



Chapter 4

**Functioning of
Government
Department(s)**

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Functioning of Government Department(s)

Labour Department

4.1 Chief Controlling Officer based Audit

Executive Summary

Labour Department is mandated to provide a safe working environment for workers in organised and unorganised sectors. The Department enforces 31 Labour Acts to create safe working environment and to ensure safety, health and welfare of workers. A Chief Controlling Officer based audit of the department covering the period of 2006-2011 was conducted between April 2011 to October 2011 to examine whether the activities of the department are carried out economically, effectively, efficiently and to ascertain whether laws and regulations are complied with to achieve the objectives.

The audit of the department showed following shortcomings:-

- The Department has not conducted any survey to ascertain the number and status of workers engaged in organised and unorganised sectors. Therefore, no statistical data regarding workers and establishments was available with the Department.
- Department had not exercised due financial control in its offices as evidenced by deficiencies in maintenance of cash book, bill book, etc.
- Revenue remitted by different establishments was not reconciled with the Government account.
- Housing schemes for Hamals and Beedi Workers were not properly implemented and funds released by Government of India for the purpose have remained blocked for years.
- Significant shortfalls ranging from 29 to 63 *per cent* during 2006-2011 were noticed in inspection of its various establishments by the Labour Inspectors.
- Renewal of licences of establishments under different Acts was poorly monitored.
- The applications for registration from 87 Trade Unions were pending and annual returns from 2561 out of 2654 Trade Unions were awaited for one to five years.
- The mechanism for assessment and collection of cess was not devised by the Building and Other Construction Workers Welfare Board.
- The quality testing of medicine was not conducted by ESI hospitals and hospitals were also under-utilised.
- Pendency of 28625 and 529 cases in Labour and Industrial Courts respectively, as of 31st March 2011, indicated slow disposal of cases.
- No internal audit mechanism exists in the Department (LC)

4.1.1 Introduction

Labour Department endeavours to provide a safe working environment for workers in organised and unorganised sectors. In all 37 Labour Acts (**Appendix-4.1**) are in operation to protect the economic and social interests of workers. Out of these State Government is responsible for the enforcement and implementation of 12 Acts while it shares joint responsibility with the Central Government in respect of 19 Acts. Six Acts are implemented exclusively by the Central Government. Labour Department is required to conduct regular inspection of various establishments registered under various labour Acts to ensure due compliance with various requirements under the law. Irregularities noticed during these inspections are corrected by registering cases against the defaulting establishments in Industrial and Labour Courts. The main objectives of the Department are:-

- Implementation and administration of labour laws and acts through conducting the inspection of establishments.
- Implementation of safety and security measures for industrial workers by ensuring the observance of provisions of Industrial Act, 1948.
- Implementation of social security, schemes for industrial workers through Employees State Insurance Scheme (ESIS) by providing medical facilities to insured persons through its hospitals.
- To provide justice to labourers through Labour and Industrial Courts by filing case against the establishment for not observing provisions of various labour acts

4.1.2 Organisational set up

The Department is headed by the Principal Secretary at the State level, who is assisted by the Labour Commissioner, Director ESIS and Registrar Industrial Court. Besides, three autonomous boards support the Department in its functioning. These are (i) M.P. Building and Other Construction Workers Welfare Board which implements social security and welfare schemes for construction workers and their families. (ii) M.P. Workers Welfare Board which implements welfare schemes for the workers of commercial establishments and their families and (iii) M.P. Slate Pencil Workers Welfare Board constituted for welfare activities of slate pencil workers in Mandasaur district of the State.

The organisational structure of the Department is depicted in **Appendix 4.2**

4.1.3. Audit Objectives

The main objectives of Chief Controlling Officer (CCO) based audit were to ascertain whether the:

- Budgetary control and financial management was adequate and effective
- Welfare schemes for workers were successfully implemented.

- Human resource management was appropriate to its role.
- Internal controls, management and evaluation of schemes/ programmes were adequate.

4.1.4 Audit Criteria

The criteria of audit were as under:

- Various labour acts of GOI and the State Government
- Government notifications and instructions issued from time to time for implementation of acts and State and Centrally sponsored schemes.
- Departmental Manual/Policies/Rules and Regulations.
- MP Financial and Treasury codes.
- MP Budget Manual.

4.1.5 Audit scope and methodology

The CCO based audit of Labour Department covering the period of five years (2006-11) was conducted during April, 2011 to October, 2011. The audit involved scrutiny of records of offices of Labour Commissioner (LC) Indore, including office of the Director Industrial Health and Safety (IHS) Indore, Director ESIS, Indore and the Registrar Industrial Court of M.P., Indore and Building and Other Construction Workers Welfare Board. In addition eighteen DDOs¹ selected on random sampling basis were also audited.

The audit objectives, scope and methodology were discussed at an entry conference held with the Principal Secretary, Government of M.P. Labour Department on 7th April 2011. Methodology consisted of soliciting information from the department, issuing audit memos, getting response and discussion. The audit findings based on test-check of records were communicated to audited entities through audit memoranda and their response sought. These were also discussed with Principal Secretary and other senior officers of the Department in the exit conference held on 9th November 2011.

Audit findings

4.1.6 Planning

4.1.6.1 Absence of appropriate data

No survey to ascertain the number and status of workers and establishments.

The Department had not conducted any survey to ascertain the number and status of workers in organised and unorganised sector. Survey to identify the child and bonded labour in the state had also not been conducted. No survey of establishments required to be registered under various labour acts was ever

¹ LO Bhind; Dy.LC Bhopal; Jt. Director I.H.S. Bhopal; ALC Bhopal; ESIS Hospital Bhopal; ALC Gwalior; ESIS Gwalior; I.H.S. Gwalior; ALC Indore; I.H.S. Directorate Indore; T.B. ESIS Hospital, Indore; LO Malanpur; LO Mandideep; ALC Sagar; LO Shajapur; ALC Ujjain; ESIS Hospital Ujjain; I.H.S. Ujjain.

conducted. Hence, no statistical data/database relating to workers and establishments employing workers was available with the Department.

Labour Commissioner (LC) stated (June 2011) that Government had not issued any instructions/orders for conducting such surveys. The reply is not tenable as for proper planning of welfare activities such survey was necessary. In the exit conference (November 2011) Department stated that surveys will be conducted in future.

4.1.6.2 Non-functioning of Boards

Two Boards for welfare of urban and rural unorganised workers non-functional.

In terms of Section 3(1) of Madhya Pradesh Asangathit Karmkar Kalyan Adhiniyam 2003 read with Rule 3 of Madhya Pradesh Unorganised Workers Welfare Rules, 2005, the Government constituted two more boards viz., Madhya Pradesh Urban Unorganised Workers Welfare Board and Madhya Pradesh Rural Unorganised Workers Welfare Board required to carry out the welfare activities for workers of unorganised sectors and their families such as pension, housing, medical care, education for children, providing marriage, maternity, insurance, funeral assistance etc. were constituted in only September 2008. However, even after the lapse of more than three years the two boards are non-functional. Thus, welfare activities which were to be performed by these boards remained unattended to. In the exit conference (November 2011), Principal Secretary stated that consultations are going on at Government level to make these boards functional.

4.1.7 Inadequate financial control

4.1.7.1 Financial outlay and Expenditure

The details of budget provision and expenditure of the three Directorates are given as under in **Tables 4.1, 4.2 and 4.3.**

Table- 4.1 Labour Commissioner including Director I.H.S.

(₹ in crore)

Year	Revenue				Expenditure	Saving
	Original	Supplementary	Surrender	Net Budget Provision		
2006-07	12.04	0.65	2.30	10.39	10.41	-0.02
2007-08	11.94	2.04	2.06	11.92	11.85	0.07
2008-09	14.05	--	--	14.05	11.90	2.15
2009-10	13.76	4.98	0.23	18.51	18.64	-0.13
2010-11	19.18	5.43	5.65	18.96	18.78	0.18
Total	70.97	13.1	10.24	73.83	71.58	2.25

(Source: Appropriation Account.)

Table-4.2 Director, ESI

(₹ in crore)

Year	Revenue				Expenditure	Saving
	Budget Provision					
	Original	Supplementary	Surrender	Net Budget Provision		
2006-07	31.11	6.19	0.63	36.67	35.83	0.84
2007-08	35.33	0.11	--	35.44	30.81	4.63
2008-09	37.36	--	0.38	36.98	33.06	3.92
2009-10	40.95	10.11	2.33	48.73	46.65	2.08
2010-11	29.02	24.0	--	53.02	50.14	2.88
Total	173.77	40.41	3.34	210.84	196.49	14.35

(Source: Appropriation Account.)

Table-4.3 Registrar, Industrial Court

(₹ in crore)

Year	Revenue				Expenditure	Saving
	Budget Provision					
	Original	Supplementary	Surrender	Net Budget Provision		
2006-07	3.40	--	0.36	3.04	3.04	--
2007-08	3.80	--	--	3.80	3.30	0.50
2008-09	4.49	--	--	4.49	3.74	0.75
2009-10	4.72	0.33	0.23	4.82	4.82	--
2010-11	5.52	1.15	--	6.67	6.05	0.62
Total	21.93	1.48	0.59	22.82	20.95	1.87

(Source: Appropriation Account.)

The surrenders/savings depicted in above tables were due to less expenditure incurred on establishment and various schemes of the department.

4.1.7.2 Deficiencies noticed in budgetary control

Non-surrender of savings resulted in lapse of ₹ 18.62 crore.

(i) Rule 91 of the M.P. Budget Manual requires that all anticipated savings should be surrendered as soon as the possibility of saving is foreseen without waiting till the end of the year. Out of the total savings of ₹ 32.79 crore² during 2006-11, ₹ 14.17 crore³ were surrendered. Remaining savings of ₹ 18.62 crore⁴ were allowed to lapse as these were not surrendered well in time. Hence, provisions of budget manual were not observed. It also indicated that expenditure was not monitored at any level.

(ii) During 2006-11, under the head 'establishment' (ESI) the budget estimates were framed on the basis of sanctioned strength of staff rather than their actual strength which was a violation of provision 25 (chapter III) of M P Budget Manual. This resulted in a saving of ₹ 11.11 crore.

² LC ₹ 12.64 crore + ESI ₹ 17.69 crore+ Labour & Industrial Court ₹ 2.46 crore

³ LC ₹ 10.24 crore+ESI ₹ 3.34 crore+ Labour & Industrial Court ₹ 0.59 crore

⁴ LC ₹ 2.40 crore+ESI ₹ 14.35 crore+ Labour & Industrial Court ₹ 1.87 crore

(iii) The actual expenditure during 2007-08 under revenue section for LC and ESI was only ₹ 11.85 crore (LC) and ₹ 30.81 crore (ESI) as against original budget provisions of ₹ 11.94 crore (LC) and ₹ 35.33 crore (ESI) respectively. The supplementary provision of ₹ 2.04 crore (LC) and ₹ 0.11 crore (ESI) during the year proved unnecessary.

Labour Research & Training Institute not established despite lapse of three years due to non-availability of land.

