

## CHAPTER II

### Audit of Transactions

#### 2.1 Fraud/Embezzlement/Losses

#### Law and Legislature (Election Work) Department

##### 2.1.1 Embezzlement of Government Money

**Non-observance of codal provisions led to embezzlement of Rs 5.12 lakh in the office of the District Election Officer, Sheopur.**

Rule 53 of the Madhya Pradesh Treasury Code provides that every transaction is to be entered in the cash book as soon as it is finalised and the same is to be attested by the officer in charge of maintaining the cash book. At the end of each month, the Drawing and Disbursing officer is required to personally verify the cash balance as reflected in the cash book and record a certificate to that effect. An analysis of the closing balance is also required to be prepared. All temporary advances sanctioned are required to be adjusted within three months.

Scrutiny (September 2006) of the records of the District Election Officer, Sheopur and further information obtained during January, July and October 2009 revealed that monthly verification of closing balances and cash-in-hand was not being done.

Embezzlement of cash amounting to Rs 5.12 lakh and non-adjustment of temporary advances of Rs 8.40 lakh were noticed as discussed below.

- (i) There was a closing cash balance of Rs 426 on 29 April 2004 on page 160 of the cash book. On 7 May 2004, a new cash book was opened with 'nil' opening balance and the closing balance was not carried forward. This signified embezzlement of Rs 426.
- (ii) Against Bill number 20 dated 19 May 2004, an amount of Rs 27,125 was drawn from the treasury on 3 September 2004 but the payment was shown twice in the cash book on 12 July 2004 and 3 September 2004. No voucher for the payment said to have been made on 12 July 2004 was available. Debiting the cash book twice instead of once for Rs 27,125 and non-availability of the payment voucher indicated embezzlement of Rs 27,125.
- (iii) As per an entry on page 98 of the cash book, only Rs 4,000 was paid (16 May 2004) as advance to Shri Nand Kishore, driver. However, Rs 1,28,000 was shown as advances paid. This showed that the amount of temporary advance had been inflated by the dealing assistant by Rs 1,24,000, thus reducing cash balance to that extent, resulting in embezzlement of Rs 1.24 lakh.

- (iv) There was a closing cash balance of Rs 3,60,205 on 27 November 2004 on page 125 of the cash book. This was not carried forward to page 126 of the cash book on 28 November 2005, which signified embezzlement of Rs 3,60,205.
- (v) Temporary advances outstanding as per the cash book on 29 April 2004 and 27 November 2004 were not carried forward. Further, out of temporary advances of Rs 8.42 lakh paid during September 2003 to July 2004, only Rs 0.02 lakh had been adjusted.

Thus, non-observance of codal provisions led to the embezzlement of Rs 5,11,756 (Rs 426 + Rs 27,125 + Rs 1,24,000 + Rs 3,60,205) and failure to take appropriate action for recovery led to non-adjustment of temporary advances of Rs 8.40 lakh.

On this being pointed out in audit, the Deputy District Election Officer, Sheopur admitted (April 2008 and January 2009) the above facts and stated that the then accountant had not handed over the cash to the new accountant on 12 January 2005 and that an enquiry committee had been formed (July 2009). The Committee suggested (August 2009) to the Collector, Sheopur that a detailed enquiry of the cases by the Commissioner, Treasury & Accounts may be held.

The matter was referred to the Government in February 2009 which directed (July 2009), the Chief Election Officer, Bhopal (CEO) and the Collector, Sheopur to furnish their comments on the observations of Audit. The CEO deputed (July 2009) an Accounts Officer for the enquiry. The Accounts Officer admitted (August 2009) the facts pointed out by Audit in his enquiry report. The Deputy District Election Officer further stated (October 2009) that on the basis of this enquiry report of the Accounts Officer, an FIR was lodged (October 2009).

### **Finance Department**

#### **2.1.2 Fraudulent drawals from General Provident Fund Account**

**Fraudulent drawals of Rs 2.18 lakh from the General Provident Fund were noticed in the office of the Executive Engineer, Public Health Engineering, Jabalpur.**

As per the General Provident Fund rules, the amount available at the credit of a subscriber becomes payable to him/her on his quitting service. While processing (March 2006) the final payment case of Smt. Basanti Soni, who retired on 30 April 2001 from the Public Health Engineering (PHE) division, Jabalpur, the Accountant General (Accounts & Entitlement I, Madhya Pradesh) (AG (A&E)) found that a sum of Rs 38,322 was recoverable (as on 30 April 2001) from her due to overdrawal by her from her GPF account No.PHE/107958 (Old No.PH/NMP/1669). The authority for the final payment was, therefore, not

issued by the AG (A&E) in favour of the said subscriber. However, on verification (July 2005) of posting of debit vouchers relating to the office of the Executive Engineer, PHE Division, Jabalpur, received in the AG (A&E) office from the Jabalpur Treasury, it was found that the EE, PHE division, Jabalpur had drawn Rs 52,968 vide bill No.98 dated 11 September 2003 and Rs 1,65,400 vide bill No. 104 dated 4 December 2004 and paid the said amount to the subscriber.

As per Rule 166 of the Madhya Pradesh Treasury Code (MPTC), the Treasury Officer, while passing a bill, was required to match the signature on the payment authority with the specimen signature received in his office under Rule 158 of the rules *ibid*. Non-observance of these rules by the Treasury Officer facilitated the fraudulent drawal of Rs 2.18 lakh.

On the above facts being pointed out, the Executive Engineer, PHE Jabalpur directed (September 2005) the subscriber to deposit the said amount immediately through a challan into the State Bank of India. However, no amount had been deposited by the said subscriber till August 2009.

The matter was referred (February 2009) to the Principal Secretary, PHE Department with a copy to the Principal Secretary, Finance for their comments. Principal Secretary, PHE Department (March 2009) informed that the Engineer-in-Chief had been asked to initiate a departmental inquiry against the officials who had committed the fraud. In view of the seriousness of case, directions had been issued to lodge a complaint in the police station. Besides, instructions had also been issued to constitute a committee headed by the Joint Commissioner (Finance) to check final payment cases in one circle office/division office and two sub-division offices each month to prevent any such fraudulent drawals in future. The fact, however, remains that no FIR had been lodged in the case as of October 2009. Further, although a committee was constituted in June 2009 to conduct inspection of one circle office/division office and two sub-division offices, it had not conducted any inspection after June 2009.

## **Farmers Welfare and Agriculture Development Department**

### **2.1.3 Fraudulent drawal benefitting a private firm**

**Fraudulent drawal of Rs 31.51 lakh was made in the office of the Deputy Director, Agriculture, Satna towards payment of subsidy to the firms.**

Government gives grants for a part of the cost of notified seeds distributed to farmers through agencies or cooperatives such as MP Beej Nigam, Jila Vipnan Sangh etc. under departmental schemes such as

**Macro Management<sup>1</sup>, Integrated Grain Development Scheme (Coarse grain), ISOPOM<sup>2</sup> etc.**

Test check (August 2007) of records of Deputy Director Agriculture (DDA), Satna for the period July 2006 to July 2007 and further information collected in June 2008 and March 2009 revealed that as against the bills submitted by the MP Beej Nigam, the MP State Co-operative Marketing Federation (MARKFED) and the *Kisan Kray Vikray Sahakari Samiti* (KKVSS) for payment of subsidy on seed distribution, the technical section of DDA issued sanctions for payment of the same bills two to four times. The Accounts section prepared the bills for drawal from the treasury on the basis of the sanctions issued by the technical section. This resulted in fraudulent drawal of Rs 13.37 lakh. The amount fraudulently drawn was paid to the three abovementioned firms which led to excess payment of Rs 13.37 lakh to these firms as shown in Appendix 2.1.

The inquiry conducted (January 2009) by the Government at the instance of Audit brought out fraudulent drawals of Rs 31.51 lakh during July 2006 to March 2007. As per the inquiry report, the then Deputy Director, Agriculture (Drawing and Disbursing Officer), the Senior Agriculture Development Officer and the Accountant were all found responsible for the fraudulent drawals and recovery of the whole amount from them was recommended. Government stated (June 2009) that Rs 1.21 lakh and Rs 0.16 lakh respectively from the MP Beej Nigam and the Marketing Federation were still to be adjusted and an FIR would be lodged against the KKVSS if the amount was not deposited within 15 days.

