Chapter 3

Audit of Transactions

3.1 Non-compliance of the rules, orders etc,

3.2 Expenditure without Propriety

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CHAPTER-III

Audit of Transactions

Compliance audit of the Government Departments, their field formations brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Non-compliance with rules, orders, etc.

For sound financial administration and financial control, it is essential that expenditure confirms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriations and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are as under:

FOREST DEPARTMENT

3.1.1 Short realisation of Net Present Value

Forest Department did not raise demand for revised Net Present Value (NPV), resulting in short realisation of NPV amounting to ₹ 99.81 lakh.

The Government of Madhya Pradesh, Forest Department, (GOMP), issued (December 2003) directions to recover the amount of NPV[1], provisionally after obtaining undertaking from the user agency, at the minimum rate of ₹ 5.80 lakh per hectare, till further orders. The GOMP in view of orders (March and May 2008) of the Hon'ble Supreme Court, prescribed (September 2008) rates for calculating NPV to be charged from user agencies for diversion of forest land for non-forestry use.

The rates were fixed in accordance with the eco-value and density of the forest ranging from ₹ 4.38 lakh to ₹ 10.43 lakh per hectare of forest land. The Principal Chief Conservator of Forest (PCCF) also issued instructions (January 2009) to recover due amount of NPV in accordance with the orders of the Hon'ble Supreme Court.

During scrutiny of records of Divisional Forest Officer, (General), Shivpuri (DFO), we observed (September 2012) that 217.063 hectare of forest land was diverted in April 2007 to five lease holders[2] (Madhya Pradesh State Mining Corporation) for mining of flag stones. NPV amounting to ₹ 12.59 crore was realised (May 2007) at provisional rate of ₹ 5.80 lakh per hectare after obtaining undertaking from the user agency, regarding payment of differential amount of NPV on revision of rates. NPV of diverted forest land, as per the orders of the Hon'ble Supreme Court (March and May 2008), was worked out to ₹ 13.59 crore at the rate of ₹ 6.26 lakh per hectare[3]. The Department was required to claim the differential amount of

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1 NPV denotes the value in monetary terms in the forest land diverted for non-forestry use.
2 Budhon Rajapur Mines, Loharchha Mines, Bhilari Mines, Tehta Mines and Khada Mines.
3 Rates fixed (September 2008) by State Government, as per recommendation (March and May 2008) of the Supreme Court of India, depending on eco-value and density of forest land.

NPV of ₹ 99.81 lakh immediately after issue of the Government's letter in September 2008 but did not prefer claim and recover the dues from the user agency as of May 2013. This indicated negligence on the part of the Department and resulted in short realisation of ₹ 99.81 lakh of NPV by the GOMP in September 2008 from the user agency **(Appendix 3.1)** compared to the rates prescribed.

On this being pointed out, the Government stated (June 2013) that the demand for differential amount of ₹ 99.81 lakh had been raised (December 2012 to May 2013) and the user agency had not deposited the same as yet (June 2013).

The fact thus remains that demand for differential amount was not raised immediately after the issue of the Government letter in September 2008 and raised the demand only after being pointed out by Audit. Besides, inordinate delay in collection of NPV defeated the objective of NPV i.e. to levelise future cost of the forest area, since the value of NPV due in 2007-08 would be much less during 2013-14, by using appropriate discount rate[4].

3.1.2 Excess payment of dividend to Joint Forest Management Committees

Due to exclusion of expenditure of ₹ 6.70 crore incurred on regeneration for arriving at net profit, an excess payment of dividend amounting to ₹ 53.58 lakh was distributed to Joint Forest Management Committees (JFMCs).

Ministry of Environment and Forest, Government of India directed (June 1990) that tribal and other villagers living in and around the forest has first right on the forest produce. In consonance with this order, Government of Madhya Pradesh (GOMP) notified (October 2001) its resolution to distribute dividend on net profit received from forest produce which would, as per directions of Principal Chief Conservator of Forest, Madhya Pradesh (May 2008), be expended by JFMCs at their discretion in forest areas and on their social upliftment. According to the instructions (February 2005) of the GOMP, 'Expenditure on Regeneration' incurred by the Forest Department is to be deducted from receipts from sale of timber and bamboo to arrive at the 'Net Profit' for the purpose of calculation of dividend[5], which is distributed to JFMCs. As per rule 136 (B) 54 of Madhya Pradesh Forest Financial Rules-1979, expenditure on regeneration includes expenditure incurred on sowing of seeds, plants, digging of pits, changing of soil, fertilizers, transportation, plantation, pesticides, weeding and security.

