CHAPTER III

Compliance Audit

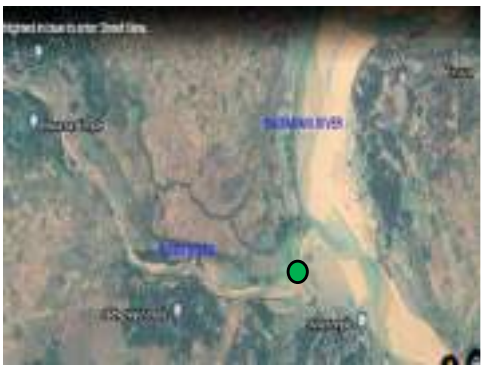
Compliance audit of Departments of Government and their field formations brought out several instances of lapses in management of resources. These have been discussed in the succeeding paragraphs.

DEPARTMENT OF WATER RESOURCES

3.1 Unfruitful expenditure on embankment work

Inappropriate planning for construction of river sluice gates deprived seven villages of protection from ingress of flood water and crop damage. The embankment work costing ₹17.40 crore therefore rendered unfruitful including unplanned expenditure of ₹1.91 crore on widening of the embankment by diversion of funds.

The objective of Baitarani Right embankment from Khaparakhai to Panchupali was to protect seven villages from flood fury and loss of crop damage. A drainage sluice over Sapuanallah, a tributary of river Baitarani at RD 13,500 m of the embankment was partly constructed in the year 1987 up to barrel wall with height of 1.60 metres. The partly constructed sluice was situated between the end points of Baitarani right embankment and the left



Rivers Baitarani and Kusei



Barrel wall of partly constructed (1987) sluice

embankment of river Kusei without connecting both the embankments. As such a gap remained between both the embankments since 34 years which allowed the flood water to pass through the gap to the villages and cultivable land. The local people as well as people's representatives had also demanded construction of the sluice gates to prevent entry of flood water into the ayacut.

Accordingly, the Chief Construction Engineer (CCE), Anandpur Barrage Project (ABP), Salapada conducted a survey and investigation of the site and sanctioned (September 2015) estimate for ₹16.35 crore for the work of "Bank protection including raising and strengthening of right side of river Baitarani from Khaprakhai to Panchupalli". The estimate included construction of sluice

by dismantling the existing sluice up to sill level[27] at an estimated cost of ₹1.91 crore. The work was awarded (June 2016) for ₹15.79 crore for completion by December 2017. The work was under progress with an expenditure of ₹17.40 crore as of March 2021.

During the course of execution of work, the CCE, ABP inspected (December 2017) the work site and opined that the old sluice executed based on earlier approved (1987) drawings had been completely damaged and required fresh approval of Chief Engineer (Design). Hence, the construction of new sluice over the dismantled portion of old sluice above sill level need not be executed. He directed to exclude execution of sluice from the work. In the meantime, the Executive Engineer (EE), Baitarani Division, Salapada, proposed (January 2017) widening of the top width of the embankment from the estimated 5.5 m to 6.5 m citing the demand of local people on account of heavy traffic on the embankment. The CCE approved the proposal on January 2017 diverting the earmarked fund for executing the work of sluice costing ₹1.91 crore.

In this context, Audit observed that:

- Since there was no allocation of fund for execution of widening of the top width of the embankment from the estimated 5.5 m to 6.5 m, diverting the fund, allocated for construction of sluice, was irregular.
- The CCE had the data on year of construction of earlier sluice. Prior to sanction of estimate, proper survey should have been made to ascertain the feasibility of construction of new sluice over the dismantled portion of old sluice above sill level. But, it transpired that non-execution of new sluice during execution of work was because, the CCE approved estimate was not based on workable design and drawings.
- The construction of new sluice was planned for execution in order to fill the gap between both the embankments by which flood water would not be allowed to pass through the gap to the villages and cultivable land. Since, the construction of new sluice was not executed, the gap remained the same. As such, there was every possibility of passing the flood water through the gap to the villages and cultivable land.

Thus, the objective of flood protection to the ayacut of seven villages remained unachieved, rendering expenditure of ₹17.40 crore unfruitful including irregular expenditure of ₹1.91 crore on widening of the embankment.

