

## **CHAPTER –III**

### **INTERNAL CONTROL IN A GOVERNMENT DEPARTMENT**

#### **WATER RESOURCES DEPARTMENT**

### **3 Internal Control in Water Resources Department**

#### **Highlights**

Internal control is an integral component of an organization's management processes, which are established in order to provide reasonable assurance that its operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve organizational objectives. The Government of India has prescribed comprehensive instructions for maintenance of internal control in Government departments through Rule 64 of the General Financial Rules 2005. A review of internal controls in the Water Resources Department has revealed the following:

**Due to deficiencies in expenditure control, there was excess expenditure of Rs 7.78 crore over the allotments issued by the Engineer-in-Chief.**

*(Paragraph 3.5.3)*

**Due to non-compliance with State Treasury Rules, lapsed deposits worth Rs 24.90 lakh were not credited to Government account.**

*(Paragraph 3.6)*

**Due to deficiencies in assessing requirements while framing estimates, there was excess expenditure of Rs 1.91 crore.**

*(Paragraph 3.7.7)*

**Due to deficiencies in enforcing terms of agreement, additional security deposit and royalty were not deducted resulting in undue aid to contractors.**

*(Paragraph 3.7.9 and 3.7.10)*

**There was non-compliance with provisions relating to quality control tests in works amounting to Rs 1.43 crore.**

*(Paragraph 3.8.2)*

#### **3.1 Introduction**

Internal controls in an organisation are meant to give reasonable assurance that its operations are carried out according to the prescribed rules and regulations and in an economical, efficient and effective manner.

The Water Resources Department (WRD) is responsible for managing the water resources of the State, primarily through the creation and maintenance of major, medium and minor irrigation projects. The department has six major projects, 32 medium projects and 2,242 minor projects in Chhattisgarh. Of

these, five major, seven medium and 471 minor projects have been completed and the remaining are under progress. The department has also identified (June 2005) 595 locations for construction of anicuts<sup>1</sup> across various rivers for the purpose of ground water recharging and assistance in agriculture. As of March 2009, 61 anicuts worth Rs 74.89 crore have been constructed and the work of another 153 anicuts worth Rs 387 crore is under progress.

The department maintains the headworks<sup>2</sup> and also undertakes major maintenance of canals. The minor and routine repairs of canals are done by Water Users Associations<sup>3</sup>.

### **3.2 Organisational Setup**

The department is headed by a Principal Secretary/Secretary to the Government of Chhattisgarh. The Engineer-in-Chief (E-in-C) is the head of the department and is assisted by four Chief Engineers (CEs). There are 11 circles headed by Superintending Engineers (SE) who supervise 62 divisions headed by Executive Engineers (EE). A chart of the organisational structure of the department is given in *Appendix-3.1*.

### **3.3 Audit Objectives**

The review of internal controls has been conducted to test compliance with the Chhattisgarh Financial Rules, the Works Department Manual (WD Manual), the State Treasury Code and the Central Public Works Accounts Code (CPWA Code) for accounting functions. The arrangements for monitoring, evaluation and internal audit have also been examined.

### **3.4 Audit Coverage and Methodology**

The office of the E-in-C and two<sup>4</sup> out of four CEs were selected. Under each of the two selected CE's offices, one SE's office each<sup>5</sup> was selected. The office of the SE, (Electrical/Mechanical), Raipur was also selected. Under each of the two selected SE's offices, 50 *per cent* of the divisions i.e. three divisions each<sup>6</sup> were selected. The sample was discussed with the Secretary, WRD and other officers of the department during the entry conference on 13 March 2009 and mutually agreed upon. On the Secretary's suggestion, one ground water survey division<sup>7</sup> was also selected. The selection was made by Simple Random Sampling Without Replacement (SRSWOR). The selected units were reviewed for the period from 2006-07 to 2008-09. The methodology used was scrutiny of records and files of the selected divisions/

---

<sup>1</sup> Barriers across a river to enable storage of water for dry season.

<sup>2</sup> Works undertaken at the site of storage of water such as reservoirs, dams, anicuts etc.

<sup>3</sup> Associations of farmers, responsible for equitable distribution of water and collection of water rates.

<sup>4</sup> CEs, Minimata Bango Project, Bilaspur and Mahanadi Reservoir Project, Raipur.

<sup>5</sup> SE's, Indravati Project Circle, Jagdalpur and Minimata Dam Circle, Kharsia.

<sup>6</sup> Minimata Bango (MMB), Canal Division No 4, Dabhara, Tribal Development Pilot Project (TDPP), Jagdalpur, Water Resources Division, Kanker, Minimata Bango, Canal Division No. 5, Kharsia, Water Resources Division, Kondagaon and Minimata Bango, Canal Division No. 6, Sakti.

