The physical targets and achievements under different categories of road construction components during the Sixth Plan period for the State were as under:

Sl. No.	Road construction components	Targets			
		Tribal Area Sub-Plan (TASP)	Special Component Plan for development of Scheduled Caste	Others	Total
(1)	(2)	(3)	(4)	(5)	(6)
1.	Completion of bridges projects (In numbers)	30	11	30	71
2.	Completion of culverts (In numbers)	6	Nil	39	45
3.	Completion of Cause Ways (In numbers)	-	-	5	5
4.	Metalling of roads (In kilometres)	93	28	82.5	203.50
5.	Black topping (In kilometres)	93	28	100.35	221.35
6.	Earth work of new road formation (In kilometres)	-	-	98.70	98.70
7.	Sub-base completion (In kilometres)	-	-	3.20	3.20

Achievements				
Tribal Area Sub-Plan (TASP)	Special Component Plan for development of Scheduled Caste	Others	Total	Balance at the end of Sixth Plan
(7)	(8)	(9)	(10)	(11)
24	8	27	59	12
Nil	-	32	32	13
-	-	3	3	2
64.10	30.69	108.93	203.72	Nil
52.40	21.68	70.48	144.56	76.79
-	-	88.50	88.50	10.20
-	-	3.20	3.20*	Nil

* As reported by Works Department, the completion of Sub-base was to the extent of 11 kilometres about which details were not on record.

(b) *Financial*

The year-wise Plan provisions, allotments and expenditure under each category of roads for the Sixth Plan period has been shown below:

Year	Plan provision		Allotment		Expenditure	
	State High Ways (S.H.)	District & Other Roads (D&OR)	State High Ways	District & Other Roads	State High Ways	District & Other Roads
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(Rupees in lakhs)			
1980-81	84.16	3,20.09	36.15	3,64.52	36.15	3,80.51
1981-82	1,04.55	2,80.02	36.89	3,44.56	58.46	3,70.17
1982-83	2,84.43	9,42.71	82.13	5,56.77	82.10	5,93.35
1983-84	2,37.76	8,33.47	1,16.13	5,21.53	98.00	5,43.84
1984-85	2,07.95	6,46.66	1,45.54	7,51.29	1,51.22	7,50.71
	9,18.85	30,22.95	4,36.84	25,38.67	4,25.93	26,38.58

Besides, a lump sum provision of Rs.12,83 lakhs was made (June 1981) for machinery and equipment, planning research, survey and investigation, *pro-rata* charges, decretal dues, etc., the total were plan provision being Rs.52,25 lakhs.

The shortfall in achievements against the targets envisaged under different categories was attributed (March 1986) by Government to less provision of funds during the Plan period.

It was also noticed that no master plan was prepared for execution of works on priority basis keeping in view the objectives of Plan. The department expressed (August 1985) before the Public Accounts Committee that for the Seventh Plan they have worked out a Master Plan which is at the initial stage, the master plan for roads is now under preparation. No evaluation study of the Plan achievement was ever conducted to ensure completion of the schemes targeted for execution during the Plan period.

4.1.3.2. *Tribal Sub-Plan*

The Tribal Sub-Plan came into operation since the Fifth Five Year Plan to focus attention on development of tribal areas with a financial flow of 24 *per cent* of the Plan outlay. The objective was to ensure that at least 50 *per cent* of the tribal families were to be brought above the poverty line by the end of Sixth Plan. Besides, a special component plan for development of Scheduled Castes was taken up to bring 50 *per cent* of the Scheduled Caste population in the State above the poverty line by the end of the Plan period.

With the proposed Plan provisions of Rs.52,25 lakhs, 2,58 lakh mandays were targeted to be generated during the Sixth Plan period out of which, due to financial stringency 61.92 lakh and 30.94 lakh mandays were targeted to be generated in Tribal Sub-Plan and Special Component Plan for development of Scheduled Caste population respectively. Employment potential of 150 lakh mandays in toto were however, stated by Government in March 1986 to have been generated under the programme during the Sixth Plan period.

4.1.3.3. *Communication system*

Road Communication system being the key to the socio-economic development of the State, it was seen that there was practically no addition to the road length (16,315 Kms.) of the State during the Sixth Plan period though admittedly Orissa having 61 kilometres of surfaced roads for a lakh of population was falling behind the all India average of 96 kilometres.

4.1.3.4. *Missing links*

The survey conducted in 1973 indicated 412 Kms. of missing links and since then, no further survey was done to assess the position. The draft Sixth Plan, however, contemplated that 6 sub-divisional headquarters, 18 tahasils, 95 block headquarters and 85 police stations did not have all weather road links with the head-quarters of their immediate supervising authority by the end of the Fifth Plan and 37 new schemes were proposed for execution during the Sixth Plan to provide all weather communication to those places. While the 6 Sub-divisional headquarters and 13 out of 95 block headquarters not connected by all weather roads were identified, the names of the remaining block headquarters, 85 police stations and 18 tahasils could not be identified by the department. In this context the Chief Engineer (Roads), expressed (August 1985) before the Public Accounts Committee that the road item is such that every year some roads are added and the missing links could not be assessed which was being assessed now to give an idea of the estimated cost involved. Identification of the Tahasils, blocks and Police stations has not yet (August 1986) been completed.

Test check revealed that one out of the six Sub-divisional headquarters i.e., Nawapara Sub-division of Kalahandi district could be connected with the district headquarters by all weather roads during the Sixth Plan period after construction of a bridge over river Tel near Turkel. Other five sub-divisional headquarters viz., Anandpur Sub-division to connect Keonjhar after completion of Baitarani bridge near Anandpur, Gunupur Sub-division to connect Koraput after completion of Vansadhara bridge, Kamakhyanagar Sub-division to connect Dhenkanal after completion of bridge over river Brahmani and Ramiala, Bonei with Sundergarh and Pallahara with Dhenkanal have been spilled over to Seventh Plan period. Out of the 13 identified block headquarters so far, only 8 block headquarters could be linked with Sub-divisional headquarters during the Sixth Plan period and the remaining works were spilled over to the next Plan.

4.1.4. *Organisation*

Improvement of roads under different programmes is executed under the administrative control of the Works Department which is headed by the senior most technical personnel designated as Engineer-in-Chief-cum-Secretary. The field organisation for execution of Road Development Programme is in charge of Chief Engineer (Roads) and Chief Engineer (Designs, Planning, Investigation and Research) who are assisted by Superintending Engineers, Executive Engineers and Assistant Engineers in charge of Circles, divisions and sub-divisions respectively below the rank.

While the flow of funds for the programme was reduced by 41.5 *per cent* which resulted in the reduction in achievements by 61.93 *per cent*, the organisational system took an increasing trend. As against existing 7 circles, 10 circles were in existence at the end of Sixth Plan and similarly, existing 34 divisions and 137 sub-divisions went upto 51 and 186 respectively. This rise in the organisational system resulted in increase in the establishment expenditure not commensurate with the works outlay. The percentage of establishment expenditure compared to works expenditure was 13.90 *per cent* at the 1st year of the Plan which went upto 15.21 *per cent* at final year of the Plan period against the standard of 11 *per cent* prescribed under departmental rules.

4.1.5. *Execution of works*

Records relating to the expenditure incurred during 1980-85 in respect of 2 State Highways (S.H.7 and S.H.7A), 3 Major District Roads (18A, 73 and 74), one Other District Road, 3 works under Tribal Areas Sub-Plan and 2 works under Centrally Sponsored Schemes were test checked (between June to August 1986). The following points emerged:

4.1.5.1. *Undue financial aid*

It was decided (March 1985) by Government to execute some Flood Damage Repair (FDR) works of the Roads and Buildings Wing through Orissa Bridge Construction Corporation set up in February 1983. Accordingly, allotment of Rs.1,50 lakhs (for Roads) was placed with different divisional Officers under the control of Chief Engineer (Roads) and the concerned divisional officers paid an amount

of Rs.1,59.72 lakhs as advance to the Orissa Bridge and Construction Corporation in March 1985 by charging to the final head/suspense head (Miscellaneous Works Advance). The Orissa Bridge and Construction Corporation refunded (June/July 1985) the amount without executing any work which were subsequently executed by 12 R&B and 4 NH&P divisions. The retention of huge amount by Orissa Bridge and Construction Corporation without executing the FDR works not only caused delay in their execution which were of urgent nature but in an undue financial aid to the Corporation. Besides, Government also sustained loss on account of interest of Rs.4.99 lakhs (at the rate of 12.5 *per cent* per annum) that would have accrued on the amounts advanced to Orissa Bridge and Construction Corporation Limited.

It was also seen that after getting the refund from the Corporation, the entire amount was credited to the Deposit account and the subsequent expenditure on the FDR works was met from out of this Deposit which was irregular.

4.1.5.2. (A) *Kalinga-Raikia-Nuagaon Road*-S.H.7A

The Kalipana Road renamed as Kalinga-Raikia-Nuagaon Road-S.H.7A with a total length of 57.75 kms. (black topped) links G.Udayagiri and Raikia of Phulbani district in the tribal belt. The road having four minor bridges and 75 culverts were under execution by Phulbani R&B division (subsequently transferred to Balliguda R&B division in October 1981, consequent on the creation of the later division).

An analysis of work revealed the following:

(i) *Withdrawal of maintenance and repair expenditure*

During 1984-85, an expenditure of Rs.6.92 lakhs was shown as incurred for maintenance and repairs of different roads under Balliguda division of which Rs.1.06 lakhs related to S.H.7A. This entire amount was irregularly booked in March 1985 under the Head "289-Natural Calamity (Buildings)" as the expenditure could not be accommodated within the allotment received for that year under maintenance and repair grant.

(ii) *Improvement works*

As a part of improvement to the road, reconstruction of HL bridge over Gunjabadi *nallah* at 41st km. was adminstratively approved (February 1979) by Government for Rs.6.42 lakhs. Revised estimate for Rs.10.21 lakhs as per actuals was prepared as late as November 1984 which has not been sanctioned (May 1986). Excess over the original estimate by Rs.3.79 lakhs was attributed (November 1985) by the department to increased cost of cement and steel, execution of some additional items of work, new provision for diversion road and dismantling of old culverts, etc. Against the revised estimate of Rs.10.21 lakhs, allotment for Rs.4.85 lakhs was made during the years 1980-81 to 1984-85 out of which, Rs.4.84 lakhs was spent including fictitious booking of stock materials worth Rs.1.98 lakhs (41 *per cent)* which was mainly done to avoid the lapse of allotment.

(iii) *Execution of bridge and approach*

Construction of High Level bridge over Gunjibadi *nallah* with approach on either side (estimated cost: Rs.6.42 lakhs) was entrusted to Contractor 'T' in April 1979 for its completion by March 1980 at his tendered rate of Rs.4.28 lakhs (8.02 *per cent* less than the estimated cost) by the Phulbani R&B division. The Contractor abandoned the work in July 1980 after completing the bridge proper and execution of earth work to the extent of 0.11 lakh Cum. (agreement quantity: 0.10 lakh Cum.) in approaches valuing Rs.3.83 lakhs (5th Running Account bill paid in August 1981). The work was then transferred in November 1981 to Balliguda R&B division.

After stoppage of work, the contractor intimated the Executive Engineer in March 1981 that he had already executed earth work more than the quantity as per agreement and expressed his unwillingness to execute further work unless the rate as per 1979 Schedule of Rates was allowed to him. As nothing was heard from the division, he requested the Executive Engineer to close his contract. Rescission proposal (without penalty) sent to the Superintending Engineer in October 1982 still awaits approval (August 1986). In the meantime, a nil final bill was prepared and kept pending in the division since materials statement showing consumption of stock materials was not prepared. Scrutiny of measurement book revealed that excess issue of materials (Cement: 53 bags and Rods: 5,670 tonnes) not returned by the Contractor amounting to Rs.0.85 lakh (at the penal rate of 5 times cost of materials worth Rs.0.17 lakh)

was yet to be recovered from the Contractor against which, a sum of Rs.0.33 lakh was due to him towards security deposit, earnest money and withheld amount for want of time extension. The work to the extent of Rs.0.43 lakh left by him was completed departmentally by engaging other agencies.

(B) *Berhampur-Phulbani Road - Tribal Area Sub-Plan*

Berhampur-Phulbani Road (S.H.7) with a length of 157 Kms. starts from NH 5 junction at Berhampur and connects the S.H.1 junction at Phulbani. The tail end of the road i.e., from 105/0 Km. to 157/0 Km. (52 Kms.) comes under the jurisdiction of the Phulbani R&B division. The State Highway is one of the most important and vital roads since it connects the district headquarters of the major tribal pockets of the State viz., Bolangir, Koraput and Kalahandi. During the Sixth Plan, the major work of construction of H.L. bridge over Durgaprasad *nallah* at 65/5 mile (106th Km.) was executed.

The bridge was administratively approved for Rs.5.64 lakhs initially by Government in May 1980 basing on a rough estimate which was recast on a realistic basis and administratively approved for Rs.9.39 lakhs in November 1981. The estimate subsequently revised (March 1985) to Rs.14.16 lakhs still awaits approval (May 1986).

The increase (Rs.8,52 lakhs) in the estimated cost of the bridge and approaches was mainly due to execution of excess quantities of work according to site necessity and increase in the issue rate

of departmental materials. The following points were noticed:

(i) *Execution*

Construction of the bridge proper alongwith its approaches on both sides was awarded to the lowest tenderer 'L' for Rs.7.04 lakhs (*11.35 per cent* less than the estimated cost of Rs.7.94 lakhs). The work commenced in October 1982 was scheduled to be completed in October 1982. Instead, the contractor completed the bridge proper to the extent of 29 *per cent* within the stipulated date and completed the work without approaches by June 1983. The department in their anxiety to open the road to traffic, proposed to construct temporary approaches through the same contractor which he refused to do. Eventhough his agreement was open, the work was done through job workers at higher rates involving an extra expenditure of Rs.0.37 lakh. On ompletion of the regular approaches in February 1984 without surface dressing, the bridge was ultimately opened to traffic in February 1984. 1981

As the surface dressing estimated to cost Rs.0.21 lakh was left unexecuted, there were depressions and pot holes which were got repaired after the rainy season of 1984 through other agency at a cost of Rs.0.19 lakh which was avoidable. The balance of work along with surface dressing was executed during February to March 1986.

(ii) *Execution of excess quantities*

The approach road was designed for a total length of 350 feet on either side with 12 feet

carriage width. The schedule of quantities incorporated in the initial estimate and 1st revised estimate were therefore, based on the quantities of works required for execution according to approved design and drawing. But the division executed extra quantities at a cost of Rs.0.94 lakh in almost all the items of the approach road stating that the same were required to be executed as per site necessity. Neither the 2nd revised estimate was sanctioned nor there was any order from the competent authority for execution of the excess quantities in as much as, sanction to the deviation is still (May 1986) to be accorded.

(iii) *Shortage of materials*

Stock materials valuing Rs.1.39 lakhs were not physically available in the site though the same had been shown in the site account of the road. Those materials were reportedly found short as per the handing over note (August 1984) of the concerned Junior Engineer; the matter was stated to be under reconciliation.

(C) *Bhadrak-Kothar-Aradi Road-M.D.R.73*

The Bhadrak-Kothar-Aradi Road (length: 36.5 Km.) in Balasore district connects Bhadrak, the Sub-divisional headquarters having commercial importance and Aradi, a place of tourist importance. Government accorded (December 1971) administrative approval for improvement to the road at an estimated cost of Rs.8.88 lakhs which was subsequently revised to Rs.23.92 lakhs and submitted (July 1980) to Government for revised administrative approval. Government, however, returned (June 1982) the same with instruction for recasting it as per 1982

Scheduled of Rates. Accordingly, and also with the change in the scope of the work, the estimates were revised to Rs.2,56.01 lakhs, administrative approval to which, is awaited (June 1986).

Allotment made during 1980-85 for the improvement work including special repairs, flood/ cyclone damage repairs, etc., amounted to Rs.77.91 lakhs.

The physical achievement made during the Sixth Plan period was as under:

As on 1st April 1980	As on 31st March 1985
Reach-I upto 19 Kms.- motorable and	(i) 0/0 to 24/0 Kms.- black topped;
Reach-II from 19 Kms. to 36.5 Kms.-non-motorable	(ii) 24/0 to 34/0 Kms.- Gr.I matalled after morrum sub-base; and
	(iii) 34/0 to 36.5 Kms.- earthen road

Since the road passes through the flood zone of Baitarani river, it was initially contemplated to be improved to 6 feet high embankment with provisions for cross drainage works to keep the formation level above the high flood level presuming that the left embankment of Baitarani river (the river flows parallel to the road) to be a protective one. Before drawing up the Sixth Plan targets, the matter was discussed with the Superintending Engineer, Irrigation Circle, Cuttack and it was ascertained that the left embankment of Baitarani river was not a protective one as there were number

of escapes for discharge of flood water and the protective embankment of river Baitarani had been scheduled to be constructed only after completion of Bhimkund Project. It was, therefore, decided to keep the formation level of the road below two feet of the high flood level (HFL) to avoid flood havoc during breach of embankment of Baitarani river and stagnation of water on up-stream of the the road embankment. The road is therefore being subjected to extensive flood havoc every year during rains and the damages caused during the years 1983-84 and 1984-85, was to the extent of Rs.1.27 lakhs (1983-84: Rs.37 lakhs and 1984-85: Rs.90 lakhs) and possibility of recurring damage to the road every year.

The following points were noticed during test check:

(i) *Execution of sub-standard work*

Agreement drawn up with the contractors for improvement to the road *inter-alia* contained items of (i) consolidation of Grade II and III metals, (ii) surface dressing and (iii) seal coat, etc. For exectuion of those items, Power Road Roller (PRR) was to be supplied by the department on hire basis. A sample study of fourteen cases revealed that the road rollers were deployed for lesser period than the standard requirement as laid down in the departmental analysis of rates, 1982. As against consolidation of 6,060 Cum. of metal, surface dressing of 1,07,229.50 Sqm. and seal coat of 64,995.08 Sqm. requiring use of 377 days of road roller, the exact utilisation was for 181 days only and thereby, sub-standard consolidation was allowed

to be done in those cases despite payment at full rates amounting to Rs.13.29 lakhs (approximately).

(ii) *Repair to wooden bridges*

Out of the grants of Rs.17.45 lakhs received during 1984-85 under flood damage repairs/special repairs, Rs.0.70 lakh was spent for repair to the five wooden bridges which were in alarming condition and unfit to carry heavy vehicular traffic. The expenditure incurred was shown to have been made on replacement of *bullahs* and decks. Soon after repairs, the Chief Engineer (Roads) visited the site in May 1985 and noticed that the bridges were still in the alarming condition and there was no sign of replacement of the *bullahs* and decks. He on the other hand, observed that no worthy repair had actually been carried out. The Superintending Engineer then visited the site for further investigation and observed (May 1985) that he could mark replacement of only one *bullah* pile in Balichhatri bridge and nine *bullah* piles in Genguti bridge, costing approximately Rs.0.03 lakh.

Thus, the payment of Rs.0.67 lakh (Rs.0.70 lakh *minus* Rs.0.03 lakh) made by the division in the absence of the due execution of works, is *prima facia* fraudulent/irregular and needs suitable departmental action against the persons responsible for it.

(D) *Balasore-Jaleswar Orissa Trunk Road upto West Bengal Boarder-M.D.R.74*

As the road (50 Kms. length) was considered to be of inter-State and economic importance,

the Government of India, Ministry of Shipping and Transport approved (August 1984) an estimate for Rs.1,99.97 lakhs for improvement of the road with condition that excess if any, over and above the above amount, should be borne by the State Government. The Project was administratively approved (May 1985) by Government for Rs.2,31.91 lakhs (including percentage charges of Rs.32 lakhs). The work was split up to 4 groups (Groups I and II falling under Balasore R&B division and Groups III and IV under Subarnarekha R&B division) for facility of execution. The Chief Engineer (Roads) identified Group I (Balasore R&B) and Group III (Subarnarekha R&B) for execution on priority basis.

It was seen that execution of work in Group I "Improvement to Orissa Trunk Road from 0/0 Km. to 28/0 Km. including cross drainage" (estimated to cost: Rs.46.31 lakhs) was awarded in May 1986 to 'N' at the negotiated lowest rate for Rs.54.76 lakhs (30.07 *per cent* excess over estimated cost) with the date stipulated for commencement as 22nd May 1986 and completion within one year. So far no physical progress of the work has been achieved and the funds provided (Rs.20 lakhs) during 1984-85 and 1985-86 for the work were shown as utilised in the shape of materials (mostly maxphalt) by Balasore R&B division. In respect of the work in Group III "Improvement to road from 28/0 to 57/0 Km." executed under Subarnarekha R&B division, funds under Road Development Programme (Rs.3 lakhs) and Centrally Sponsored Scheme (Rs.5 lakhs) were provided during 1984-85. Out of the former amount, only Rs.0.60 lakh was spent in clearing old liabilities on account of maintenance and repairs done between 1982-84 and the remaining amount was utilised for imrovement of 6 Kms.

of road (36 to 38 Km., 47 to 49 Km., and 53 to 55 Km.). Amount of Rs.5 lakhs provided under Central Plan was utilised fully by way of booking materials.

(E) *Construction of H.L. Bridge over river Subarnarekha at Rajghat in Balasore district M.D.R. 74*

The bridge was Centrally Sponsored Project financed by Government of India on loan basis. The loan was granted as an inter-State economic project under Economic and Inter-State Importance Scheme in the Fourth Plan period.

Construction of the bridge was administratively approved (September 1972) by Government for Rs.74.30 lakhs and technically sanctioned (October 1974) for Rs.74.16 lakhs by Chief Engineer (R&B). The work commenced in March 1973 and was scheduled to be completed by February 1975. It was, however, spilled over to Sixth Plan period and was completed in July 1981 at a cost of Rs.1,51.57 lakhs and opened to traffic in November 1981. The delay in completion of the project by six years was attributed (July 1981) by the division to scanty provision of funds during 1973-74, slow progress of work by the contractors for their inability to execute the work at their tendered rates, strike by workers of the contractors from February to June 1979 and falling down of two P.S.C. girders on 13th May 1980 with consequential slowing down of further launching of girders.

Due to delay in completion of the Project as well as for the extra deepening of wells, differential cost of materials, etc., the estimated cost

 135.62

was increased to Rs. 1,75.62 lakhs (April 1984) against the original estimate (September 1972) of Rs.74.30 lakhs. Expenditure incurred on the bridge to end of 1984-85 stood at Rs. 1,51.57 lakhs against the allotment of Rs. 1,51.57 lakhs (Government of India: Rs.76.68 lakhs and State Government: Rs.74.89 lakhs).

Points noticed were as follows:

(a) Construction of bridge proper was awarded (March 1973) to the lowest tenderer, Orissa Construction Corporation under a lump sum contract for Rs.65.50 lakhs with stipulation for completion by February 1975. For timely completion of the work, works advance of Rs.30 lakhs and secured advance of Rs.5.55 lakhs were released in favour of the Corporation between March 1973 and March 1977 to be adjusted from their running payments before final payment. The Corporation claimed (July 1975) Rs.25.65 lakhs towards escalation in the cost of labour and materials which was ultimately turned down by Government in May 1976 and subsequently in October 1977, the Corporation requested for closure of the contract. Following this, it was decided by a high level Committee to grant ways and means advance of Rs.25 lakhs to the Corporation for expediting the work. In addition to this advance, steel and cement were supplied to them by executing a supplementary contract as supply of these materials was not stipulated in the original contract. Thus, as against the contract value of Rs.65.50 lakhs, the Corporation was paid Rs.80.65 lakhs in shape of advances of which, Rs. 16.45 lakhs towards works advance and Rs.0.80 lakh towards secured advance were outstanding at the end of March 1986.

On completion of work in July 1981 (against stipulated date of February 1975), the Corporation put forth claims in two sets for Rs.67.59 lakhs in October 1980 and November 1981. While these were under scrutiny, the Corporation requested the Chief Engineer (Roads) in December 1981 to appoint an Arbitrator to decide their claim as per contract. The Chief Engineer appointed the Superintending Engineer, Mahanadi-Birupa Barrage Circle as the Arbitrator in December 1981, though in the opinion (December 1981) of the Government pleader, the question of entering into Arbitration did not arise since no dispute had arisen between the firm and the department. The Corporation overlooking their earlier claims of Rs.67.59 lakhs, submitted (Junuary 1982) fresh claims of Rs.87 lakhs (in two sets) before the Arbitrator. The department while submitting (July 1982) counter, putforth a claim of Rs.25.83 lakhs for recovery from the Corporation. Before any decision was taken, the Arbitration Act, 1982 came into force according to which, the case was transferred to the Tribunal for disposal. While the case was *sub-judice*, the Chairman of the Corporation and the Chief Engineer (Roads) came to an agreement on 23rd November 1982 to settle the claim at Rs.64.85 lakhs (escalation cost: Rs.21.03 lakhs, idle establishment: Rs.3.60 lakhs, extra energy charges: Rs.0.90 lakh, refund of interest on works advance:Rs.11.61 lakhs, interest on working capital: Rs.8 lakhs, extra cost due to change of design: Rs.1.84 lakhs, cost of two fallen girders: Rs.1.46 lakhs, overhead claims: Rs.12.97 lakhs and other items: Rs.3.42 lakhs) which was approved in the high power meeting held in December 1982. As regards the dues of the department for Rs.25.83 lakhs, it was decided in the

meeting held on 21st February 1983 that a recovery of Rs.20.69 lakhs (works advance: Rs.16.45 lakhs, secured advance recoverable: Rs.0.80 lakh, cost of cement: Rs.0.75 lakh, cost of steel: Rs.2.40 lakhs and other items: Rs.0.29 lakh) be made from the Corporation and for the balance dues representing mainly interest charges on works and secured advances and storage charges of Rs.5.14 lakhs, a joint verification was to be completed by April 1983 to settle the claim. Pending recovery of the dues of the department, a part payment of Rs.35.12 lakhs was made towards the claim of the Corporation. The Tribunal on being appraised by the Corporation about the mutual settlement of the claim in December 1983/January 1984, held that nothing more need be paid to the firm.

A scrutiny of the settled amount of Rs.64.85 lakhs revealed the following:

(i) The settled claim included *inter-alia* escalation charges amounting to Rs.21.03 lakhs on account of (i) labour charges (Rs.11.62 lakhs), (ii) carriage charges (Rs.1.84 lakhs) and (iii) construction materials (Rs.7.57 lakhs) in the absence of enabling provision in the contract and despite rejection of a similar claim of the firm by Government in May 1976.

(ii) *Extra contractual payment*

During execution of work, two girders launched and placed under the bearings on the 7th span came down to the river bed on 13th May 1980 reportedly (May 1980) due to heavy cyclone on that evening. The Corporation thereupon put forth a claim of Rs.1.60 lakhs to compensate the

loss. Though, according to the contract provision, Government was not liable to make good any loss on account of injury sustained due to weather or otherwise, in a meeting held in November 1982, it was agreed to compensate Rs.1.48 lakhs to the Corporation on this account. It was seen from a report of the Engineer-in-charge (June 1980) that the girders came down owing to the Corporation not having made sufficient holding-down arrangements at the ends of the girders and there was neither any weather report as to any cyclone nor, any report of any other damages on the site except falling down of these two girders.

Thus, the decision to make payment of compensation on this account contrary to the contract provision and in the absence of all necessary reports to that effect, constitutes an undue benefit to the Corporation.

(iii) *Non-levy of interest on the works advance*

With a view to timely completion and smooth execution of the work, works advance of Rs.30 lakhs was released in favour of the Corporation between March 1973 and March 1977 carrying interest at 7 *per cent* for the first Rs.10 lakhs and at 12 *per cent* for the remaining amount of Rs.20 lakhs. The interest charges of Rs.9.64 lakhs on this account was recovered from the Corporation till March 1980 leaving an amount of Rs.3.96 lakhs for the period from April 1980 to April 1982. During mutual settlement of claim, it was decided to refund the amount already recovered from the Corporation and waive further interest due from the Corporation on the ground that the large accumulation of interest on the works advance was owing to inordinate delay in completion of the work for which, the Corporation was not squarely responsible.

(b) The following points were also noticed:

(i) As per detailed tender call notice (forming part of the contract), any variation in the prices of cement and steel, etc., would not be in Government account and no claim whatsoever would be entertained by Government on that account. Since the rates against the items in the lump sum contract executed by the Corporation were finished rates inclusive of the cost of materials, the department could not assess the material component against each item and on the other hand, the Corporation indicated that they had taken cost of cement at Rs.12.50 per bag, M.S.Rod at Rs.1,630 per tonne and H.T. steel at Rs.4,500 per tonne for arriving at the unit rate for each item. It was thereupon agreed with the approval (March 1978) of Government to procure cement and steel departmentally and supply the same to the Corporation at the rates stated by them through a supplementary contract. For the balance work subsequent to the supplementary contract, as against the prevailing issue rate of cement at Rs.20 per bag and mild steel at Rs.2,400 per tonne, the department supplied 50,993 bags of cement, 318.558 tonnes of mild steel rods and 133.457 tonnes of H.T. Steel to the Corporation at their rates even though procurement was made at still higher rates. This resulted in an undue financial aid of Rs.13.64 lakhs to the Corporation at the cost of public exchequer.

(ii) As per the conditions in the supplementary contract, cement and steel after procurement by the department were to be supplied to the Corporation at the work site or at their storage godown whichever would be convenient at the time of

supply and the Corporation was responsible for proper storage and safe custody of materials supplied to them and that no expenditure, incurred for that purpose, would be borne by the department. It was, however, noticed that the Corporation did not take delivery of all the departmental materials procured for the purpose either at the work site or at their storage godown, contrary to the provisions in their supplementary contract. Consequently, these materials were stored in the departmental godowns involving watch and ward provided by the department. No recovery of centage charges of Rs.1.04 lakhs at 10 *per cent* of stores worth Rs.10.41 lakhs recoverable in such cases were charged, which also constituted an undue financial aid to the Corporation. The department argued that since the work was delayed due to various reasons, the Corporation could not receive the materials and therefore, the department had to make its own arrangement for storage, which is not acceptable in view of the fact that the delay in completion of work was attributable to the Corporation as already mentioned in the foregoing paragraphs.

(iii) As against the standard requirement of 45,542 bags of cement for the work, the stock of cement procured and supplied to the Corporation was 50,993 bags resulting in an excess supply of 5,451 bags (not returned by the Corporation) the recovery of which was required to be made at 5 times the contract rate working out to Rs.3.41 lakhs. Besides, the recovery for 45,542 bags at the supplementary contract rate of Rs.12.50 per bag worked out to Rs.5.70 lakhs. The total recoverable amount thus, comes to Rs.9.11 lakhs on this account

against which, the amount recovered was Rs.5.71 lakhs up to the 44th R.A. bill and out of the balance dues of Rs.3.40 lakhs on this account, the final bill under scrutiny of the division, indicates recovery for Rs.0.75 lakh only from the Corporation towards the residual cost of cement. This entailed an undue financial aid of Rs.2.65 lakhs to the Corporation.

Similarly, 133.457 tonnes of H.T. steel and 318.558 tonnes of mild steel were issued to the Corporation against which, the quantity consumed in the bridge proper was 91.431 tonnes and 286.707 tonnes respectively as per standard requirements. The excess issue thus worked out to 42.026 tonnes of H.T. steel and 31.851 tonnes of mild steel, the cost of which was to be recovered at five times of the contract rates since the Corporation failed to return the surplus steel after completion of the work. The amount recoverable on this account amounted to Rs.12.06 lakhs (at Rs.1,630 per tonne of mild steel and Rs.4,500 per tonne of H.T. steel x 5 times). The department had, however, decided in a meeting held on 14th March 1983 to recover the cost of excess steel at the supplementary contract rates (as against 5 times recovery) amounting to Rs.2.41 lakhs and accordingly, it has been proposed to recover only Rs.2.41 lakhs towards the excess steel, from their final bill pending in the divisional office. The differential cost of Rs.9.65 lakhs thus, not being recovered from the Corporation will also constitute an indirect aid at the cost of the public exchequer.

Thus, though sufficient financial assistance to the tune of Rs.60.55 lakhs was made to the Corporation against their contract value of Rs.65.50 lakhs besides the supply of departmental materials

(cement and steel) outside the scope of the original contract, the Corporation could not complete the work in the scheduled period of 2 years, and the same remained under execution till 8 years apart.

(F) *Construction of HL. Bridge over Mangalpur nallah at 6th mile of Ballipadar Belaguntha-Rasulkunda-Road MDR 18 A*

Administrative approval for the above work was accorded by Government in January 1980 for Rs.7.40 lakhs including bridge work and approaches based on rough estimate. A revised estimate for Rs.12.54 lakhs (based on 1982 Schedule of Rates) was submitted to Government in June 1983 approval to which, is awaited (May 1986).

Scrutiny of records indicated the following:

(i) *Execution*

The work was entrusted (December 1982) to the contractor 'U' at his lowest negotiated tender amount of Rs.9.27 lakhs (being 4.49 *per cent* excess over the estimated cost of Rs.8.87 lakhs put to tender) with stipulation for completion of the work by August 1983. The bridge proper was completed and opened to traffic in December 1983 providing short approaches on either side. It was seen that out of 30 items of work in the agreement and 3 items in the supplementary agreement, the Contractor executed only 22 items (less/excess quantities) as per the original agreement and 3 items of the supplementary agreement for a total amount of Rs.6.15 lakhs paid in September 1985 as per 5th R.A. and Final bill. The bridge was opened to traffic when 35 *per cent* of the work consisting of earth work in regular approaches, turfing, blasting hard

and compacted sheet rock, etc., were left to be done. The required approaches were not constructed except the short approaches till June 1986 due to non-acquisition of land.

(ii) *Misclassification of expenditure*

Expenditure of Rs.0.98 lakh not relating to the work stood debited to this work by the undivided Ganjam R&B division before creation of the Bhanjanagar R&B division. The amount still remained to be withdrawn.

(iii) *Expenditure incurred in shape of booking of stock materials*

Against the allotment of Rs.12 lakhs received from 1979-80 to 1984-85, stock materials (M.S.rods, cement and maxphalt) worth Rs.3.95 lakhs were found to have been booked against the work of which, materials worth Rs.2.24 lakhs (2,907 bags of cement valuing Rs.1.75 lakhs and maxphalt worth Rs.0.49 lakh) shown as issued to this work, were actually utilised in FDR/other works but no action was taken to afford credit to that extent to this work.

Though the entire allotment of Rs.12 lakhs was shown as utilised, some of the major items like culverts and approaches on both sides of the bridge were not taken up mainly due to non-acquisition of land. The bridge was opened to traffic as a temporary measure till construction of regular approaches, etc.

(G) *Jeypore-Kotta-Lam ptapur-Handiput-A.P.Border M.D.R 52 (under Tribal Area Sub-Plan)*

Due to implementation of the Upper Kolab Project (Koraput district), two patches of the road between Vizag-Jeypore (M.D.R.52) i.e., from 169/6 to 170/4 Kms. near village Thusba and 182/0 to 186/0 Kms. near village Dabuguda and Chatra were coming under the submergence area of the project.

Of the two patches, construction of the new alignment of the road from 182/0 to 186/0 Kms. was taken up during the Sixth Plan period (1980-85). The new alignment provided for cross drainage works relating to one high level bridge, one box culvert, two R.C. culverts and 32 Hume pipe culverts besides the new road formation coming within the alignment. Funds to the extent of Rs.43.72 lakhs were provided by Irrigation Wing during 1981-85 and got executed by the Works Department.

The work administratively approved by Government for Rs.50.72 lakhs in February 1982 was technically sanctioned by the Chief Engineer (Roads) in April 1982 and duly countersigned by the Chief Engineer, Upper Kolab Irrigation Project. The estimate was subsequently revised to Rs.73.55 lakhs and sent to Government in December 1985; revised administrative approval of Government to the same is awaited (July 1986). The increase in estimated cost of the work by Rs.22.83 lakhs was attributed by the division to (i) change in design of the High Level bridge over Debuguda *nallah*; (ii) enhanced rates of labour and materials and (iii) change in Schedule of Rates.

The following points emerged:

(a) *Execution*

Construction of roads and bridges on the new alignment was awarded (January 1983) to 'B' on lowest tender basis for completion by July 1984. The contractor could execute work worth Rs.21.72 lakhs (52.80 *per cent)* as per the 14th R.A. bill by the stipulated date of completion against the agreement value of Rs.41.07 lakhs and then applied for extension of time upto June 1986. This was recommended by the Chief Engineer (Roads) in October 1985 to Government on the ground that the designs of the Dabuguda *nallah* and Chatra *nallah* were made available to the Contractor only in May 1984 and May 1985 respectively approval to which, was still awaited (July 1986). The work was completed in July 1986 and the contractor was paid (March 1986) Rs.32.52 lakhs upto 20th R.A. bill. It was seen that in respect of major items viz., earth work and cutting of D.I. rock, the quantities were increased manifold (earth work in stony earth: from 2,291 Cum. to 24,282.85 Cum. and cutting of D.I. rock from 3,077 Cum. to 11,321.60 Cum.) in the rivised estimate compared with the quantities scheduled in the original estimate entailing an additional expenditure of Rs.4.19 lakhs. This indicates that the initial estimate of a road cutting work, was not prepared realistically.

(b) *Inadmissible expenditure*

It was originally contemplated in the approved drawing for construction of a High level bridge (open foundation) over Dabuguda *nallah* with 4 spans of 8 metres each. This design was finalised taking

into consideration the maximum design base pressure which was calculated as 25.13 T/Sqm. under abutment. During execution, it was found by the Superintending Engineer, Jeypore in May 1983 that the soil bearing capacity of the soil was as low as 0.6 T per Sq.ft. and not 25.13 T per Sqm. which necessitated modification of the design of the bridge from open foundation to raft foundation to suit the revised soil bearing capacity. The modified drawing approved (May 1984) by the Chief Engineer (Roads) also necessiated execution of three extra items viz., (i) R.C.C. M-160 (ii) C.C. (1:3:6) in foundation and (iii) C.C.(1:3:6) in super-structure. The contractor on being asked (June 1983) to execute the extra items at the current Schedule of Rates, did not agree and alternatively quoted his rates for cement concrete (1:3:6) at Rs.511.63 per Cum. and R.C.C.M-160 at Rs.750 per Cum. The Chief Engineer, on the recommendation (July 1983) of the Superintending Engineer, Jeypore approved (March 1985) the rates for R.C.C.M-160 at Rs.567.50 per Cum. C.C. (1:3:6) in foundation at Rs.492.54 per Cum. and C.C. (1:3:6) in superstructure at Rs.471.27 per Cum. A supplementary agreement to that effect was finalised at Rs.2.16 lakhs taking into account these rates.

Thus, finalisation of the initial design of the High Level bridge based on incorrect data of maximum design base pressure, necessitated change of design of the bridge from open foundation to raft foundation at an extra cost of Rs.0.37 lakh upto the 20th R.A. bill due to non-adoption of estimated rate.

(c) *Avoidable expenditure*

The Contractor was paid Rs.2.18 lakhs for

carriage of 10,909.50 Cum. of earth from cutting portions to filling portions by mechanical means up to 15th R.A. bill paid in December 1984. The Executive Engineer who inspected the work on 9th March 1985 noticed that the excavated earth in the cutting portions was not transported to the filling portions though, payment for the same had already been made to the contractor. He therefore, recorded in the Measurement book to reject the payment for a quantity of 2,115 Cum. measured since previous bill, as the quantity did not involve truck transportation. The bill was, however, passed withholding an amount of Rs.0.42 lakh only towards the mechanical carriage of the said quantity of earth instead of disallowing the payment outright. The Executive Engineer then directed (March 1985) the concerned Assistant Engineer to treat the payment already made to the contractor on account of mechanical carriage of such earth as advance payment with instruction to take detailed sectional measurement in the banking portions and to measure the quantity of earth brought from the borrow areas that were clearly visible from the road side. But fresh measurements on this basis were not carried out.

The total quantity of 10,909.50 Cum. of earth transported by mechanical carriage as recorded up to 15th R.A. bill was reduced to 10,891.12 Cum. in the 17th R.A. bill and the withheld amount of Rs.0.42 lakh towards the rejected quantity of 2,115 Cum. of earth made by the Executive Engineer was released in the 16th R.A. bill without any recorded reasons.

(H) *Improvement to Daringbadi-Gazalbadi Road-M.D.R.62*

Daringbadi-Gazalbadi Road (16.49 Kms) which passes through a tribal belt was transferred from Phulbani R&B division to Baliguda R&B division in February 1982 after incurring an expenditure of Rs.14.58 lakhs by the former division for improvement of the road.

Though the Baliguda division had exhibited an expenditure of Rs.9.53 lakhs, it was seen that the division had not executed any work towards improvement of the road but booked materials worth Rs.8.52 lakhs (out of the total expenditure of Rs.9.53 lakhs) between February 1982 and March 1985 apart from debiting to the work, irregularly an expenditure of Rs.0.72 lakh incurred on flood damage repairs for which separate allotments were received. No precise reasons could be attributed for this but evidently the expenditure was shown as incurred against the work to utilise the allotment (Rs.9.59 lakhs) received during the period.

(I) *Improvement to Balliguda-Muniguda Road Construction of Bridge over Gendraguda nallah*

The High level bridge over Gendraguda *nallah* situated at 42/4-5 mile of Balliguda-Muniguda Road-S.H.5 under Balliguda R&B division is a vital link between two tribal districts of Phulbani and Koraput which also connects the tribal areas of Ganjam and Kalahandi districts. Consequent on the damages caused by high flood of August 1977, construction of a High level bridge to serve as a permanent link was considered during the Fifth Plan period.

The work with a provision for a bridge of 40' span with approaches and diversion road, was administratively approved for Rs.4.52 lakhs by Government in April 1976. Due to change of design during the course of execution, requiring another 40' span with 3rd well, the revised estimate for Rs.8.69 lakhs was sanctioned by the Chief Engineer (R&B) in November 1978 for which revised administrative approval was accorded by Government in May 1978. As the execution lingered beyond stipulated date of completion (March 1977), the 1st revised estimate was recast and 2nd revised estimate amounting to Rs.13.87 lakhs as per actuals taking into account the safety of the structure by cutting steep gradients of approach, training of river to the direction of flow, re-construction of damaged structure on either side of the bridge and rise in price of steel, etc., was framed in November 1984 and was pending for sanction of Chief Engineer.

Against allotment of Rs.11.85 lakhs to end of 1984-85 expenditure booked to end of March 1985 was Rs.11.87 lakhs which exceeded the amount of revised administrative approval (Rs.8.69 lakhs) by Rs.3.18 lakhs (36 *per cent).*

Scrutiny of works expenditure revealed the following:

(i) *Execution*

The work initially taken up by Phulbani R&B division was awarded (March 1976) to 'L' for Rs.4.20 lakhs (15.709 *per cent* excess over the estimated cost) after acceptance of tender in February 1976

by Chief Engineer (R&B) with stipulation for Completion by March 1977. due to change in plan and design i.e., from span of 40' to two spans 40' each with 3 wells in place of two and delay in communicating the plugging order, execution was delayed for 2 years. On getting the plugging order in May 1978, the contractor resumed the work in November 1978 and completed the bridge portion in November 1980 without wearing coat and approaches and the execution thus, lingered for a period over 4 1/2 years in place of one year. The contractor did not execute some of the items of his agreement viz., (i) earth work, (ii) collection of metal and (iii) cement concrete relating to approach road and abandoned the work in November 1980 after getting payment of Rs.6.32 lakhs (up to his 11th R.A. bill paid in August 1980).

The 12th Final bill prepared (September 1982) had shown gross value of Rs.6.96 lakhs for works done as against the agreement value of Rs.4.20 lakhs. The excess value (65.71 *per cent)* of work done was due to execution of extra quantity and extra items on account of change of design for which, a deviation statement is yet to be prepared and got sanctioned by the competent authority before payment of final bill.