## **Housing and Environment Department**

### **2.1.4 Loss due to waiver of lease rent**

**Irregular agreement by the Madhya Pradesh Housing Board with a private bidder for transfer of land giving benefit to the bidder in payment terms and subsequent regularisation by the Government led to a loss of Rs 6.71 crore on account of lease rent.**

Keeping in view the location and market value of 5.90 acres of land situated at Sanjay Nagar, Bhopal, a Land Reservation Committee headed by a Secretary, formed by the Housing and Environment Department decided (June 2005) that the land should be reserved for allocation to the Madhya Pradesh Housing Board (MPHB) for commercial use, provided MPHB paid premium and lease rent to the Government and arranged rehabilitation of residents of 5000 jhuggies of Bhopal city at its cost.

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<sup>1</sup> *Macro Management-Centrally sponsored scheme for all round development in agriculture through work plans prepared by the State.*

<sup>2</sup> *ISOPOM – Integrated Scheme of Oilseeds, Pulses, Oilpalm and Maize.*

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The Government of Madhya Pradesh (GOMP) Revenue Department, issued (October 2006) a sanction for allotment of land and accordingly, a lease agreement was entered into by the Government and MPH B on 20 November 2006. According to the agreement, land was leased at the rate of Rs 3.35 crores for 30 years commencing from 2006-07. Advance possession of the land was given to MPH B on 29 April 2006. MPH B paid the premium of Rs 44.78 crore and lease rent of Rs 6.71 crore for the years 2006-07 and 2007-08 to the Government.

Without obtaining Government approval, MPH B invited open tenders for transfer of the leasehold land (which was not transferable as per the terms and condition of Clause (16) of the lease deed) to a private party in September 2005, well before the actual allotment of land to the MPH B. The offer of Rs 64.56 crore of M/s Arkey Investment Private Ltd. Bhopal, the highest private bidder, was accepted (March 2006) by MPH B with an annual lease rent at 7.5 per cent of the bid amount. MPH B entered into an agreement with the private bidder in December 2006 for transfer of the land on a lease of 30 years. However, according to this agreement, the premium for the land was payable in a phased manner and the entire amount was to be paid within 18 months from the date of agreement. The lease deed was to be executed within two weeks after receipt of the full payment by June 2008 and the lease period was to commence from the date of execution of the lease deed. The private bidder paid the last instalment in June 2008 and the lease deed was executed in October 2008, with a lease period of 30 years with effect from 13 October 2008.

The time allowed by MPH B to the bidder for payment of premium of land and execution of the lease deed in the agreement dated 26 December 2006 was contrary to the conditions of its agreement of November 2006 with the Government, according to which the lease period was to commence from 2006-07. Execution of the lease deed by MPH B with the private party was in contravention of the provisions of the Government agreement and also resulted in extension of the lease period by two years, thus benefiting the private party. Further, this period of two years was also regularised by the Government by allowing extension of the lease period for two more years upto November 2038 (32 years) with waiver of lease rent for two years amounting to Rs 6.71 crore in favour of MPH B.

Thus, the irregular agreement by MPH B containing the defective clause of providing 18 months' extra time to the private party for making payment of premium for the land led to a delay in execution of the lease deed, which delayed the commencement of the lease period by two years. This resulted in a loss of Rs 6.71 crore for the Government.

The matter was referred to the Government in May 2009. The Deputy Secretary, Housing and Environment Department stated (December 2009) that the information would be furnished as soon as the same was received from the Commissioner, MPH B.

**Public Health and Family Welfare Department**

**2.1.5 Loss due to incomplete/delayed submission of insurance claims**

**Chief Medical and Health Officers failed to submit insurance claims as per the prescribed procedure which led to loss of Rs 5.38 crore under the Vijaya Raje Janani Kalyan Beema Yojna, as the said claims were rejected by the insurance company.**

In order to prevent maternal mortality and to encourage institutional deliveries, the State Government launched the *Vijaya Raje Janani Kalyan Beema Yojna* from 12 May 2006 in the State. The scheme provided for payment of Rs 50,000 for each death during delivery and Rs 1,000 each to women of Below Poverty Line (BPL) families at the time of discharge from hospitals after their deliveries. In order to cover the financial risk of the amounts paid under the scheme, the State Government entered (May 2006) into an agreement with United India Insurance Company at a premium of Rs 11 per BPL family and paid a total premium of Rs 5.93<sup>3</sup> crore for one year. Initially, the payment to the beneficiaries was to be made by the department and the insurance company was to reimburse the payment to it. The insurance policy provided for submission of claims on a prescribed form with documentary proof of (a) BPL family status, (b) three antenatal checkups (ANC) prior to delivery and (c) hospitalisation for delivery. Further, all information/ claims were to be delivered in writing to the company within 30 days of delivery. The scheme was, however, closed on 12 May 2007.

Scrutiny (March 2009) of the records of the Chief Medical and Health Officer (CMHO) Barwani and information collected from seven<sup>4</sup> other CMHOs, revealed that 23,040 beneficiaries were paid an amount of Rs 1,000 each and the claims were preferred to the insurance company. Out of 21,072 claims settled, the company rejected 8,361 claims on the ground of improper/incomplete submission (5,421 claims), late submission (2,343 claims) and not having the required ANC (597 claims) as shown in **Appendix 2.2**. Further information collected from the Director, Health Services showed that the insurance company had rejected 53,798 out of 1,60,536 claims settled (33.51 *per cent*) for the State as a whole, which led to a loss of Rs 5.38 crore.

On this being pointed out by Audit, the Director Health Services stated (May 2009) that an analysis of the rejected claims would be got done and those found admissible would be taken up for arbitration as per the conditions of the MOU between the department and the insurance company while those found inadmissible would be written off from the Government account as non-recoverable.

<sup>3</sup> Rupees 4.40 crore on 16 May 2006 and Rs 1.53 crore on 31 March 2007.

<sup>4</sup> CMHOs of Dhar, Gwalior, Indore, Khandwa, Morena, Sheopur and Shivpuri.

The reply indicates that due to the casual approach of the department in processing and finalising the claims, the Government was put to a loss of Rs 5.38 crore.

Further, during scrutiny (July 2008) of records of the Director, State Information Communication Bureau, it was observed that an expenditure of Rs 10.25 lakh was incurred on printing of forms for the scheme during May-June 2007, by which time the scheme had already been withdrawn.

Thus Government suffered a total loss of Rs 5.48 crore due to submission of delayed and incomplete insurance claims to the insurance company and printing of forms after withdrawal of the scheme.

The matter was referred (April 2009) to the Government. Reply had not been received (August 2009).

## **2.2 Excess/Wasteful/Infructuous/Unfruitful expenditure**

### **Medical Education Department**

#### **2.2.1 Optimal use of cobalt therapy unit**

**Expenditure of Rs 2.31 crore on the installation of a cobalt therapy unit, made by the Oncology Wing of Medical College, Jabalpur was rendered unfruitful as the unit was not utilised optimally in the absence of the required staff.**

Government of India, Ministry of Health and Family Welfare (Department of Health) provided grant in-aid of Rupees two crore (Rs 1.2 crore in March 2001 and Rs 0.80 crore in March 2003) under the National Cancer Control Programme (NCCP) to Medical College, Jabalpur for installation of a cobalt therapy unit. According to the conditions of the grant, one Radiotherapist, one General Duty Officer, one Registrar, two House Surgeons, one Physicist, one Physics Technician, one Mould Room Technician and one Senior Radiographer were to be appointed by the college. Besides, the use of the unit needed clearance from the Atomic Energy Regulatory Board (AERB).

Scrutiny (April 2008) of records of the Medical College, revealed that a cobalt therapy unit including Theratron 780 E cobalt therapy machine was installed there at a cost of Rs 2.31 crore in March 2007. The machine, however, was not put to use till December 2008 for want of required staff and the clearance from AERB. After this was pointed out during audit, the clearance from AERB was obtained in December 2008 and the machine was made operative in January 2009. However no operating staff was provided to operate the machine and the staff available for operating Phoenix-80 cobalt therapy machine was assigned to operate the newly installed Theratron 780 E cobalt machine. The machine was to provide radiation treatment to about 80 to 90 patients per day.