<sup>7</sup> Senior Geohydrologist, Ground Water Survey Division No. 9, Bilaspur.

offices. The objectives and scope of the review were explained to the Secretary during the entry conference. The exit conference for the review was held on 26 August 2009 with the Secretary, during which all the findings were discussed.

## Audit Findings

### 3.5 Compliance with financial rules and Works Department Manual relating to budgetary and expenditure control

#### 3.5.1 Persistent savings in expenditure

The budget provisions of the department are available under six grants<sup>8</sup>. The details of budget provisions, allotments and expenditure during the period 2006-07 to 2008-09 are given below:

**Table-3.1: Year-wise budget provision, expenditure and savings**

<i>(Rupees in crore)</i>			
Year	Budget provision	Expenditure	Savings (percentage)
2006-07	914.43	759.21	155.22 (16.97)
2007-08	965.33	861.83	103.50 (10.72)
2008-09	1090.34	1008.11	82.23 (7.54)
<b>Total</b>	<b>2970.10</b>	<b>2629.15</b>	<b>340.95</b>

*(Source: Appropriation Accounts)*

It was observed that the savings were high at around 17 per cent in 2006-07 but showed a decreasing trend subsequently. The E-in-C attributed (March and September 2009) the savings to delays in obtaining administrative approval for new projects/schemes, local problems/issues that arose from time to time, incomplete construction work due to the rainy season and the imposition of the model code of conduct during the general elections of 2008.

The Government stated during the exit conference that the general instructions in the budget manual may not be adequate at all times in view of the special nature and functions of the department and decided that some department specific guidelines would be drawn up regarding framing of the budget and supplementary estimates, taking into consideration the feasibility of the projects, realistic projection of works, time assigned for execution, status of ongoing works etc.

#### 3.5.2 Surrender of funds after the prescribed dates

According to Clause 4.155 of the Manual, surrender of funds to the Government should ordinarily be made by 15 February and in any case upto 15 March. For surrenders beyond the prescribed date, an explanation had to be given by the concerned offices as to why they could not be foreseen earlier.

The E-in-C surrendered unutilised funds worth Rs 118.54 crore after 15 March during the period 2006-07 to 2008-09 as shown in **Appendix-3.2**. The letters proposing surrenders sent by the E-in-C to the Government did not contain

<sup>8</sup> 23 (WRD), 41 (Tribal Area Sub-Plan i.e. TSP), 45 (Minor Irrigation Works), 57 (Externally Aided Projects pertaining to WRD), 64 (Special Component Plan for Scheduled Castes) and 75 (NABARD Aided Project pertaining to WRD).

any explanation as to why the surrenders were not foreseen prior to the prescribed date. Thus, timely surrenders were not made as envisaged in the Manual which limited the scope of the Government to provide the surrendered funds to other departments. During the exit conference, the Government agreed to issue directions for recording justifications for surrenders made after 15 March for the concerned financial year.

### 3.5.3 Excess expenditure over allotment

After the budgetary provisions are approved through the Appropriation Bill, the E-in-C allots funds, head-wise, to the CEs, who in turn allot them to the divisions. The expenditure is to be monitored regularly to ensure that there is no excess over the allotments.

Lack of control resulted in excess expenditure of Rs 7.78 crore over allotment

It was observed that in respect of three grants, there was excess expenditure over allotments, amounting to Rs 7.78 crore, as shown in **Appendix-3.3**. The excesses indicated shortcomings in the monitoring and control of expenditure. During the exit conference, the Government took serious note of such cases and decided to review all the cases and to call for explanation from the concerned officials.

### 3.5.4 Non-receipt of security deposit for custody of cash

Rule 282 of the Chhattisgarh Financial Code provides that every cashier, storekeeper and other subordinate, who is entrusted with the custody of cash, stores or other valuables, is required to deposit security except in exceptional cases as specified by Government.

Scrutiny of records in the test-checked units revealed that out of the 51 officials handling cash/stores, none had made any security deposits except for two officials, one under SE, Electrical and Mechanical Circle, Raipur (SE, E/M Circle, Raipur) and one under SE, Indravati Project Circle, Jagdalpur as detailed in **Appendix-3.4**.

During the exit conference, the Government directed that security deposits should be recovered from all the cashiers as per the rule.

## 3.6 Compliance with State Treasury Rules

### Lapsed deposits not credited to the Government Account

According to Para 562 of the Chhattisgarh Treasury Code, deposits which remain unclaimed for more than three complete accounting years, should be credited to Government revenue under 'Lapsed Deposits'.

Lapsed deposits not credited to the Government account

During scrutiny of records of seven divisions, it was observed that in three<sup>9</sup> divisions, a total amount of Rs 24.90 lakh was outstanding (between December 1954 to July 2002) under the deposit head for more than three years. It was, therefore, evident that the divisions were not taking requisite action for crediting the lapsed deposits to the Government account and the amounts were being retained in the public account at the cost of State revenue. In two<sup>10</sup> other divisions, the deposit registers were not produced to Audit although as per the monthly accounts of March 2009, Rs 1.15 crore and

<sup>9</sup> WRD Kanker, MMB Dn. No. 5 Kharsia and TDPP, Division, Jagdalpur.