(ii) *Excess issue of materials*

Scrutiny of issue and consumption of materials up to 12th final bill revealed that the division had issued cement and steel much in excess of the actual requirement as indicated in the

table below:

Sl. No.	Particulars of material	Total issue	Requirement	Excess
1.	Cement	7,582 bags	6,426 bags	1,156 bags
2.	Rods of different dimensions	817.67 quintals	715.24 quintals	102.43 quintals

The contractor, however, returned the rods in September 1982 to the department but did not return cement stating that the same got clodded due to flood (September 1982) which was accepted by the Executive Engineer and recovery thereof for Rs.0.19 lakh (at Rs.33.28 per quintal) was made only at the agreement rate instead of at 5 times of the agreed rate which worked out to Rs.0.95 lakh. Besides, the cost of materials consumed in the work but not yet recovered from the contractor amounted to Rs.0.78 lakh and T&P articles issued but not returned by him also amounted to Rs.0.03 lakh. But the amount due to the contractor as per the 12th R.A. bill (Rs.0.63 lakh) together with the Security Deposit, etc., (Rs.0.46 lakh) amounted to Rs.1.09 lakhs with the result that Rs.0.48 lakh still remains to be recovered.

(iii) *Irregular debits*

Expenditure of Rs.1.24 lakhs as detailed below which was not connected with this work was irregularly debited to this work without assigning any reasons.

Sl. No.	Details of expenditure	Amount (Rupees in lakhs)
1.	Expenditure on F.D.R. work of Balliguda-Muniguda Road S.H.1	1.03
2.	Expenditure incurred on construction of approach road of minor bridge over Laseeri *nallah*	0.15
3.	Cost of gates (fixed in office campus)	0.05
4.	Cost of calculator and adopter	0.05
		1.24

Thus, the bridge proper completed in November 1980 did not serve the purpose, as the approach road was completed in May 1982 after delay of 18 months despite Government orders to complete the bridge along with approaches simultaneously.

(J) *Centrally Sponsored Schemes*

Five projects (Viz., Lalitgiri - Udaygiri-Ratnagiri Road in Cuttack district, H.L. bridge over Brahmani near Patrapur ghat, H.L. bridge over river Baitarani near Anandpur- on Bhadrak-Anandpur Road, H.L. bridge over river Jonk on Aranga-Nawapara Road and Marine drive from Puri to Konark) was approved (June 1981) as Centrally Sponsored Schemes for execution during the Sixth Plan period. Except Marine drive, no other project

could be completed during the said Plan due to change in design, shifting of the bridge site and preparation of estimates on insufficient data which had to be modified later on substantially resulting in delay and increase in cost of the projects. Piecemeal allotment of funds was also another factor responsible for delay in completion of these projects.

(i) *Lalitgiri-Udaygiri-Ratnagiri Road*

Construction and improvement of Lalitgiri-Udayagiri-Ratnagiri road was taken up in 1959 to link-up Lalitgiri, Udaygiri and Ratnagiri, three important places of Budhist relics in Cuttack district, at an estimated cost of Rs.12.75 lakhs. Due to change in alignment of the road twice, shifting of bridge site, change in design, inaccurate estimation and piecemeal allotment of funds, the execution of work remained half done upto August 1986 and the estimated cost was escalated from Rs.12.75 lakhs to Rs.3,80.52 lakhs.

The latest estimate prepared in May 1985 for Rs.3,80.52 lakhs is awaiting sanction of the Chief Engineer (Roads). About 50 *per cent* of the total road length of 18.12 Kms. had been completed and the formation of road in the balance portion had not been taken up at all, stated (May 1986) by the division to be due to delay in land acquisition. Of the two High level bridges on rivers forming part of this road,one has progressed up to 60 *per cent* while, the other one has not been taken up (August 1986). The total expenditure incurred for the work upto March 1986 amounted to Rs.1,96.20 lakhs which included an expenditure of Rs.23.08 lakhs incurred between 1959 and 1976 for improvement

of the old alignment which was subsequently excluded from the scope of the project after completion of Expressway in 1974 to be used as a link road to several villages.

Thus, the linking of the three places of Budhist importance taken up in 1959 at an estimated cost of Rs.12.75 lakhs could not be completed up to 1986 even after incurring an expenditure of Rs.1,96.20 lakhs (including Central assistance of Rs.51.17 lakhs).

(ii) *H.L. bridge over river Baitarani near Anandpur M.D.R.75*

(a) Investigation for construction of the H.L. bridge was taken up during the Third Plan period (1962-63) administrative approval to which, was accorded by Government in November 1970 for an amount of Rs.83 lakhs and the same was spilled over to the Seventh Plan period.

The Government of India included the Project under Central loan assistance for State roads of Inter-State-Economic-Importance revised administrative approval to which, was accorded (December 1978) by Government for Rs.2,19.48 lakhs out of which, Rs.90 lakhs was to be met by the Central Government and the rest from the Road Development Programme.

The estimate was revised to Rs.2,13.13 lakhs and technical sanction to the same was accorded (1979-80) by the Chief Engineer (Roads). The estimate was further rivised to Rs.3,54.28 lakhs and sent (August 1983) to Government for according revised

administrative approval which is still awaited (August 1986). While revised administrative approval of Government was awaited, due to the prolonged execution of the work over a period of 24 years (1962 to 1986) the original estimate (November 1970) of Rs.83 lakhs was escalated to Rs.3,88.02 lakhs in 1986 (367 *per cent* excess). Revised administrative approval of Government to this estimate was also awaited. The escalation was found to be mainly due to inflated cost of approaches, higher land acquisition charges, inclusion of staff quarters, price escalation, etc. Out of a total allotment of Rs.3,19.49 lakhs placed for the work during 1962-63 to 1966-67 (for investigation) and 1976-77 to 1985-86 (for execution), Rs.79.07 lakhs represented Central assistance including Rs.22 lakhs met from Central Road Fund and Rs.2,40.42 lakhs provided out of State Plan resources under Road Development Programme.

(b) The following further points were noticed:

(i) the work was awarded (November 1979) to the firm 'I' after inviting tenders on a lump sum contract for Rs.1,72.5 lakhs (negotiated value) with stipulation for completion by November 1982. By the stipulated date of completion, the firm executed work worth Rs.75.73 lakhs upto 23rd R.A.bill. Extension of time applied for upto March 1986 was however, granted by Government in March 1986 on the ground that the delay was due to piecemeal allocation of funds, delay in supply of steel and cement (to the firm by the department), delay in supplying approved drawing and delay in well sinking due to hard strata. The work in bridge portion was completed by March 1986 and commissioned for traffic on 12th June 1986. The firm was

paid an amount of Rs.2,18.10 lakhs as per 51st R.A.bill which included escalation charges towards labour and material for Rs.46.73 lakhs.

(ii) *Avoidable expenditure*

In the detailed tender call notice it was indicated that the work would be based either on the department's outlined proposal as shown in drawing or alternatively, on the tenderer's own design. The lowest tenderer, firm 'I' offered rates according to their own design with circular piers whereas, the 2nd lowest firm 'G' proposed to adopt rectangular piers. The firm 'I' in their tender made it clear that if the department would execute work on rectangular piers as per the department's design, they will allow rebate of Rs.2 lakhs. But the department without considering the rectangular piers, accepted the design of the circular piers without any recorded reasons as per the firm's own design due to which, the department was deprived from availing the rebate of Rs.2 lakhs offered by the firm.

(iii) *Extra expenditure due to substitution of higher dia rods*

It was seen that 10 mm dia tor steel in place of 8 mm tor were utilised in the super structure of main unit between P5 and P4 wells and in the suspended span between P4 and P5 wells in June 1985 reportedly due to non-availability of 8 mm tor steel resulting in excess consumption of 1.421 tonnes of steel.

Similarly, due to non-availability of 28 mm tor steel required for the main unit, suspended

span and end-span of the bridge (Salapads Side), 25 mm and 32 mm dia tor steel were used and in the process, a net quantity of 1.394 tonnes of steel was consumed extra.

Thus, due to improper planning and delayed action by the department to procure the desired sizes of tor steel, excess steel to the extent of 2.815 tonnes valuing Rs.0.23 lakh (at the rate of Rs.8,000 per tonne) had to be consumed in the bridge work which was avoidable.

(iv) *Non-delivery of re-rolling materials*

M.S. Rods (12.397 tonnes of 63 mm dia) amounting to Rs.0.62 lakh received from Kendrapara Expressway division by the Sub-divisional Officer, Anandpur (R&B) Sub-division (then under Keonjhar R&B division) on cost payment, were delivered in July 1981 to a firm 'K' of Jagatpur (Cuttack district) for re-rolling to smaller dimensions. It was only in January 1985, the concerned division took up the matter with the firm to get back the re-rolled materials. It was stated (August 1986) by the division that the ownership of the firm was changed in the meantime and the present owner was disowning the transaction; further development in the matter is awaited (August 1986).

(v) *Huge stock materials in site not transferred to stock/other works*

Stock materials (mainly steel and cement) worth Rs.4.96 lakhs issued to work direct up to end of 1984-85 remained unutilised (August 1986) for which site account was not available. As the bridge was completed and opened to traffic on

12th June 1986, the above materials should have been brought back to 'stock' without overcharging the account of the work. No precise reasons were stated for non-maintenace of site account for the work.

(vi) *Irregular debit*

Expenditure amounting to Rs.0.83 lakh representing (i) repair and carriage charges of T&P incurred in excess of allotment, (ii) expenditure incurred for other works and (iii) cost of spares and P.O.L. were found to have been debited irregularly to this work.

Advances amounting to Rs.27.38 lakhs were paid in March 1985 to TISCO, SAIL, OCL, Rajgangpur (Rs.16.89 lakhs) and to other sister divisions (Rs.10.49 lakhs) for procurement of M.S.Rods and cement by charging to this work of which, materials valuing Rs.19.87 lakhs were received upto January 1986 and the remaining amount was transferred to suspense head "Miscellaneous Works Advance" in January and September 1986 to watch recovery. As mentioned earlier, even though huge advances were made to the firms and sister divisions stated above, the required dimension of rods could not be procured as a result of which, rods of higher dimensions were utilised resulting in avoidable extra expenditure.

(K) *Mitrapur-Baincha Road*-O.D.R.

Mitrapur-Baincha Road-O.D.R. having a length of 11.30 Kms. stretches from Mitrapur and connects Balasore with Udala in Mayurbhanj district *via*-Mitrapur. Out of the total length of

11.30 Km.0/0 to 2/0 Km. was black topped,2/0 to 4/0 Km. metalled, 5/0 to 10/0 Km. Gr.I. metalled and from 10/0 to 11.3 Km. was earthen with two unbridged crossings, one at 4th Km. over Ghagara and the other at 5th Km. over river Sone. Fair weather roads were provided each year on these missing links for giving communication facilities to 19 villages in Narasinghpur and Kansagram Panchayats which were kept completely isolated during rainy seasons and Rs.0.36 lakh (average) was spent each year on these two fair weather roads. To provide overall improvement to this road and for construction of two minor bridges on the missing points, the road was identified as Tribal Sub-Plan-ODR during the Sixth Five Year Plan.

During the Sixth Plan period,administrative approval for Rs.2.43 lakhs only was accorded by Government in February 1983 for improvement to a small stretch from 1.3 Km.to4 Km. An estimate to that extent was technically sanctioned in March 1983. Against the above estimate, funds to the extent of Rs. 1.70 lakhs (1981-82: Rs.0.50 lakh; 1982-83:Rs.0.30 lakh; 1983-84: Rs.0.90 lakh)were provided out of R.D.P.-Tribal Sub-Plan during 1981-82 to 1983-84.

Construction of the minor bridges at the missing points (i.e., at 4th Km.over Ghagara *nallah* and at 5th Km. over Sone *nallah*) have not been taken up (June 1986) reportedly due to non-completion of investigation work. Government desired in May 1983 to prepare estimates for these two minor bridges.But the technical comments on the hydraulic data over the two *nallahs* were not complied and the estimates still (June 1986) remained to be prepared. Out of the funds of Rs. 1.70 lakhs received, Rs.0.31 lakh had been utilised on investigation of the two

bridges, Rs.0.80 lakh on improvement work and the balance Rs.0.59 lakh though unutilised at the end of Sixth Plan to be spent on improvement of the stretch of the road, the amount was diverted for booking against materials which were not required at that stage.

Thus, due to delay in providing the missing links, the tribal people could not be provided with all weather communication facilities as contemplated in the Plan.

4.1.6. *Road Metal account*

Road metals collected for road works are required to be spread immediately on road surface instead of remaining stacked at the road side for a long time in order to avoid loss and wastage.

A test check of records relating to road metal account revealed that metal (3,436.33 Cum.), chips (829 Cum.), gravel (144 Cum.), blasting/hard stone (2,050.66 Cum.) and sand (92 Cum.) valuing Rs.1.42 lakhs that were collected and kept stacked at the road side for several years (ranging from 2 to 15 years) not only blocked Government money, but at the same time, caused hindrance to traffic.

4.1.7. *Maintenance and repairs*

Prior to the Fifth Plan period, more emphasis was given for construction of new bridges and cross drainage works to make the existing roads all weather. The Fifth Plan provisions contemplated replacement of many weak and narrow bridges and to increase the crust thickness of many roads since the same were failing due to heavy vehicular

traffic. The Sixth Plan was, however, mainly a bridge oriented one. Thus, it would appear that no proper planning was made even at the time of formulation of Sixth Plan targets for adequate maintenance and repairs of the roads to keep them in proper condition to withstand the onslaught of the increasing traffic.

The norms for maintenance and repairs of different categories of roads were laid down by Government in September 1977. In order to have the uniformity in the norms of such maintenance and repairs throughout the country, revised norms as recommended by the Malhotra Committee constituted for the purpose, were adopted by Government in December 1982. The revised norms adopted for each kilometre of State Highways were from Rs.7,300 to Rs.20,462, Major District Roads Rs.5,400 to Rs.14,235, Other District Roads Rs.4,500 to Rs.12,700 and for Classified Village Roads from Rs.2,600 to Rs.10,610.

(i) *Inadequate provision*

It was seen that though Government had adopted the revised norms, funds were actually not made available to that extent during the succeeding three years (1982-83 to 1984-85) for the purpose of adequate maintenance and repairs to

[Statement

the roads as indicated below:

Year	Require-ment	Funds available/expenditure on Mainte-nance & Repair proper	Work-charged establi-shment	Establish-ment	Total	Perce-ntage of Es-tablish-ment to works expen-diture
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1982-83	22,53.29	7,32.11	1,44.08	2,41.38	11,17.57	52.6
1983-84	22,53.29	8,26.81	1,67.15	2,45.61	12,39.57	49.9
1984-85	22,53.29	8,13.34	1,64.55	1,42.67	11,20.56	37.7
	67,59.87	25,72.26	4,75.78	6,29.66	34,77.70	46.5

(ii) *Excess entertainment of work-charged staff/Gangmulias*

It would be seen from the table shown above that the expenditure on entertainment for work-charged staff and establishment charges during these years was to the extent of Rs.11,05.44 lakhs as against the outlay of Rs.23,72.26 lakhs on Maintenance and Repairs proper which worked out to 46.5 *per cent* as indicated in the preceding table.

A sample study of some of the road works revealed that the work-charged staff entertained for the maintenance of the roads were substantially more than the standard requirement as indicated

in the table below:

Sl. No.	Particulars of road	Standard requirement of work charged staff	Actually entertained	Expenditure on excess entertainment @ Rs.6,500 each Hand	Expenditure on entertainment through Hand receipt	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		(In numbers)		(In rupees)		
1.	Berhampur-Phulbani Road-S.H.7-105/0 to 157/0 Km. (1984-85)	4	7	19,500	12,360	31,860
2.	Bhadrak-Kothari-Aradi Road-MDR-73 (1984-85)	2	2	-	52,500	52,500
3.	Paralakhemundi-G.Udayagiri(MDR)-2/0 to 20/0 Km. (1984-85)	2	6	26,000	-	26,000
4.	Mandasa-Meliaputi Road-S.H.14/0 to 24/0 Km (1984-85)	1	3	13,000	-	13,000
5.	Narayanpur-Jeerango Road-O.D.R.-0/0 to 11/0 Km(19-84-85)	1	3	13,000	-	13,000
6.	Jeerango-Koraput Road-C.V.R.-0/0 to 12/4 Km (1984-85)	1	3	13,000	-	13,000
7.	Berhampur-Govindapur Road-S.H.17(12 Kms.) (1984-85)	1	3	13,000	-	13,000
	Total	12	27	97,500	64,860	1,62,360

4.1.8. *Machinery and equipment*

(a) Procurement of road rollers for F.D.R works

To cope up with the additional work load due to FDR and C.D.R. works, the Chief Engineer (Roads) proposed in December 1982 to re-appropriate Rs.1,17 lakhs (out of Rs.26,00 lakhs received as F.D.R. grants during 1982-83) for purchase of 35 road rollers and other equipments. As the Revenue as well as the Finance Department did not concur in the proposal, funds were diverted for the purpose (out of grants received for Road Development Programme) and 35 road rollers were procured at a total cost of Rs.78 lakhs during 1982-83.

A sample study of log books of 22 road rollers in selected divisions revealed that the rollers worked in average for 631.2 hours, 501.6 hours and 335.5 hours per year during 1982-83, 1983-84 and 1984-85 respectively as against the standard working hours of 1,800 per year per roller.

The procurement of 35 road rollers at a cost of Rs.78 lakhs during 1982-83 to augment F.D.R. works when the existing 334 numbers of rollers did not have adequate work load, was therefore not judicious.

(b) *Loss of working hours due to delay in shifting of machinery*

When procurement and receipt of machinery like Concrete Mixers and Tar Boilers were necessary for road formation, delay ranging from 29 to 365 days occured for their lifting from the Store Yard of Mechanical division, Bhubaneswar out of which, one Concrete Mixer and one Hot Mix Plant procured

on 31st March 1985, were not lifted by any division up to to April 1986.

4.1.9. *Verification of Stores and stock*

The general administration of all the stores of a division is vested on the divisional Officer who is responsible for their economical procurement, safe custody and proper distribution according to the requirement of works and for their disposal otherwise. All transactions of receipt and issues of stock have to be accounted for strictly in accordance with the rules and procedure as prescribed by Government from time to time.

Test check of the procurement of stores, their custody, proper management and accounting are conducted annually by Audit during local inspection and important points of which, are commented in Audit Reports. Besides, the Stores Verification Party of the Works Department headed by one Superintending Engineer, also conducts detailed audit and physical verification of the store accounts and balances and submits reports to Government and the concerned Chief Engineer, regarding the shortages and irregularities noticed.

According to the Stores Verification Reports (submitted to Government), the total shortages and discrepancies in respect of 49 Roads & Buildings divisions relating to the period 1984-85 amounted to Rs. 15,55.82 lakhs at the end of March 1985. Of the above amount, Rs.6,46.47 lakhs related to five divisions (each division having discrepancies of rupees one or more than one crore); Rs.2,89.19 lakhs related to four divisions (each division having discrepancies of more than Rs.50 lakhs) and the

balance amount of Rs.6,20.16 lakhs related to the remaining 40 divisions each having discrepancies less than Rs.50 lakhs; these are awaiting settlement.

A sample study in Audit made in eight Roads and Buildings divisions with reference to these shortages/discrepancies revealed that out of the total shortages/discrepancies of Rs.2,23.34 lakhs, actual losses/shortages amounted to Rs.92.65 lakhs and accounting discrepancies were of the order of Rs. 1,30.69 lakhs.

Summing up

- Though the State is backward in road communication network, it could not catch up the national average even at the end of the Sixth Plan; the State having 61 kilometres of surfaced roads for a lakh of population was falling behind the All India average of 96 kilometres.

- Out of the 155 projects targeted for completion during the Plan period, only 59 projects were completed and the remaining 96 projects spilled over to Seventh Plan; one out of the 5 Centrally Sponsored Projects accommodated under the Road Development Programme could be completed during the Sixth Plan period.

- Employment potential of 150 lakh mandays were generated during the Sixth Plan period against the target of 258 lakh mandays.

- Against the Plan provisions of Rs.39,41.80 lakhs (on works proper), Rs.29,75.51 lakhs were provided and expenditure incurred was of Rs.30,64.51 lakhs.

- Neither any masterplan was prepared for execution of the approved works on priority basis keeping in view the objectives of Plan nor any evaluation study of the Plan achievement was made.

- Only one Sub-divisional and 8 block headquarters could be connected with all weather communication with the headquarters against the Plan to provide such facility to 6 Sub-divisions, 18 tahasils 95 block and 85 police station headquarters during the Sixth Plan period.

- The increase in the organisational system viz., 7 Circles to 10 Circles, 34 divisions to 51 divisions, 137 sub-divisions to 186 sub-divisions was not commensurate with the achievement of targets because of the fact that while the Plan provision was curtailed (41.5 *per cent)*, the establishment was increased (50 *per cent)* not commensurate with the works outlay.

- The undue financial aid of Rs. 1,50 lakhs given to Orissa Bridge Construction Corporation resulted in blockade of funds without execution of any work besides, loss of interest of Rs.4.99 lakhs.

- Over issue, excess consumption and shortage of materials like cement, steel, maxphalt and Tools and Plant materials issued for works resulted in extra expenditure of Rs. 15.25 lakhs.

- Undue financial aid to the contractors outside the scope of the contract/rule resulted in extra expenditure of Rs.50.79 lakhs.

- Improper planning in execution of work before land acquisition and not conforming to the technical requirement resulted in extra expenditure of Rs. 1,27. 18 lakhs.

- The defective estimation of works resulted in execution of excess quantities over the scheduled quantities to the extent of Rs.5. 13 lakhs.

- Execution of sub-standard work (Rs. 13.29 lakhs) was noticed in some cases.

- Major portion of the maintenance expenditure (46.5 *per cent)* was spent on establishment alone in as much as, the work-charged staff entertained were found to be more than the standard requirement.

- The shortages and discrepancies of stock materials noticed by the Stores Verification Party amounted to Rs. 15,55.82 lakhs; though these related to the period from 1954 to 1985, these are still to be settled.

The matter was reported to Government in September 1986; Government stated that the matter is under examination (June 1987).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.2. Extra liability due to non-supply of departmental materials

On acceptance (March 1976) of lowest offer (November 1975) of Contractor 'B' for Rs.2.78 lakhs by the Chief Engineer, Public Health for construction of one lakh gallons capacity RCC overhead reservoir (24.32 metres height) with a pump chamber at Jajpur town, the contractor finally furnished (March 1977) the corrected design of the work and concluded (June 1977) a lump sum contract accordingly with stipulation for completion of work by December 1977. According to this agreement, the materials like cement and steel were to be supplied by the department.

The lay-out of the work was given to the contractor in November 1977. As stated (August 1980) by the Sub-divisional Officer, the work was stopped intermittently by the contractor since the date of commencement due to short and piecemeal supply of departmental materials and was completely suspended since August 1979. The contractor applied (May 1979) for extension of time upto December 1979 on the ground of non-supply of materials by the department which was yet (June 1986) to be approved by the department. The contractor was paid Rs.1.81 lakhs (September 1979) for the work done by him and he represented (May 1980) for an additional amount of Rs.2 lakhs to compensate

the loss sustained by him on account of idle labour and price escalation towards labour and materials during the period the work was suspended for want of departmental materials. Alternatively, an offer (May 1980) of lump amount for Rs.5.28 lakhs was made by him to complete the unfinished work (original value of accepted tender: Rs.2.78 lakhs, cost of new scaffolding: Rs.0.50 lakh and Rs.2 lakhs towards compensation for loss on account of idle labour and price escalation). The position was reviewed by the Chief Engineer, Public Health in a meeting held in June 1983 and it was decided to pay the cost of new scaffolding as per prevailing market rate and escalation cost of labour and materials, provided the contractor was willing to complete the work by 31st March 1984. As the contractor did not intimate his willingness and the matter was not pursued by the concerned Executive Engineer, the contract was ordered to be rescinded by the Chief Engineer, Public Health in October 1983 with instruction to retender the balance work to be completed by March 1984. Accordingly, the contract of 'B' was closed in February 1984 without penalty.

The balance left over work for Rs.0.98 lakh was estimated to be Rs.5.83 lakhs and the same was entrusted to 'D' in April 1986 on retender (October 1983) for Rs.4.90 lakhs (excluding the cost of materials estimated for Rs. 1.50 lakhs to be supplied departmentally free of cost). As per the contract executed with 'D' the work is scheduled to be completed by December 1986. By the end of May 1986 the contractor was paid Rs.0.74 lakh which included the cost of new scaffolding done in replacement of the old one for a sum of Rs.0.49 lakh.

Thus, due to failure on the part of the department to supply the required materials in the course of execution, the work originally stipulated for completion by December 1977 was ultimately abandoned by the earlier contractor 'B' and the entrustment of balance work (including redoing of scaffolding at a cost of Rs.0.49 lakh) to the subsequent contractor at higher cost entailed an extra liability of Rs.5.44 lakhs.

The original contractor 'B' in the mean while, had gone (August 1984) for Arbitration in the matter claiming payment of Rs.6.15 lakhs towards idle labour, price escalation, interest, etc., while the department had filed (July 1985) a counter claim against the contractor towards extra cost of Rs.5.13 lakhs on the balance work left for execution and Rs.0.30 lakh being five times cost of empty cement bags not returned by the contractor, as required to be recovered from him, under the provisions of his contract; final decision in the matter is still awaited (September 1986).

In reply to Audit, Government stated (November 1986) that this was done to bring the incomplete structure to be fit for public utility as otherwise, the expenditure already incurred thereon would have been a straight loss to Government.

IRRIGATION AND POWER (INCLUDING MINOR IRRIGATION) DEPARTMENT

Upper Kolab Hydro-Electric Project

4.3. Construction of concrete-cum-masonry dam

4.3.1. *Introductory*

The Upper Kolab Hydro Electric Project, as per the Project Report of 1972, envisaged

construction of a dam near Koranga accross the river Kolab to impound water for generating 240 megawatts (3 units of 80 MW each) of power and to use the Tail race discharge to provide irrigation facilities to 48,000 hectares. A straight masonry dam of 630.5 metres length and maximum height of 54.5 metres with 14 numbers of radial gates of size 15m x 7.5m was contemplated. The Project Report prepared in 1972 and approved by Planning Commission in 1975 was administratively approved for Rs.58,32.61 lakhs by Government in June 1976.

4.3.2. *Programme/completion*

The dam was programmed to be completed in six years commencing from 1976-77 to enable the first unit of power to be commissioned during the sixth year and the other units in the seventh year. As against the target date of completion by September 1982, civil works portion of the dam was completed only in November 1985 while erection of the gates on the spillway portion was completed in August 1986 and impounding of water in the reservoir commenced since then as intimated by the Superintending Engineer in January 1987. The first unit of power is yet (December 1986) to be commissioned.

4.3.3. *Estimate/expenditure*

The estimate for the dam approved in 1976 for Rs.8,55.19 lakhs was revised to Rs.27,97.11 lakhs in 1979 and furhter revised to Rs.40,30 lakhs in 1983 and to Rs.42,47.45 lakhs in 1985. The revised estimate of 1985 for a total amount of Rs.2,30,35

lakhs including those for other components of dam and appurtenent works and power (civil and electrical) but excluding irrigation was sent to Government in December 1985 for according revised administrative approval which is awaited (August 1986).

The break-up of original estimate, proposed revised estimate and actual expenditure for the main dam to end of March 1986, is given below:

Items of work	Project provision		Actuals
	Original estimate 1972 (1976)	Proposed revised estimate 1985	
	(Rupees in lakhs)		
Overflow and non-overflow portion	8,08.76	34,77.82	26,07.09
Drilling and grouting	...	1,20.60	71.84
Radial crest gates	...	2,90.58	2,07.83
Stop log gate	...	86.00	8.65
Water supply to main dam	...	5.00	5.00
Dykes	13.99	30.20	10.86
Diversion tunnel	32.44	2,37.25	2,35.41
	8,55.19	42,47.45	31,46.68 *

The increase in the cost by Rs.33,92.26 lakhs was attributed by the Project authorities while preparing the revised estimate in 1985 to difference

* The expenditure will go up further after adjustment of stock which is in arrears.

in the estimated rate and actual tender rate, rise in the cost of materials, increase in the length of the dam from 630.5 m to 651 m (against actual construction of the dam upto 646 m along the axis) and height from 54.5 m to 55 m as per geological requirements and introduction to certain new items of work.

Test check of the accounts records of Head Works division and Chief Engineer's office by Audit during January to April 1986 revealed the following:

4.3.4. *Inadequate control over expenditure*

4.3.4.1. *Unauthorised aid to contractor*

4.3.4.1.1. In response to the tender call notice (July 1979) for construction of dam as a whole at an estimated cost of Rs. 14,88.04 lakhs, four tenders were received (September 1979) and the lowest tender of 'H' for Rs. 17,96.69 lakhs (20.74 *per cent* excess over the estimated cost put to tender) without taking into account the special conditions offered by the contractor and Rs.20,50.84 lakhs (37.82 *per cent* excess) with special conditions offered by him, was approved (March 1980) by Government. Agreement with the contractor, was, however, entered into in January 1981 i.e., after nine months due to delay in finalisation of its terms and conditions.

The date of completion of the work was stipulated in the agreement as 30th September 1982 as against 30th June mentioned in tender notice. The firm started foundation work at the left flank during March 1981 but took two years time to

instal concrete plant in January 1983. Extension of time up to June 1984 was granted (March 1983) by the department which was further extended (September 1984) upto November 1985 (without prejudice to the Government's right to levy compensation) at the firm's request (April 1984) on the ground of delay in erection of Plant and Machinery. the contractor was paid (October 1985) Rs.20,0 1.29 lakhs upto 63rd running account bill and the work was treated to have been completed in December 1985. Completion report is yet (March 1986) to be prepared.

(i) Under special conditions of the agreement, the contractor was to be paid towards escalation of cost of labour, materials and POL over the price index of September 1979. Rupees 3,98.34 lakhs were paid to the contractor upto April 1985 towards escalation cost upto March 1985 of which, Rs. 19. 19 lakhs related to the period upto September 1982 and Rs.3,79. 15 lakhs related to the extended period. Prior approval of Government to the payment of escalation cost was not taken although the extension granted by Government was without prejudice to Government's right to levy compensation. Government instructed (April 1985) telegraphically to the Chief Engineer that no price escalation was admissible to the contractor for the period beyond September 1982 and required him to act accordingly. Government further observed (December 1985) that since the provision of the supplementary agreement and subsequent work programmes agreed to between the parties, have been violated by the contractor resulting in delay in execution/completion of the work, the question of payment of price variation (escalation) during the extended period(s)

of the contract, is out of purview of the contract and instructed the Chief Engineer to levy and recover the compensation as due for delay in execution besides, the amount paid towards price escalation during the extended period(s). The amount had not been recovered (December 1986) as the final bill prepared by the division for a net minus amount of Rs.4,83.37 lakhs was awaiting acceptance by the contractor.

In the meantime, the Superintending Engineer, Dam Circle intimated (January 1987) that the Contractor 'H' had filed (August 1986) a statement of claims for Rs.74.68 lakhs before the Arbitration Tribunal against which, the department has prepared (December 1986) for submission to Government/ Arbitrator a counter claim for a net amount of Rs.4,83.37 lakhs (i.e., total recoveries including liquidated damages for Rs. 1,70.87 lakhs and amount paid towards price escalation for R.3,49.08 lakhs from contractor: Rs.5,56.99 lakhs less amount due to contractor: Rs.75.62 lakhs towards performance security and escalation amount already deducted from him and kept under deposit account).

(ii) Under the codal privision, performance security is required to be deducted from the running account bills of contractors at 5 *per cent* of gross value of each bill. Special conditions of the agreement stipulated deduction of performance security at 2 *per cent* from gross value of each bill subject to prior concurrence of Finance Department. Government instructed (May 1984) the Chief Engineer to deduct security at 5 *per cent* as the Finance Department did not agree for security to be deducted at 2 *per cent*. Government in Irrigation and Power Department, however, instructed (January/March 1985) the Chief Engineer to release 3 *per cent* performance security on production of bank guarantee and accordingly, the Project authorities released (February and November 1985) Rs.48.44 lakhs in favour of the contractor towards refund of 3 *per cent* security against a bank guarantee.

Refund of 3 *per cent* security without specific approval of Finance Department thus, constituted unauthorised aid to contractor.

(iii) a supplementary agreement was executed with the contractor 'H' in October 1985 for construction of a 'Prestressed Concrete Bridge' (estimated cost: Rs.29.70 lakhs). This agreement provided recovery of cost of cement issued by the department at Rs.50 per bag of 50 Kgs. and reinforced steel issued by the department at Rs.5,000 per tonne. The contractor was supplied with 6,750 bags of cement and 74.093 tonnes of reinforced steel for use in the work for which recovery was made at Rs.27 per bag and Rs.3,000 per tonne respectively as per the original agreement without any basis. Non-recovery of the cost of the materials at the rates specified in the supplementary agreement, thus, resulted in short recovery to the tune of Rs.3.03 lakhs from the contractor.

4.3.4.1.2. (i) Even by June 1984, the balance work entrusted to 'H' was not completed. Consequently the cable way drawn by 'H' was noticed (March 1985) to be interfering with the cranes erected in blocks 8 and 9 at the stage when about 8,000 Cum. of masonry work remained in these blocks. To ensure completion of the work by June-July 1985 and to facilitate approach from both sides for erection of radial gates, the Chief Engineer decided (March 1985) to convert the balance work of about 8,000 Cum. in these blocks, from masonry to concrete and also transfer the work back to 'H' involving an extra cost of Rs. 15.06 lakhs at the differential rate of Rs. 188.30 per Cum. between masonry and

concrete. In reply to audit, the Executive Engineer stated (April 1986) that the balance quantity being small and at a higher level, the unit rate of masonry would have been higher due to costly scaffolding. It may be pointed out that the work was to be executed in these blocks through tower cranes already erected which were left unused due to delay in completion of balance work by 'H' and consequent continuance of cable way obstructing the cranes.

(ii) Subsequently, the Project authorities invited tenders in July 1982 for supply of face and corner stones (8,000 sets) for use in the work and accepted the lowest negotiated tenders of 'TR' and 'PJ' for Rs. 1.52 lakhs each for supply of 4,000 sets. Agreements with the contractors were executed in December 1982 with the stipulation for completion in April 1983. The contractors supplied only 520 sets each till March 1983 and applied for extension of time upto August 1983 on the ground of shortage of skilled labourers. Chief Engineer rejected (April 1983) the proposal (March 1983) of Executive Engineer to grant extension of time upto June 1983 and ordered for closure of the contracts with full penalty, i.e., the extra expenditure to be incurred by the project in completion of the balance supply would be recovered from the contractors and till such time, the contracts would remain open and the final bills would not be paid. The balance quantity was obtained by the project authorities through other agencies/departmentally by incurring extra expenditure of Rs. 1.61 lakhs upto June 1984 but only Rs.0.21 lakh was recovered from the contractors from their final bills instead of Rs. 1.61 lakhs as per the earlier orders (April 1983) of the Chief Engineer. This resulted in short recovery of per

of Rs. 1.40 lakhs from the contractors. The Executive Engineer replied in April 1986 that as the contractors left almost the entire work, it was not proper to recover the entire amount due to 'practical difficulties'. The exact nature of 'practical difficulties'. could not, however, be stated by the Project authorities.

4.3.4.2. *Extra expenditure due to construction of diversion tunnel*

The Project Report of 1972 prepared by the Project authorities envisaged that no special diversion arrangement was necessary due to the rocky bed in the dam area and that the diversion could be done by suitably programming the construction work in various blocks during flood flows besides constructing two numbers of sluices for dry weather flow. Against the original provision of Rs.32.44 lakhs (construction and maintenance of coffer dam: Rs.25.70 lakh; construction of two numbers of sluices including temporary gates and plugging: Rs.6.74 lakhs) in the Project Report, the department prepared an estimate in 1977 for Rs.57.89 lakhs for diversion by tunnel method and invited tenders for the purpose in July 1977. Single tender of 'PE' for Rs.89.64 lakhs (69.77 *per cent* excess over the estimated cost) was approved by Government in January 1978. The work order was issued in January 1978 before agreement was executed in May 1978 with date of completion as January 1979. The work was completed in November 1980 at a cost of Rs. 1,65.23 lakhs and the river was diverted in the tunnel only in November 1980.

The main consideration for adoption of diversion tunnel as explained by Additional Chief

Engineer in November 1978 was that the construction of dam could be completed by August 1982 to enable the first unit of power to be commissioned in time. The construction of dam was, however, completed in November 1985 and impounding of water in the reservoir commenced (August 1986) for commissioning the power unit. Thus, the additional expenditure of Rs. 1,32.79 lakhs incurred on the construction of diversion tunnel, has not yielded the desired results. The tunnel is still to be plugged (December 1986).

4.3.4.3. *Undue payment beyond the scope of agreements*

According to the agreements entered into with the agencies, the rate for excavation in foundation by blasting hard rock included charges for carriage of blasted materials clear from work site to a distance up to 5 Kms. Analysis of rate for excavation in hard rock included Rs. 11.16 to Rs. 12.50 per Cum. towards transportation of blasted boulders to a distance up to 5 Kms. It was noticed (January to April 1986) in Audit that in eight cases (1978-79 and 1979-80) for 6,200 Cum. of excavation, in addition to the charges for excavation in hard rock, Rs.0.76 lakh was paid for carriage of blasted stones from work site upto a distance of 5 Kms. though according to the agreements such carriage charges were already included in the rate for excavation and were not payable separately. The contractors were allowed payment beyond the scope of the agreements.

4.3.5. *Deficiencies in the management of inputs of work*

4.3.5.1. (a) Loss of cement due to transportation/ shortage

The Chief Engineer of the Project placed

(November 1982/October 1983) orders with Orissa State Commercial Transport Corporation (OSCTC) and State Trading Corporation Limited (STCL) for supply of 10,000 tonnes each of imported cement at Visakhapatnam Port.

Points noticed are mentioned below:

(i) The OSCTC supplied 9,500 tonnes from Visakhapatnam Port by rail at Jeypore during March and April 1983. The balance 500 tonnes were supplied at work site in July 1983 by road from Paradip Port as there was delay by the Project authorities in clearing the goods shed siding at Jeypore railway station. The transportation by road involved an extra expenditure of Rs. 1.42 lakhs which could have been avoided had arrangements been made to clear the goods shed in time and supply obtained from Visakhapatnam Port.

(ii) Although the cement was received at Jeypore in March and April 1983, the concerned Sub-divisional Officer reported to the Executive Engineer only in August 1983 about shortage of 43.30 tonnes of cement (value: Rs.0.53 lakh) during unloading operations. The Executive Engineer lodged a claim with the Insurance Company in September 1983 for making good the loss. The Insurance Company however, rejected the claim in December 1983 as the same had become time barred. Responsibility for the delay in reporting the shortage has not been fixed (December 1986).

(iii) Against the order placed with STCL, in October 1983, the consignment of 10,000 tonnes (2 lakh paper bags) was unloaded from ship at

Vizag Port and then loaded on rail at Vizag and unloaded at Jeypore railway station in May/June 1984. According to the report (May 1984) of the surveyor at the Vizag Port, 3,476 bags were torn during handling operation at Vizag Port which refilled in 3,443 bags thereby causing a net wastage of 33 bags (1.65 tonnes) valued at Rs.0.24 lakh; the balance available being for 1,99,967 bags. Even though the consignment was insured against loss due to theft, fraud, etc., no claim was lodged with the Insurance Company.

According to the Executive Engineer (November 1984), the cement in refilled bags were not weighed either at Jeypore railway station or at Central Stores. Out of the above consignment, 1,28,840 bags were issued during May-June 1984 by the Project authorities to Contractor 'H' which weighed 6,102.57 tonnes only, in the weigh bridge of 'H' against the accepted weight of 6,442 tonnes indicating a loss of 339.43 tonnes (value: Rs.2.49 lakhs at the rate of Rs.735 per tonne). Responsibility for the loss was not fixed (August 1986) as the weighment of cement was not recorded by the Project authorities on receipt at the goods shed at railway station or from transport contractors/ departmental trucks.

(b) *Loss of cement due to shortages, etc.*

During April 1980 to July 1985, 23.62 lakh bags of cement were issued to contractor 'H' against which, cost of 23.08 lakh bags was recovered from the contractor according to the terms of agreement. Cost of the balance 0.54 lakh bags (Rs. 14.47 lakhs at stipulated rate of Rs.27 per bag) could not

be recovered due to the cement being clodded (3,988 bags), less weight (27,986 bags) and inferior quality (21,632 bags). Responsibility for the loss had not been fixed (April 1986) by the Project authorities. The division attributed (April 1986) the loss to receipt of cement in rainy season, storage in cold climate and handling losses in transportation and retransportation.

4.3.5.2. *Loss due to less utilisation of sand*

As per the Project report, sand required for construction of the dam was to be brought from the river Telenguni near Boriguma (50 Kms. from dam site) because of its good quality. During 1979-80 to 1983-84, 43,662 Cum. of sand were transported from Telenguni to Dam site through several transport contractors at a cost of Rs.26.24 lakhs. Of these, 40,401 Cum. inclusive of two *per cent* wastage were utilised in the construction of dam and other works. Against the balance of 3,261 Cum. the actual quantity available in the site account was 1,106 Cum., resulting in loss of sand valuing Rs. 1.36 lakhs calculated at the departmental issue rate of Rs.63.07 per Cum. The matter on being pointed out, the division, stated (May 1986) that the difference was attributable to pebble quantity, despite the fact that the sand was brought from a distance because of its good quality and the quantity utilised was inclusive of permissible loss towards wastage.

4.3.6. *Design, fabrication, transportation and erection of radial crest gates*

Quotations of Orissa Construction Corporation Limited (a State Government Undertaking) for

Rs. 1,57.72 lakhs for "design, fabrication, transportation and erection of 11 sets of radial crest gates" was aproved by Government in December 1979. The agreement was executed with the Corporation in March 1980 with date of commencement of work as January 1980 and completion within 24 months, i.e., by January 1982. The Corporation after executing 13 *per cent* of work applied (June 1982) for extension of time upto December 1984 on the ground that only 25 *per cent* of the required quantity of steel could be supplied to it by the department and that the drawing for fabrication was still to be approved by the Engineer-in-Charge. Government, however, granted extension upto June 1984. The Corporation applied (November 1984) for further extension mainly on the ground that site for erection of gates was not ready. The Chief Engineer recommended (June 1985/January 1986) to Government for grant of further extension up to March 1986/June 1986. Government approval for extension was awaited (August 1986). It was noticed (April 1986) in Audit that the Corporation executed 92.68 *per cent* of fabrication work and 80.71 *per cent* of erection work by April 1986. As per 25th Running Account Bill, Rs. 1,99.24 lakhs were paid in March 1986 to the Corporation which included Rs.28.49 lakhs towards escalation charges of which Rs.6.03 lakhs related to the period from July to December 1984 although extension of time beyond June 1984 was still to be accorded by Government.

4.3.7. *Guniting upstream face of masonry blocks- avoidable extra expenditure*

Tenders for the work 'guniting of upstream face of masonry blocks of the dam' (estimated

to cost Rs. 13.33 lakhs) were invited by the Chief Engineer in November 1983. Only one tender of Orissa Construction Corporation Limited (OCC) received in January 1984 for Rs. 14.13 lakhs (5.93 *per cent* excess over the estimated cost) was accepted by the Chief Engineer in February 1984 without obtaining approval of Government. The Corporation did not however sign the agreement till June 1984 nor, any action was taken by the Project authorities for execution of the agreement. The Executive Engineer requested the Chief Engineer in June 1984 to cancel the tender and to issue orders for fresh tenders. Accordingly, the Chief Engineer issued orders in July 1984 to cancel the tender and to invite fresh tenders or to start the work departmentally. Instead of calling for fresh tenders or starting the work departmentally, the same Executive Engineer changing his previous stand proposed in September 1984 for negotiation of rates with the Corporation stating that the quoted rates were unworkable and that the work involved was of new type of construction for which neither the department nor the Corporation had any experience. The Chief Engineer accepting the proposal, asked the Corporation in September 1984 to quote revised rates. The Corporation quoted (September 1984) Rs. 15.55 lakhs with special condition *inter-alia* for supply of electricity and water free of cost. Government approval awarding the work to the Corporation at Rs. 15.55 lakhs was obtained in February 1985 and agreement was executed with the Corporation in March 1985 with date of commencement as November 1984 and completion as March 1986. Accordingly, the Corporation completed the work in March 1986.

