

## CHAPTER III

### Integrated Audit

#### Public Health Engineering Department

#### 3.1 Integrated Audit of Public Health Engineering Department

##### *Highlights*

*The Public Health Engineering Department is the implementing agency for providing safe drinking water facilities to the rural and urban population of the State. The department also executes the works of urban water supply and sewerage schemes as deposit works on behalf of local bodies. Integrated audit of the department revealed inadequate financial controls, inadequate operational and material management, deficient contract management and lack of an internal control mechanism. A review of the functioning of the department as per its mandates and policies brought out the following shortcomings:*

**There were persistent savings ranging between Rs 65.11 crore and Rs 241.64 crore during 2004-09, indicating unrealistic budget preparation and inadequate implementation of the programme.**

*(Paragraph 3.1.6.2)*

**The department parked Rs 43.31 crore under ‘Civil Deposits’ at the fag end of the respective financial years to avoid lapse of funds during 2005-06 and 2006-07 and allotted Rs 154.48 crore during the last 10 days of the financial years 2005-08.**

*(Paragraphs 3.1.6.4 and 3.1.6.6)*

**In the Public Health Engineering Division, Katni, works of laying of pipelines under 32 rural piped water supply schemes valuing Rs.1.55 crore were unauthorisedly executed by the department.**

*(Paragraph 3.1.8.1)*

**Material worth Rs 3.79 crore and Rs 8.45 crore was lying unutilised in the stock accounts of four civil divisions and seven mechanical divisions respectively.**

*(Paragraph 3.1.9.1)*

**In seven divisions, material worth Rs 7.48 crore was lying unutilised in material-at-site accounts. No physical verification was done in another seven divisions.**

*(Paragraph 3.1.9.2)*

**In six divisions, articles valuing Rs 2.68 crore were irregularly purchased from the Madhya Pradesh State Consumer Co-operative Federation without inviting tenders.**

*(Paragraph 3.1.9.6)*

**There was no internal audit wing in the department and inspection of division offices by superior authorities was not done regularly. Audit notes had not been issued in six divisions since May 2008.**

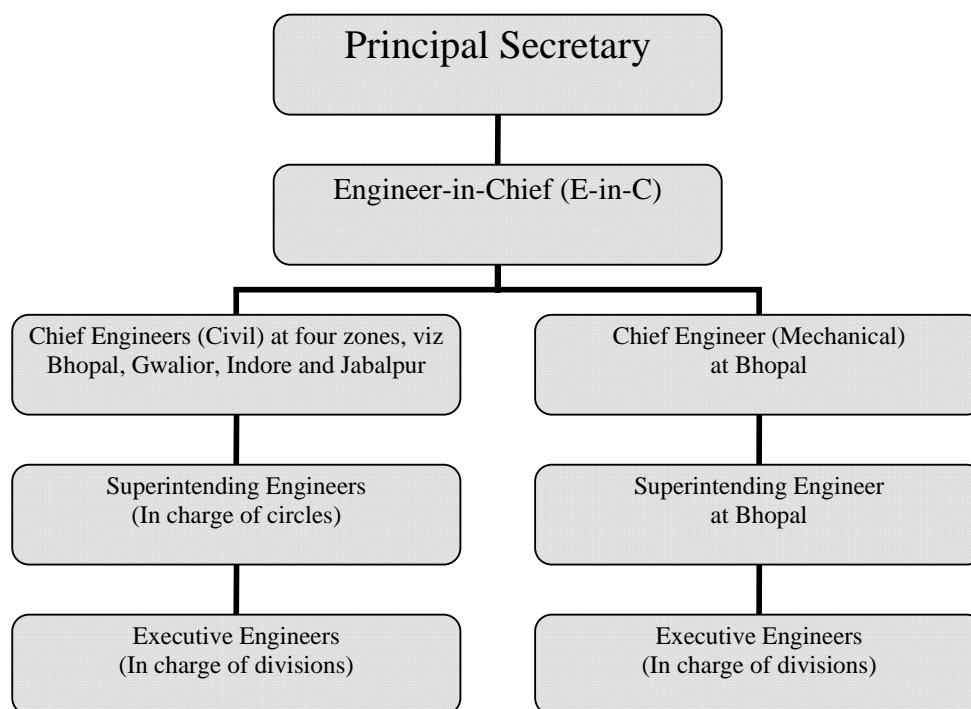
*(Paragraph 3.1.11.1)*

### **3.1.1 Introduction**

The Public Health Engineering Department (PHED) is entrusted with the work of implementation and maintenance of water supply, sanitation and groundwater recharging schemes. The schemes are implemented both in the rural and urban sectors. In the rural sector, the work includes drilling of tubewells, construction of Rural Piped Water Supply Schemes (RPWSS), water supply to fairs etc under the Accelerated Rural Water Supply Programme (ARWSP), while in the urban sector, schemes of water supply and sewerage treatment are executed under the Accelerated Urban Water Supply Programme (AUWSP).

### **3.1.2 Organisational Setup**

The department has four zones, 14 circles, 65 civil divisions and seven mechanical divisions, headed by a Principal Secretary and assisted by the following officers as shown in the organogram below:



### 3.1.3 Audit Objectives

The audit objectives were to evaluate whether:

- financial management and programme management by the department was efficient, effective and economical in respect of execution of works,
- material management was efficient and effective,
- human resource management helped in optimum utilisation of manpower,
- an internal control mechanism, including administrative and operational controls, was in existence and was effective and
- monitoring and internal audit was effective.

### 3.1.4 Audit criteria

The working of the department was evaluated with reference to the following:

- Administrative orders and programme guidelines issued by the Government of India (GOI) and the State Government.
- Provisions of the MP Works Department (MPWD) Manual, the Central Public Works Account (CPWA) Code, CPHEEO Manuals<sup>1</sup> etc.
- Survey data and detailed estimates.
- Provisions of specifications and agreements.

### 3.1.5 Scope of audit and methodology

The office of the E-in-C, four out of 18 direction offices<sup>2</sup> and 17 out of 72 divisional offices were selected on the basis of stratified random sampling. Out of the selected offices, the audit of 16 divisional offices, four direction offices and the office of the E-in-C for the period 2004-09 was carried out during March to November 2009. An entry conference was held on 15 April 2009 and an exit conference was held on 18 November 2009, with the officers of the department. Results of the exit conference have been incorporated in the relevant paragraphs.

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<sup>1</sup> Central Public Health and Environmental Engineering Organisation's (CPHEEO) (a) Manual on Water Supply and Treatment and (b) Sewerage Treatment and Sewage Manual.

<sup>2</sup> Offices of the Chief Engineers and Superintending Engineers.

### **3.1.6 Financial management and budgetary controls**

The budget provisions of the department are finalised by the Finance Department on the recommendations of the State Planning Commission (SPC) and in consultation with the department. The shortcomings noticed by Audit in planning and preparation of budgets as well as expenditure control are discussed in the succeeding paragraphs.

#### **3.1.6.1 Planning**

**There were variations between the proposals of the department with actual allotments and expenditure.**

Rules provide that budget estimates should be framed as accurately as possible and should include provisions for all commitments that can be foreseen. Budget proposals were prepared by the divisional offices and sent via the District Planning Committees (DPC)<sup>3</sup> to the SPC, after approval. Audit scrutiny revealed that in five out of the 12 divisions test-checked, there were wide variations between the proposals sent by the concerned divisions which were approved by the SPC and the allotment and expenditure incurred on the various schemes by the department, as indicated below:

**Table No.3.1 Details of variations in estimates proposed by the department with respect to allotment and expenditure**

*(Rupees in lakh)*

Name Division	No. of schemes	Year	Estimates proposed	Allotment	Expenditure	Percentage of excess(+)/ saving (-)
Chhatarpur	7	2007-08	280.00	446.80	429.09	53.25
	7	2008-09	335.00	350.97	351.09	4.80
Hoshangabad	2	2004-05	53.40	-	85.16	59.48
	1	2005-06	7.00	-	45.04	543.43
	1	2006-07	140.00	-	-	-100.00
Katni	3	2007-08	125.00	-	222.00	77.60
	6	2006-07	209.00	93.72	98.67	-52.79
	6	2007-08	254.00	70.64	206.63	-18.65
	6	2008-09	299.00	579.50	603.57	101.86
Khargone	2	2006-07	250.00	-	172.08	-31.17
	5	2007-08	165.00	-	470.50	185.15
Seoni	5	2008-09	258.00	-	219.00	-15.12
	10	2006-07	265.75	158.02	154.37	-41.91
	10	2007-08	411.10	299.60	253.21	-38.41
	10	2008-09	631.70	268.40	217.93	-65.50

*(Source: Proposals sent by divisions to District Collector (DPC))*

The above table indicates that the department failed to plan its activities in a systematic manner and could not assess the actual requirement of funds, which led to deficiencies in planning.