<sup>10</sup> WRD Kondagaon and MMB Dn. No.6 Sakti.

Rs 13.57 lakh were shown under the deposit head. In the absence of the said registers, the exact amount of lapsed deposits could not be ascertained. MMB, Dn. No.4 Dabhara did not have any case of lapsed deposits while EE, WRD, Kondagaon stated (April 2009) that the register would be furnished after updating but could not furnish it to Audit. During the exit conference, the Government agreed to review all lapsed deposits in the divisions so that the amounts could be credited to revenue.

### **3.7 Internal control activities**

Under the internal control activities, compliance to the Manual, CPWA Code and related instructions dealing with all operational activities of the department were scrutinized. The findings are discussed in the succeeding paragraphs.

#### **Accounting activities**

##### **3.7.1 Amounts outstanding in suspense accounts**

As per para 13.2.1 and 22.4.10 of the CPWA Code, the divisions were required to maintain Cash Settlement Suspense Accounts (CSSA) and Material Purchase Settlement Suspense Accounts (MPSSA) with item-wise details. The operation of these suspense heads were dispensed w.e.f. 1983 and 1984 respectively but old outstanding balances were required to be reconciled and cleared.

The balances under MPSSA represented amounts which were payable for materials procured on credit from other divisions. The balances under CSSA represented amounts receivable from other divisions for materials supplied on credit. These heads were operated to ensure inter-divisional adjustments and served as a control against loss/pilferage of stock.

Three<sup>11</sup> of the test-checked divisions had old balances of Rs 52.85 lakh under MPSSA and Rs 25.70 lakh under CSSA. It was observed that the divisions did not have any item-wise break-up of these balances which were outstanding for periods from 1969-70 to 1999-2000. In the absence of the item-wise break-ups, it would be difficult to clear these balances and the problem would get further compounded with the passage of time. During the exit conference, the Government agreed that such old outstanding balances which were pending in many divisions should be settled once and for all.

**Long pending balances under suspense heads not cleared**

##### **3.7.2 Miscellaneous Public Works Advances**

According to Para 13.4.1 of the CPWA Code, (i) sale on credit (ii) expenditure incurred on deposit works in excess of deposits received (iii) losses, retrenchments, errors, etc. and (iv) other items are recorded under the head 'Miscellaneous Public Works Advance' (MPWA).

The items under this head are cleared either by cash recovery or by transfer to some other head of account. A sum of Rs 7.58 crore was outstanding under MPWA in the test-checked divisions from March 1954 as shown at

**Huge outstanding balances under MPWA**

<sup>11</sup> MPSSA: WRD, Kanker and MMB Dn. No. 6 Sakti; CSSA: TDPP, Jagdalpur and WRD Kanker. Other four test-checked divisions did not have any outstanding balances.

**Appendix-3.5(i).** Detailed scrutiny of the pending amount of Rs 5.47 crore in three divisions showed that Rs 68.58 lakh was pending against departmental officials and Rs 4.79 crore was pending against contractors as detailed in **Appendix-3.5 (ii).**

EE, MMB Canal Dn. No-6 Sakti replied (May 2009) that action was being taken to adjust the amounts. EE, WRD, Kondagaon replied (April 2009) that the amount under MPWA would be adjusted after receiving explanations from the concerned officials and EE, WRD, Kanker replied (April 2009) that the amount would be adjusted after receipt of allotment.

Adequate action had not been taken by the three divisions to clear the amounts either by cash recovery or by booking under the proper head. During the exit conference, the Government took a serious view of the items outstanding under MPWA and as a first corrective measure, decided that it would instruct every division to adjust the amounts under MPWA for the last three years.

### **3.7.3 Works Abstract Registers not maintained**

As per Para 10.5.1 of the CPWA Code, an account of all the transactions relating to a work during a month should be prepared by the Divisional Officer in the Works Abstract Register. The register should record the final charges, advances to contractors and other entities and contingent charges to monitor the adjustment of all types of advances made for a particular work.

Scrutiny (April and May 2009) of divisional records revealed that in four<sup>12</sup> divisions, the register was not maintained and there was no assurance that all advances made for execution of works were adjusted. During the exit conference, the Government stated that due to shortage of staff, these registers were not being maintained and agreed to explore the possibility of developing a software for divisional records which would reduce the requirement of maintaining multiple registers.

### **3.7.4 Non-reconciliation of cheques and remittances**

Para 22.3.1 of the CPWA Code provides that each divisional officer should reconcile with the treasury, the encashment of cheques issued and remittances to the bank. A reconciliation statement should, thereafter, be prepared in Form 51. Reconciliation is a critical control which ensures that all receipts have actually been remitted to the Government account and that there is no scope of encashment of cheques by manipulating the amounts after the cheques have been issued by the divisions.