Taking into account the cost of scaffolding materials and cement supplied departmentally to be directly booked to work (Rs.4.67 lakhs),

the total cost of work awarded to the Corporation in March 1985 worked out to Rs.20.22 lakhs. Had the work been executed by the Corporation at its original tendered rates (Rs. 14. 13 lakhs) the Project would have avoided an extra cost of Rs.6.09 lakhs.

4.3.8. *Injudicious purchase of tower cranes*

Government approved *inter-alia* in May 1982 purchase of four numbers of tower cranes for utilisation in the masonry work in blocks 8,9,22 and 23 which was subsequently (May 1982) withdrawn and re-entrusted (April 1985) to contractor 'H'. The Chief Engineer invited quotations in July 1982 and procured three numbers of 3.5 tonne capacity cranes in March and June 1983 from 'SB' on the basis of lowest quotation for Rs.62.84 lakhs with the approval (November 1982) of Government. In addition, a 75 tonne capacity crane was bought by the Project (Mechanical division) during August 1982 from Orissa Construction Corporation Limited, a State Government Undertaking at Rs.31.28 lakhs, with the approval (October 1982) of Government. Thus, in all four cranes were procured by the Project at a cost of Rs.94. 12 lakhs. The 75 tonne capacity Crawler Crane procured earlier (August 1982) worked in block 23 from December 1982 to April 1983 for 550.25 hours yielding 3,529 Cum. as against expected out-turn of 15,150 Cum. (at 150 Cum. per day in two shifts of 8 hours) and thereafter the same remained idle. In view of its poor performance, the Executive Engineer proposed (June 1984) to declare it surplus, orders of Government for which were awaited (August 1986).

The three tower cranes (3.5 tonnes) worked in blocks 8,9 and 22 for 1,431 hours, 842 hours

and 892 hours respectively after which, one was handed over (January 1985) to the Orissa Construction Corporation on hire basis and the other two were declared (September 1985) surplus by the Chief Engineer, disposal of which was awaited (December 1986).

Summing up

- Though expenditure of Rs.31,46.68 lakhs was incurred till date against original estimate of Rs.8,55.19 lakhs further revised to Rs.42,47.45 lakhs, the dam work scheduled to be completed in June 1982 is still in progress and the water has not yet been impounded which is likely to cause delay in power generation.

- Contractors were allowed undue aid/payment of Rs.6.85 lakhs beyond the contractual provision without enforcing the penalty clause in the agreements.

- Escalation charges of Rs.3,85.18 lakhs were paid to the contractors during extension of time without prior approval of Government.

- Extra expenditure including excess payment amounted to Rs.5.85 lakhs which revealed lack of control by the department.

- Departmental operations in block No.8,9,22 and 23 in the dam resulted in extra expenditure of Rs.15.06 lakhs without commensurate results.

- No responsibility was fixed for loss of cement, quarried stones, etc., valuing Rs. 19.74 lakhs.

- Diversion tunnel was constructed at a cost of Rs. 1,65.23 lakhs against Rs.32.44 lakhs provided in the estimate without any commensurate results for the extra expenditure of Rs. 1,32.79 lakhs.

The matter was reported to Government in October 1986; reply is awaited (May 1987).

4.4. Avoidable extra expenditure on construction of a bridge across the Tail Race Channel

In response to the tender call notice issued (May 1981) for construction of a bridge across the Tail Race Channel of Upper Kolab Project (estimated cost: Rs. 12.18 lakhs), a single tender was received (July 1981) from the Orissa Construction Corporation (OCC), a Government of Orissa Undertaking, quoting a lumpsum of Rs. 19.95 lakhs. The tender after negotiation was accepted (November 1981) by the Additional Chief Engineer for Rs. 18 lakhs (47.82 *per cent* excess over the estimated cost) without approval of Government and an agreement was concluded with OCC stipulating January 1982 and September 1982 as the dates of commencement and completion respectively.

According to the approved payment schedule, mobilisation advance of Rs.2 lakhs was paid (March 1982) to OCC but the work was not started and the Corporation requested the Chief Engineer only in June 1985 to off-load a number of works including this work. The Executive Engineer, Power

House and Tail Race division intimated the Superintending Engineer in May 1985 that the Corporation had not done any work against the agreement and as such, he proposed to rescind its agreement in order to take up the work immediately as otherwise it would not be possible to construct the bridge, once the Power House was commissioned. The Superintending Engineer thereupon recommended (July 1985) the Chief Engineer, Upper Kolab Project for closure of the agreement under Clause 14 which provided for the levy of penalty equivalent to 10 *per cent* of the estimated cost of the work (Rs. 12.18 lakhs) along with recovery of Rs.2 lakhs (paid as mobilisation advance) together with interest. The Chief Engineer, however, requested (October 1985) the Government to approve closure of the agreement after considering the case liberally. Final orders of Government are still awaited (October 1986). The Corporation in the meantime has refunded (May, July, September and October 1986) the advance in four instalments of Rs.0.50 lakh each.

Due to urgency of the work, a revised estimate was sanctioned (August 1985) by the Chief Engineer for Rs. 18.93 lakhs based on 1982 Schedule of Rates. The tender schedule was approved (August 1985) for Rs. 16.60 lakhs and put to tender. The lowest negotiated tender of contractor 'M' for Rs.20.99 lakhs (26.42 *per cent* excess over the amount put to tender) was accepted (December 1985) by the Chief Engineer after it was approved (November 1985) by Government. An agreement was concluded in April 1986 reckoned as date of commencement of work and stipulated to be completed within eight months. The work was stated to be in progress. According to the information

furnished (June 1986) by the Superintending Engineer, Upper Kolab Circle, as desired (January 1986) by Government, before considering the closure of agreement executed by OCC there was extra financial burden of Rs. 1.65 lakhs to the department for execution of the work by 'M' after considering the escalation on materials and labour upto August 1985 (valued at Rs. 19.34 lakhs) on the agreemental value of the former contractor.

The following points emerged:

(i) The work was awarded to OCC in January 1982 whereas the proposal to rescind the agreement was initiated in May 1985 after lapse of three years although the Project authorities were aware that the work was not taken up despite the urgency. The extent to which the project suffered on this account was not kept on record.

(ii) Even though the work was not taken up by the Corporation, no action was initiated to recover interest at 16.5 *per cent* (allowed by Government for similar advances in the past) on the mobilisation advance working out to Rs. 1.44 lakhs uto October 1986.

(iii) Recovery of penalty from the Corporation at 10 *per cent* of the estimated cost as stated by the Superintending Engineer was to be made if there was delay in completion of the work under Clause 14 of the agreement. Since the work was not started by the Corporation, the penalty under Clause 15 is recoverable for the difference of Rs.2.99 lakhs in the cost of work awarded under fresh agreement (Rs.20.99 lakhs) and the original agreement (Rs. 18 lakhs). The extra financial burden

to be Rs. 1.65 lakhs (difference between Rs.20.99 lakhs and Rs. 19.34 lakhs based on escalation of materials, etc.) intimated to Government in January 1986 did not hold good in this case, since the question of escalation would not arise when OCC did not even take up the work.

Government stated in December 1986 that the Project had not suffered any loss due to non-construction of bridge on the Tail Race Channel as other Civil works of the Project were still in progress. They further stated that interest on the mobilisation advance had not been charged at, it is a running payment under schedule of payment mentioned in agreement and that the Chief Engineer's proposal for closure of agreement of OCC without penalty was under active consideration of Government. The contention of Gover.ment is not acceptable in view of the fact that the Project had still to bear the extra financial burden due to non-execution of work by the Corporation besides its liability to pay interest on the advance which cannot be treated as a running payment since it did not take up the work at all.

4.5. Ex-parte decree of Court resulting in avoidable extra exenditure

Construction of Head Works of Kanipenu Minor Irrigation Project (Phulbani district) was entrusted to Contractor 'J' at a cost of Rs.7.06 lakhs in September 1978. After completion of the work in December 1979 and receipt of final bill in February 1980 in full settlement of his claim for Rs.7.21 lakhs (including Rs.0.62 lakh towards execution of two extra items under supplementary agreement), the contractor sought for Arbitration in December 1980. The Superintending

Engineer, Western Irrigation Circle was appointed (April 1982) as the sole Arbitrator by the Hon'ble High Court, Orissa before whom the Contractor preferred a claim for Rs.9.01 lakhs (outside the scope of agreement) which *inter alia* included expenditure incurred on extra items of work and escalation cost towards labour and materials consequent on revision of the schedule of rate in 1979 by Government.The Executive Engineer, Minor Irrigation Division, Phulbani representing on behalf of State Government, filed the counter statement stating that the claims preferred by the Contractor were fictitious, imaginary without having any recorded evidence or base and that the claims were beyond the scope of agreement apart from the fact that the contractor accepted the final measurement and signed the measurement book in token of his acceptance based on which the final bill was passed for payment.

The Arbitrator pronounced in December 1982 a non-speaking award of Rs.2.95 lakhs alongwith interest at the rate of 10 *per cent* per annum on the award amount payable from the date of the award (24th December 1982) till the date of payment or decree whichever date was earlier. After registration (December 1982) of the award suit in the Court of Sub-Judge, Bhubaneswar, notice was issued to the parties on 2nd February 1983 to file their objection, if any, and to appear before the Court on 20th February 1983. The Executive Engineer, did not, however, file any objection in time. As a result, the suit was decreed without contest and award was made (August 1983) rule of the Court. In November 1983, the Advocate General opined that in the absence of objection under Sections 30

and 33 of the Arbitration Act, the validity of the award cannot be challenged and on the other hand, he advised to determine the responsibility for not filing the award. The Law Department accordingly advised that objection need not be filed and action taken as suggested by the Advocate General. In March 1984, Government sanctioned Rs.2.95 lakhs together with interest at the rate of 10 *per cent* per annum from 24th December 1982 till 11th August 1983 and at 6 *per cent* per annum from 12th August 1983 till payment to the contractor in full and final settlement of the award as decreed.

After a lapse of seven months from the date of original notice issued by the Court of Sub-Judge, Bhubaneswar, the Executive Engineer, however, filed (March 1984) a petition under order 9 Rule 13 and Section 151 CPC praying for setting aside the decree on the ground that it was an ex-parte decree and alleged that the Court's notice was misplaced in his office through inadvertance for which, the objection to the award could not be filed by him in time. While pronouncing the final order in October 1984, the Hon'ble Court of Sub-Judge observed that misplacement of the notice *ipso-facto* goes to show that the petitioner was negligent in due discharge of his duty and miserably failed to prove that he was prevented from filing the objection due to the reason beyond his control and dismissed the petition.

While no responsibility for the lapses as advised by the Advocate General had been fixed by Government, the award amount of Rs.2.95 lakhs

besides, interest of Rs.0.30 lakh was paid (December 1984) to the contractor against the sanction of Government accorded earlier in March 1984 (the contractor had foregone interest for the period from April 1984 to December 1984).

Thus, failure on the part of the department to contest the award in time before the Hon'ble Court of Sub-judge, resulted in an avoidable extra expenditure of Rs.3.25 lakhs.

The matter was reported to Government in April 1986; while accepting the factual position, Government intimated (January 1987) that disciplinary proceedings have been initiated against the concerned Engineers. Further developments are awaited (April 1987).

4.6. Irregular and extra contractual payment to contractor

The lowest tender of contractor 'T' for construction of head works (earth dam, head regulator and surplus escape) of the Panaskhal MI Project (Puri district) was accepted (September 1979) by the Chief Engineer, Rural Engineering Organisation (defunct) with the approval of Government at a cost of Rs. 19. 12 lakhs (3.23 *per cent* excess over the estimated cost put to tender) and the work awarded to him in November 1979 by the Executive Engineer, Rural Engineering division, Khurda (renamed as Minor Irrigation Division) with stipulation for completion by November 1980. Extension of time upto 31st August 1982 was granted in two spells (March 1980/October 1984) at the request of the contractor without any financial liability.

According to the detailed call notice (which formed part of the agreement), approach roads and haul roads both to the quarry site and work site, were to be prepared and maintained if necessary, by the contractor and no extra payment was to be made on this account.

The quoted rates for items involving utilisation of stones, metal and aggregates in constructions of earth dam, head regulator and surplus escape *inter-alia* included coveyance charges of the stone materials by mechanical means with a lead of 5 Kms. from quarry to the dam site.

After executing work worth Rs. 14.53 lakhs against his contract value of Rs. 19.12 lakhs, the contractor intimated (March 1982) to the Additional Chief Engineer (MI) that the haul road from dam site to quarry (5 Kms.)prepared by him in the beginning of the work was unsuitable for plying trucks and he was as such, forced to engage bullock carts at higher cost for carriage of stone and stone products for a distance of 3 Kms. in addition to the carriage by trucks for 2 Kms. Accordingly he requested the Additional Chief Engineer to allow him payment for cart load for 3 Kms. stating further that he was incurring extra expenses and suffered a loss of Rs.24 per Cum. over his rates for certain items (i.e., for items 6,7 and 8 of the agreement) under earth dam portion.

The Superintending Engineer, Central Irrigation Circle after inspection of the site in May 1982 recommended for sanction to the payment for carriage by bullock carts for the entire distance of 5 Kms. which appeared to him reasonable and

genuine in order to avoid further claim by Contractor through arbitration in future.

Considering the request of the contractor and recommendation made by the Superintending Engineer, the Chief Engineer(MI) sanctioned (June 1982) payment for carriage of the stone and stone products for these items by bullock cart for the quantities actually carried by such means. The Chief Engineer also accorded another sanction in August 1982 for payment towards carriage of stone products (chips and aggregates) utilised in other items of work in construction of head regulator and surplus escape (under the same agreement) for a distance of 4 Kms. by bullock carts.

Accordingly, the rates for 13 items (out of 32 items) provided in the agreement involving utilisation of stones, metals and aggregates were revised by the Executive Engineer taking into account conveyance charges by bullock carts for 5 Kms. (in cases of 4 items) and 4 Kms. (in cases of 9 items) in place of mechanical means for quantity actually executed, partly basing on the State Schedule of Rates 1979 and partly on the Schedule of Rates 1982 due to prolongation of work beyond the stipulated period of completion. The contractor was paid (August 1982/March 1984) an amount of Rs.7.42 lakhs at the revised rates against Rs.4.80 lakhs due to him as per the rates provided in his agreement, without prior approval to the revised rates by Government though [illegible] similar case of claim (putforth subsequently by a contractor 'B' in October 1982 for construction of Spill Channel and its protection work of the same Project), the Chief Engineer observed (September 1983) that the items for work involving use of stone products being finished items of works, the contractor could have

offered his rates after inspecting the site.

Thus, in the face of specific provisions in the agreement of 'T' towards preparation and maintenance of haul roads for transportation of stone materials where the offered rates provided for carriage by mechanical means, payment of Rs.2.62 lakhs to the contractor in exces of the amount admissible towards carriage by mechanical means, constituted an irregular and extra contractual payment.

The Chief Engineer (M.I.) in his reply (November 1986) to Government while accepting more or less, the factual position brought out in the para intimated that Government in the meanwhile had accorded (December 1985) revised administrative approval for Rs.56.77 lakhs (against original amount of Rs. 19.20 lakhs) taking into account the revised mode of carriage and that their approval to the deviation statement was still (November 1986) awaited.

The matter was reported to Government in August 1986; Government stated (January 1987) that the matter is under examination and a further reply will follow which is awaited (May 1987).

4.7. Avoidable/unfruitful expenditure

Contract for excavation of left Main Canal of Salandi Project, Reach III from RD 28,930' to 31,240' to 33,960' (out of the extended main canal from RD 22,440' to 47,160') was awarded to Contractor 'K' in December 1964 under two different agreements for Rs.2.50 lakhs and Rs.2.38 lakhs with stipulation for completion by December 1966. During execution of work, it was decided (September 1965) by the Additional Chief Engineer

(Irrigation) that the work in the above reach of the Canal would not be included in the Salandi Project as there was no surplus water in the catchment area of Salandi Dam to irrigate the *ayacut* in respect of the extended Canal from RD 22,440' to RD 47,160' due to the construction of Right Canal System and that water in the canal would be made available for irrigation in this *ayacut* after completion of Anandpur Barrage Project and link canal from Baitarani to Salandi Barrage. Accordingly, the agreements were cancelled by the Executive Engineer, Salandi Canal division, Bhadrak in September 1965 by which time, the Contractor executed work worth Rs.0.06 lakh (paid in March 1966) in RD 28,930' to 31,240'. Besides this, the department also spent Rs.0.65 lakhs towards acquisition of 51.85 acres of land between RD 22,440'-31,000' made during 1965-66 to 1967-68.

Alleging breach of contract, the Contractor went for arbitration in May 1971 claiming compensation towards idle investment of money in arranging imported labourers, maintenance of establishment, procurement of tools and plant, camp equipments and interest on invested capital for the work.

The Arbitrator gave non-speaking award aggregating Rs. 1.09 lakhs (Rs.0.54 lakh and Rs.0.55 lakh) in May 1982 against the claims of the Contractor, which was confirmed by the Court of Sub-Judge, Bhubaneswar in May 1984 together with interest at the rate of 6 *per cent* per annum with effect from January 1967 till the date of payment or decree whichever was earlier. The contractor was accordingly paid Rs.2.23 lakhs (principal: Rs. 1.09 lakhs

and interest: Rs. 1.14 lakhs) in March 1984/March 1985 under the sanction of Government (November 1983/March 1985).

The Left and Right Canal system were nearing completion and proper assessment of the available water in the Reservoir and the demands of the two canal systems could have been correctly assessed in December 1964. Thus, the decision of the department to include the work of the III Reach of the Canal under Salandi Project without such proper assessment of water resources and subsequent decision to cancel the contracts resulted in an avoidable expenditure of Rs.2.23 lakhs apart from the fact that the total investment of Rs.0.71 lakh made towards land acquisition and execution of a portion of work remained unfruitful there being no prospect of its further execution even after completion of Anandpur Barrage Project.

The Government intimated (January 1987) that the extension of the Canal was a bonafide misjudgement.

4.8. Excess payment

(a) Excavation of common main canal from R.D. '0' Km. to 0.21 Km. of Harabhangi Irrigation Project (Sorada Block of Ganjam district) was awarded (December 1981) with the approval (August 1981) of Government to contractor 'SM' at his lowest negotiated offer of Rs.6.76 lakhs (73.57 *per cent* excess over the estimated cost) with stipulation for completion by June 1982. The items of work as per the agreement *inter-alia* comprised of earth work in all kinds of soil including stony

earth (0.23 lakh Cum.) cutting in disintegrated rock by manual labour or mechanical means (0.07 lakh Cum.) and blasting of hard and compacted sheet rock by manual or mechanical means (0.07 lakh Cum.). In course of excavation of canal, a different strata of rock other than granite or laterite requiring removal by chiselling including dressing and benching the bed with all leads, lifts, etc., was encountered which was got executed as an extra item at provisional rate of Rs.20.83 per Cum. (approved by the Superintending Engineer, Rayagada Irrigation Circle in June 1982). The final rate of Rs.23.70 per Cum. (as per Schedule of Rates, 1982) recommended (November 1983) to Chief Engineer, Irrigation still awaits approval (August 1986).

After receiving payment of Rs.8.63 lakhs (13th R.A. bill paid in March 1983), further execution of work was stopped (March 1983) by the contractor on the ground that much difficulties were being faced by him due to lack of proper co-ordination from the department mainly due to non-finalisation of the rates for the extra items executed by him and non-payment of the subsequent bill since March 1983.

Consequent on discontinuane of the work and failure on the part of the contractor to attend the final measurement on the specified date i.e., 21st May 1984, the final measurement of work done by him was taken by the Junior Engineer/ Assistant Engineer *ex-parte* in May 1984 which was not accepted by him. However, the measurements recorded in the level book were accepted by him

in September 1984. Based on the final measurement taken by the Engineer-in-Charge of the work in May 1984, a *minus* balance of Rs.0.65 lakh was arrived at in the final bill (14th R/F bill) of the contractor, due to reduction of quantities in respect of four out of eight items executed by him and paid in March 1983. The contractor thereupon refused (June 1985) to accept the final bill alleging that final measurements were taken on silted canal bed caused due to breach of coffer dam constructed by another contractor in the upper reach of the common canal and he on the other hand, requested (February/June 1985) to take the final measurement afresh after desilting the canal bed. Silt clearance being the liability of the contractor, the Executive Engineer requested (May 1985) him to desilt the canal bed at his own cost for remeasurement of the work done by him, which remained unattended to and as a result, the final bill prepared in October 1984 for a *minus* amount of Rs.0.65 lakh remains unrecovered (July 1986).

In addition, stock materials worth Rs.0.42 lakh issued to contractor and Rs.0.58 lakh on account of hire charges of departmental machineries are outstanding for recovery against contractor's available dues of Rs.0.81 lakh lying with the department. Pending finalisation of the last payment of the contractor (June 1986), an amount of Rs.0.84 lakh (Rs. 1.65 lakhs *less* Rs.0.81 lakh) awaits recovery apart from the recovery of the cost of desilting for 479 Cum. to be done for which no departmental action has so far been initiated (August 1986). The proposal for the closure of the contract with penalty submitted to Chief Engineer, Minor Irrigation in June 1985 by Superintending Engineer has

not been sanctioned (August 1986) due to non-compliance of the observation made thereon by the Engineer-in-Chief and the balance work remains incomplete.

(b) Excavation of common main canal from R.D. 0.955 Km. to 1.645 Km. of the same project was entrusted (December 198 I) to Contractor 'R' at a cost of Rs.6.8 I lakhs for completion by June 1962. The agreement *inter-alia* provided 0.83 lakh Cum. (i.e., 82,7 12 Cum. at Rs.770 per hundred Cum.) of earth work (cost: Rs.6.34 lakhs) in cutting and filling sections of canal and 0.04 lakh Cum. (i.e., 3,74 I Cum. at Rs.975 per hundred Cum.) (cost: Rs.0.36 lakh) in cutting of disintegrated rock in the canal bed. By August 1982, the contractor was paid for Rs.5.90 lakhs towards execution of 0.75 lakh Cum. of earth work (cost: Rs.5.78 lakhs) and 0.0 I lakh Cum. of cutting in disintigrated rock (Rs.0. 12 lakh) after which, further execution of work was stopped by him since September 1982. The Engineer-in-charge of the work served notice (November 1983) to the contractor to attend the site for final measurement of work done by him, failing which, measurement taken by the department *ex-parte* would be binding on him.

As the contractor failed to attend the site on the appointed date (i.e., 15th November 1983), final measurement of the work done by him was taken *ex-parte* in June 1984. As per final measurement, the quantity of earth work done was determined as 0.50 lakh Cum. (cost: Rs.3.89 lakhs) against the earlier measured quantity of 0.75 lakh Cum. (Rs.5.78 lakhs) taken by the Assistant Engineer but not check measured by the Executive Engineer for which, payment had already been made (9th R.A. bill paid in August 1982)

resulting in an excess payment of Rs. 1.89 lakhs to the contractor. The contractor was pursued (June 1984 to March 1986) to accept the final measurement and ultimately notice was served (April 1986) through local newspaper to which, no response was received from him. The concerned Assistant Engineer/Junior Engineer-in-charge of the work could not explain for the excess in the measurement despite repeated instructions from the Executive Engineer.

While reporting (May 1985) to Chief Engineer, Medium Irrigation II about the excess payment to contractor, the Superintending Engineer, Rayagada Irrigation Circle, suggested for the closure of the contract with due compensation under the relevant clause of the agreement. The approval for the closure of the contract is still (August 1986) awaited.

Against Rs. 1.89 lakhs paid in excess to this contractor, an amount of Rs.0.41 lakh only due to contractor towards earnest money and Security deposit was lying with the department for adjustment (August 1986).

The balance work left by the Contractor 'R' has not been executed so far (August 1986).

The matter was reported to Government in September 1986; the Government while accepting the factual position intimated (January 1987) that action has been initiated for recovery of the excess payment made to the contractor and to draw of disciplinary action against the persons responsible

for recording wrong measurement. Further development is awaited (April 1987).

4.9. Extra expenditure due to defective construction of canal syphon

Construction of left main canal along with cross drainage work of Mandiaguda Minor Irrigation Project (Koraput district) from R.D.950' to R.D. 3,700' was entrusted (June 1978) to the contractor 'S' at a cost of Rs. 1.29 lakhs for completion by September 1978. After executing work worth Rs. 1.30 lakhs (including Rs.0.31 lakh spent on construction of canal syphon at R.D.3,450) upto March 1980, the contractor was not willing to execute more than his agreement quantities and the balance work there-after, was entrusted (November 1982) to another contractor on fresh tender which was completed by him in December 1982 at a cost of Rs.0.52 lakh. Water released to test the workability of the completed portion of the canal in December 1982 could, not however, pass through the canal due to defective construction of the syphon as the same did not satisfy the work specification. On being informed (February 1983) by the Executive Engineer, M.I. division, Rayagada about the profuse leakage of water in the syphon (completed in March 1980), the Superintending Engineer, Sourthern M.I. Circle, Berhampur inspected (April 1983) the syphon and observed that it had been done very badly and that the R.R.masonry of upstream and down-stream wells had been constructed mostly with smooth picked up boulders with cement mortar of very poor proportion (against agreement provision for R.R.masonry with cement mortar of 1:6 proportion) and there were honeycombs

and gaps in masonry which led to leakage through the well steinings as well as through the slab joints and masonry abutments.

The contractor who executed the work, on being directed by the Executive Engineer to undertake necessary repairs to the syphon at his cost, disowned (May 1983) his responsibility to do the same on the ground that the work had been carried out by him as per the instructions and specification pointed out by the field staff and that no such defects were pointed out to him in course of execution in as much as, the agreement conditions for rectification of the defects at the contractor's cost could not be enforced since it was pointed out to him beyond his liability period of six months from the date of completion (March 1980) of the work. The defective syphon was ultimately got repaired (July 1984) through other agency at a cost of Rs.0.65 lakh for satisfactory discharge of water. The concerned Assistant Engineer/ Junior Engineer under whose supervision the work was executed, were asked (May 1983) by Superintending Engineer to explain for the negligence in their duty in supervising the work and for recommending the defective work for payment; further development in the matter is still (September 1986) awaited.

Thus, due to lack of adequate supervision and delay in pointing out the defective construction of the syphon beyond the prescribed period of six months, the defective work executed by the contractor had to be rectified subsequently at an extra expenditure of Rs.0.65 lakh.

The contractor was paid (March 1981) an amount of Rs. 1.66 lakhs upto his 9th R.A. bill and his final bill (prepared in November 1982) which worked out to Rs. 1.30 lakhs only, is awaiting settlement in the division due to want of final check-measurement by the concerned Assistant Engineer and Executive Engineer. The resultant excess payment of Rs.0.36 lakh (against blasting items) came to notice (November 1982) at the time of final measurement by the Junior Engineer. The contractor is having Rs.0.11 lakh only with the department towards his security and earnest money deposits which has neither been adjusted against the excess payment nor, adequate action has been taken against the contractor so far (September 1986) for recovery of the balance dues.

The matter was reported to Government in April 1986. Government stated (January 1987) that the case needs further examination; their report is awaited (May 1987).

RENGALI IRRIGATION PROJECT

4.10. Unintended benefit to contractor

Out of the tenders received for construction of Left Head Regulator of Samal Barrage (estimated cost put to tender: Rs. 1,99.18 lakhs), the Contract Committee in its meeting held in December 1979 accepted the 2nd lowest offer for Rs.2,44.01 lakhs (22.50 *per cent* excess over estimated cost) of 'U' after recording the reasons for not accepting the lowest offer. One of the special conditions offered by the contractor and accepted by the Committee being that the excavation of foundation

was to be done as per requirement and that the excavated materials were to be conveyed by any means. Further, the rate of Rs.3,500 per 100 Cum. quoted by the contractor for item 1 of the tender, viz., excavation of foundation from Natural Soil Level (NSL) to rock level in all kinds of soil including all leads, lifts, shoring, shuttering, strutting or driving of sheet piles to the required depth and removing the same after completion of work (excluding cost of sheet piles), etc., being considered to be very high (124.64 *per cent* excess over the estimated rate), the Committee while recommending (December 1979) the tender for acceptance, imposed a restriction that the actual execution against this item should not exceed more than 5 *per cent* of the estimated quantity of 1 lakh Cum. provided in the tender. The acceptance *vis-a-vis* award of work to the 2nd lowest tenderer 'U' at Rs.2,44.01 lakhs as recommended by the Contract Committee was approved by Government in December 1979.

In course of execution of the work, the Contractor 'U' requested (October 1980) the Chief Construction Engineer to allow him to excavate the foundation by providing slope 1:1 from NSL upto Reducing Level (RL) to prevent earth from slipping. Finding no objection in adopting any convenient method in the excavation of foundation, layout was given (October 1980) by the department with 1:1 slope and it was made clear by the Executive Engineer (November 1980) to the contractor as per orders of Chief Construction Engineer in October 1980 that excavation of the foundation with 1:1 slope is entirely on contractor's request and it does not imply any financial commitment of the department on this account.

Citing the relevant special condition of his agreement, the contractor represented (November 1980) for payment for the extra quantity of earth work in slopes at his tendered rate. The Chief Construction Engineer referred (May 1981) the representation to Government, giving his considered view that, since the contractor had resorted to excavation in slope for his own convenience and in order to avoid expenditure and shoring and shuttering, the payment should be restricted to the quantity calculated on vertical section only besides the cost of refilling and compacting the sloped section unnecessarily excavated, with suitable material, should also be recovered from the contractor. He, however, sought Government's clarification which was awaited (June 1986). Without waiting for the clarification from Government and also without giving any reference to the previous correspondence on the issue, the Executive Engineer-in-charge of the work wrote (February 1982) to Superintending Engineer some "mistakes" in the original estimate in the nature of revised horizontal cross section of excavation due to 1:1 slope and justify the extra quantity of earth work. The matter was again referred (March 1982) to Government by Chief Construction Engineer, without reference to the earlier clarification sought from Government stating that the anticipated earth work involved in foundation in all kinds of soil would be for a total quantity of 1.30 lakh Cum. (against the original estimate of 1 lakh Cum. technically sanctioned) against which, the contractor had already executed about 80 *per cent* of work; no reasons for the extra quantity involved was, however, stated except that extra quantity of earth work could not be avoided despite most economical section adopted

during excavation. Accordingly, he proposed (March 1982) to make payment for the extra quantity of earth work pending approval of Government, to avoid hardship to contractor; approval of Government to the same has not so far been accorded (June 1986).

The contractor 'U' was, however, paid an amount of Rs.47.96 lakhs for excavation of 1.37 lakh Cum. of earth work (against the admissible quantity of 1.05 lakh Cum.) in all kinds of soil besides payments of Rs.2.39 lakhs for execution of an extra item of work 'excavation of 0.06 lakh Cum. of disintegrated rock in foundation' at a provisional rate of Rs.42.75 per Cum. in the absence of any supplementary agreement or approval of extra quantity and rate to that effect by Government.

Thus, due to acceptance of special condition offered by the Contractor for excavation of foundation as per requirement and that too, agreeing to the contractor's suggestion at the subsequent stage to adopt any convenient method in excavation of foundation, the contractor derived an unintended benefit of Rs. 11.20 lakhs towards excess execution of 0.32 lakh Cum. (1.37 lakh Cum. less 1.05 lakh Cum. including 5 *per cent* excess) of earth work apart from the payment of Rs.2.39 lakhs towards extra item, approval to the rate for which is still (June 1986) awaited.

The original estimate of work for Rs.2,46 lakhs submitted to Government in August 1979 and submission of subsequent recast estimate (February 1983) as per the accepted tender value, are still (June 1986) awaiting approval of Government.

The matter was reported to Government in August 1986; Government stated in February 1987 that there was no deviation in foundation excavation from the methodology envisaged in the estimate or the agreement or the standard practice followed in such works and in order to avoid practical difficulties encountered during execution, the excess quantity against this item had been done without incorporating the same in the agreement and that such excess work could not be anticipated before hand for which prior approval of Government could not be obtained. They also intimated that this was done to avoid hardship to the contractor and that the matter is under consideration of Government for according approval.

The contention of Government that there is no deviation in foundation excavation is not acceptable since the slope cutting which was done for the convenience of the contractor was different from the methodology envisaged in the agreement.

4.11. Undue financial aid to contractor

The agreement executed (March 1980) with contractor 'U' for construction of Left Head Regulator of Samal Barrage of Rengali Irrigation Project provided 'Random Rubble Stone masonry work with hard granite stone 0.03 Cum. or above size alongwith required quantity of bearing stones size less than 15 Cum. in cement mortar (1:4) including cost of all materials and labour'. As per State analysis of Rate 1979, requirement of cement for one Cum. of RR masonry work of above specification is 1.219 quintals (2.44 bags) against which

1.246 quintals (2.5 bags was provided in the estimate. As per technical specification appended to the agreement, the requirement of mortar for the same item of work was assumed to be 0.40 Cum. to 0.45 Cum. which required 1.434 to 1.613 quintals (2.5 bags to 3 bags) of cement.

During execution of the work, the contractor informed (April/July 1982) the Executive Engineer, Head Race division, Samal, that more than 3 bags of cement were consumed in one Cum. of RR masonry work. It was also contended by him that as he had tendered his rate taking consumption of 2.5 bags of cement into account being provided in the State Schedule of Rates as well as in the estimate of the work and that any excess consumption of cement on this account beyond the schedule was to be borne by the department. The contention of the contractor was, however, refuted (July/ November 1982) by the Executive Engineer on the basis of technical specification which was accepted by the contractor and formed a part of the agreement. The Executive Engineer also observed that the estimate and State Schedule of Rates were not coming to picture as stated by the contractor since the technical specification being part of tender documents was sold to him at the time of sale of tender papers and accordingly, he quoted his rates after going through it and as such, there was no question of supplying extra cement by the department.

In his representation (April 1984) to the Chief Construction Engineer, the contractor stated that due to consumption of 3 bags of cement, he was put to direct loss of Rs. 12.50 in one Cum.

(cost of 0.5 bag of cement) which was recovered from him in work bills. He further stated that acceptance of specification at the agreement stage was done by him in good faith as per the usual practice without going through each and every line of it.

While forwarding the representation to Government for consideration, the Chief Construction Engineer stated (July 1984) that the estimate for the Head Regulator was prepared in 1979 basing on the State analysis of Rates 1979 which provided for 0.34 Cum. of mortar for each Cum of RR masonry work according to which, the requirement of cement is 1.246 quintals (2.5 bags) and the contractor might have analysed his rate based on that while tendering for the work without referring to the specification attached to the agreement. The department had also compared his rate with that in the estimate where consumption of cement was adopted as 2.5 bags per Cum. He further intimated (October 1985) Government that the schedule of quantities for this item of work was prepared by the department basing on the estimate without referring to the technical specification.

Against the agreement quantity of 44,060 Cum. of masonry work, the contractor executed 31,148 Cum. and the balance quantity of 12,912 Cum. was found (July 1984) by the Chief Construction Engineer to be not necessary for execution due to change of design.

Government approved (May 1986) the excess consumption of 0.5 bag of cement per each Cum. of RR masonry work as direct issue to work and the

contractor was accordingly refunded (May 1986) Rs.3.89 lakhs which had already been recovered from his bills towards the cost of 15,574 bags of cement (at the rate of Rs.25 per bag) excess consumed in the execution of 31,148 Cum. of RR masonry work. It was, however, observed (May 1986) by Government that this contingency would not have arisen had the technical specification been truthfully followed while preparing the schedule and ordered for a probe into the matter to fix up responsibility on the erring officer(s) who did not follow the required specification while preparing the schedule for this item of work. Further development in the matter is still awaited (June 1986).

Despite contractor's acceptance to the technical specification which was supplied to him as a part of tender schedule, before he quoted his rates for the work, the refund of Rs.3.89 lakhs to him on the plea of excess consumption of cement beyond that adopted in the estimate, constitutes an undue financial aid to contractor.

The matter was reported to Government in August 1986; Government stated (February 1987) that the Engineer-in-Chief has been asked to enquire into the matter and fix responsibility. Further developments are awaited (May 1987).

4.12. Extra expenditure on Contract demand of electricity

The Executive Engineer, Power Plant division No.I entered into (March 1982) an agreement with the Orissa State Electricity Board for power supply in a phased manner for a period of five years commencing from 26th July 1979, to different

dam sites and power house site as under:

Period of supply	Connected load/ Contract demand
26th July 1979 to 31st December 1979	60 KVA
1st January 1980 to 31st October 1980	100 KVA
1st November 1980 to 28th February 1981	350 KVA
1st March 1981 to 30th June 1981	650 KVA
1st July 1981 to 31st July 1984	1,000 KVA

The basis on which the demand was estimated could not be furnished by the department. The Executive Engineer, however, stated in November 1986 that contract demand was assessed keeping in view the deployment of field machinery in the Project works, lighting of the project site and the number of residential and non-residential buildings that were expected to come up. The contract demand was also enhanced (April 1984) from 1,000 KVA to 2,000 KVA by executing another agreement for a period of five years commencing from 6th April 1984.

The agreement conditions *inter-alia* stipulated that (a) the average power factor of the supply shall be arranged to be not less than 90 *per cent* and that the monthly charges shall be increased by

0.5 *per cent* for each *per cent* by which the average power factor during a month falls below 90 *per cent*; (b) a surcharge of Rs. 14 per KVA of maximum demand in excess of contract demand, if any, shall be the penalty towards overdrawal; and (c) late payment surcharge at 2 *per cent* per month shall be levied *pro rata* for the period of delay from the due date (i.e., from the 16th day of the bill on the amount remaining unpaid excluding arrears on account of late ayment of such charge).

A test check of the energy charge bills for the period from August 1981 to March 1986 showed that the average power factor on actual consumption ranged from 40 *per cent* to 86 *per cent* for which Rs.8.17 lakhs were paid (between December 1983 and April 1986) towards penalty for low power factor. Overdrawal of power ranged between 50 KVA to 550 KVA (over the contract demand of 1,000 KVA) during the period from May 1982 to March 1984 resulting in payment (between July 1982 and April 1984) of penalty of Rs.0.62 lakh towards overdrawal charges. Surcharge on account of delayed payment of energy bills amounting to Rs.0.38 lakh was also paid (June 1984 and onwards) for the period from August 1981 to September 1984).

Thus, the incorrect assessment of power requirement before execution of agreement, resulted in an avoidable extra expenditure of Rs.8.79 lakhs to the Project besides Rs.0.38 lakh paid towards extra surcharge for delayed payment of electric bills. The Executive Engineer stated in November 1986 that due to electrical loads in the project being predominantly inductive in nature and deployment of more machinery than assessed earlier,

it has resulted in low power factor than the contract demand. Details of the machinery deployed/to be deployed in the project work could not be furnished in this respect.

The matter was reported to Government in September 1986; reply is awaited (May 1987).

CHAPTER V

STORES AND STOCK ACCOUNTS

A-PUBLIC WORKS

IRRIGATION AND POWER (INCLUDING MINOR IRRIGATION) DEPARTMENT

5.1. Upper Indravati Project- Stores and Stock

5.1.1. *Introduction*

The Upper Indravati Project, a World Bank aided Multipurpose Project in Orissa, whose estimated cost (July 1979) of Rs.2,08.15 crores was revised in 1984 to Rs.6,11 crores envisages *inter-alia* procurement of considerable quantities of stock materials such as, cement, steel, etc.

Orders for bulk supplies of stock materials, on the basis of indents received from field divisions are placed by the Chief Engineer (now designated as General Manager) after obtaining annual clearance from the Central Water Commission (CWC) and Central Electricity Authority (CEA) so far as cement and steel are concerned. Three out of thirteen divisions procure stock materials from various sources i.e., firms having rate contracts with DGS&D/ Export Promotion and Marketing (EPM), other projects/divisions and open market against allotment received, handle divisional stores and maintain/render accounts thereof to Audit (up to January 1986) and thereafter to the Financial adviser and Chief Accounts Officer (FA&CAO) of the Project.

5.1.2. *Stock accounts*

5.1.2.1. The book value of materials held in stock as on 31st January 1986 as per the accounts maintained by the FA&CAO was Rs.8.76 crores which did not include Rs.3.14 crores representing the balance prior to introduction of centralised accounting system effective from 1st January 1982.

5.1.2.2. Test check of stock accounts by Audit (December 1985 to March 1986) revealed the following:

(i) Though the purchases each year outstripped the issues resulting in continuous rise in the closing stock from year to year, sanction of Government for reserve stock has not been obtained.

(ii) On the plea of absence of staff, the priced stores ledgers have not been maintained at all in respect of any of the divisions in the absence of which the summaries are sent by the divisions to FA&CAO without any reconciliation and the adjustments are carried out by him without exercising any check over the price valuation.

(iii) Delay in rendering accounts resulted in consequential delays in adjustments by periods ranging upto 22 months (by February 1986).

(iv) There was no record to show that physical verification of the stores in each division including materials-at-site and special and ordinary tools and plant was ever conducted at any stage.

5.1.2.3. Further points noticed in the purchase of stores are as under:

(1) *Purchases without properly sanctioned estimate*

The departmental rules require that procurement of any stores or spares, etc., is always subject to the condition that there is a properly sanctioned estimate for the purchase except for stores of small value up to Rs.500. Test check (December 1985/January 1986) revealed that purchases were made during April 1980 to June 1983 in 339 cases involving Rs.3,13.84 lakhs (including 33 cases of heavy machinery amounting to Rs.33.29 lakhs) without sanction to estimate. Nothing was on record to indicate the reasons for deviations from the prescribed procedure.

(2) *Purchases made without inviting tenders*

According to rules, sealed tenders should be invited by giving wide publicity for the supply of all articles exceeding Rs.10,000 in value in each case unless sufficient reasons have been recorded except in the case of purchase of spares from original manufacturers or their authorised dealers. The rules also prescribe that important plant machinery, iron and steel materials and other materials borne on rate contract shall ordinarily be obtained from firms approved by the DGS&D and /or any other organisations having EPM rate contracts. It was noticed that purchase of stock materials including drill rods, house

fittings, AC sheets besides special T&P articles etc., covering 174 cases with a financial implication of Rs.1,43.78 lakhs were made by the Project authorities during April 1980 to June 1983 without inviting tenders. No reasons were on record for these irregular purchases of the articles of stores.

(3) *Advance procurement of equipments*

The departmental rules of Government prescribe procurement of stores in accordance with definite requirement for works taking into account the work-load of the division, the existing stock in hand and other relevant factors. Test check of records of two divisions (Power House division and Field Machinery division No.1) during January 1986 showed that stores (drill rods, steel, AC sheets, house fittings, etc.,) worth Rs.2,14.61 lakhs procured during 1979 to June 1983 in advance of requirement were lying unutilised (December 1985). In addition, high tention boiler quality steel plates (9,307.839 tonnes) procured from Japan in 1981-82 at Rs.5,47.54 lakhs and MS plates(1,025.838 tonnes) procured from Steel Authority of India in August to December 1981 at Rs.30.14 lakhs were lying in the stores yard of OCC at Jeypore for the Project work which is yet to be commenced (September 1986).

(4) *Injudicious Purchase of stores*

(i) The CCE accepting the project requirement of EES, Tail Race and Power House divisions of 13,652 AC sheets of various sizes

and 4,560 pairs of ridges placed three purchase orders between February 1982 and April 1982 with 'H' under DGS&D Rate Contract (valid upto June 1982) with delivery schedule ranging from March to April 1982. Of the three purchase orders issued, the period was extended upto May 1982/March 1983 in two cases reportedly due to non-availability of wagons. In case of the remaining purchase order the firm expressed its inability to supply stating (May 1982) that it had already completed the booking of orders against their commitment to DGS&D and could supply only at consumer's price which was higher than the DGS&D rate. Thereupon, the Chief Construction Engineer cancelled (May 1982) the purchase order and placed fresh purchase orders with the firm between May and June 1982 for supply of 8,660 AC Sheets and 2,010 pairs of ridges at its consumer's price which was higher, ranging from Rs.9.03 to Rs.25.64 per each AC Sheet/each pair of ridges entailing an extra expenditure of Rs.2.32 lakhs, on the ground of urgency, as according to the Chief Construction Engineer (December 1982) due to fast approaching rainy season and to provide accommodation to staff, the AC Sheets were purchased at higher rates. The procurement, however,continued till August 1982 and it was noticed (December 1985) that there was huge stock of AC sheets in Power House division, Mukhiguda valued at Rs.25.60 lakhs without utilisation in the work.