However, due to non availability of the required manpower, the capacity of the machines was not fully utilised.

The college was able to provide treatment to 40 patients per day during 6 October 2008 to 2 January 2009 with one machine and to 57 patients per day during 5 January 2009 to 20 July 2009 with two machines<sup>5</sup>. Therefore due to non-availability of trained staff, the patients were required to wait for about 40 days for availing radiation treatment and the machines remained underutilised.

The Medical College accepted (March 2009) the fact that recruitment of qualified manpower would enable providing of treatment to a larger number of patients and would reduce the waiting list. The Director, Medical Education, stated (March 2009) that a proposal for sanction of posts had been submitted to the Government in 2006 but the posts had not been sanctioned by the Government so far. The Government stated (July 2009) that the posts could not be sanctioned due to the proposal from the Director, Medical Education was not in the prescribed format.

Thus, in absence of the required staff, the cobalt therapy unit installed in Medical college, Jabalpur at a cost of Rs 2.31 crore as well as the existing Phoenix-80 cobalt therapy machine remained underutilised. Meanwhile, cancer patients were deprived of timely treatment.

## **Water Resources Department**

### **2.2.2 Excess payment to contractor**

#### **Adoption of incorrect base indices for calculation of escalation cost resulted in excess payment of Rs 52.18 lakh to a contractor.**

As per a provision of the Madhya Pradesh Works Department Manual, price escalation in works contracts is required to be determined carefully with reference to the rates notified by the Indian Oil Corporation for POL<sup>6</sup> component and by the Labour Bureau, Shimla in respect of the labour component. Clause 2.40.1 of the standard Notice Inviting Tenders regulating the payment of price escalation, provided that the amounts paid to contractors should be adjusted quarterly for increase/ decrease in the rates of labour, material and POL by adopting the indices prevalent on the date of opening the tenders and the quarters under consideration.

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<sup>5</sup> Existing Phoenix-80 cobalt therapy machine and new Theratron 780 E cobalt therapy machine.

<sup>6</sup> Petrol, Oil and Lubricant.



The agreement for rehabilitation of the Harsi Main Canal<sup>7</sup> provided that price adjustment for the labour component should be worked out at the average consumer price index for industrial workers for the Bhopal centre as published by the Labour Bureau, Ministry of Labour, Government of India.

Audit scrutiny (June 2008) of the records of EE, Harsi Water Resources division, Dabra revealed that the division erroneously adopted 553 as the base index, on the basis of the All India Price Index, whereas the base index for industrial workers at Bhopal was 575. By adopting the incorrect index, excess payment of Rs 52.18 lakh was made to the contractor.

On this being pointed out (June 2008) by Audit, the EE adjusted the excess payment from the Security Deposit (SD) of the contractor.

The procedure for recovery of excess payment against the SD was not proper as the purpose of the SD was to safeguard the interest of work and to ensure satisfactory performance by the contractor. Since the work was in progress, the recovery should have been effected from the contractor's running bills.

The matter was referred (April 2009) to the Government. Reply had not been received (November 2009).

## Narmada Valley Development Department

### 2.2.3 Extra payment of price escalation

#### **Application of incorrect dates for determination of base indices resulted in excess payment of Rs 1.82 crore towards price escalation.**

Provisions of the Works Department Manual (Manual) as well as an order (August 1993) of the State Government categorically provide for calculation of price escalation as per the base indices applicable in the month of opening of tenders.

Scrutiny of records during (May 2007 to August 2008) revealed that in four divisions (ND Dn. 18, Khargone, ND Dn. 28, Punasa and ND Dn. 21 and 27, Sanawad) of Narmada Valley Development Authority (NVDA), the clause regulating price escalation was not according to the Government orders of 1993 and the provisions of the Manual. The divisions, made payments of escalation charges under all the six agreements by adopting the month of receipt of tender as the base month. This resulted in excess payment of

<sup>7</sup> Work of rehabilitation of Harsi Main Canal in km 0 to 65 estimated at Rs 41.28 crore was awarded (March 2006) at the contracted amount of Rs 57.42 crore with a completion period of 16 months including rainy season. The contractor was paid (March 2008) Rs 66.81 crore including price escalation of Rs 6.12 crore as per 25<sup>th</sup> running account bill.

***Audit Report (Civil) for the year ended 31 March 2009***

Rs 1.82 crore towards payment of price escalation in six major works as shown below:

Sl. No..	Name of Division	Name of work (canal lining) / reaches	Agreement No.	Voucher no.	Month of receipt of tender (incorrect base month)	Month of opening of price bid (correct base month)	Escalation paid (Rs )	Escalation payable (Rs )	Excess paid (8 minus 9) (Rs )
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1.	EE,ND 27, Sanawad	km 31.2 to 41.2	01/ 2003-04	20/March 2008	February 2003	March 2003	39,12,558	30,22,786	8,89,772
2.	EE ND Dn. 28 Punasa	km 7-17	01/ 2003-04	40/Jan 2008	February 2003	March 2003	2,32,81,471	1,57,62,401	75,19,070
3.	EE ND Dn 18 Khargone	Group I km 114 - 125	01/ 2006-07	17/March 2009	January 2006	April 2006	1,40,01,107	1,19,03,542	20,97,565
4.	EE ND Dn 18 Khargone	Group II km107- 114	01/ 2006-07	1/March 2009	January 2006	April 2006	1,45,11,044	1,17,49,410	27,61,634
5.	EE ND Dn 18 Khargone	km 125- 131	02/ 2006-07	29/Feb 2009	April 2006	August 2006	80,50,310	51,50, 539	28,99,771
6.	EE, ND 21, Sanawad	Const. of Jhirbar distributor-ies and minors	01/ 2005-06	93/March 2008	June 2005	September 2005	67,95,108	47,88, 726	20,06,382
<b>Total</b>							<b>7,05,51,598</b>	<b>5,23,77,404</b>	<b>1,81,74,194</b>

On this being pointed out in audit (between May 2007 and August 2008) the Executive Engineers (EE) replied that the payments of price escalation were regulated as per the provisions of the agreements. The EEs of Sanawad (ND-27 division) and Punasa (ND-29 division) stated that since the prequalification and price bids of the tenders were submitted by the contractors on the stipulated dates of receipt of tenders, the dates of receipt of the bids were adopted for payment of price escalation.

The replies of the EEs are not acceptable as the provisions of the agreement were to be framed in accordance with the rules and procedures prescribed in the Manual as well as the instructions issued by the Government. The adoption of an incorrect base month for making payment of price escalation, circumventing the codal provisions, resulted in undue benefit to the contractors.

The matter was reported (May 2009) to the Government. Reply had not been received (November 2009).

**Panchayat and Rural Development Department**

**2.2.4 Excess expenditure due to purchase of cement at higher rates**

**Non-observance of Store Purchase Rules led to excess expenditure of Rs 75.35 lakh on purchase of cement at higher rates by four Executive Engineers of Rural Engineering Services.**

As per Rule 14 of the Madhya Pradesh Store Purchase Rules, articles included in Annexure B of the rules were to be purchased only through the Madhya Pradesh Laghu Udyog Nigam (MPLUN) Limited. No tenders for purchase of such articles were to be called for by the competent authorities separately. As per Rule 7, in cases of purchases valuing more than Rs 50,000 each, the purchasing officers were to use the agency of the Director General of Supplies and Disposals (DGS&D) unless they could themselves purchase the materials more cheaply, or in a case of urgency, more expeditiously. However, where purchases are made through MPLUN, the above restrictions would not apply.

The Panchayat and Rural Development Department incorrectly instructed (October 2005) that cement was a reserve item and could be purchased through MPLUN. On realising this mistake, the Development Commissioner issued (September 2006) revised instructions informing that cement was a non-reserve item for purchase through MPLUN and hence may be purchased through the competitive procedure.