During scrutiny of records of two Divisional Forest Officers (DFO) at Dindori and East Mandla, we observed (August 2012 and January 2013) that a total amount of ₹ 5.44 crore was distributed during 2010-11 and 2011-12 among 92 JFMCs of these two Divisions on the basis of the net profit (₹ 68.02 crore). We observed that while calculating the dividend,

4 Considering 12 *per cent* discount per year, it would be only ₹ 46.34 lakh in 2013-14.

5 Dividend is 10 *per cent* of net profit from sale of timber, 80 *per cent* of this amount is distributed to JFMCs.

regeneration expenditure of ₹ 6.70 crore[6] was not taken into account **(Appendix 3.2)** by DFOs. The actual payable dividend, however, worked out to ₹ 4.91 crore after deducting the expenditure of ₹ 6.70 crore on regeneration from profit **(Appendix 3.3)**. This resulted in excess payment of ₹ 53.58 lakh as dividend to JFMCs.

On this being pointed out (June 2013), the Government stated (September 2013) that the expenditure incurred in regeneration group was deducted while calculating the dividend and the amount ₹ 6.70 crore pointed out by Audit did not fall under the category of regeneration expenses to be deducted for calculation of dividend.

The reply is not acceptable as expenditure of ₹ 6.70 crore was incurred in connection with the regeneration activities such as plantation and its preparatory works as shown in the **Appendix 3.2**. Besides, in Seoni District all such items of regeneration expenses were deducted (November 2012) to arrive at net profit while calculating dividend for the year 2011-12 for JFMCs in the District.

WATER RESOURCES DEPARTMENT

3.1.3 Excess payment in violation of contractual provision

Excess payment of ₹ 64.26 lakh was made to the contractor due to payment for the quantity in excess of 10 *per cent* of Bill of Quantity (BOQ) at quoted rates instead of estimated rate plus or minus the overall tender percentage to the total cost of work.

The work of construction of main canal[7] (RD[8] km 0.00 to RD km 18.06) of Dandana Nalla Tank Project, Mehandwani was awarded (May 2010) by the Executive Engineer (EE) Water Resources Division, Dindori to the lowest bidder at a cost of ₹ 3.02 crore (67.35 *per cent* of estimated cost ₹ 4.48 crore), which was 32.65 *per cent* below the estimated cost.

According to the clause 4.3.13.3 (a) of the agreement, in case of items where the executed quantities exceed the quantities shown in BOQ of agreement by more than 10 *per cent*, the quantity in excess of 10 *per cent* will be paid at the estimated rate of the item on the date of invitation of tender plus or minus the overall percentage of accepted tender to the total cost of work. In respect of four items of work[9] the quantities executed by the contractor were in excess of 10 *per cent* of the quantity provided in the estimates.

We noticed (January 2013) that for the four items, the quantity in excess of 10 *per cent* of the estimated quantity, EE paid at the quoted rate of the items instead of at the estimated rate minus tender rebate of 32.65 *per cent*, in terms of the agreement. As a result, an excess payment of ₹ 64.26 lakh was

6 ₹ 3.11 crore deducted against total regeneration expenditure of ₹ 9.81 crore incurred.
7 Main canal and structure head Regulator (9 Nos) Drainage Crossing (23 Nos) VRB (2 Nos) DRB (1 Nos) Fall (13 Nos) and Outlet (5 Nos).
8 Reducing Distance.
9 (i) Providing & placing Cement Concrete (CC) 1:3:6, (ii) providing & placing CC 1:2:4, providing, (iii) laying & fixing in position NP3 RCC Hume pipe and (iv) earth work for bund.

made (December 2012) out of total payment of ₹ 5.68 crore to the contractor up to 10th running account bill as detailed in the **Appendix 3.4**.

On this being pointed out in audit, (July 2013) the Government accepted (September 2013) the audit observation and stated that the Chief Engineer (CE) had been instructed to ensure recovery of the excess amount from the running account bills or security deposit of the contractor.

3.1.4 Excess payment to contractor due to adoption of incorrect estimated rate of an extra item

While according sanction of rate of an extra item (M-25 controlled concrete) of an irrigation tank, Government added tender premium on an amount of ₹ 3,947.86 per cu m against actual estimate of ₹ 3,118.91 per cu m. This resulted in excess payment of ₹ 44.39 lakh to the contractor.