It was observed that out of seven divisions, only two viz. MMB Dn. No.4 Dabhara and MMB, Dn.No.5 Kharsia, prepared the Statements in Form 51 upto March 2009, while the remaining divisions were in arrears ranging between 3 to 51 months. Moreover, there were significant differences between the department's and the Treasury's figures to the tune of Rs 2.37 crore in cheques and Rs 4.47 crore in remittances as detailed in **Appendix-3.6**. During the exit conference, the Government agreed that Form-51 should be kept up to date and stated that preparation of the form would also be included in the proposed computerisation project.

**Non-reconciliation of cheques issued and amounts remitted into treasury**

---

<sup>12</sup> MMB, Dn.No. 4 Dabhara, MMB, Dn.No.5, Kharsia, WRD Kondagaon and MMB Dn. No.6 Sakti.

### 3.7.5 Non-submission of accounts by Water Users Associations

The Chhattisgarh *Sinchai Prabhandhan me Krishakon ki Bhagidari Adhiniyam* 2006 (Act) was notified in May 2006 for adequate maintenance of the irrigation systems, efficient and economical utilisation and equitable distribution of water among users by Water Users Associations (WUAs).

Test check of records of six<sup>13</sup> divisions revealed that WUAs were paid grants of Rs 94.93 lakh during 2006-09 as shown below:

**Table-3.2: Statement showing disbursement to WUAs**

*(Rs in lakh)*

Sl. No.	Name of division	Year			Total
		2006-07	2007-08	2008-09	
1.	WRD, Kanker	2.77	9.54	7.89	20.20
2.	MMB, Dn. No-4 Dabhara	-	18.99	14.50	33.49
3.	MMB, Dn. No-6 Sakti	-	6.37	5.50	11.87
4.	MMB, Dn. No-5 Kharsia	7.00	6.37	5.50	18.87
5.	TDPP, Jagdalpur	1.23	3.77	2.87	7.87
6.	WRD, Kondagaon	-	2.63	-	2.63
	<b>Total</b>	<b>11.00</b>	<b>47.67</b>	<b>36.26</b>	<b>94.93</b>

*(Source: Information supplied by department and compiled by Audit)*

Neither accounts for utilisation of the amounts nor details of maintenance works executed were submitted by the WUAs to the divisions. On this being pointed out, replies were received from five divisions. Two<sup>14</sup> of the divisions confirmed that no accounts or records had been presented by the WUAs. One<sup>15</sup> division stated that the Government had not given any directions for receipt of accounts or records of the associations. The remaining two<sup>16</sup> divisions stated that the accounts would get audited if the expenditure/turnover was more than Rs 10 lakh and that they would take action to get the accounts from the WUAs. It was stated in the exit conference that while the Act said that the WUAs should get their accounts audited, it was silent about submitting the same to the EEs concerned.

The replies and discussions indicate that there is lack of clarity on the records required to be maintained and submitted by the WUAs to the divisions.

### **Execution of work without approval of competent authority**

The department prescribed the delegation of powers for various items of work. In three out of the seven test-checked divisions, it was observed that there were instances where the delegations were not being properly adhered to.

### 3.7.6 Award of multiple piece works without approval from SE

Departmental instructions provide that survey works can be executed through labour contractors on piece work basis. For each piece work, estimates are to be prepared and approved by the competent authority. However, approval of the SE is essential before issuing the work order. One work can be awarded to

<sup>13</sup> The Seventh test-checked division i.e. Ground Water Survey Division No. 9, Bilaspur did not have any WUAs.

<sup>14</sup> MMB, Dn. No. 4 Dabhara and WRD, Kondagaon.

<sup>15</sup> TDPP, Jagdalpur.

<sup>16</sup> WRD, Kanker and MMB, Dn. No.6 Sakti.

Piece works awarded without permission of SE

one contractor at a time and the concerned contractor is eligible for further piece work only after completion of the earlier piece work allotted to them.

Three<sup>17</sup> test-checked divisions entered into 16 piece work agreements amounting to Rs 43.14 lakh. Executive Engineer, WRD, Kondagaon awarded four piece works to the same contractor within the same month i.e. February 2009. EE, WRD, Kanker awarded (February 2009) five piece works to a single contractor within a span of four days and awarded (January and March 2009) another four works to another two contractors within a span of one and a half months. EE, TDPP, Jagdalpur awarded three piece works to a single contractor on the same day. Allotment of multiple orders to the same contractor without ensuring completion of the earlier works allotted to them, was in contravention of the existing instructions. Details are given in **Appendix-3.7**. Moreover, in these cases, while the administrative approval and technical sanctions were obtained from the CE, the requisite prior approvals of the SE before issue of the work orders were not available on record.