Government stated (September 2021) that as the drainage sluice was constructed 30 years back and the structure was found completely damaged it was not technically appropriate for construction of the sluice basing on fresh hydraulic data another drawing has been approved and the work of the sluice would be taken up at the earliest. Reply itself is indicative of deficient planning as these factors i.e. age of the drainage sluice, fresh hydraulic data etc. were not considered while preparation of estimates and sanction of ₹1.91

[27] Sill level refers to the bottom of canal sluice(s) and represents the level up to which water stored can be emptied by flow through gravity. The storage above sill level is called live storage and of that below is called dead storage.

crore for construction of sluice. This inappropriate planning resulted in un-necessary expenditure on widening of embankment.

3.2 Inadmissible price escalation payment to contractors

The Honorable High Court of Odisha quashed the price variation/escalation orders for payment/adjustment of escalation charge on materials, labour and POL. In violation to the above orders, two Executive Engineers paid ₹90.12 crore towards price escalation

Government of Odisha (GoO) issues orders for price adjustment from time to time which form a part of Codal/Contractual Provisions in the contract to compensate the contractors during price escalation or a rebate to the Government during increase/ decrease in prices of various inputs such as rates of minimum wages, materials, Petrol, Oil, lubricants (POL) *etc.*

The Works Department, Government of Odisha, issued a circular in April 2007 for payment/recovery on account of price variations of cement, steel, and bitumen component to works contracts which inter-alia provided that recovery in case of decrease in price shall be made by the concerned Executive engineer (EE) from the contractor, immediately and prior approval of Government and approval of Engineer-in-Chief/ Chief Engineer should be obtained for payments above ₹50,000 and payments below ₹50,000 respectively.

All Odisha contractors' association appealed in the Honorable High Court of Odisha against the above price variation circular. The honorable High Court quashed (July 2012) the circular of April 2007 on the ground that it was discriminatory and unreasonable in the matter of granting differential price to the contractors/ executing agencies on account of price hike in steel, cement, bitumen, labour and POL. It was also held that as a result of this price variation circular, the contractors sustained a loss in the course of execution of work. Thereafter, the GoO issued another Office Memorandum (OM) in December 2012 on similar lines for payment/ recovery of differential cost on account of price variation with instructions to incorporate such clauses in the Detailed Tender Call Notice (DTCN)/ conditions of contract.

The OM of December 2012 was challenged (September 2016) in the Honorable High Court. The Honorable High Court in its verdict in May 2018, quashed the OM of December 2012 also, stating that this was only an amendment to the earlier circular of April 2007, which had already been quashed. The Honorable High Court also directed to issue a fresh circular with instructions to incorporate that any deduction made from the bills of the contractors or any payments made to the contractors in pursuance of the OM issued in December 2012 shall be refunded/ adjusted by the Department or contractors, as the case may be. Accordingly, the Works Department issued a fresh OM in November 2019.

The EEs of Mega lift Project Division awarded 48 Mega Lift Projects under four clusters at ₹1,631.65 crore during the period from December 2015 to December 2016 for completion between June 2018 and June 2019. The works were in progress and the contractors had been paid ₹1,431.88 crore till January 2020. The tenders of the above works were scrutinised in Audit. It was noticed that out of the above four clusters, the Mega Lift Projects of two clusters were awarded in December 2016 i.e. after the OM of December 2012

was challenged in the Honorable High Court in September 2016. Despite that being under challenge, the price variation clauses were included in the tenders/agreements by the Department.

Audit scrutiny revealed that a sum of ₹90.12 crore had been paid to the contractors towards price variation on the basis of OM of December 2012. Since all the works were executed prior to issue of fresh OM of November 2019, payment of ₹90.12 crore towards escalation as per OM of December 2012 which had been quashed by the Honorable High Court in May 2018 was in contravention of the Court orders and needed recovery.

Government stated (August 2021) in reply that the Department had paid price escalation as per condition of contract before pronouncement of verdict of Honorable High Court on 7 May 2018. Reply of the Government is not based on facts as out of the sum of ₹ 90.12 crore paid to contractors, ₹ 13.37 crore was paid towards price variation before May 2018 while the OM of December 2012 was under challenge and ₹ 76.75 crore was paid after the Honorable High Court judgement (May 2018) in violation of the Honorable High Court order. However, Audit noticed that Government issued an OM on 19.11.2019 for incorporating price adjustment claims in DTCN/ Agreement from the date of issue of this OM, which was further amended on 07.06.2021 to give effect retrospectively for the period from 07.07.2012 to 18.11.2019, which is in contravention of the Court orders of May 2018.