(ii) The Chief Construction Engineer placed a purchase order with 'ST' Calcutta in March 1983 for supply of spare parts (value: Rs.3.02

lakhs) for DW dumpers without ascertaining the requirement from Field Machinery division I. The spares ordered included 5 gears (Rs.0.61 lakh) and twelve drums (Rs.1.95 lakhs) though the division already had a stock of 14 gears and 8 drums brought from Balimela Dam Project on transfer during May 1979 to January 1982 as reported by the Sub-divisional Officer of the division in April 1983. Thereupon, the SE(Mechanical) requested the Chief Construction Engineer in May 1983 to consider cancellation of the purchase order by which time the firm had delivered the materials in the Central Store on 4th May 1983 and was paid Rs.3.02 lakhs for the entire supply in May 1983. Thus, purchase of gears and drums worth Rs.2.66 lakhs (including taxes) was avoidable.

(5) *Extra and avoidable expenditure*

(i) *Purchase of Hume Pipes*

The CCE placed three different purchase orders in January 1981 with the firm 'C' for supply of 400 numbers of 900 dia hume pipes (at its lowest approved rate of Rs.1,350 each) and 100 numbers of 600 mm. dia at Rs.850 each against the lowest rate of another firm 'Q' (a small scale unit) for Rs.753 each, after allowing the firm 'C' 15 *per cent* price preference being a small scale unit.

The firm 'C' requested (February 1981) the CCE for issue of cement to enable it to complete the manufacture of pipes or

to grant extension of time upto June 1981 on the ground of short supply of cement from Government quota in order to complete the full supply of the required sizes of pipes. Supply of cement was rejected being not provided for in the contract but extension of time was allowed upto June 1981 without change of prices. The firm expressed its inability (September 1981) to supply the pipes at the old rates and requested to allow 20 *per cent* extra over and above their approved rates, due to increase in the cost of raw materials which was also not considered. It however, gave a revised offer subsequently in December 1981 raising its original rates to Rs.1,800 for 900 mm dia each (150 numbers) and Rs.1,100 for 600 mm dia each (150 numbers) which were accepted by CCE in December 1981.

The department also supplied 100 tonnes of cement to the firm later in February 1982 against its requirement of 300 tonnes for manufacturing pipes. Despite supply of one third of the firm's requirement of cement without any stipulation for its supply and acceptance of higher rates long after finalisation of tender, it thus, resulted in an extra expenditure of Rs.1.05 lakhs.

(ii) *Extra expenditure on purchase of drill rods*

Without taking into account a balance stock of 6,547 numbers of steel drill rods in the Project (800 mm x 34 mm dia: 2,631 nos. and 1,600 mm x 33 mm dia: 3,916 nos.)

between January and March 1983, the CCE called for (January 1983) quotations from three different authorised dealers (viz., 'AB', 'KP' and 'AD') for supply of steel drill rods of 1,000 numbers each of the above specifications without any requisition therefor either from the SE, Mechanical circle or from the executing divisions. In response, all the three authorised dealers quoted their rates (January /February 1983) along with their terms, conditions and performance reports. Earlier to the call notice, another firm 'AT',Bhubaneswar introduced (December 1982) themselves as authorised dealers of such rods and offered their rates *suo moto* for different specifications of such drill steel rods which were also taken into consideration irregularly by the CCE along with other quotations. Out of the four, the quotation of the firm 'AD' for Rs.7.10 lakhs was the lowest while the quotations of 'AT' (Rs. 8.25 lakhs) and 'KP' (Rs.8.79 lakhs) became the second and third lowest respectively. While the comparative statement was not scrutinised at any level, the Chief Construction Engineer approved (March 1983) the rates of 'AT' quoted for the above specifications of drill rods on the ground that the specification rods for which the rates had been quoted by the 1st lowest firm had not been earlier tried in the Project and that 'AT' was the dealer of Drill Company whose rates were approved by DGS&D. The 1st lowest firm was, however, the sole distributor of Bharat Gold Mines (A Government of India Undertaking) and furnished performance certificates of the other major projects. The DGS&D had only

registered Drill Company as approved suppliers for supply of TC Tipped drilling of size 22 mm and not for the sizes ordered (33 mm and 34 mm). Orders for supply of 10 numbers of steel rods were placed with the 1st lowest firm for trial but without waiting for the results, orders for supply of 990 numbers of 800 mm x 34 mm dia and 1,000 numbers of 1,600 mm x 33 mm dia valuing Rs.8.19 lakhs were placed with the firm 'AT' by the Chief Construction Engineer in March 1983. The firm received payment of Rs.6.83 lakhs (excluding taxes) in June 1983 towards supply of 990 numbers of 800 mm x 34 mm dia and 712 numbers of 1,600 mm x 33 mm dia steel drill rods against the supply order.

Entertainment of the earlier unsolicited quotation of 'AT' not received in response to the Call Notice and non-acceptance of the lowest rates of 'AD' who happens to be the sole distributor and who furnished the required performance certificates, resulted in an avoidable extra expenditure of Rs.0.99 lakh (as compared with the rates of 'AD') to the department. None of these drill rods procured at higher cost have been put to use so far (April 1986) and a large part of the earlier stock (2,290 pieces of 800 x 34 mm and 3,745 pieces of 1,600 x 33 mm) are also lying unutilised (August 1985).

(iii) *Procurement of imported steel billets*

The Central Water and Power Commission allotted 1,000 tonnes of imported steel billets to the Project in October 1979, for

which letter of credit for Rs.26.25 lakhs (being the cost of the billets) was to be arranged by 10th December 1979 failing which, the entire consignment was subject to reallocation to other users. The CCE moved Government in November 1979 to accord approval for operating the letter of credit. Government's approval was received on 31st December 1979 and the Executive Engineer, FM division No.1 deposited the amount with Steel Authority of India, Bhubaneswar on 15th December 1979 instead of on 10th December 1979, in anticipation of approval of Government. As the amount was not deposited in time, the Steel Authroity of India (SAIL) cancelled the allotment in March 1980 and on the request of the CCE in April 1980 agreed to spare 1,200 tonnes of billets from home-sale quantity on deposit of an additional amount of Rs.6 lakhs. The additional amount was deposited on 13th May 1980 against which SAIL supplied only 10,016.550 tonnes at Rs.26.87 lakhs (at the rate of Rs.2,687.50 per tonne) during March to June 1980. Due to delay in making the letter of credit and availing the supply from home-sale quota, Government incurred an extra expenditure of Rs.0.63 lakh. Besides, an amount of Rs.5.38 lakhs due to short supply of billets is recoverable from SAIL (June 1986). The SE (Mechanical) stated to Audit in January 1986 that the extra expenditure was due to non-availability of letter of credit on the date fixed by SAIL which was beyond the control of the Project. There was, however, no urgency for procuring the billets from home-sale quota.

(iv) *Uneconomical operation and consequential extra expenditure*

Tata Iron and Steel Company (TISCO) had supplied 16 mm and 20 mm dia MS Rounds to the Project during the period from April 1982 to October 1982 at Rs.4,165 and Rs.4,105 per tonne respectively. The firm 'AS' was, however, entrusted during the period for rerolling further quantities of 225 tonnes and 130 tonnes of 16 mm and 20 mm dia rounds, the cost of which worked out to Rs.4,872 per tonne without examining the economy of the operation through this firm. It has, thus, resulted in an extra expenditure of Rs.2.59 lakhs computed with reference to the rates of TISCO.

The General Manager of the Project stated (January 1986) that due to scarcity of MS Rods/Tor Steel, Government decided to make arrangements for rerolling of billets. There was, however, no record to show that the TISCO had expressed its inability to supply further quantities of MS Rods.

(v) *Avoidable expenditure on carriage of cement*

In response to a short tender call notice in May 1980 of the Executive Engineer, Field Machinery division No.I, two quotations were received on 23rd May 1980 for transportation of 3,000 tonnes of imported cement from Visakhapatnam to different stores of the Project. The rate of 'DJ' was lowest being 68 paise

per km./tonne. However, both the contractors reduced their rates to 64 paise after negotiation which was recommended by the Executive Engineer to the SE (Mechanical) in May 1980 for acceptance. The SE observed (May 1980) that the rate of 64 paise was abnormally high and instructed the Executive Engineer to reject the quotations and call for fresh tenders from parties at Salur, Visakhapatnam, Kesinga etc. He, however, instructed the Executive Engineer, three days later, to issue work order to one'LT of Nowrangpur (who was not a participant in the earlier tender) to carry the same at 45 paise. The firm, however, refused in June 1980 to carry the cement at its offered rate of 45 paise due to increase in price of diesel. Earnest money of Rs.0.06 lakh deposited by the firm was not forfeited (December 1985) despite the earlier orders of CCE to that effect (June 1980).

Instead of calling for open tenders, rates were obtained (June 1980) by the Executive Engineer from four selected carriage contractors and the rate of 68 paise being the lowest rate of 'LS' was accepted by the CCE in June 1980 and work order was issued to him to carry 1,500 tonnes of cement and another work order issued to a contractor 'PS' on the former's terms and conditions to carry 500 tonnes. The remaining 1,000 tonnes of cement were desptached by rail wagons. Both the contractors carried (between June and August 1980) 1,932.420 tonnes (1,429,04 tonnes+ 503.380 tonnes) against the agreement quantity of 2,000 tonnes and 45 tonnes were carried by departmental trucks and reason for not carrying the

balance 22.58 tonnes (value:Rs.0.12 lakh)was not forthcoming (December 1985). It would, thus, be seen that the rate accepted by the CCE was higher,compared to the rate of 42 paise admissible under Schedule of Rates 1982 and rate of 57 paise per tonne/km. decided later in 1984 for carriage of cement from Vishakhapatnam by the CCE on the basis of tenders of February 1984. The earlier negotiated rate of 64 paise per tonne/km. offered by 'DJ' if adopted would have saved Government to the extent of Rs.0.24 lakh.

To an enquiry (August 1980) made by Government regarding acceptance of excess rate, the CCE intimated (August 1980) to Government that due to want of storage facility at Vishakhapatnam to keep the cement, he had approved the rate of 68 paise. Approval of Government to the excess rate is awaited (January 1986).

(6) *Rerolling of billets*

The firm 'AS' was entrusted (September 1981) with rerolling of 2,850 tonnes of billets into various sections/sizes of MS Rounds at its lowest quoted rates amounting to Rs.19.40 lakhs. Work order did not stipulate the date of completion and quantity of each size to be rerolled. The firm, however, was supplied (September 1981-March 1983) with 3,402.348 tonnes of billets and 50 tonnes of blooms from time to time under five work orders against which, it supplied 3,051.355 tonnes of rolled sizes upto January 1986. The work

of rerolling is still in progress (February 1986).

The following further points were noticed:

(i) *Shortage due to short-delivery of billets and blooms*

(a) Billets(60 x 60mm) for 2,000.648 tonnes were lifted in rail from Steel Authority of India, Calcutta and despatched to 'AS' at Visakhapatnam in two spells (September 1981: 227.670 tonnes and October 1981: 1,772.978 tonnes). On being asked by the Executive Engineer in September 1982 regarding the progress of work, the firm replied that 1,725.890 tonnes of billets were received against 1,772.978 tonnes desptached by clearing Agent in October 1981. Since the wagons were booked under 'Said to Contain' RRs, the firm stated that the Railways were not responsible for the shortage. The firm did not bear the loss as the work order stipulated that the weighment of billets and finished products to be as per weigh bridge of the firm and would be acceptable to the department. In the work order issued later in November 1982 for 983.100 tonnes the weighment clause was, however, revised to stipulate that 'the firm should accept the billets despatched from Steel Authority of India as per the weight recorded in RR and deliver the finished products as per its weigh bridge'. Had similar clause been adopted in the first work order issued in September, 1981, the firm would have been made liable to make good the shortage of

47,088 tonnes of billets valuing Rs.1.77 lakhs (at Rs.3,769 per tonne).

(b) Although the work order issued in November 1982 stipulated that the firm should accept the billets despatched from Steel Authority of India as per weighment recorded in RR out of 983.100 tonnes to be despatched by rail in the second consignment, 936.320 tonnes were desptached by road on the plea of non-availability of Railway wagons through cariage contractors and only 46.780 tonnes were despatched by rail. The firm acknowledged 931.970 tonnes against 936.320 tonnes despatched by road and 46.450 tonnes against 46.780 tonnes despatched by rail. The shortage of 4.680 tonnes valuing Rs.0.18 lakh has not been recovered from the firm so far (May 1987).

General Manager stated (January 1986) that the matter was under correspondence with the firm.

(c)(i)*Short delivery of finished products*

Against total supply of 3,350.880 tonnes of billets (excluding shortages) and 49.700 tonnes of blooms, the firm was to supply 3,059.775 tonnes of finished products deducting burning loss of 10 *per cent* for billets and 11½ *per cent* for blooms as per work order. The firm had however, supplied 3,051.355 tonnes of finished products upto January 1986. The balance 8.42 tonnes valuing Rs.0.32 lakh was awaiting recovery (May 1987).

(ii) *Short delivery of materials*

Scrutiny of records of Field Machinery division revealed that stock materials like steel, spares, tyres and tubes, etc., valued Rs.7.76 lakhs were not received by the Project during March 1981 to August 1983 owing to their shortage/wastage during transit. The claims for recoupment of transit losses valuing Rs.7.76 lakhs were lodged (July 1981 to February 1984) with Railway and concerned firms but no settlement was effected so far (May 1987) despite payment of advances on this account. Unless the losses are recouped, the said amount will be a loss to the Project.

(iii) *Loss of diesel*

The Project has installed two oil bunks, one at Khatiguda and the other at Kapur to meet the needs of diesel of all the machineries and vehicles of the Project. The Executive Engineer, Field Machinery division, intimated in April 1985 to the SE (Mechanical) that there was loss of 15,120 litres of HSD oil valuing Rs.0.57 lakh out of 27,67,600 litres received during September 1980 to 21st February 1985 due to evaporation, handling, leakage in transportation, etc. The SE recommended to General Manager in April 1985 to sanction the survey report which is awaited (February 1986). The department has not fixed any percentage of permissible loss on this account.

(iv) *Payment of demurrage charges*

Twenty five wagons of cement(783.9 tonnes) were despatched (26th August 1982) to Kesinga by Hira Cement Factory, Bargarh in favour of Executive Engineer, FM division which reached at Kesinga Railway Station on 28th August 1982. The consignee could not arrange the unloading of cement from the wagons reportedly due to the road being cut-off between Bhawanipatna and Kesinga on 28th to 31st August 1982 and non-availability of sufficient labourers to unload the cement at Kesinga and Kusumkunti but ultimately took delivery on 4th September 1982 for which demurrage charges of Rs.1.04 lakhs were paid to Railways. Besides, an amount of Rs.0.05 lakh was also paid to Railways towards demurrage charges for the period from 3rd to 4th October 1982 for delay in unloading of cement despatched from Bargarh to Kesinga in September and October 1982. The Executive Engineer requested the Railway Authorities in November and December 1982 for refund of the demurrage charges paid on both the occasions which was finally turned down by Railways in June 1983 stating that the delay was not due to fault of Railways and the claim of the Executive Engineer for refund of the same could not be entertained resulting in a loss to the Project. Sanction for payment of demurrage charges was awaited from Government (May 1987).

(v) *Shortage of stores*

The Engineer-in-charge of Tentulikhunti stores lodged a Police complaint in February

1983 about alleged theft on 22nd February 1983 of stores materials worth Rs.0.34 lakh. The Police after investigation of the case reported (March 1983) that the case was false and the materials reported as stolen, were misappropriated by the Engineer-in-charge. The Executive Engineer, Power Plant division No.I conducted physical verification of stores during March to April 1983 and September to November 1983 and found shortage of stores worth Rs.0.79 lakh in addition to the stores worth Rs.0.34 lakh reported stolen by the Engineer-in-charge of stores which was also confirmed by the Executive Engineer in April 1984. In addition, the Engineer-in-charge of stores while handing over charge of stores on 23rd July 1984 made over less items of stores (20 items) and some T&P articles the value of which was assessed at Rs.0.16 lakh (approximately). Thus, due to non-verification of stores at periodical intervals as required under rules, misappropriation/shortage of stores valuing Rs. 1.29 lakhs was rendered possible.

The Engineer-in-charge was placed (September 1984) under suspension against whom inquiry proceedings have not yet been finalised (May 1987).

(7) *Machinery and equipment*

The project acquired during 1979 to 1983 machinery and spares for use in the works. According to SE, Mechanical (November 1984) machinery and spares available in the Project as on 15th September 1984 were valued at Rs.5,84.43 lakhs and Rs.3,54.68 lakhs

respectively, of which, machinery and spares acquired from other Projects of the State between 1979 and 1983 were for Rs.1,34.70 lakhs and Rs.1,36.78 lakhs and the balance was purchased from open market.

(i) The Chief Engineer reported to Government in August 1984 that owing to acceptance of the Project by the World Bank for assistance in June 1983 and agreeing to the condition that the contractors would procure their own equipments for construction of earthen dams, the earth moving equipments comprising of dumpers, diesel shovel, electrical excavator, etc., valuing Rs.3,56.69 lakhs acquired at the cost of the Project became surplus to the requirement and he on the other hand, requested for deputing the Chief Engineer, Mechanical, to inspect the equipments and to suggest further measures to be taken in the matter. The Chief Engineer, Mechanical, however, inspected the equipments in April 1985 and so far (September 1986) suggested the declaration of surplus of 20 DW-20 dumpers, 2 lima diesel excavators and one Motor grader and their spares, obtained from other projects at a cost of Rs.1,81.62 lakhs.

Orders of Government declaring the equipments as surplus were awaited (May 1987).

(ii) *Purchase of diesel generators*

Quotations for supply of two numbers of diesel generator sets with alternators and engines complete with capacity of 100 KVA

including control panel, were called for (April 1981) by the CCE for providing power supply to the work of "Construction of twin diaphragm wall for earth dam at Kapur".

Of the five tenders received, the rate of the firm'UE' of Calcutta for Rs.1.88 lakhs for each set (exclusive of taxes) of Kirloskar engine model which was valid for sixty days from the date of opening (25th May 1981) was the lowest. The CCE submitted the comparative statement with tender documents to Government on 6th July 1981 recommending for approval of the lowest tender of 'UE' for purchase of two sets which was awaited. Before approval of Government was accorded, purchase order was issued in September 1981 to 'UE' for supply of the generators. The firm, however, regretted to make supply at the said rate due to expiry of its validity period and proposed to supply 100 KVA diesel generators at Rs.2.22 lakhs for each set due to increase of price by the manufacturers during the intervening period and thereupon the 2nd lowest tenderer 'RE' whose tender amount was for Rs.1.94 lakhs each was instructed (September 1981) telegraphically to supply two numbers of diesel generators before October 1981. The firm intimated that they would supply at their quoted rate 'Ruston 6 YDX MK-II' which was costlier by Rs.0.10 lakh than 'Leyland ALU-680' for which they had quoted Rs.1.94 lakhs since Ashok Leyland Factory (the manufacturer) was under lockout. The CCE placed orders in October 1981 with 'RE' for supply of two numbers of 'Ruston

6 YDX-MK-II' with turbo charge engine at Rs.1.94 lakhs each plus 8 *per cent* excise duty. The firm supplied one number on 1st March 1982 and the second set was despatched by the firm on 27th March 1982. A total amount of Rs.4.22 lakhs (including taxes) was paid (March 1982) to the firm.

Non-placement of the purchase order on 'UE' within the validity period of sixty days, thus, resulted in an extra expenditure of Rs.0.46 lakh. Besides, the diesel sets so procured are lying unused in the Central Stores of Field Machinery division as the contractor for the construction work had stopped the work since April 1982 due to involvement of excessive chiselling on account of his coming across a thick layer of massive boulders in the entire length of diaphragm wall and the guarantee period of one year is over long since.

The Project further acquired 2 numbers of 125 KVA diesel generating sets (Government approval to which is awaited) at a total cost of Rs.4.87 lakhs in April 1982 which are also lying unutilised in the workshop at Kapur dam though their guarantee period of one year is over long since.

Thus, the entire expenditure of Rs.9.09 lakhs, incurred on the procurement of 100 KVA/125 KVA diesel generating sets (2 numbers each) was blocked as the machinery procured remained unutilised.

(iii) *Uneconomical purchase of crawler crane*

Quotations were received by the S.E.(Mechanical) in November 1979 from authorised dealers for supply of 40 tonne capacity cawler crane, for lifting heavy equipments. Of the two offers received in December 1979, the rate of the firm 'GM' of Calcutta was Rs.18.87 lakhs, span of delivery being 8/9 months whereas the firm 'TE' had quoted Rs.20.51 lakhs for 52 tonne capacity. The Chief Construction Engineer recommended to Government in January 1980 for acceptance of the tender of 'GM'. Purchase order was, however, placed by the Chief Construction Engineer in April 1980 with 'TE' for supply of 52 tonne crane (whose offer expired on 25th January 1980) at a cost of Rs.20.51 lakhs even before receipt of Government decision without any recorded reasons. The firm approached the CCE in May 1980 to amend the capacity of the crane to 74 tonne in place of 52 tonne as offered by it earlier which was also agreed to by the CCE in May 1980. The CCE also accepted price escalation clause in May 1980 before receiving Government approval in June 1980 to the purchase of crane from 'TE'. Finally a crane of 74 tonne capacity (including accessories) supplied by the firm in April 1981 at a cost of Rs.23.76 lakhs (amended offer) was accepted though there was no provision in the Project Estimate for crane of this capacity and the revised estimate on the basis of actual cost of the crane was sanctioned by Government in March 1982. Due to purchase of higher capacity crane of 74 tonne against the original requirement of 40

tonne capacity crane, the Project had to incur an extra expenditure of Rs.4.89 lakhs.

The Superintending Engineer(Mechanical) in January 1986 that higher capacity crane was preferred to cater to the needs of the Project in gate erection, etc., the work of which has not yet commenced.

(iv) *Purchase of sheep foot roller*

Quotations were invited in December 1979 by the Executive Engineer, FM division No.I for purchase of 10 pairs of 20 tonne double drum sheep foot rollers (estimate sanctioned by the Government in September 1980 for Rs.4 lakhs) to be received by January 1980. Of the 3 quotations received, the rate of the firm 'SN'of Calcutta was the lowest (valid upto 20th March 1982) being Rs.0.69 lakh per pair which was not finalised by the Executive Engineer till 2nd May 1980 for want of clarification from various firms. In May 1980, the Executive Engineer ignoring the two lowest quotations, recommended the third lowest offer of IDC, Hirakud. The CCE, however, decided to accept the lowest offer of 'SN'. The firm offered a revised rate of Rs.0.76 lakh in July 1980 basing on which purchase order was placed by the Chief Construction Engineer in August 1980 with 'SN' for supply of 4 pairs of 20 tonne sheep foot rollers followed by another purchase order in October 1980 for supply of one pair more. Delay in finalisation of the lowest valid quotations of 'SN' and placing of purchase order

at higher rate, resulted in an extra expenditure of Rs.0.35 lakh.

(v) ***Purchase of two numbers of 30 tonne low beded trailors***

The Chief Construction Engineer invited quotations in November 1979 for supply of 30 tonne low beded semi trailors. The rates received from seven firms ranged from Rs.1.48 to Rs.3.39 lakhs per each such trailor.

The CCE recommended to Government in January 1980 for the trailors of 'MO', Poona (6th lowest) at Rs.2.09 lakhs each alternatively those of 'TI', Madras (5th lowest) at Rs.2.03 lakhs each. Government, however, approved in August 1980 purchase of two numbers Hikks Brand goose mech low beded trailors from 'HE', Calcutta (4th lowest) at a cost of Rs.1.89 lakhs each ex-godown, Howrah, to be delivered in a period of sixty to ninety days against 90 *per cent* advance payment of proof of despatch through Bank after re-inspection and guarantee bond and the balance 10 *per cent* after receipt of materials at site. Before receipt of the Government sanction, the CCE placed the purchase order on 'HE' on 8th August to supply two numbers of 30 tonne low beded trailors at their quoted rates. The payment term stipulated in the purchase order was 95 *per cent* payment by Bank draft on delivery of trailors in Calcutta and 5 *per cent* within 30 days of receipt of trailors. This was revised (September 1980) by CCE on firm's request for 100 *per cent* payment on delivery in Calcutta against 5 *per cent* retention money in shape of

Bank guarantee effective upto 30 days from the date of arrival of the trailors in the site of the Project. This was clearly contrary to Government orders and completely removed any control in case of defective supply. The first trailor was received (November 1980) in Calcutta and the second trailor in December 1980 on 100 *per cent* payment of Rs.1.94 lakhs each against a Bank guarantee of Rs.0.08 lakh given by the firm. The Executive Engineer reported (December 1980) to Chief Construction Engineer that on the very first day the trailor was taken for registration, the Kingpin broke down and the brake system failed. Subsequently in January 1981, the wheel drum of the second trailor was reported to have been broken. The CCE complained to the firm in April 1981 that the trailors supplied had been manufactured with substandard materials and the defects should be rectified by the firm immediately or the trailors taken back. The firm had not replaced the trailors nor rectified the defects (January 1986). The trailors procured between November and December 1980 at a cost of Rs.3.88 lakhs were, thus, lying unutilised (January 1986) except that one trailor which ran for 7,569 kms. during March 1981 to October 1982 after incurring an expenditure of Rs.0.49 lakh on purchase of spares for repairs.

(vi) *Purchase of spares*

The CCE placed (June 1982) orders on 'PE' of Visakhapatnam for supply of spare parts to air-compressor at a cost of Rs.1.45 lakhs based on the offered price of the firm without inviting tenders. The purchase order

specifying the delivery period of one month from the date of receipt of the purchase order was amended in July 1982 to indicate the value of spares at Rs.1.79 lakhs on the firm's request.

The SE (Mechanical), however, invited tenders in July 1982 for supply of air-compressor spares for NHC-4-CI Engine basing on the requirement intimated by the Field Machinery division, to be received by August 1982. Of the 4 tenders received, the tender amount of 'TS' was the lowest. The SE (Mechanical) while submitting the comparative statement in September 1982, intimated that in most of the cases, the rates claimed by 'PE' of Rs.1.79 lakhs were higher than the rates of 'CD' of Rs.0.92 lakh approved by DGS&D. The purchase of spares from 'PE' involved an extra expenditure of Rs.0.87 lakh being excess over DGS&D rates.

Summing up

- The book value of materials held in stock from 1981-82 upto January 1986 as per the accounts of FA&CAO was Rs.8.76 crores which did not include Rs.3.14 crores representing the balance prior to introduction of Centralised accounting system.

- Purchase of stores in 339 cases was made from April 1980 to June 1983 without sanction to estimates; stock materials covering 174 cases with a financial implication of Rs.1,43.78 lakhs were purchased during the period by the Project authorities without inviting tenders.

- Stores worth Rs.2,14.61 lakhs procured during 1979 to June 1983 in advance of requirement were lying unutilised; huge stock of AC sheets valued at Rs.25.60 lakhs procured till August 1982 were lying unutilised in the Power House division.

- Due to short supply of imported steel billets, an amount of Rs.5.38 lakhs was recoverable from the Steel Authority of India.

- Claims for recoupment of transit losses valuing Rs.7.76 lakhs lodged during July 1981 to February 1984 with Railway and concerned firms were yet to be settled for recovery.

- Due to non-verification of stores at periodical intervals, misappropriation/shortage of stores valuing Rs.1.29 lakhs was rendered possible.

- Owing to acceptance of the Project by the World Bank for assistance in June 1983 with condition that the contractors would procure their own equipments for construction of earthen dams, the earth moving equipments valuing Rs.3,56.69 lakhs acquired at the cost of the Project became surplus to the requirement.

- Expenditure of Rs.9.09 lakhs incurred in the procurement of 100 KVA/125 KVA diesel generating sets was blocked as the machinery procured remained unutilised.

The matter was reported to Government in May 1986; reply is awaited (May 1987).

5.2. Un-necessary and irregular purchases

The departmental rules for procurement of stores required for public works *inter-alia* prescribe that the purchases should be made in most economical manner in accordance with their definite requirements for use in works and in assessing such requirements, care should be taken to take into account, the work load of the division, actual requirement of materials for works, materials already in hand and fresh procurement which is actually needed to be made, so as to avoid unnecessary purchase of materials.

Contrary to the above requirements, the Superintending Engineer, Western Irrigation Circle, Bhawanipatna and the Executive Engineers, Kalahandi Irrigation (EEKI) division and Jonk Dam division (under the same circle) purchased stores including Tools and Plants (T&P) articles worth Rs.22.79 lakhs between 1979-80 and 1983-84 (by SE, WIC against 15 purchase orders issued between February 1980 and December 1983:Rs.8.25 lakhs; EE,KI division against 19 purchase orders issued between January 1982 and July 1983: Rs.6.47 lakhs and EE,Jonk dam division against 52 purchase orders issued between February 1980 and June 1982: Rs.8.07 lakhs) charging the cost of such purchases to different irrigation projects, which were either under construction(4 Projects) or completed earlier (3 projects). The amount of such purchases charged to the completed

projects alone, was of the order of Rs.3.58 lakhs.

Basing on the reports of the successor Superintending Engineer, Western Circle regarding the unnecessary and irregular purchases which were *inter-alia* made without estimates/ without any requisition from the subordinate offices (Rs.14.72 lakhs) and without open tenders in some cases (Rs.5.37 lakhs), the Engineer-in-Chief (Irrigation) reported (February 1984/May 1984) to Government that some materials like screw gear shutters, steel trusses, etc., valuing Rs.6.51 lakhs were purchased between February 1980 and December 1983 by the then Superintending Engineer, Western Irrigation Circle (Rs.4 lakhs) and Executive Engineer, Jonk Dam division (Rs.2.51 lakhs) from outside despite ban order issued (July 1980) by him for not making purchase of such materials from private suppliers as the same could be manufactured in their departmental work shops located at Jobra and Salpada. He further reported that other materials like cement water proofing compounds, tarfelt, paints, etc., that were purchased by the then Superintending Engineer and other two Executive Engineers, were not required for the works being executed under the circle and that some items like concrete chemicals, tarfelt, cement water proofing compound, liquid for tarfelt, etc., had lost their quality for long storage after their purchase. He on the other hand while proposing for their disposal in February 1984, suggested Government to ask for explanation from the concerned officers

and to fix up responsibility for the recovery of the cost of materials from the delinquent officers.

Government decided (August 1984) that the Chief Engineer (Mechanical) should enquire into such purchases with reference to the stock in hand, requirement of work and whether such purchases were made in the prescribed manner following open tender system and to submit the enquiry report by September 1984. Government further decided that action should be taken by the present Superintending Engineer for disposal of surplus materials which had lost their quality and usefulness.

No enquiry was, however, conducted by the Chief Engineer (Mechanical) on the ground that a detailed report on this issue had already been submitted (June 1984) to Government by the Chief Engineer (Medium Irrigation), the outcome of which is still (August 1986) to be known.

In the meanwhile, the Engineer-in-Chief issued (December 1985) circular to the Chief Engineers, (Medium Irrigation I and II) and to all Superintending Engineers (Irrigation) to collect surplus materials from the Kalahandi Irrigation division considering the need of their divisions; disposal of such materials is still awaited (August 1986).

Further scrutiny (April/May 1986) of the initial accounts of the divisions revealed

that out of the purchases worth Rs.22.79 lakhs, materials worth Rs.11.20 lakhs (against purchases made by the Superintending Engineer, Western Irrigation Circle: Rs.5.17 lakhs and Executive Engineers, Kalahandi Irrigation and Jonk dam divisions: Rs.5.93 lakhs) were lying unutilised either in stock accounts or in the site accounts of the projects at the end of March 1986 out of which, materials worth Rs.4.55 lakhs have lost their utility for use in any works due to prolonged storage.

The matter was reported to Government in August 1986; during discussion at Government level in January 1987, it was stated that departmental proceedings have already been drawn up against S.E.,Western Circle, E.E., Jonk Irrigation division and E.E., Kalahandi Irrigation division since May 1985; explanations received from some of them are under examination. Further development is still (April 1987) awaited.

POTTERU IRRIGATION PROJECT

5.3. Unfruitful expenditure on purchase of drilling machine

Administrative approval for survey and investigation of Potteru Hydro-electric Project was accorded (December 1977) by Government at an estimated cost of Rs.4.54 lakhs which included Rs.2.54 lakhs (Pay and T.A. of work-charged staff: Rs.0.72 lakh; Special T&P: Rs.0.50 lakh; survey and levelling instruments: Rs.0.16 lakh; camp equipments:Rs.0.15

lakh; drilling: Rs.0.50 lakh and other petty and miscellaneous items: Rs.0.51 lakh) towards civil works.

In the absence of any provision in the sanctioned estimate, the Additional Chief Engineer (Irrigation), Balimela Dam Project who was also in-charge of the Upper Kolab/ Potteru Projects, placed (January 1979) a purchase order with firm 'L&T', Calcutta for supply of one drilling machine with accessory viz., reciprocating pump at a total cost of Rs.1.44 lakhs besides duties and taxes. The machine was initially received (March 1979) by the Power House and Tail Race division of Upper Kolab Project on payment of Rs.1.57 lakhs (inclusive of all duties and taxes) and transferred (May 1980) subsequently to the Executive Engineer, Potteru Canals division III as there was no provision for such machine in the sanctioned estimate for survey and investigation work, with a *pro forma* bill for Rs.1.60 lakhs without mentioning the transportation charges from rail head (Rayagada) to final destination, after a lapse of 14 months without having utilised it in that division. A payment of Rs.1.58 lakhs was made (March 1981) by the Potteru Canals division against the *pro forma* bill for Rs.1.60 lakhs; the balance cost is still (August 1986) to be paid.

Although the machine was initially purchased in March 1979 for the survey and investigation work of the Potteru Irrigation Project, it was not utilised even for a single day reportedly (August 1986) due to the fact that no investigation work was done. After

keeping the machine idle for over 7 years, it was transferred to Drilling and Grouting division Salpada (under another project) only in August 1986 under the orders (March 1986) of Chief Engineer (Mechanical). The Drilling and Grouting division is yet to clear the *pro forma* bill (July 1986) for Rs.1.62 lakhs (including 3 *per cent* supervision charges)issued by the Potteru Canals division.

The expenditure incurred on the acquisition of drilling machine thus, remained unfruitful for a period over 7 years.

Government stated (December 1986) that the drilling machine could not be put to use as more exploratory drilling work was contemplated to be done on receipt of administrative approval for construction of a mini-hydel plant and that steps were being taken to bring back the drilling machine from the Drilling and Grouting division, Salpada for use in mini-hydel plant.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

5.4. Non-receipt of departmental materials due to non-arrival/missing of Railway wagons

A purchase order for supply of 20,000 metres of 32 mm (NB) size galvanised mild steel tubes was placed (June 1981) by Chief Engineer, Public Health, with the firm 'J' at a cost of Rs.4.38 lakhs (as per DGS&D Rate contract). The materials were to be supplied to two Public Health divisions at Berhampur

and Dhenkanal (10,000 metres each) within 30th June 1981 (extended upto 5th December 1981) through the Railways. The terms and conditions stipulated in the supply order being that the materials were to be despatched by goods train at firm's risk under Qualified Railway Receipt and insured against all risks at firm's cost.

Railway receipts covering despatch of the materials for release at the destination were sent by the firm to one of the consignees (Assistant Engineer, P.H.Sub-Division,Dhenkanal) in February 1982 in respect of materials ordered for Dhenkanal Public Health division. Though six month's time from the date of issue of Receipt was allowed for lodging the claim with Railways, it was only in November 1982, the Assistant Engineer, Public Health Sub-division, Dhenkanal reported simultaneously to Chief Commercial Superintendent (Claims), South Eastern Railway and the firm, that the railway wagons containing GI tubes despatched in February 1982 did not reach the destination (Dhenkanal). The firm was also requested (March 1983) by Chief Engineer, Public Health to take up the matter with Railways to find out the whereabouts of the wagons, since the firm had despatched the materials against railway risk instead of its own risk under Qualified Railway Receipt as per the conditions mentioned in supply order. In the meantime, against the proof of despatch of materials, bill for 98 *per cent* payment amounting to Rs.2.41 lakhs was paid to the firm by the concerned Pay and Accounts Officer. However, further

authorisation made by the DGS&D, New Delhi for payment of 2 *per cent* balance amount to the firm was withheld by the Pay and Accounts Officer as per the inspection note stating that receipt of the materials could not be furnished by the consignee.

The receipt of the materials being found to be remote, the Executive Engineer sought (September 1984) the advice of Chief Engineer, Public Health for further course of action regarding recovery of 98 *per cent* cost of materials already paid to the firm.

The firm, however, informed (September 1984) that as the Railway Receipts were lying with the consignee and non-receipt of materials was not intimated to them nor to the Railway authorities within six months from the date of issue of Railway receipts, no claim for compensation could be lodged with the Railways. The consignee was, however, advised by the firm to file a suit against the Railways. The stand taken by the firm was reported to DGS&D (November 1984) by the Executive Engineer. The DGS&D informed (March 1985) that Railway Receipt was valid for six months and the responsibility to lodge claim with Railways lay with the consignee, if the materials were not received at the destination within the said period. Since no action was taken by the consignee within the valid period and Railway Receipts retained by them, the supplier firm was not responsible for the claim.

As reported(July 1986) by the Executive Engineer, no claim has been lodged so

far (July 1986) with the Railways towards the cost of materials not received on acount of missing wagons.

Thus, due to inaction on the part of the consignee to abide by the terms and conditions of the supply order in reporting the non-receipt of materials to supplier and defaulting to lodge claim with Railways within the stipulated period as required under the terms of Railway Receipt, the cost of missing materials amounting to Rs.2.41 lakhs already paid to the firm, remained un-recovered for the period exceeding four years either from the supplier or Railway authorities.

The matter was reported to Government in July 1986; reply is awaited (May 1987).

B-CIVIL DEPARTMENTS
HEALTH AND FAMILY WELFARE DEPARTMENT

5.5. Unutilised stock of instruments

While placing purchase orders for supply of instruments and equipments, the indenting officers, according to the instructions issued by Government from time to time, were to make proper assessment of their requirement based on the actual need of the medical institutions functioning under their control, apart from taking into account the stock in hand. They were strictly prohibited by Government in May 1982 from indenting huge quantity of any item at one time in the absence of specific requirement.

Test check of the records of Chief District Medical Officer(CDMO) Sambalpur, however, revealed that instruments and equipments like forceps, scissors, books, refrigerators, suction aparatus, etc., valuing Rs.3.34 lakhs purchased for district and other peripheral hospitals were lying unutilised (April 1986) for periods ranging from one to four years as follows:

Purchase made for	Upto 1981-82	1982-83	1983-84	1984-85	Total
		(Rupees in lakhs)			
C.D.M.O., Central Store	1.84	0.02	...	...	1.86
Kulundi additional Primary Health Centre (PHC)	...	...	0.16	...	0.16
Hatibori Tribal Hospital	0.47	0.15	0.16	...	0.78
Remta additional PHC	...	...	0.04	0.50	0.54
				Total	3.34

The instruments remaining unutilised were mainly artery and tissue forceps, scissors, bowls, hot plates, plaster cutting saw and further purchases of the said articles during 1982-85 resulted in accumulation of stock without proper utilisation.

To an audit inquiry it was stated that the CDMO, Sambalpur that matter regarding purchase of forceps, etc., at a cost of Rs.0.70 lakh was under investigation at the Directorate

level and as no Government buildings were available for additional P.H.C., Kulundi and Remta, the instruments were kept in the Central Stores.

The matter was reported to Government in June 1986; reply is awaited (May 1987).

5.6. Loss due to non-disposal of empty barrels

Medicines, mosquito labricide (ML) Oil and equipment under National Filaria Control Programme (NFCP) launched by Government of India in 1955, were financed by the Government of India upto 1978-79 and there after the cost was shared equally between the Central and State Government. The different units of the NFCP were receiving medicines, M.L. Oil etc., from Government of India direct and also from the Deputy Director of Public Health (Filaria), Orissa for implementing the NFC programme.

Test check (September 1985) of accounts of NFCP unit at Cuttack revealed that there were 3,081 empty barrels of M.L. Oil (valuing Rs.2.77 lakhs at Rs.90 per barrel) on 3rd May 1963 for disposal. Between 1963 and 1985, there was further addition of 2,124 empty barrels (1,630 upto 1977 costing Rs.90 each and 494 costing Rs.150 each during 1978 to 1985) raising the total number of empty barrels awaiting disposal to 5,205 valuing Rs.4.98 lakhs of which, 858 empty barrels were used departmentally and 972 were in stock at the end of December 1985 after sale in auction (1,040) and issues to others (2,335).

While calling for the reasons for inaction of the unit officer since 1963 in the matter of disposal of the empty barrels, Government observed in February 1978 that the barrels could have been condemned much earlier and asked the Director of Health Services to fix responsibility. No action was taken to fix responsibility for the delay. In two auctions (December 1978 and March 1982), 1,040 empty barrels were sold at an offset price of Rs.0.21 lakh against the book value of Rs.0.94 lakh resulting in a loss of Rs.0.73 lakh.

The following further points were noticed:

(i) Between 1963 and 1968, 2,335 empty barrels valued at Rs.2.10 lakhs were issued to private parties the value of which was not realised.

(ii) Of 972 empty barrels in stock at the end of the year 1985, 952 valuing Rs.0.86 lakh related to the period ending 1982 which could not be sold in the earlier auctions and because of heavy depreciation are not likely to fetch any value.

Thus, retention of empty barrels for long periods without timely disposal resulted in a total loss of Rs.3.69 lakhs.

The matter was reported to Government in February 1986; reply is awaited (May 1987).

5.7. Extra expenditure on purchase of medicines

(a) Under orders issued by Government from time to time,medicines, surgical instruments, etc., required for use in the district headquarters hospitals, primary health centres, etc., are to be purchased annually from the Medical Stores Depot (MSD), Calcutta based on the indents placed by the indenting officers. In the event of non-availability of such medicines/articles, with MSD, purchases could be made annually from firms selected and approved by a purchase committee constituted for purpose by the Director of Medical Education and Training (DMET), Orissa. Government extended (July 1984) the validity period of the approved list of medicines for 1983-84 to 1984-85 also. The Director of Export Promotion and Marketing (DEPM),Orissa had also entered (January 1985) into a rate contract for supply of medicines like Sulphamethaxole, Sulphagunadine, Paracetamol tablets direct with the supplying firms without consulting the Director of Medical Education and Training (DMET), Orissa. Government intimated (March 1985) the DMET not to make purchase of medicines in the meantime from firms on rate contract at higher rates approved by the DEPM.

Test check of records of Chief District Medical Officers (CDMOs) of Ganjam, Sambalpur, Sundergarh conducted during July to December 1985 revealed that excess expenditure to the extent of Rs. 1.08 lakhs (CDMO, Ganjam-Rs.0.46 lakh, CDMO, Sambalpur-Rs.0.29 lakh, CDMO,Sundergarh-Rs.0.33 lakh) was incurred on purchase of medicines between February and March 1985 from the firms on rate contract at rates higher than the rates approved by the purchase committee which were

already in vogue for the year 1984-85.The CDMOs, Ganjam, Sambalpur agreed to recover/adjust the amounts so paid in excess of the approved rate of the Committee from the pending bills of the firms. These recoveries are still awaited (July 1986).

(b) Under provisions contained in Drugs and Cosmetics Act, 1940, no person shall manufacture for sale or sell or store or exhibit for sale or sell or distribute any drug which is not of standard quality. Further, under terms and conditions of supply of medicines by the firms approved by the purchase committee for the year 1984-85, the supplying firm was required to replace the medicines found sub-standard.

Scrutiny of records of CDMO, Sambalpur, Ganjam and Mayurbhanj disclosed that out of the medicines purchased between April 1983 and March 1985, medicines worth Rs.2.69 lakhs (CDMO, Sambalpur-Rs.0.60 lakh, CDMO, Ganjam-Rs. 1.69 lakhs, CDMO, Mayurbhanj-Rs.0.40 lakh) were found, as-per the report of the Government Analyst received during November 1983 to February 1985 to be sub-standard. Of these, medicines worth Rs. 1 lakh were issued between February to July 1985 to peripheries and no information was available of the value of medicines utilised by the units. Medicines worth Rs.0.88 lakh were utilised before receipt of test reports from Government Analyst; medicines worth Rs.0.52 lakh were utilised after receipt of report; medicines of value Rs.0.04 lakh returned by the CDMO, Ganjam were not replaced by the firm and remaining stock valuing Rs.0.25 lakh were lying unutilised (June 1986).