Scrutiny (March-June 2009) of records of Executive Engineers (EEs), Rural Engineering Services (RES), Barwani, Jhabua, Khandwa and Manawar revealed that 13200.15 MT<sup>8</sup> cement was purchased during 2006-07 to 2008-09 through MPLUN at rates higher than the rates of DGS&D, which resulted in excess expenditure of Rs 75.35 lakh as detailed in **Appendix 2.3**.

On this being pointed out, the Government stated (September 2009) that RES was involved in carrying out deposit and scheme works for which funds were not received in single instalments. As the RES was also not maintaining any stores accounts, cement was purchased by EEs as per requirements. DGS&D did not supply small quantities at work sites, but made supplies at the Headquarters. RES would have to make arrangements for transportation of cement to the various sites, if they purchased from DGS&D. When it came to the notice of the department through a Vidhan Sabha question and other sources that cement was not a reserve item, the binding on purchase of cement through MPLUN was withdrawn from 20 September 2006.

The reply is not acceptable as the rules clearly stated that cement was not a reserve item for purchase through MPLUN but the purchases through MPLUN continued even after September 2006. No efforts were found to have been made by RES divisions for purchasing cement through DGS&D or from the open market.

<sup>8</sup> EE RES Barwani: 6011.30 MT; Jhabua: 2070.50 MT; Khandwa: 2078 MT and Manawar: 3040.35 MT.

Thus non-observance of the provisions of the MP Store Purchase Rules led to excess expenditure of Rs 75.35 lakh.

### **2.2.5 Excess payment due to departmental negligence**

**Negligence on the part of the department in taking timely action to recover outstanding liabilities of Rs 72.84 lakh on account of excess payment/ liquidated damages against a contractor resulted in excess payment of Rs 26.27 lakh.**

The Madhya Pradesh Rural Road Development Authority (MPRRDA) awarded (May 2002) the work of construction and maintenance of eight rural roads under Pradhan Mantri Gram Sadak Yojana (PMGSY) Package No. MP 2801 of Katni District to a contractor for completion within nine months (excluding rainy season) i.e. on or before 6 May 2003. The contractor failed to complete the work within the stipulated period. Owing to slow progress of the work, the contract was rescinded (October 2007) by the General Manager (GM) of MPRRDA at the risk and cost of the defaulting contractor. The contractor's final bill for Rs 5.55 crore was passed for adjustment in April 2008.

While examining (August 2008) the final bill, Audit observed that after rescission of the contract, a total sum of Rs 72.84 lakh remained outstanding from the contractor as explained below:

- While clearing the 55<sup>th</sup> running account bill of the contractor in June 2007, the department made an excess payment of Rs 37.31 lakh on account of inflated measurement of quantities in respect of 14 items pertaining to road works. After adjustment of the inflated quantities, the final bill for minus Rs 37.31 lakh was adjusted (April 2008) as detailed in **Appendix 2.4**.
- The work was abnormally delayed for more than four years for which the Chief Executive Officer (CEO) of MPRRDA imposed liquidated damages at the rate of six *per cent* of the value of work (Rs 5.92 crore) and ordered (October 2008) recovery from the contractor. Thus an amount of Rs 35.53 lakh on account of liquidated damages remained unrecovered from the contractor.

As explained above, a total of Rs 72.84 lakh was to be recovered from the contractor. Though the department adjusted Rs 46.57 lakh<sup>9</sup>, a balance of Rs 26.27 lakh was still to be recovered.

On these being pointed out by Audit, the GM admitted (April 2009) the facts and stated that the contractor had been asked (May 2008) to deposit money for clearance of the liabilities outstanding against him. The liabilities remained unrecovered even after a lapse of one year (May 2009).

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<sup>9</sup> Security deposit : Rs 33.29 lakh, FDR : Rs 4.87 lakh and Amount held for time extension : Rs 8.41 lakh .

The reply of the GM failed to explain how recoveries amounting to Rs 72.84 lakh on account of inflated measurements and liquidated damages were not recovered in time through the running account bills.

The matter was reported (March 2009) to the Government. Reply had not been received (November 2009).

## Public Works Department

### 2.2.6 Excess payment of price escalation

#### Adoption of incorrect rate of bitumen towards payment of price escalation resulted in excess payment of Rs 58.05 lakh.

The Executive Engineer (EE), Public Works Department (B & R) Division, Balaghat, executed (April 2007 and March 2008) five<sup>10</sup> different agreements with three contractors at 9.50 to 69.93 *per cent* above the Schedule of Rates (SOR) for upgradation and bituminous renewal of five roads. The estimated cost of these five works was Rs 24.54 crore. According to the additional special condition No.2 which formed a part of all the five agreements, any variation in the cost of bitumen was payable or deductible on consumption of the same. The differences in the price of bitumen were to be worked out on the basis of basic rates<sup>11</sup> of bulk bitumen prevailing on the tender dates *vis-a-vis* any variations during the agreement period. The differences were to be calculated on the basis of the bulk supply rate chart of the Indian Oil Corporation.

Scrutiny revealed (January 2009) that while calculating price variations of bitumen, the EE considered the full rate<sup>12</sup> of bulk bitumen including taxes, duties and cess instead of the basic rates of bulk bitumen as specified in the special condition of the agreements. Thus the adoption of an incorrect rate towards price variation of bitumen resulted in excess payment of Rs 72.94 lakh as detailed in **Appendix 2.5**.

On this being pointed out, the EE replied (January 2009) that it would not have made any difference whichever rate had been adopted. However, he assured recovery of excess payment, if any, made on this account.

The reply of the EE is not acceptable because differences would certainly occur if price variations of bulk bitumen were paid to the contractors on the basis of the full rate instead of the basic rate. This was also in contravention of

<sup>10</sup> (i) Agreement No 01/07-08 (PAC Rs 10.29 crore), (ii) Agreement No.02/07-08(PAC Rs 4.94 crore), (iii) Agreement No.205/07-05 (PAC Rs 4.06 crore), (iv) Agreement No.338/07-08 (PAC Rs 2.82 crore) and (v) Agreement No.339/07-08 (PAC Rs 2.43 crore).

<sup>11</sup> Basic bulk rates – The basic rates of bulk bitumen excluding taxes.

<sup>12</sup> Full rate of bulk bitumen – The rate of bulk bitumen including taxes viz basic rate plus excise duty, cess and central sales tax.

the provisions of the contracts. However, the EE effected (November 2009) a recovery of Rs 14.89 lakh from the contractor. Recovery particulars of the remaining excess payment of Rs 58.05 lakh were still awaited.

The matter was reported (April 2009) to the Government. Reply had not been received (November 2009).

### **2.2.7 Excess payment due to less consumption of bitumen**

**For semi-dense bituminous concrete, use of five per cent bitumen by weight of total mix was approved but the contractor used only 4.37 per cent, resulting in excess payment of Rs 33.66 lakh.**

The work for improvement of the Indore- Sanwer- Ujjain Road km 1 to 36 under the State Road Improvement Programme (SRIP) with a contract amount of Rs 4.96 crore was awarded by Executive Engineer (EE), Public Works Department (PWD), Division No.2, Indore to a contractor at 33.30 per cent above the Schedule of Rates (SOR). The work order was issued (14 February 2008) for completion within five months including the rainy season. The work was completed on 30 June 2008 and the final bill for Rs 5.87 crore was paid (November 2008) to the contractor.

The specifications for road and bridge works issued by the Ministry of Road Transport and Highway (MORT&H) envisaged that for providing semi-dense bituminous concrete (SDBC) as wearing course, the contractor was required to propose a job mix formula (JMF) based on the Marshal Test<sup>13</sup>. The contractor was to ensure that the JMF was correct and truly represented the sample of materials that were to be used in the work. The approval of the JMF was based on independent testing by the Engineer-in-Charge. As per the Schedule of Rates (SOR-2007), five per cent bitumen was required for the item of SDBC. In case lesser or more bitumen was required as per the JMF, the difference of bitumen was to be paid or deducted as per the actual quantity of bitumen consumed.

As per the agreement, the contractor was required to execute 25-30 mm thick SDBC as wearing course. Accordingly, 7,871.758 cu.m SDBC was executed and was paid for as per the agreed rate of Rs 4,311 per cu.m.