On this being pointed out, no specific reply was given by the Seoni, Hoshangabad, Chhatarpur and Khargone divisions. However, the EE, Katni division accepted the audit findings.

#### **3.1.6.2 Budget outlays**

As per the Appropriation Accounts, the total budget allotment for the department during the period 2004-09 was Rs 4165.82 crore, of which

<sup>3</sup> District planning committee comprises of all the heads of offices in the district headed by collector.

Rs 814.61 crore was provided through supplementary budgets as detailed below:

**Table No. 3.2: Year-wise allotments and expenditure as per Appropriation Accounts**

*(Rupees in crore)*

Year	Budget Allotment	Supplementary Allotment	Total	Expenditure	Surrenders	Surrenders (per cent)	Total Savings	Savings (per cent)
2004-05	484.40	51.99	536.39	430.67	27.64	5.15	105.72	19.71
2005-06	578.17	118.16	696.33	631.22	0	0	65.11	9.35
2006-07	539.82	138.09	677.91	553.48	35.09	5.18	124.43	18.35
2007-08	832.43	228.63	1061.06	904.79	91.17	8.59	156.27	14.73
2008-09	916.39	277.74	1194.13	952.49	100.50	8.42	241.64	20.24
<b>Total</b>	<b>3351.21</b>	<b>814.61</b>	<b>4165.82</b>	<b>3472.65</b>	<b>254.40</b>		<b>693.17</b>	

*(Source: Appropriation Accounts)*

**Funds to the tune of Rs 693.17 crore (16.64 per cent) remained unutilised which included surrenders of Rs 254.40 crore (6 per cent).**

As evident from the above table, the department could utilise (2004-09) only Rs 3,472.65 crore (83.36 per cent). Out of the total savings of Rs 693.17 crore, Rs 254.40 crore was surrendered. The reasons for the savings were non-execution of schemes, non-accordance of administrative approvals, unrealistic estimation of schemes etc.

An analysis revealed that the department could not utilise the funds allotted under various schemes as detailed below:

**Table No.:3.3 Scheme-wise details of allotment and expenditure during 2004-09**

*(Rupees in lakh)*

Sl. No.	Scheme	Allotment	Expenditure	Total Savings	Percentage of savings
1	RPWSS	56515.40	46674.30	9841.10	17.41
2	Hand pumps (habitations/ school)	114802.00	103772.00	11030.00	9.61
3	Recharging schemes	16612.60	14987.90	1624.70	9.78
4	Schemes in water quality affected habitations	39189.10	23707.20	15481.90	39.51
5	Operation and maintenance of RPWSS	15613.30	14088.90	1524.40	9.76
6	Direction and administration	1183.26	909.92	273.34	23.10
7	Rural sanitation programmes (up to July 2007)	12945.10	4155.88	8789.22	67.90
8	Other programmes	3039.47	2861.64	177.83	5.85
9	Accelerated Urban Water Supply Programme (AUWSP)	38948.90	32468.90	6480.00	16.64
10	Tribal Sub Plan (Urban)	425.00	400.00	25.00	5.88
11	Special Component Plan(Urban)	4967.94	3859.14	1108.80	22.32
12	Installation of computers	450.00	76.16	373.84	83.08
	<b>Total for the department</b>	<b>304692.07</b>	<b>247961.94</b>	<b>56730.13</b>	<b>18.62</b>

*(Source: figures intimated by E-in-C, PHED, MP)*

Audit observed that the funds allotted for water supply schemes for quality-affected habitations<sup>4</sup>, rural sanitation, AUWSP and RPWSS remained unutilised. Further scrutiny revealed following:

<sup>4</sup> Water quality affected due to presence of arsenic, fluoride, iron and other toxic elements in the water sources.

**Funds allotted for various water supply schemes in the State remained unutilised.**

- The percentage of savings under water quality schemes during 2004-09 was 39.51. During 2007-08, despite incurring expenditure of Rs 66.69 crore in March 2008, an amount of Rs 32 crore was surrendered. The E-in-C stated (February 2009) that the works had not been taken up due to non-availability of reliable sources of water. The reply is not acceptable as the department should have ensured reliable water sources before taking up the scheme.
- Under rural sanitation programmes, the overall savings noticed were 67.90 per cent during 2004-08. An amount of Rs 27.76 crore was, however, surrendered during 2007-08 due to transfer of work to Panchayats.

### **3.1.6.3 Non-reconciliation of figures**

Financial rules require that departmental Controlling Officers should periodically reconcile departmental figures of expenditure with those booked by the Accountant General. It was found that there were discrepancies in departmental figures of allotment and expenditure compared to the figures appearing in the Appropriation Accounts for the period 2004-09, as detailed below:

**Table No. 3.4 Details of differences in figures of Departmental and Appropriation Accounts**

**There were differences of 40 per cent in expenditure figures of the department and of Appropriation Accounts.**

*(Rupees in crore)*

Year	As per Departmental Accounts		As per Appropriation Accounts		Variation of expenditure (per cent)
	Budget Allotment	Expenditure	Total Allotment	Expenditure	
2004-05	331.18	254.25	536.39	430.67	(+) 69.39
2005-06	505.91	453.02	696.33	631.22	(+)39.34
2006-07	511.93	363.40	677.91	553.48	(+)52.31
2007-08	826.56	691.04	1061.06	904.79	(+)30.93
2008-09	871.34	717.89	1194.13	952.49	(+)32.68
<b>Total</b>	<b>3046.92</b>	<b>2479.60</b>	<b>4165.82</b>	<b>3472.65</b>	<b>(+)40.05</b>

*(Source: figures intimated by E-in-C, PHED, and Appropriation Accounts compiled by A.G (A/E))*

Audit observed that there were variations of around 40 per cent in the expenditure figures of the department and those appearing in the Appropriation Accounts. The department made no efforts to set right these discrepancies.

### **3.1.6.4 Parking of funds under Civil Deposits**

**In order to avoid lapse of funds, Rs 43.31 crore was parked under 'Civil Deposits'.**

As per Rule 284 of the Madhya Pradesh Treasury Code, drawal of money in anticipation of demand and its retention in 8443-Civil Deposits to avoid lapse of funds is a serious financial irregularity. Audit noticed that a sum of Rs 43.31 crore<sup>5</sup> was drawn during 2005-07 and credited to 8443-Civil Deposits at the fag end of the respective financial years.

<sup>5</sup> 2005-06-Rs 30.00 crore (Released in January 2007) and 2006-07- Rs 13.31 crore (Released in January 2009).

On this being pointed out, the E-in-C replied that the funds had been received at the fag end of the year after re-appropriation and hence, it was impossible to incur the expenditure. Therefore, the amount was kept under Civil Deposit with the permission of the Finance Department for use in the subsequent year.

The reply is not acceptable because the funds could not be utilised even during the following financial years. The system of keeping unutilised amounts under Civil Deposit violated the essence of the budget procedure.

### ***3.1.6.5 Irregular drawals from the Contingency Fund***

As per Rule 61 of the General Financial Rules (GFRs), advances from the Contingency Fund can be obtained only for incurring unforeseen expenditure. The advances so drawn are to be recouped to the Consolidated Fund after obtaining authorisation from the legislature.