Scrutiny of records of the Executive Engineer (EE), Water Resources Division (WRD), Narsinhgarh revealed (December 2012) that the work of Central Spillway under Kushalpura medium irrigation Project was awarded (June 2010) by the Water Resources Deparment to M/s Ferro Concrete, Indore at a cost of ₹ 23.83 crore (48.71 *per cent* above the estimated cost of ₹ 16.01 crore). As construction of one of the component of Central spillway i.e. Roller Bucket was not included in scope of the work, the Department invited (February 2011) tenders for Construction of Roller Bucket separately. Two bidders M/s Ferro Concrete, (the existing contractor for the work of Central Spillway) and M/s Govind Construction Company offered rates of 58.5 *per cent* and 47.06 *per cent* respectively above to the estimated cost. However, the Engineer-in-Chief (E-in-C) after obtaining approval from State Government instructed (April 2011) CE to terminate the tendering process without assigning any reason and get the work executed through the existing contractor M/s Ferro concrete as extra item in the existing contract at 48.71 *per cent* above the estimated cost. The work of Roller Bucket was completed in June 2012 at a cost of ₹ 3.99 crore.

We observed that the cost of the item M-25 Controlled Concrete (an extra item of Roller Bucket) was estimated as ₹ 3,118.91 per cu m by the Department in the tender invited in February 2011 (subsequently cancelled). Moreover, at the time of sanction of the cost of item by the Government (June 2012), the tender premium of 48.71 *per cent* was added to an estimated amount of ₹ 3,947.86 per cu m instead of ₹ 3,118.91 per cu m estimated by the Department for this item. No reason was shown for the change/ increase. Due to change/increase in estimated amount of the item for calculating the rate payable for this item, an excess amount of ₹ 44.39 lakh was paid to the contractor for execution of the quantity 3,601.01 cu m.

On this being pointed out, EE stated (December 2012) that the matter would be examined and necessary action would be taken.

The matter was referred to the Government (July and September 2013); their reply has not been received (January 2014).

3.1.5 Execution of below specification work and payment made for work not done

In earthwork of canal banks, watering and compaction were not carried out. However, cost of the same was not deducted from the clubbed rate of earthwork. This resulted in acceptance of below specification earthwork valued ₹ 86.80 lakh leading to unstable base of embankment, besides excess payment of ₹ 19.29 lakh.

According to para 2.16.6 of the Madhya Pradesh (MP) Irrigation Specification, canal banks in excess of 3 metre height need to be compacted. Further, the Unified Schedule of Rates (USR) for works provides that if the item of earthwork (earth filling) is neither rolled nor watered, deduction of 20 *per cent* is to be made from the executed quantity of earthwork.

The work of "construction of balance earthwork of Mahan main canal", Sidhi from RD[10] km 0.10 to RD km 22.50 and its minors and structures was awarded to a contractor in October 2010 for ₹ 7.26 crore. The agreement provided for execution of earthwork for canal banks including watering and compaction in accordance with the irrigation specifications. The work stipulated for completion by April 2011 was completed by the due date and final bill was paid to the contractor for ₹ 6.19 crore as of July 2012.

The estimates, *inter alia*, provided a clubbed rate of ₹ 112.46 per cu m for the item 'Earthwork for construction of canals with approved soil including watering and compaction'. According to the clubbing statement (rate analysis) prepared by the Department, the rate for the said item included elements of ₹ 12 per cu m and ₹ 13 per cu m towards watering and compaction, respectively. Against this, the contractor quoted ₹ 70 per cu m for the clubbed item.

We noticed (December 2012) that the contractor executed 1,55,000.75 cu m[11] earthwork but as per Measurement Book[12] the work of watering and compaction in earthwork was not executed by the contractor. After deduction for shrinkage at the rate of 20 *per cent* in terms of USR, to arrive at the net quantity of earthwork, the contractor was paid for 1,24,000.60 cu m, at his quoted rate of ₹ 70 per cu m for earthwork (value: ₹ 86.80 lakh). Since watering and compaction was not done by the contractor, a further deduction of ₹ 15.56[13] per cu m was also required to be made which was not deducted from contractor's bill. This resulted in the excess payment of ₹ 19.29 lakh (1,24,000 cu m x ₹ 15.56) to the contractor.

[10] RD- Reducing distance.

[11] Since net quantity after deduction of 20 *per cent* shrinkage was 1,24,000.60 cu m.

[12] Measurement Book is book of records of day to day measurement to executed work.