The matter was reported to Government during November 1985 and March 1986; reply is awaited (May 1987).

5.8. Avoidable extra expenditure

Under Maternity Child Health (MCH) Programme, large quantities of vaccines received from Government of India during 1982-83 were being stored in the refrigerators available in State Headquarters. As per list approved by purchase committee of medicines, instruments and equipments for 1982-83 and circulated by Director of Medical Education and Training (DMET) on 5th March 1983, 'GEM' refrigerator (165 litres capacity) was approved for purchase from firm 'R' (a local agent) at Cuttack for Rs.5250 each excluding all taxes (Rs.6,182 each inclusive of all taxes). Realising the difficulties in preserving vaccines at the periphery for want of cold storage facilities, Director of Family Welfare, Orissa, Bhubaneswar proposed to Government on 9th March 1983, in the absence of budget provision for 1982-83, for purchase of 50 numbers of 'Godrej' make refrigerators (165 litres capacity each) from the Bhubaneswar branch of the manufacturer at Rs.4,339 each (inclusive of all taxes) out of accruals under Miscellaneous Purpose Fund meant for sterilisation operations. Following the decision of a meeting held (March 1983) in the Secretariat, orders were placed on 23rd March 1983 on firm 'R' for supplying 50 'GEM' refrigerators within seven days in anticipation of Government sanction which was issued on 27th March 1983. All the 50 refrigerators were reportedly stated to have been received before 31st March 1983 (exact date of receipt could not be stated to Audit).

Thus, purchase of 50 numbers of refrigerators at higher rate of Rs.6,182 ignoring a lower rate of Rs.4,339 each resulted in an extra expenditure of Rs.0.92 lakh which was avoidable.

The matter was reported to Government in June 1984; reply is awaited (May 1987).

FOREST,FISHERIES AND ANIMAL HUSBANDRY DEPARTMENT

5.9. Unproductive expenditure on installation of cold storage plant

A cold storage plant at a cost of Rs.2.90 lakhs was set up at the Intensive Poultry Development Project Centre, Bhubaneswar during May 1976 for storing surplus eggs and poultry meat produced for sale in the market under 'Establishment of Egg and Poultry Production-cum-Marketing Centre Scheme' in the State even though the number of poultry units in the Centre which was 192 in 1968-69 (against 300 units as per the scheme) were reduced to only 16 units in 1973-74 and there were no surplus eggs and poultry meat (as stated by the Project Officer in September 1985) available for storage in the plant. The plant worked for some time after it was installed in May 1976 and remained idle thereafter from May 1980. An amount of Rs.0.30 lakh was, however, paid towards energy charges as claimed by the Orissa State Electricity Board (OSEB) during 1980-81 to 1984-85 including the period from October 1981 to October 1983 when the power line to the plant was disconnected. The OSEB did not agree to waive recovery of electric charges for the period (October 1981 to October 1983) as six months notice was not given for disconnection as per the agreement entered into with them. The Power line, was, however,restored in October 1983 to keep the plant active without any benefit in return. Due to non-working of the

plant, parts in some section of the plant got rusted and damaged and the prospect of their economic repair, to put the plant into operation was stated (September 1985) to be bleak.

Thus, installation of the plant (Rs.2.90 lakhs) and payment of electricity charges (Rs.0.30 lakh) without first ascertaining its necessity and utility had become unproductive. No action was taken to utilise the machine to obviate the possibility of its becoming obsolete with the passage of time.

The matter was reported to Government in September 1985; reply is awaited (May 1987).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

On 31st March 1986, there were six schemes under which eight departmental commercial and quasi-commercial undertakings were in operation. The extent of arrears in submission of *pro forma* accounts in respect of these undertakings is indicated below. The matter relating to arrears has been brought to the notice of Government from time to time.

Name of the Undertakings	Year from which accounts are in arrears
A. STATE TRADING SCHEME	
(i) Grain purchase scheme	1977-78
(ii)(a) Trading in *Kendu* leaves	1965-66 to 1972-73(a)
(b) Nationalisation of *Kendu* leaves	1977-78
B. TRANSPORT	
(iii) State Transport Service	1972-73(b)

(a) The consolidated *pro forma* accounts relating to Kendu leaves scheme prior to nationalisation for the period from 1965-66 to 1972-73, submitted to audit (March 1978) were not certified pending rectification of mistakes noted during the course of audit. The revised accounts are awaited (April 1987).

(b) Taken over by Orissa State Road Transport Corporation in May 1974.

Name of the Undertakings	Year from which accounts are in arrears
C. INDUSTRIES	
(iv) K.S.Potteries Development Centre, Jharsuguda	1984-85
D. EDUCATION	
(v) Text Book Press, Bhubaneswar	1966-67
E. COLD STORAGE PLANT	
(vi) Cold Storage Plant, Cuttack (Unit-I)	1975 (c)
(vii) Cold Storage Plant, Cuttack (Unit-II)	1976 (c)
(viii) Cold Storage Plant, Bhubaneswar	1971 (c)
(ix) Cold Storage Plant, Sambalpur	1971 (c)
(x) Cold Storage Plant, Similiguda	1973
(xi) Cold Storage Plant, Bolangir	1979
(xii) Cold Storage Plant, Kuarmunda	March 1972 (d)
(xiii) Cold Storage Plant, Parlakhemundi	1973
F. OTHERS	
(xiv) Scheme of exploitation and marketing for fish	1975-76

(c) Taken over by Orissa State Seeds Corporation from 1st March 1979.

(d) *Pro forma* accounts for 1972 and 1973 were received in an incomplete shape.

The under mentioned schemes remained inoperative/closed from the year noted against each; their assets and liabilities have not been fully disposed of/liquidated (May 1987).

Name of the scheme	Year from which remained inoperative /closed
(i) Grain supply scheme	1958-59
(ii) Scheme for trading in Iron Ore through Paradeep Port	1966-67
(iii) Cloth and Yarn Scheme	1954-55

The summarised financial result of the Commercial Undertakings could not be given as the *pro forma* accounts have not been received subsequent to those mentioned in paragraph 6.1 of the Audit Report (Civil) for the year 1984-85.

Personal ledger accounts have been opened by the Government in respect of the Schemes mentioned below. Although these schemes are of a Commercial nature, Government have not prescribed the preparation of *pro forma* accounts for them and the financial results of these schemes have not been worked out.

Undertaking	Year in which personal ledger account was opened	Accounts for 1985-86 Opening balance	Credit	Debit	Closing balance
		(Rupees in lakhs)			
State Trading Schemes					
1. Purchase and distribution of quality seeds to cultivators	1977-78 (Revenue Account)	(-)14.14	442.32	345.11	83.07
2. Poultry Development	1974-75 (Capital Account)	3.02	...	...	3.02

FOREST, FISHERIES AND ANIMAL HUSBANDRY DEPARTMENT

6.2. Belated supply of Hessian bags and consequential damage to Kendu Leaf Kerries

Kendu leaf kerries after procurement (in green) are required to be dried up before they are bagged. In the Kalimela Range of Jeypore Kendu Leaf(KL) Division a quantity of 20.47 lakh Kendu Leaf Kerries valued at Rs. 1.03 lakhs (out of 113.86 lakh kerries) procured between 10th April 1984 to 25th May 1984 were damaged and found unfit for manufacture of *bidis* as the same could not be bagged as reported by the Sub-divisional Forest Officer (KL), Jeypore (July 1984) for want of sufficient hessian bags in time.

The Chief Conservator of Forests(CCF), Kendu Leaf, Orissa, directed the Conservator (KL), Bolangir as well as the Divisional Forest Officer (DFO) in January 1984 to purchase the required quantity of hessian cloth from local manufacturers to avoid dislocation of work. The DFO after calling for tenders submitted the tender details to the Conservator of Forests in February 1984 and the Conservator, Bolangir Circle requested the CCF(KL) to instruct the DFO, Jeypore for purchase of hessian cloth or alternatively request the Conservator,Cuttack Circle to procure and supply the required hessian cloth to the DFO, Jeypore. But no effective steps were taken to procure the hessian cloth for want of which kerries were damaged.

The Divisional Forest Officer intimated (September 1985) that Kendu leaf kerries could not be protected against rain as the leaves were spread over a vast area.

The matter was reported to Government in August 1986; reply is awaited (May 1987).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1. General

7.1.1. (a) During 1985-86, Rs.301.35 crores were paid as grants to non-Government bodies/institutions. This formed 30.1 *per cent* of the Government's total expenditure on revenue account. The corresponding figures for the previous year 1984-85 were Rs.304.71 crores and 31.12 *per cent*.

The main beneficiaries of the grants were educational institutions and District Rural Development Agencies which received Rs.150.17 crores (49.83 *per cent*) and Rs.52.25 crores (17.34 *per cent*) respectively during 1985-86 for the purposes shown below:

Educational Institutions	(Rupees in crores)
Primary Education	79.45
Secondary Education	52.96
Higher Secondary Education	7.46
Universities-Non Technical	7.65
Universities-Technical	2.65
	150.17
District Rural Development Agencies	
Rural landless employment/ generation programme	15.81
Assistance to Small and Marginal farmers	9.93

	(Rupees in crores)
Development of women and children in rural areas	0.21
Drought Prone Area Programme	4.16
Strengthening of block organisation and Headquarters	22.14
	52.25

(b) According to the provisions of Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, as amended in 1983-84, the accounts of the bodies and authorities substantially financed by grants and loans from the Consolidated Fund of the State are to be audited by the Comptroller and Auditor General of India. Section 15 of the Act prescribes that where a grant or loan is given from the Consolidated Fund of the State for any specific purpose, the Comptroller and Auditor General of India shall scrutinise the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants and loans are given.

Mention was made in paragraph 7.1. (b) of the Audit Report (Civil) for 1984-85 about non-receipt of information from Departments of Government regarding grants and loans given to various bodies and authorities during 1971-72 to 1983-84 to determine the applicability of Section 14 audit in these cases. The position did not improve and the information for 1985-86 was also not received

to the extent indicated below:

Year	Number of bodies/authorities which received grants/loans of not less than Rs.5 lakhs in the year upto 1982-83	Number of bodies whose accounts were	
		received in audit	Not received in audit
(1)	(2)	(3	(4)
1971-72	310	9	301
1972-73	290	9	281
1973-74	314	11	303
1974-75	308	11	297
1975-76	330	6	324
1976-77	346	14	332
1977-78	359	13	346
1978-79	358	5	353
1979-80	360	6	354
1980-81	392	9	383
1981-82	411	20	391
1982-83	413	20	393

Acording to the amended Act, 1984, bodies/ authorities in receipt of grants/loans for amounts not less than Rs.25 lakhs in the year qualify for

audit under Section 14 and information was received in respect of 322 bodies only out of which 307 bodies qualified for audit in respect of the accounts for the years 1983-84 to 1985-86.

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

INDUSTRIES DEPARTMENT

7.2. Khadi and Village Industries Programme

A-Khadi Industry

7.2.1. *Introductory*

The Khadi and Village Industries Programme was ushered in February 1956 through a Board with the objectives to generate large scale employment opportunities by expansion of Khadi Programme to provide whole-time/part-time employment to the rural population at their door-steps. The Orissa Khadi and Village Industries Board (here-in-after referred to as the Board) did not have an infrastructure of its own in the field until April 1986 when seven District Development Officers were posted by the Board to seven large selected districts to formulate plans and programmes of the Khadi and Village Industries to be executed through the District Industries Centres (DICs). Prior to this, the Managers, Cottage Industries of the D.I.C. were looking after the programme of the Board and are still continuing in other six districts. The Board provides financial assistance, technical know-how

and tools and implements wherever necessary under the overall guidance and in close collaboration of the Khadi and Village Industries Commission (KVIC), Bombay, which finances the major portion of the funds. The Managers, Cottage Industries at the district level and the Industries Promotion Officers at the block level execute the programmes, provide guidance for the management and bring about a close co-ordination among the beneficiaries and the Board.

7.2.2. *Target and achievement*

Physical targets/achievements under the Khadi Industry during 1980-81 to 1985-86 in respect of the Board and the directly aided institutions of the KVIC are as follows:

Year	Target			Achievement		
	Production	Sale	Employment	Production	Sale	Employment
	(Rupees in lakhs/Number in lakh)					
1980-81						
Board	12.00	10.00	. . .	4.15	3.78	0.004
1981-82						
Board	12.30	8.20	. . .	9.66	8.68	0.010
1982-83						
Board	13.00	10.00	. . .	12.57	5.07	0.024
Institutions	76.70	104.91	0.06	58.56	67.07	0.028

Year	Target			Achievement		
	Production	Sale	Employment	Production	Sale	Employment
	(Rupees in lakhs/Number in lakh)					
1983-84 Board	21.00	15.00	. . .	21.14	13.34	0.013
Institutions	84.10	108.00	0.05	37.33	77.90	0.039
1984-85 Board	18.60	14.10	. . .	13.82	12.65	0.014
Institutions	34.50	101.00	0.05	35.50	85.00	0.038
1985-86 Board	29.00	32.00	Not fixed	10.62	11.80	0.013
Institutions	84.50	104.25	Not fixed	37.61	69.83	0.034

The Board could not achieve the target for 1980-81, 1981-82, 1984-85 and 1985-86, the percentage of shortfall in productions being 65,21,26 and 63 *per cent* respectively. As regards institutions directly financed by the KVIC, the shortfall in production compared to the target was 24 and 56 *per cent* during 1982-83 and 1983-84 respectively and 55 *per cent* during 1985-86. Reasons for shortfall in production were attributed (August 1986) by the Secretaries of the Institutions to blockade of working funds in shape of finished stocks and advances, shortage of power supply, low payment

of wages to workers, want of raw materials, non-availability of spare parts and non-supply of required quantity of cotton to artisans for want of liquid resources with the institutions.

The Board receives funds from the KVIC for development of Khadi and Village Industries programmes in the State and from Government for establishment expenses and infrastructural development. The financial assistance received from the KVIC is passed on to the eligible co-operative Societies and institutions not directly assisted by the KVIC after satisfying the financial norms prescribed by the Commission. Funds are released from time to time to the co-operatives/ institutions under orders of the Manager(CI)/District Development Officers.

7.2.3. *Allotment and utilisation of funds*

Year	Amount allotted by Commission through the Board	Amount released by Board			Amount directly financed by the Commission		
		Grant	Loan	Total	Grant	Loan	Total
		(Rupees in lakhs)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1979-80	2.49	. . .	2.09	2.09	1.68	16.36	18.04
1980-81	2.30	0.37	1.46	1.83	0.97	3.59	4.56
1981-82	20.49	2.00	8.22	10.22	1.89	14.00	15.89
1982-83	43.50	3.92	21.19	25.11	3.33	3.22	6.55
1983-84	28.62	1.02	4.96	5.98	1.58	2.60	4.18
1984-85	19.26	0.85	8.70	9.55	2.93	3.00	5.93
1985-86	13.31	2.13	5.22	7.35	Nil	12.14	12.14

Out of Rs. 1,29.97 lakhs provided by the KVIC to end of 1985-86, the Board could not utilise funds to the extent of Rs.67.84 lakhs during the period which were surrendered to the KVIC. Amounts shown as (grant: Rs. 16. 11 lakhs and loan: Rs.53.46 lakhs) provided by the Commission during 1980-85 were shown less (grant: Rs.8. 16 lakhs and loan: Rs.43.07 lakhs) in the accounts of the Board pending reconciliation. Details of utilisation of funds provided directly by the KVIC were not made available by its State branch (May 1987).

7.2.4. Test check of records of the State office of the Khadi Commission and Board for the period from 1979-80 to 1985-86 was undertaken by Audit during March 1986 to September 1986 and points noticed are indicated in the succeeding paragraphs.

7.2.4. 1. *Non-functioning of aided institutions*

Out of 13 institutions financed directly by the KVIC, 7 institutions were reported to be working and 6 were defunct as on March 1985 on which, capital investment of Rs.3.61 lakhs made by the Commission till the end of March 1985 in the defunct units was blocked. Out of 7 working institutions, 5 were reported to be problematic since 1982-83. The closure of the defunct institutions was attributed (May 1986) by the State Director of the Commission to management troubles and cancellation of Khadi certificates granted by the Commission. Of the 40 co-operative societies financed through the Board, 5 were defunct as on March 1985 (with an investment of Rs.3.93 lakhs) reportedly due to lack of frequent supervision by the District Industries Centre (DIC), negligence on the part

of the members of the Managing Committee, delay in release of funds by the DICs and blocking up of working capital in stocks or in fixed assets.

7.2.4.2. *Unutilised Funds*

Compliance reports received from five Co-operative Societies (financed through Board) indicated unutilised balances of Rs.4.21 lakhs lying in their Bank accounts by the end of August 1986. It was seen that the amounts were neither released by the Manager (Cottage Industries) for utilisation in development of industry nor refunded to the Board for subsequent refund to the KVIC after ascertaining the scope of further utilisation.

Scrutiny of records of Janamangal Samiti (Puri district) financed through the Board showed that funds to the tune of Rs. 1.84 lakhs (grant: Rs.0.20 lakh and loan: Rs. 1.64 lakhs) were allotted in favour of the Samiti during 1983-84 for muslin Khadi unit of which Rs.0.35 lakh was released by the DIC. The Samiti which started production from August 1984 ceased production from November 1985 due to non-release of grants and working capital by the Manager (CI), Puri.

7.2.4.3. *Surplus working capital*

Out of 7 directly aided institutions, audited accounts of three institutions having working fund of Rs.80.54 lakhs available up to 1983-84(Chitrotpala Khadi Gramodyog Sangh, Cuttack: Rs.38.52 lakhs; Gopabandhu Daridranarayan Seva Sangh,Puri: Rs.28.63 lakhs; Utkalmani Khadi Gramodyog Sangh, Bolgarh: Rs. 13.39 lakhs) by the Chartered Accountants showed surplus working capital of Rs.29.93 lakhs as on March 1984.

On analysing the accounts of the institutions in Audit it was seen that funds released in advance were found surplus due to non-achievement of the targeted production, sale and impeded progress in other related performance.

7.2.4.4. *Em ployn ent and earnings*

The overall position of employment and earnings in respect of directly aided Khadi institutions is not available with the Director, KVIC, Bhubaneswar. The position of the institutions and societies financed through Board is as under:

Year	Employment generated (In lakh mandays)	Earnings (Rupees in lakhs)	Average earning on full time employment per day (Rupees)
(1)	(2)	(3)	(4)
1979-80	0.002	0.87	1.45
1980-81	0.004	1.76	1.05
1981-82	0.010	3.45	1.20
1982-83	0.024	1.27	0.17
1983-84	0.013	2.31	0.59
1984-85	0.014	5.07	1.20

This would indicate that the average earning per day of an artisan was less than a rupee during 1982-83 and 1983-84 and less than rupees two in 1979-80 and 1984-85, (300 days taken as working

days during a year) against the minimum wage earning of Rs.7.50 per day fixed by State Government during the Sixth Plan period.

The test check of records of the directly aided institutions revealed the following earnings of artisans.

Name of the Institution	Range of earning of an artisan per day from 1979-80 to 1985-86
1. Utkal Navajeevan Mandal, Angul, District: Dhenkanal	Rs. 1.40 to Rs.2.50
2. Chitrotpala Khadi Gramodyog Sangh, Cuttack	Rs.0.85 to Rs. 1.95
3. Gopabandhu Daridra-narayan Sevasangha, Sakhigopal, District, Puri	Rs. 1.40 to Rs.2.95

Such low wages were attributed by the Secretaries of the institutions in August-September 1986 to non-achievement of the capacity production and non-working of the unit continuously throughout the year. As such, the employment oriented programme could not bring adequate facilities to the artisans in getting the earnings at their door-steps.

7.2.4.5. *Trading activities*

(a) Trade activities of some institutions (directly aided by the Commission) disclosed losses as per

the audited accounts by statutory Auditors as under:

Sl. No.	Name of the institution	Year upto which audited accounts are available	Loss sustained (Rupees in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Gopabandhu Daridra Narayan Sevasangha, Sakhigopal, Puri	1983-84	1.91	-
2.	Utkal Navajeevan Mandal, Angul, Dhenkanal	1984-85	0.16	-
3.	Utkalmani Khadi Gramodyog Sangha, Bolagarh, Puri	1983-84	0.96	The balance sheet also disclosed losses in the form of irrecoverable dues, stock shortages, etc., to the extent of Rs. 1.11 lakhs
4.	Utkal Khadi Mandal, Bhubaneswar	1983-84	2.88	The balance sheet also disclosed shortage of stock, recoverable advances, sundry debtors to the extent of Rs.6.98 lakhs

According to the performance review by the department during budget discussion (March 1985), the losses sustained by one unit (Gopabandhu Daridranarayan Sevasangh, Sakhigopal) were found to be the results of mis-management and inefficient management due to which the available facilities could not be put to optimum use. The contributory factor for this was the lack of resources caused by the blocking up of capital in stocks and in debtors and advances, etc. The units under Cotton Khadi (14 units) and Muslin Khadi (4 units) only achieved 35 *per cent* of the capacity utilisation.

(b) The Director, KVIC, Bhubaneswar while conducting inspection (June 1985) in respect of six centres located in Puri district observed that inadequate supply of slivers for New Model Charakha (NMC) units was due to frequent power failure affecting work of pre-processing units; the quality of slivers was found to be unsatisfactory affecting quality of yarn spun; non-replacement of spares affecting quality of yarn as well as productivity; the floor of spinning sheds (almost all) was found uneven thus affecting productivity of spinners and damaging the Charkhas; generally the spinning units were working with 30 *per cent* capacity adversely affecting economic viability of units and the institutions.

(c) As against 300/365 working days fixed by the State Director of the Commission, it was seen that none of the following institutions could utilise the full working days.

Name of the Institution	Annual average number of days the units went into production from 1979-80 to 1985-86	Number of days the units did not go into production
(1)	(2)	(3)
1. Gopabandhu Daridra Narayan Sevasangha, Puri	200	100
2. Chitrotpala Khadi Gramodyog Sangh, Cuttack	150 to 240	150 to 60
3. Utkalamani Khadi Gramodyog Sangh, Puri	260	105 (Out of 365 days)
4. Kalyan Parishad	250	50
5. Janamangal Samiti, Puri	127	238 (Out of 365 days)

Reasons for under-utilisation were attributed (August-September 1986) by the institutions to non-availability of spares, shortages of power, paucity of funds, non-availability of raw materials and non-payment of wages to workers on regular basis and non-release of funds by DIC.

(d) Khadi Kendra Navajyoti Mahila Samiti (Puri district) was provided funds by the Board

to the extent of Rs. 1.88 lakhs during 1984-85 for establishing a muslin khadi unit including charkha of which Rs.0.70 lakh were released by the DIC and Rs. 1.18 lakhs were retained in the Bank account of the Co-operative by the DIC (August 1986). As a result, 5.50 quintals of cotton valuing Rs.5,945 and the charkhas supplied by the Board during 1984-85 were lying idle with the society (August 1986). Reasons for which the DIC did not release the funds could not be stated by the Samiti.

7.2.4.6. *Shortage of stock*

Stock articles (Khadi products) worth Rs. 1.94 lakhs were found short as reported by the institutions due to personal consumption by the staff running the institutions/societies.

Name of the Institution (1)	Year in which the shortage occurred (2)	Value of shortage (Rupees) (3)
1. Chitrotpala Khadi Gramodyog Sangh, Cuttack	1982-83	26,609.80
2. Gopabandhu Daridra Narayan Sevasangh, District, Puri	As on 31.3.1985	84,327.56
3. Utkalmani Khadi Gramodyog Sangh, Bolgarh, District, Puri	As on August 1986	81,346.15
4. Janamangal Samiti, District, Puri	As on August 1986	1,340.00
		1,93,623.51

Recovery of the cost thereof from the persons found responsible for the shortages is awaited (September 1986).

7.2.4.7. *Marketability of Khadi products*

According to the reports (June 1985) of the State Director (Khadi and Village Industries Commission) to the Deputy Chief Executive Officer (Khadi), Bombay, Khadi products in Orissa are facing marketing problems due to non-production of goods maintaining average standard/quality, non-arrangement of training of local weavers to weave muslin fabrics with finer counts of muslin yarn, non-setting up dyeing and printing units for cotton khadi, silk khadi, non-imparting of adequate training to dhobis engaged for finishing the cotton and silk fabrics, etc.

The closing stock in March 1986 in respect of 5 institutions test checked, was valued at Rs.54.31 lakhs.

This was due to poor marketability of products which was in turn attributed (August-September 1986) to want of processing facility, lack of adequate purchases by State Government, non-lifting of reasonable quantity of stocks by Central Vastragara of the KVIC (set up with effect from 15th May 1985), non-selling of stocks to outside Khadi institutions due to functioning of the above Central Vastragara.

7.2.4.8. *Non-availability of working facilities*

Due to lack of prompt action and non-reporting of the progress of construction of sheds,

etc., the requisite funds were not released by DIC for construction of sheds for new model charkha units, muslin units denying the facilities to the working units which had to work in unsuitable sheds seriously damaging the charkhas and adversely affecting quality of yarn and consequently earnings of the spinners.

Test check of records of some of the units financed by the Board and the institutions directly by the KVIC revealed the following points:

(a) Workshed for muslin unit for which fund of Rs.0.72 lakh was allotted by Board in 1983-84 to Gandhi Udyog Mandir, Balikuda (Cuttack district) is still under construction (August 1986) and the unit is running in a rented house. Out of 50 Charkhas, 10 Charkhas are lying idle since June 1986 for want of accommodation.

(b) Janamangal Samiti, Puri to which the Board allotted Rs.0.72 lakh for workshed under muslin unit in 1983-84 had taken no steps for construction of the shed; the funds so allotted were lying since 1983-84 in the Bank account of the Samiti. The Samiti started the muslin unit in its own premises with 20 charkhas during August 1984 to January 1985 and in a rented building at Konark with 30 charkhas during August to November 1985 without approval of the Commission. The unit ceased functioning thereafter and the amount of Rs.0.72 lakh remained unutilised in Bank instead of being spent for developing Khadi programme.

(c) Out of 3 NMC units, one unit of Utkal Navjeevan Mandal, Angul, (Dhenkanal district)

ceased functioning from 1st April 1985 for want of workshed for which funds though asked for were not provided by the KVIC.

(d) Gandhi Orissa Balashram, Bhadrak was provided with Rs.0.32 lakh during 1982-83 by the Board for construction of 2 spinning sheds at Rs. 16,000 each. The institution has not yet approached the DIC for release of funds for construction of spinning sheds due to insufficiency of funds provided as per the pattern of assistance for construction of shed with an area of 1000 Sq.feet (@ Rs. 16 per Sq.feet). The amount is retained (September 1986) in the Bank account of the institution.

7.2.5. *Non-refund of Rs2.16 lakhs to the Commission*

An amount of Rs.2.16 lakhs (Gopabandhu Daridranarayan Sevasangh: Rs. 1.71 lakhs and Chitrotpala Gramodyog Sangh: Rs.0.45 lakh) disallowed by the Internal Audit of the State Director of the KVIC was yet to be refunded to the Commission (September 1986) by these grantee institutions.

7.3. B-Village Industries

7.3.1. *Introductory*

7.3.1.1. Promotion of Khadi and Village Industries was recognised as an important element in national development during the Sixth Plan (1980-85) because of its high employment intensity at less investment and was accordingly reiterated in the Industrial Policy Statement of July 1980 by the Central Government to achieve faster economic growth of rural villages.

Among village industries emphasis was to be laid on gobar gas (methane), village leather, cottage match, non-edible oil, soap, pottery, cane-gur and khandasari, etc., benefitting the weaker sections of the society, particularly Sechduled Castes, Scheduled Tribes and inhabitants of hill and border areas in the employment coverage. The Commission functions mainly by granting loans and grants to the State Boards. The institutions and co-operative societies which actually execute the programmes, obtain theloans, grants etc., mostly from the State Boards and in special cases directly from the Commission. The actual implementation of the development work in respect of Khadi and Village Industries is mainly carried out by registered institutions, co-operative societies and individuals. The co-operative societies which are mainly engaged in village industries are financed by the State Board out of the funds received by them from the Commission. The accounts of the State Boards are not subject to direct scrutiny of the Commission. The State Boards are accountable to the respective State Governments and State Legislature.

The State Board of Khadi and Village Industries of Orissa was established in February 1956 by an Act passed by State Legislature (Orissa Khadi and Village Industries Board Act, 1955) for the purpose of organising, developing and regulating the Khadi and Village Industries in the State.

7.3. 1.2. *Organisational set-up*

Plans and programmes of the Board were being executed through the erstwhile District Industries Officer (DIOs) and through the District Industries Centres (DICs) since July 1978.

The Manager, Cottage Industries at the district level and the Industries Promotion Officers (IPOs) at the block level were looking after the work till the Board posted a Development Officer at district level (April-May 1986) in the districts of Cuttack, Puri, Ganjam, Koraput, Bolangir, Sambalpur and Dhenkanal. According to the Government resolution (August 1978), the D.I.Cs identify artisans, organise co-operative societies and register them under intimation to the Board.

The DICs assess and take steps to sanction financial assistance for capital expenditure upto a limit of Rs.0.25 lakh (both loans and grants) and working capital loans upto Rs.0.50 lakh alongwith managerial grants if any, to co-operatives or individuals. The DICs sanction capital loan to the co-operatives upto an amount required to raise their borrowing capacity to borrow both capital expenditure loan and working capital loan upto Rs.0.75 lakh as per the pattern of financial assistance prescribed by the KVIC for purpose of sanction of loan and grant. Besides, a District Level Committee is formed since May 1979 in each district consisting of a non-official Chairman and seven other official members of which, General Manager, DIC functions as Vice-Chairman and Manager (Cottage Industries) acts as the Member Secretary. On the recommendations of the Committee every year during January-March, the Board would credit the required funds to the respective Bank accounts of the co-operatives/ individuals to be released in suitable instalments by the concerned IPO with the prior approval of Manager, Cottage Industries (CI). The Manager, CI has to ensure timely and proper utilisation of the amount and is responsible to the Board.

7.3.1.3. *Formation of co operatives*

The Village Industries Programme has been in operation from the year 1985-86 excepting Polly Vastra Industry which is being implemented from 1981-82. As per records of the OK & VIB, there were 3,021 co-operative societies (bee-keeping:83; processing of cereals and pulses industries: 661; village oil:384; village pottery:386; village leather:251; gur and khandasari: 135; carpentry and blacksmith: 333; cane & bamboo:200; non-edible oil and soap: 143; village fibre: 155; cottage match:45; lime: 110; palmgur: 1; gums and resins: 19; fruit processing:6; medicinal plant:23; handmade paper:6; shellac:2; katha:6 and polly vastra:72) as on 31st March 1985, through which the programmes were implemented.

Of these, 3,021 co-operative societies, 362 are the Artisan Industrial Multipurpose Co-operative Societies (AIMCS) formed at the block level and the rest 2,659 are industrial co-operatives to execute the programme.

7.3.2.1 *Targets and achievements*

The targets and achievements on production, employment under Village Industries as a whole for the period 1979-80 to 1985-86 as reported by Orissa Khadi and Village Industries Board are indicated in the following table:

Year	Production		
	Target	Achievement	Percentage
	(In lakhs of rupees)		
(1)	(2)	(3)	(4)
1979-80	...	5,71.61	...
1980-81	10,27.15	7,31.37	71.2
1981-82	10,97.09	8,93.04	81.4
1982-83	11,54.73	8,10.90	70.2
1983-84	12,92.45	13,30.87	102.0
1984-85	15,78.00	15,00.25	95.0
1985-86	15,41.20	13,49.55	87.6

Year	Employment					
	Target	Achivement		Casual	Total	Percentage
		Full time	Part time			
		(No. of persons)				
(5)	(6)	(7)	(8)	(9)	(10)	(11)
1979-80	N.A.	6,094	43,878	1,320	51,292	....
1980-81	71,702	N.A.	N.A.	N.A.	59,267	82.6
1981-82	68,084	6,690	62,974	Nil	69,664	110.6
1982-83	79,603	6,431	46,717	Nil	53,148	66.7
1983-84	1,11,671	7,567	71,579	Nil	79,146	70.9
1984-85	97,151	8,870	53,767	Nil	62,637	64.5
1985-86	96,351	7,898	57,262	1,404	66,564	69.1

A study in Audit of the statistics maintained by the Board indicated that while shortfall in achievement ranged from 3 and 95 *per cent* under village pottery and handmade paper, achievement under employment in respect of these two industries had been shown as high as 203 and 463 *per cent* of the targets which were unrealistic.

7.3.2.2 *Financial outlay*

The year-wise projected requirement, actual amounts of loans and grants received by the Board from the KVIC and funds actually released by the Board to the co-operative societies and the balance surrendered to the KVIC during 1979-80 to 1985-86 are as under:

Year	Projected requirement		Amount allotted		Amount released		Balance surrendered	
	grant	loan	grant	loan	grant	loan	grant	loan
			(In lakhs of rupees)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1979-80	27.08	163.17	18.83	155.98	18.48	132.36	0.35	23.62
1980-81	14.17	105.36	36.98	176.01	22.27	170.45	4.71	5.56
1981-82	19.94	114.78	39.08	173.27	31.11	128.58	7.97	44.69
1982-83	56.87	306.27	19.85	94.17	12.82	60.61	7.03	33.56
1983-84	37.08	212.56	27.98	98.63	8.42	66.76	19.56	31.87
1984-85	37.98	259.37	28.63	108.11	17.32	56.36	11.31	51.75
1985-86	94.06	345.27	47.80	197.97	40.48	131.57	7.32	66.40
	287.18	1506.78	209.15	1004.14	150.90	746.69	58.25	257.45

It would be seen that funds allotted by the KVIC with reference to the projected requirement by the Board varied from 31 to 92 *per cent*; utilisation of funds released ranged from 53 to 86 *per cent* resulting in surrender of grant (28 *per cent)* and loan (27 *per cent)* in average for which reasons were not on record. It was, however, noticed that the Board could not release further funds as the societies did not come up with the requisite documents after utilisation of funds already released to them. Test check of records of the Board revealed that Rs.2,04.47 lakhs were lying unutilised in the Bank account of 1433 societies having account in district Central Co-operative Banks as on 31st March 1985. The Board had no system to monitor the actual expenditure incurred by the societies and the balance lying unutilised with them in their Bank accounts.

Apart from the funds received from the KVIC, the Board also received Rs.227.44 lakhs as grants from State Government towards establishment and infrastructural development expenses from 1979-80 to 1985-86. Besides, as revealed from the records of the Board Rs. 10.98 lakhs were also provided by the KVIC directly to the aided institutions (Khadi) for implementation of village industries programme for 1979-80 to 1985-86 but their institution-wise disbursment was not made available by the State Directorate.

7.3.3. *Under-utilisation of funds*

Test check of records of the 4 District Industries Centres (Phulbani, Puri, Sundergarh, Cuttack) revealed that in 3 Districts (Phulbani, Puri and Sundergarh) the position of unutilised funds (June 1986) as against the funds released by the Board stood as under:

Year	Phulbani		
	Amount released by the Board	Amount not utilised	Percentage of non-utilisation
(1)	(2)	(3)	(4)
	(Rupees in lakhs)		
1980-81	6.00	2.10	35
1981-82	4.09	2.24	55
1982-83	2.86	2.06	72
1983-84	3.24	1.05	32
1984-85	5.75	4.89	85

Puri			Sundergarh		
Amount released by the Board	Amount not utilised	Percentage of non-utilisation	Amount released by the Board	Amount not utilised	Percentage of the non-utilisation
(5)	(6)	(7)	(8)	(9)	(10)
(Rupees in lakhs)			(Rupees in lakhs)		
11.73	2.79	24	4.36	1.63	37
15.10	3.44	23	2.92	1.00	34
4.16	1.62	38	2.44	0.45	18
5.87	3.68	63	6.82	3.55	52
6.84	4.90	72	2.75	2.59	94

Figures for Cuttack were not made available by the District Industries Centre though the Board has posted a Development Officer (District Level Officer of the Board) to the D.I.C.

Reasons for less utilisation of funds affecting execution of scheme at length were attributed (June 1986) by the DIC, Puri to non-availability of the services of Civil Engineering staff for construction of buildings; non-revision of schematic pattern annually by the Commission rendering it impossible to procure requisite machines with inadequate funds and to provide working capital sufficient to run the industry; difficulties in getting raw materials lime sea shell, cane and bamboo on lease basis; difficulties in procuring machineries and providing block capital affecting execution of schemes. The Manager (C.I.) stated (June 1986) that the proposals were not coming from the area IPOs and the societies were not fulfilling the required conditions affecting the release of funds. The DICs also attributed reasons in May-June 1986 to non-availability of Bank finance by the co-operatives to become eligible for release of subsidy component provided under processing of cereals and pulses Industry (PCPI) units; non-clearance of the overdue amount of loans outstanding against the societies.

The DIC, Phulbani also stated that lack of initiative from the IPOs who concentrated mostly on anti-poverty programme of Government rather than K&VI programme contributed to non-utilisation of funds.

7.3.4. *Improper selection/working of Industrial units*

The guide-lines issued by the Standing Finance Committee of the Board provided for a feasibility report from the IPO and that the units should be of traditional profession for which they were applying for loan and grant or must be earning their livelihood through the said profession in case they were not traditional artisans.

Test check of records in Board revealed that improper selection of units resulted in mis-utilisation of funds, loss and closure of some units.

7.3.4.1 *Cottage Match Units*

(a) Between 1979-80 and 1980-81, the Board financed 24 societies in the State by way of grant (Rs.3.87 lakhs)and loan (Rs. 14.81 lakhs) for starting 'C' type cottage match production units. Each Society was to have the capacity to produce about 10,000 gross match boxes per annum with an estimated value of production of about Rs. 1.20 lakhs and provide employment to 22 persons. Of this, 6 Societies refunded Rs.4.74 lakhs between December 1982 and January 1986 as they could not implement the scheme and 14 Societies were asked (January 1986) by the Board to refund the unutilised amount of Rs. 11.36 lakhs lying in their Banks (August 1986). Thus, Rs. 16.10 lakhs out of Rs. 18.68 lakhs financed to the societies could not be utilised. According to the Board the societies lost interest due to delay in obtaining central licence and explosive storing licence from the Excise Department. Thus, due to lack of co-ordination among the Board, DIC and Excise Department, 20 match production units, all estimated to produce 2 lakh gross match

boxes valuing Rs.24 lakhs and expected to generate employment to 440 persons could not even start functioning.

(b) Without assessing the availability of infrastructure for a match production unit the Puri Gramodyog Marketing Co-operative Society was paid Rs.0.95 lakh during 1981-82. On receipt of funds the Society repaired a Panchayat industry building at a cost of Rs.0.24 lakh under the orders of Additional Director of Industries, Cuttack though according to the pattern of assistance of the KVIC such expenditure was not admissible The building was later transferred to Central Coil Marketing Co-operative Society and no match production unit could be started. Neither the funds (Rs.0.24 lakh) could be recovered from Coil Co-operative Society nor the unutilised balance of Rs.0.71 lakh had been refunded to the Board as stipulated in the sanction of funds.

7.3.4.2. *Village Pottery*

Out of Rs.33.44 lakhs allotted by the Commission during 1983-84, the Board could utilise Rs.0.94 lakh only towards training and share capital for pottery units and the remaining amount of Rs.32.50 lakhs earmarked for brick clamps (Rs. 1.10 lakhs), pottery units (Rs.31.25 lakhs) and shailawheel (Rs.0.15 lakh) was surrendered during 1983-84 to the Commission.

7.3.4.3. *Non-edible oil and Soap Industry*

(a) During 1980-81, working capital loan of Rs.19 lakhs was provided to 12 District Gramodyog Marketing Co-operative Societies and one AIMCS i.e.,

Tudalega in the district of Sundergarh for collection of non-edible oil seeds for the industry. Though 3 units (Bolangir, Sambalpur and Koraput Gramodyog Marketing Co-operative Society) which received funds to the tune of Rs.4 lakhs reported collection of seeds, the other 10 units provided with funds of Rs. 15 lakhs did not report any collection; diverted the funds unauthorisedly for other purposes. Evidently, funds were released without preparing and examining feasibility of the programme regarding availability of oil seeds and infrastructure like seeds centre, forest lease etc., in the areas under their respective jurisdictions.

(b) *Seed collection centre*

Out of Rs.8.76 lakhs provided by the KVIC for seed centres during 1930-81 to 1984-85, Rs.6.52 lakhs were released by the Board for 47 units. It was seen from the records of one unit viz., Pallisilpa and Silpa Vikasa Co-operative Society, Puri that Rs.0.15 lakh (50 *per cent)* was released in October 1931 to this Society for construction of a godown for storage and processing of seeds though the Society did not possess any land of its own which was a pre-requisite for getting assistance. Rupees 4 lakhs (Rs.3 lakhs during 1980-81 and Rs.1 lakh during 1981-82) were also released to the Society as working capital.

7.3.4.4. *Village leather*

Five societies in the districts of Phulbani, Sundergarh, Koraput and Ganjam refunded between March 1982 and September 1985 the entire funds of Rs.0.91 lakh released by the Board without

implementing the programme which envisaged establishment of 'B' type footwear and leather goods shop, one bone crushing unit and assistance to individual cobblers. Funds in this case were paid without obtaining and examining the feasibility study and indentification of the individual beneficiaries willing to participate in the programme.

7.3.4.5. *Fibre industry*

The Board released funds amounting to Rs.0.41 lakh in March 1985 for *ban* making units under fibre industry in favour of 3 AIMCS at G.Udayagiri, Kantamal and Daringbadi (Phulbani district) without undertaking the feasibility study of the programme. The State Director, KVIC, Bhubaneswar, instructed in September 1984 that funds were not to be allotted under fibre industries till feasibility study was conducted by a technical study team of the KVIC. As per the findings of KVIC(July 1985), the units were not workable as *sabai* grass was not available in the areas and as a result, Rs.0.11 lakh relating to machineries was surrendered and working capital of Rs.0.30 lakh was retained for utilisation in Kantamal area pending clearance from KVIC (May 1986).

7.3.4.6. *Collection of forest plants and fruits for medicinal use*

The Board released (March 1982) a sum of Rs.0.23 lakh (grant: Rs.0.02 lakh and loan: Rs.0.21 lakh) against the sanction accorded by the Manager, Cottage Industry, Cuttack to Bhawani AIMCS for one collection unit under forest plant industry. As the scheme was not feasible,reportedly due to

lack of interest of the unit,the Manager (CI) retained the amount in the Bank account of the Co-operative Society for a period of 4 years.

11.1.89

7.3.4.7. *Katha manufacturing industry*

Two co-operative societies viz., Deogarh Khaindi Forest Products Co-operative Society Ltd., Sambalpur and Kantamal AIMCS, Phulbani were provided with funds of Rs. 1.65 lakhs and Rs.0.65 lakh respectively between February 1977 to March 1980 including grant @ Rs.5,400 to each under the above programme for providing gainful employment to the tribal population. As the scheme could not be operated for want of lease from the Forest department, the Deogarh Society refunded the entire loan component alongwith interest (Rs. 1.74 lakhs) without refunding the managerial grant of Rs.5,400. Kantamal society refunded to the Board the entire loan amount of Rs.0.60 lakh without implementing the scheme. Neither the interest nor the managerial subsidy of Rs.5,400 had been recovered from the society so far. Thus, funds were allotted by the Board to the Societies without ensuring the feasibility of the industry in the areas.

7.3.5.1. *Utilisation of current funds towards repayment of earlier loans*

In the following cases loans advanced by the Board for development activities were utilised for liquidating loans and interest thereon outstanding against the Societies/Corporation.