3.3 Undue benefit to a Corporation

Excess payment of ₹18.57 crore to the Corporation due to provision of supervision charges at the rate of 15 *per cent* against the permissible rate of 10 *per cent*.

The Works Department, Government of Odisha issued (September 2012 and May 2016) the working procedure which *inter alia* stipulated that for execution of works through Public Sector Undertakings (PSU), the estimates should be prepared by the PSU for all Government projects on the basis of prevailing Schedule of Rates (SoR) of Public Works Department (PWD). Finance Department, Government of Odisha also instructed (February 2011) to limit supervision charges to 10 *per cent* in respect of State Government works allotted to the PSU.

The Managing Director of Odisha Construction Corporation Limited (OCCL), a State PSU, technically sanctioned (February 2016) an estimate for ₹256.94 crore for the work of "Removal of shoals in the upstream of Mahanadi Barrage". The work was allotted (July 2016) to OCCL at ₹298.44 crore with execution of provisional MoU including 15 *per cent* supervision charges (₹38.93 crore) and contingency charges (one *per cent*) of ₹2.57 crore. The stipulated date of completion was January 2019. Consequent upon implementation of GST from July 2017 on all works contract, the Works Department revised the SoR by which the original estimate was revised to ₹235.75 crore. OCCL revised the estimate for ₹323.12 crore which included GST for ₹42.86 crore, supervision charges of ₹42.15 crore at 15 *per cent* and contingency charges of ₹2.36 crore. The work was in progress with up to date expenditure of ₹271.31 crore as of November 2020.

Scrutiny in Audit revealed that contrary to the Finance Department order, the department allowed 15 *per cent* supervision charges of ₹42.15 crore on the

value of the above work against the admissible rate of 10 *per cent* (₹23.58 crore) which led to excess payment liability of ₹18.57 crore. Of the above, an amount of ₹4.28 crore had already been passed on to the corporation as noticed from the utilisation certificate of the corporation.

On this being pointed out by Audit (September 2020), the Government accepted the fact and stated (October 2020), that the extra payment made to the corporation would be adjusted at the time of payment of subsequent bills.

3.4 Unfruitful expenditure

Execution of improvement of river embankment work without ensuring availability of land resulted in abandonment of work midway with unfruitful expenditure of ₹ 9.87 crore.

Para 3.7.4 of OPWD Code stipulates that no work should be commenced on land which has not been duly made over by a responsible Officer. Further, for sanction of projects under National Bank for Agriculture and Rural Development (NABARD) Assistance, the department should submit a Detail Project Report (DPR) after a detailed survey in respect of the project.

Since there was no embankment for a length of 8.50 kms on Mahanadi Left, from Baliput to Odasingha, the flood water rushes immediately to nearby villages and agricultural lands during almost all the floods. To protect those villages from the ordeal of flood in Mahanadi Basin, NABARD had sanctioned loan assistance for this work. Accordingly, the Chief Engineer, Flood Control & Basin Manager, Lower Mahanadi Basin, technically sanctioned (July 2015) the estimate for the work of "Improvement to Mahanadi Left embankment from Baliput to Odasingha including protection to scoured bank" for ₹ 20.28 crore. The work was awarded (November 2016) for ₹17.07 crore with stipulated date of completion as November 2018.

While preparing the estimate the Divisional Officer had certified that Government land was available for execution of the work and no land acquisition was required. Scrutiny of records, however, revealed that the contractor could not execute the work from RD 3626m to 5490m and from 7270m to 8100m due to non-availability of Government land. Besides, the private land owners were also opposing the construction of embankment in their own land. Therefore, the State Government, decided (February 2019) to close the contract after execution of work valuing of ₹9.87 crore leaving a length of 2.69 Kms unexecuted.

Since the EE did not ensure the availability of land by proper survey and failed to assess the area of private land to be acquired during preparation of DPR, the work was abandoned midway and the flood protection to the nearby villages could not be ensured despite expenditure of ₹9.87 crore. Thus, the above expenditure remained unfruitful.

On this being pointed out by Audit, Government stated (July 2021) that during course of work, Forest and Environment Department took up Eco-Tourism

Retreat Project at Baliput for which demand of land in the area drastically changed and people started demanding compensation for land for embankment work, thereby non-cooperating and not sparing their land.