[13] The estimated rate for earthwork was ₹ 112.46 per cu m including ₹ 25 per cu m for watering and compaction (W/C).
Contractor's quoted rate was ₹ 70 per cu m for earthwork including watering and compaction (W/C).
Thus, proportionately quoted rate for W/C = 25*(70/112.46) = ₹ 15.56 per cu m.

In the same reaches of the canal, heavy seepage was noticed by the Department, which indicated substandard earthwork valued ₹ 86.80 lakh.

On this being pointed out in audit (December 2012), the Executive Engineer (EE) Mahan Canal Division Sidhi stated that there was no provision made in USR to deduct the proportionate cost of watering and compaction.

The reply of EE is not correct as the USR provides rates for items of watering and compaction separately. The rate of ₹ 70 per cu m was quoted for clubbed items including watering and compaction. Since the contractor did not execute watering and compaction, the value of items not executed should have been deducted while making payment to the contractor. Besides, in the similar case[14] the Engineer-in-Chief (E-in-C), Water Resources Department (WRD), accepted (October 2012) the audit observations.

Further, to stop seepage in the canal, the Chief Engineer, Ganga Basin, Rewa accorded technical sanction (July 2011) for Cement Concrete (CC) lining in the canal for ₹ 31.50 crore. According to the technical circular (January 1984) of E-in-C, WRD for CC lining, earthwork should be watered and compacted irrespective of embankment height. Since the earthwork was neither watered nor compacted, CC lining work was at risk of deterioration due to unstable base.

The matter was referred to the Government (June, August 2013 and January 2014); their reply has not been received (January 2014).

3.2 Expenditure without propriety

Authorisation of expenditure from public fund is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety, extra and infructuous expenditure, some of which are mentioned below:

PUBLIC WORKS DEAPRTMENT

3.2.1 Excess payment of price escalation

Adoption of incorrect price of steel for calculation of price variation resulted in excess payment of ₹ 73.96 lakh.

According to terms and conditions of the agreement, reimbursement/refund on variation in the prices of steel shall be paid/deducted on the basis of prices prevalent on the operative date and prices operative during adjustment. This difference in price will be calculated on Bulk Supply rates of Steel Authority of India Limited (SAIL) or at the nearest stock-yard controlled by SAIL.

14 Construction of Jamuncha Minor Irrigation Scheme, WR division, Katni.

The work[15] of construction of new district court building including water supply and sanitary fittings was awarded (May 2009) at a cost of ₹ 9.69 crore by Public Works Department (PWD) Building & Road (B/R) Division Katni to a contractor to complete the work within 24 months including rainy season. The work was in progress and 26th running bill of the contractor was paid (March 2013) for ₹ 16.47 crore including escalation amounting to ₹ 2.07 crore.

We noticed (November 2012 and December 2013) that the price of steel as per price list issued by SAIL was ₹ 42,400 per Metric Ton (MT) on the date of tender (November 2008), whereas the Division adopted incorrect rate of SAIL steel on the date of tender as ₹ 32,312 per MT. Besides, the Division adopted rates of steel, which were different from SAIL rates, on different operative dates of execution as shown in the **Appendix 3.5**. This difference (increase) in rate adopted for payment of price variation was more than the actual difference (increase) in SAIL rates, which resulted in excess payment of ₹ 49.96 lakh to the contractor on account of price escalation of steel**.**

Further, two works[16] of construction of barracks in Central Jail, Jabalpur were awarded (September 2008) at a costs of ₹ 1.87 crore and ₹ 1.73 crore by PWD B/R Division, Jabalpur to two contractors. These works were stipulated for completion by March 2009. The final bill for ₹ 2.55 crore was paid (March 2012) for the first work and final bill for ₹ 2.15 crore was paid (June 2012) for the second work.

We noticed (November 2012) in respect of these two works that for construction of building works executed by PWD (B/R) Division-I, Jabalpur the rate of steel decreased after the date of opening of tender as per SAIL list. The basic rate of steel on the date of opening of tender (September 2008) was ₹ 45.07 per kg, which decreased during the period of execution. For working out recoverable amount on account of price variation, the divisional officer adopted a different formula[17] for calculation of price variation of steel instead of that provided[18] in the agreement. Besides, basic rate of SAIL on the date of opening of tender was also erroneously adopted as ₹ 39.50 per kg instead of ₹ 45.07 per kg. Due to this, only ₹ 9.87 lakh was recovered from the contractor as of March 2012, against the recoverable amount of ₹ 33.87 lakh. This resulted in short recovery of ₹ 24 lakh as detailed in **Appendix 3.6.**

Thus, adoption of incorrect rate of steel for making payment or deduction from the contractor on account of price variation and incorrect formula resulted in excess payment of ₹ 73.96 lakh (₹ 49.96 lakh + ₹ 24.00 lakh).