Authority releasing Loans	Society/ Corporation receiving the amount (Year of release)	Amount (Rs. in lakhs)	Purpose for which loan released	Remarks
(1)	(2)	(3)	(4)	(5)
OK & VI Board	Orissa Tribal Development Co-operative Corportion (TDCC),Bhubaneswar (1980-81)	60.00	Seed collection activities under non-edible oil and soap industry	Amount was utilised in clearing loan and interest outstanding as on March 1981
OK & VI Board	Friends Iron Works Industrial Co-operative Society, Nirakarpur, Puri District (1981-82)	0.40	Establishment of 10 black-smithy home units	Rs.0.30 lakh adjusted towards repayment of overdue loans and Rs.0.10 lakh retained in Bank account without utilisation
K & VI Commission (through the Board)	Balasore Gramodyog Marketing Co-operative Society (1980-81)	1.00	Seed Collection	The Board adjusted the amount against loan liability of the Society

Authority releasing Loans	Society/ Corporation receiving the amount (Year of release)	Amount (Rs. in lakhs)	Purpose for which loan released	Remarks
(1)	(2)	(3)	(4)	(5)
Government of Orissa through the Board	District Gramodyog Marketing Co-operative Societies at Cuttack, Mayurbhanj and Koraput (1981-82)	0.40	Share capital grant	Adjusted by the Board against overdue loans amount received by the Board during 1983-84

Thus, the purpose for which loan assistance was released remained unfulfilled and the outstanding liabilities were liquidated at the cost of current activities.

7.3.6.1. *Diversion of fund*

Out of Rs.22.78 lakhs allotted by the Board to 9 co-operative societies between 1977-78 and 1984-85, funds to the extent of Rs.16.38 lakhs (vide details in Appendix 7.1) were diverted by the Societies for purposes unconnected with the Village Industries Programme contrary to the instructions of the Commission. As a result, some industries like cottage match, soap,bee-keeping, fibre and gums and resins after diverting Rs.7.95 lakhs stopped functioning.

7.3.6.1.1. *Alleged misappropriation of funds (Rs. 0.36 lakh)*

Test check of records in DIC, Cuttack (May 1986) showed that the Rajkanika AIMCS which had commenced production on 15th November 1977 ceased all its activities from 30th November 1979 due to poor activities of the Managing Committee as reported the IPO Rajkanika to the Manager CI in October 1985. Manager (CI) however, authorised release of funds of Rs.0.64 lakh between July 1980 and March 1983 from the Bank account of the society for execution of industries like pottery, fibre and carpentry and blacksmithy. Of this, Rs.0.36 lakh drawn by the then IPO-cum-Managing Director of the Society between January 1933 and March 1983 was reportedly not accounted for in the society's books of account and was alleged to have been misappropriated. The Manager (CI) stated (September 1986) that action has been initiated against the delinquent IPO for realisation of the amount from him and the present IPO has been instructed to file a dispute case in the court of Assistant Manager (CI) at Cuttack. Further developments are awaited (September 1936).

7.3.7.1.1. *Release and utilisation of working capital funds*

Working Capital funds for Village Industries provided by the Board are released to the Co-operative Societies from time to time by the Manager, Cottage Industries entrusted with the responsibility of supervising the village industries.

The following points emerged during test check.

(i) A sum of Rs.7.5 lakhs was sanctioned and released to Tribal Development Co-operative Corporation (TDCC) as working capital during 1978-79 and 1979-80 for collection of shellack against which, the Corporation collected shellac worth Rs.1.73 lakhs and thereby was entitled to a working capital of Rs.0.43 lakh being 25 *per cent* of the estimated production. This resulted in excess release of Rs.7.07 lakhs (Rs.7.50 lakhs *minus* Rs.0.43 lakh). The entire unspent amount of Rs.5.77 lakhs(Rs.7.50 lakhs *minus* Rs.1.73 lakhs) with interest had not been refunded (September 1986) though required under the terms of the sanction.

(ii) For Cottage Match Industry, Bhagabati Industrial Co-operative Society, Nayagarh (Puri district) was provided with working capital funds of Rs.0.40 lakh during 1980-81; an additional working capital of Rs.0.30 lakh was also provided during 1981-82 though the society went into production during 1983-84. The unit produced goods worth Rs.9,736 and based on actual production, the working capital worked out to Rs.4,500 only against release of Rs.0.70 lakh, resulting in excess release of working capital amounting to Rs.0.66 lakh. Thus, the working capital was released without estimating the actual production and the industry ceased production since 1983-84 and no action was taken to revive it.

(iii) Bolangir Zilla Pallisilpa Vikas Co-operative Society assisted with a working capital of Rs.0.30 lakh during 1981-82 was not provided with block capital for machineries, etc. As a result, the unit did not start functioning at all for want of machineries. The funds advanced had been recalled by the Board (March 1986).

(iv) Tudalega AIMCS of Sundergarh district was granted during 1980-81 a sum of Rs.1.50 lakhs as working capital for collection of non-edible oil seeds. The society failed to report collection of seeds during 1980-81 and 1981-82. Despite this, the Board sanctioned further working capital of Rs.1 lakh during 1981-82 which was also released by the Manager, Cottage Industry, Sundergarh to the society during the year without verifying utilisation of the working capital of Rs.1 lakh by the Board during 1981-82 was not on record, and no reasons were reportedly forthcoming from records maintained.

(v) The Gramodyog Marketing Co-operative Society (GMCS),Phulbani was provided with working capital of Rs.1 lakh during 1980-81 for implementing gums and resins industry. According to KVIC's pattern of assistance working capital loan to the extent of 50 *per cent* of the production target was to be sanctioned. No target was, however, fixed in this case because of limited scope of procurement of gums and resins. The society reported collection of resins worth Rs.3,632 only between January 1982 and January 1983. Despite this, the society was released further working capital of Rs.8,000 and Rs.13.000 during 1983-84 and 1984-85 respectively without ensuring full utilisation of the working capital released earlier and without fixing any further production target. The society did not make any more production till June 1986.

(vi) For carpentry and blacksmithy industry, the Manager (CI), Puri released in February 1983 Rs.6,000 (out of Rs.11,000) towards block capital

loan for 5 carpentry home units in favour of Gopabandhu AIMCS, Satyabadi (Puri district) but Rs.5,000 intended for these units was not released to the beneficiaries. In addition, the Manager (CI) sanctioned working capital loan of Rs.0.25 lakh during 1984-85 and the amount was released by the Board in July 1985 without taking into account the utilistion of working capital earlier released. It was seen that the industry did not start functioning for want of tools and machinery (September 1986).

(vii) Gangpur Match Industrial Co-operative Society (Sundargarh district) was provided with working capital of Rs.0.36 lakh during 1979-80 for cottage match industry. Additional working capital of Rs.0.20 lakh was released to the society during 1981-82 even though the society did not go into production with the working capital released earlier. The entire working capital of Rs.0.56 lakh was blocked by the society in stores and stock like chemicals, splints, veener, registers and other office articles. The unit was ultimately closed during 1982-83 due to mismanagement. Steps taken for revival of the unit are awaited (September 1986).

7.3.7.1.2. *Release of working capital before releasing block capital*

(a) The Board provided funds of Rs.0.12 lakh (Grant: Rs.500, capital expenditure loan Rs.6,000 and working capital loan Rs.5,000) in favour of Rajgangpur AIMCS for one 'A' type lime (home) unit during 1980-81. Of this the Manager (CI), Sundergarh released during February 1983 a sum of Rs.5,500 to the beneficiary without releasing the block

capital intended for machinery. No report in regard to production, employment, etc., was produced in the absence of which, utilisation of working capital could not be ascertained. Similarly, an amount of Rs.0.11 lakh was allotted by the Board in favour of Puri GMCS during 1982-83 for one 'A' type lime unit. The Manager (CI), Puri released Rs.5,000 as working capital to the GMCS in February 1983, without releasing block capital. The Manager (CI) stated in June 1986 that the working capital was released for utilisation by the beneficiary in his own traditional kiln which was not an improved kiln. Purpose of producing lime through village industries in improved kilns, for which the working capital was released, was, therefore, not served.

(b) A sum of Rs.0.35 lakh allotted in favour of Gopabandhu AIMCS, Satasankha in Pipili block (Puri district) for carpentry workshop unit (for entrepreneurs) during 1980-81. The Manager (CI) released Rs.5,000 as working capital in May 1983 but the unit did not start production for want of block capital for machinery which was released in September 1983. Although a further working capital fund of Rs.5,000 was released in January 1985, the unit remained unproductive (September 1986).

(c) The Board provided a capital expenditure loan of Rs.0.25 lakh and working capital of Rs.0.20 lakh in favour of Cuttack Zilla Mahila Vikas Co-operative Society for starting one centrifugal *dal* processing unit during 1983-84 for which the DIC was to provide required tools and equipments. Instead of arranging machinery, the DIC released only Rs.7,000 (out of the working capital fund Rs.20,000)

in November 1984 in favour of the society which was utilised by it for the purpose of *papad* making for want of machinery for *dal* unit. The remaining amount (Rs.0.38 lakh) was retained in the Bank account of the society (September 1936).

Utilisation of funds otherwise than for which they were sanctioned was rendered possible as working capital was released before release of block capital for land, building and machinery.

7.3.8.1.1 *Non-exhibition of actual production figures*

Test check of records in Board's Office indicated that actual production figures were not exhibited in certain cases in the statistical reports and returns. In cases of two sets of figures (one reported by the DIC and the other by the Board staff) higher figures were adopted and achievement of targets shown but the differences in two sets still remained to be reconciled.

(i) Under non-edible oil and soap industry targeted at Rs. 1,00.50 lakhs, the seed collection (worth Rs.2, 14.98 lakhs) reported by the TDCC., Orissa for the year 1984-85 included collection of higer seeds (edible oil seeds) worth Rs. 1,69.88 lakhs.The actual total production of non-edible oil seed was only Rs.47.64 lakhs bringing achievement thereunder as 47 *per cent* only against 216 *per cent* targeted by the Board.

(ii) Apart from the performance reports,separate reports collected by the Supervisors of the Board showed higher performances which were taken into account and reported to the Commission without reconciling with the earlier figures reported by the DIC as detailed below:

District	Name of the Society	Production reported by DIC	Shown by Board	Excess adopted in the Report to the Commission
(1)	(2)	(3)	(4)	(5)
		(Rupees in lakhs)		
Puri	Badadesh Sugarcane MPCS	6.00	9.45	3.45
Cuttack	Garmadhupur GKM PICS	30.00	30.75	0.75
Phulbani	Haribhairabi BLA IMCS	0.15	6.75	6.60

The Board stated in July 1986 that the production figures reported by them were assessed on the basis of number of crushers and number of days these were put to work, which amounted to only an approximation.

(iii) It was seen that an individual cobbler being financed Rs. 1,000 during 1973-74 could show production and sale worth Rs.77,000 and Rs.95,000 respectively during 1984-85. Production worth Rs.2.84 lakhs was shown to have been achieved during 1984-85 by 15 individual artisan units though no reports were received by the Board from any quarters. It was stated (July 1986) by the Board that the individual might have been financed by other agencies.

(iv) Assistance of Rs.0.36 lakh provided (May 1981) to Bhubaneswar Mochi Co-operative Society (a dormant society) for ten individual cobbler units

was found to have been misutilised by the DIC., Bhubaneswar without distributing these funds to the cobblers. Production worth Rs.0.30 lakh was adopted by the Board against these individual cobbler units of this society for 1984-85 thereby inflating the actual production and employment figures for 1984-85.

7.3.8.1.2. *Employment oriented production*

Employment and earnings in respect of village industries during 1979-86 furnished by the Board are as under:

Year	Investment (In lakhs of rupees) Total grant + Loan	Production (In lakhs of rupees)	Employment* (In lakhs of persons)	Earnings during the year (In lakhs of rupees
(1)	(2)	(3)	(4)	(5)
1979-80	150.84	571.61	0.29	175.16
1980-81	192.72	731.37	N.A.	265.04
1981-82	159.72	893.04	0.38	384.17
1982-83	73.43	810.90	0.30	260.03
1983-84	75.18	1330.87	0.43	492.22
1984-85	73.68	1500.25	0.36	531.37
1985-86	172.05	1349.55	0.37	557.91

* While converting part-time to full time employment, two part-time workers have been taken as one whole-time worker.

Further scrutiny in Audit of the above data indicated that the production and employment generated per each one lakh rupees of investment and earnings made by the artisans per head per annum as per the records of the Board worked out as under.

Year	Output in lakhs of rupees per each one lakh rupees of investment	Employment in number per each one lakh rupees of investment	Earnings per head per annum (In rupees)
(1)	(2)	(3)	(4)
1979-80	3.79	192	604
1980-81	3.79	N.A.	...
1981-82	5.59	238	1011
1982-83	11.04	408	867
1983-84	17.70	572	1145
1984-85	20.36	489	1476
1985-86	7.84	215	1508

The average earnings of an artisan thus varied from Rs.604 to Rs. 1,508 per annum during the period of review. The average earning of an artisan under the Village Industries Programme even during the last year of the Sixth Plan period was Rs. 1,476 per annum, which is much below the average earning of Rs.2,700 per annum prescribed by the State Government as minimum wage (Rs.7.50 per day)

during the period. Consequently, the Village Industries Programme was not able to provide gainful employment to the weaker section of the community.

7.3.8.13. *Discrepancy in figures of production, employment and earnings*

Statistics showing achievements in respect of production, employment and earnings reported by KVIC, Bombay to the Government of India varied substantially with those reported by the Board to KVIC in respect of village industries programme during the period 1979-80 to 1984-85 as indicated in Appendix 7.2. The two sets of figures have not been reconciled despite reference made to the KVIC in September 1986.

7.3.9. *Performance results of the Village Industries*

7.3.9.1. *Polly Vastra*

As on February 1986, the Board set up 120 Polly Vastra units in the State against the target of 161 units with an investment of Rs.86.42 lakhs (Commission's share: Rs.74.02 lakhs and State Government share: Rs.12.40 lakhs). Though the scheme was taken up from 1981-82, the actual production commenced at the fag end of the year 1983-84 in which yarn produced was valued at Rs.2.06 lakhs since implements were provided to 50 societies only at the end of the year 1983-84. During 1984-85 and 1985-86 (up to February 1986), 59 and 95 units respectively went into production. According to the norms fixed by the Commission, the production of yarn during the years 1984-85 and 1985-86 should have been 1,770 and 2,612

quintals (250 Kgs. per unit per month) respectively whereas only 152.30 and 223.35 quintals of yarn respectively were reported as produced during these years constituting 9 *per cent* of the production capacity.

During 1984-85, 1,475 full time workers were engaged and wages of Rs.3.02 lakhs paid to them which worked out to an average earning per worker of Rs.205 per annum being less than Re. 1 per day as against Rs.8 to Rs. 10 envisaged under programme and the minimum daily wage of Rs.7.50 per day fixed by the State Government.

Reasons for shortfall were stated by the State Director in July 1986 to be as follows:

> Most of the units were not producing the quantity of yarn as required under the scheme; a number of units were not carrying on spinning work regularly although facility was provided as they were not taking up steps to procure required quantity of sliver in time; delay in payment of bills for the yarn purchased by the Handloom Development Corporation and State Weavers' Co-operative Society blocking the working capital of the unit for further turn-over.

7.3.9.2. *Cottage match industry*

Even though an investment of Rs.28.93 lakhs was made between 1979-80 and 1985-86, the societies (20 in 1980-81 raised to 45 during 1981-82 to 1984-85) with production capacity worth Rs.4.80 lakhs, (1980-81) Rs. 10.80 lakhs (1982-83) and Rs.7.20 lakhs (1984-85) were found to have

produced match boxes worth Rs. 1.07 lakhs (1980-81), Rs. 1.25 lakhs (1982-83) and Rs.0.68 lakh (1984-85) working out to 22, 12 and 9 *per cent* respectively. Out of 45 societies financed under the industry at the end of 1981-82, 28 societies did not start production till March 1985 and those (6 to 7) societies which went into production also did not achieve the capacity production. Reasons for not starting production by these 28 societies were attributed by the Board (August 1986) to delay in getting Central licence and explosive storing licence from the Excise Department etc. The Board had recalled the funds from such societies.

7.3.9.3. *Handmade paper industry*

Out of 6 co-operative societies financed between 1979-80 and 1980-81 under the industry, 3 co-operatives were reported working at the end of March 1985, 2 were defunct and one was yet to start production. Scrutiny of records in Board revealed that of the 3 working societies performance of 2 societies (Dantimuhan V.I.C.S. at Mayurbhanj and Upendrabhanj M.C.S., Bhanjanagar-district Ganjam) was very poor. Though the production capacity of the former unit was about 6,000 Kgs. of finished products per month, the production achieved by the unit from February 1985 to June 1985 (as available from the records of the Board) varied from 62 Kgs. to 338 Kgs. in each month. Reasons for low production were attributed by the Board in July 1986 to insufficient working capital to achieve the targeted production. According to pattern of assistance in the case of latter society, the capacity production of the unit was 0.72 lakh Kgs. per annum whereas the highest production shown by the unit in 1984-85 was 4,035

Kgs. only which was only 5.6 *per cent* of the capacity production.

7.3.9.4. *Village pottery*

Between 1979-80 and 1985-86, the Board invested Rs. 1,12 lakhs in 386 co-operative societies under the industry. Of these, no society was running efficiently (as per categorisation made by the Board) being burdened with outstanding loan dues; 23 were average (Rs.4.76 lakhs); 120 were weak (Rs.20.14 lakhs); 19 grossly inefficient (Rs.2.22 lakhs); 113 were defunct (Rs.8.80 lakhs); 93 not yet started production (Rs.11.44 lakhs); 7 were under liquidation (Rs.0.38 lakhs) and 11 did not report about their working condition.

Test check of records in DICs revealed that low performance was due to non-introduction of improved wheels, modern kilns and bhatti and lack of peroper training facilities with modern machineries by the demonstration squad of the Board. Check of performance records of the two squads further showed that the squads identified 144 potters who introduced 49 wheels without kilns during 1983-84. Against 144 units identified, funds were allotted by the Commission (Rs.30 lakhs) for 1,000 units during 1984-85. The Board released funds to various societies @ Rs.3,000 per unit to organise 1,000 individual units, of which according to the Board, the units organised so far (January 1987) were 796 and amount released was Rs.23.88 lakhs.

7.3.10.1. *Blocked up capital in defunct societies*

Out of 927 co-operative societies found defunct as on March 1985, 733 pertaining to 16 industries were for more than 5 years as follows:

Name of the Industry	Number of societies found defunct for more than 5 years	Amounts blocked up (Rs. in lakhs)
(1)	(2)	(3)
1. Bee-keeping	2	0.50
2. Processing of cereals and pulses	306	21.13
3. Village Oil	182	13.46
4. Village Pottery	79	5.68
5. Village leather	39	2.92
6. Gur and Khandasari	7	0.43
7. Carpentry and blacksmithy	18	1.61
8. Cane and bamboo	22	0.75
9. N.E.O. and Soap	32	6.14
10.Village fibre	25	1.13
11.Cottage match	4	1.11
12.Lime	11	0.47
13.Fruit processing and preservation	1	0.18
14.Forest plant	2	0.39
15.Handmade paper	2	1.17
16.Shellac	1	0.69
	733	57.76

No information was available with the Board as to the period from which the societies were defunct. The Board, however, attributed (March 1986)

the reasons to lack of frequent supervision by the DICs, negligence on the part of the members of the Managing Committee, delay in release of funds by the DICs, blocking of working capital in fixed stocks and formation of a number of societies without having any assessment of availability of raw materials in the locality. As regards their revival, the Board stated in June 1986 that DICs only were empowered to take steps. Test check indicated that 8 out of 33 societies in Sundergarh, 46 out of 108 in Puri and 28 out of 58 in Phulbani district reported as defunct in March 1986 were under the process of liquidation.

7.3.10.1.1. *Departmental trading units*

The Board was running 19 trading units departmentally at the end of March 1984. Of these, 9 units ceased working since long and 10 units were in working order. The accounts of the 9 defunct units having assets worth Rs. 14.02 lakhs and liabilities of Rs. 17.99 lakhs are yet to be finalised and closed (September 1986).

Records in regard to cash recoverable, advance recoverable, sundry debtors, shortage of stock recoverable and other recoveries could not be provided to Audit by Board to ascertain the correctness of the assets shown in the records. It was, however, seen that assets worth Rs.8.18 lakhs related to Saranjam Karyalaya (old unit) which was closed during the year 1968. Of this, stock worth Rs.2.84 lakhs was unserviceable and damaged. Details of steps taken by the Board for disposal of the above stock could not be furnished (September 1986).

7.3.10.1.2. The working units were (1) Revised Saranjam Karyalaya (2) Honey Processing Unit (3) Gramodyog Sales Depot (4) Cottage Match Marketing Depot (5) Glazed Pottery Unit (6) Oil Production Unit (7) Laundry Soap Unit (8) Toilet Soap (9) Oil Expeller Unit (10) Soap Base Unit.

Performance of the working departmental units as revealed during test check, was as follows:

(i) The Oil expeller unit which sustained loss to the tune of Rs.0.03 lakh and Rs.0.18 lakh during the years 1981-82 and 1983-84 respectively showed profit of Rs.0.09 lakh in the year 1982-83 which was possible due to the accrued interest of Rs.0.55 lakh investment of Bank instead of utilising the same for trading activities of the unit.

(ii) The oil production unit showed a loss of Rs.0.26 lakh and Rs.0.12 lakh during the year 1981-82 and 1982-83 respectively but showed a profit of Rs.0.74 lakh in 1983-84 due to sale of oil seeds worth Rs.4.40 lakhs though the unit was not meant for trading in oil seeds but to produce oil for trading.

(iii) The revised Saranjam Karyalaya showed a profit of Rs.1.31 lakhs during the year 1981-82 but subsequently in 1982-83 sustained loss of Rs.0.24 lakh during 1982-83 and the accounts for 1983-84 were not finalised.

(iv) The departmental units whose accounts were closed upto 1983-84 exhibited trading loss (Glazed pottery: Rs.0.25 lakh, Toilet soap: Rs.0.20 lakh; Laundry soap: Rs.0.13 lakh and Cottage match

depot: Rs.0.06 lakh) due to poor marketability of their produce.

7.3. 10. 1.3. (a)

The opening stock, production, sale and the closing stock in respect of the following units indicated that there was poor marketability of the products leading to accumulation of stock:

Name of the unit	Year	Opening stock	Production	Sale	Closing stock
(1)	(2)	(3)	(4)	(5)	(6)
			(Rupees in lakhs)		
1. Glazed Pottery	1981-82	0.32	0.04	0.05	0.31
	1982-83	0.31	0.08	0.04	0.35
	1983-84	0.35	0.12	0.04	0.43
2. Toilet Soap	1981-82	....	0.31	0.07	0.24
	1982-83	0.24	0.60	0.14	0.70
	1983-84	0.70	0.24	0.21	0.73
3. Laundry Soap	1981-82	1.40	0.24	0.11	1.53
	1982-83	1.53	0.24	0.26	1.51
	1983-84	1.51	0.16	0.28	1.39

The Cottage Match Unit at Bhubaneswar purchased raw materials worth Rs.4.72 lakhs in 1981-82 but could sell raw materials worth Rs. 1.50 lakhs, Rs.0.47 lakh and Rs.0.32 lakh during 1982-83, 1983-84 and 1984-85 respectively; remaining stock worth Rs.2.43 lakhs was lying with the depot as on 31st March 1985. Poor marketability had resulted in a loss to the unit from 1982-83 onwards. Reasons for poor marketability were attributed by the Board (August 1986) to low consumption of raw materials

by the Match Co-operative Societies, which was not anticipated at the time of procurement. No efforts were made to utilise at least the present available stock.

(b) The Village Oil Unit at Udyogpuri had no production activities during the years 1983-84 and 1984-85 keeping staff idle. After procuring oil seeds during April 1985 the unit went into production of Oil from May 1985 and during the year 1985-86, it could produce 2633 Kgs. worth Rs.0.50 lakh and oil cake weighing 6,738 Kgs. worth Rs.0.11 lakh.

Out of the above produce, the departmental sales depot, Bhubaneswar could lift only 531 Kgs. oil between October 1985 to March 1986 (valued at Rs.0.10 lakh) leaving stock of 2,102 Kgs. Due to poor marketability, seed stock of 472.97 Kgs. (with potentiality of oil) valued around Rs.2.61 lakhs was lying unextracted and the unit ceased further production.

(c) Departmental soap unit (laundry soap, toilet soap)

(i) As against the capacity production of 500 quintals per annum in respect of laundry soap, the unit could produce only 5.25 quintals of soap utilising the services of 3 full time workers during 1985-86. Wages paid amounted to Rs.8,640 against production of soap valuing Rs.4,445.

(ii) *Kutir Soap*

As against the production capacity of 250 quintals valued at Rs.4 lakhs, the unit could produce 6,856 pieces of soap valued at Rs.0.14 lakh during

1985-86 of which, 3,000 pieces of soap were lifted by sales depot between August-November 1985 leaving a balance of 3,856 pieces with the unit by May 1986.

Besides, there was soap base of 387.8 Kgs. (having potentiality of 3,400 pieces) as on May 1986, the soap base was lying unutilised since January 1985.

7.3.11.1. *Outstanding loans*

The total outstanding loan payable to KVIC in respect of Khadi industry worked out to Rs. 159.36 lakhs (Board:Rs.49.41 lakhs and Institutions:Rs. 109.95 lakhs) as on March 1986 detailed in Appendix 7.3. The loan under Khadi industry does not bear interest.

Besides, under Village Industries Programme, the outstanding loan amount only payable by the Board to the KVIC amounted to Rs.6,36.84 lakhs as on March 1984. The Board's dues outstanding against the co-operative societies, institutions including departmental units as on 31st March 1986 was Rs.7,84.96 lakhs of which, the amount overdue for repayment was Rs.4,07.93 lakhs; the main deaulting unit was T.D.C.C. against which Rs.86.60 lakhs representing over due loan was outstanding at the end of March 1986. Industry-wise details of amount outstanding and amount overdue are given in Appendix 7.4. It was stated (June 1986) by the Board, that legal action is being taken to recover the dues. Test check of records indicated that interest was not calculated and intimated to the loanees wherever necessary. According to the Board, interest was yet to be calculated and intimated to the loanees. It was found that the up-to-date confirmation of loan balance was not obtained by the Board.

7.3.12.1 *Training*

One Zonal Training Centre, Khadi and Village Industries Commission, Udyogpuri, Bhubaneswar has been functioning since December 1983 with intake capacity of the centre under each trade i.e., 20 each for Polly Vastra, Khadi and 5 each for Soap, Pottery and 10 for Village Oil.

As against the above capacity, training was imparted only in polly vastra since its functioning. Training in other trades was not imparted. During 1983-84 to 1985-86, 48 trainees completed the course in polly vastra at a total cost of Rs.3.71 lakhs. The Board intimated (February 1987) that out of 48 trained, only 13 persons have been engaged and information about the remaining candidates is awaited from the DICs.

7.1.13.1. *Utilisation Certificates*

The position of utilisation certificates due, amounts for which utilisation certificates were furnished to the Commission and the balance for which utilisation certificates are yet to be furnished to end of December 1986 is indicated below:

Year	Amounts for which utilisation certificates are due		
	Loan	Grant	Total
(1)	(2)	(3)	(4)
	(Rupees in lakhs)		
1978-79	431.00	130.15	561.15
1979-80	155.50	17.81	173.31
1980-81	167.04	21.53	188.57
1981-82	128.43	28.62	157.05
1982-83	48.70	12.16	60.86
1983-84	66.75	7.84	74.59
1984-85	52.38	17.03	69.41
	1049.80	235.14	1284.94

Amounts for which utilisation certificates furnished upto 31.12.86			Amounts for which utilisation certificates are yet to be furnished		
Loan (5)	Grant (6)	Total (7)	Loan (8)	Grant (9)	Total (10)
		(Rupees in lakhs)			
376.03	111.67	487.70	54.97	18.48	73.45
129.55	8.93	138.48	25.95	8.88	34.83
105.87	9.34	115.21	61.17	12.19	73.36
46.58	8.08	54.66	81.85	20.54	102.39
6.96	3.87	10.83	41.74	8.29	50.03
24.18	1.00	25.18	42.57	6.84	49.41
3.69	2.71	6.40	48.69	14.32	63.01
692.86	145.60	838.46	356.94	89.54	446.48

In the absence of the utilisation certificates, the extent to which grants were utilised could not be stated.

7.3. 14. 1. *Marketing*

As there was no purchase preference of KVIC items in Orissa, nor there was any exemption from payment of sales tax on articles of village industries, the Government of Orissa constituted a Committee to assist the Directorate of Export Promotion and Marketing to conclude rate contract for a few selected items produced by artisan based industrial units located in different parts of the State. The Committee was to identify the products in respect of which rate contract could be concluded by the Director of Export Promotion and Marketing (DEPM). The Committee identified (March 1986) the items like duplicating paper, type paper, binding paper, D.O. letter papper, note-sheets, draft papers, file covers and fly leaf, file boards, despatch covers, envelopes, laundry soap, all types of palm fibre process, door,window, frames and shutters under different industries for concluding rate contract with the producer industrial co-operative societies/ institutions assisted by the Board or by the Commission direct. But no rate contracts have been finalised by the DEPM so far (September 1986).

7.3. 15. 1. *Register of assets*

No account was maintained of the assets created out of the funds provided by the Commission either by the State Director of the K&VI Commission or by the Board. It was stated by the State Director, K&VI Commission, Bhubaneswar in July 1986 that such registers were to be maintained by the Board but the latter explained that these registers were to be maintained by the societies and the grantee

institutions. For this purpose, a condition was inserted in the sanction order releasing funds at the end of Ist and subsequent years. But no specific clause was inserted either by the Commission or by the State Board for maintaining a register by the grantee institution for assets created out of loan, grants, released by them. Scrutiny of records at the society level indicated that such registers were also not maintained by them either.

7.3.16.1. *Monitoring and evaluation*

According to the existing monitoring system, the performance reports of the societies under each industry were to be submitted quarterly and annually to the KVIC by the State Board through State Director. It was found that annual reports in respect of 235 co-operative societies in 1982-83 and 160 in 1984-85 were not submitted to the Board by the IPOs concerned for lack of effective monitoring at the DIC level.

The quarterly reports due to be furnished by the Board to the Commission from 1982-83 to 1985-86 were still awaited.

The KVIC having noted the recommendations of the conference of State Industries Ministers and Chairman of the State Khadi and V.I. Board held in January 1981 on the question of monitoring of Khadi and Village Industries Programme keeping in view of recommendations of the Public Accounts Committee (contained in para 17 of their 52nd Report) decided (August 1981) to constitute a Monitoring Board for each State for monitoring and evaluation of K&VI programme. But no such Board was constituted in the State until representative of Finance pressed in the budget discussion for

1985-86 and 1986-87 held (August 1985) to constitute the Board without delay. As a result, the first meeting of the Monitoring Board was held (September 1985) but no effective steps were taken to discharge functions of the Board as envisaged in Commission's order dated August 1981 and there was no monitoring of the programme during August 1981 to September 1985.

Summing up

A - Khadi Industry

- Out of Rs. 1,29.97 lakhs released by the KVIC, the Board utilised Rs.62.13 lakhs and surrendered Rs.67.84 lakhs; five societies were having unutilised balance of Rs.4.21 lakhs in their Bank account without being refunded to the Board.
- Shortfall in production was noticed for 1980-81, 1981-82, 1984-85 and 1985-86, at 65,21,26 and 63 *per cent* respectively for institutions financed by Khadi Board and 24 and 56 *per cent* during 1982-83 and 1983-84 and 55 *per cent* during 1985-86 in respect of institutions financed by the Khadi Commission.
- Out of 13 institutions directly financed by KVIC, 2 were in working condition, 5 were problematic and 6 were defunct due to management troubles; amount blocked in the defunct societies was Rs.3.61 lakhs.
- Out of 40 Co-operative Societies financed through Board, 5 with an investment of Rs.3.93 lakhs were defunct due to lack of supervision and negligence on the part of management.

- The average earning per day of an artisan under Khadi Programme was less than a rupee during 1982-84 and less than two rupees during 1979-80 to 1981-82 and 1984-85 against the minimum daily wage fixed by the State Government at Rs.7.50.

- Khadi products in Orissa were facing marketing problem due to sub-standard quality.

- Accumulated stock of Khadi valuing Rs.54.31 lakhs was noticed in 5 institutions due to lack of marketing of products; age-wise details of accumulation of stock were not kept.

B-Village Industries

- The State Board surrendered the unutilised fund of Rs.3,15.70 lakhs during 1979-80 to 1985-86 to KVIC even though these funds were meant for poor artisans and included loans at very cheap rate.

- Rupees 2,04.47 lakhs remained unutilised the various Bank accounts of the societies since inception of the programme due to mismanagement of the societies and lack of proper control, guidance and monitoring of the physical and financial progress of the societies by the State Board.

- Improper selection of industrial units resulted in failure of most of the Industrial Co-operative Societies and Artisan Multipurpose Co-operative Societies.

- Nine societies diverted Rs. 16.38 lakhs (out of Rs.22.78 lakhs) and spent on programme un-connected with village industries programme.

- Average earning of an artisan under the programme (Rs.2 to Rs.5 per day) was much below the minimum (Rs.7.50) prescribed by Government during the Sixth Plan.

- Under Village pottery, out of 386 co-operative societies financed by the Board, 23 were average (investment Rs.4.76 lakhs), 120 were weak (Rs.20.14 lakhs), 19 grossly inefficient (Rs.2.22 lakhs), 113 were defunct (Rs.8.80 lakhs) and 93 had not yet started production.

- A total amount of Rs.57.76 lakhs was blocked up in 733 defunct co-operative societies.

- All the four departmental units (glazed pottery, toilet soap, laundry soap, cottage match depot) of the Board were running on loss since 1981-82 due to poor marketability of their produce resulting in accumulation of stock.

- Out of Rs. 12,84.94 lakhs stated to have been utilised, actual utilisation certificate has been furnished by the Board to the Commission for Rs.8,38.46 lakhs.

- A monitoring board was constituted only in 1985-86 as a result of which, no effective monitoring and evaluation study of the programme was done in time.

The matter was reported to Government in November 1986; reply is awaited (May 1987).

EDUCATION AND YOUTH SERVICES DEPARTMENT

7.4. Elementary Education

The programme of universalisation of Elementary Education was initiated with the object of achieving complete coverage of all the children in the age group 6 to 14 years by 1990. Mention was made in Para 7.2 of the Audit Report 1982-83 about implementation and progress of Elementary Education in the State to end of 1981-82.

The following further points were noticed during test check (March-May 1985 and July 1986) of the connected records:

7.4.1. *Enrolment drive*

(i) Niether the Government department nor the Directorate has been able to furnish information about the number of students targeted to be covered for the age group 6-14 during the years 1978-79 to 1980-81. The Director, Elementary and Adult Education (D.E.&A.E.)Orissa, has, however, furnished (July 1986) the targets and achievements for the age group 6-11 years (1981-82 to 1985-86) *vis-a-vis* the total number of children as follows:

Year	No. of students targeted to be covered (in '000)	No. of students in the roll	No. of childrden (6-11 years in the State (in '000)
(1)	(2)	(3)	(4)
1981-82	2,834	2,823	3,306
1982-83	2,869	3,006	3,341
1983-84	3,106	3,041	3,376
1984-85	3,206	3,209	3,393
1985-86	3,250	3,254	3,497

Action if taken to bridge the gap between the enrolment and the total number of children in the State have not been kept on record by the Directorate.

(ii) According to the information furnished (April 1985 and July 1986) by the Director, E&AE, Orissa, the number of students (11- 14 years) targeted, enrolled in the State *vis-a-vis* total number of children of that age group in the State during the years 1981-82 to 1985-86 were as follows:

Year	No. of students targeted (In '000)	No. of students enrolled (In '000)	Total number of children of the age group (11- 14) (in '000)
(1)	(2)	(3)	(4)
1981-82	628	625	1,875
1982-83	692	679	1,894
1983-84	717	705	1,912
1984-85	778	783	1,944
1985-86	790	794	2, 147

The reasons for shortfall in coverage were attributed by the department in October 1985 to poor socio-economic conditions of the people in the rural and tribal areas, non-provision of additional teachers in Primary sections and non-opening of Middle Education schools.

(iii) *Additional enrolment*

No data was available either with the Government department or the Directorate about year-wise targets and achievements for additional

enrolment of students in respect of age group 6-11 years for the years 1978-79 to 1981-82 and also in respect of age group 11-14 years for the years 1978-79 to 1984-85. The information furnished (April 1985) by Government department in respect of additional enrolment of students of age group 6-11 years is as follows:

Year	Target (Number in lakhs)	Achievement (In lakhs)
1981-82	N.A.	0.73
1982-83	0.35	1.83
1983-84	1.72	1.00
1984-85	1.12	1.00
1985-86	0.44	0.45

The reasons for fixing very low target in 1985-86 and for shortfall in achievement during the years 1983-84 and 1984-85 have not been stated.

7.4.2. *Entertainment of excess teachers*

(i) Due to refixation by the State Government of teacher-pupil ratio at 1:50 (existing ratio was 1:40) effective from the year 1983-84, surplus teachers in a large number of primary schools and primary section of upgraded M.E. Schools was anticipated (December 1983) by the Director of Elementary and Adult Education,Orissa. The exact number of surplus teachers in the schools of the State due to such refixation (after making necessary adjustment thereof with the schools where shortage existed) is yet to be determined by the Director (July 1986).

Test check, however, revealed existence of 1,542 surplus teachers during 1983-84 to 1984-85 in the following 11 educational districts who have neither been withdrawn nor adjusted against shortages in other schools so far (June 1985). This entailed an extra expenditure of Rs.2,05.14 lakhs met out of grants-in-aid as detailed in Appendix 7.5.

As regards the excess teachers, the District Inspector of Schools, Baripada stated (April 1985) that the teacher-pupil ratio (1:50), if implemented strictly, would result in the pupils not receiving adequate attention of the teacher. The District Inspector, Rairangpur stated (May 1985) that adoption of the revised ratio (1:50) was not possible in the tribal areas, even the old 1:40 ration was stringent and if the new ratio (1:50) was followed one-fifth of the total number of posts would have to be withdrawn. The District Inspector of Schools, Bolangir opined (May 1985) that the students would suffer if the ratio would be 1:50. The District Inspector of Schools, Gunupur stated (May 1985) that the district (Koraput) being thickly populated by the tribal communities, who are poor both economically and socially, the enrolment in schools was poor and as such the revised teacher-pupil ratio (1:50) should not be enforced in the district. No action was taken regarding adjustment of excess teachers in any of the educational districts so far (July 1986).

7.4.3. *Centrally sponsored scheme for appointment of lady teachers*

For increasing enrolment of girls, the Central Government introduced a scheme of "Central support for recrutiment and training of lady teachers for the primary schools" during the year 1983-84, the expenditure being shared on 80:20 basis between

the Centre and the State. The Central Government sanctioned and also released during 1983-84 and 1985-86 their share of expenditure to the extent of Rs.61.95 lakhs to the State Government towards appointment of 750 women teachers (200 during 1983-84, 550 during 1984-85) and approved further continuance of the scheme during 1985-86. Following this, the State Government sanctioned Rs.93.46 lakhs between November 1984 and March 1986 towards creation of 750 posts of additional trained matric teachers in single teacher primary schools (having highest teacher-pupil ratio) upto 1985-86. The Director, E&AE, Orissa, allocated (November 1984) 750 teachers who were appointed between December 1984 and February 1986 by the District Inspector of Schools (after finalisation of selection by the District Selection Committee) in the primary schools, to the extent of 80 *per cent* in single teacher primary schools and 20 *per cent* multi-teacher primary schools in exceptional cases, in different areas of the State (Rural:254, Backward: 125, Hilly:71, Tribal:300) and released Rs.77.40 lakhs to the Block Development Officers(BDOs) and District Inspectors of Schools during February 1985-July 1986 leaving an unutilised balance of Rs.7.15 lakhs after surrendering during 1984-85 an amount of Rs.8.91 lakhs.

It was seen that contrary to the instructions of the Central Government in December 1983, more than 50 *per cent* of the posts (379) were allotted to rural and backward areas and not to hilly and tribal areas. Additional women teachers numbering 171 were appointed by the District Inspector of Schools in 11 educational districts despite existence of 1,542 surplus teachers in those districts. The review desired by the Government of India in July 1984 about optimum utilisation of existing teachers

after ascertaining the total excess/shortage of teachers on the basis of average attendance and teacher-pupil ratio (1:50) has not been done so far (July 1985).

7.4.4. *Central Scheme of incentives/awards to States*

The Central Government approved in September 1983 a new scheme of awards to be utilised for improving school facilities like buildings, provision of drinking water, construction of toilet/lavatory blocks for girls, provision of lighting facilities, purchase of furniture, equipment, teaching aids etc.,to the States based on excellence of performance in the field of enrolment of girls and sanctioned Rs.54.50 lakhs (1983-84:Rs. 14.25 lakhs and 1984-85: Rs. 15.25 lakhs under formal education and 1984-85: Rs.25 lakhs under non-formal education) for the purpose. As the amount sanctioned could not be utilised during 1983-84, the Government of India permitted (June 1984) its utilisation during the year 1984-85 and also released the amount. Following this, Government released the entire amount to the Director between February 1985 and February 1986 of which Rs.29.50 lakhs were allotted to 15 Inspectors of Schools in March 1985 (Rs. 14.25 lakhs) and March 1986 (Rs. 15.25 lakhs) with conditions to utilise the grants on aproved items of works after obtaining prior aproval of District Collector and to submit utilisation certificate by March-June 1986. But so far the utilisation certificates have not been received, in the absence of which it could not be verified if the amounts of award were distributed to the institutions on excellence of performance The remaining amount of Rs.25 lakhs representing Central assistance for non-formal education was

drawn by the Director in March 1986 and retained under Civil-deposits without utilisation (July 1986) reportedly due to non-finalisation of norms of expenditure by the Government.

7.4.5. *Grants-in-aid*

(i) Out of Rs. 11,99.59 lakhs drawn by the Director between the 29th and 31st March 1985 to be incurred for expenditure on additional dearness allowance, buildings and non-formal education, etc., Rs.4,48.31 lakhs were disbursed to the District Inspector of Schools and Block Development Officers during April and May 1985 leaving a balance of Rs.7,51.28 lakhs remaining unutilised (deposit-at-call: Rs.82.32 lakhs, Civil deposits:Rs.6,68.96 lakhs) as on May 1985.

(ii) Similarly, of Rs.6,42.28 lakhs drawn by the Director towards the fag end of March 1986, Rs.4,27.24 lakhs were disbursed to the Project Officer District Rural Development Agency, D.I. of Schools and B.D.Os between April and June 1986 leaving a balance of Rs.2,15.04 lakhs remaining unutilised (DCR: Rs. 1,61.73 lakhs and Civil Deposit:Rs.53.31 lakhs) at the end of July 1986 defeating the purpose for which the grants were drawn.

(iii) Against the sanctioned amount of Rs. 1,075.38 lakhs drawn during 1979-80 to 1984-85 towards salary grants of teachers in respect of 41 Blocks, Rs.27.18 lakhs were surrendered during the period by the Block Development Officers pertaining to 9 educational districts (Keonjhar, Baripada, Balasore, Bolangir, Puri, Koraput, Khurda, Berhampur and Rairangpur) owing to excess release of grants by the Director not withstanding transmission of demand for grants by the District Inspector to the Director every quarter.

10.11.88

7.4.6. *Non-formal facilities*

(i) The Government sanctioned Rs.4,82.88 lakhs to end of 1985-86 (including Rs. 1,01.01 lakhs upto 1982-83 mentioned in the earlier Report) for expenditure on the scheme against which the Director allotted Rs.4,70.35 lakhs which was reported by him to have been spent in full. This included Central assistance of Rs.2,70.63 lakhs (against Rs.2,25.93 lakhs found admissible) released upto 1985-86 towards Centre's share of expenditure at 37.5 *per cent* upto 1981-82 and 50 *per cent* thereafter. Excess Central assistance of Rs.44.70 lakhs still remained to be adjusted against subsequent release of such assistance. The utilisation certificates in respect of the Central grant for Rs.2,70.63 lakhs are still awaited (July 1986) from the Government department; delay is stated by the department in April 1985 to be due to late receipt of grants from the Central Government and non-submission of utilisation certificates by the field officers.