(iv) Under head 4250 'Capital Outlay on Other Social Services', the entire budget provision of ₹ 40 lakh during 2007-08 allotted for establishment of State level Labour Research and Training Institute was surrendered and entire budget provision of ₹ 53 lakh during 2008-09 for the same purpose lapsed. The Department stated (November 2011) that due to non-availability of land, the institute could not be established. Thus, provision made in budget was unnecessary.

(v) As per provisions of Supplementary Rules 297 to 299 of MPTC every head of office is required to maintain expenditure control register and send Monthly Expenditure Statement to budget controlling officer. Test check of records in nine field DDOs⁵ revealed that these registers were not maintained in proper form. The monthly expenditure in these offices was not recorded sub-head and scheme wise making it difficult to monitor the excesses and savings under each sub-head.

In the exit conference, the Department noted these deficiencies for future compliance.

Budget estimates had not been prepared realistically by following the provisions of Budget Manual leading to surrender/lapse of funds.

4.1.7.3 Reconciliation of expenditure

Reconciliation of departmental expenditure not done.

Paragraph 110 of Madhya Pradesh Budget Manual, envisages that in order to avoid incorrect booking of expenditure and potential fraud and misappropriation, the departmental expenditure should be regularly reconciled with the figures booked by the office of the Accountant General (A&E). Scrutiny of records of offices of LC, Director ESIS and the Registrar Industrial Court revealed that there were material differences in these two sets of figures as indicated in **Table 4.4** below:

Table 4.4

(₹ in crore)

Year	Expenditure booked by AG (A&E)			Expenditure booked by Department			Difference		
	LC	ESIS	Labour Court	LC	ESIS	Labour Court	LC	ESIS	Labour Court
2006-07	10.41	35.84	3.04	10.49	35.84	3.00	-0.08	0	0.04
2007-08	11.85	30.81	3.30	9.91	30.74	4.52	1.94	0.07	-1.22
2008-09	11.90	33.06	3.74	11.62	33.20	3.98	0.28	-0.14	-0.24
2009-10	18.64	46.65	4.82	18.14	46.76	4.99	0.50	-0.11	-0.17
2010-11	18.78	50.14	6.05	18.98	50.05	5.68	-0.20	0.09	0.35
Total	71.58	196.5	20.95	69.14	196.59	22.17	2.44	-0.09	-1.24

(Source: Appropriation account and Figures supplied by the Department)

⁵ LO Bhind; IHS Gwalior; ESI Gwalior; ALC Indore; Registrar Industrial Court Indore; LO Shajapur; ESI Ujjain; ALC Ujjain; IHS Ujjain.

Though the above controlling officers in their responses claimed (June 2011) that reconciliation was being done, differences in two sets of figures indicate that either reconciliation was not done at all or corrective action was not taken by them well before closure of the accounts by AG (A&E). In the exit conference, the Department assured that reconciliation in future will be done regularly.

4.1.7.4 Deficiencies in maintenance of cash book

Subsidiary Rule 53 of Madhya Pradesh Treasury Code (MPTC) provides that fortnightly verification of drawls be conducted with reference to treasury voucher slips. At the end of the each month, Drawing and Disbursing Officer (DDO) is required to verify cash under his dated signatures and the analysis of cash is to be recorded in the cash book. Daily totals of cashbook are to be checked by a person other than writer of cash book. Besides, temporary advances are to be recorded in red ink and not shown as final expenditure.

Scrutiny of records of test checked DDOs including three DDOs in the offices of CCOs revealed that fortnightly verification of drawls had not been done in thirteen DDOs⁶. The analysis of cash balance at the end of each month was not done by the DDOs and totals of cash books were not got checked regularly by a person other than writer of the cash book. The Department assured (November 2011) that the rule will be complied with in future.

4.1.7.5 Deficiencies in maintenance of Bill book

As per provision of rule 197 of MPTC, the bill register should be reviewed monthly by the DDO and record a certificate to confirm that it has been correctly maintained. Monthly abstract should be prepared at the end of each month giving details of number of bills submitted to the treasury, the total number of bills passed and total number of bills cancelled, bills pending etc.

Scrutiny of bill registers of 21 test checked DDOs revealed that neither the review of bill registers was conducted by DDOs nor were monthly abstracts prepared in eight DDOs⁷. The DDOs assured compliance with these requirements in future.

4.1.7.6 Handling of cash and stores by officials without security deposited

As per rule 282 of MP Financial Code (MPFC) every official handling cash or stores is required to deposit security. Records of ten DDOs⁸ out of 21 revealed that nine officials handling cash and seven officials handling stores had not deposited any security.

⁶ LO Bhind; Jt. Director I.H.S Bhopal; Dy.LC Bhopal; IHS Gwalior; ESI Gwalior; ALC Indore; Industrial Court Indore; TB Hospital Indore; ALC Sagar; LO Shajapur; ALC Ujjain; IHS Ujjain; ESI Ujjain.

⁷ LO Bhind; Jt. Director I.H.S. Bhopal; ESI Gwalior; I.H.S. Gwalior; LC Indore; The Registrar Industrial Court Indore; ESI Ujjain; ALC Ujjain

⁸ LO Bhind; Jt. Director I.H.S. Bhopal; Dy.LC Bhopal; ESI Hospital Bhopal; I.H.S. Gwalior; ALC Indore; Director ESI Indore; The Registrar Industrial Court Indore; ESI Ujjain; I.H.S Ujjain

The DDOs stated that required security would be deposited.

4.1.7.7 Creation of liabilities for next financial year

Rule 14 of MPFC and Supplementary Rule 283 of MPTC provide that liabilities incurred in a financial year should be cleared within the same financial year and should not be left for payment in the next financial year. Scrutiny of records of seven DDOs revealed that unpaid bills of ₹ 64.58 lakh⁹ relative to previous years were paid in the subsequent years, and in seven DDOs liabilities of ₹ 22.66 lakh¹⁰ were pending for the last one to five years for the payment (June 2011) (**Appendix-4.3**).

On being pointed out DDOs stated that due to shortage of funds, bills could not be paid in the same year. In the exit conference, the Department stated that compliance with financial rules would be ensured in future.

Inadequate reconciliation of figures, deficiencies in maintenance of cash books and bill books, besides creation of liabilities are clear signs of weak internal financial controls and precursor to frauds and misappropriation of funds.

4.1.8 Management of store and stock

4.1.8.1 Physical verification of store and stock not conducted

Rule 133 of MPFC provides for annual physical verification of store and stocks. Twelve DDOs¹¹ out of 21 DDOs test checked did not carry an annual verification during 2006-11. DDOs concerned accepted the position and noted observation of codal provision for future compliance.

4.1.8.2 Store and stock registers not maintained

Rule 121 and 122 of the MPFC provide that as soon as the stock items are purchased or issued, these should be entered into the store registers. During the test check of records of office of the Secretary, Building and Other Construction Workers Welfare Board, Bhopal it was noticed that neither store and stock registers were maintained nor store and stock accounts were prepared. Hence, it could not be verified that the stores/printed material purchased were actually received in the Board and were available in office. Moreover, payments were made without recording stock entry certificate on vouchers. On being pointed out the Secretary stated that the store and stock

⁹ Director ESI Indore(₹ 2.53 lakh); Specialist TB Hospital Indore (₹ 23.64 lakh); ALC Sagar(₹ 1.79 Lakh); ESI Ujjain(₹ 8.45 lakh); I.H.S. Ujjain (₹ 1.44 lakh); ESI Gwalior(₹ 25.33 Lakh); Joint Director I.H.S. Bhopal(₹ 1.40 Lakh).

¹⁰ ESI Gwalior(₹ 3.73 lakh); I.H.S. Gwalior(₹ 1.32 lakh); ALC Indore(₹ 1.02 lakh); Director ESI Indore (₹ 2.45 lakh); Specialist TB Hospital Indore (₹ 12.31 Lakh); ALC Sagar(₹ 0.31Lakh); ESI Hospital Ujjain (₹ 1.52 lakh).

¹¹ LO Bhind; Dy.LC Bhopal; ESI Gwalior; I.H.S. Gwalior; LC Indore; Jt. Director I.H.S. Bhopal; ESI Hospital Bhopal; T.B. Hospital Indore; The Registrar Industrial Court Indore;LO Mandideep; ALC Sagar; LO Shajapur.

registers would be maintained in future. During exit conference, the Department stated that in future such records would be maintained.

Non-maintenance of store and stock registers and non-conducting of annual physical verification of stores is fraught with the risk of loss, theft and misappropriation of stores.

4.1.9 Implementation of Schemes and Departmental activities (Labour)

The office of the Labour Commissioner is assigned with the duties and functions related to industrial relations, labour welfare activities and implementation and enforcement of various labour laws. It also collects revenue under different labour laws viz. Shops and Establishment Act, Motor Transport Workers Act, Contract Labour (Regulation and Abolition) Act, etc. At the field level LC discharges his duties through Dy. LC/ALCs/LOs. Our audit revealed following deficiencies in this regard:

4.1.9.1 Implementation of Housing Scheme for Hamals

Housing schemes for Hamals not implemented. Subsidy of ₹ 1.21 crore released by GOI lying unutilised.

Housing scheme for Hamals (persons engaged in carrying head loads at public places) was formulated by the Government of India (GOI) under the 8th Five Year Plan (1996-97) and was taken up for implementation on a pilot basis in the States of Madhya Pradesh and Karnataka. Under the scheme a subsidy of ₹ 10000 per beneficiary was sanctioned by GOI. Remaining funds were to be raised for beneficiaries through a loan from the State Government or from nodal construction agencies, that were to be identified by the State Government. The land for construction was also to be provided by the State Government free of cost. The houses were required to be constructed within a period of 18 months extendable by six months. The State Government proposed to construct 1300 houses for Hamals of Krishi Mandis in 12 districts¹². Accordingly a subsidy of ₹ 1.30 crore was released by GOI (Ministry of Labour) in March 1997 to the Labour Department of the State Government. The project cost of the scheme was ₹ 3.64 crore at the rate of ₹ 28000 per house/tenement to be partly (₹ 18000) borne by the beneficiary.

During the test check (June 2011) of record of LC, Indore we noted that scheme was restricted to Indore city alone. Moreover, out of ₹ 1.30 crore released by GOI only an amount of ₹ 8.70 lakh was released to the Commissioner, M.P. Housing Board, Indore for construction of 87 houses. Remaining amount of ₹ 1.21 crore was deposited (March 1998) in a Personal Deposit Account (PDA) of LC. The balance amount was still lying (June 2011) with the Government in PDA. All the 87 houses were constructed and allotted to beneficiaries in June 2001.

LC attributed (June 2011) under achievement even at pilot stage to reluctance on the part of workers to deposit their share of ₹ 18000 owing to their poor

¹² Bhopal (150); Burhanpur (100); Damoh (100); Dhamtari (100); Guna (100); Indore (150); Katni (100); Khargone (100); Mandsaur (100); Sagar (100); Ujjain (100); Vidisha (100)

financial condition. At the same time neither subsidy from State Government nor loan from HUDCO could be arranged by the department for the beneficiaries. Moreover, no land was available near the Krishi Mandis where the beneficiaries preferred to have their houses constructed. The scheme was dropped in the subsequent year. The reply of the department is not acceptable to audit as it was the responsibility of the department to arrange subsidy/loan. The department assigned no reasons for its failure in meeting these basic requirements. It had also not refunded unspent amount to GOI during last 15 years. At the same time, PDA that was required to be closed at the end of the year unless specifically permitted to be kept open, was also not closed. It is apparent that the department had practically forgotten all about the scheme. In the exit conference, the Department assured that after scrutiny of records, balance amount will be refunded to GOI.