**Drawal of Rs 12 crore from Contingency Fund for committed expenditure was irregular.**

Audit scrutiny revealed that Rs 12 crore was drawn (January 2009) by the department from the Contingency Fund for paying salaries and allowances of daily wagers and work-charged staff of 36 divisions. These amounts being committed expenditure, could not be termed as ‘unforeseen expenditure’. Therefore, the drawal of Rs 12 crore from the Contingency Fund for salaries and allowances during 2008-09 was irregular. Besides, the advance had not been recouped till March 2009.

### ***3.1.6.6 Release of funds during the last week of March***

**Funds amounting to Rs 154.48 crore were allotted at the fag end of the financial years.**

As per paragraphs 4.153 to 4.155 of the MPWD Manual, final demands must be submitted by 25 January and surrenders should be made upto 25 February or upto 15 March of any year. Audit observed that the E-in-C made allotments of Rs 85.34 crore, Rs 39.69 crore and Rs 29.45 crore during the last 10 days of the financial years 2005-06, 2006-07 and 2007-08 respectively but the funds could not be utilised during the year.

In reply, the E-in-C stated (February 2009) that Rs 39.06 crore, Rs 69.59 crore and Rupees five crore were received on 30 March 2007, 29 February 2008 and 29 March 2008 respectively from the Government of India.

### ***3.1.6.7 Rush of expenditure***

**There was rush of expenditure ranging from 21 to 39 per cent at the fag end of the financial years.**

As per Rules 56 (3) and 69 of GFRs, expenditure against allotment should be incurred uniformly throughout the year. Rush of expenditure at the closing of the financial year is to be avoided.

Scrutiny of VLC<sup>6</sup> data for assessing expenditure on water supply works (excluding establishment) of the department, revealed that the expenditure

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<sup>6</sup> *Voucher Level Computerisation: Software used by the Accountant General (A&E), for compilation of accounts.*

during March ranged from 21 to 39 *per cent* as shown below:

**Table No.3.5: Year-wise details of rush of expenditure in the month of March**

*(Rupees in crore)*

Financial Year	Expenditure as per Appropriation Accounts <sup>7</sup>	Total expenditure for the year (VLC)	Expenditure in March (VLC)	Percentage of expenditure in March
2004-05	430.67	284.31	89.75	31.67
2005-06	631.22	418.61	139.91	33.42
2006-07	553.48	455.95	131.71	28.88
2007-08	904.79	740.47	288.04	38.89
2008-09	952.49	773.07	161.95	20.94

*(Source: Appropriation Accounts and VLC data provided by Accountant General (A/E), Bhopal)*

Further, the test check of eight divisions (**Appendix-3.1**) revealed the following:

- In Khargone division, out of total expenditure of Rs 4.08 crore during 2008-09 on 11 minor heads, 55.35 *per cent* was incurred during March 2009.
- In Katni division, out of the total expenditure of Rs 3.30 crore during 2008-09 on 12 minor heads, 34.29 *per cent* was incurred during March 2009.
- In Shahdol division, the expenditure during March 2008 on nine minor heads was 84 *per cent* of the total expenditure of Rs 1.93 crore during 2007-08. Further, out of the total expenditure of Rs 6.99 crore during 2008-09 under eight minor heads, 40.88 *per cent* was incurred during March 2009.
- In Chhatarpur, expenditure of Rs 3.60 crore (five minor heads) and Rs 1.55 crore (four minor heads) was incurred during March 2008 and March 2009 which was 55.57 and 47.76 *per cent* of the total expenditure.
- In Datia division, the expenditure during March 2008 and March 2009 was 67.48 *per cent* of the total expenditure for four minor heads and 57.61 *per cent* for two minor heads respectively.
- In Guna, the expenditure during March 2009 was 66.54 *per cent* of the total expenditure of Rs 61.04 lakh under three minor heads.
- In Raisen, the expenditure during March 2009 was 72.84 *per cent* of the total expenditure of Rs 1.45 crore under four minor heads.

The Executive Engineers (EE) of Chhatarpur, Katni, Khargone, Raisen and Datia stated (May 2009 to November 2009) that final allotments were received in the last two months of the financial year while the EEs, Shahdol and Guna did not offer any comments.

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<sup>7</sup> *The figures of Appropriation Accounts include expenditure on establishment also.*



### 3.1.6.8 Cash handling

**Tour advance of Rs 10.69 lakh remained unadjusted in 12 divisions.**

- As per the provisions of the MPWD Manual, officials handling cash/stores, are required to furnish security deposits for making good any loss or misappropriation. Test check, however, revealed that in four<sup>8</sup> divisions, this provision was not being adhered to.
- There was no provision in the MPWD Manual for granting tour advances from the Works cashbooks. In 12 test-checked divisions, it was noticed that a total amount of Rs 10.69 lakh<sup>9</sup> of tour advances granted from the Works cashbooks was lying unadjusted.
- As per paragraph 6.6.3 of the CPWA Code, cashbooks should be closed on the prescribed date, but when transactions are numerous, daily or weekly closing is recommended. In all the test-checked divisions, it was noticed that despite numerous transactions on daily/weekly basis, the cashbooks were being closed on monthly basis only.
- As per paragraphs 4.065 and 4.067 of the MPWD Manual, the CE/SE/EE may grant an imprest not exceeding two months' pay to any subordinate working under him for the purpose of making payments on account of the department. Audit noticed that in eight<sup>10</sup> divisions, subordinates were given reimbursement of expenditure incurred by them on imprest cash book forms, without sanction of imprest by the competent authority and without fixing any limit for expenditure.

### 3.1.6.9 Monthly reconciliation with treasury

As per paragraph 23.20.5 of the CPWA Code, the Schedule of Reconciliation of Cheques and Remittances in Form 51 is to be sent with the Monthly Accounts to AG (A&E) by Public Works divisions. Audit noticed that in 13 divisions, the figures were not reconciled and there were differences in remittances amounting to Rs 37.47 crore in Part-I (cash remittance) and

<sup>8</sup> Mechanical division, Bhopal; Narmada Division No.1 Bhopal, Indore, and Khargone.

<sup>9</sup> Mechanical division Bhopal: Rs 1.54 lakh, Chhatarpur: Rs 1.38 lakh, Datia: Rs 0.90 lakh, Guna: Rs 0.71 lakh, Hoshangabad: Rs 0.90 lakh, Indore: Rs 0.38 lakh, Jabalpur: Rs 1.16 lakh, Katni: Rs 0.08 lakh, Khargone: Rs 1.61 lakh, Raisen: Rs 0.05 lakh, Shahdol: Rs 1.04 lakh and Seoni: Rs 0.94 lakh.

<sup>10</sup> Mechanical Bhopal, Chhatarpur, Guna, Hoshangabad, Indore, Katni, Jabalpur, and Raisen.

Rs 5.08 crore in Part-II as detailed below:

**Table 3.6: Division-wise details of differences in remittances and cheques**

*(Rupees in lakh)*

Sl. No.	Name of Division	Difference in Remittance	Difference in Cheque
1	Mechanical Dn. Bhopal	416.27	136.28
2	Chhatarpur	1210.34	10.43
3	Datia	0.41	2.48
4	Guna	57.90	11.36
5	Hoshangabad	242.70	21.62
6	Indore	544.31	-5.73
7	Jabalpur	-17.83	257.24
8	Katni	274.13	6.18
9	Khargone	574.94	7.12
10	Raisen	174.37	12.91
11	Seoni	195.90	17.61
12	Shahdol	62.71	23.93
13	Vidisha	10.57	6.60
	<b>Total</b>	<b>3746.72</b>	<b>508.03</b>

Thus due to non-reconciliation of the differences with the treasury, the chances of fraud remaining undetected in respect of the unreconciled accounts of cheques issued and treasury remittances (cash) cannot be ruled out.

### **3.1.6.10 Status of accounts**

Preparation, updation and submission of accounts of the department in prescribed forms are governed by the provisions of the CPWA Code and the MPWD Manual. Maintenance of the prescribed records is essential for accounting controls.