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15 Construction of 23 court building including at Katni, Agreement No 01/2009-10.

16 Construction of 13 nos barracks in Central Jail, Jabalpur/Agt. no 157/08-09.
Construction of 12 nos barracks in Central Jail, Jabalpur/Agt. no. 158/08-09.

17 Price variation = Basic rate of steel on the date of tender x
$$\frac{\text{(price index on the date of execution- price index on the date of tender) x quantity consumed}}{\text{price index on the date of tender}}$$

18 Price variation = (Price on the date of execution – Price on the date of tender) x Consumption

The Executive Engineer (EE), PWD Division, Katni stated (November 2012) that excess payment would be recovered, if final time extension was granted under penal clause. EE PWD Division-1, Jabalpur stated (November 2012) that reply would be furnished after due scrutiny of records.

The reply however, does not explain reason for adopting incorrect SAIL price for calculation of price variation. Besides, grant of time extension in penal clause had no relevance as price variation was payable for the stipulated period for completion, even if time extension is granted under penal clause.

The matter was reported to the Government (July and August 2013 and January 2014); reply is awaited (January 2014).

WATER RESOURCES DEPARTMENT

3.2.2 Avoidable extra expenditure due to unrealistic estimation

The Department executed 1,17,517 cu m of rock toe, stone pitching etc. at full rate instead of labour rate only by ignoring 1.44 lakh cu m of hard rock available from earth excavation. This resulted in avoidable extra expenditure of ₹ 1.22 crore.

As per para 4.13.5.2 and 4.1.4 of Specifications for Irrigation Projects (Volume-1), a large amount of stones/spalls required for construction of dry stone pitching and rock toe should be obtained from excavation of other parts of work. Additional rock as required should be obtained from rock quarries. The Unified Schedule of Rates (USR) further provides that the excavated hard rock should be utilised in the same work for which only labour rates shall be payable.

The Water Resources Department (WRD) awarded (May 2008 to February 2011) the work of construction of four minor irrigation tank under four Divisions[19] to contractors at a cost of ₹ 34.84 crore for completion between November 2009 and July 2012. Two tanks[20] were completed in October 2011 and March 2013 and the work on two other was in progress as of December 2013. Payments were made to contractors between December 2011 and December 2013.

During scrutiny of records of the four Divisions we noticed (October 2012 to January 2013) that estimates of the four tanks provided for total excavation of 1,30,117.02 cu m hard rock from cut off trench (COT), sluice and spill/approach channel and execution of 1,25,170.02 cu m rock toe, stone pitching in the dam/tank. However, for execution of rock toe, stone pitching in the dam/tank the rate was fixed as complete item considering carting of stone/boulders from borrow area with a lead of 2 km to 10 km including cost of material. Thus, the hard rock available from excavation from COT, sluice etc. was not considered for determining the rate for the work of execution of rock toe, stone pitching in the dam/tank. The contractors excavated (December 2011 to March 2013) 1,44,004.235 cu m hard rock (as per

[19] EE, WR Division, Burhanpur, (Haiderpur tank), EE, WR Division, Dewas, (Budaasa tank), EE, WR Division-I, Sagar, (Satdhara tank) and EE, WR Division-II, Sagar, (Tikari tank).

[20] Budasa tank and Haiderpur tank.

running account bill) from the works of COT, sluice etc. which was available for utilisation in the work of rock toe, stone pitching etc. The contractor executed 1,17,517 cu m of rock toe, stone pitching and boulder spall in the dam/tank. Due to not considering the available material, the Divisions incurred extra cost on payment of full rate.

We further observed that in case of Budasa tank, CE, Narmada Tapti Basin, WRD, Indore while sanctioning for extra item had also inter-alia opined (May 2012) that excavated hard rock should be used in rock toe, stone pitching etc. and these items should be executed by labour rate only. The Divisions, however, provided and paid the full rates for the items of excavation of rock toe, stone pitching and boulder spall below pitching instead of allowing labour rate for utilisation of excavated hard rock on aforesaid work. Out of total extra cost of ₹ 1.65 crore, an amount of ₹ 43.09 lakh was recovered in two Divisions[21] on account of hard rock issued to the contractors, the recovery was not made by other divisions. Thus, there was an extra expenditure of ₹ 1.22 crore[22] as detailed in **Appendix 3.7**.