4.1.9.2 Implementation of Housing Scheme for Beedi Workers

Housing scheme for Beedi workers not implemented properly.

Integrated Housing Scheme for Beedi Workers was launched by GOI in 2004. The scheme was revised in 2005 and 2007. The scheme was intended to relieve, to some extent, the housing shortage, mainly among Beedi workers. A subsidy of ₹ 40000 per home, per worker, was to be provided by GOI and an amount of ₹ 5000 was to be contributed by the beneficiary. The balance amount was to be borne by the worker either through his own resources or assistance in the form of loan from financial institutions like HUDCO etc. or contribution from the State Government in the form of subsidy/loan. The subsidy was to be released by GOI in two instalments of ₹ 20000 each, one at the time of approval after confirmation of receipt of beneficiary's contribution and another on receipt of 100 *per cent* inspection report of the Engineer of Labour Welfare Organisation stating that construction had reached roof level. The construction was to be completed within the period of 18 months. It was also provided in the scheme that if tenements were not constructed and completed in all respects within the stipulated period/extended period, the amount of subsidy would be forfeited or recovered as the case may be, along with penal interest to be determined by GOI from time to time.

The test check of records of LC (June, 2011) revealed that during the period 2006-10 an amount of ₹ 11.52 crore (**Appendix 4.4**) was sanctioned by GOI for construction of 2880 houses. Till the end of March 2011 the first instalment (₹ 5.76 crore) was released for 2880 houses. However, the second instalment (₹ 33 lakh) was released for only 165 houses indicating the extent of under achievement under the scheme. The total expenditure of ₹ 6.09 crore thus, released was largely infructuous as evident from the fact that out of 2880 houses only 461 were completed during last four years. Only 66 houses in Ashoknagar district were allotted to beneficiaries. The balance 395 constructed houses could not be allotted, as the beneficiary's contribution was not deposited by Beedi workers. The construction of remaining 2419 houses (2880 - 461) was either not taken up (1886) or incomplete (533). Except houses already allotted, all other houses were constructed without the receipt of beneficiary's contribution. No steps were taken by the department for obtaining the contribution of Beedi workers by arranging loan from financial institution. No penalty had been imposed by GOI so far, in any case.

On being pointed out LC stated (June/November 2011) that collection of ₹ 5000 in respect of 395 houses already constructed for Beedi workers was in progress. He further stated that due to increase in cost of construction, it was not possible to construct the houses as per approved estimate and arrangements were being made for meeting the extra cost by beneficiaries and obtaining loan from financial institutions. The reply is not tenable as construction of houses should have been started only after the receipt of beneficiary's contribution. In the exit conference, the Department offered no further comments in the matter.

The housing schemes for weaker sections of the society like Hamals and Beedi workers did not take off due to failure of the department to arrange timely loan/subsidy for the beneficiaries. Delay in execution also led to escalation in the cost of dwelling units.

4.1.9.3 Implementation of Acts

(i) Inadequacy of inspections

Inspections of establishments by inspectors inadequate.

The main objective of Labour Department is to ensure effective implementation and enforcement of labour laws and rules through inspections of Establishments like factories, shops, hotels, contractors and other commercial establishments. On the basis of inspections, cases are to be filed in appropriate courts against those charged with offences such as less payment of wages, non-maintenance of records, non-payment of equal wages for equal work, non-renewal of licences, employment of child labour, inadequate safety measures, etc. On the basis of information provided to us and during test check (June 2011) of records of LC, we observed that inspections carried out were below targets and the shortfall ranged from 29 to 63 per cent during 2006-11 as indicated in **Table 4.5** below:

Table-4.5

Year	Targets	Achievements (Per cent)	Percentage of shortages	Cases filed (Per cent)
2006-07	137760	69121 (50)	50	9356 (14)
2007-08	132660	48732 (37)	63	6476 (13)
2008-09	105250	62923 (60)	40	8224 (13)
2009-10	132810	49393 (37)	63	10084(20)
2010-11	149325	105882(71)	29	27195 (26)

(Source: Figures supplied by LC)

LC stated (June 2011), that instructions were being issued to Labour Inspectors from time to time for completing the targets. It was further stated that due to their preoccupation with court cases, it was not possible for them to achieve the targets. The reply is not tenable as engagement of inspectors in court cases was part of their duties. Moreover, proper implementation of labour laws cannot be ensured without inspections.

Scrutiny of records of test checked field offices under LC (ALC Gwalior, LO Malanpur, ALC Indore, LO Shajapur, ALC Ujjain) also revealed that shortfall of inspections carried out under various Acts ranged from 1 to 98 *per cent* (**Appendix 4.5A, 4.5B, 4.5C, 4.5D, 4.5E**). In district Bhind not a single inspection of any Establishment was conducted during last five years. Test check of the offices of the Deputy Directors, I.H.S. Gwalior and Ujjain where large commercial centers are located, revealed that no targets were fixed for inspection of factories under Factories Act, 1948. During exit conference, department stated (November 2011) that efforts will be made to achieve the targets of inspections in future.

Applications for registration & renewals of industries were pending.

(ii) Pendency of applications for registration and renewal of licences to Industries

Factories Act, 1948 and Madhya Pradesh Industrial Rules, 1962 (Section 6 and 7) provide that the occupier shall, at least fifteen days before he begins to occupy or use any premises as a factory, apply for registration along with proof of depositing the amount of fee in the treasury. The occupier is required to apply for renewal of registration one month prior to lapse of registration along with proof of depositing the renewal fee. In cases of late submission of such applications, additional fee equal to twenty five *per cent* of registration fee is payable by the applicant.

Test check of records of the Director, I.H.S., Indore (June, 2011) revealed that as of March 2011 registration of 66 factories¹³ was pending from one to three years. On being pointed out the Director, I.H.S. stated (June 2011) that, the registration was pending because the requisite documents were not submitted by the occupiers and cases were under correspondence with the occupiers. Similarly renewal of licences in respect of 96 factories at Gwalior and 352 at Ujjain were also pending from one to three years as of March 2011. No monitoring was done at the State level of this aspect of compliance with the provisions of the Factories Act, 1948. Deputy Directors stated that necessary action was being taken. In the exit conference, department offered no further comments on the subject.

(iii) Lack of control over renewal of licences to Establishments

Labour Department registers establishments in a Register of Establishments in such a manner as may be prescribed and issues, in prescribed form, a registration certificate to the employer on payment of licence fee and these licences are required to be renewed on submission of application with fee before expiry of licence. Test check of records of seven labour offices¹⁴ revealed that out of 2.65 lakh Shops & Establishments, as many as 87 thousand (33 *per cent*) Shops & Establishment were not renewed as of 31 March 2011.

Similarly, 21 *per cent* (113 out of 540) and 43 *per cent* (317 out of 750) Establishments were not renewed under Motor Transport Workers Act, 1961

¹³ 10 for 2009; 22 for 2010; 34 for 2011

¹⁴ Bhind; Bhopal; Gwalior; Malanpur; Sagar; Shajapur; Ujjain

and Contract Labour Act, 1970 respectively, though renewal of licences of these Establishments was long over due. The particulars regarding closure and cancellation of establishments were not found recorded in the registers. As such the total number of establishments in default all over the State was not ascertainable from the records. The total number of establishments in the test checked offices, which required registration under various labour laws, was also not available. In the exit conference, Department stated that necessary action will be taken after computerisation of establishments.

Inspection of Establishment, a key function of the Labour Department, was not conducted as per targets to ensure effective implementation of labour laws. Monitoring of registration and renewal of licences of all the Establishments was also lacking.

4.1.9.4 Deficiencies in management of security deposits

Under the provisions of Contract Labour (Regulation and Abolition) Act, 1970 and Rule 7 of M.P. Contract Labour (Regulation and Abolition) Rules, 1973 a contractor has to deposit into the treasury security amount to cover for compensation payable to workers in the event of any accident/ injury, etc. In six offices¹⁵ test checked, the amount of security deposit realised during 2006-11 was ₹ 1.31 crore. Recovery of security deposits from the contractors was not monitored and list of such outstanding depositors was not prepared at the end of each year. Further, refund of security deposits to depositor was made through treasury advice, authorising the depositors to draw directly from the treasury without reference to challan number under which the amounts were deposited *ab-initio*. Neither the refund registers were maintained nor credit against refund authorised was verified in the treasury to prevent fraudulent drawal by the depositors. Contrary to the requirement of Rule 562 of MPTC deposits remaining unclaimed over the period of three years were not credited to Government account. The renewal of registration of 562 contractors¹⁶ was pending for which no action was taken by the offices. On being pointed out, ALCs/LOs stated that notices for renewal of registration of contractors were being issued. The Department agreed with the audit observation and assured that necessary action will be taken in future.

4.1.9.5 Non-reconciliation of revenue receipt

The revenues are collected by the Department on account of fee payable for registration, renewal of licences, penalties from defaulters, etc. which are deposited directly by employers into treasuries through challans.

Rule 30 of MPFC envisaged that departmental Controlling Officer shall ensure that all sums due to Government are assessed, realised and credited into treasury.

Receipts not reconciled with Government accounts.

¹⁵ ALC Gwalior (₹ 28.58 Lakh); ALC Indore(₹ 43.58 Lakh); LO Malanpur (₹ 25.77 Lakh); ALC Sagar (₹ 3.58 Lakh); LO Shajapur (₹ 2.78 Lakh); ALC Ujjain (₹ 26.30 Lakh).

¹⁶ ALC Gwalior 227; ALC Indore 179; LO Malanpur 45; ALC Sagar 18; LO Shajapur 10; ALC Ujjain 83.

As provided under Subsidiary Rule 72(6) of MPTC, completeness and correctness of revenue collected is to be established through reconciliation of amounts deposited into the treasury with the departmental copies of challans. Therefore, it is absolutely essential for CCOs to ensure that monthly accounts duly reconciled with the treasury records, are submitted by all their subordinate offices. Our test check of district offices under LC revealed that in none of these offices verification of the genuineness of the challans and correctness of the revenue realised¹⁷ was being carried out at any level.

LC assured (June 2011) that necessary instructions would be issued to DDOs to send revenue statement duly reconciled from treasury records. In the exit conference (November 2011), the Department stated that necessary instructions have already been issued at the instance of audit to all DDOs for conducting regular reconciliation of accounts with the treasury records.

Reconciliation of revenue receipts as per provisions of financial rules with treasury records and verification of genuineness/correctness of challans furnished by Establishments as a proof of payment of various fee had not been done. This left scope for possible fraud and embezzlements.

4.1.9.6 Pendency in registration of Trade Unions and non-receipts of annual returns

87 applications for registration of Trade Unions were pending. Annual returns not received from 2561 Unions.

Section 4 of Trade Union Act, 1926, as amended in January 2002 provides that no trade union shall be registered unless 10 *per cent* or 100 workmen are members of such trade union on the date of making application for registration. As per citizen charter of Labour Department, all applications for registration of Trade Union are to be disposed of within 60 days. However, it was noticed that 87 applications were pending for registration of Trade Unions from one to four years as of March 2011.