Audit scrutiny of these records revealed the following.

**Maintenance of accounts was inadequate as forms of Works Accounts were not maintained properly and old balances remained unadjusted.**

- The Works Abstracts, (Form 33), showing transactions relating to each work during the month, were not being updated as per paragraph 10.5.1 of the CPWA Code in seven<sup>11</sup> divisions while Seoni and Hoshangabad divisions had discontinued this practice since March 2008 and December 2008 respectively without any reason.
- The Contractors' Ledgers, which were to be maintained as per paragraph 10.7.1 of the CPWA Code, were not being maintained since December 2004, August 2007 and September 2008 in Jabalpur, Hoshangabad and Raisen divisions respectively.
- Miscellaneous Works Advance (MWA) registers were to be maintained as per paragraph 13.4 of the CPWA Code. The items in the

<sup>11</sup> Narmada Division No.1 Bhopal, Chhatarpur, Datia, Guna, Jabalpur, Khargone and Vidisha.

MWA were to be cleared by actual recovery or by transfer under proper sanction or authority to the final heads of account. It was, however, noticed that in 12 divisions<sup>12</sup>, more than 2991 items valuing Rs 18.80 crore remained unadjusted since 1980.

- As per paragraph 7.3.7 of the CPWA Code, a consolidated account of the receipts, issues and balances of tools and plants should be maintained in the sub-divisional offices in Form 15 (Tools and Plant Ledger). Test check, however, revealed that in five<sup>13</sup> divisions, Form 15 was not being submitted by the sub-divisional offices to divisional offices since September 2008. Non-submission of tools and plants returns could result in pilferage and misuse of the tools and plants.
- Adjustment memos valuing Rs 4.14 crore<sup>14</sup> for 692 items received from the AG (A&E) against purchases made through the Director General of Supplies and Disposals had not been adjusted in seven divisions since 1971-72.

All the above deficiencies pointed towards weak budgetary and expenditure controls in the department.

### 3.1.7 Programme management

#### Execution

Targets for execution of various schemes are fixed by the E-in-C and the divisional offices execute the works. The observations of audit after the scrutiny of targets and achievements at the E-in-C's office for the last five years are discussed in the succeeding paragraphs.

#### 3.1.7.1 Accelerated Rural Water Supply Programme

As per a survey conducted in 2003, there were 1,26,310 habitations consisting of 19,607 not covered<sup>15</sup> and 31,376 partially covered<sup>16</sup> habitations, which were to be covered by 2007-08. The targets for drilling of tubewells under ARWSP were to be fixed by giving priority to the uncovered habitations. Audit,

<sup>12</sup> Mechanical Dn Bhopal: Rs 1.80 crore (items 32), Chhatarpur: Rs 0.43 crore (items-265), Datia: Rs 0.45 crore (items-154), Hoshangabad: Rs 0.96 crore (items- 221), Indore: Rs 0.15 crore(not available), Jabalpur: Rs 1.64 crore(not available), Katni: Rs 0.06 crore (5 items), Khargone: Rs 4.63 crore(items-506 ), Raisen: Rs 0.58 crore (items- 73), Seoni: Rs 4.86 crore (items- 1269), Shahdol: Rs 2.78 crore (items -311) and Vidisha: Rs 0.46 crore(items-57).

<sup>13</sup> Hoshangabad, Khargone, Raisen, Seoni and Vidisha.

<sup>14</sup> Mechanical Dn Bhopal: Rs 9.64 lakh (81 items -1971), Chhatarpur: Rs 95 lakh (15 items), Datia: Rs 0.40 lakh (4- items), Indore: Rs 0.07 lakh (2 items-1987), Khargone: Rs 274.18 lakh (498 items-2003), Seoni: Rs 31.42 lakh (90 items-1979) and Vidisha: Rs 3.98 lakh (2 items-1980).

<sup>15</sup> Not covered- where potable water supply is less than 10 litres per day per capita.

<sup>16</sup> Partially covered- where potable water supply is less than 40 litres per day per capita and more than 10 litres per day per capita.

however, noticed that in the case of partially covered habitations, the achievements were higher than the achievements under the habitations which were not covered, as detailed in the table below.

**Table No. 3.7: Status of habitations**

Year	Habitations	NC (in numbers)		PC (in numbers)	
		Target	Achievement	Target	Achievement
2004-05	126310	9673	5287	4327	5385
2005-06	126172	9000	6280	3807	9498
2006-07	126172	6821	5920	6373	7433
2007-08	126172	1777	1477	8223	8551
2008-09	127036	401	364	10341	10536
<b>Total</b>	-	<b>27672</b>	<b>19328</b>	<b>33071</b>	<b>41403</b>

(Source: Administrative reports of PHED)  
(NC: Un Covered; PC: Partially Covered)

The State Government had directed (August 2006) that all the not covered habitations must be covered by 01 April 2007 but the data shows otherwise. Thus by neglecting the Government's directives the uncovered habitations were deprived of safe drinking water. During the exit conference, while explaining the reasons, the E-in-C stated that uncovered habitations were located in remote areas and due to the gradual decline in water table, the status of some of the partially covered habitations changed to uncovered habitations. The reply is not acceptable since as per Government directives, priority was to be given to uncovered habitations.

### 3.1.7.2 Rural piped water supply schemes

**Rural piped water supply schemes were executed without ensuring reliable water sources.**

PHED executes rural piped water supply schemes (RPWSSs) in villages where permanent safe drinking water sources are not available. As per the guidelines of RPWSS issued by the State Government, proper survey was to be conducted for ensuring reliable water source before taking up the scheme. The RPWSS, *inter alia*, includes drilling of tubewells, laying and jointing of pipelines, construction of overhead tanks etc. After completion of the RPWSS works, PHED hands them over to the Gram Panchayats (GP) for maintenance. Under special circumstances, especially in cases of the source getting dry, the department creates new sources by drilling tubewells. On depletion of the water table, power pumps are installed in place of hand pumps.

The details of status of RPWSS executed by the department are as under:

**Table No.3.8: Status of Rural Piped Water Supply Schemes**

	Nos. of RPWSS	Closed RPWSS	Dried Sources	Percentage of closed RPWSS
December 2004	7749	1565	NA	20.20
December 2005	8146	1401	513	17.20
December 2006	8273	1246	327	15.06
December 2007	8338	1298	396	15.56
March 2009	8346	1276	531	15.29
Average	-	1357	-	16.66

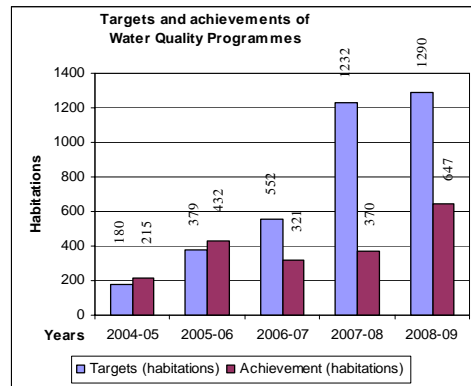
(Source: Administrative Reports of PHED)

Scrutiny revealed that 1767 RPWSS remained non-functional during 2004-09, mainly due to dried sources, indicating that these schemes were taken up without ensuring availability of reliable water sources.

During 2004-09, PHED created 1688<sup>17</sup> new sources for non-functional RPWSS due to dried sources at a cost of Rs 32.95 crore<sup>18</sup>, resulting in avoidable expenditure of Rs 32.95 crore.

### 3.1.7.3 Schemes for Water Quality affected Villages

**Abnormal delays in providing safe drinking water to quality affected habitations.**



The schemes involve supply of potable water to habitations having contaminated sources of water. Scrutiny of targets and achievements of the 'Fluorosis Control Programme'<sup>19</sup>, and 'Brackishness Control Programme'<sup>20</sup>, during the period 2004-09 revealed that the percentage<sup>21</sup> of achievement ranged between 30.03 and 119.44. It was also noticed that the achievements

were initially higher than the targets in 2004-05 and 2005-06 but reduced after 2006-07.