This matter was discussed during the exit conference and the department agreed with the audit observation and stated that instructions would be reiterated to all divisions for compliance.

### Shortcomings in assessment and tendering

#### 3.7.7 Incorrect assessment resulted in excess expenditure of Rs 1.91 crore

Scrutiny of records of EE, MMB, Dn.No 6 Sakti revealed that the Government had accepted two item rate tenders for construction of 20 km of cement concrete lining of Sakti Branch Canal from RD<sup>18</sup> 0 to 11000 m and 11000 to 20000 m. Both the estimates involved 13 items including Cohesive Non-Swelling Soil (CNS). Details of the two agreements are given below:

**Table-3.3: Details of agreements**

1.	Agreement No.	9DL/05-06	10DL/05-06
2.	Reach	RD 0 to 11,000 metres	RD 11,000 to 20,000 metres
3.	Total estimated value of work	Rs 1,024.50 lakh	Rs 843.86 lakh
4.	Total estimated value of CNS	Rs 178.28 lakh (17.40 per cent of estimated value)	Rs 206.68 lakh (24.49 per cent of estimated value)
5.	Estimated quantity of CNS	88,987 cum	1,15,455 cum
6.	Estimated rate of CNS	Rs 200.35 per cum	Rs 179.02 per cum
7.	Lowest tender percentage	13.67 per cent below schedule of rates	17.57 per cent below schedule of rates
8.	Estimated rate of CNS reduced by overall tender per cent	Rs 153.91	Rs 170.37
9.	Rate quoted by LI contractor for CNS	Rs 80	Rs 21

(Source: compiled from MMB canal Dn.No.6, Sakti)

<sup>17</sup> TDPP, Jagdalpur, WRD, Kanker and WRD, Kondagaon.

<sup>18</sup> RD : 'Reduced distance' which is a unit for measuring distance in canals.



It was observed that though CNS was projected in both the estimates as one of the main components, it was not executed at all in either of the contracts because the entire construction was through areas of non-expansive soil where CNS layers were not required. It was evident that the projection and assessment of the tenders and agreements on the basis of the price quoted for CNS was incorrect. It can be seen from item nine of the table above that the two contractors quoted very low rates for CNS work, which enabled them to become L1 i.e. the lowest tenderers. If the EE had assessed the requirements correctly and excluded CNS from the estimates, two other contractors who had quoted lesser rates for other components would have become L1 and the works would have been completed at a lower cost. Consequently, Government incurred excess expenditure of Rs 1.91 crore on the two works as detailed in **Appendix-3.8**.

During the exit conference, the Government decided that the non-execution of CNS work against such a large estimated quantity was a serious issue and both the tenders would be re-examined to ascertain whether there was any manipulation in the estimates.

### **Deficiencies in enforcing terms of agreement**

#### **3.7.8 Inadequate provisions in agreements to ensure that steel and cement had been procured from authorised companies**

The Government decided (May 2002) that instead of receiving supplies of cement and steel from them, contractors would have to procure cement directly from factories with daily production capacities of 450 metric tonnes of cement and steel from the Steel Authority of India Limited, its authorized primary retailers or the Tata Iron and Steel Company. The circular also directed that the tender documents should specify the type and grade of cement to be procured, with IS<sup>19</sup> numbers and dates.

**Inadequate provisions in agreements for procurement of steel and cement by contractors**

Scrutiny of records of nine agreements of the three<sup>20</sup> test-checked divisions under CE, MRP, Raipur showed that the provisions were included in the relevant clauses of the agreements. However, it was not mentioned in the agreement that the contractors were required to submit proof of procurement of cement and steel from the approved companies. Consequently, none of the contractors submitted any proof that the cement and steel used in their construction work was procured from the prescribed companies only. In another 12 agreements of three<sup>21</sup> divisions under CE, MMB, Bilaspur, there was a condition in the notes to the tenders that proof of despatch for procurement of steel had to be produced. Consequently, in 10 agreements, the proof of procurement from the prescribed companies was available in the form of purchase invoices submitted by the contractors, while the proof was not available in the remaining two agreements.

Thus, the instructions of the Government were being interpreted differently by the two CEs. During the exit conference, the Government agreed to issue

<sup>19</sup> It is a certificate issued under Indian Standards Certification act regarding quality.

<sup>20</sup> TDPP Jagdalpur, WRD Kanker and WRD Kondagaon.

<sup>21</sup> MMB Dn. No.4-Dabhara, MMB Dn. No.5 Kharsia and MMB Dn. No.6 Sakti.

instructions to standardise the agreement clause which would prescribe the documents required to be provided by the contractors.