The Department stated that these applications were pending for want of verification of membership from the field offices. As per Section 28 of the Act, the Trade Unions are required to send a general statement of all receipts and expenditure during the year ending on 31st December as well as assets and liabilities of Trade Unions on that day, duly audited on or before such date as may be prescribed. The Registrar, or any officer authorised by him by general or special order, may at all reasonable times inspect the certificate of registration, account books, registers and other documents relating to a Trade Union.

As per the information furnished by the Deputy Labour Commissioner, Bhopal who acts as the Registrar for registration of Trade Unions, only 93 out of 2654 Trade Unions had submitted the above annual returns as of March 2011. The returns of remaining 2561 Trade unions were pending from one to five years. The Registrar had not carried out on site examination of any documents of any Trade Union.

¹⁷ ₹ 2.44 crore in 2006-07, ₹ 3.87 crore in 2007-08, ₹ 4.19 crore in 2008-09, ₹ 4.11 crore in 2009-10 and ₹ 7.05 crore in 2010-11.

The Registrar stated (October 2011) that notices were being issued to Trade Unions for furnishing the prescribed annual returns. Regarding non-conducting of examination of records it was stated that because of the shortage of staff this responsibility could not be discharged. At the exit conference, it was stated that notices will be issued to all the Trade Unions for furnishing annual returns.

The department had no database of active and defunct trade unions nor regular submission of annual returns by these unions is ensured. Inspection of their records had also not been conducted to ensure compliance with the trade union rules.

4.1.10 Welfare of Building and Other Construction Workers

The Building and Other Construction Workers Welfare Board was assigned with duty to regulate the employment and conditions of service of Building and Other Construction Workers and to provide for their safety, health and welfare measures and for other matters connected therewith or incidental there to. It exercises the power conferred on, and performs the assigned functions to it under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act 1996. The Board collects cess at the rate of one *per cent* of cost of construction from the employers and utilises it for the implementation of its schemes. No other funds are passed on to the Board by the labour department nor is there any system of scrutinising its functions by the Department.

No mechanism for assessment & collection of cess developed.

4.1.10.1 Deficiencies in collection of cess

The Building and Other Construction Workers Welfare Cess Act 1996 and rules made there under in 2002 provide for collection of cess from employers of building workers at one *per cent* of the cost of construction and to constitute a fund called the Building and Other Construction Worker's Welfare Fund.

Test check of records (May 2011) of M.P. Building and Other Construction Workers Welfare Board, Bhopal indicated that Board has not developed any mechanism for the assessment and collection of the cess. It neither has a list of employers from whom cess was to be collected nor the details of cess actually paid by employers or due from them. During the audit of District Project Organisers (DPOs) and Project Organisers (POs) of Rajiv Gandhi Shiksha Mission it was noticed that ten DPOs/POs¹⁸ did not collect the cess amounting to ₹ 4.54 crore which was due from construction agencies employed by them during 2002-2010. Moreover, the amount of cess collected by the Board and deposited in banks was not depicted in the cash book.

¹⁸ DPO Khargone (₹ 92.73 Lakh), DPO Rajiv Gandhi Shiksha Mission Mandla (₹ 56.92 Lakh); DPO Ratlam (₹ 49.88 Lakh); DPO Rewa (₹ 22.60 Lakh); DPO Satna (₹ 73.88 Lakh); DPO Shahdol (₹ 30.20 Lakh). DPO Chindwara (₹ 57.50 Lakh); DPO Harda (₹ 15.43 Lakh); DPO Jabalpur (₹ 36.30.Lakh); DPO Mandsaur (₹ 19.00 Lakh).

The Secretary of the Board stated (May 2011) that no official of the Board was nominated as cess collector or assessor. In the exit conference, the Department stated that necessary steps are being taken for collection of cess regularly.

4.1.10.2 Utilisation of funds for welfare of workers not monitored

Non-receipt of utilisation certificate from implementing agencies of welfare activities.

The Building and Other Construction Workers Welfare Board released during 2006-11 a sum of ₹ 162.70 crore to District Assistant Labour Commissioners (ALCs)/ Labour Officers (LOs) and Labour Inspectors (**Appendix 4.6**) for implementation of various labour welfare programmes/schemes for construction workers. We noticed that these amounts were transferred to ALCs/LOs in lump-sum without indicating break-up of amounts meant for different welfare measures like medical assistance, funerals, education and marriage of children, maternity care, pension, housing loan, etc. During the test check of records of the Board it was noticed that the utilisation certificates of the amount released had not been submitted by any of the implementing agencies. In absence of the utilisation certificates it could not be ascertained whether the funds were utilised for the purposes for which these were released.

On being pointed out, the Secretary of the Board stated that at the time of release of the funds instructions for submission of utilisation certificates were issued. The reply of Secretary indicates that oversight over utilisation of released funds was passive at best and non-existent at worst as release of second instalment of funds was not subject to receipt of utilisation certificate of the first instalment as required under financial rules.

Similarly an amount of ₹ 16.92 crore was released by eight test checked labour offices¹⁹ (ALCs/LOs) to Sub Divisional Officers, Panchayati Raj Institutions and Urban Local Bodies for welfare schemes of construction workers and their families. Utilisation certificates for these sums were also awaited (June/July 2011) (**Appendix 4.7**).

The Department stated (November 2011) that utilisation certificate are being obtained.

4.1.10.3 Annual accounts not prepared

Article 27 of the Building and Other Construction Workers (Regulation of the employment and conditions of Service) Act 1996 and Rule 264 of M.P. State Rules 2002 provide that the Board shall maintain proper account and other relevant records and prepare an Annual Statement of Accounts in such form as may be prescribed in consultation with Comptroller and Auditor General (CAG) of India and accounts of the Board shall be audited by CAG of India annually. The Board was to furnish to the State Government the audited copy of accounts together with auditor's report and the State Government was to cause the annual report with auditor's report to be laid before the State Legislature.

¹⁹ LO Bhand; ALC Bhopal; ALC Indore; LO Malanpur; LO Mandideep; ALC Sagar; LO Shajapur; ALC Ujjain.

Preparation and submission of annual accounts by Board not regular.

During the test check of the records of the Board (May 2011), it was noticed that the form of Annual Statement of Accounts has not been prescribed in consultation with CAG of India as provided in the Act and annual accounts were not being prepared by the Board regularly. The annual accounts of the Board for four years 2003-04 to 2006-07 were got prepared as well as audited by Chartered Accountants during 2009-10. These accounts had neither been authenticated by any authorised official of Board nor formally approved by the Board. These accounts have also not been furnished for audit to the office of the Principal Accountant General, Madhya Pradesh, Gwalior despite issue of a number of reminders.

The Secretary of the Board stated (May 2011) that efforts would be made to complete the preparation of accounts of the Board as provided in the Act.

4.1.10.4 Bank Reconciliation not conducted

Reconciliation of cheques deposited in banks by the Board not done.

The main source of income of the Board is through collection of cess. The cess collected by Board was deposited in as many as 33 different Banks. However, it was noticed during test check of records of Board that annual bank reconciliation statements were not prepared during any year. Therefore correctness of the balances at Bank, and credits and debits could not be verified. The Chartered Accountants who prepared the accounts for the year 2003-04 to 2006-07 had reported that cheques of the value of ₹ 1.21 crore deposited in the banks (**Table 4.6**) had not been cleared till their becoming time barred.

Table 4.6

Year	Name of the bank	Amount of cheques deposited but not cleared
2003-04	State Bank of India	₹ 4199808
	State Bank of Indore	₹ 80560
2004-05	State Bank of India	₹ 439819
2005-06	State Bank of India	₹ 406278
	Punjab National Bank Habibganj	₹ 2547476
	Punjab National Bank Malik Market	₹ 3895426
	Bank of India	₹ 523918
Total		₹ 12093285

(Source: Board's accounts statements)

No action had been taken up to ascertain the correct position of uncredited cheques from either the banks or from the depositors.

On being pointed out the Secretary stated (May 2011) that special efforts would be made to reconcile the cheques with the concerned banks. As intimated by the Department in the exit conference that the reconciliation was still under process as of November 2011.

4.1.10.5 Records not maintained

During the course of test check it was observed that some of the basic accounting records like party-wise ledger accounts, control register for cheques not cleared, advance register, purchase registers, vehicle log books and scheme-wise expenditure registers were not maintained by the Board. In

the absence of these records, correctness of financial accounts could not be ensured.

Board accepted the observation and noted for future compliance.

The board had not developed a mechanism for assessment, collection and utilisation of amount of cess. Annual accounts as well as the basic accounting records like cash books, ledgers, advance registers, etc. had not been properly maintained to rule out frauds and pilferage of funds.

4.1.10.6 Sheds for construction workers not completed

Fifty seven sheds for construction workers not constructed.

For providing shelter to construction workers, during rains and heat, 122 sheds were proposed to be built for construction workers at 49 districts where they assemble for work. Accordingly, an amount of ₹ 166.80 lakh was released to 32 districts labour offices for constructing 104 small sheds at a cost of ₹ 124.80 lakh and 18 big sheds at a cost of ₹ 42 lakh in June 2006 (**Appendix-4.8**). The sheds were required to be completed by March 2007. As per information supplied to audit, out of these only 65 sheds could be constructed by March 2011 leaving 57 sheds incomplete despite the lapse of five years. Moreover, ₹ 14 lakh released (November 2006) for publicising the schemes of the Board, through information boards at these sheds were also not utilised.

The Secretary of the Board stated that construction of these sheds could not be started due to non-availability of land.

4.1.10.7 Misutilisation of ambulances

Forty eight Ambulances meant for providing immediate medical treatment to construction workers and their families misutilised.

To provide immediate medical treatment to construction workers and their families in unorganised sector, 48 ambulances (Maruti Omni) were purchased (2006) at a cost of ₹ 1.13 crore by the Board. An additional amount of ₹ 26 lakh was spent on road tax of these vehicles and for purchase of medical kits. These ambulances were distributed among 48 district labour offices and ₹ 2.34 crore was spent up to March 2011 on salary of drivers appointed on contract basis, maintenance and petrol, oil and lubricants (POL) of these vehicles. During the test check of record of six field labour offices²⁰, it was noticed that during last five years the ambulances were used as office vehicles and not used for providing immediate medical assistance to even a single construction worker or his family. On being pointed out the labour officers stated that vehicles were used for publicity of schemes of the Board as per their instructions. The reply is not tenable in audit as the purpose of providing the ambulances was not fulfilled.

Ambulances purchased at a cost of ₹1.13 crore were not utilised for providing immediate medical assistance to even a single construction worker or his family despite expenses of ₹2.34 crore on their running/maintenance.

²⁰ LO Bhind; ALC Bhopal; ALC Indore; LO Malanpur; ALC Ujjain; LO Shajapur.

4.1.11 Employees State Insurance Scheme(ESIS)

ESI Scheme is a multipurpose social security scheme under ESI Act, 1948 for the industrial workers and their family members. The medical benefits of the schemes are being provided to the beneficiaries in the State by Employee State Insurance Scheme through its hospitals and dispensaries. Under the Act, collection of contributions from employee (1.75 per cent of his wages) and employers (4.75 per cent of wages of employee) is entrusted to ESI Corporation of India (ESIC). It also has right to fix the ceiling on expenditure for medical care per insured person per annum, which is ₹ 1200 at present.