Audit scrutiny of the schemes under water quality affected habitations revealed the following:

- A group piped water supply scheme<sup>22</sup> conceived for supply of potable water to 74 fluoride affected villages of Jhabua district at a cost of Rs 4.61 crore was designed (2005-06) with the Mahi project as the source of water. Though PHED spent Rs 1.12 crore on laying and jointing of pipe lines for the group piped water supply scheme, the work on the identified source (Mahi project) of the water for the scheme was still in progress. Creation of infrastructure for the group water supply scheme without assured source of water rendered the expenditure unfruitful. The CE stated that the schemes were designed after written assurance from the Chief Engineer, Narmada Tapti Basin

<sup>17</sup> 2004-05: 248 nos., 2005-06: 349 nos., 2006-07: 201nos., 2007-08: 340nos., 2008-09: 550 nos. ie total 1688.

<sup>18</sup> 2004-05: Rs 135.24lakh, 2005-06: Rs 302.90lakh, 2006-07: Rs 98.82 lakh, 2007-08: Rs 977.32 lakh and 2008-09: Rs 1780.28 lakh.

<sup>19</sup> Schemes for supply of safe drinking water in habitations where fluoride is present in excess of 1.5 milligram per litre.

<sup>20</sup> Schemes for supply of safe drinking water in habitations where soluble salts are present in excess of 2000 milligram per litre.

<sup>21</sup> 2004-05: 119.44 per cent, 2005-06: 113.98 per cent, 2006-07: 58.15 per cent, 2007-08: 30.03 per cent and 2008-09: 50.16 per cent.

<sup>22</sup> A scheme for supply of drinking water to groups of habitations/ villages.

of the Water Resource Department (WRD) for providing source of water.

The reply is not acceptable as the scheme was to be taken up after ensuring availability of a reliable water source.

#### **3.1.7.4 Registration of contractors**

**There were irregularities in registration of contractors.**

Paragraph 2.099 of the MPWD Manual prescribes detailed criteria for ascertaining and assessing the professional and financial capacities of contractors. Only registered contractors are eligible to purchase tender documents and to participate in the tendering process.

Test check<sup>23</sup> of cases of registration of contractors revealed the following discrepancies:

- Registrations of contracting firms were not made on the basis of the required data viz. partnership deed, registration of service tax, PAN/TIN numbers; audited balance sheets, details of works executed in the past etc. They were made on the basis of experience certificates issued by private contractors. In one case, the E-in-C replied that the solvency of partners was treated as sufficient for registration. The CE, Indore Zone, replied that the requirement of the rules would be noted for the future.
- According to paragraph 2.100 of the MPWD Manual, yearly reviews of contractors' registrations were to be done by the department. Audit observed that no such review was being done. The E-in-C (March 2009) accepted the audit findings.
- In Shahdol, a Below Poverty Line applicant having monthly income of less than Rs 296 per month was registered as a contractor while CE, Indore Zone registered a contractor who had no rig for drilling works.

#### **3.1.7.5 Irregular acceptance of single tenders**

**Single tenders valuing Rs 14.05 crore were accepted during the first call, contrary to the codal provisions.**

As per paragraph 2.086 (2) and (4) (d) of the MPWD Manual, single tenders were not to be accepted in the first call. Audit scrutiny revealed the following:

- In six<sup>24</sup> divisions as well as Jabalpur circle and Jabalpur Zone, 332 single tenders for works aggregating Rs 14.05 crore were accepted in the first call and the works were awarded in violation of the provisions of the Manual.

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<sup>23</sup> E-in-C – 5 cases, CE Indore- 3, Shahdol -7.

<sup>24</sup> Chhatarpur: Rs 7.04 crore (129 tenders), Hoshangabad: Rs 1.22 crore (17 tenders), CE, Jabalpur: Rs 0.67 crore (9 tenders), SE, Jabalpur: Rs 1.29 crore (32 tenders), Jabalpur: Rs 0.85 crore (11 tenders), Katni: Rs 0.47 crore (22 tenders), Raisen: Rs 2.36 crore ( 98 tenders) and Vidisha: Rs 0.15 crore (14 tenders).

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- In three<sup>25</sup> divisions 100 pumphouses valuing Rs 29.05 lakh were procured by accepting 23 single tenders in the first call against the provisions of the Manual.

On this being pointed out by Audit, EEs, Hoshangabad, Jabalpur and Katni stated (April 2009 to July 2009) that the tenders had been accepted by the competent authorities. The EE, Vidisha stated that the tenders were published openly but no other agency existed for the work of hydrofracturing.

It was also noticed that in 49 cases, 17 contractors quoted the same rates by forming pairs for each work, thus defeating the very purpose of tendering as detailed in **Appendix-3.2**.

### Deposit works

PHED also executes water supply and sewerage treatment schemes as deposit works for local bodies and other departments. Audit scrutiny revealed the following:

#### 3.1.7.6 Excess expenditure over deposit work

Paragraph 4.167 (f) of the MPWD Manual stipulates that expenditure in excess of deposits may be incurred only with prior approval of the Government. In three divisions, an amount of Rs 3.84 crore<sup>26</sup> was spent irregularly in excess of the deposit without the prior approval of the Government.

#### 3.1.7.7 Accelerated Urban Water Supply Programme

The department executes drinking water supply schemes under the Accelerated Urban Water Supply Programme (AUWSP) with Central assistance and the State's share in urban areas of the State. The status of schemes under AUWSP are detailed below:

**Table No. 3.9: Status of schemes under AUWSP**

Year	Schemes at the beginning of the year	Schemes taken up during the year	Schemes completed during the year	Schemes under progress at the end of year	Expenditure incurred (Rupees in crore)
2004-05	75	16	06	85	58.11
2005-06	85	22	10	97	100.91
2006-07	97	01	26	72	12.68
2007-08	72	0	18	54	63.26
2008-09	54	0	22	32	70.17

(Source : Information provided by E-in-C, PHED)

<sup>25</sup> Hoshangabad: Rs 14.00 lakh (58 nos), Khargone: Rs 6.6 lakh (15 nos.) and. Seoni: Rs 8.45 lakh (27 nos.).

<sup>26</sup> Indore: Rs 0.14 crore, Seoni: Rs 3.62 crore and Shahdol: Rs 0.08 crore.

Unauthorised changes in the scope of work resulted in extra cost of Rs 38.57 lakh.

### **3.1.7.8 Barela Water Supply Augmentation Scheme**

The Barela Water Supply Augmentation Scheme for Barela town in Jabalpur district, designed for meeting a total demand of 1.32 MLD water upto 2031, was administratively approved (February 2005) by the CPHEEO for Rs 1.88 crore. Audit scrutiny of the scheme revealed the following:

➤ ***Extra cost due to unauthorised changes in scope and design of works***

As per a condition in the sanction, any change in scope/ objective/ design or estimate was to be intimated for obtaining fresh/ revised approvals. The department, however, changed the source of water on finding it to be contaminated by animal excreta from dairies. Further, the site for the water treatment plant was also shifted.

These changes resulted in enhancement of the cost of the project from Rs 1.88 crore to Rs 2.26 crore and the division executed the works without revised approval from the CPHEEO. Thus the execution of these unauthorised works resulted in an extra cost of Rs 38.57 lakh.

In reply, the EE stated (July 2009) that a revised estimate had been submitted (May 2007) to the CE for sanction and the sanction was awaited. The reply is not acceptable as the department should have prepared estimates after duly considering of all the factors for supply of safe drinking water.

## **3.1.8 Other points of interest**

### **3.1.8.1 Cases of fictitious and doubtful payments**

Audit of records of the Sub-Divisional Officer (SDO), Sleemnabad for the period March 2007 to June 2009 revealed the following:

Amount of Rs 4.80 lakh was paid as temporary advance on simple receipts without passed vouchers.