The reply is not acceptable as the Divisional Officer provided false certification prior to construction of embankment that no private land was required to be acquired for this project, the Government did not initiate any step for acquisition process. But during execution when the project was executed on the private land, the land owners opposed the project, which led to abandonment of the said project rendering the expenditure incurred unfruitful. As such, the responsibility may be fixed against the errant officials, as deemed fit, for this falsification.

3.5 Inflated estimate led to undue benefit to the contractors

Adoption of higher capacity of crane of 80 tons instead of the actual requirement of 35 tons capacity crane for lifting of armory stone boulders inflated the estimated cost of 10 works resulting in undue benefit to the contractors of ₹7.72 crore

Para 3.4.10 of Odisha Public Works Department (OPWD) Code stipulates that the estimate should be prepared on most economical manner and also on the basis of Schedule of Rates (SoR) and Analysis of Rates (AoR). In case the item rate was not available in SoR/AoR, the Divisional Officers should ensure that the estimates were prepared using the market rate.

In two[28] Irrigation divisions, the Executive Engineers (EEs) awarded (between December 2016 and July 2018) 10 works for restoration and protection of different banks of rivers for ₹85.16 crore for completion between September 2017 and January 2020. The works were in progress with payment of ₹75.63 crore as of March 2020. The works *inter-alia* provided for transportation and dumping of 3.24 lakh cum of armory stone boulders weighing not less than one MT in rip-raps, spurs and slope protection works. The said item of works was not included in the state SoR.

Audit noticed that the Engineer-in-Chief (EIC) recommended (July 2018) to the Code Provision Committee to adopt hire charges of 35 MT capacity crane for transportation and dumping of armory stone weighing more than 2.5MT. Therefore, for arriving the rate for such item, the divisional officers should have considered hire charges of capacity of crane of 35MT which included cost of POL food charges of driver.

The SoR 2014 provided hire charges of ₹550 per hour for 35-ton capacity crane and ₹825 per hour for 80-ton capacity crane for the work of loading, transportation and dumping of armory stone boulders, which included cost of POL, food charges of driver. Test check of estimates of the works revealed that, for loading/re-handling and for unloading of armory stone weighing not less than one MT, the EEs of all 10 works adopted 80-ton capacity crane with hire charges of ₹825 per hour plus the cost of POL and food charges of drivers, instead of 35-ton crane with hire charges of ₹550 per hour inclusive of

[28] Balasore Irrigation Division and Aul Embankment Division

cost of POL, food allowances of driver. Accordingly, the rate for the item was arrived at in the estimates of these 10 works ranging from ₹1,779.75 per cum to ₹2,405.10 per cum.

Audit worked out the rate for the item of loading, transportation, unloading of armory stone of not less than one MT considering the hire charges of ₹550 per hour for 35 MT crane and the admissible rate ranged from ₹1,566.44 per cum to ₹2,021.13 per cum. Thus, adoption of higher capacity of cranes for loading/unloading of armory stones inflated the estimate of these 10 works by ₹7.72 crore. As of March 2020, the contractors had executed 3.24 lakh cum of armory stone and had been paid in excess of ₹6.99 crore as detailed in the ***Appendix-11*** resulting undue benefits to contractors**.**

The State Government replied (September 2020) that equipment and machineries including various capacities cranes were needed to be used for different locations being site specific requirement as per varying design and ground locations. The reply is not acceptable since EIC had recommended adoption of hire charges of 35MT capacity crane for similar item of work with armory stone boulders weighing even more than 2.5 MT. Besides, the estimates added cost of POL, food charges of driver which had already been included in the rate for hire charges of cranes thereby inflating the estimated rate.

WORKS DEPARTMENT

3.6 Avoidable extra expenditure by laying excess thickness of pavement

Adoption of higher vehicle damage factor than prescribed in Indian Road Congress specifications increased the million standard axle of the road which led to avoidable extra expenditure of ₹ 8.11 crore

Para 3.4.10 of Odisha Public Works Department (OPWD) code stipulates that the estimate should be prepared in most economical manner. Indian Road Congress (IRC-37:2012) specifies the thickness of pavement depending on the strength of sub grade soil, expressed in terms of California Bearing Ratio (CBR)[29] and on the basis of projected number of commercial vehicles which would ply on the road calculated as Million Standard Axles (msa). The thickness of pavement of road is designed to ensure sufficiency of load bearing capacity of the road in accordance with expected traffic. As such, the thickness of the pavement will increase if the msa increases. Calculation of msa depends on Vehicle Damaged Factor (VDF) and the number of Commercial Vehicles per Day (CVPD) plying on the road. Para 4.4.6 of IRC: 37-2012 provided VDF as 1.5 for CVPD from 150 to 1500 for hilly terrain and from 0-150 for plain terrain.