Subsequently, audit scrutiny (March 2009) revealed that the contractor had submitted (28 February 2008) a JMF for SDBC, prepared by a private laboratory (Marshal Test Lab-Indore) on 23 February 2008 which was approved by the EE. As per the approved formula, the bulk density of the mix was 2.419 gm/cc and the bitumen content was five per cent by weight of the total mix. Accordingly, for 7,871.758 cu.m of SDBC, 952.089 metric tonne (MT) bitumen was required. Against this, the contractor used only 833.93 MT bitumen. Thus 118.16 MT less bitumen was used and therefore, the bitumen content of the mix worked out as 4.37 per cent instead of five per cent as per

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<sup>13</sup> *Marshal Test-A stability test generally carried out for dense graded hot asphalt mixes for determination of stability value on the flow value of the particular mix.*

the approved JMF. By short consumption of 118.16 MT bitumen, the contractor saved Rs 33.66 lakh<sup>14</sup> which was recoverable under the provisions of the SOR.

Short consumption of bitumen also raised a doubt about the quality of the work of SDBC executed at Rs 4.52 crore<sup>15</sup> as the parameters approved in the JMF were not adopted. Thus short consumption of bitumen left the work vulnerable to premature wear/tear and damage.

On this being pointed out (March 2009), the EE stated that the tests of SDBC carried out by the contractor during execution of work indicated five *per cent* bitumen content which was based at 2.221 *per cent* physical density of the mix. Hence, there was no short consumption of bitumen.

The reply is not acceptable because as per the specifications, the bitumen content was to be worked out on the basis of bulk density of the total mix. The tests carried out by the contractor during the progress of the work were not based on the Marshal Method and hence, were not reliable. Further the test reports were not signed or counter checked by the Engineer-in-Charge. The quantity of bitumen as recorded by the division was not commensurate with the parameters of the approved JMF and was below the permissible variation<sup>16</sup> limit ( $\pm$  zero point three *per cent*). Thus, less consumption of bitumen in the total mix resulted in excess payment of Rs 33.66 lakh besides execution of substandard work of Rs 4.52 crore.

The matter was referred (May 2009) to the Government. Reply had not been received (November 2009).

## Water Resources Department

### 2.2.8 Extra expenditure due to inaccurate estimation

#### **Incorrect estimation of earthwork led to incorrect evaluation of tenders, resulting in extra cost of Rs 1.06 crore.**

Earthwork and construction of 31 structures of the Purwa Main Canal (in RD km 12.8 to 31) at an estimated cost of Rs 15.10 crore was awarded (June 2004) to a contractor who was the lowest tenderer for completion by September 2005. The contractor's 45<sup>th</sup> running account bill for Rs 15.07 crore (including price escalation) was paid in March 2008.

The Engineer-in-Chief issued (September 1988) directives through a technical circular for realistic and accurate estimation of sub-soil strata, adequate sub-

<sup>14</sup> 118.16 MT @ Rs 21,368 per MT + 33.30 tender percentage = Rs 33.66 lakh.

<sup>15</sup> 7,871.758 cu.m SDBC paid @ Rs 4,311 per cu.m plus 33.30 tender percentage.

<sup>16</sup> As per the specification, the permissible variation from the JMF for bitumen content is  $\pm$  zero point three *per cent*.

surface exploration and investigation. The directives as per the technical circular were to be strictly followed for preparation of estimates for earthwork.

Scrutiny (January 2009) of records of the Executive Engineer (EE), Upper Purwa Canal Division, Rewa revealed that during execution of the work, it was observed that the quantities of excavation for all types of soil increased by 15 *per cent* (8,96,759 cu.m to 10,32,550 cu.m), the quantities of disintegrated rock and soft rock (DR/SR) increased abnormally by 238 *per cent* (51,556 cu.m to 1,74,067 cu.m), while the excavated quantities of hard rock decreased by 90 *per cent* (1,56,943 cu.m to 15,332 cu.m) *vis-à-vis* the respective estimated quantities. The abnormal variations in quantities were indicative of inadequate site inspection before preparation of the estimates. The assessment of the contractor appeared more accurate as he had quoted a rate of only Rupee one per cu.m against the estimated rate of Rs 154.56 per cu.m for excavation in hard rock and Rs 100 per cu.m against the estimated rate of Rs 68.98 per cu.m for excavation in DR/SR.

If accurate quantities indicating all types of strata were taken into consideration in the estimate after adequate and requisite subsoil exploration, the contractor who had quoted the lowest rates (L-1) amongst the four participants would not have been L-1. Instead, the second lowest (L-2) tenderer would have been the lowest tenderer (L-1) as per their quoted rates. The differences between the tendered rates of the present L-2 and L-1 resulted in extra expenditure of Rs 1.06 crore as detailed in **Appendix 2.6**.

On this being pointed out by Audit, the EE accepted (May 2009) the facts and stated that only a preliminary survey was done before calling tenders. No detailed survey had been conducted as per the specifications and the detailed estimates were prepared on the basis of some trial pits and assumption. Thus the department had to incur extra expenditure of Rs 1.06 crore due to faulty and inadequate survey.

The matter was referred (May 2009) to the Government. Reply had not been received (November 2009).

### **2.2.9 Extra expenditure due to irregular clubbing of strata for excavation**

#### **Irregular clubbing of all types of the soil and strata for excavation resulted in extra expenditure of Rs 1.03 crore.**

The construction of the balance work of the masonry dam and appurtenant works of Gulab Sagar (Mahan) project was awarded (November 2002) to a contractor for Rs 13.72 crore, which was 5.06 *per cent* below the estimated cost of Rs 14.44 crore. The estimates were based on the Unified Schedule of Rates 1998. The stipulated period of completion was 20 months including the rainy season but the work was in progress as of May 2009. The contractor's 63<sup>rd</sup> running account bill for Rs 26.05 crore was paid in March 2009.



In order to bring uniformity in clubbing of the strata, the department prescribed (December 1991) a pattern for clubbing of the strata, according to which, excavations in all types of (i) soils and moorum, (ii) soft rock and disintegrated rock (DR/SR) and (iii) hard rock (HR) were to be shown separately. In no case was HR to be clubbed with other strata.

During scrutiny (December 2008) of the records of the Executive Engineer (EE), Gulab Sagar (Mahan) Project Division, Sidhi, it was noticed that the Schedule of Quantities (forming part of the agreement) included an item for excavation, which was prepared by irregularly clubbing all types of strata<sup>17</sup> under a single item of excavation. For this, the department derived a unit rate of Rs 196.63 per cu.m for estimated excavation of 25,319 cu.m, against which the contractor quoted a rate of Rs 161 per cu.m.

During execution, the quantities of excavation increased by 611 *per cent* of the estimated quantities. Under clause 4.3.13.3<sup>18</sup> of the agreement, the department was required to pay for the increased quantities of excavation on individual estimated rates as derived by them at Rs 104.60 per cu.m for soil/moorum, Rs 122.94 for SR/DR and Rs 220.15 for HR. However, due to irregular clubbing of all types of strata, a higher rate of Rs 186<sup>19</sup> per cu.m was paid to the contractor. Thus an extra expenditure of Rs 1.03 crore (**Appendix 2.7**) was incurred on excavation of all types of soils and rocks as per the Schedule of Quantities.

On this being pointed out, the EE stated (May 2009) that in view of the lesser quantity of HR, it was clubbed with other strata for excavation just to arrive at a composite item rate and the work had been done as per the Schedule of Quantities approved by the Chief Engineer. The reply is not acceptable because the situation arose due to incorrect clubbing of strata.

The matter was referred (May 2009) to the Government. Reply had not been received (November 2009).