➤ **As per paragraph 6.6.12 of the CPWA Code, temporary advances are given by disbursing officers to subordinate officers for making payments against passed vouchers. Scrutiny of the cash book revealed that on the date of his retirement (30 June 2009), the SDO issued temporary advances of Rs 4,79,640 to two subordinate officers on simple receipts (each below Rs 5,000) without passed vouchers. The advance was lying unadjusted as of 13 August 2009, indicating fictitious payment of Rs 4.80 lakh.**

➤ As per paragraph 2.086 (5) (c) of the MPWD Manual, works may be taken up departmentally with the permission of the competent authority if suitable tenders are not received in two calls. It was noticed that during March 2007 to June 2009, the SDO- Sleemnabad departmentally executed the works of 32 RPWSS by engaging labourers without approval of the competent authorities and made payments of Rs 1.55 crore (**Appendix-3.3**) through vouchers below Rs 5000 and hand receipts below Rs 500 to avoid sanction of the higher authorities. Detailed scrutiny revealed the following:



### 3.1.8.2 Inflated progress of works

Payments of Rs 68.31 lakh were made without actual execution of works.

The works of 32 RPWSS were taken up departmentally by engaging labourers. Scrutiny of paid vouchers revealed that the value of works was inflated<sup>27</sup> to the extent of Rs 68.31 lakh under 27 RPWSS (**Appendix-3.4**). The cost of works was inflated due to following:



View of pipeline laid in existing drain of cement concrete road in village Khamha for which cutting of cement concrete road was shown. (Spot: main road Khamha village, August 2009)

- The actual number of labourers engaged for supply of drinking water, watchmen etc. was included in the works, for which Rs 21.93 lakh was paid under 23 RPWSS<sup>28</sup> although these items were not provided in the sanctioned estimates.
- In 20 RPWSS<sup>29</sup>, the rate of moorum bedding was incorrectly taken as Rs 155 per cu.m against the prescribed rate of Rs 17 per cu.m, thereby inflating the value of works by Rs 20.62 lakh.
- Excavation in hard rock at the rate of Rs 210 per cu m was shown under the works, despite the strata being composed of moorum mixed with boulders for which the prescribed rate was Rs 114 per cu.m, thereby inflating the value of work done by Rs 9.82 lakh in 10 RPWSS<sup>30</sup>.
- In five<sup>31</sup> RPWSS, value for refilling was shown at Rs 55 per cu.m against the payable rate of Rs 11 per cu.m as per the provisions of USR. This inflated the value of work by Rs 7.78 lakh.

<sup>27</sup> Calculated by reducing 9.09 per cent for execution of departmental work as per General Note -14 of USR (w.e.f 01-09-2002), and addition of 30 per cent of tender per cent as per current market rate for similar works in the division.

<sup>28</sup> Bachaiya, Barehata, Berkhedha, Bohariband, Bohariya, Chhapara, Chargawan, Devri, Dhoori, Gauraha, Goonda, Gudri, Khamaria, Kachargaon, Khamtara, Khamara (Bohari band), Khirhani, Mohtara, Pachpedi, pipariya Shukla, Sihundi, Sunkai and Thirri.

<sup>29</sup> Bachhiya, Barehata, Bohariband, Chargawan, Chhapara, Dhoori, Gauraha, Gudri, Gunda, Kachargaon, Khamha, Khamariya, Khamtara (Dheemerkhedha), Khirhani, Mohetara, Pachpedi, Pipariya Shukla, Sihundi, Sleemnanabad and Sunkui.

<sup>30</sup> Barheta, Bihariya, Devri, Goonda, Kachargaon, Khamha, Pipaliya Shukla, Pondi kala, Thirri and Sleemnabad.

<sup>31</sup> Barkhedha, Chapara, Chargawa, Khamtara (B'band) and Mohtara.

- Refixing of stone set in cement mortar at Rs 41 per sq.m was shown without actual purchase of cement, resulting in inflated value of Rs 5.53 lakh under eight RPWSS.

### **3.1.8.3 Doubtful payments**

- The order for laying and jointing of a pipeline for the Antarveda RPWSS was issued on 10 June 2008. The contractor was paid Rs 2.13 lakh but Rs 3.42 lakh was also spent on repair of leakage during 21 June 2008 to April 2009 without recording measurements in the MB, which pointed towards fictitious payment.
- The work of laying and jointing including testing of pipeline in Khamaria RPWSS was awarded to a contractor in August 2008. The contractor was paid Rs 1.15 lakh in March 2009. The same work was also shown to have been executed departmentally at a cost of Rs 6.70 lakh, which appeared to be doubtful.

Thus the failure of prescribed checks and monitoring from SDO level onwards led to fictitious and doubtful payments. The matter was reported (September 2009) to the Government. During the exit conference, the Principal Secretary, PHED stated that action was being taken.

### **3.1.8.4 Non-recovery of supervision charges**

**Supervision charges of Rs 88.03 lakh were not levied for non-governmental works.**

As per paragraph 2.164 of the MPWD manual, supervision charges at prescribed rate are leviable for every non-governmental work. Accordingly E-in-C directed (February 2000) that supervision charges of six *per cent*<sup>32</sup> are to be levied on execution of deposit works.

Scrutiny (May 2009 to July 2009) of the records of three<sup>33</sup> divisions revealed that supervision charges to the extent of Rs 88.03 lakh were not levied, resulting in loss to Government. The EEs in reply, assured (May 2009 and July 2009) to recover the supervision charges in future.

Thus the inadequate planning for execution of scheme besides weak operational controls and contract management not only resulted in unrealistic estimation but also in excess/inadmissible/doubtful payments.

**Stock accounts were not compiled and submission of the material-at-site account was discontinued. Material valuing Rs 19.72 crore was lying unutilised.**

## **3.1.9 Stores management**

### **3.1.9.1 Stores**

A sound system of stores management involves efficient planning of purchase requirements, economic procurement, control over issues, timely accounting and safe physical custody. Acquisition, custody and disposal of stores in

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<sup>32</sup> 3.5 per cent W.C expenditure, 1.5 per cent tools and plants Charges and one per cent Audit Charges.

<sup>33</sup> Indore: Rs 31.00 lakh, Jabalpur: Rs 7.52 lakh and Shahdol: Rs 49.51 lakh.

PHED are governed by the provisions of the MPWD Manual, Stores Purchase Rules and the CPWA Code. As per the CPWA Code, the cost of material purchased or received by the Central Store of division is to be posted as a debit entry under the head 'Stock' (Suspense) and issued to various sub-divisions through the Stock Register. The sub-divisions, in turn, are to issue materials through their Stock Registers to Sub Engineers (S/E) who are in charge of actual execution at the various sites. The material received is to be entered into the material-at-site (MAS) accounts of the S/Es. The S/Es are to issue material for various works from the MAS account as per requirements. The actual consumption from the MAS account is to be reported by the S/Es to the sub-divisions and by the sub-divisions to the divisions, which should then clear 'Stock' (Suspense) by the amount of consumption with a credit entry. If material is issued to another division/ department, 'Stock' (Suspense) is to be adjusted by a minus debit entry. Therefore, the accumulated debits in 'Stock' (Suspense) in divisional accounts represent the value of physical stock-in-hand in the divisions and the total balances thereof represent the stock available in the department. Thus the stock accounting head is the cornerstone of the control system for custody of stock.

The abovementioned system was, however, discontinued by stopping the allotment under 'Stock' (Suspense) head since March 2000 as per orders of the State Government, due to recording of excessive expenditure over the budget allotment under the suspense head.

Audit scrutiny revealed following:

- As per paragraph 7.2.29 of the CPWA Code, stock accounts (Form 9 and 10) should be compiled monthly, but in six divisions<sup>34</sup>, the stock accounts were not being compiled regularly since March 2004. Further, physical verification and surprise check of stock were not being done in five divisions<sup>35</sup>.
- In eight divisions, the balances of stock accounts valuing Rs 1.88 crore<sup>36</sup> were not cleared even after a lapse of nine years.
- In all the seven divisions<sup>37</sup> of the Mechanical Wing of PHED, material valuing Rs 8.45 crore was lying unutilised for more than three years.