4.1.11.1 Under-utilisation of ESI hospitals

ESI hospitals under utilised.

Seven ESIS hospitals at Bhopal, Dewas, Gwalior, Mandsaur, Nagda, Indore and Ujjain had the aggregate capacity of 450 beds for inpatients. Though medical and para medical staff and other facilities were available in these hospitals yet the occupancy of beds during 2006-11 ranged between 0 to 59 per cent except in ESI hospital, Dewas during 2006-07 where it was 80 per cent (**Appendix-4.9**). Out of 75 beds of TB hospital, Indore, one ward consisting of 21 beds has remained unused since last six years and serves as a storage for waste material. Low occupancy of beds resulted in increase in average cost of per bed per day from ₹ 1438 in 2006-07 to ₹ 7068 in 2010-11, whereas number of insured persons increased from 2.15 lakh in 2006-07 to 2.96 lakh in 2009-10. The number of patients who attended the out patient department (OPD) of these hospitals also decreased from 2.03 lakh in 2006-07 to 1.82 lakh in 2010-11, indicating low confidence of insured workers in quality of treatment received in OPD.

The Director stated (June 2011) that due to closure of industrial establishments, the number of insured beneficiaries had decreased and that the



Twenty one bedded ward used for storage of waste material

insured patients were also getting treatment from private affiliated hospitals for which treatment expenses are met by ESIC, which resulted in less utilisation of ESIS hospitals. The Director also stated (June, 2011) that due to shortage of budget provision hospitals could not be upgraded. The reply of the Director is not convincing as the number of insured persons increased from 2.15 lakh in 2006-07 to 2.96 lakh in 2009-10.

4.1.11.2 Quality testing of medicine not conducted

Drug procurement policy for medical institutions in the State issued by Public Health and Family Welfare Department in 1984 made it obligatory for hospitals to conduct inspection and quality test of every batch of medicine through Drug Controller. Further, as per instruction issued by Employees State Insurance Corporation, New Delhi, the DDOs were required to undertake the regular and random testing of at least 10 *per cent* of drugs from Government or Government approved laboratories at the time of supply and at any time during the shelf life of medicine. Test check of records of the Director ESI revealed that drugs worth ₹ 42.35 crore were procured during 2006-11 but samples of none of drugs procured were sent for quality testing. Test check of records of ESI hospitals at Bhopal, Gwalior, Ujjain and T.B hospital, Indore revealed that drugs procured by these hospitals during 2006-11 were also not subject to quality testing.

On being pointed out the Director stated (June 2011) that drugs were being test checked. However, no records such as dispatch of sample of medicines to laboratories, names and batch numbers of medicines test-checked, test reports, etc. to support this assertion were submitted to audit. The incharge Medical Superintendents stated (May-September 2011) that in future quality testing would be done.

4.1.11.3 Incinerators not functioning

Wasteful expenditure of ₹ 43.46 lakh on installation of Incinerators.

Five incinerators were installed during 2001-02 in the ESIS hospitals at Indore (now under ESIC) Bhopal, Dewas, Gwalior and Ujjain at a cost of ₹ 43.46 lakh for disposal of bio-medical waste produced by these hospitals. Despite the lapse of 10 years these incinerators were not made functional. This resulted in wasteful expenditure as private agencies had been engaged for disposal of the bio-medical waste for which additional expenditure was incurred. Test check indicated that an expenditure of ₹ 3 lakh and ₹ 5.33 lakh was incurred by ESIS Hospital Bhopal and Gwalior respectively during 2004-11 for disposal of bio-medical waste through private agencies.

Director attributed (June 2011) non-functioning of incinerators to non-availability of required electric voltage and to the fact that necessary clearance had not been given by Pollution Control Board.

The reply is not tenable because during test check of hospitals at Bhopal, Gwalior and Ujjain it was noticed that regular fee was paid to M.P Pollution Control Board and also incinerators at Ujjain and Gwalior were provided with electric connection for which regular electric bills were paid and amount of ₹ 4.99 lakh (Gwalior) and ₹ 2.20 lakh (Ujjain) was paid to M.P. Electricity Board. Moreover, it was the duty of Director, ESIS to ensure that all impediments in making incinerators operational are removed.

ESIS hospitals were utilised far below their capacity and drugs purchased by these hospitals were not subjected to quality testing before their administration to patients.

4.1.12 Pendency of cases in Industrial and Labour Courts

Huge pendency of cases in Labour & Industrial Courts.

Articles 7 and 9 of Madhya Pradesh Industrial Relation Act, 1960 provide for constitution of Labour and Industrial Courts respectively for providing justice to the labour. During the test check of records of Registrar M.P. Industrial Court, Indore it was noticed that as on 31st March 2011, 29154 cases (28625 Labour and 529 Industrial) were pending for one to 29 years (**Appendix-4.10**) in the various Labour and Industrial Courts of the State. Though the number of pending cases has decreased from 49251 in 2006-07 to 29154 in 2010-11, yet the fact remains that still there is huge pendency of cases. Remedial action for disposal of old cases need to be taken on a time bound programme.

On being pointed out in audit, the Registrar, Industrial Court M.P. Indore stated that reason for huge pendency of cases was shortage of five judges and non-perusal of cases by the Inspectors of Labour Department. In the exit conference, the Department stated that Registrar Industrial Court will be requested to draw time bound programme for disposal of all pending cases.

4.1.13 Human Resource Management

Essential posts were vacant.

Under the Labour Commissioner's Organisation against 228 Labour Inspectors sanctioned for enforcement of various labour laws, only 183 Labour Inspectors were in position as of March, 2011. Posts of five Deputy Directors (I.H.S.) out of 10 and six Assistant Directors (I.H.S.) out of 25 were also vacant. The post of Certifying Surgeon who was required to be appointed under Section 10 of Factories Act, 1948 and Rule 19 of MP Factories Rules, 1962 for certification and examination of persons engaged in factories in dangerous occupations or processes was also vacant for last two years. Adverse impact of these vacancies at various levels on the performance of the Labour Department in various areas of its responsibility was obvious.

Similarly under ESIS Organisation posts of one Deputy Director, one Assistant Director and one Administrative Officer were vacant. Four hospitals (Dewas, Gwalior, Nagda, T.B.Hospital, Indore) were working without Medical Superintendents. There were 16 post of Specialist Doctors, 18 posts of Assistant Surgeons and 22 posts of Para Medical staff vacant (**Appendix 4.11**). This had adverse impact on the implementation of ESI scheme in the State. Superintendent, ESIS Hospital Bhopal, cited shortage of specialists as one of the reasons for low occupancy of beds in the hospital, which ranged 6 to 8 during last three years (2008-11).

Under Labour courts there was vacancy of five Judges, which resulted in huge pendency of labour and industrial cases in the State. The Department stated (November 2011) that recruitment policy has been revised and accordingly fresh recruitment is being made.

Human resource management in the department needs to be efficient. The vacancies of the staff in different cadres are bound to affect the functioning and achievement of objectives of the department.

4.1.14 Monitoring, Evaluation and Internal audit

No mechanism for monitoring & evaluation of activities of department developed.

The Department has not developed any mechanism for evaluation of performance of schemes/activities of the subordinate offices. As per provisions of supplementary Rule, 291 of MPTC, heads of subordinate offices are required to furnish quarterly inspections reports of their offices to the controlling officer. None of the test checked offices had furnished any such reports. Similarly, regular annual inspection of the subordinate offices was neither carried out by the controlling officers as was required under supplementary Rule, 293 of MPTC nor did controlling officers seek such reports from them.

No internal audit wing was in existence in the Department either at the apex level or in any of the branches (Labour, ESI, I.H.S) The Department stated (November 2011) that roster for conducting inspections of subordinate offices for proper monitoring and evaluation is being prepared and also that an internal audit wing is being established.

4.1.15 Conclusion

The department had not conducted any survey of Establishments and workers in organised and unorganised sectors and no reliable data thereon was available. The budget estimates had not been prepared realistically as per provisions of MP Budget Manual, which led to surrender/lapse of funds. There were deficiencies in maintenance of cash and bill books. Though the main function of Labour Department is to ensure proper implementation of various labour laws through inspections but these were far below targets. Housing schemes for Hamals and Beedi workers were not implemented properly which led to blockade of funds and also depriving beneficiaries of the benefits of these schemes. The department had no database of active and defunct Trade Unions and there was pendency in their registration. The Building and Other Construction Workers Welfare Board had no mechanism for assessment and collection of cess and maintenance of accounts was also deficient. 48 ambulances purchased for providing immediate medical assistance to construction workers were used as office vehicles. ESIS hospitals were utilised far below their capacity and drugs purchased by these hospitals were not subjected to quality testing. Though there was some improvement in disposal of industrial and labour court cases in earlier years, the pendency of cases was high revealing delay in their disposal in latter years. The shortage of manpower in core cadres adversely affected implementation of the programmes of the Department.

4.1.16 Recommendations

The Government should:

- develop a database of the Establishments and workers in organised and unorganised sectors after their periodic inspection for proper planning of welfare activities under various labour laws,

- prepare budget estimates realistically and ensure proper financial control by observing the provisions of budget manual, financial codes and rules. Deficiencies in maintenance of cash books and bill books must be addressed to and expenditure/revenue receipt figures properly reconciled,
- develop a mechanism for assessment, collection and utilisation of cess in Building and Other Construction Workers Welfare Board. Accounting records like cash book, ledgers, advance registers should also be properly maintained,
- develop confidence of workers in ESIS hospitals by upgrading their facilities for proper utilisation and ensure proper quality testing of medicine before administering these to the patients,
- introduce internal control and effective monitoring mechanism at CCO and field office levels.

Public Works Department

4.2 Extent of compliance with codal provisions in Public Works Department

Executive Summary

We identified 14 out of 59 subsidiary accounts /records, which if properly maintained, can aid the management in the Public Works Department in ensuring that the financial interests of the Government are protected.

Through this thematic study, we examined compliance to the provisions of the MPWD manual/CPWA code in maintenance of these 14 subsidiary records that include subsidiary accounts. Some important findings of the audit are given below:

- Effective action was not taken to adjust/recover Miscellaneous Works Advance of ₹ 42.99 crore outstanding in 36 divisions since September 1960 and onwards as required under CPWA Code.
- Prior approval of the Government was not obtained for incurring excess expenditure of ₹ 1.98 crore over the deposits received on deposit works in seven divisions, since October 2006.
- Security deposits from cashiers, storekeepers and other employees were not obtained as required in MPWD Manual.
- Contrary to the prescribed procedure, security deposits of ₹ 18.58 lakh were refunded to contractors through hand receipts without verifying the realisation of such deposits in the first place.
- Unclaimed deposits of ₹ 64.95 lakh in eight divisions (October 1972 to February 2006) were retained by the Department though the amounts should have been credited to Government account as 'lapsed deposits', as per the provisions of CPWA Code.
- For long periods, cheques issued by the divisions and remittances made into Treasuries by 34 divisions have not been reconciled with the records of Treasuries. Consequently, cash remittances of ₹ 261.89 crore and cheques worth ₹ 70.88 crore issued during the period between March 2000 and March 2011 could not be linked in the accounts of the Treasuries.
- Due to lack of effort/ monitoring, ₹ 1.92 crore of originating items and ₹ 90 lakh of responding items remained outstanding in the Cash Settlement Suspense Account for periods ranging from six to 38 years.
- Tools & Plants and other articles worth ₹ 7.49 crore were purchased in 12 divisions from an unauthorised vendor without floating tenders.