### **3.7.9 Undue aid to contractors by not deducting additional security deposit**

In NITs issued for item rate tenders, 'Schedule G' is appended showing the quantities and rates for the various items of work required to be executed. Departmental instructions provide that in cases where unbalanced rates<sup>22</sup> are quoted in item rate tenders, a revised 'Schedule G' has to be included in the agreement containing a list of all items, quantities, the rates quoted by the contractor and the estimated rate plus/minus the overall tender percentage. Wherever the rates quoted are higher than the estimated rate plus/minus tender percentage, payment has to be made at the latter rate and the difference has to be withheld as additional security deposit. The revised Schedule 'G' should also mention the manner in which the withheld amount has to be released.

**Additional security deposit not deducted**

It was observed that in the cases of two item rate tenders, additional security deposit of Rs 30.97 lakh was not deducted by the EE, Tribal Development Pilot Project Division Jagdalpur (EE, TDPP Dn. Jagdalpur) and EE, WRD Kanker as per the revised 'Schedule G' as detailed in **Appendix-3.9**.

Similarly, in earthwork to remodel and provide a cement concrete lining for Mandhar Branch Canal from RD 16000 M to RD 32860 by EE, Water Management Division No.1, Raipur (Agmt. No.8DL/07-08) with a contract value of Rs 6.14 crore, the revised Schedule 'G' was not attached to the agreement and additional security deposit of Rs 30.97 lakh on unbalanced items was not deducted.

These cases indicated that unbalanced tenders were not being regulated in the manner prescribed by the Government. During the exit conference, the Government stated that action would be taken against the defaulting divisions for the cases cited by Audit and instructions would be reissued to all divisions regarding deductions of additional security deposit.

### **3.7.10 Non-deduction of royalty of Rs 26.32 lakh from contractors**

Departmental instructions provide that contractors are required to produce royalty payment certificates for use of minor minerals in works executed by them. In case the contractors fail to produce the certificates, the amount of royalty payable has to be deducted from the payments made to them.

**Royalty of Rs 26.32 lakh was not deducted from contractors**

It was observed that in seven agreements, royalty paid certificates were not available on record but the divisions had not deducted any royalty charges as per the instructions of department. Rupees 26.32 lakh was due from the concerned contractors. Details are given in **Appendix-3.10**.

On this being pointed out by Audit, EE, MMB, Dn. No. 4 Dabhara replied (May 2009) that the contractors would be asked to submit royalty certificates or else the amount would be deducted from their final bills or security deposits. EE, WRD, Kanker replied (April 2009) that royalty would be adjusted from the security deposits. During the exit conference, the

---

<sup>22</sup> *If the quoted rate of an item in an item rate tender is more than the estimated rate plus or minus the overall tender percentage, then the tender will be called an item rate tender with unbalanced rates.*

Government stated that instructions would be issued to all divisions for ensuring deduction of royalty as per rules.

### Inventory Control

#### 3.7.11 Non-maintenance of stock records

As per para 4.082 of the WD Manual, physical verification of stores is to be conducted once in a year. Para 4.073 of the manual also envisages that as soon as stores articles become unserviceable, a survey report should be prepared and the stores disposed of after sanction from the competent authority. Para 4.083 of the Manual envisages that all articles of stock which are not likely to be required during the following 12 months should be reported by the Sub-Divisional Officer to the EE who, if necessary, would take the SE's orders for their disposal.

It was observed that in three<sup>23</sup> out of seven test-checked divisions, the stock position as per the monthly accounts was 'nil'. The position of stock in the remaining four divisions is given below:

**Table-3.4: Division-wise position of stock**

<i>(Rupees in lakh)</i>		
Sl. No.	Name of division	Value of stock as per monthly account
1.	EE, WRD Kanker	60.74
2.	EE, MMB Dn. No. 5 Kharsia	46.95
3.	EE, MMB Dn. No. 6 Sakti	125.81
4.	EE, TDPP Dn. Jagdalpur	3.92
	<b>Total</b>	<b>237.42</b>

*(Source: Information supplied by department and compiled by Audit)*

**Stock records not maintained for stores valued at Rs 2.32 crore**

The total outstanding balance in case of four divisions was Rs 2.37 crore. It was observed that EE, TDPP, Dn. Jagdalpur maintained full stock records, EE, MMB, Dn.No. 5 Kharsia had a list of stock items of only Rs 1.59 lakh and there was no explanation for the balance stock of Rs 2.32 crore carried forward in the monthly accounts.

EE, WRD, Kanker and EE, MMB Dn. No. 6, Sakti did not maintain any stock register and there was no record regarding the large quantity of stock indicated in the monthly accounts. Consequently, there was no way to ascertain how much physical stock actually existed in these divisions against the amounts shown.

On this being pointed out, EE, WRD, Kanker replied (April 2009) that the stock of Rs 60.74 lakh pertained to the period prior to 2000. The stock records had been seized by the Economic Offences Wing in 1996-97 and it was not possible to maintain any record thereafter. EE, MMB Dn. No. 5, Kharsia replied (May 2009) that as the transactions were old, reconciliation would require minute examination which would require time. EE, MMB Dn. No. 6, Sakti replied (May 2009) that the verification of stock was being taken up with the SDOs concerned.