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<sup>34</sup> Hoshangabad: 03/2004, Jabalpur: 09/2008, Khargone: 09/2008, Seoni: 09/2008, Shahdol: 08/2008 and Vidisha: 05/2007.

<sup>35</sup> Datia, Hoshangabad, Indore, Katni and Shahdol.

<sup>36</sup> Capital Proj.Dn No.2 Bhopal: Rs 33.47 lakh, Mech. Dn. Bhopal Rs: 27.37 lakh, Chhatarpur: Rs 3.39 lakh, Datia: Rs 20.25 lakh, Guna: Rs 6.98 lakh, Jabalpur Rs 80.15 lakh, Khargone: Rs 7.37 lakh and Vidisha: Rs 8.78 lakh.

<sup>37</sup> Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain.

- In four civil divisions, material valuing Rs 3.79 crore<sup>38</sup> was lying unutilised. The EE, Jabalpur stated that the stock was transferred (October 2008) from Project Division, Jabalpur and the CE /SE had been requested (December 2008) to issue instructions for disposal.

**3.1.9.2** As per the new system, material is to be purchased as per actual requirement of the works by directly charging the cost of material to the works. Accordingly, material is to be accounted for in the MAS account by maintaining separate work-wise/ scheme-wise MAS. It was, however, observed that the procured material was still being routed either through divisions or sub-divisions as per the erstwhile stock procedure by operating the suspense account. The material was accounted for by preparing separated MAS for RPWSS and handpumps at the divisional and sub divisional level instead of work-wise MASs. The S/Es did not maintain work-wise MASs. Further scrutiny revealed the following:

- Material valuing Rs 7.48 crore<sup>39</sup> was lying unutilised in the MAS accounts of seven divisions, which included 9299 m of Ductile Iron Pipes (100mm) out of 11793 m purchased (September 2008) at a cost of Rs 79.32 lakh by Shahdol division and GI pipes (125mm) of 5014 m valuing Rs 42.29 lakh purchased by Chhatarpur division in February 2008. Further, seven articles (GI and UPVC<sup>40</sup> pipes of different dia) valuing Rs 50.27 lakh remained idle in Chhatarpur division for more than one year.
- In seven divisions<sup>41</sup>, the submission of the MAS account was discontinued by the sub-divisions, while the S/Es of Shahdol division and two S/Es of sub-division Sleemnabad of Katni division submitted the MAS upto March 2009. Moreover in two sub-divisions of Hoshangabad division (Suhagpur and Seoni-Malwa sub-divisions), even the maintenance of the MAS accounts was discontinued. The non-submission/ non- maintenance of the MAS accounts could result in non- verification of actual consumption. Besides, the possibility of pilferage, theft etc. also could not be ruled out.
- As per paragraph 10.3.14 of the CPWA Code, the balances of unused material charged directly to works was to be verified at least once in a year. Audit scrutiny in seven divisions<sup>42</sup> revealed that no such verification of balance material shown in the MAS account was being done since November 2007.

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<sup>38</sup> *Indore: Rs 0.09 crore (03/2000), Jabalpur: Rs 3.52 crore received on transfer in 10/2008, Katni: Rs 0.06 crore and Shahdol: Rs 0.12 crore (03/2004).*

<sup>39</sup> *Chhatarpur: Rs 156.50 lakh, Datia: Rs 108.44 lakh, Indore: Rs 17.55 lakh, Khargone: Rs 133.00 lakh, Raisen: Rs 103.53 lakh, Shahdol: Rs 200.00 lakh and Vidisha: 29.00 lakh.*

<sup>40</sup> *UPVC – Unplasticised Poly Vinyl Chloride, PVC- Poly Vinyl Chloride.*

<sup>41</sup> *Hoshangabad-08/2008, Indore- 05/2008, Jabalpur -07/2008, Khargone- 08/2008, Raisen -08/2008, Seoni- 03/2006 and Vidisha- 09/2008.*

<sup>42</sup> *Hoshangabad (03/2008), Indore (05/2008), Jabalpur (06/2008), Katni (08/2008), Khargone (05/2008), Seoni (06/2008) and Vidisha (11/2007).*

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Thus due to non-operation of the ‘Stock’ (Suspense) head, the prescribed controls for ensuring proper assessment, procurement, issue, accounting, custody and safety of stock could not be checked in audit.

### **3.1.9.3 Material lying with contractors**

**Material costing Rs 98.09 lakh was lying with contractors.**

As per provisions of the standard agreement, material lying unutilised with contractors was required to be returned by them and any shortages thereon were to be charged at double the issue rate or market rate, whichever was higher. Audit scrutiny revealed that in two divisions<sup>43</sup>, material costing Rs 98.09 lakh was lying with contractors pending final adjustment since 1995-96, and as such, the chances of recovery as per codal provisions appeared remote.

### **3.1.9.4 Non-issue of indents from divisional offices**

**Indents were not issued under proper authorities.**

As per paragraph 7.2.10 of the CPWA Code, indents should be printed in the form of booklets with machine-numbered pages and kept in safe custody of Divisional Officers, who were to issue the indent books stamped with the stamp of their office to the sub-divisional offices. It was however, noticed in three divisions<sup>44</sup> that during issue of material under the new MAS system, indent books purchased directly from the market were being used without any control by the division office. Thus the chances of pilferage of stores on invalid indents could not be ruled out.

### **3.1.9.5 Irregular procurement of unreserved items from Madhya Pradesh Laghu Udyog Nigam**

**Pipes worth Rs 7.59 crore were procured without inviting tenders.**

As per Annexure-B to Rule 14 of the MP Stores Purchase Rules (MPSPR), PVC/ UPVC pipes and fittings are not reserved items for procurement from MPLUN. However, PVC/ UPVC pipes of various diameters worth Rs 7.59 crore<sup>45</sup> at USR rates were purchased during September 2007 and December 2008 directly from MPLUN without inviting tenders (**Appendix-3.5**). This resulted in irregular procurement of unreserved items.

### **3.1.9.6 Irregular procurement of unreserved items from Madhya Pradesh State Consumer Co-operative Federation**

**Unreserved items of Rs 2.68 crore were purchased without inviting tenders.**

As per Rule 2 of Appendix 5 to Madhya Pradesh Financial Code Vol-II, tenders should be invited for all purchases provided that the items are not reserved for purchase through MPLUN. Further, Rule 14-E of MPSPR provides that articles mentioned in Annexures 1 and 2 (office stationery and office equipment) should be purchased directly from MPCCF<sup>46</sup> without inviting tenders.

<sup>43</sup> Hoshangabad: Rs 0.38 lakh (1995-96) and Khargone: Rs 97.71 lakh (2004-05).

<sup>44</sup> Chhatarpur, Katni and Khargone.

<sup>45</sup> As per the purchase orders given by the E-in-C.

<sup>46</sup> Madhya Pradesh State Consumer Co-operative Federation.

Audit scrutiny revealed that in six divisions, articles not included in Annexures 1 and 2 valuing Rs 2.68 crore<sup>47</sup> were purchased directly from MPCCF, without inviting tenders.

### **3.1.9.7 Irregular procurement of unsuitable articles**

As per Rule 14 of the MP Financial Code Volume-I, purchases should be made only after assessment of definite requirements. Further, as per paragraph 4.079 of the MPWD Manual, it would be the personal responsibility of the S/E and SDO to verify that the materials received are as per the specifications.

**Unsuitable items valuing Rs 23.45 lakh were purchased.**

During scrutiny of records of CE, PHED Mechanical Zone Bhopal, it was found that unsuitable hammers and button bits valuing Rs 15.35 lakh and Rs 8.10 lakh respectively were procured through MPLUN for departmental rigs, resulting in unfruitful expenditure of Rs 23.45 lakh.

On this pointed out in audit CE, Mechanical Zone, Bhopal assured that action would be taken after obtaining reports from the concerning EEs.