(ii) As per information available in the Directorate against the programme of 1980-81 for opening of 8,000 Prathamik Centres, 560 Centres exclusively for girls and 5,600 Madhyamik Centres in the Sixth Five Year Plan i.e., 1980-81 to 1984-85, 5,400 Prathamik Centres, 560 Centres exclusively for girls and 1,600 Madhyamik Centres were opened during the said Plan period. Out of these Madhyamik Centres, 1,300 Centres were closed down during the years 1983-84 and 1985-86 respectively owing to dearth of students in those centres which were subsequently converted to Prathamik Centres. The reasons for shortfall in opening of Centres have not been indicated by the Government so far (July 1986).

1983-84 579
84-85 100
85-86 621

(iii) As against target of 8.42 lakh students for enrolment during 1980-81 to 1985-86, the total enrolment during the period was 6.79 lakhs (boys:4.85 lakhs and girls: 1.94 lakhs). Information furnished (April 1985) by the Directorate indicated achievement of 67 *per cent* in 1980-81 to 100 *per cent* in 1983-84 and the percentage came down to 63 in 1984-85 and shown as achieved in full (1.63 lakhs) in 1985-86. 1.68 The targets for boys and girls separately is not available.

No target of enrolment separately for tribal areas or non-tribal areas and for Scheduled Caste, Scheduled Tribe and other students has been fixed so far (July 1986). The reasons for shortfall in enrolment during the years 1980-81 to 1985-86 (except 1983-84 and 1985-86) were attributed by the Joint Director of Non-formal Education (April 1985) to unpopularity of the scheme and non-opening of more centres owing to resource constraints.

Even though the scheme envisaged optimum enrolment of 25 pupils in each Chatsali, it was seen that in 90 Madhyamik Chatsalis which were opened initially (with even less than 10 pupils in some cases) between 1980-81 to 1982-83 the Centres pertaining to 9 districts (Baripada: 4, Berhampur: 3, Phulbani:8, Bonai: 1, Sambalpur:4, Sundergarh:5, Nowrangpur:35, Koraput: 11 and Bolangir:8) had continued upto 1985-86 without achieving optimum enrolment. The expenditure on these Centres during 1983-84 to 1985-86 was Rs.3.06 lakhs.

Information available in the Directorate indicated that 2,153 Chatsalis both Prathamik and Madhyamik were existing on March 1985 in tribal and hilly areas which constituted only 28.4

per cent of the total number of 7560 Centres (Prathamik:6700, Madhyamik:300 and for girls:560) of the State. Enrolment data furnished (April 1985 and August 1986) by the Directorate indicated that SC/ST enrolment in the Centres opened during 1980-81 to 1985-86 constituted only 39.3 *per cent* of the total enrolment (total enrolment:6.79 lakhs, SC/ST enrolment:2.67 lakhs) and girls enrolment (1.94 laks) during the same period which constituted 28.6 *per cent* of the total enrolment.

(iv) The Central assistance for non-formal Centres exclusively for girls during 1983-84 to 1985-86 was to the extent of 90 *per cent* of the total cost, the balance 10 *per cent* was to be borne by the State Government. On this basis, the Government of India released Rs.21.35 lakhs towards their 90 *per cent* share (1983-84:Rs.3.61 lakhs; 1984-85: Rs.9.40 lakhs and 1985-86: Rs.8.34 lakhs) for opening and continuance of 560 Centres exclusively for girls during 1983-86. The State Government, out of their funds, sanctioned Rs. 18.88 lakhs between November 1984 and March 1986 for the same purpose against which the Director, E&AE allotted Rs. 10.01 lakhs to end of December 1985 to the District Inspectors of Schools for opening 560 Prathamik Centres in the State in December 1984. In addition, Rs.8.63 lakhs were drawn by the Director (March 1985 and March 1986) of which Rs.8.53 lakhs were distributed in May 1986 to 56 D.I.of Schools and Rs.0.10 lakh relating to 1984-85 retained by him in Civil deposit account. The remaining amount of Rs.0.24 lakh (out of Rs. 18.88 lakhs) was allowed to lapse. Besides, the Central assistance of Rs.3.61 lakhs during 1983-84 still remained unutilised pending approval of the Central Government for utilisation in subseqent years. The State share of expenditure

from 1983-84 onwards was not released.

It was noticed that the Director, E&AE instructed all the District Inspectors of Schools (February 1984) that 560 Centres have to be started 'somehow' evenwith mixed group of students (i.e., students with both boys and girls with majority of girls). No information about the target and achievement regarding enrolment in the Centres could be furnished by the Directorate. Information collected from the records of 15 District Inspectors of schools, however, indicated that out of 3,702 students enrolled in 113 Centres, opened exclusively for girls, there were 2,201 girls and 1,501 boy students during 1985-86. Since extra 40 *per cent*(out of 90 *per cent)* share of the Central Government grant of Rs.21.35 lakhs in this (normal assistance was only upto 50 *per cent*) was in consideration of only girls enrolment in these Centres, enrolment of boys in these Centres defeated the very purpose of the scheme and rendered Rs.8.54 lakhs (extra 40 *per cent* share) inadmissible out of Central assistance on this account. The expenditure on account of deviation has not yet been regularised by obtaining sanction of Government of India.

(v) One hundred and seventy five posts of supervisors were sanctioned by the Government of Orissa (1983-84: 100 posts; 1984-85: 75 posts) for supervision of 6,700 non-formal centres with a consolidated pay of Rs.500 and fixed travelling allowance (TA) of Rs.60 per month. The actual number of supervisors appointed by the Circle Inspectors of Schools and number of supervisors working in the State were not kept on record in the Directorate. Though the supervision charges formed part of the Central assistance (one supervisor

for 40 centres) since 1982-83 the posts were created only at the fag end of the year 1983-84 and the reasons for such delay were not stated. However, no expenditure was sanctioned during 1983-84 by the State Government towards pay and fixed T.A. of Supervisors. Out of Rs. 17.74 lakhs sanctioned during 1984-86, Rs. 11.58 lakhs were allotted on the strength of the posts allotted to the District Inspector of Schools, to the Circle Inspector of Schools by the Directorate in January-November 1985 towards pay and T.A. of the supervisors for the period from March 1984 to February 1986; the manner of utilisation of the amount is not available with the Directorate. Further amount of Rs.3.78 lakhs towards the pay and T.A. of the supervisors for the period September 1984 to February 1985 was, however, drawn by the Directorate in March 1985 of which Rs. 1.64 lakhs (after disbursement of Rs.2.14 lakhs) was kept unutilised and retained in shape of Civil deposit (July 1986). Of the sanctioned amount (Rs. 17.74 lakhs), Rs.2.30 lakhs were surrendered in March 1986 and an amount of Rs.0.08 lakh was allowed to lapse.

It was seen in Audit that in 7 Education districts (Berhampur, Nowarangpur, Bolangir,Koraput, Phulbani, Balliguda and Cuttack) out of 25 posts of supervisors sanctioned in February and May 1984 for 953 non-formal centres, 9 posts remained vacant since 1984-85. In 3 such districts (Baripada, Bhawanipatna and Gunupur), 28 posts of supervisors were entertained during 1983-85 for 457 non-formal centres as against admissibility of 13 posts (1 supervisor for 40 centres) resulting in an extra expenditure of Rs. 1.95 lakhs.

(vi) To develop locally relevant learning materials (Learning Episodes) in sufficient quantity and variety for use by the children in non-formal education centres, Rs.25.99 lakhs were received by the Director, State Council of Education Research and Training (SCERT) from UNICEF (through the NCERT) during the calendar years 1979 to 1986 of which Rs.22.72 lakhs (Rs. 15.93 lakhs on printing and Rs.6.79 lakhs on programme and equipment) were spent for the said purpose during the period and during 1981-85 Rs. 1.09 lakhs were refunded to the NCERT leaving a balance of Rs.2. 18 lakhs retained in hand (August 1986).

As per the scheme relating to production of learning material, the Director, State Council of Education Research and Training (SCERT) took up printing during the calendar years 1982 to 1985 of 37 titles comprising 1 to 12 capsules each of 2.59 lakh books valued at Rs. 16.89 lakhs. Of this, 2.03 lakh copies of books so far printed, 0.91 lakh books (Rs.5.53 lakhs) were utilised for the students of non-formal education in 840 centres (Prathamik:740 and Madhyamik: 100) managed by SCERT during January 1982 to March 1985 leaving 1.02 lakh books (Rs.7.38 lakhs) as unutilised and 0.56 lakh books (Rs.3.98 lakhs) were under print as on August 1986. The reasons for non-utilisation of books were attributed in September 1986 by the SCERT to non-availability of transporting facilities and shortage of man-power, etc.

(vii) For strengthening the Teachers' Training Institute, allotment of Rs.50.43 lakhs was placed by the State Government with the Director, SCERT during 1981-82 to 1985-86 for appointment of required staff in the Institutes viz., a Senior Teacher.

Co-ordinator, one Grama Sevika and one Grama Sevaka in each Teachers' Training Institution. The Director, however, appointed (December 1981) 70 teacher Co-ordinators (Educators) in 70 Teachers' Training Institutions (TTI) by utilising allotment of Rs.49.11 lakhs and surrendered between 1983-84 and 1985-86, the balance of Rs. 1.32 lakhs. Between January 1981 and August 1986 as against the target of imparting training to 2,500 personnel viz., teachers of Teachers' Training Institutions, Sub-Inspectors of Schools and Non-Formal Education Instructors, only 1,643 personnel were trained during the period in the Teachers' Training Institutions. The reasons for shortfall in training were attributed by the Director, SCERT (April 1985) to want of Government clearance of the training programme and unwillingness of the selected personnel.

According to the guidelines issued by the State Government (October 1980) for opening of the non-formal education centres, two existing U.P. School teachers would be appointed as instructors in each Madhyamik Centre and one untrained local matriculate (in case of SC/ST, pass in Class IX) as instructors in each Prathamik Centre. No specific target for appointment of lady teachers in the Centres was fixed nor information about appointment of lady teachers was available with the Directorate. It was noticed that though 70 Teachers' Training Institutions of the State have been strengthened by posting 70 teacher educators (one in each TTI) since December 1981, no specific scheme has so far been drawn up for the training of untrained instructors of the Prathamik centres. Test check revealed existence of 1,423 untrained instructors during 1985-86 in 1,851 Prathamik Chatsalis run by the 15 District Inspectors of Schools.

The large number of untrained teachers even when facilities were provided for their training by posting of teacher educators in Teachers' Training Institutes indicate that a large portion of the expenditures of Rs.49.11 lakhs incurred during 1981-82 to 1985-86 on the 70 teacher educators did not serve the purpose fully.

(viii) No funds were provided by the State towards infrastructure for the construction of school buildings and class rooms of the non-formal education centres in any of years since 1980-81 to 1985-86. As a result, non-formal chatsalis were functioning mostly in verandah of the villagers, in LP/UP schools and in prayer places of the villages.

(ix) Neither the Government nor the Joint Director, Non-Formal Education had prescribed any specific report/return for submission at regular interval by the District Inspectors of Schools/SCERT in respect of functioning of the non-formal centres. Consequently full information about the functioning of centres was not readily available either with the DIS/SCERT or with the Directorate/Government.

(x) *Preparation of training modules*

Training modules for non-formal instructors, orientation of supervisory personnel at various levels, evaluation and monitoring of the programme for the State as a whole have not been printed so far (August 1986). In reply it was stated by the Director, SCERT in August 1986, that the training modules have been prepared in 1983-84 and are kept in manuscript form and could not be printed owing to paucity of funds for printing.

Summing Up

No data was available either with the Government department or the Directorate about year-wise targets and achievements for additional enrolment of students in respect of age group 6-11 years for the years 1978-79 to 1981-82 and also in respect of age group 11-14 years for the years 1978-79 to 1984-85.

Refixation of teacher pupil ratio at 1:50 against the existing ratio of 1:40 with effect from 1983-84 resulted in entertainment of 1,542 surplus teachers in primary schools and primary section of upgraded schools in 11 educational districts during 1983-84 to 1984-85 entailing an extra expenditure of Rs.2,05.14 lakhs met out of grants-in-aid. No action was taken regarding adjustment of excess teachers.

Additional women teachers numbering 171 were appointed by the District Inspector of Schools in 11 educational districts despite existence of 1,542 surplus teachers in those districts.

Rupees 25 lakhs representing Central assistance for non-formal edcuation was drawn by the Director in March 1986 and retained under Civil-deposits without utilisation reportedly due to non-finalisation of norms of expenditure by Government.

Out of Rs. 1,199.59 lakhs drawn by the Director on the last days of March 1985 for expenditure on additional dearness allowance, Rs.7,51.28 lakhs remained unutilised at the

end of May 1985; against sanction of Rs.1075.38 lakhs drawn during 1979-80 to 1984-85 towards salary grants of teachers, Rs.27.18 lakhs were surrendered during the period by the BDOs owing to excess release of grants by the Director.

Utilisation certificates in respect of Central grant released upto 1985-86 for Rs.2,70.63 lakhs regarding non-formal facilities were awaited from the Government department.

Optimum enrolement of 25 pupils envisaged in the scheme for each Chatsali was not achieved in 90 Madhyamik Chatsalis opened between 1980-81 to 1982-83 even after spending Rs.3.06 lakhs during 1983-84 to 1985-86.

One hundred and seventy five posts of supervisors were sanctioned by the State Government during 1983-84 to 1984-85 for supervision of 6,700 non-formal centres; no records were kept in the Directorate to show the number of supervisors working in the State.

Between January 1981 and August 1986 as against the target of imparting training to 2,500 personnel viz., teachers of Training Institutions, Sub-Inspectors of Schools and non-formal Education Instructors only 1,643 personnel were trained during the period in the Teacher Training Institutions.

No funds were provided by the State towards infrastructure for the construction of school buildings and class rooms of the non-formal education centres in any of the years since 1980-81 to 1985-86.

Training modules for non-formal instructors, orientation of supervisory personnel at various levels,evaluation and monitoring of the programme for the State as a whole have not been printed so far.

The matter was reported to Government in July 1985 and September 1986; reply is awaited (May 1987).

HARIJAN AND TRIBAL WELFARE DEPARTMENT

7.5. Micro Projects for primitive tribes

7.5.1. Mention was made in para 6.5 of the Audit Report (Civil) 1981-82 regarding implementation of 7 out of 9 micro projects in the State upto 1980-81 for socio-economic development of groups of tribal families. Two more projects were added during 1983-84 for catering to the tribal families in compact areas having 50 *per cent* or more tribals.

During 1981-85, out of an allotment of Rs. 194.08 lakhs the projects were given Rs. 181.58 lakhs as grants by the Harijan and Tribal Welfare Department and the remaining amount of Rs. 12.50 lakhs provided for spending through the Community Development and Rural Reconstruction Department which was diverted by that department for spending on an ongoing State sector development scheme, "Economic Rehabilitation of Rural Poor"(ERRP) in the micro project areas during 1981-82. Physical and financial achievements made by the concerned Block Development Officers in this respect were not on record in any of the Agencies (Micro Projects).

Some aspects of the functioning of five micro projects, viz., Thumba Development Agency

(for Souras) (TDA), Soura Development Agency (SDA), Longia Soura Development Agency (LSDA), Dongria Khond Development Agency (DKDA) and Kutia Khond Development Agency (KKDA), were studied and the points noticed are dealt with in the paragraphs that follow.

7.5.2. *Receipts and expenditure*

Out of Rs. 1,26.77 lakhs available with the five micro projects at the end of March 1981 (including Rs.33.60 lakhs remaining unspent), the Agencies spent Rs. 1, 18.94 lakhs on income generating schemes (Rs.52.60 lakhs or 44 *per cent*), establishment charges and office contingencies (Rs.44 lakhs or 37 *per cent)* and development expenditure (Rs.22.34 lakhs or 19 *per cent*) leaving Rs.7.83 lakhs at the end of 31st March 1985 which was also spent during 1985-86. The project-wise details of receipt of grants,expenditure and unspent grants are given below:

Micro Project	Unspent grant as on 31.3.81	1981-85 Receipt of grants	1981-85 Expenditure	Unspent grants as on 31.3.85
	(Rupees in lakhs)			
(1)	(2)	(3)	(4)	(5)
1. Thumba Development Agency (TDA)	3.49	11.80	13.42	1.87
2. Soura Development Agency (SDA)	1.40	24.00	25.73	(-)0.33*
3. Longia Soura Development Agency (LSDA)	8.62	28.12	34.41	2.33
4. Dongria Khond Development Agency(DKDA)	9.31	19.50	27.63	1.18
5. Kutia Khond Development Agency (KKDA)	10.78	9.75	17.75	2.78
	33.60	93.17	118.94	7.83

* Funds were met from interest income of the Agency.

Late receipt of allotment was stated to be the reason for the unspent balances at the end of March 1981 and 1985. The amount spent on income-generating schemes was only 44 *per cent* against 75 *per cent* prescribed by Government.

7.5.3. *Action Plan vis-a-vis family coverage*

7.5.3.1. In order to raise all the primitive tribal families under micro project areas above poverty line, Government laid down in September 1978 that a phased programme should be drawn up with a ceiling for total investment at Rs. 10,000 per family, the minimum and maximum coverage being kept as 500 and 1000 families in each project. As laid down in August 1980, at least 75 *per cent* of the allocation was to be spent for family benefit (income oriented) schemes, like horticulture, cottage industries, supply of bullocks, supply of agricultural implements and inputs like seeds and fertilisers, supply of goats and providing training to take up avocations. A detailed plan for each individual family was required to be drawn up covering a period of five years within the frame work of village production plans in respect of each family and a start was to be made with the man at the lowest level of economic development in village/area. It was noticed that production plans were not accordingly prepared; the Agencies maintained no records showing names of beneficiaries with family members, land and other assets possessed by them, particulars of assistance provided from time to time to each of the families and production/income derived (generated) by the beneficiaries out of the assistance provided.

(i) As against the total outlay proposed in Action Plan of Rs.2,71.97 lakhs for five projects,

actual receipt of funds was Rs.93.17 lakhs by the Agencies during the years 1981-82 to 1984-85 resulting in low coverage.

(ii) Of the 3,906 families proposed to be covered under five test-checked micro projects, 3,570 families were rendered financial assistance of Rs.52.60 lakhs upto 1984-85 on schemes for generation of income for them. Of them, 749 families as stated by the four Agencies in April/May 1986 had crossed the poverty line. No record of any survey or assessment about crossing of poverty line by 749 families was maintained by any of the Agencies.

7.5.3.2. *Utilisation Certificates*

Of the total grants of Rs. 1,75.88 lakhs received by the five test checked Agencies since their inception till 1984-85, reports of utilisation were furnished by them to Government for Rs. 1,64.97 lakhs and such reports were still due for an amount of Rs. 10.91 lakhs (March 1986).

7.5.3.3. *Utilisation of interest income towards current expenditure*

Normally receipts from interest on deposits with banks should not be utilised for current expenditure without budgeting for such expenditure. Government instructed the Agencies in July 1983 that the interest receipts should not be utilised for the expenditure of the Agencies. Four of the five test-checked Agencies had interest income of Rs.4.01 lakhs upto March 1985 of which Rs. 1.03 lakhs were utilised by them towards expenses (TDA: Rs.0.28 lakh; SDA: Rs.0.55 lakh; DKDA:Rs.0.12 lakh and KKDA: Rs.0.08 lakh) like construction and repair of school buildings, purchase of motor cycle,

expenditure on Adibasi exhibition and administrative chrges and Rs.2.98 lakhs were retained by them outside the purview of the account from Government grants.

7.5.3.4. *Outstanding advances*

(1) Advances of Rs.0.48 lakh made by the Langiya Soura Development Agency during 1980-84 (1980-81: Rs.0.25 lakh; 1981-82:Rs.0.19 lakh; 1982-83: Rs.0.02 lakh and 1983-84:Rs.0.02 lakh) to 13 executants of works remained outstanding (March 1986) reportedly due to seizure of case records by the vigilance in August 1984 on the basis of public complaints.

(2) Thumba Development Agency paid advances of Rs.0.59 lakh (on four occasions during 1982-83: Rs.0.19 lakh and on seven occasions during 1983-84: Rs.0.40 lakh) to a Soil Conservation Assitant for implementation of horticulture programme of which, account was rendered by him for Rs.0.37 lakh so far (March 1986). The amount was alleged to have been misappropriated and departmental proceedings were instituted by the Director of Soil Conservation, Orissa in July 1984. Final outcome was not known to the Agency.

7.5.3.5. *Unutilised grants given to the Agencies*

In the following cases, grants released to the extent of Rs.4 lakhs remained unutilised (March 1986).

(i) In March 1984, Government sanctioned Rs.1 lakh for setting up of a carpet production unit under SDA for intergrated development of Scheduled tribes of the area with the stipulation that utilisation should be reported by June 1984. The SDA had

not set up any new unit, but had paid the amount of Rs. 1 lakh to an existing woolen carpet Weavers' Society during 1984-85 and the amount was reported to have remained unutilised with the Society.

(ii) DKDA gave Rs.0.38 lakh in March 1981 to the Block Development Officer(BDO),Bissum-Cuttack for construction of five staff quarters to be completed by June 1982. The estimate was, however,prepared by the Block Development Officer in November 1981 and approved in March 1982. Without commencement of the work, the Block Development Officer proposed in November 1983, construction of additional room in the quarters and wanted from the DKDA, additional funds of Rs.0.27 lakh. As additional funds were not provided, the quarters were not constructed resulting in non-utilisation of Rs.0.38 lakh (March 1986).

(iii) In March 1983, KKDA gave Rs.0.45 lakh to the Block Development Officer, Tumudibandha for construction of six primary school buildings in the micro project area of which three buildings were completed in November 1985 at Rs.0.22 lakh and the remaining amount of Rs.0.23 lakh remained unutilised. The Block Development Officer, however, assured the Agency to complete the works during 1986-87.

(iv) In March 1979, Government sanctioned Rs.2.39 lakhs for locating and estimating areas of shifting cultivation and for rehabilitating *podu* practising tribes including Rs.2 lakhs placed at the disposal of Director of Soil Conservation(DSC), Orissa for taking aerial photographs of the area of shifting cultivation. DSC gave Rs.2 lakhs to the Surveyor General of India, Dehradun (Under Government of India) for undertaking aerial photography

for locating shifting cultivation areas in Dhenkanal, Ganjam, Keonjhar, koraput and Sundergarh districts for which security clearance was obtained in July 1981. Though the entire amount of Rs.2.39 lakhs was utilised as stated by the Director in March 1987, utilisation certificate was awaited from him due to non-receipt of aerial photographs from the Surveyor General of India in complete form.

7.5.3.6.*Unauthorised expenditure on entertaining staff*

(1) During 1978-79 and 1979-80,Government sanctioned Rs.9.74 lakhs for LSDA for implementation of the scheme "Prevention of shifting cultivation-rehabilitation of *podu* practising tribals". Staff was entertaind for the scheme but funds for continuing the scheme were not provided from 1980-81 onwards. The staff consisting of Sub-Assistant Engineer (upto June 1981, UDC-cum-Head Clerk,Peon,Amin one each and three field Assistants) was, however, continued and stated to have been engaged on plantation of fruit bearing trees in hill terrain area of 3,000 acres, not connected with the scheme. The expenditure of Rs.2.44 lakhs was thus unauthorisedly met from available funds of the Agency. It was stated in April 1986 by the Special Officer, LSDA that Government was approached for sanction of the staff.

(2) Government had approved in June 1979 the pattern of staff for each micro project which included one Class IV peon and one gardner. Yet SDA had entertained more staff meeting the expenditure from available funds of the Agency, resulting in excess of peons (one from July 1979 to February 1980, two from March 1980 to February 1986) and a gardner (July 1979 to November 1984 and July 1985 to February 1986). The unauthorised

expenditure on such excess staff was Rs. 1.16 lakhs upto March 1986. The entertainment of such excess staff had not only put the Government to bear the unauthorised expenditure, but also reduced the funds available with the Agency for development schemes for the primitive tribes.

7.5.3.7. *Extra expenditure on entertainment of teachers in excess of requirement*

For 20 Balwadi centres under SDA, 40 teachers were appointed from September 1984 on a consolidated pay of Rs.300 per month. Following the observation of the Collector, Ganjam (who was ex-Officio Chairman of the Agency) during his tour of the Agency that there were excess teachers, the number was reduced to 20 from January 1986 at one teacher for each Balwadi. The earlier entertainment of 20 more teachers upto December 1985 involved an excess expenditure of Rs.0.96 lakh.

7.5.4.1. *Unfruitful expenditure and loss on Horticulture development*

Under horticulture development, Rs.32.94 lakhs were spent during 1981-85 on planting 93.77 lakh fruit bearing trees in the five test-checked Agencies of which 79 *per cent* survived (March 1986). The cost of plantation varied from Re.0.15 per plant in DKDA area and Rs.9.50 per plant in KKDA area but the survival of plantation was the least in KKDA (18 *per cent*) and the highest (80 *per cent)* in DKDA area. The low survival below 75 *per cent*(or damage exceeding 25 *per cent)* in TDA, SDA and KKDA areas represented a loss of Rs.2.70 lakhs. The high mortality was attributed to reluctance of local tribals to take up fruit bearing trees resulting in improper care of such trees by them.

Reasons for the very high cost of plantations in KKDA(Rs.9.50 per tree), SDA (Rs.5.48 per tree) and LSDA (Rs.4.38 per tree) were not analysed and furnished by the Agencies (March 1986).

7.5.4.2. *Distribution of fruit grafts in off-season*

The season for planting fruit bearing trees is at the onset of rains during June-July. TDA, without observing purchase formalities, had purchased 3,250 numbers of fruit grafts for Rs.0.25 lakh in September 1984 and distributed to 535 beneficiaries in October 1984, practically when the rainy season was over. Only 20 *per cent* survival was reported mainly due to late planting in off-season.

7.5.4.3. *Expenditure on plantations and maintenance in excess of the norms*

In the annual Action Plans 1983-85 of the micro projects, the norm for fresh plantation was fixed since 1983-84 as Rs.300 per acre while the norm for maintenance of the plantation was fixed as Rs. 135 to Rs. 150 per acre on the basis of which the admissible amount towards cost of plantation of fruit bearing trees in 447 acres and maintenance of 427 acres worked out to Rs.2.86 lakhs whereas the SDA spent Rs.4.08 lakhs entailing an extra expenditure of Rs. 1.22 lakhs. The excess over the norms was explained in March 1986 by the Special Officer, SDA as due to increase in labour rates and expenditure on watch and ward but no cost analysis was made to justify the expenditure.

7.5.4.4. *Infructuous expenditure on preparing lands for plantations*

In May 1983, KKDA spent Rs.0.09 lakh on clearing 155 acres of forest land belonging to Forest

department in four villages in the area of micro project for taking up new plantation without obtaining permission from the competent authority of Forest department for taking up plantation. In course of making correspondence with such authority, the planting season was over and the required plantation was not taken up (March 1986); the entire expenditure of Rs.0.09 lakh was proved to be infructuous.

7.5.5.Utilisation of input assistance

The TDA, SDA and LSDA, gave Rs.5.49 lakhs as input subsidy to 1579 beneficiaries towards seeds and fertilisers during 1981-85 (TDA:Rs. 1.04 lakhs; SDA:Rs.2. 13 lakhs and LSDA:Rs.2.32 lakhs) for utilisation in Kharif and Rabi crops. No result sheets in shape of utilisation of input assistance by the beneficiaries were maintained by any of the Agencies.

7.5.6. Unproductive expenditure on construction of a cross bund

In SDA, a cross-bund between Kantasari and Kankarda hills was proposed to be constructed to reserve waters of the perennial nallah flowing through Kantasari hills to provide irrigation to 72 acres of land. Before taking up of the construction, there was no feasibility report and the Executive Engineer, R.E.division, Berhampur and the Sub-divisional Officer, Minor Irrigation Project,Dahaninala were requested in March 1978 to furnish the feasibility reports. The work was, however, started during 1981-82 on the strength of the survey report of the Amin of the Agency without preparation of plan and designs or approval of the competent technical authority.

To avoid obtaining approval of higher authorities, the work was spilt up and eight different estimates amounting to Rs.72,500 were prepared by the Sub-Assistant Engineer of the Agency during 1981-82 and 1982-83 and approved by the special officer of the Agency. In March 1983, the Governing Body of the Agency advised tht the work may not be continued without having feasibility report by which time, Rs.0.77 lakh was already spent by the Agency. The work was stopped and in May 1983 the Executive Engineer, Minor Irrigation division, Berhampur was asked to inspect the spot but no action was taken either by the Executive Engineer to inspect the work done. Water was not stored as contemplated and the expenditure of Rs.0.77 lakh incurred on the work was rendered unproductive.

7.5.7. *Infructuous expenditure on buildings and wells*

LSDA gave Rs.0.49 lakh in March 1980 to the Block Development Officer,Guma for construction of two chat-salis, one godown and sinking six drinking water wells. Of these, 4 drinking water wells were left incomplete, both the constructed chat-sali buildings collapsed and the godown was left incomplete having no roof, door and shutters and as such was not usable for any purpose. As a result, expenditure of Rs.0.42 lakh (wells:Rs.0.23 lakh; chat-sali: Rs.0.06 lakh and godown: Rs.0.13 lakh) became infructuous. The Agency stated that the buildings and incomplete wells had not been handed over by the Block Development Officer to Agency so far (March 1986).

7.5.8. *Unfruitful expenditure on training*

In KKDA during 1982-83 and 1983-84, Rs.0.77 lakh was spent on imparting training to 69

Kutia Kondh tribal youths in various avocations like caning, pottery, carpentry, tailoring, etc., for rehabilitating them in respective trades or enable them to have self-employment after providing raw materials. It was noticed that despite imparting training during December 1982 to November 1983, they were neither rehabilitated nor self-employed so far (March 1986). Thus, the expenditure of Rs.0.77 lakh incurred for the above purpose became unfruitful as the training imparted to the tribal youths could not help them in generating income. KKDA stated in April 1986 that the trained youths would be self-employed for which raw material like cane, wood and tools would be provided to them.

7.5.9. *Arrear in audit*

The rules and regulations of the Government (March 1979) required that the accounts of the Agencies were to be audited once in a year by Chartered Accountant to bring out the exact state of financial affairs of the Agency for submission to the Governing Body. Though audit of accounts of all the 11 agencies were already due upto 1984-85, it was noticed that out of 5 agencies test checked, 4 agencies were not audited by the Chartered Accountants since 1980-81 to 1984-85 and one Agency was not audited at all.

7.5.10. *Monitoring and Evaluation*

Eventhough Rs.3,16.08 lakhs were released upto 1984-85 for all the micro projects, follow up reports about the manner of utilisation of grants, assets created by the beneficiaries, income generated out of Income-Generating Schemes for the beneficiaries, etc., were not obtained from the Agencies. This apart, the impact of the release of funds for the benefit of the primitive tribals have not been

evaluated by the department to see how far the objectives have been achieved. There was no system of monitoring and evaluation to know the results/ impact of spending the funds in the micro project areas.

Summing up

Rupees 12.50 lakhs allotted was shown as expenditure on the micro projects but was diverted for spending under a State Sector development scheme "ERRP".

Out of grants of Rs.93.17 lakhs released to five micro projects during 1981-85 and Rs.33.60 lakhs available on 1st April 1981, Rs. 1,18.94 lakhs were spent of which the expenditure on income generating schemes for the tribal families was only 44 *per cent* (Rs.52.60 lakhs) against 75 *per cent* prescribed by Government, while the development expenditure was 19 *per cent* (Rs.22.34 lakhs) and expenditure on establishment and contingent charges 37 *per cent* (Rs.44 lakhs) still leaving an unspent balance of Rs.7.83 lakhs at the end of 31st March 1985 which was utilised during 1985-86.

Action plans required to be prepared to cover each individual family in order to raise all primitive tribal families under the micro project areas above poverty line in a phased programme were not prepared.

Rupees 3.60 lakhs were incurred on continuing staff without Government sanction

(Rs.2.44 lakhs); staff was entertained in excess of that sanctioned by the Government (Rs. 1. 16 lakhs).

Against requirement of Rs.3,90.60 lakhs to cover 3,906 families in five micro project areas at the norm of Rs. 10,000 per family, allotment received was Rs. 1,75.88 lakhs.

Of 3,570 families covered with assistance of Rs.52.60 lakhs in the five micro project areas during 1981-85, 749 families were reported to have crossed poverty line; recorded evidence in support thereof was not available.

Of the grants of Rs. 1,75.88 lakhs released to five micro projects upto 1984-85,reports of utilisation were awaited for Rs. 10.91 lakhs.

Contrary to the rules in force, against interest income of Rs.4.01 lakhs, Rs. 1.03 lakhs were spent by five micro projects without budgeting for the expenditure; the account was kept outside the purview of the account of Government grants.

Low survival of horticulture plantations during 1981-85 led to damage of plantations (Rs.2.70 lakhs) exceeding 25 *per cent* in three micro projects; fruit grafts valuing Rs.0.25 lakh were distributed to beneficiaries during off season resulting in low survival; excess expenditure (Rs. 1.22 lakhs) was incurred on plantations and their maintenance.

Result sheets in respect of input subsidy of Rs.5.49 lakhs given to 1,579 beneficiaries in 3 micro projects towards seeds and fertilisers were not maintained by the Agencies.

Expenditure of Rs.0.42 lakh out of Rs.0.49 lakh given by LSDA to BDO, Guma became infructuous.

In KKDA, expenditure of Rs.0.77 lakh on imparting training to 60 Kutia Khond tribal youths in various avocations became unfruitful as those youth were not engaged in those avocations or they were not helped in having self-employment.

The matter was reported to Government in July 1986; reply is awaited (May 1987).

7.6. Unauthorised and irregular expenditure

The Government approved (December 1977) a scheme for economic rehabilitation of the rural poor through food for work programme linked with cross breeding of local cows during 1977-78 at a cost of Rs.5.08 lakhs out of Special Central assistance for the Integrated Tribal Development Agency (ITDA), Panposh in the district of Sundergarh under the Integrated Rural Development Scheme. The programme was implemented through the Orissa Agro Industries Corportion (OAIC) in collaboration with the Bhartiya Agro Industries Foundation(BAIF) with a target of 250 successful inseminations during the year 1978-79.

The I.T.D.A., Panposh released Rs.5.08 lakhs to the Orissa Agro Industries Corporation in March 1978 for the purpose. While the insemination

operaticns were not taken up in 23 selected villages of Kumarmunda block at all, the OAIC rendered an account in November 1980 for Rs.5.08 lakhs covering the purchase of a tractor with trailor (Rs.0.60 lakh), Pump set and G.I.Pipe (Rs.0.20 lakh), a diesel van (Rs.0.56 lakh), Milk Can and accessories (Rs.0.36 lakh), cost of land development (Rs.0.90 lakh), installation and building (Rs.0.46 lakh), cost of chilling plant bulk cooler (Rs.2 lakhs). As the BAIF withdrew its co-operation in April 1981 unilaterally and the programme could not be implemented, the OAIC proposed to State Government in June 1981 to implement a scheme "cattle and poultry feed mixing plant"at Rourkela in the district of Sundargarh at an estimated cost of Rs.38 lakhs and sought (June 1981) approval of the State Government for the scheme and to divert the equipment and machineries worth Rs.4. 18 lakhs already procured for the original scheme for the infrastructural development of the new scheme which is not covered under the activities of Integrated Tribal Development Programme of the Agency.

Though the revised proposal was disapproved during 1983-84 by the State Government (May 1983) owing to non-existence of Plan provision for implementation of the above scheme either in the budget of 1983-84 or incoming financial years, the Department asked the Agency (October 1984) to intimate whether the revised proposal was approved by the Project level committee, and in the absence of such approval to give its views whether such a proposal could be founded out of Special Central assistance.The OAIC intimated Audit in September 1986 that the amount will be repaid by the Corportion as soon as its resources improve.

Information regarding the utilisation of vehicle by the Corporation, installation of chilling plant, utilisation of building, milk can, tractor with trailor pump set were not available with the Agency. Government ordered (December 1985) for refund of the amounts improperly utilised by the Corporation.

The matter was reported to Government in December 1985; Government intimated in April 1987 that the amount advanced to OAIC in 1977-78 was refunded in full by the Corporation in March 1987.

Thus, the Special Central assistance was not utilised properly for over ten years.

FOREST, FISHERIES AND ANIMAL HUSBANDRY DEPARTMENT

7.7. Fish Farmers Development Agencies

7.7.1. Introduction

Mention was made in para 7.2 of the Audit Report (Civil) for the year 1980-81 regarding implementation of the programme by 4 out of 9 Agencies in poularising improved technique of fish culture under Fish Farmers Development Agencies (FFDA) upto 1979-80. The Agencies were set up to increase annual fish production from 350 Kilograms in 1976-77 to 2,500 Kilograms during 1980-85 in the areas of FFDA.

To end of 1979-80, the entire expenditure on FFDAs was met by Central assistance. The World Bank in collaboration with the Centre and State Governments approved in March 1980, a package programme to be implemented under its technical and financial assistance for optimising the fish production in ponds. The agencies at Ganjam, Balasore, Phulbani, Bolangir, Cuttack, Sambalpur and

Puri were selected to come under the International Development Association (IDA) programme from 1980-81, while the agencies at Mayurbhanj and Dhenkanal came under the IDA programme from 1983-84. Two more agencies were started at Kalahandi and Koraput which also came under the IDA Programme from 1984-85.

7.7.2. Test check of records in the Department of Fisheries, Director of Fisheries, Orissa and the eleven FFDAs functioning in the districts of Ganjam, Puri, Cuttack, Balasore, Mayurbhanj, Dhenkanal, Sambalpur, Bolangir, Kalahandi, Koraput and Phulbani, for the period 1980-85 was conducted and results brought out in the succeeding paragraphs.

7.7.3. *Financial assistance*

Central assistance of Rs.84.40 lakhs including loans of Rs.6.60 lakhs was received by the State upto 1984-85. Financial assistance of Rs.2,83.56 lakhs was provided by Government to the 11 FFDAs from 1976-77 to 1984-85 as grants (Rs.2,76.96 lakhs), loans (Rs.6.60 lakhs) of which, the agencies utilised Rs.2,39.41 lakhs upto 1984-85 from grants and gave loans of Rs.0.33 lakh to fish farmers leaving unutilised grants of Rs.37.55 lakhs and unutilised loan of Rs.6.27 lakhs. The objects for which grants were released to the agencies, amounts spent by them and the unutilised balances by end of 1984-85 were as follows:

	Grants received		Grants utilised		Unutilised
	Amount (Rs. in lakhs)	Percentage	Amount (Rs. in lakhs)	Percentage	(Rs. in lakhs)
Salaries	117.64	42.47	139.66	50.43	(-)22.02
Reclamation	87.84	31.71	36.94	13.34	50.90
Office Contingencies	21.43	7.74	30.16	10.89	(-) 8.73
Input Subsidy	20.96	7.57	7.96	2.87	13.00
Training	13.95	5.04	11.85	4.28	2.10
Vehicles	10.10	3.65	8.92	3.22	1.18
Minikit	4.00	1.44	3.28	1.18	0.72
Farm equipment	1.04	0.37	0.64	0.23	0.40
	276.96		239.41		37.55

It could be seen from the above statement that Rs.37.55 lakhs (13.56 *per cent*)of grants released, remained unutilised with the agencies, 61.32 *per cent* (Rs. 1,69.82 lakhs) of the grants received were utilised for payment of salaries of staff and office contingencies against 50.21 *per cent* (Rs. 1,39.07 lakhs) contemplated at the time of release of grants. The excess utilisation under salaries and office contingencies was at the cost of other programmes executed under reclamation, input subsidy, training, vehicles, minikit meant for the benefit of fish farmers,as only 25. 12 *per cent* (Rs.69.59 lakhs) of grants received were so utilised against 49.79 *per cent* (Rs. 137.89 lakhs) contemplated.

7.7.4. *Non utilisation of loans and default in repayment*

Interest bearing loans of Rs.6.60 lakhs were released by the Central Government during 1976-79 to the State to finance the input loans to be given to the Agencies. The entire amount was released during 1977-79 to the Agencies at Ganjam (Rs.0.60 lakh to cover 50 acres) and Mayurbhanj, Dhenkanal, Balasore, Phulbani and Bolangir (Rs.6.lakhs to cover 100 acres). Only Ganjam agency utilised part of the amount (Rs.0.33 lakh) in giving loans to fish farmers and the remaining amount of Rs.6.27 lakhs remained unutilised with the Agencies (March 1986).

It was noticed that report of utilisation of Rs.0.33 lakh was not obtained by the Ganjam agency from the fish farmers. The entire amount due for repayment to the Central Government in 3 annual equated instalments with a moratorium of 2 years, remained as default by the agencies. Interest of Rs.3.56 lakhs due on the loans (upto 1984-85) also remained unpaid by the agencies (March 1986).

Thus,the input loans meant for aiding the fish farmers as financed by the Centre, remained largely unutilised.

7.7.5. *Construction of hatcheries for supply of fish fry and fingerlings to FFDAs*

The Inland Fisheries Project of the Fisheries department envisages establishment of fish seed hatcheries for production of fries and fingerlings for supply to fish farmers. Following this, four hatchery complexes were taken up for construction by the department between March 1983 and May 1984 for completion by September 1985. By the end

of 1985-86, Rs.2,94.94 lakhs were spent by the department on construction work of the four hatcheries, but the works remained incomplete. Trial production was reported by the Director of Fisheries, Orissa to be 71.43 lakh fish fry/fingerlings (8.21 *per cent* capacity) during 1985-86 but nothing has been supplied to FFDAs so far (March 1986). Capacity and production figures of the four hatcheries are indicated below:

Hatchery	Area (Hectares)	Proposed out lay (Rupees in lakhs)	Capacity of production of fry/finger-lings (in lakhs)	Expenditure up to 1985-86 (Rupees in lakhs)	Trial production(Lakh numbers)
(1)	(2)	(3)	(4)	(5)	(6)
Chiplima (Sambalpur)	25	136.29	270	104.28	1.27
Bhanjanagar (Ganjam)	25	103.01	270	78.37	40.64
Binika (Bolangir)	13	80.35	190	60.95	15.26
Sarmanga (Balasore)	14	58.10	140	50.34	14.26
Total	77	377.75	870	294.94	71.43

The expenditure of Rs.2,94.94 lakhs incurred by Government for creating infrastructure for the FFDAs has not borne fruit so far (March 1986).

7.7.6. *Non-utilisation of farm equipments and entertainment of farm Superintendent without any farm*

The project report envisaged transfer of a departmental fish farm to each agency for undertaking

fish culture. A fish farm transferred to Ganjam agency in October 1976 was retransferred to Government in June 1980 under orders of Collector (Chairman of the agency) as the fish seed was supplied to farmers after December 1979 by the Orissa Fish Seed Development Corporation. Fish farm equipments (Rs.0.11 lakh) purchased by the agency during 1976-79 remained unutilised.

In FFDA, Balasore, transfer of a departmetal farm to the Agency did not materialise. Yet, Rs.0.10 lakh sanctioned by Government in 1980-81 for fish farm equipment, was diverted by the Agency for purchase of equipment for distribution to beneficiaries. The sanction of the subsequent drawal of Rs.0.10 lakh was unnecessary as there was no fish farm for the Agency for undertaking fish culture. In these two Agencies farm Superintendents for the fish farms were entertained during 1980-81 to 1985-86 and continued even without the farms and expenditure of Rs.0.47 lakh and Rs.0.70 lakh was incurred on salaries. The farm Superintendents were reported to have been utilised for office work.

7.7.7. Non-utilisation of induced breeding minikit sets

In September 1982, Government sanctioned Rs.0.30 lakh for supplying induced breeding minikits to 20 selected fish farmers in FFDA, Ganjam during 1982-83 enabling the agency to purchase 20 sets of minikits consisting of induced breeding minikits, breeding happa, hatching happa and pituitary glands. Of these, only 7 sets of kits were supplied to selected farmers and the remaining sets valuing Rs.0.20 lakh remained (May 1986) with the agency, reportedly due to want of eligible fish farmers having brood stock taking up brooding experiments. The expenditure

has not borne fruit eventhough the agency had reported (May 1983) utilisation of Rs.0.30 lakh to Government.