4.2.1 Introduction

The Public Works Department (PWD) is the principal agency of the Government of Madhya Pradesh for survey, design, construction, improvement, repair and maintenance of roads, bridges, residential and non-residential buildings of the Government.

4.2.2 Organisational set up

The Public Works Department (PWD) is headed by a Principal Secretary at Government level for policy and planning activities. The Engineer in Chief (E-in-C) is the apex level technical officer assisted by Chief Engineers (CE), Superintending Engineers (SE) and Executive Engineers (EE).

4.2.3 Audit Objectives

Audit identified 14²¹ subsidiary accounts /records, which if properly maintained could aid the management in protecting the financial interest of the Government. Audit through this thematic study examined compliance to the provisions of the MPWD manual/CPWA code in maintenance of these 14 subsidiary records.

4.2.4 Scope of audit and methodology

Audit examined the records of randomly selected 36²² out of 82 divisions for the year 2008-09 to 2010-11. Audit Inspection Reports (IR) of the divisions and monthly accounts of the department were also used for reaching audit conclusions.

The exit conference was held in August 2011 with the Secretary. The reply of the Government and E-in-C had not been received (December 2011).

4.2.5 Budget allotment and expenditure

The budget allotment and expenditure incurred there against by the department during the three years from 2008-09 to 2010-11 is as under:

Table: 4.7

(₹ in crore)			
Year	Budget Allotment	Actual Expenditure	Savings
2008-09	2180.83	2105.74	75.09
2009-10	2843.38	2671.01	172.37
2010-11	2892.20	2616.21	275.99

Above table depicts that there was regular saving of funds allotted to the department. The percentage of saving during the year 2008-09 to 2010-11 was 3.44, 6.06 and 9.54 respectively. The upward trend in savings indicates the widening gap between the plans and outcomes.

²¹ Register of Miscellaneous Works Advance, Public Works Deposit, AG adjustment memoranda/ATN, Control Register of inspection report, Tender Register, Remittances & Cheques drawal register, Cash Settlement Suspense Account, Stock Account, T&P Account, Material at Site account, Works Abstract, Contractor's Ledger, Cash book and Budget estimates.

²² B/R 1 Indore, B/R 2 Indore, B/R 1 Bhopal, B/R 2 Bhopal, New Bhopal, B/R Raisen, B/R Vidisha, B/R Sehore, B/R Dewas, B/R Neemuch, B/R Mandsour, B/R Ratlam, B/R Dhar, B/R Khargone, B/R Khandwa, B/R Rewa, B/R Shajapur, B/R 1 Gwalior, B/R Barwani, B/R 1 Jabalpur, B/R 2 Jabalpur, B/R Seoni, B/R Balaghat, B/R Mandla, B/R Dindori, B/R Jhabua, B/R 1 Sagar, B/R Katni, B/R Shahdol, B/R Ujjain, E/M Ujjain, E/M Jabalpur, E/M Indore, Bridge Ujjain, Bridge Indore and NH Indore.

4.2.6 Audit Findings

The observations arising out of the study are discussed in succeeding paragraphs:

4.2.6.1 Adjustment/ recovery of Miscellaneous Works Advances

According to Paragraph 13.4.1 of CPWA code, Miscellaneous Works advance (MWA) is a suspense head of account intended to record transactions on account of (i) sales on credit, (ii) expenditure incurred on Deposit Works in excess of deposits received (iii) losses, retrenchments, errors, etc. and other items of expenditure, allocation of which is not known or which are required to be recovered or settled. Items in MWA are cleared either by actual recovery or by transfer under proper sanction or authority to some other heads of account. The divisional officers are responsible for prompt clearance of the suspense head by recovery or transfer to the proper heads concerned.

Audit noticed in scrutiny of MWA register that at the end of March 2011, ₹ 42.99 crore (**Appendix-4.12**) were outstanding against officials, contractors, suppliers and other departments in 36 test-checked divisions. Of this, ₹ 21.06 lakh²³ was outstanding against 72 retired/deceased/transferred officials of the department. The earliest unsettled item related to period as old as September 1960. No effective action had been taken by the department for adjustment/ recovery of outstanding amount. This resulted in blockage of Govt. money/ loss to Govt.

In 36 divisions, miscellaneous works advance of ₹ 42.99 crore was outstanding since September 1960 and onward.

During the exit conference (August 2011), the Secretary PWD stated that necessary action would be taken to liquidate the outstanding advances.

4.2.6.2 Deposit Register

Paragraph 15.5.1 of CPWA Code provides that a record of transactions relating to Cash/ Interest Bearing Security Deposit of subordinates/ contractors as security, deposit for work, sums due to contractors on closed accounts and miscellaneous deposits should be maintained in the divisional office in a Deposit Register.

(i) Deposit of security by officials not obtained

According to Paragraph 1.051 of Sections 14 of MPWD Manual Vol.-I and Rule 282 of the Financial Code Vol.-I, head of the office shall obtain security deposit of specified amount from every cashier, storekeeper and other officials, who are entrusted with the custody of cash, stores or other valuables.

In seven divisions, security deposit was not furnished by Cashier, Storekeeper and others.

Audit noticed in scrutiny of Deposit Register that in seven²⁴ out of 36 test checked divisions, security was not obtained by EEs from cashier, storekeeper and other officials handling cash, stores and other valuables. This is in

²³ B/R 2 Bhopal ₹ 4.48 lakh (08), B/R 1 Indore ₹ 1.96 lakh (21), B/R 2 Indore ₹ 0.20 lakh (07), B/R Ujjain ₹ 0.96 lakh (03), Bridge Ujjain ₹ 0.25 lakh (02), B/R Neemuch ₹ 1.43 lakh (5), B/R Jhabua ₹ 11.59 lakh (19) and E&M Ujjain ₹ 0.19 lakh (07).

²⁴ B/R Dindori, B/R 1 Indore, B/R Ujjain, B/R 2 Bhopal, New Bhopal, Bridge Indore and B/R Dewas.

contravention of the above codal provision. Besides, the interest of Government was not protected by not enforcing the deposit.

During exit conference (August 2011), the Secretary PWD stated that necessary action would be taken to obtain security deposits from the staff.

(ii) Excess expenditure on deposit work

According to Paragraph 2.167 of the MPWD Manual, expenditure in excess of amount received against deposit works from other department/organisations, may be incurred only with the prior approval of the Government.

In seven divisions, an amount of ₹ 1.98 crore was spent irregularly in excess of the deposit without the prior approval of Govt. since October 2006 and onwards.

Audit noticed that in seven divisions, an amount of ₹ 1.98 crore²⁵ was spent irregularly in excess of the deposits without prior approval of Government since October 2006.

During exit conference (August 2011), the Secretary PWD stated that necessary action would be taken to recover the excess expenditure.

The reply is not tenable as the irregular expenditure would not have arisen, if timely action had been taken either to obtain additional deposits or to obtain Government approval.

(iii) Refund of Security Deposits without following the prescribed procedure

According to Paragraph 15.5.2 of CPWA code, before effecting refund of deposits received from contractors, the original realisation of deposits should be traced and a reference to the repayment should be recorded against the original entry in the cash book and other accounts so as to prevent double payment or erroneous claim. A certificate for such a note having been made is to be recorded on all vouchers for refunds.

Refund of Security Deposits ₹ 18.58 lakh through hand receipts without compliance of prescribed procedure of CPWA code.

In contravention of above provisions of the CPWA code, security deposits (SD) amounting to ₹ 18.58 lakh were refunded to the contractors in one division (Dindori) out of 36 divisions, through hand receipts during September 2008 to March 2010. Reference of refunds was, however, not recorded against the original entry in the cash book and also not countersigned by the DDO (Drawing and Disbursing Officer). This negligence, which violates the specific provision of CPWA code, is fraught with the risk of double payment. In one case in the same division, audit noticed a double payment of ₹ one lakh²⁶ to a contractor due to the department's failure in following the prescribed procedure.

On being pointed out (June 2010), the Department recovered (June 2010) the excess payment made to the contractors. The Department should review all the cases of refunds made without following the prescribed precautions.

²⁵ B/R Jhabua ₹ 20.56 lakh, B/R Dindori ₹ 1.65 crore, B/R Mandla ₹ 1.68 lakh, B/R 1 Sagar ₹ 7.70 lakh, B/R Raisen ₹ 0.77 lakh, B/R Dhar ₹ 0.31 lakh and E/M Indore ₹ 1.55 lakh.

²⁶ Vr No29/26.09.08 and Vr No.02/3.05.10(Agreement No.158/2006-07)

During the exit conference (August 2011), the Secretary PWD stated that necessary action would be taken.

(iv) Short recovery of security deposit

The control register viz Security Deposit Register and Contractor Ledger were to be maintained for keeping watch of the amount recoverable and actually recovered by the divisions.

Modified additional special condition of the contracts stipulate that security deposit be taken in the form of recovery of earnest money, besides deduction of 10 per cent from the payment made in the running bills till 10 per cent of the cost of work put to tender or 10 per cent of the cost of works, is recovered.

Short recovery of security deposit ₹ 17.28 lakh from contractors.

Audit noticed (February 2010 & December 2011) that the contractor ledgers in two divisions (Vidisha and Rewa) were not maintained²⁷. It was further noticed that against the SD of ₹ 1.11 crore recoverable, the division recovered ₹ 93.97 lakh only from the contractors. This resulted in short recovery of SD of ₹ 17.28 lakh²⁸.

(v) Retention of unclaimed deposits

According to CPWA code, balances of contractors if unclaimed for more than three complete accounting years in Public Works Deposit Register should be credited to Government accounts in March each year as lapsed deposits. In eight divisions, deposits amounting to ₹ 64.95 lakh²⁹ deducted from contractor bills and shown in Deposit Register during October 1972 to March 2007 were not credited to Government account although these amounts remained unclaimed for more than three completed accounting years after close of the works.

In eight divisions, unclaimed deposits of ₹ 64.95 lakh not credited to Government account.

During the exit conference (August 2011), the Secretary PWD stated that necessary action would be taken.

4.2.6.3 Delay in reconciliation of cheques and remittances

The Monthly Account should be supported by a Schedule of Reconciliation of cheques and remittances (Form 51). Paragraph 22.3.1 of CPWA code provides that soon after the expiry of the month, monthly settlement should be effected with all treasuries in respect of the transactions of the entire division with them. The divisional officers will undertake reconciliation in Form-51 indicating the differences between the cheques and remittances made by the division after receiving the copies of receipts and payments from treasury.