### **3.1.9.8 Non-revision of Unified Schedule of Rates**

**Unified Schedule of Rates of water supply had not been amended since September 2002.**

As per paragraph 2.029 (c) of the MPWD Manual, the rates of Unified Schedule of Rates (USR) should be revised from time to time. It was, however, noticed that the USR for the work of 'water supply and sewerage pipelines' effective from 1<sup>st</sup> September 2002 had not been amended as of November 2009. The rates of USR for construction of tubewells and allied works effective from 17 May 2002 were revised on 25 July 2008.

Audit scrutiny revealed that although PHED was executing the work of cleaning of silt, slush, garbage etc of sewer lines, manholes and sewer treatment plants, there were no rates in the USR for such works. It was noticed during test check of Capital Project Division -2, Bhopal, that the rate for item 12.2 (USR-Pipeline) for excavation of pipe trench at Rs 102 per cu.m was applied for these works without rate analysis, despite the fact that the rate included components for dressing, watering and ramming, resulting in inadmissible payment of Rs 5.76 lakh during 2008-09.

### **3.1.9.9 Execution of non-unified Schedule of Rate items**

**Execution of non- unified Schedule of Rate items of Rs 5.47 lakh was observed in Seoni division.**

As per paragraph 2.027 of the MPWD Manual, if there is no relevant scheduled rate in the USR for a particular item of work or the rate is not considered suitable or sufficient, the deviation should be explained in detail and supported by an analysis. It was, however, noticed that an item of horizontal drilling of bore of 100 mm dia upto 30 m length for recharging dug well at a cost of Rs 5.47 lakh was executed in Seoni division without detailed analysis although this item was not provided in USR.

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<sup>47</sup> Chhatarpur: Rs 90.63 lakh, Hoshangabad: Rs 59.63 lakh, Katni: Rs 34.87 lakh, Raisen: Rs 5.43 lakh, Shahdol: Rs 31.34 lakh and Vidisha: Rs 46.16 lakh.

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### 3.1.10 Human Resource Management

The position of staff in the various cadres of PHED are detailed below:

**Table No.3.10: Cadre-wise position of staff (as on January 2009)**

Class	Sanctioned	Persons in position	Vacant (-) /Excess(+)
Class I	120	142	(+) 22
Class II	1538	1447	(-) 91
Class III	3524	4097	(+) 573
Peon	483	879	(+) 396
Daily wages	6804	6804	0
Work-charged – Class-III	3874	3707	(-)167
Work-charged – Class-IV	5087	4830	(-) 257

(Source : Information provided by E-in-C, PHED)

Persons-in-position for Class-I and Class-III were more than the sanctioned strength.

Audit scrutiny revealed the following:

- Out of the persons-in-position in the office of five Superintending Engineers (SEs) of the Mechanical Wing, none was given charge of a circle, as mechanical circles were not in existence. This resulted in non-utilisation of available officers.
- There was a working strength of 4097 Class III posts against the sanctioned 3524, resulting in a net excess of 573 officials<sup>48</sup> in that cadre.
- Capital Project Division No.2, Bhopal was entrusted with the work of cleaning and maintenance of the 93.60 km sewer line of Bhoj Wetland Project (Bhopal), 20 sewer pump houses, 5500 manholes and four sewer treatment plants. It was noticed that against the required, 280 sweepers, only 92 work-charged and daily wagger sweepers were posted. The department also failed to mechanise the system as envisaged in the Employment of Manual Scavenger and Construction of Dry Latrines (Prohibition) Act, 1993<sup>49</sup>.

#### 3.1.10.1 Expenditure on salaries and wages of staff working in local bodies

Expenditure on salaries of staff working in local bodies was being borne by the department.

There were seven EEs, 24 AEs and 344 Class–III and IV staff of PHED working with local bodies. Audit scrutiny revealed that five divisions of the Indore Zone of PHED, and the PHE Division Jabalpur were incurring Rs 19.77 crore<sup>50</sup> per year from 1998 on salaries and allowances for running and maintaining the water supply systems of local bodies and the expenditure incurred by PHED was not being refunded by the local bodies.

<sup>48</sup> Excess (712)- Assistant Grade III-337 and Tracer– 293, Assistant DM -19 ,DM- 53, and chief DM-10; Shortage(139)- Circle supt. – 08, Asst. Gr. II-73, Steno Gr.III-01, Handpump Tech. -57.

<sup>49</sup> No personnel shall engage in or employ for or permit to engage any other person for manually carrying human excreta or construct or maintain a dry latrine.

<sup>50</sup> Chhatarpur- (Rs 147 lakh), Dhar- (Rs 130.92 lakh), Badnagar- (Rs 39.36 lakh), Khachrod- (Rs 56.62 lakh) and Tarana- (Rs 11.40 lakh), Guna (Rs 63.80 lakh), Indore Division No.2 –3(Rs 807.00 lakh), Jabalpur (Rs 147.83 lakh) and Mandleshwar (Rs 572.73 lakh).

### **3.1.11 Internal control and monitoring**

#### **3.1.11.1 Internal audit**

There was no internal audit wing in the department. However, inspections of division offices were conducted by the staff under CE/SE. There were auditors posted in the division for concurrent audit, but scrutiny revealed that no inspection notes had been issued by the auditors in five<sup>51</sup> divisions since December 2008. In Khargone division, they had not been issued from May 2008.

#### **3.1.11.2 Inspection of offices by higher authorities**

**Regular supervision by Chief Engineer/senior officers was not done.**

Inspection of divisional offices was not being done regularly by the SE. Even the EEs and Divisional Accounts Officers were not supervising the sub-divisions regularly. Further, out of 15 divisions test-checked, 12 divisions<sup>52</sup> had not visited by the CEs and in three<sup>53</sup> other divisions, supervision by higher officers was not done for periods exceeding one year.

This indicated that the working of subordinate offices was not being properly monitored by the higher authorities.

### **3.1.12 Conclusion**

Deficiencies in budget and expenditure management resulted in persistent savings due to non-achievement of targets. Funds were drawn at the fag end of the financial years to avoid lapse. Reconciliation was deficient. There were instances of faulty planning, lack of control in execution of schemes and incorrect estimation. There were irregularities in the tendering process. Works were executed without inviting tenders and instances of acceptance of single tenders were noticed. The performance of RPWSS was poor due to lack of an effective maintenance mechanism and the department had to incur expenditure on operation and maintenance of the schemes. There was abnormal delay in providing safe drinking water in quality-affected habitations. Due to non-operation of the 'Stock' (Suspense) head, the prescribed controls for ensuring proper assessment, procurement, issue, accounting, custody and safety of stock were absent. There was huge accumulation of stock and no proper effort by the department for its clearance. Material-at-site accounts were not being submitted regularly by the sub-divisions resulting in leakages. Monitoring of the implementation of water supply programme was not adequate.

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<sup>51</sup> *Narmada Project Bhopal, Hoshangabad, Jabalpur, Seoni and Vidisha.*

<sup>52</sup> *Capital Project Dn.2, Bhopal, Mechanical Bhopal, Narmada Project Div. No.1, Bhopal, Chhatarpur (03/2006), Guna, Indore, Jabalpur, Katni, Raisen, Seoni, Shahdol, and Vidisha.*

<sup>53</sup> *Datia (08/2008), Hoshangabad (March 2007) and Khargone (February 2008).*



### 3.1.13 Recommendation

- Transactions of temporary advances and imprest accounts should be monitored closely by the controlling offices.
- Physical targets should be fixed after assessing the capacity of the executing units and synchronised with the financial outlays.
- Block-wise serial numbers should be allotted for each tubewell drilled and tubewells with submersible pumps for identification.
- Surface water sources should be explored for augmenting the water supply instead of groundwater in view of the depleting water table.
- Inventory management should be streamlined for better control and transparency. The possibility of computerising inventory can be explored.
- The Management Information System for ascertaining the status of habitations should be streamlined.
- Monitoring and evaluation of the water supply schemes should be made effective to achieve the goals.

**Gwalior  
The**

**(SANAT KUMAR MISHRA)  
Principal Accountant General  
(Civil and Commercial Audit)  
Madhya Pradesh**

**Countersigned**

**New Delhi  
The**

**(VINOD RAI)  
Comptroller and Auditor General of India**