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<sup>17</sup> *Soil, silt, moorum, soft and disintegrated and hard rock.*

<sup>18</sup> *Any increase in executed quantity in excess of 10 per cent of the estimated quantity was payable at the estimated rate plus or minus the overall tender percentage.*

<sup>19</sup> *The payment for quantities up to 110 per cent of the estimated quantity (25,319cu.m) were to be made at the tendered rate of the contractor i.e. Rs 161 per cu.m and the quantities beyond 110 per cent were payable at the estimated rate (Rs 196.63 per cu.m) minus 5.06 tender percentage = Rs 186 per cu.m.*

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**Urban Administration Development Department**

**2.2.10 Unauthorised expenditure on transportation of mid-day meals**

**Director, Urban Administration and Development provided Rs 69.26 lakh to three Nagar Nigams towards payment of transportation cost of cooked mid-day meals to an NGO, which was contrary to the scheme guidelines.**

The National Programme of Nutritional Support to Primary Education (Mid-Day Meal scheme), was intended to boost the nutrition and education level of children through improved school attendance by providing nutritious hot meals to them within the school premises. Under the scheme guidelines, the cooking cost of Rupees two<sup>20</sup> per meal was permissible. The scheme permitted voluntary organisations, (NGOs) in urban areas to provide hot nutritious meals to schoolchildren and reimburse the costs within the overall cooking cost of Rupees two per child. The transportation cost of cooked food was not included in the list of items qualifying for payment to the implementing agency.

Scrutiny (September 2008) of records of the Commissioner, Urban Administration and Development, Bhopal revealed that the Urban Administration and Development Department signed a Memorandum of Understanding (MOU) on 26 August 2004 with Naandi Foundation (NGO) for supply of mid-day meals to school-going children in the city of Bhopal. According to the MOU, Rs 0.14 per meal was payable towards transportation of cooked food from the central kitchen of the NGO to the doorsteps of the schools. Similar arrangements were also observed for transportation of cooked mid-day meals in Jabalpur and Indore. This was contrary and irregular as per the guidelines of the scheme.

The Director, Urban Administration and Development Bhopal provided Rs 69.26 lakh (Rs 63.59 lakh during 2006-07 and Rs 5.67 lakh during 2007-08) from the State budget to Nagar Nigams, Bhopal, Jabalpur and Indore for payment to NGOs towards transportation charges. This resulted in unauthorised expenditure of Rs 69.26 lakh, involving additional financial assistance to the NGOs which was irregular.

On this being pointed out in audit, the Commissioner Urban Administration and Development M.P. Bhopal stated (April 2009) that Rs 0.14 per student per day was paid to the NGO in accordance with the order of the State coordinator, Mid-day Meal programme. The reply is not acceptable as the scheme did not provide for any such transportation charges.

The matter was reported (October 2008) to the Government. Reply had not been received (April 2009).

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<sup>20</sup> Rupees 1.50 from GOI and Rs 0.50 from State Government.

**2.3 Violation of contractual obligation/ Undue favour to contractors/ Avoidable expenditure**

**Revenue Department**

**2.3.1 Avoidable expenditure on electricity charges**

**Execution of an agreement by the Government Printing Press, Gwalior with the Madhya Pradesh Electricity Board and the MP Madhya Kshetra Vidyut Vitran Company Limited for power supply led to avoidable payment of Rs 42.12 lakh due to wrong assessment of demand.**

The Deputy Controller, Government Printing Press (GPP) Gwalior signed an agreement with the Madhya Pradesh Electricity Board in April 1988 for supply of 235 KVA High Tension (HT) power to GPP, Gwalior. A supplementary agreement with MP Madhya Kshetra Vidyut Vitran Company Limited was also executed (December 2005) for reduction in contract demand with effect from December 2005 for supply of 180 KVA HT power instead of 235 KVA HT power supply.

As per the agreements, if power consumption was less than 75 per cent of the contract demand, the consumer was required to pay the charges for minimum 75 per cent of the contract demand. Similarly, the consumer was also required to maintain a minimum average monthly power factor of 90 per cent. Failure in maintaining the minimum required power factor would attract levy of additional charges by way of penalty.

Scrutiny (January 2009) of the records of GPP, Gwalior revealed that the consumption of power as well as the level of power factor were below the agreed norms. The actual consumption of power did not cross 75 per cent of the demand stipulated in the original and the supplementary agreements during the period July 2002 to December 2008. The highest consumption was only 75 KVA. The monthly average power factor was below the stipulated 90 per cent during the period July 2002 to December 2008 except for eight months (March to October 2007). The GPP, therefore, had to pay an additional amount of Rs 26.46 lakh during July 2002 to December 2008 towards the difference between the actual power consumed and the actual energy charges. Similarly, Rs 15.66 lakh was also paid (July 2002 to December 2008 except March to October 2007) towards penalty for not maintaining the average monthly power factor. This indicated that the original agreement was not based on proper assessment of the requirement and supplementary agreement was also not based on actual past consumption.

On this being pointed out in audit, the GPP stated (January 2009) that the supplementary agreement was made on the basis of a recommendation of the EE PWD (E & M) and that a capacitor was installed in July 2006 to maintain the power factor. It was also stated that due to low pressure of work in the press, it was not possible to avail of the contracted demand and to maintain the minimum power factor.

The reply is not acceptable as the GPP, despite less consumption in the past, did not take the same into account while executing the supplementary agreement and as a result, had to make avoidable payment of Rs 42.12 lakh.

The matter was referred (January 2009) to the Government. Reply had not been received (March 2009).

## **Water Resources Department**

### **2.3.2 Payment to a contractor for an item beyond the scope of the agreement**

#### **Sanction of an extra item for borrowed soil by a Chief Engineer without approval of the Government resulted in extra payment of Rs 53.21 lakh.**

The work of earthwork and construction of 39 structures in RD km 68.22 to 84.00 of Purwa Main Canal of Bansagar project was awarded (September 2006) to a contractor on an item rate contract of Rs 21.08 crore. The work, which was stipulated to be completed by March 2008 was still in progress and the 45<sup>th</sup> running account bill of the contractor for Rs 18.14 crore was paid in March 2009.

The Schedule of Quantities forming part of the agreement, included execution of 9,14,389 cu.m earthwork for the bund, using approved soil as per drawings and specifications with leads and lifts at an agreed rate of Rs 49 per cu.m.

Scrutiny (May 2008) of records of the Executive Engineer (EE), Purwa Canal Division No.2, Satna revealed that the contractor was paid an additional amount of Rs 53.21 lakh at Rs 12.50 per cu.m for mining 4,25,699 cu.m of approved soil borrowed by him from private landowners, without reducing the rate for earthwork. This was beyond the scope of the agreement and was inadmissible, resulting in excess payment of Rs 53.21 lakh till the 45<sup>th</sup> running account bill (March 2009).

On this being pointed out in audit, the EE stated (May 2008) that during excavation of the canal, due to incorrect estimation, adequate usable soil was not encountered. Therefore, to ensure timely completion of the work, the payment was made with the sanction of the Chief Engineer (CE).

The reply is not acceptable because as per clause 3.11 A of the agreement, the item of earthwork and its agreed rate paid to the contractor was for the complete item of the work and included management of approved borrowed soil by the contractor at his peril with all leads and lifts. Therefore, no extra payment was admissible.

Moreover, the CE was empowered to sanction extra items up to Rs 15 lakh only. Thus the sanction of the extra payment of Rs 53.21 lakh without approval of the Government was irregular.

The matter was referred (May 2009) to the Government. Reply had not been received (November 2009).

## **2.4 Idle investment/Idle establishment/Blocking of funds/Delay in commissioning equipment/Diversion of funds**

### **Housing and Environment Department**

#### **2.4.1 Blocking of funds due to purchase of disputed land**

**Execution of a sale deed for purchase of disputed land by the Madhya Pradesh Housing Board for Rs 6.72 crore with incomplete payment terms gave undue benefit to the seller and led to idling of the land without any return.**

Scrutiny (August 2008) of records of the Executive Engineer (EE), Madhya Pradesh Housing Board (MPHB), Katni revealed that the Collector Katni had informed (July 2000) the Commissioner, MPHB that there was a dispute regarding the land of M/s. Olpherts Private Limited in Madan Mohan Choubey Ward, Katni and its acquisition was not in the interest of MPHB. A notification, however, was published in the newspaper on 24 January 2002 inviting claims/objections, if any, in respect of the title of the land within a period of seven days, i.e. upto 31 January 2002. Meanwhile, the Government of Madhya Pradesh, Housing and Environment Department directed (30 January 2002) Commissioner, MPHB to maintain status quo of 5 January 2002 in respect of the land as the land dispute was pending before the court. In spite of this, the EE, Madhya Pradesh Housing Board Division No.II, Jabalpur entered into an agreement with M/s Olpherts Private Limited, Katni (vendor) on 28 January 2002 for purchase of 59 acres of land at the rate of Rs 10 lakh per acre for construction of residential units, three days before the expiry of the waiting period inviting the claims/complaints.