The Government stated (September 2013) that hard rock is a raw material for making pitching stone, rock toe and boulder spall etc. which would be utilisable only after conversion into finished useful material. It was further added that labour rates of USR was applicable only in those cases where stones of required size were available and placed by labourers in execution of rock toe, pitching work etc.

The reply of the Government is not correct as USR stipulated that the labour rates included cost of labour, workmanship, templates, tool and plants and other necessary appliances required for proper execution of work except cost of material. USR further provided that labour rates were referred to the class of work and not to the person employed which were inclusive of necessary tools required for execution of work i.e. chisels, hammer etc.

3.2.3 Excess payment on account of price variation

Due to adoption of incorrect price indices for material components of the work, the supplier was paid ₹ 45.60 lakh extra on account of price variation.

The Executive Engineer (EE), Sanjay Sagar Project, Ganjbasoda placed (September 2008) an order for, "Design, drawing, manufacturing, installation and commissioning of five radial gates including stop logs for Bagharru Medium Project" on Madhya Pradesh Laghu Udyog Nigam

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21 Sagar I and Sagar II.

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Sl. No.	Name of Division	Executed Quantity (in cu m)	Extra cost (₹ in lakh)
1	Sagar Division No. II	59024	61.04
2	Sagar Division No. I	28366	68.16
3	Dewas Division	18800	24.81
4	Burhanpur Division	11327	10.73
	Total	117517	164.74
	Cost of hard rock recovered		-43.09
	Net Total		**121.65**

(MPLUN) which, in turn placed (January 2009) an order for the said supply on Anil Steel Works, Indore (Supplier) for radial gates at a cost of ₹ 2.19 crore and for hydraulic cylinders/power pack assembly at a cost of ₹ 2.98 crore. According to MPLUN conditions[23], supplementary agreement was executed between supplier and EE. The supplementary agreement provided that price variation for material component shall be payable on the basis of index (all commodities), published by the Government of India, Ministry of Industry, Office of the Economic Advisor. The work was in progress as of August 2013 and ninth running account bill for ₹ 5.93 crore was paid (November 2012) for the value of work done.

We noticed (September 2012) that the Department paid (November 2012) an amount of ₹ 86.34 lakh on account of price variation to the supplier for material components calculated on the basis of indices of IEEMA[24] instead of the indices published by the Government of India, Ministry of Industry, office of the Economic Advisor. The price variation actually payable is worked out to ₹ 40.74 lakh on the basis of the applicable indices. Thus, the supplier was paid ₹ 45.60 lakh in excess of the admissible price adjustment, as shown in **Appendix 3.8.**

On this being pointed out in audit, the Government stated (September 2013) that the Chief Engineer (CE), Chambal Betwa Basin had been instructed (August 2013) to recalculate the amount of price variation on the basis of indices published by the Government of India, Ministry of Industries, office of the Economic Advisor and recover/adjust the excess amount from the running account bills and security deposit of the contractor.

MADHYA PRADESH PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

3.2.4 Extra cost due to provision of unwarranted Water Bound Macadam layer below Cement Concrete pavement

Inclusion and execution of item of Water Bound Macadam (WBM) grading II below Cement Concrete (CC) pavement though not provided for in the Indian Roads Congress (IRC) specifications resulted in extra cost of ₹ 3.50 crore.

Under Pradhan Mantri Gram Sadak Yojna (PMGSY) rural roads are constructed for connecting habitations by all-weather roads in rural areas. In PMGSY, bituminous roads are constructed as well as with CC roads.

As per provisions IRC: 15 (Appendix to IRC: 58), a sub-base[25] layer of 15 cm thickness comprising of Granular sub-base (GSB) and/or WBM[26] should

23 As per clause 16 of the special terms and conditions price adjustment would be as per the provision in supplementary agreement to be executed between the indentor (the Department) and supplier.

24 Indian Electrical and Electronics Manufacturers Association.

25 A layer of material such as natural sand, moorum, gravel, crushed stone, crushed slag, brick metal, kankar or combination of thereof depending on grading requirement is laid over subgrade.

26 Water bound macadam (WBM) is adopted for construction of sub base, base and surface courses, which consists of coarse aggregate, screening material for filling voids.

be laid before laying of concrete pavement over the subgrade[27]. IRC does not provide for laying of WBM in addition to sub-base layer in 15 cm thickness.