Similarly in FFDA, Balasore 20 sets of minikits sanctioned in October 1982 were purchased at Rs.0.31 lakh between March and June 1983 for distribution to 20 selected fish farmers. Of these, 9 sets were distributed, 4 sets were issued to Fishery Extension Officers (FEOs) of the agency for demonstration which never took place and 7 sets remained in stock with the agency. The non-use/non-issue of 11 sets costing Rs.0.17 lakh for over two years was attributed by the Chief Executive Officer of the agency in September 1985, to lack of eligible beneficiaries.

7.7.8. *Overpayment of house rent allowance*

According to Government orders of August 1963, employees of FFDAs were entitled to house rent allowance at 10 *per cent* of pay, excluding dearness allowance, additional dearness allowance and such other allowances. It was noticed in test check of accounts records of FFDAs at Balasore, Baripada, Dhenkanal and Puri that the agencies had paid house rent allowance to its employees at 10 *per cent* of D.A. and A.D.A. resulting in over payment of Rs. 1.60 lakhs upto March 1986. On being pointed out by Audit, the Director of Fisheries(DF), Orissa issued instructions in April 1986 to all FFDAs for not drawing house rent allowance on the basis of total emoluments but only on the basis of pay and deputation pay. The recovery of over payment is awaited (June 1986).

7.7.9. *Unauthorised utilisation of interest income for current expenditure*

In December 1981, Government of India issued instructions to the State Government that the agencies operating through grants from Government, should utilise any revenue accrued (e.g., interest on deposit of surplus grants pending utilisation, sale proceeds of fry/fingerlings etc.) which was incidental to the operation of the scheme and it should be utilised for the same purpose for which Government grants were permissible under the scheme and there should be a corresponding reduction in the quantum of Central grants to the extent of revenue earned by the agencies. Instructions were also issued by the Central Government in April 1983 that the interest acrued upon Government grants through Bank deposits should be adjusted against the Government aid only. It was noticed that the agencies earned income of Rs.8.98 lakhs upto 30th June 1984 through interest on Bank deposits and spent Rs. 1.70 lakhs (on purchase of 10 motor cycles; Rs. 1.14 lakhs; on seminar held by FFDA, Balasore; Rs.0.35 lakh; purchase of 16 mm projector and photophone equipment by FFDA,Puri: Rs.0.14 lakh; purchase of tape recorder and amplifier by FFDA, Balasore: Rs.0.07 lakh) therefrom, which was irregular. The account of such receipts and expenditure were kept outside the purview of Government grants.

7.7.10. *Renovation of water area for pisciculture, institutional finance and subsidy to beneficiaries*

7.7.10.1. The target for improvement/renovation of fish ponds by the individual fish farmers, fish production groups or fishermen co-operative societies

having ponds owned or on lease at least for 10 years was fixed at 16,000 hectares with fish production of 5,600 tonnes to be achieved during 1980-85 (project period). The cost of improvement/renovation was to be financed by participating Banks, through loans to the beneficiaries and the FFDAs were to give 25 *per cent* of cost as subsidy through the Banks. FFDA authorities were to process the applications received from the fish farmers and send them to the banks for sanction of loans following which subsidy was payable by the agencies after 75 *per cent* of the work was completed by the farmers utilising the Bank finance. Reclamation and input subsidy allotted upto 1984-85 amounted to Rs. 1,08.80 lakhs. It was seen that the agencies utilised only Rs.44.90 lakhs (41.27 *per cent* of grants given) for improvement/renovation of 12,385 hectares (77.41 *per cent* targeted) and produced 3,308 tonnes(59.07 *per cent* programmed) of fish. Grants to the extent of Rs.63.90 lakhs (58.73 *per cent* received) remained unutilised with the FFDAs, the reasons for which were stated by the Director of Fisheries in April 1986 to be due to delay in sanction or non-sanction of loans by the participating Banks.

Test check indicated that of the water area of 12,385 hectares improved, only area of 9,324 hectares (75.28 *per cent* of improved and 58.27 *per cent* of water area targeted) was utilised for fish production and harvesting was done from an area of 4,167 hectares only. Non-utilisation of 8,218 hectares of improved area for fish production/harvesting meant that proportionate expenditure of Rs.29.79 lakhs (66.35 *per cent* of Rs.44.90 lakhs representing utilised grants) was rendered unfruitful.

According to Director of Fisheries,Orissa

(April 1986) harvesting was very low during 1981-82 and 1982-83 due to shortage of technical staff, engagement of Fish Extension Officers in other fishery works and shortage of field officers. During 1981-82, no harvesting was done at all in the agency areas at Cuttack, Puri, Phulbani and Sambalpur.

7.7.10.2. Of the water area in ponds developed by renovation upto 1984-85, 6,644 hectares were settled on long term (10 years) lease to the fish farmers of which, the fish farmers could develop 4,409 hectares with fish culture. The shortfall was attributed (April 1986) by the Director of Fisheries, to delay in release of lease orders and delay in sanction of loans by participating Banks.

7.7.10.3. The programme envisaged (1980-81) that with good pond management and adequate supplies of high quality seed and complementary inputs, the existing average level of per hectare annual production of 350 Kilograms could be raised to 2,500 Kilograms in the coming years.In the 12,385 hectares of water area in ponds developed and brought under scientific fish culture in the project area to the end of 1984-85, the average annual per hectare yield was only 534 Kilograms during the 5 year project period of 1980-85, which was far below the target of 2,500 Kilograms per hectare per year. The Director of Fisheries, Orissa attributed (April 1986) the non-achievement of target to inadequate supply of fish seeds, non-availability of technical staff and shortage of training facilities to fish farmers.

7.7.10.4. The agencies had during 1980-85 sponsored 42,971 proposals for sanction of loans by participating

Banks, for development of 15,309 hectares of water area in ponds. Out of Rs.32,30.36 lakhs recommended by the agencies in this respect the participating Banks sanctioned Rs. 10,58.45 lakhs for improvement of 6,270 hectares of water area in ponds. Proposals for improvement of a total area of 4,552 hectares were pending with the different Banks by the end of the project period while proposals for development of 4,487 hectares were not accepted by the participating Banks. Rejection of loan applications and delay in payment were attributed (March 1986) by the Director of Fisheries mainly to fish farmers not turning up for execution of agreements, non-receipt of details of ponds from Gram Panchayat Officers, non-acceptance of the areas for development of ponds by the participating Banks and Banks not coming forward to finance the scheme in some cases.

7.7. 10.5. It was noticed that though subsidy amount of Rs. 12.44 lakhs was released by FFDA, Balasore during 1980-85, only Rs.0.59 lakh was adjusted by the participating Banks against loan accounts of the beneficiaries reportedly due to non-cooperation of the Banks. Subsidy amounts of Rs. 1.08 lakhs (25 *per cent* of the loan) were paid by Mayurbhanj, Balasore and Sambalpur agencies to the Banks during 1980-82 in respect of loan accounts of 124 beneficiaries even though the renovation of pond for which loan was given, was not done by the beneficiaries to the required extent of 75 *per cent* and as such the input subsidy was not payable. Subsidy of Rs.0.77 lakh was released to the Banks upto March 1985 by Mayurbhanj, Balasore and Sambalpur agencies for adjustment against loan amounts in respect of 105 beneficiaries in whose cases loan amounts were not sanctioned as the utilisation certificates from the Extension/

Field Officers of the Bank which are a pre-requisite for grant of loan, were awaited. Action to get back the subsidy amounts as stated by the Chief Executive Officers of the agencies, was awaited (March 1986). In 13 other cases of Balasore agency, subsidy of Rs.0.10 lakh released to the State Bank of India, Basudevpur in March 1982 was retained by the Bank for over 3 years despite rejection of application rendered by these beneficiaries.

In June 1979, the Central Government laid down the maximum monetary limits upto which 25 *per cent* subsidy could be released to Banks in favour of the beneficiaries at Rs.2,500 per hectare for reclamation and Rs.3 12.50 per hectare for input loans. Test check revealed that during 1980-82, subsidy of Rs.0.15 lakh was paid by Mayurbhanj and Balasore agencies in excess of the above prescribed limits in 8 1 cases. The Chief Executive Officers stated (October 1985) that action would be taken to get the refund from the concerned Bank. Final action is still awaited (March 1986).

7.7.11. *Training of fish farmers*

The training programme envisaged that such of the selected candidates who had no knowledge of fish culture would be given training for a period not exceeding 9 months in State/Central training centres and those who have some knowledge of fish culture would be given training for 15 days in a State fish farm. It was, however, noticed that in FFDA, Ganjam during 1976-86, 2,4 12 fish farmers were programmed to be imparted training for 15 days each in a State fish farm for which grants of Rs. 1.56 lakhs were provided. Of them only, 1,876 fish farmers were trained by the agency

itself each for a period of 7 days after spending Rs. 1.48 lakhs. Approval of the Managing Committee of the agency or Government was not obtained for the change in the mode and period of training and hence the entire expenditure of Rs. 1.48 lakhs remained to be regularised. The agency retained Rs.0.08 lakh as unutilised grant (May 1986).

7.7.12. *Meeting of Managing Committee not held as prescribed*

As per the Memorandum of Association of the agencies and rules prescribed thereunder, the Managing Committee was to meet at least once in two months (and six times in a year) in the interest of functioning of the agency. It was observed that the Managing Committee of FFDA, Balasore met once (on 5th April 1980) during 1980-81,four times (on 14th May 1981, 29th June 1981, 27th November 1981 and 23rd February 1982) during 1981-82 and once (on 26th August 1982) during 1982-83. It was stated (October 1985) by the agency that the meetings could not be conducted regularly owing to certain administrative difficulties.

7.7.13. *Non-maintenance of prescribed registers/ records*

7.7.13.1. Test check in 9 Agencies revealed that no basic record in respect of IDA (World Bank) assisted "Inland Fisheries Project" (formation and working of FFDAs was part of that project) was maintained by the FFDAs.

Though the bye-laws of the agencies required that annual budget should be prepared and considered by the Managing Committee, yet approval of the Managing Committee for the expenditure incurred on works done was taken without reference

to any such budgets. Annual reports presenting the activities of the FFDAs were not prepared by the Chief Executive Officers of the agencies. Instead the report prepared by the Director of Fisheries in respect of Inland Fisheries Project made mention of the working of FFDAs, which was not based on any returns given by the agencies.

7.7.13.2. The Memorandum of Association requires that with a view to attaining the objectives in the matter of investment, production and activities undertaken by fish farmers, the agencies were required to maintain the register of subsidies released with all particulars. The registers were found to be incomplete and they did not reveal the adjustment of subsidy released to Banks in favour of the farmers, area in hectares required to be developed, capital loan and input loan sanctioned by the bank, etc. As such, effective implementation of the scheme could not be known from records maintained.

7.7.13.3. According to the bye-law of the agencies, detailed arrangements to be made for audit and the form of accounts and procedure to be adopted were required to be formulated and got approved by the Government of India. Though the accounts of the agencies upto 1982-83 were audited by Chartered Accountants, no accounting procedure was prescribed by the department for the agencies so far (May 1986).

7.7.14. *Monitoring and Evaluation*

The FFDAs were set up mainly to provide extension services, assistance to fish farmers in obtaining fish-pond lease on improved terms and credit from the participating Banks. It is part of Inland Fisheries Project of the State for promoting

pisciculture by utilising available water resources and is partly financed through IDA assistance. Test check in 9 Agencies revealed that no basic record in this respect was being maintained by the Agencies and progress reports were not submitted by them. The State Project Unit of the Directorate of Fisheries, Orissa monitor the information about the scheme and prepare position papers on the progress of the scheme annually for submission to the Government of India/World bank.

According to the evaluation made by the State Project Unit of the Directorate of Fisheries, under the Inland Fisheries Scheme, primary benefit was reported to have gone to 39,993 fish farmers (figures relating to FFDAs not given separately), mostly of low income members of the rural agricultural community. The report mentioned *inter-alia* that with improvement of 17,374 hectares of pond areas, the fresh water fish supply could be significantly increased by 25,000 tonnes and that the project could generate additional employment for part time unskilled labour and surplus labour. Test check however, revealed usage of only 4,167 hectares for Pisciculture, non-utilisation of 66.35 *per cent* of developed area and the increase of 534 Kgs. only in fish supply against 2,500 Kgs. per hectare of 11,772 tonnes during the 5 years period 1980-85. FFDAs have not largely fulfilled the objectives for which they were created.

Summing up

Rupees 37.55 lakhs (13.56 *per cent*) from the grants received upto March 1985 remained unutilised with 11 agencies; 61 *per cent* of the grants were spent on salaries and office contingencies against 50 *per cent* contemplated; actual utilisation in providing

subsidy was 16 *per cent* of the grants received.

- From the loan assistance of Rs.6.60 lakhs given for inputs, only Rs.0.33 lakh was utilised and Rs.6.27 lakhs remained unutilised with the agencies. Interest of Rs.3.56 lakhs due on the loans remained unpaid by the Agencies.

- Expenditure of Rs.2,94.94 lakhs incurred for creating infrastructure for the agencies through construction of four hatcheries for supply of fish fry and fingerlings remained blocked as the hatcheries not completed.

- Non-utilistion of 8,218 hectares of improved area for fish production/harvesting resulted in an expenditure of Rs.29.79 lakhs incurred on improvement of that area being unfruitful.

- Of the water area developed by renovation, 6,644 hectares were settled on long lease (10 years) to fish farmers out of which, the farmers developed 4,409 hectares with fish culture.

- The annual per hectare fish production contemplated to be raised from 350 to 2,500 Kilograms during 1980-85 against which, the average annual yield was only 534 Kilograms.

- Though 42,971 proposals for development of 15,309 hectares of water area for sanction of Bank loans of Rs.32,30.36 lakhs were sponsored, loans of Rs. 10,58.45 lakhs

for 6,270 hectares only were sanctioned; proposals for 4,552 hectares were pending and 4,487 hectares were rejected by the financing institutions.

Of the subsidy amounts released by the agencies to Banks, adjustment of Rs. 11.85 lakhs was not done against loan accounts by the Banks; subsidy of Rs. 1.08 lakhs was released without completion of works to the required extent; subsidy of Rs.0.87 lakh released without sanction of loans; amount of Rs.0.22 lakh was released more than the norms prescribed.

Under training proramme, Ganjam agency changed the mode and period of training of fish farmers and thereby, expenditure of Rs. 1.48 lakhs on training was irregular.

The matter was reported to Government in July 1986; reply is awaited (May 1987).

AGRICULTURE AND CO-OPERATION DEPARTMENT

7.8. Assistance for development of agriculture

During the course of check (April 1986) of records pertaining to sanction of grants-in-aid and loans in the Agriculture and Co-operation Department and Registrar of Co-operative Societies, Orissa under Section 15 of the Comptroller and Auditor General's (DPCs) Act, 1971 covering the period 1982-83 to 1984-85, the following points emerged:

1. Non - utilisation of Central Government loan

Under the on-going Central Sector Plan scheme,, introduced by Government of India in 1981-82, for providing assistance to Co-operative

credit institutions in the Co-operatively under-developed States in areas where Drought Prone Area Programme is being implemented in tribal areas and in areas where there is concentration of scheduled caste population of more than 20 *per cent* and special areas including blocks selected for special rice production programme, a sum of Rs. 1,40 lakhs was sanctioned as loan by Central Government in September 1984 to be utilised by the State for meeting deficit in the internal resources required to cover the overdues of the following Central Co-operative Banks which covered the blocks selected for special rice production programme.

Name of the Central Co-operative Banks	Amount sanctioned (Rupees in lakhs)
Cuttack	10
United Puri Nimapara	20
Aska	40
Balasore	60
Sambalpur	10
Total	140

The terms and conditions stipulated by the Government of India *inter-alia* included that there shall be a matching contribution by the State failing which the Central assistance was liable to be withdrawn; funds remaining unutilised with the State Government should be surrendered to the Government of India at the end of the current financial year; the loan carried interest at 7.5 *per cent* with a rebate of 1/4 *per cent* for timely payment of interest payable annually from the first anniversary of the date of payment and the

principal repayable in six years commencing from the 4th anniversary. The loan amount was credited in favour of the State Government on 12th October 1984 through the Central Accounts Section of the Reserve Bank of India.

It was seen that the amount received by the State was not released to the Central Co-operative Banks during 1984-85 as required by the Government of India due to non-availability of funds relating to the State matching share which was intimated to Government of India in April 1985. The State, however, committed to release the amount during 1985-86 by making provision in the State budget. This was permitted by the Centre as a special case specifying release of the amount to Central Co-operative Banks in June 1985 positively. No provision could, however, be made in the State Budget for 1985-86 for want of adequate resources and the Central assistance was not surrendered as per the condition stipulated. Thus, retention of Central share of loan of Rs. 1,40 lakhs by the State Government resulted in payment of accrued interest of Rs. 15 lakhs to the Central Government covering the period from 12th October 1984 to 11th October 1985 (at 7 1/4 *per cent* after deducting rebate of 1/4 *per cent* for prompt payment). The liability for interest would increase further due to non-refund by Government of the unutilised loan amount so far (September 1986).

2. *Unsecured and unfruitful investment*

Considering an appreciable area of sugar cane cultivation in the area, the Bargarh Co-operative Sugar Mills was established and registered on 15th July 1965 with a crushing capacity of 1,250 tonnes per day. The Mill started production from 1974. Besides the share capital investment of Rs. 15.24 lakhs by grower members and Rs.5,33.27 lakhs by the State upto 1985-86, interest free loan was provided by Government to the extent of Rs.2,59.33 lakhs (including Rs.91.50 lakhs met by National Co-operative Development Corporation) between 1983-84 and 1985-86 and yet the sugar mill had been sustaining an accumulated loss of Rs.5,40.72 lakhs as per the audited account up to 1980-81. The loss was further estimated by Government as Rs.8,24.64 lakhs to end of 1984-85. In addition to the above assistance, the State Government provided further assistance by way of ways and means advance since 1981-82 which was repayable by the mill before the close of the financial year. Out of a sum of Rs. 1,21.43 lakhs paid as ways and means advance during 1985-86, only Rs. 1, 14.70 lakhs was repaid leaving a balance of Rs.6,73 lakhs at the end of the financial year.

Even though the sugar cane cultivation area increased initially reaching 1,575 hectares in 1977-78 it dropped subsequently to a low level of 213 hectares in 1979-80. The mill never reached

the installed crushing capacity and the actual quantity of sugar cane crushed since inception till 1985-86 was far below its installed capacity ranging from 969.576 tonnes (1973-74) to a maximum of 69,656.970 tonnes (1982-83) and 35,316.494 tonnes in 1985-86. No crushing was done during 1980-81 as reported in August 1983 by the Registrar of Co-operative Societies due to shifting to cultivation of paddy by the farmers and diversion of sugar cane for jaggery purposes.

The assistance was paid to the mill without obtaining loan bonds which was a primary requirement. It was stated in may 1986 by the Registrar of Co-operative Societies, Orissa that since the sugar mill was in acute need of money to meet their liabilities the amount was released pending receipt of loan bonds. The loan bonds are yet to be executed. As a measure of rehabilitation, the outstanding loan by the mill was also rephased.

The Government of India set a committee in 1976 which recommended certain measures for rehabilitation but no substantial improvement could be achieved to improve the working of the mill. A high level committee under the Chairmanship of Commissioner of Agriculture and Rural Development was also set up in October 1985 to recommend short term and long term measures and the report thereon received in May 1986 was under consideration of Government. However, the working of the mill could not be improved due to not taking up long term measures timely and also not taking steps to increase the area of sugar cane cultivation.

Thus, the entire capital investment of Rs.5,33.27 lakhs and interest free loan of Rs.2,59.33 lakhs given by the State Government upto 31st March 1986 proved to be unsecured and unfruitful.

The matter was reported to Government in August 1986; reply is awaited (May 1987).

Bhima Rao

BHUBANESWAR
The 21 DEC 1987

(N. BHIMA RAO)
Accountant General (Audit)-I
Orissa

Countersigned

T.N. Chaturvedi

NEW DELHI
The 20 JAN 1988

(T.N. CHATURVEDI)
Comptroller and Auditor General
of India

30 MAR 1988

31 DEC 1981

APPENDICES

APPENDIX 2.1

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.2.2 (b), at page 18)

Grant No.	Department	Original graht	Supple-mentary grant	Expen-diture	Saving
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
	Revenue Section				
5	Finance	95.02	. . .	31.00	64.02
6	Commerce and Transport	8.93	0.49	8.46	0.96
10	Education and Youth Services,	1,98.61	6.55	1,93.39	11.77
12	Health and Family Welfare	80.46	0.31	76.16	4.61
15	Tourism, Sports and Culture	4.19	0.13	3.82	0.50
16	Planning and Co-ordination	6.77	0.21	5.00	1.98
21	Transport	4.47	0.07	2.48	2.06
23	Agriculture and Co-operation	59.80	3.38	58.36	4.82
24	Mining and Geology	3.22	0.14	3.10	0.26
26	Revenue and Excise	1.95	0.40	1.84	0.51
27	Science, Technology and Environment	5.79	0.14	3.98	1.95
		4,69.21	11.82	3,87.59	93.44
	Appropriation				
249	Interest payment	1,34.13	15.03	1,25.91	23.25
		6,03.34	26.85	5,13.50	1,16.69

APPENDIX 2.1 Concld.

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.2.2 (b), at page 18)

Grant No.	Department	Original grant	Supplementary grant	Expenditure	Saving
(1)	(2)	(3)	(4)	(5)	(6)
			(In crores of rupees)		
	Capital Section				
9	Food and Civil Supplies	1.12	0.03	1.06	0.09
11	Harijan and Tribal Welfare	3.15	0.77	1.11	2.81
19	Industries	32.28	2.31	26.27	8.32
23	Agriculture and Food	31.22	1.61	21.25	11.58
		67.77	4.72	49.69	22.80
Grand Total		6,71.11	31.57	5,63.19	1,39.49

APPENDIX 2.2

Statement showing cases where supplementary provision was made in excess of actual requirement

(Reference: Paragraph 2.2.2 (c), at page 18)

Grant No.	Department	Original provision	Expenditure	Additional requirement	Supplementary provision
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
	Revenue Section				
1	Home	62.35	65.22	2.87	4.47
3	Revenue	55.19	74.03	18.84	24.58
4	Law	4.27	4.37	0.10	0.43
9	Food and Civil Supplies	2.23	5.51	3.28	3.45
11	Harijan and Tribal Welfare	31.97	32.01	0.04	1.47
13	Housing and Urban Development	60.42	65.80	5.38	8.73
14	Labour and Employment	4.56	4.65	0.09	0.28
17	Community Development and Rural Reconstruction (GP)	2.80	2.83	0.03	0.27
18	Community Development and Rural Reconstruction (CD)	1,08.46	1,09.17	0.71	7.82
19	Industries	30.21	34.99	4.70	7.19
		3,62.46	3,98.58	36.12	58.69

APPENDIX 2.2 Concld.

Statement showing cases where supplementary provision was made in excess of actual requirement

(Reference: Paragraph 2.2.2 (c), at page 18)

Grant No.	Department	Original provision	Expen-diture	Additional requirement	Supple-mentary provision
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
	Capital Section				
7	Works	38.90	39.48	0.58	4.42
10	Education and Youth Services	2.35	4.58	2.23	2.71
13	Housing and Urban Development	8.66	8.94	0.28	0.71
20	Irrigation and Power	2,07.83	2,27.03	19.20	23.03
		2,57.74	2,80.03	22.29	30.87
	Grand Total	6,20.20	6,78.61	58.41	89.56

APPENDIX 2.3

Statement showing cases where supplementary grant was inadequate

(Reference: Paragraph 2.2.2 (d), at page 18)

Grant No.	Department	Original grant	Supplementary grant	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
	Revenue Section				
7	Works	70.52	3.32	81.90	(+) 8.06
20	Irrigation and Power	31.81	0.81	35.98	(+) 3.36
25	Information and Public Relations	1.95	0.39	2.47	(+) 0.13
		1,04.28	4.52	1,20.35	11.55
	Capital Section				
5	Finance	13.34	57.35	71.44	(+) 0.75
6	Commerce and Transport	7.65	. .	9.85	(+) 2.20
22	Forest Fisheries and Animal Husbandry	27.52	0.18	39.88	(+)12.18
		48.51	57.53	1,21.17	15.13
	Grand Total	1,52.79	62.05	2,41.52	26.68

APPENDIX 2.4

Statement showing instances of injudicious reappropriation

(Reference: Paragraph 2.3., at page 30)

Sl. No.	Grant No.	Head of Account	Provision (Original plus supplementary)	Reappropriation	Total grant	Expenditure	Excess(+) Saving(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(In crores of rupees)				
1.	7	537-Capital outlay on Roads and Bridges-SSSS-State High way	1.50	0.69	2.19	2.31	(+) 0.12
2.	20	537-Capital Outlay on Multi-purposes River Projects-NNN-Power Scheme	8.78	1.10	9.88	11.03	(+) 1.15
3.		533-Capital Outlay on Irrigation Navigation, Drainage and Flood Control Projects-SSSS-Subarnarekha Irrigation Projects	4.05	6.00	10.05	13.56	(+) 3.51
4.		289-Relief on account of Natural Calamities-EE-Gratuitous Relief	7.55	(-) 5.52	2.03	2.08	(+) 0.05

APPENDIX 2.4 Contd.

Statement showing instances of injudicious reappropriation

(Reference: Paragraph 2.3., at page 30)

Sl. No.	Grant No.	Head of Account	Provision (Original plus supplementary)	Reappropriation	Total grant	Expenditure	Excess(+) Saving(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(In crores of rupees)				
5.		-JJ-Assistance for repair, reconstruction of houses	5.14	(-) 2.18	2.96	3.02	(+) 0.06
6.		-T.T. Other expenditure	2.22	(-) 1.43	0.79	0.87	(+) 0.08
7.	12	282-Public Health and Sanitation-EEE-Prevention and control of diseases	1.05	(-) 0.35	0.70	0.91	(+) 0.21
8.	20	532-Capital Outlay on Multipurpose River Projects-Upper Indravati Project-RRR-Tribal Area Sub-Plan	43.38	(-)13.38	30.18	30.69	(+)0.51
9.	26	239-State Excise-A-Direction and Administration-	2.22	(-) 0.89	1.33	1.84	(+) 0.51
10.	27	313-Forest-O-Forest Conservation and Development	0.37	(-) 0.37	Nil	0.30	(+) 0.30

APPENDIX 2.4 Contd.

Statement showing instances of injudicious reappropriation

(Reference: Paragraph 2.3., at page 30)

Sl. No.	Grant No.	Head of Account	Provision (Original plus supplementary)	Reappropriation	Total grant	Expenditure	Excess(+) Saving(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(In crores of rupees)				
11.	Charged Appropriation	249-Interest Payments-B-Interest on Other Internal debts	10.25	(-) 1.76	8.49	9.48	(+) 0.99
12.		E-Interest on Loans for Non-Plan schemes-	15.24	(-) 2.03	13.21	14.66	(+) 1.45
13		249-Interest Payments-I-Interest on pre 1979-80 Loans-Consolidated loans for production and semiproduction purposes	61.12	(-)57.64	3.48	39.24	(+)35.76
14	charged Appropriation	603-Internal debt of the State Government-A-Market Loans bearing interest	21.37	(-)21.37	Nil	15.64	(+)15.64
		C-Ways and Means Advances from the Reserve Bank of India	406.43	(-)102.21	304.22	305.88	(+) 1.66

APPENDIX 2.4 Concld.

Statement showing instances of injudicious reappropriation

(Reference: Paragraph 2.3., at page 30)

Sl. No.	Grant No.	Head of Account	Provision (Original plus supplementary)	Reappropriation	Total grant	Expenditure	Excess(+) Saving(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(In crores of rupees)				
15.	Charged Appropriation	604-Loans and Advances from the Central Government-F-Block loans for State Plans	7.85	(-) 0.31	7.54	7.60	(+) 0.06
16.		O-Pre 1979-84 Loans	30.60	(-) 1.51	29.09	44.39	(+)15.30

APPENDIX 3.1

(Reference: Para 3.3.3(d), page 117)

Statement showing details of supply of seeds to cultivators by department

Year/ Season	District	Crop	Area covered in hectares	Required quantity of seeds (In quintals)	Seeds actually supplied (In quintals)	Percentage of supply with reference to requirement
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1982-83 (Rabi)	Dhenkanal	Mung	28,228	7,057.00	65.00	1
		Biri	13,625	3,406.25	265.43	7.8
1983-84 (Kharif)	Dhenkanal	Biri	23,601	5,900.25	159.00	2.7
		Mung	20,442	5,110.50	94.95	1.8
	Puri	Biri	6,045	1,511.25	13.47	0.9
		Mung	1,141	285.25	6.85	2.4
1983-84 (Rabi)	Dhenkanal	Biri	18,956	4,739.00	54.05	1.14
		Mung	30,527	7,631.75	6.05	0.07
	Puri	Mung	96,068	24,017.00	15.47½	0.06
		Biri	71,888	17,972.00	105.85½	0.6
1984-85 (Kharif)	Dhenkanal	Biri	25,592	6,398.00	105.60	1.6
		Mung	21,422	5,355.50	115.60	2.1
	Puri	Biri	6,498	1,624.50	Nil	Nil
		Mung	1,431	357.75	Nil	Nil
1984-85	Dhenkanal	Biri	23,751	5,937.75	50.00	0.09
		Mung	13,753	3,438.25	158.00	4.5
	Puri	Mung	57,539	14,384.75	16.70	0.11
		Biri	69,908	17,477.00	187.40	1.07

APPENDIX

(Reference: Paragraph

Statement showing misappropriations, losses, etc., pending finalisation at the

Sl. No.	Name of the Department	Cases in which criminal/departmental proceedings have not been instituted due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised	
		Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Revenue and Excise	32	18.73	69	11.29
2.	Forest, Fisheries and Animal Husbandry	184	66.47	105	67.19
3.	Agriculture and Co-operation	28	11.69	81	15.89
4.	Health and Family Welfare	6	0.88	41	6.56
5.	Education and Youth Services	11	6.20	31	10.86
6.	Community Development and Rural Reconstruction	20	5.91	18	9.92
7.	Harijan and Tribal Welfare	2	...	20	2.88
8.	Industries	8	0.40	22	2.02
9.	Home	3	0.36	21	4.01
10.	Finance	3	0.47	10	2.86
11.	Commerce and Transport	1	0.75	1	0.03
12.	Food and Civil Supplies	...	. . .	1	0.03

3.2
3.17, page 203)
reported upto 31st March 1986
end of September 1986

Cases in which criminal cases were 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		T o t a l	
No. of Cases	Amount (Rs. in lakhs)	No. of Cases	Amount (Rs. in lakhs)	No. of Cases	Amount (Rs. in lakhs)	No.of Cases	Amount (Rs.in lakhs)
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
35	4.65	9	0.48	10	0.78	155	35.93
1	0.11	19	2.00	12	12.97	321	148.74
. . .	. . .	17	0.70	9	0.53	135	28.81
. . .	. . .	11	0.48	8	5.27	66	13.19
. . .	. . .	7	1.24	8	1.88	57	20.18
4	0.90	4	0.59	8	0.90	54	18.22
3	0.05	8	1.08	11	3.24	44	7.25
. . .	. . .	6	0.70	6	0.36	42	3.48
. . .	. . .	5	1.05	7	1.39	36	6.81
. . .	. . .	5	0.11	5	2.39	23	5.83
. . .	. . .	1	0.06	1	0.14	4	0.98
3	2.95	2	0.13	1	0.09	7	3.20

APPENDIX

(Reference: Paragraph

Statement showing misappropriations, losses, etc., pending finalisation at the

Sl. No.	Name of the Department	Cases in which criminal/departmental proceedings have not been instituted due to non-receipt of detailed reports from sub-ordinate authorities		Cases in which departmental action started but not finalised	
		Number of cases	Amount (Rs. in lakhs)	Number of cases	Amount (Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
13.	Information and Public Relations	3	0.04	3	0.32
14.	Labour and Employment	2	0.11	4	0.40
15.	Law	6	0.50	1	0.04
16.	Mining and Geology	1	0.03	...	...
17.	General Administration	...	...	...	...
18.	Tourism, Sports and Culture	...	...	...	...
19.	Planning and Co-ordination	...	...	...	...
20.	Irrigation and Power (including Minor Irrigation)	89	44.09	118	28.37
21.	Works (including Rural Roads and Buildings)	22	12.47	117	118.80
22.	Housing and Urban Development	5	3.39	71	9.22
	Total	426	172.49	734	290.69

3.2 Concld.

3.17, Page 203)

reported upto 31st March 1986

end of September 1986

Cases in which criminal cases were 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		T o t a l	
No. of cases	Amount (Rs. in lakhs)	No.of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)	No.of cases	Amount (Rs . in lakhs)
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
...	...	...	...	...	...	6	0.36
...	...	1	0.01	1	0.70	8	1.22
...	...	2	1.70	5	2.38	14	4.62
...	...	...	...	1	0.47	2	0.50
...	...	...	...	1	0.95	1	0.95
...	...	1	0.16	...	...	1	0.16
...	...	...	...	1	0.08	1	0.08
3	0.12	23	11.89	6	0.19	239	84.66
...	...	1	11.75	...	...	140	143.02
...	...	...	...	3	0.33	79	12.94
49	8.78	122	34.13	104	35.04	1,435	541.13

APPENDIX 7.1

(Reference: Para 7.3.6.1., Page 387)

Statement showing Diversion/Misutilisation of funds

Sl. No.	Name of Society	Year of allotment	Funds allotted	Funds diverted	Purpose for which allotted	Purpose for which diverted
(1)	(2)	(3)	(4) (Rupees)	(5) (Rupees)	(6)	(7)
1.	Sambalpur Gramodyog Marketing Co operative Society, Sambalpur	1979-80 to 1983-84	13,44,785	8,42,789	Different village industries	Stated to have been diverted by the Society for purposes not connected with the the Village Industries Programme
2.	Puri Zilla Pallisilpi & Silpavikash Co-operative Society, Puri	1981-82	95,200	23,890	Cottage Match	Remodelling work of P.S.I. Building
3.	Bapuji Adi-vasi Harijan Seva Industrial Co-operative Society, Mancheswar (Puri)	1980-81	66,200	66,200	-do-	Other purposes mostly house rent, salaries and advances to Manager and President, purchase of furniture etc.

APPENDIX 7.1 Contd.

(Reference: Para 7.3.6.1., Page 387)

Statement showing Diversion/Misutilisation of funds

Sl. No.	Name of Society	Year of allotment	Funds allotted	Funds diverted	Purpose for which allotted	Purpose for which diverted
(1)	(2)	(3)	(4) (Rupees)	(5) (Rupees)	(6)	(7)
4.	Rairangpur AIMCS, Mayurbhanj	1980-81 to 1981-82	85,000 16,000	76,000	Soap Unit, Seed Centre	Procurement of machine for manufacture of splints and vaneer under Cottage Match (Not approved by the Commission)
5.	Puri Zilla Bee-keeping Industrial Co-operative Society, Satyabadi, Sakhigopal, Dist: Puri	1980-81	19,100	12,000	Bee-Keeping Industry (2 S.C.units)	Construction of Society building
6.	Sundergarh C.M.Cs.	1980-81	1,00,000	1,00,000	Collection of N.E.O. Seeds Under Soap Industry	Establishment charges, Purchase of Handloom Products, etc.

APPENDIX 7.1 Concld.

(Reference: Para 7.3.6.1., Page 387)

Statement showing Diversion/Misutilisation of funds

Sl. No.	Name of Society	Year of allotment	Funds allotted	Funds diverted	Purpose for which allotted	Purpose for which diverted
(1)	(2)	(3)	(4) (Rupees)	(5) (Rupees)	(6)	(7)
7.	Tudalega AIMCS, Sundergarh	1981-82	2,50,000	2,50,000	Collection of N.E.O. Seeds Under Soap Industry	Amount of Rs.2.15 lakhs kept in fixed deposits, Rs.0.35 lakh towards repayment of overdue loan.
8.	Bargaon Quality Fibre Industrial Co-operative Society, Sundergarh	1977-78 to 1982-83	81,000	50,000	Fibre Industry	Kept in fixed deposit
9.	G.M.C.S., Phulbani	1980-81 to 1981-82	1,00,000	1,00,000	Collection of N.E.O. Seeds Under Soap Industry	Other purposes like purchse of sewing machines,tools and other non-V.I. products
	G.M.C.S., Phulbani	1980-81 1983-84 and 1984-85	1,21,000	1,17,368	Gums and Resins Industry	Purchase of non-V.I. products
			22,78,285	16,38,247		

APPENDIX 7.2

(Reference: Paragraph 7.3.8.1.3., Page 397)

Statement showing discrepancies in figures of production, employment and earnings

Year	Name of the Industry	Figures reported by Board	Figures adopted by Commission
(1)	(2)	(3)	(4)
	Production	(Rupees in lakhs)	
1980-81	Village Oil	20.39	52.06
1981-82	Village Oil	26.63	311.31
1982-83	Village Oil	40.67	172.25
1983-84	Village Oil	19.37	149.52
1979-80	NEO and Soap	89.44	0.48
1980-81	NEO and Soap	95.71	1.34
1981-82	NEO and Soap	242.16	4.34
1982-83	NEO and Soap	57.56	2.87
1983-84	NEO and Soap	387.07	2.58
1984-85	NEO and Soap	217.52	3.27
1984-85	Fibre	296.90	8.70
1981-82	Lime	16.00	1449.71
1982-83	Lime	6.12	1826.06
1983-84	Lime	1.76	2075.44
1982-83	Shellac	0.49	1.65
1981-82	Gums and Resins	2.96	21.20
1982-83	Gums and Resins	2.74	22.75
	Employment	(In lakhs of persons)	
1982-83	P.C.P.I.	0.014	0.029
1983-84	P.C.P.I.	0.013	0.031
1984-85	P.C.P.I.	0.01	0.03

APPENDIX 7.2 Contd.

(Reference: Paragraph 7.3.8.1.3., Page 397)

Statement showing discrepancies in figures of production, employment and earnings

Year	Name of the Industry	Figures reported by Board	Figures adopted by Commission
(1)	(2)	(3)	(4)
	Employment	(In lakhs of persons)	
1981-82	Village Oil	0.006	0.036
1982-83	Village Oil	0.005	0.20
1983-84	Village Oil	0.004	0.008
1981-82	Cottage Match	0.001	0.0003
1982-83	Cottage Match	0.003	0.0004
1983-84	Cottage Match	0.003	0.0004
1979-80	NEO and Soap	0.15	0.33
1980-81	NEO and Soap	0.17	0.33
1981-82	NEO and Soap	0.22	0.44
1983-84	NEO and Soap	0.29	0.41
1984-85	NEO and Soap	0.06	0.11
1980-81	Village Pottery	0.02	0.05
1979-80	Fibre	0.03	0.05
1980-81	Fibre	0.07	0.02
1981-82	Fibre	0.03	0.07
1982-83	Fibre	0.03	0.07
1983-84	Fibre	0.03	0.09
1984=85	Fibre	0.03	0.01

APPENDIX 7.2 Concld.

(Reference: Paragraph 7.3.8.1.3., page 397)

Statement showing discrepancies in figures of production, employment and earnings

Year	Name of the Industry	Figures reported by Board	Figures adopted by Commission
(1)	(2)	(3)	(4)
	Employment	(In lakhs of persons)	
1981-82	Forest Plant	0.01	0.02
1979-80	Gums and Resins	0.01	0.42
1980-81	Gums and Resins	0.02	0.23
1981-82	Gums and Resins	0.003	0.19
1982-83	Gums and Resins	0.003	0.19
	Earnings	(In lakhs of rupees)	
1982-83	Village Oil	7.17	15.02
1983-84	Village Oil	1.30	9.98
1982-83	Gur and Khandasari	31.65	21.00
1979-80	Palm Gur	47.35	21.12
1984-85	NEO and Soap	160.97	59.62
1979-80	Fibre	1.57	25.40
1982-83	Fibre	25.17	41.40
1984-85	Fibre	104.15	5.11
1982-83	Forest Plant	9.59	3.95
1982-83	Shellac	0.36	0.64
1982-83	Gums and Resins	1.42	15.70

APPENDIX 7.3

(Reference: Paragraph 7.3.11.1., Page 406)

Statement showing loans outstanding against Board and Khadi Institutions

Sl. No.	Name of the Board/Institutions	Total amount of loan outstanding as on 31st March 1986
(1)	(2)	(3) (Rupees)
1.	Orissa Khadi and Village Industries Board	49,40,857.55
2.	Boipariguda Khetra Samiti, Boipariguda, Dist: Koraput	2,65,677.00
3.	Chitrotpala Khadi Gramodyog Sangha, Jobra Road, Cuttack	37,63,632.00
4.	Gopabandhu Daridranarayana Seva Sangha, Sakhigopal (Puri)	29,63,018.67
5.	Orissa Tassar Silk Utpadak Sangha, Nuapatna Via: Tigiria, Dist: Cuttack	9,04,130.00
6.	Nandapur Gramdani Sangha, Nandapur, Dist: Koraput	15,000.00
7.	Similiguda Gramdan Sangh, Koraput, Similiguda	8,684.64
8.	Utkalmani Khadi Gramodyog Sangh, Bolgarh, Puri	13,38,500.00
9.	Utkal Navajeevan Mandal, Angul, Dhenkanal	2,23,871.64
10.	Utkal Khadi Mandal, Bhubaneswar-2	14,18,977.62
11.	Utkal Gram Swaraj Sangh,C/o Utkal Khadi Mandal, Bhubaneswar	77,743.02
12.	Radhanath Khadi Gramodyog Sangh	16,076.83
		1,59,36,168.97

APPENDIX 7.A

(Reference: Paragraph 7.3.11.1., Page 406)

Statement showing scheme-wise outstanding and overdue loan position against the society as on 31.3.1986

Sl. No.	Name of the Scheme	Amount outstanding as on 31.3.1986	Amount overdue as on 31.3.1986
(1)	(2)	(3)	(4)
		(Rupees in lakhs)	
1.	P.C.P. Industry	55.80	39.46
2.	Village Oil	68.23	59.20
3.	Leather	48.08	25.83
4.	Cottage Match	21.25	16.43
5.	Gur and Khandasari	29.24	16.98
6.	Palm Gur	20.95	7.80
7.	Handmade Paper	11.02	7.12
8.	N.E.O. and Soap	130.21	112.00
9.	Fruit Processing	1.55	0.98
10.	Bee-Keeping	13.86	5.38
11.	Pottery	81.18	29.44
12.	Cane and Bamboo	27.81	6.61
13.	Fibre	24.78	14.51
14.	Carpentry and Blacksmithy	83.62	29.22
15.	Lime	18.37	10.78
16.	G.S.Depot	15.40	6.72
17.	Forest Plant	7.59	2.41
18.	Gums and Resins	20.40	5.92
19.	Polly Vastra	95.36	0.88
20.	Katha	2.09	2.09
21.	Shellac	8.17	8.17
		784.96	407.93

APPENDIX

(Reference: Paragraph

Statement showing extra expenditure

Educational district	Number of schools test checked		Number of existing teachers	
	Primary	Upgraded Middle Elementary	Primary	Upgraded Middle Elementary
(1)	(2)	(3)	(4)	(5)
Baripada	333	38	1022	121
Keonjhar	54	Nil	197	Nil
Sundergarh	8	5	35	29
Rairangpur	274	57	1564	630
Khurda	31	Nil	162	Nil
Bolangir	85	34	311	228
Bhawanipatna	10	42	20	242
Berhampur	31	Nil	204	Nil
Baliguda	84	Nil	332	Nil
Gunpur	578	39	749	144
Phulbani	10	10	53	58
	1498	225	4649	1452

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7.4.2., Page 418)

due to retention of surplus teachers

Number of teachers admissible as per revised ratio		Excess teachers	Excess expenditure in salary from November 1983 to May 1985
Primary	Upgraded Middle Elementary		
(6)	(7)	(8)	(9)
			(Rupees in lakhs)
846	83	214	28.46
136	Nil	61	8.11
24	20	20	2.66
1096	456	642	85.39
118	Nil	44	5.85
262	187	90	11.97
10	176	76	10.11
150	Nil	54	7.18
192	Nil	140	18.62
590	127	176	23.41
40	46	25	3.38
3464	1095	1542	2,05.14

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