According to this agreement, Rs 72 lakh was to be paid by MPHB to the vendor at the time of execution of the agreement and the balance cost (Rs 5.18 crore) was to be paid on receipt of payments from prospective allottees under the MPHB Housing scheme. In the agreement, there was no mention of any date regarding the balance payments and full and final settlement of sale. The EE MPHB Katni executed the sale deed on 23 November 2002. While executing the sale deed, the condition incorporated in the agreement regarding balance payment was withdrawn by him without approval of the competent authority. Further, new conditions were inserted in the sale deed, to benefit the aforesaid vendor, according to which a balance amount of Rs 5.18 crore was to be paid on or before 31 May 2004. As a result, MPHB paid the entire amount of Rs 5.90 crore during January 2002 to September 2006. The MPHB further spent Rs 82 lakh on registration of agreement and development of land.

On being pointed out (September 2008) by Audit, the Government stated (January 2009) that the case was still pending in court for settlement of the dispute.

In view of the disputed status of the land the Housing Board is unable to use the land further till the case is settled. Thus the wrong decision of persisting with purchase of disputed land compounded further by unfavorable payment conditions rendered Rs 6.72 crore spent by the MPH B unfruitful.

### **-Medical Education Department**

#### **2.4.2 Non-upgradation of emergency treatment facilities**

**Emergency health care to patients in critical condition could not be provided at the Bhopal, Gwalior and Jabalpur Medical college hospitals, as funds for creation of such facilities remained unutilised with them.**

Government of India (GOI), sanctioned (June 2006) a one time additional Central assistance of Rs 10 crore for upgrading the treatment of serious patients at hospitals attached to the Medical Colleges, Bhopal, Gwalior and Jabalpur on the basis of a proposal by the Director Medical Education, Bhopal. The amount formed part of the Central assistance towards the Annual Plan 2006-07 of Madhya Pradesh requiring appropriation during the year.

Scrutiny (February and April 2008) of the records of the Medical Colleges at Jabalpur and Gwalior and further information collected in August 2009 revealed that the State Government sanctioned (January 2007) and provided Rs 10 crore to the Deans of the Medical Colleges (Bhopal: Rs 3.26 crore, Gwalior: Rs 3.26 crore and Jabalpur: Rs 3.48 crore) for procurement of equipment and creation of infrastructure as shown in **Appendix 2.8**. To avoid lapse of the GOI grant, Government instructed (March 2007) the Director, Medical Education to keep the amount under Civil Deposit in the names of the three Medical Colleges. Accordingly, Rs 3.26 crore each by Medical Colleges Gwalior and Bhopal and Rs 3.48 crore by Medical College, Jabalpur were drawn (March 2007) and kept under Civil Deposit. In the Medical Colleges at Bhopal and Gwalior, equipment costing Rs 1.25 crore and Rs 0.57 crore respectively were procured and put to use. The balance amount (Rs 8.81 crore) including an unpaid amount of Rs 0.63 crore was lying unutilised under Civil Deposit as of December 2009.

On this being pointed out in audit, the Deans, Medical Colleges, Gwalior and Bhopal stated (December 2008 and February 2009 respectively) that the procurement action was under process. The Dean, Medical College, Jabalpur stated (March 2009) that the work of construction of a building for emergency medical centre was in process and it would be proper to procure equipment after completion of the same. Director, Medical Education stated (August 2009) that procurement of equipment could not be made due to year-to-year changes in the purchase policy during the period 2007-08 to 2009-10. The replies are not acceptable as the work of upgradation of facilities should have been properly planned and expedited to provide immediate care to serious patients.

Thus, despite availability of funds with the department for the last two and half years, the required upgradation in medical facilities was not carried out

and patients requiring emergency treatment were deprived of the required facilities.

The matter was reported (April 2009) to the Government. Reply had not been received (November 2009).

## **2.5 Regulatory issues and other points**

### **Home Department**

#### **2.5.1 Irregular expenditure**

**Superintendents of Police, Bhopal and Gwalior, deposited receipts of Rs 1.30 crore in bank accounts instead of depositing the same in the Government account and irregularly spent Rs 90.32 lakh on towing of vehicles, etc.**

According to Section 127 of the Motor Vehicles Act, 1988, if a vehicle is authorised to be removed from a public place by a police officer, the owner of the vehicle is responsible for the towing costs, besides any other penalty. As per the provisions of the Madhya Pradesh Treasury Code (MPTC) and the Madhya Pradesh Financial Code (MPFC), when money is received on behalf of the Government, a receipt in form MPTC-6 should be issued and the amount so received should be credited to the Government account by challan. Expenditure, if any, should be incurred through budget provisions and after sanction of the competent authorities.

Scrutiny (December 2008) of the records and information collected (March and May 2009) from the office of the Superintendent of Police (SP) Bhopal, and information collected from Traffic branch of Police, Gwalior (March and May 2009) revealed that District Collector, Bhopal had issued (September 2004) an order under Clause 127 of the Motor Vehicles Act 1988 under which ad hoc rates were fixed for recovery of towing charges from vehicle owners involved in irregular parking offences. The order further stated that the amount recovered would be credited to the prescribed heads of account of the Police Department and payment for equipment, if any, hired for this purpose was to be made in consultation with the Superintendent of Police.

Orders fixing ad hoc rates towards penalty charges for towing were issued by the Collector, Gwalior in September 2004 with instructions to deposit the amount so collected in the name of the Commissioner, Nagar Nigam. Expenditure from the account could be made in consultation with the Superintendent of Police, with the approval of the Collector. The Traffic Police, Bhopal and Gwalior, accordingly collected Rs 1.30 crore as towing charges from vehicle owners till March 2009 but neither were any receipts in form MPTC 6 issued nor were the amounts credited to the Government account. Instead, the amounts were kept in bank accounts, which was contrary to the provisions of the MPTC. Further, out of the amount mentioned above,

Rs 90.32 lakh were utilised on towing of vehicles, etc and Rs 39.68 lakh (Bhopal: Rs 37.36 lakh and Gwalior: Rs 2.32 lakh) was lying unutilised in the bank accounts.

On being pointed out by Audit, the Superintendent of Police Gwalior stated (April 2009) that the money had been kept in bank accounts as per the Collector's order. The Superintendent of Police, Bhopal stated (May 2009) that the money was kept in a bank account, treating it as non-Government money.

The reply is not acceptable as the money collected under the provisions of the Motor Vehicles Act could not be treated as non-Government money. Keeping the same in bank accounts and utilising it without necessary authorisation through budget provisions was contrary to the provisions of the MPTC and the MPFC.

The matter was referred (February 2009) to the Government. Reply had not been received (September 2009).

### **2.5.2 Non-realisation of charges in respect of Armed Forces**

#### **Non-realisation of Rs 54.11 crore for deployment of Armed Forces and Government Railway Police.**

Armed forces are deployed from one State to another to maintain law and order. To bring uniformity regarding reimbursement of charges on account of such deployments, the Government of India, Ministry of Home Affairs issued (September 1995) instructions that the borrowing units should reimburse expenditure to the extent of Rs 50 lakh per quarter per battalion towards the close of June, September, December and March every year. These provisional payments were subject to adjustment on receipt of audited figures and balance amounts, if any, were to be paid within one month from the close of the relevant quarters/receipt of audited figures to the lending State Government. In case of deployments of battalions at the instance of the Ministry of Home Affairs, the claims were to be preferred to the Ministry. Failure in timely payment could lead to withdrawal of the forces from the defaulting States. Further, the Government of India, Ministry of Railway, Railway Board issued (March 1979) instructions that sharing of expenditure on hiring of Railway Police between the Railways and the State Government would be on 50:50 basis with effect from 1 April 1979.