We noticed (November 2012 to April 2013) in 199 roads of nine Programme Implementation Units (PIUs) that PIUs provided layer of WBM grading-II in 75 mm thickness in addition to GSB of 15 cm in these road works, which was in addition to the provisions of IRC specifications. Therefore, provision in Detailed Project Reports (DPRs) and execution of WBM Grade II in these works was in addition to IRC requirement. This led to avoidable extra cost of ₹ 3.50 crore. Details are given in the table below:

Table 3.1: Provision and execution of WBM Grade II below CC pavement

Name of PIU	Packages	Total number of roads	Total length of CC road in which WBM Grade-II was provided (km)	Total executed quantity of WBM Grade-II below CC road (cu m)	Value of WBM Grade-II (₹ in lakh)
Betul	14	39	41.216	9,159.66	64.30
Harda	25	25	76.89	16,780.34	122.50
Hoshangabad	9	9	10.328	2,904.75	27.93
Indore	29	29	18.696	5,258.25	43.33
Ratlam	30	30	12.574	2,926.46	17.82
Sehore	32	32	23.886	6,484.55	47.28
Ujjain	15	15	5.316	1,458.23	10.21
Vidisha	9	9	3.405	975.47	6.89
Chhindwara 3	7	11	6.07	1463.03	10.16
Grand Total	**170**	**199**	**198.381**	**47,410.75**	**350.42**

(Source: Information provided by the PIUs)

The Government stated (November 2013) that IRC: 58 was not applicable in PMGSY roads. Other IRC specifications/Codes might be applied to the extent as specified in IRC: SP 20. Also, the Committee for approval of DPRs decided to provide 150 mm GSB and WBM grading II below CC pavement.

The reply is not acceptable as IRC: SP 20 itself provides for application of the provisions of IRC: SP-15 for preparation of sub grade which does not provide for laying of WBM grading II in addition to 15 cm GSB.

3.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year, it becomes pervasive, when it is prevailing in the entire system. Recurrence of irregularities despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive but is also an indication of lack of effective monitoring. This, in turn, encourages willful deviations from observance of rules/regulations and results in weakness of

[27] The sub-grade is top 300 mm compacted layer in embankment or cutting just beneath the pavement crust.

the administrative structure. Interesting cases of persistent irregularity reported in audit are discussed below:

PUBLIC WORKS DEPARTMENT

3.3.1 Avoidable extra cost

Adoption of incorrect parameters in computation of traffic intensity, incorrect provision and execution of richer specification of Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC) instead of required Open Grade Premix Carpet (OGPC) with Seal coat resulted in extra expenditure of ₹ 3.49 crore on construction of Major District Roads (MDR).

As per para 2.028 of Works Department manual, an officer according the technical sanction to an estimate is responsible for soundness of design. According to the Indian Road Congress (IRC:37[28]) specifications, the crust (thickness of pavement) as well as type of Bituminous Course is designed on the basis of design traffic in terms of Million Standard Axle (MSA)[29] and California Bearing Ratio (CBR)[30] of sub-grade[31]. Wherever the designed traffic is less than one MSA and CBR of sub-grade is up to 10 *per cent,* provision of only 20 mm OGPC with seal coat should be provided as a bituminous wearing course and there is no need of BM.

The Chief Engineer (CE), MDR Bhopal granted technical sanction (TS) for four works[32] of MDRs in four Public Works Department (PWD) divisions, which were taken up during March 2007 to June 2010. Scrutiny of the records revealed (October 2012 & February 2013) that the Department ignored the provisions of IRC-37 for ascertaining crust for preparation of estimates and granting the TS and adopted richer specification of bituminous base course consisting of BM/dense bituminous macadam (DBM) and SDBC as detailed below:

- In case of Anuppur-Chachai road, the Executive Engineer (EE) incorrectly calculated design traffic of three *msa* instead of one *msa* due to wrong considerations of construction period, Vehicle Damage Factor (VDF) and Lane Distribution factor (LDF) as detailed in **Appendix 3.9**. We observed that though provision of SDBC was applicable to design traffic of five *msa*, EE adopted provision of BM and SDBC for traffic design of three *msa* instead of OGPC and seal coat actually required for

28 Guidelines for the design of flexible pavements.

29 Million standard axles denotes load of traffic on road.

30 California bearing ratio (CBR) denotes strength of soil. It is the ratio of material resistance or the unit load on the piston for 2.54 mm of penetration to standard unit load for well graded crushed stone for 2.54 mm penetration.