²⁷ Vidisha(4/08 to6/09), Rewa (4/08 to5/10)

²⁸ B/R Vidisha ₹ 5.81 lakh (₹ 92.15 lakh - ₹ 86.34 lakh) and B/R 1 Rewa ₹ 11.47 lakh (₹ 19.10 lakh - ₹ 7.63 lakh)

²⁹ B/R Neemuch ₹ 19.47 lakh, B/R 2 Bhopal ₹ 2.94 lakh, B/R 1 Bhopal ₹ 20.24 lakh, New Bhopal ₹ 0.67 lakh, NH Indore ₹ 1.80 lakh, Bridge Indore ₹ 2.92 lakh, Bridge Ujjain ₹ 1.46 lakh and E&M Ujjain ₹ 15.45 lakh.

In 34 divisions, the differences in cash remittances of ₹ 261.89 crore and (-) ₹ 2.53 crore and differences in cheques remittances of ₹ 70.88 crore and (-) ₹ 13.71 crore remained unreconciled.

In scrutiny of Form-51, Audit noticed that 27 divisions had not submitted Form-51 to the Accountant General (A&E) for seven to 11 years. Out of these, 11 divisions³⁰ were not submitting Form 51 for last three years. As a result, prescribed checks viz., reconciliation of challans and cheque drawals with treasury schedules could not be exercised in the office of the AG. Further, the difference of ₹ 261.89 crore in remittances and ₹ (-) 2.53 crore in part-I (cash remittance) and ₹ 70.88 crore and ₹ (-) 13.71 crore in part- II (cheques) were lying un-reconciled in 34 divisions (**Appendix-4.13**) since 2000.

4.2.6.4 AG's Adjustment Memoranda

Till 2004-05, payments to suppliers for procurement of stores on Directorate General, Supplies and Disposals (DGS&D) rate contract were made by the Pay & Accounts Officer, Department of Supply, Government of India and debits passed on to the respective indenting officers through the Accountant General. These debits were required to be adjusted immediately in the divisional accounts.

In 16 divisions, AG's adjustment memos for ₹ 17.96 crore (1476 items) were lying unadjusted.

In scrutiny of AG's Adjustment Memoranda Register, Audit noticed (August 2009 to February 2011) that in 16 divisions, adjustment memoranda for an amount of ₹ 17.96 crore for 1476 items (**Appendix-4.14**) issued by the AG (A&E) against purchases made between July 1973 and March 2005 through the DGS&D had not been effected (March 2011). As a result, material purchase settlement suspense account remained un-cleared.

4.2.6.5 Lack of efforts/monitoring to clear Cash Settlement Suspense Account

Prior to 1984, 191 originating items and 152 responding items involving ₹ 1.92 crore and ₹ 90.20 lakh and post 1984, 175 originating items and 113 responding items involving ₹ 82.32 lakh and ₹ 24.58 lakh were outstanding under CSSA.

The Cash Settlement Suspense Account under '8658 Suspense Accounts' is operated for settlement of dues with other divisions against supplies of stores, if payment is not made immediately. The 'Cash Settlement Suspense Account' is cleared when payment for the cost of stores supplied is actually received from the indenting Division. The Finance Department dispensed with the credit system and introduced the cash and carry system from May 1984 to avoid delay in settlement of Cash Settlement Suspense Account (CSSA). According to this system, the cost of material supplied by one division to another division is to be received in advance.

In scrutiny of CSSA Register, Audit noticed that 191 originating items³¹ and 152 responding items³² relating to periods prior to 1984 involving ₹ 1.92 crore and ₹ 90.20 lakh respectively in 15 divisions remained unsettled as of September 2011. It was noticed that the operation of Cash Settlement Suspense Account was continued after introduction of cash and carry system in May 1984 for 175 originating items and 113 responding items involving ₹ 82.32 lakh and ₹ 24.58 lakh, respectively in 8 divisions (**Appendix-4.15**). This showed that the divisional officers had neither followed the cash and carry system nor reviewed the CSSA register. In the absence of sustained efforts to clear the outstanding amounts in the CSSA and effective monitoring to ensure

³⁰ E&M Ujjain, Jabalpur, B&R Jabalpur, Shahdol, Khandwa, Dindori, Raisen, Bhopal No1, Indore No.1, Gwalior No.1 and Balaghat.

³¹ Where cost of material is to be received

³² Where cost of material is to be paid

switch over to the new system, it would not be possible to ensure clearance of the outstanding balances. The possibility of fraudulent issue of material, remaining unadjusted for long time, cannot be ruled out.

4.2.6.6 Cash Book

Divisional Officers in the capacity of cheque Drawing and Disbursing Officers (DDO) are required to maintain separate cash books for recording of establishment and works expenditure i.e. receipts and payments of Division. In scrutiny of Cash Book, following irregularities were noticed:

(i) Establishment cash book not maintained

Paragraphs 6.6.1 and 6.6.2 of CPWA code provide for the maintenance of the cash book. The amount of cheques drawn on account of the bills for pay and allowances of the staff and payments made there against should be accounted for in the establishment cash book.

In six divisions, pay and allowances were paid to staff, without maintaining the cash book.

Audit noticed that in six divisions though expenditure of ₹ 3.94 crore³³ was incurred during 2010-11 on pay and allowances of the staff, no cash book was maintained by divisional officer to record these drawals. In the absence of maintenance of cash book, reconciliation with treasuries would be difficult.

During exit conference (August 2011), the Secretary PWD stated that direction would be issued to the divisions to maintain the establishment cash book.

(ii) Outstanding Temporary advance

Temporary advance of ₹ 12.22 lakh was outstanding against 22 officials since 2005 and onwards.

According to Paragraph 6.6.12 of CPWA Code, temporary advance can be given by a disbursing officer to the subordinate officers for making payments against passed vouchers and the accounts of temporary advance should be closed as soon as possible.

In two divisions, temporary advance of ₹ 12.22 lakh³⁴ was outstanding against 22 officials since 2005 and onwards due to absence of follow up action in the division.

During exit conference (August 2011), the Secretary PWD stated that necessary action would be taken to liquidate the outstanding advances.

(iii) Irregular grant of Tour Advance from Works budget

Tour advances are to be granted only from the establishment budget. There is no provision in the MPWD Manual for granting tour advances from the Works budget.

³³ B/R 2 Indore ₹ 105.43 lakh, B/R Khandwa ₹ 10.80 lakh, B/R Dindori ₹ 72.78 lakh, NH Indore ₹ 96.25 lakh, Bridge Ujjain ₹ 85.17 lakh and E&M Jabalpur ₹ 23.08 lakh,

³⁴ B/R 2 Bhopal ₹ 11.03 lakh (03), B/R Ujjain ₹ 1.19 lakh (20)

₹ 60.16 lakh paid to 2093 officials from works budget were lying unadjusted since 1982.

Scrutiny of work cash book in the 36 test checked divisions revealed that tour advances aggregating ₹ 60.16 lakh paid to 2093 officials from Works budget were lying unadjusted since 1982 (**Appendix-4.16**). Further, it was seen in audit that advances amounting ₹ 2.83 lakh³⁵ was outstanding against 116 transferred officials and ₹ 0.23 lakh³⁶ against 12 retired/ deceased officials. The divisional officers also did not mention the outstanding tour advance in the Last Pay Certificate (LPC) of the transferred officials indicating weak controls in the Division. Due to non adjustment of tour advance, amount recoverable, from the employees could not be ascertained by the Division.

During the exit conference (August 2011), the Secretary PWD admitted the facts and stated that necessary action would be taken.

(iv) Irregular purchase of Tools & Plants and other articles

In 12 divisions, irregular purchase of T&P & other articles from MPSCCF ₹ 7.49 crore.

Rule 14 of Store Purchase Rules provides that items included in Annexure 'B' to the Rules should only be procured through Madhya Pradesh Laghu Udyog Nigam (MPLUN). If MPLUN is unable to supply the material, the department can procure it through open tenders, after obtaining a non-availability certificate from MPLUN.

In scrutiny of work cash book, Audit noticed that in 12 divisions, items of the value of ₹ 7.49 crore (**Appendix-4.17**) exclusively reserved for procurement through MPLUN were purchased by the divisions through Madhya Pradesh State Consumers' Cooperative Federation (MPSCCF) without obtaining non-availability certificate from MPLUN, which was irregular.

4.2.6.7 Stock, T&P and MAS Accounts

(i) MAS accounts not submitted by sub-engineers

In four divisions, the MAS accounts amounting to ₹ 3.19 crore required to be submitted to the EEs were not made available to audit.

MPWD Manual requires that the Material at site (MAS) account should be submitted promptly by all sub Engineers to their divisions. E-in-C, PWD also issued instructions in October 2005 that these accounts should be reconciled with divisional records like the payment vouchers, copies of indents etc.

In four divisions³⁷, material costing ₹ 3.19 crore were purchased and recorded in the measurement books by directly charging to the works, but the MAS accounts were not made available to audit. As a result, audit could not get assurance that the prescribed checks were exercised by the division and materials remaining unused were not charged to the works.

On this being pointed out in audit, EEs stated that all the material has been directly charged to work and had been taken to MAS account of concerning work.

³⁵ B/R 1 Indore ₹ 0.22 lakh (11), B/R 2 Indore ₹ 0.18 lakh (6), B/R Katni ₹ 0.16 lakh (5), B/R Jhabua ₹ 0.52 lakh (3), B/R Dindori ₹ 0.24 lakh (20), B/R Seoni ₹ 0.67 lakh (48), B/R Ujjain ₹ 0.08 lakh (5), B/R Neemuch ₹ 0.11 lakh (2), Bridge Ujjain ₹ 0.03 lakh (3) and NH Indore ₹ 0.62 lakh (13)

³⁶ B/R 1 Indore ₹ 0.01 lakh (3), B/R 2 Indore ₹ 0.02 lakh (1), B/R 2 Bhopal ₹ 0.02 lakh (1), B/R 1 Bhopal ₹ 0.10 lakh (3), New Bhopal ₹ 0.02 lakh (1), B/R Jhabua ₹ 0.01 lakh (1), B/R Ujjain ₹ 0.05 lakh (2).

³⁷ B/R Shajapur ₹ 68.66 lakh, B/R Balaghat ₹ 90.79 lakh, B/R Sehore ₹ 158.55 lakh and E/M Jabalpur ₹ 1.25 lakh.

Reply is not tenable as MAS accounts which were to be maintained were not made available to audit. It could therefore not be ensured whether all the material charged to the works were actually used for the works.

(ii) Lack of efforts to ensure return of Tools and Plant (T&P) issued to sub engineers

In two divisions, T&P article amounting to ₹ 12.54 lakh was not returned by transferred Sub Engineer.

In accordance with the departmental Manual, T&P articles temporarily lent to subordinate officials for *bona-fide* use on works, are to be accounted for separately in part-II of the T&P account. The account is required to be specially reviewed periodically by divisional officers to ensure their return of stores and proper handing over of the articles to successors at the time of transfer of subordinate officials.

Audit noticed in scrutiny of T&P Register of two divisions that T&P articles costing ₹ 12.54³⁸ lakh issued between 1992 and 2005 to sub-engineers were not returned by them on their transfer to other divisions.

On being pointed out EE, Dewas stated that the cost of unreturned T&P articles would be recovered from the Sub-Engineer through the division in which he is posted. The fact remains that these T&P articles remained unreturned or value thereof unrecovered after lapse of five to 19 years from the issues.

4.2.6.8 Contractor Ledger and Work Abstract

(i) Maintenance of contractors ledgers and work abstracts

In 12 divisions, Contractor's Ledger and in 16 divisions Works Abstract were not maintained.