[29] The CBR test is a penetration test used to evaluate the subgrade strength of roads and pavements. The results of these tests are used with the curves to determine the thickness of pavement and its component layers. This is the most widely used method for the design of flexible pavement

The Chief Engineer (DPI & Roads) sanctioned estimates of three road projects[30] for ₹44.07 crore and awarded such works through tender to three contractors for ₹38.38 crore during January 2018 and January 2019 with stipulation to complete between January 2019 and November 2019. All the works were in progress and ₹29.28 crore had been paid to the contractors as of March 2020. The msa considered for all these road projects was two and CBR ranged from six to seven.

On scrutiny of the pavement design calculation it was observed that out of these three roads, one was passing through hilly terrain and the other two roads were in plain terrain. The traffic survey which was conducted during December 2015 and July 2017 revealed that the CVPD of the road passing in hilly terrain was 204 and the CVPD of other two roads passing in plain terrain ranged between 89 and 115. As per IRC: 37-2012, the VDF of all these projects should have been taken as 1.5. But, the Executive Engineer (EE) of concerned road projects adopted VDF as 3.5. Due to adoption of higher VDF, the msa of such roads was taken as two against the actual msa of one. Accordingly, the EEs designed the pavement of all three roads with excess thickness of 60 mm to 205 mm for which 0.21 lakh cubic meters of unwarranted excess pavement layers such as Granular Sub-base, Wet Mix Macadam, Bituminous Macadam and Semi Dense Bituminous Concrete was laid on the road surface. This resulted in an avoidable extra expenditure of ₹8.11 crore as detailed in the ***Appendix-12*** enclosed**.**

On this being pointed out in audit, Government stated (August 2020) that the road from Sankarakhola–Kainjhar–Paburia-Mandakia runs partially through plain and partially through rolling terrains and accordingly msa was arrived at. In respect of other two road works, it was stated that those roads were important roads connecting National Highways and msa of these roads were considered as two. The reply is not acceptable since the EE had shown the road as hilly terrain in the checklist of the estimate after detailed survey and investigation. Besides no supporting documents such as asset management data showing the road history that the road runs through plain terrain/rolling terrain were furnished. Besides, the msa was arrived at keeping in view of the traffic growth projected for the next 15 years considering CVPD. So there was no need for adoption of higher VDF and incurring avoidable expenditure of ₹8.11 crore which was extra burden to the government exchequer.

3.7 Wasteful expenditure

Identification of site for construction of a Toll Plaza contrary to the guidelines of National Highways led to wasteful expenditure of ₹2.98 crore with recurring loss of ₹0.99 crore towards Annual Potential collection

Para 8 (1) of the National Highways (NH) Fee (Determination of Rates and collection) Rules 2008 prescribed that a toll/fee plaza may be established beyond a distance of 10 kilometers from the Municipal or Local town area

[30] (i) Widening and strengthening (W/s) of Sankarakhola- Kainjhar-Papunia-Mandakia road from 20/000 to 29/700 km, (ii) W/s of Lad-Phasimal-Seadpathar road from RD.0/0 to 19 km, and (iii) Improvement to Jhinkira-Bentakar-Chanduli Road from 0/0 to 15/820 km

limits except for any recorded reasons by the executing agency. But in no case, the toll/fee plaza shall be established within five kilometers of such municipal or local town area limits. Provided further that where a section of the National highway, permanent bridge, bypass or tunnel, as the case may be, is constructed within the municipal or town area limits or within five kilometers from such limits, primarily for use of the residents of such municipal or town area, the toll plaza may be established within the municipal or town area limits or within a distance of five kilometers from such limits.

The NH works in the State of Odisha are being executed by the State Government (Chief Engineer, NH) with the approval of Government of India (GoI), Ministry of Road Transport and Highways (MoRT&H). The estimates for the works were prepared based on the State Schedule of Rates and also considering MoRT&H Data Book. The payments for such works are made by GoI after checks exercised by the State Authority.