<sup>23</sup> Ground Water Survey Dn. No. 9 Bilaspur, MMB Dn. No.4 Dabhara and WRD, Kondagaon.

It is evident that a special drive is required to verify available physical stock, in order to segregate serviceable and unserviceable items and also to reconcile them with the account figures of stock. During the exit conference, the Government agreed to take corrective measures in the divisions and get the old stock reviewed to declare unserviceable items and utilise whatever stock remained usable.

### Administrative control

#### 3.7.12 Deficiencies in manpower deployment

The deployment of EEs in the office of the E-in-C and CEs is detailed below:

**Table-3.5 : Staff position in the cadre of EEs as on March 2009**

Sl. No.	Name of Office	Sanctioned strength of EE (Civil)	Working strength	Excess
1.	Engineer-in-Chief	5	10	5
2.	CE, Mahanadi Godavari Basin, Raipur	5	7	2
3.	CE, Hasdeo Bango Basin, Bilaspur	7	9	2
4.	CE, Mahanadi Reservoir Project, Raipur	7	10	3
5.	CE, Minimata Bango Project, Bilaspur	6	8	2
	<b>Total</b>	<b>30</b>	<b>44</b>	<b>14</b>

(Source: Information supplied by E-in-C and compiled by Audit)

**Fourteen EEs posted in excess of sanctioned strength in E-in-C and CE offices**

While the table indicates that 14 EEs were posted in excess of the sanctioned strength in the offices of the E-in-C and CEs, it was observed that 15 Assistant Engineers (AEs) were holding the higher charge of EEs in 15<sup>24</sup> divisions. The department should reconsider equitable deployment of manpower in order to ensure that posts of higher responsibilities such as those of EEs are not manned by AEs, especially when EEs are available and posted in excess in the offices of the E-in-C and CEs.

Scrutiny of the sanctioned strength and deployment under CE, MRP, Raipur revealed that the distribution of staff was not uniform as detailed in the table below:

<sup>24</sup> (i)WRD Dn. Baikunthpur (ii) WRD Kharang Dn. Bilaspur (iii) MMB Dn. No. 4 Dabhara (iv) Tandula Dn. Durg (v)WRD Dn. Janjgir (vi) WRD Dn. Jashpur (vii) WRD Dn. Kanker (viii) WRD Dn. Kawardha (ix) WRD Dn. Kota (x) Maniyari WRD Dn. Mungeli (xi) WRD Dn. Pendra road (xii) WM Dn. 1 Raipur (xiii) WM Dn. Rudri (xiv) Dam Dn. No. 2 Rudri (xv) WRD, Dn. Surajpur.

**Table-3.6 : Deployment of AEs and Assistants' Grade-II as on March 2009**

Sl. No.	Name of office	In AE cadre				In Assistant Grade-II cadre			
		Sanctioned	Working	Excess	Vacant	Sanctioned	Working	Excess	Vacant
1.	CE, MRP, Raipur	6	16	10	--	08	16	08	--
2.	SE, Indravati Project Circle, Jagdalpur	43	31	--	12	50	44	--	6
3.	SE, MMB Dam Circle, Rudri	20	23	03	--	25	27	02	--
4.	SE, Mahandi Circle, Raipur	27	42	15	--	34	44	10	--
	<b>Total</b>	<b>96</b>	<b>112</b>	<b>28</b>	<b>12</b>	<b>117</b>	<b>131</b>	<b>20</b>	<b>06</b>

(Source: Information supplied by CE, MRP and compiled by Audit)

The table indicates that 28 posts of AEs were in excess of sanctioned strength in the SE's and CE's offices. On the other hand, there were vacancies of 12 posts of AEs in the office of the SE, Indravati Project Circle, Jagdalpur. Similarly, 20 posts in the cadre of Assistant Grade-II were in excess of the sanctioned strength in the two<sup>25</sup> SE and one<sup>26</sup> CE offices but six posts were vacant in the office of the SE, Indravati Project Circle, Jagdalpur. The department should examine the deployment of manpower to remove the existing imbalances.

Similarly, under the MMB project, Bilaspur, 80 AEs were working against the sanction of 84, whereas 132 Assistants, Grade-II were working against the sanction of 109 posts. During the exit conference, the Government agreed to review the deployment of personnel in various cadres.

### 3.7.13 Payment of salaries to officials working in other offices

**Six officials on divisional pay rolls were serving in other departments**

During scrutiny of records, it was observed that six officials in two<sup>27</sup> divisions were drawing salaries from the divisions but were working in offices of other departments for the last three to five years as detailed in **Appendix-3.11**.