Contractors Ledgers are to be maintained in terms of Paragraph 10.7.1 of the CPWA Code to ascertain the liabilities of contractors and Works Abstracts for reflecting transactions relating to a work.

Audit noticed that while in 12 divisions³⁹ contractors ledger was not maintained, in 16 divisions⁴⁰ works abstract were not maintained since 1994. It could therefore, not be verified in audit as to whether all the transactions viz. advance payments and secured advances were made in terms of the provisions of the codes/ manuals/ contracts. Besides, liabilities if any, of the contractor and abstract of transactions relating to works could not be ascertained.

During exit conference (August 2011), Secretary PWD agreed to issue a circular for proper maintenance of contractors ledger/ works abstract.

³⁸ B/R Dewas ₹ 10.24 lakh (1) and B/R Seoni ₹ 2.30 lakh (9)

³⁹ B/R1 Gwalior (12/02), B/R 1 Rewa, B/R 1 Sagar (3/10), B/R Raisen (2007), B/R Khandwa, NH Indore, E/M Jabalpur, B/R Katni (3/09), B/R 2 Bhopal, B/R Dindori, B/R Ujjain, E/M Ujjain (5/2010)

⁴⁰ B/R Ratlam, B/R 1 Rewa (2009), B/R Balaghat (3/2008), B/R 1 Sagar, B/R Khandwa, B/R Katni (1994), B/R 1 Bhopal, NH Indore (3/2009), B/R 2 Bhopal, New Bhopal, B/R Dindori (5/2010), Bridge Indore (3/10), B/R Ujjain, E/M Ujjain (5/2010), Bridge Ujjain, B/R Seoni

(ii) Irregular sanction of secured advance

According to Paragraph 10.2.22(a) of CPWA code, the divisional officers can sanction advance on the security of non-perishable materials brought to the site up to an amount not exceeding 75 per cent of the value/ material element cost of the finished items.

Irregular sanction of secured advance on perishable item.

Audit noticed in scrutiny of Contractors Ledger that in two divisions, secured advance amounting to ₹ 65.46 lakh⁴¹ was paid (March 2008 to March 2010) to three contractors on perishable items (like Cement, Bitumen etc), for which no advance was payable.

On this being pointed out in audit, EEs Neemuch and Dewas stated (July 2010 and March 2011) that secured advance would be recovered from next bill of contractor.

(iii) Lack of control over expenditure leading to excess expenditure over Administrative Approval

Public Works Department had issued instructions from time to time for effective control over expenditure within the allotment and administrative approval (AA).

In 13 divisions, expenditure in excess of Administrative Approval ₹ 23.34 crore on 36 works.

Audit noticed in scrutiny of Works Abstract that in 13 divisions, an amount of ₹ 110.16 crore was spent on 36 works (**Appendix-4.18**) against the administratively approved cost of ₹ 86.82 crore during February 2010 to March 2011. Revised AA regularising the excess expenditure of ₹ 23.34 crore was not obtained (March 2011). Incurring expenditure in excess of the amount of AA was irregular and un-authorised.

During the exit conference (August 2011), the Secretary PWD stated that show cause notice would be issued to the divisional officers.

4.2.6.9 Tendering process

(i) Invitation of tenders by splitting up of works

According to Paragraph 2.077 of MPWD Manual Vol-I, tenders should invariably be invited in the most open and public manner by notice in English or in Hindi pasted in prominent places. Tender for works costing above ₹ two lakh were to be advertised in newspapers.

According to instructions issued (January 2002) by the department, splitting up of work into small groups for invitation of tender was strictly prohibited.

Awards of multiple works of similar nature in the same vicinity for value below ₹ two lakh.

Scrutiny of Tender Register in three divisions revealed that multiple agreements were entered into with same contractors for similar works on similar date and in the same vicinity. This indicates that the works were split up primarily with the aim of avoiding sanction of higher authority and wide

⁴¹ B/R Dewas ₹ 51.99 lakh and B/R Neemuch ₹ 13.47 lakh.

publicity of the tenders. This resulted in irregular expenditure of ₹ 90.15 lakh⁴².

On being pointed out, it was stated (May 2010 to December 2010) that the works were costing less than ₹ two lakh, so tenders were not required to be published in news paper and tender were called as per actual requirement of the works.

The reply does not explain the reasons for awarding several contracts of similar works to same contractor.

(ii) Irregular acceptance of single tenders

According to Paragraphs 2.086 (2) and (4) of the MPWD Manual, single tenders are not to be accepted in the first call.

In two divisions, 25 single tenders for works aggregating ₹ 4.60 crore were accepted.

Audit noticed in scrutiny of Tender Register that in two divisions, 25 single tenders for works aggregating ₹ 4.60 crore⁴³ were accepted in the first call during August 2007 to January 2011. Thus, the works were awarded in violation of the provisions of the Manual. Besides, benefit of competition also could not be ensured due to acceptance of single tender in first call.

The Secretary PWD accepted the audit observation and subsequently, Government issued (January 2011) instructions to reject all single tenders in future.

4.2.6.10 Irregular diversion of funds

According to provision of MPFC (Rule 8, 9 and 10), funds were to be spent for the purpose for which they were earmarked and any diversion of funds required approval of the competent authority.

From review of the budget estimates register of Dewas division, Audit noticed that during the month October 2010 to December 2010, expenditure of ₹ 1.81 crore was incurred on ordinary and special repair to roads⁴⁴, maintenance of non residential buildings, materials purchase etc. by diverting funds from State Road Improvement Programme (SRIP) without obtaining the approval of E-in-C.

⁴²

Sl. No	Division	Name of work	Amount ₹ in lakh	Nos. of cases	Date of work order
1	Shajapur	P&F Steel railing	9.82	2	30.10.2009
2	Balaghat	Patch repair, Supply of material and collection of metal	53.69	14	20.03.10/21.04.10/ 30.10.10
3	Ujjain	Construction of cc road, Repair of road	26.64	3	21.09.07/11.1.10/5 .2.10

⁴³ B/R Mandsour ₹ 3.65 crore and B/R Dhar ₹ 95.75 lakh.

⁴⁴ Ageratola,-Padiyaagrod marg, Khatama-Kankhurd road, Kannod-Salwas road, Bijwad-Pangaon road

Diversion of funds ₹ 1.81 crore in Dewas division during October 2010 to December 2010.

On this being pointed out in audit, EE stated that patch repair works were charged to SRIP work because provision was available under SRIP for filling of pot holes/repair of pot holes and bitumen was procured under SRIP as per directions of higher authority .

The reply is not acceptable as the patch repair work/procurement of materials under SRIP budget were not sanctioned by the competent authority viz the E-in-C.

4.2.6.11 Control Register for Inspection Report and Audit Notes

(i) Control Register for Inspection Reports not maintained

According to Paragraphs 14 and 17 of Appendix 4.15 of MPWD Manual, a Control Register for Audit Inspection Reports should be maintained by the Divisional Office in the form given as Annexure-B to the Manual so as to keep watch on the disposal of the Inspection Reports. The divisional officer is also responsible for early settlement of audit paragraphs.

Control Register for Audit Inspection Reports was not maintained in any of the 36 divisional offices.

Control Register was not maintained in any of the 36 divisional offices even though 2,417 paras were outstanding in these divisions since March 1988 (**Appendix-4.19**).

It is recommended that necessary action to comply with the manual provisions be taken to enable monitoring and settlement of audit paragraphs.

(ii) Disposal of Audit Notes

According to Paragraph 14(iv) and Para 15 of Appendix 4.15 of MPWD manual, disposal of Audit Notes should be watched through a progress register and the Audit Notes be dealt with directly in the divisional office. These notes are to be returned to the audit office within a month from the date of their receipt.

Audit Notes involving ₹ 19.64 crore in 291 cases were outstanding.

At the end of March 2011, 291 Audit Notes issued during April 1996 to March 2011 involving observations amounting to ₹ 19.64 crore were outstanding. Failure to act on the observations brought out in audit notes resulted in recurrence of the mistakes in vouchers, agreements, sanctions and monthly accounts.

4.2.6.12 Deficiencies in monthly accounts

The monthly account giving details of transactions relating to receipts and payments should be prepared in Form 80, with all supporting registers, schedules, vouchers etc. The divisional officers are required to render complete and correct monthly accounts to the Accountant General. The accounts received (March 2011) from the divisional officers however, contained a number of deficiencies which are as follows.

- MWA amounting to ₹ 3.61crore was outstanding in one Division⁴⁵ as at the end of March 2011 against which the divisional officer had shown ₹ Nil in the monthly accounts.
- In six divisions, Form-70 schedule of MWA was not enclosed with the monthly accounts of March 2011, although ₹ 4.41crore⁴⁶ MWA was outstanding in these divisions.
- In ten divisions⁴⁷, 'Form-65 schedule of deposit work' was not enclosed with the monthly accounts of March 2011, although deposit works were undertaken in these divisions.
- In the schedule of works expenditure (Form-64), budget allocation of the current year and the amount of sanctioned estimates were not mentioned.

During the exit conference (August 2011), the Secretary PWD stated that instructions would be issued to divisions on above facts.

4.2.7 Conclusion

There were no departmental instructions prescribing periodicity of review of MWA Register, Deposit Register, Contractor Ledger, Works Abstract, T&P account, control register and audit notes by the divisional officers. Security deposits were not obtained as per the provisions of manual and terms of contract. Security amounts were refunded to contractors without following prescribed procedure. Reconciliation of transactions was either not done with treasuries or differences in balances were not reconciled. Balances lying in Cash Settlement suspense Account, Temporary Advance, Tour Advance remained unsettled/ unrecovered due to lack of monitoring and efforts. There were instances of irregular purchases from unapproved agency, unreturned tools and plants from sub-engineers for long time and non maintenance of works abstract. Provisions/instructions regarding tendering process were not followed. Control register for Inspection Reports were not maintained and monthly accounts of transactions relating to receipts and payments were deficient in many respect.

4.2.8 Recommendations

The Government should ensure:

- periodical review of MWA Register, Deposit Register, Contractor Ledger, Works Abstract, T&P account, Control Register and Audit Notes by the divisional officers;
- expenditure on deposit works is not incurred in excess of deposits received;
- compliance of the prescribed codal provisions regarding refund of security deposits and maintenance and submission of MAS accounts;

⁴⁵ B/R Division No.-II Indore

⁴⁶ B/R Gwalior (₹ 60.97 lakh), B/R Dewas (₹ 40.75 lakh), B/R Mandsour (₹ 2.11 lakh), B/R Khandwa (₹ 47.61 lakh), B/R Seoni (₹ 1.47 crore) and B/R 1 Jabalpur (₹ 1.43 crore)

⁴⁷ B/R 1 Bhopal, B/R Vidisha, B/R 1 Sagar, B/R 1 Gwalior, B/R Shahdol, B/R Raisen, B/R Barwani, B/R Mandsour, B/R Seoni and B/R Shajapur

- regular periodical reconciliation of remittance transactions;
- adherence of provisions/instructions regarding tendering process and award of work;
- that funds are not diverted for other purposes.

Gwalior
The

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Principal Accountant General
(General and Social Sector Audit)
Madhya Pradesh

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India