For the work of widening of existing Single Lane/Double Lane with paved shoulder from RD.256.880 to RD.296.515 km of NH-59 (erstwhile road from km 400 to 439.635 km of NH 217 from Pipalpanka to Mundamarei in Ganjam district), Superintendent Engineer (SE) MoRT&H had sanctioned (March 2014) the estimate for ₹132.47 crore. The estimate *inter-alia* provided for construction of a toll plaza (RD. 272/600 km) on the road at a cost of ₹3.27 crore. While submitting the details regarding Toll Plaza infrastructure, the Project Director calculated Annual Potential Collection (APC) on the basis of Traffic Data as ₹99.10 lakh per year.



The work was awarded (September 2014) for ₹120.55 crore with stipulated date of completion as April 2016.The work was actually completed in all respects in August 2018 but the toll plaza had been completed in September 2017. The contractor was paid ₹123.30 crore which included ₹2.98 crore towards construction of the toll plaza.

Test check of records produced to Audit revealed that CE (NH), Government of Odisha identified the site for toll plaza and constructed at RD. 272/600 km of the road *i.e.* only 2.5 km from the Sorada Notified Area Council (Urban area) which deviated the guidelines of NH. As the toll Plaza was within the vicinity of Urban area, no fee could be collected so far (March 2020) by MoRT&H. CE, NH, Odisha intimated (August 2018) the matter to the CE, MoRT&H requesting for relocation of the toll plaza but no action has been taken so far.

Thus, even after the CE, NH, Odisha identified the site for construction of Toll Plaza and recommended the site to MoRT&H without adhering the aforesaid Rule, the very purpose of construction of toll plaza to collect fee was defeated rendering the entire expenditure of ₹2.98 crore wasteful. Besides, there was also a loss of ₹2.89 crore towards APC from September 2018 to July 2021 at the rate of ₹99.10 lakh per year as estimated by the Project Director.

On this being pointed out in audit, the State Government accepting the factual position stated (July 2021) that the site was selected for construction of toll plaza on the available land. The restriction of 5 km or 10 km from urban local body was raised by MoRT&H after completion of the toll gate. Hence a proposal for relocation of the toll plaza at km 283.400 was submitted to MoRT&H in February 2018 which is beyond 10 km distance from nearby town. However, Government land was not available for construction of the toll plaza and land acquisition would be required at the said location. The reply was not acceptable since the CE, NH, PWD, Odisha identified the site for toll plaza contrary to the provisions of NH Fee (Determination of Rates and collection) Rules, 2008 which entailed infructuous expenditure of ₹2.98 crores on unused toll plaza besides foregoing annual toll collection of ₹99 lakh every year.

3.8 Utilisation of GSB material instead of slag in the sub-base led to extra expenditure

Utilisation of high cost sub-base materials despite availability of low cost slag in the construction of road pavement led to extra expenditure of ₹2.12 crore.

Para 3.4.10 of OPWD code stipulates that the estimate should be prepared in most economic manner. Para 7.2.1.1 of IRC:37-2012 specifies that the sub-base materials may consist of natural sand, moorum, gravel, laterite, kankar, brick metal, and crushed stone, crushed slag and reclaimed crushed concrete/reclaimed asphalt pavement or combinations thereof meeting the prescribed grading and physical requirements.

The Executive Engineer, Rourkela (R&B) division awarded works of three road projects[31] between December 2016 and February 2019 for ₹20 crore with stipulation to complete the said works during September 2017 and February 2020. The works were in progress and the contractors had been paid for ₹11.76 crore as of March 2020. Of the total amount paid, the payment towards sub-base of all the roads comprised ₹3.79 crore by utilising 19,376 cum of Granular Sub-Base (GSB) materials.

On scrutiny of the estimate, analysis of rate and Running Account (RA) bills of such three works revealed that the estimates were prepared by considering GSB material (stone products) at a lead ranging from 15 to 107 km for which payment was made at the rate ranging between ₹1,404.35 and ₹2,229.09 per cum.