A mention regarding short-realisation of Rs 58.49 crore on deployment of battalions to other States etc. was made in Para 3.16 of the Audit Report of the Comptroller and Auditor General (Civil) for the year ended 31 March 2001, Government of Madhya Pradesh. The Public Accounts Committee (PAC) in its 198th Report (January 2006) recommended that the outstanding amounts should be recovered immediately and steps should be taken to ensure timely settlement of dues in future.

Scrutiny (July 2008) of the records of the Superintendent, Government Railway Police and information gathered (March and September 2009) from



the Director General of Police, Bhopal revealed that though Rs 57.23 crore (97.85 per cent) out of the Rs 58.49 crore pointed out in the Audit Report was stated to have been recovered, claims for quarterly provisional payments as envisaged under Government of India instructions, were not being preferred and Rs 54.11 crore pertaining to periods from April 1982 to March 2008 were still to be recovered at the end of March 2009. Further scrutiny (December 2009) revealed that the claims preferred by the Inspector General of Police, Special Armed Forces, Bhopal had been delayed by two to 14 years after receipt of audit certificates as detailed in **Appendix 2.9**. The Director General of Police, Bhopal stated that regular correspondence was being made for recovery of the amounts.

In spite of Public Accounts Committee's recommendations, only partial recovery of the total dues pointed out in Audit Report was made and there was no improvement in recovery of claims thereafter.

The matter was reported (April 2009) to the Government. Reply had not been received (August 2009).

## Housing and Environment Department

### 2.5.3 Non-recovery of water cess

#### **The Madhya Pradesh Pollution Control Board failed to recover water cess and interest thereon totalling Rs 58.40 crore from local bodies.**

Water cess is required to be collected from all local authorities as specified in the Water Cess Act 1977. As per para 10 of the Act, in cases of delay in paying water cess, the local authorities would be liable to pay interest at the rate of two per cent per month. From 26 January 1992, the rate of interest were revised to 12 per cent per annum. Government of India vide notification (January 1980) delegated the powers to the State Government to execute the provisions of the Water Cess Act, 1977 under which, dues could be recovered as arrears of land revenue.

Mention was made in sub-paragraph 3.1.6.1 of the Audit Report of the Comptroller and Auditor General for the year ended 31 March 2000 (No. 3 Civil) regarding outstanding water cess of Rs 3.15 crore against various local bodies for the period upto 1998-99. The Public Accounts Committee, in its 334<sup>th</sup> Report (March 2007) recommended recovery of the outstanding amounts as arrears of Land Revenue to be made by fixing time limits and the action taken may be intimated to the committee.

The information collected (April 2009) from the Government of Madhya Pradesh, Housing and Environment Department and the Member Secretary, MP Pollution Control Board, Bhopal on the follow-up of the PAC recommendations revealed that neither had any time limit been fixed by the Government nor had any Revenue Recovery Certificate proceedings initiated for recovery of the outstanding dues. Meanwhile, the recoverable amount from 312 local bodies up to March 2009 had increased to Rs 58.40 crore (Rs 21.64

crore of assessed water cess up to March 2008 and Rs 36.76 crore of interest thereon up to August 2009).

On this being pointed out in audit, the department stated (July 2009) that the matter to recover the dues as arrears of land revenue was under process.

The reply may be viewed in the light of the fact that the Government had failed to take action as per the provisions of the Water Cess Act despite the PAC's recommendations and that the MP Pollution Control Board was deprived of Rs 58.40 crore which could have been useful in prevention and control of water pollution through appropriate schemes.

## **Public Health and Family Welfare Department**

### **2.5.4 Irregular financial assistance under *Bimari Sahayata Nidhi***

#### **Chief Medical and Health Officers, Rajgarh and Barwani paid irregular financial assistance of Rs 31.68 lakh due to non-observance of norms under *Bimari Sahayata Nidhi*.**

According to the *Madhya Pradesh Rajya Bimari Sahayata Nidhi Niyam 1997* as amended (January 2006), one time financial assistance up to the prescribed financial limits was payable to authorised, disease-specific hospitals for treatment of specified diseases of patients who were below the poverty line. Financial assistance upto Rs 75,000 in each case was to be sanctioned by District Level Committees<sup>21</sup> and for cases above Rs 75,000 but upto Rs 1.5 lakh, by the Management Committee.<sup>22</sup>

Scrutiny (January 2009 and March 2009) of records of the Chief Medical and Health Officers (CMHOs), Rajgarh and Barwani revealed that in 21 cases, amounts aggregating Rs 13.70 lakh were paid to hospitals not authorised for treatment of particular diseases. In 25 cases, amounts aggregating Rs 12.08 lakh were paid for treatment of diseases which were not covered under the specified diseases. In 37 cases, amounts aggregating Rs 5.90 lakh were paid in excess of the prescribed financial limits. Casewise details are given in **Appendices 2.10, 2.11 and 2.12** respectively.

On this being pointed out by Audit, the CMHOs, Rajgarh and Barwani stated (January and March 2009) that the payments had been made after approval of the cases by the District Level Committees.

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<sup>21</sup> *District level committee – Consists of Minister incharge of the district as President of the Committee and District Collector, Civil Surgeon, three non-government persons nominated by President of the committee and Chief Medical and Health Officers as members.*

<sup>22</sup> *Management committee-Consists of Minister incharge of Public Health and Family Welfare Department as President, four non-government members nominated by State Government including two members of the Legislative Assembly, Principal Secretary of Public Health and Family Welfare Department, Health Commissioner and Directors of Medical Education, Medical Services and Public Health and Family Welfare as members.*

The reply is not acceptable as the amounts sanctioned and payments made did not conform to the norms prescribed under the scheme. Thus expenditure of Rs 31.68 lakh was incurred in violation of the norms and was thus irregular.

The matter was referred to the Government in March and April 2009. The Under Secretary, Public Health and Family Welfare stated (December 2009) that the information would be furnished as soon as the same was received from the Commissioner (Health Services).

## **General**

### **2.5.5 Failure to enforce accountability and protect the interests of Government**

The Principal Accountant General (Civil and Commercial Audit), Madhya Pradesh, Gwalior (PAG) conducts periodical audit of Government departments (except Forest Department, Narmada Valley Development Department, Public Health Engineering Department, Public Works Department and Water Resources Department) to test check, inter-alia, the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. Irregularities detected during audit are reported through Inspection Reports (IRs) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies and lapses. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects/ omissions promptly and report their compliance to the PAG as per the Regulations<sup>23</sup> on Audit and Accounts. The PAG also brings serious irregularities to the notice of the Heads of Departments. A half-yearly report of pending IRs and paras is sent to the Principal Secretary/ Secretary of the Department to facilitate monitoring of the compliance to the audit observations in the pending IRs. Besides, an annual public statement regarding pending audit observations is also made by the Head of Department.

A review of the IRs issued by the PAG upto September 2009 pertaining to Civil Departments disclosed that 23,528 paragraphs relating to 9,136 IRs remained outstanding as on 30 September 2009. This included 11,036 paragraphs of 5009 IRs outstanding for more than five years. The department-wise and year-wise position of outstanding IRs and paragraphs is given in **Appendices 2.13 and 2.14.**

The Heads of the offices whose records were audited and the Heads of Departments did not send any replies to a large number of IRs/paragraphs indicating their failure to initiate action with respect to the defects, omissions and irregularities pointed out in them. The Principal Secretaries/Secretaries of the departments who were informed of the position through half-yearly reports

<sup>23</sup> *Regulations on Audit and Accounts framed by the Comptroller and Auditor General of India (As notified in the Gazette of India on November 20, 2007).*

also did not ensure that the concerned offices of the Department take prompt and timely action.

Absence of any action against the defaulting officers facilitated the continuance of irregularities and losses to the Government despite these being pointed out in audit. It is recommended that Government should re-look into the procedure for fixing responsibility of the officials who failed to take corrective/remedial action on the audit observations and failed to send replies to IRs/paragraphs within a prescribed time. Action should be initiated to recover losses, outstanding advances, over payments, etc. in a time-bound manner and enforce accountability to ensure proper and timely response to the issues brought out in audit.