The EE, WRD, Kondagaon stated (April 2009) that correspondence was being initiated to recall the officials. This was required to be done expeditiously as the office of the EE, WRD was paying the salaries of these officials without getting the benefit of their services. The officials were required to either be reverted or alternatively, transferred or placed on deputation to the concerned offices/departments. During the exit conference, the Government stated that it would examine the cases.

<sup>25</sup> Mahanadi Circle, Raipur and MMB Dam Circle, Rudri.

<sup>26</sup> MRP, Raipur.

<sup>27</sup> Ground Water Survey Dn. 9 Bilaspur and WRD, Kondagaon.

### **3.8 Monitoring including internal audit**

#### **3.8.1 Non-establishment of Internal Audit wing**

Internal audit is an important instrument to examine and evaluate compliance with the department's rules and procedures. No Internal Audit wing had been established in the department since the formation of the State. During the exit conference, the Government stated that the feasibility of starting an Internal Audit wing would be examined.

#### **3.8.2 Quality control test reports not available for works costing Rs 1.43 crore**

According to Para 6.001 of the WD Manual, quality control is necessary for safety, reliability and durability of structures. It was observed that in three<sup>28</sup> works executed for Rs 1.43 crore, the quality control test reports were not available on record.

On this being pointed out, EE, TDPP Division, Jagdalpur stated (April 2009) that quality control tests were not done due to shortage of staff and machinery. The EE, WRD, Kanker stated (April 2009) that a suitable amount had been deducted from the contractor's bill. However, regardless of the deduction made from contractor, in the absence of quality control tests, it was not possible to have an assurance that the works had been carried out with adherence to standards of safety, reliability and durability as envisaged by the Government. During the exit conference, the Government stated that shortage of staff was not an acceptable reason for not carrying out quality control tests and show cause notices would be issued to the erring officials.

#### **3.8.3 Non-compliance of provisions of WD Manual on annual inspection**

Paras 5.006, 8.016 and 8.018 of the WD Manual prescribe the periodical inspections to be carried out by officers at various levels. It further provides that a yearly and four-yearly programme for inspection of works should be framed by each inspecting officer and entered in a programme registers, which would also be used to note the dates of inspection.

**Programme register for inspection not maintained**

During scrutiny of the records of CE, SE and EE offices, it was observed that the prescribed programme register was not being maintained in any of these offices. On this being pointed out by Audit, the departmental officers replied that inspections were being carried out on a regular basis and furnished copies of inspection reports. While inspections were indeed being carried out, in the absence of the programme registers, it was not possible to ascertain whether they were being done as per the prescribed frequencies. During the exit conference, the Government stated that the requisite registers would be maintained.

#### **3.8.4 Lack of response to Statutory Audit**

The Accountant General (Audit), Chhattisgarh arranges to conduct periodical inspections of the department and divisional offices. The audit findings are communicated through Inspection Reports to the Heads of

---

<sup>28</sup> (i) Construction of structures under Kosorteda Project by TDPP Dn. Jagdalpur.  
(ii) Construction of Dudhawa RBC and structures ch 270 to 390 by WRD, Kanker  
(iii) Construction of Dudhawa RBC and structures ch 390 to 530 by WRD, Kanker.

Offices/Departments for compliance and necessary rectification of deficiencies pointed out.

**Outstanding  
audit paras  
not settled**

As on March 2009, 1,992 audit paragraphs relating to 517 Inspection Reports issued from 1994 to January 2009 were awaiting settlement. (The department should take proactive steps to settle pending audit paragraphs to strengthen the accountability mechanism). During the exit conference, the Government stated that regular Audit Committee meetings would be conducted to discuss and take requisite action on the paras.

### **3.9 Conclusion**

The review of the internal control mechanism in the Water Resources Department revealed that there were persistent savings and instances of excess expenditure over the allotments given by the Engineer-in-Chief. Amounts were pending for settlement under suspense heads. There were instances of non-reconciliation of cheques and remittances, deficiencies in preparation of works abstract registers and execution of work without approval of the competent authorities. There were deficiencies in maintenance of stock records and deployment of manpower. The department did not have an Internal Audit wing, in the absence of which the extent of compliance with the existing rules, procedures and instructions could not be monitored on a regular basis.

### **3.10 Recommendations**

It is recommended that the Department should

- identify and review lapsed deposits and credit the same to revenue,
- clear outstanding suspense balances through a special drive,
- examine the feasibility of computerising the maintenance of divisional accounts and related registers,
- issue guidelines to all divisions prescribing regular returns from Water User Associations,
- introduce a standard clause in agreements to confirm that contractors have procured cement and steel from approved suppliers,
- review the deployment of manpower,
- consider setting up an Internal Audit wing in the department
- maintain programme registers of inspections to ensure that inspections take place as per the prescribed frequencies and
- take proactive steps to settle pending audit paragraphs to strengthen the accountability mechanism.