Slag is the glass-like by-product left over after a desired metal has been separated from its raw ore. It was previously observed in audit that slag was available free of cost at Rourkela Steel Plant site and Executive Engineer, Rourkela (R&B) division utilised such slag in execution of similar works earlier by including the slag in the estimate. The lead distance for slag was

[31] (i) Improvement to Khutgaon-Phuljhar-Keonjhar Boarder Road, (ii) Four lane of SH-10 to end of Vedvyas (ODR) from RD.0/0 to 2 km under ULB and (iii) Improvement to road from SH-10A to Deogaonchowk from 0/0 to 1/600 km

taken ranging from five to 96 km. In analysis of item rate of sub-base using slag, the proportion of slag was 90 *per cent* and quarry dust was 10 *per cent*. Considering the above ratio, the cost of sub-base using slag would have ranged between ₹296.20 and ₹1,167.84 per cum.

Despite availability and economical costs of slag, the EE did not consider slag for sub-base in the estimates and instead opted for GSB material (stone product), deviating from the OPWD code and IRC-37. This resulted in extra expenditure of ₹2.12 crore as detailed in the ***Appendix-13*** enclosed**.**

On this being pointed out in audit, the Department stated (July 2021) that in 2012 the Division had provided slag in construction of five roads on experimental basis. NIT, Rourkela was requested to determine the usability of the slag in sub-base in construction of road. As the report of NIT, Rourkela was not received at the time of preparation of estimates of these three works, use of slag as sub-base was not considered. It was further stated that the required grading of slag was also not available. Accordingly, the slag is now being included in road construction works.

The reply of the Department is not acceptable since no feasibility check was required because as per IRC-37, slag was an accepted material for sub-base of the road, which was cheaper compared to the stone products. Also, the NIT Rourkela has since confirmed the suitability of slag in construction of roads. Thus, non-utilisation of slag ignoring provisions of IRC-37 led to an extra expenditure of ₹2.12 crore.

3.9 Failure of internal control mechanism led to non-recovery of advance

Laxity in monitoring recovery of mobilization advance paid to the contractor led to unsettled advance of ₹2.16 crore including interest.

Para 3.7.21(c) of OPWD code stipulates that the advance to the contractors was to be sanctioned only in exceptional cases when such advances seem indispensable. Necessary precautions are to be taken for securing the Government against loss.

Engineering Procurement Construction (EPC) contract condition 19.2.1 stipulates that the Authority shall make an advance payment to the contractor for a sum equal to an amount of 10 *per cent* of the contract price for mobilization and for acquisition of equipment. Advance payment would be made to the contractor on receipt of an unconditional guarantee from a Nationalised Bank, counter guaranteed by its branch at Bhubaneswar for an amount equivalent to 110 *per cent* of such instalment. Each instalment of advance payment should be repaid by the contractor to the Authority not later than 365 days. In case of failure of the contractor to repay the amount, the Authority may encash the Bank Guarantee (BG) and the contractor shall pay interest to the Authority for each day of delay, such interest to be calculated at the rate of 18 *per cent*[32] per annum.

[32] 10 *per cent* for the first year

Executive Engineer (EE), Roads and Building Division, Jharsuguda awarded (March 2014) the work of construction of High Level Bridge (HLB) over River IB, along with short approaches of 500 meters each on both sides of the bridge, to a contractor on EPC contract for ₹ 117.49 crore with stipulated date of completion as September 2016. The objective of HLB was for establishment of a new link between the MCL Coal field area adjacent to Belpahar in the Jharsuguda district with SH-10 near Rengali to Sambalpur district. The work was completed on 20 December 2017 and the contractor had been paid ₹118.11 crore (March 2019). But the final bill was yet to be paid (December 2020).

It was noticed in audit that the Executive Engineer had sanctioned and paid an advance of ₹8.22 crore in four instalments between June 2014 and June 2015 to the contractor for mobilising the equipment. The principal along with interest up to January 2021 amount to ₹11.21 crore was to be recovered from the contractor. Of the total advance paid and interest accrued, though the EE effected recovery of ₹9.05 crore, the balance advance alongwith the interest for delay in recovery amounting to ₹2.16 crore had not been recovered from the corresponding Running Account (RA) bills. Details of advance amount paid to the contractor, recoveries effected with interest and balance due to be recovered (October 2020) are given in the Table below

Table 3.1: Details of advance paid, recovery effected and balance due

Sl. No	Instalment	date of sanction	Amount sanctioned	No of days delayed for recovery	Interest due at 10 *percent* for first year and 18 *per cent* thereafter up to January 2021	Total due for recovery	Amount recovered	Balance to be recovered
1	1st	18/6/2014	2,34,98,000	344	22,14,606	2,57,12,606	2,57,12,606	0
2	2nd	30/9/2014	1,17,49,000	365+274	60,21,926	4,12,68,926	4,12,68,926	0
3	3rd	14/4/2015	2,34,98,000	365+78				
4	4th	17/6/2015	2,34,98,000	365+1,659 +16	2,15,74,383 +35,890	4,50,72,383 +35,890	1,89,49,422 45,48,578	2,61,22,961 (-)45,12,688
Total			**8,22,43,000**		**2,98,46,805**	**11,20,89,805**	**9,04,79,532**	**2,16,10,273**

(Source: Compiled by Audit from the records of audited entity)

Audit observed the following internal control failures leading to non-recovery of dues:

- In violation to codal provisions of OPWD, EE did not watch the contractors' ledger for the advances made and recoveries to be effected before payment of Running Account bills to the contractor. As such, the EE sanctioned payment of RA bills for the work done, without deducting the advance paid to the contractor.

- The Divisional Accounts Officer also failed to suggest the EE for deduction of advance prior to passing the RA bills.

- EE refunded (November 2017) the security deposit even before completion of the work and recovery of the mobilisation advance made to the contractor (December 2017).

- The Divisional officer failed to maintain and update the BG register to check renewals and expiry of validity of BGs. As such, the Divisional Officer could not encash the BG towards adjustment of advance paid to the contractors, and
- Contrary to the conditions of agreement, the EE did not ensure that the BG was counter guaranteed by its branch at Bhubaneswar.

As articulated above, the inaction on the part of the EE caused a pecuniary loss to the exchequer to the extent of ₹2.16 crore. Therefore, action should be initiated against the errant official(s) for dereliction in performance of their duties causing pecuniary loss and steps may be taken to recover balance principal and interest from the contractor.

On this being pointed out, Government stated (August 2021) that the mobilization advance paid to the EPC contractor remained un-recovered due to inadvertent calculation mistake and action is being taken to recover interest from the EPC agency.

FINANCE DEPARTMENT

3.10 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its stewardship role seriously.

Principal Accountant General (Audit-II), Odisha conducts periodical inspection of Government departments and their field offices to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) sent to the Heads of offices and the next higher authorities. Defects and omissions are expected to be attended promptly and compliance reported to the Principal Accountant General. A half-yearly Report of pending IRs is sent to the Secretary of each department to facilitate monitoring of the audit observations and their compliance by the departments. Apart from the above standing mechanism, Audit Committee Meetings, consisting of representatives of administrative departments, the office of the Principal Accountant General (Audit-II) and representative from Finance Department are also held for settlement of outstanding IRs and paragraphs after detailed deliberation and verification of records.

A review of IRs issued up to March 2020 pertaining to 12 departments showed that 12,530 paragraphs relating to 3,473 IRs were outstanding at the end of June 2020. Of these, 1,328 IRs containing 3,050 paragraphs are outstanding for more than 10 years (***Appendix-14***). Even first replies from the Heads of Offices, which was to be furnished within one month, have not been received in respect of 1,222 IRs issued up to March 2020 though it was pursued through Apex Committee meetings and the Departmental monitoring committee meetings. Year-wise position of the outstanding IRs and paragraphs is detailed in ***Appendix-15.***

Serious irregularities commented upon in these IRs have not been settled as of June 2020 (***Appendix-16***). Number of paragraphs and amount involved in these irregularities is categorised in Table below:

Table - 3.2: Category of irregularities, number of paragraphs and amount

(₹ in crore)

Sl. No.	*Category of irregularities*	*Number of paragraphs*	*Amount*
1	Non-compliance with rules and regulations	136	1237.72
2	Audit against propriety/expenditure without justification	29	114.89
3	Persistent/pervasive irregularities	11	250.43
4	Failure of oversight/governance	4	7
	Total	**180**	**1610.04**

Audit has objected to recurring issues year on year and conveyed through Audit Reports of the Comptroller and Auditor General of India for initiating remedial measures to prevent its recurrence. Audit observed that in spite of assurance provided by the State Government for remedial measures, the irregularities persist. Few of such persistent irregularities are detailed in ***Appendix-17***.