31 Sub grade is top 30 cm to 50 cm layer of earth work in roads.

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Name of road	Division	Taken up	Completed
Anuppur-Chachai road	Anuppur	April 2010	November 2011
Raigaon Ramnagar road	Mandla	March 2007	November 2011
Shahpura Chargaon road	Jabalpur no.2	April 2010	Ongoing
Sidhi-Kamarji Maouganj road	Sidhi	June 2010	June 2012

such road. This resulted in avoidable extra expenditure of ₹ 85.33 lakh as detailed in **Appendix 3.10.**

- In case of other three roads, EEs calculated cumulative traffic of one msa but richer specification of 50 mm BM/DBM and 25 mm SDBC applicable for design traffic of five msa was provided and executed against required OGPC with seal coat as per provision of IRC 37. Therefore, execution of richer specification resulted in extra cost of ₹ 2.63 crore in these three works as detailed in **Appendix 3.10.**

Therefore, adoption of richer specification in TS resulted in extra cost of ₹ 3.49 crore in these three works as detailed in **Appendix 3.10.**

On this being pointed out in audit, EE, Anuppur stated (January 2013) that work was executed as per sanctioned estimates, drawings and designs. EEs (Mandla and Sidhi) stated (October 2012 and February 2013) that the work was executed as per provision and technical approval given by the competent authority. EE division no.2, Jabalpur stated (October 2012) that State Government planned to upgrade all MDR under a special package of development and this road was sanctioned under "MDR" scheme; hence richer specifications were adopted to sustain road for long time.

The replies of EEs in respect of execution of work according to TS are not acceptable as TSs accorded by CE were not in accordance with IRC specification. Adoption of richer specification due to upgradation of road to MDR is not tenable as the specification provides for design of crust on the basis of projected traffic and not on the basis of classification of road.

Similar cases were observed earlier and brought to the notice of State Legislature through Audit Report (Civil) for the years ending 31 March 2011 and 31 March 2012.

The matter was reported to the Government (July, August 2013 and January 2014); reply is awaited (January 2014).

WATER RESOURCES DEPARTMENT

3.3.2 Undue financial aid to the contractor in violation of contractual provisions

Undue financial aid of ₹ 2.46 crore was extended to the contractor due to adoption of incorrect ratio of components in terms of value of work for price escalation.

The Executive Engineer (EE), Sanjay Sagar Project Bah river Division, Ganjbasoda (Vidisha) awarded (October 2009) the work of construction of earthen dam (2990 metre length) to a contractor on item rate basis at a cost of ₹ 64.65 crore for completion in 24 months i.e. by October 2011. The work was in progress as of December 2012 and up to the 49th running account bill ₹ 72.68 crore (including escalation of ₹ 7.72 crore) was paid to the contractor in December 2013.

Para 2.40.1 of standard agreement of Works Department (WD) manual provides formula for calculating component-wise escalation but ratio of the components (labour, material and POL[33]) in total value of work is not given. The Engineer-in-Chief (E-in-C) issued (January 1985) instructions for incorporating in Notice Inviting Tender (NIT) the components of labour, material and POL as 40, 20 and 7.5 *per cent* respectively of total value of work done for the work of earthen dam.

We noticed (December 2012 and January 2014) that at the time of floating the tenders (September 2008), the price escalation clause 2.40.1 was made "Not applicable" in the tender document though escalation was payable since the completion schedule was more than 18 months. The space provided in the tender, (subsequently formed as agreement) for fixing the price adjustment component for labour, material and POL was left blank. The last date of receipt of tender was 16 October 2008. Meanwhile, a corrigendum was issued (8 October 2008) by EE at the instance of the Chief Engineer (CE) making the escalation clause (2.40.1) applicable for the work, but without specifying the ratio of the components (labour, material and POL) in terms of value of work. We observed that the standard agreement form contains a footnote for filling the blanks in accordance with E-in-C's circular (January 1985), i.e. 40, 20 and 7.5 *per cent* respectively. However, after issue of the corrigendum EE adopted (October 2009) 10, 60 and 30 *per cent* for labour, material and POL respectively without approval of E-in-C. Due to adoption of higher percentages for two components with lower percentage for the other, for the purpose of price adjustment, undue financial benefit of ₹ 2.46 crore was extended to the contractor as detailed in table below:

Table 3.2: Excess payment to the contractor on account of escalation

(₹ in lakh)

Components	Percentage adopted	Percentage admissible	Escalation paid	Escalation payable	Excess payment
Labour	10	40	79.02	316.24	-237.22
Material	60	20	433.53	143.92	289.61
POL	30	7.5	259.23	65.80	193.43
		Total	**771.78**	**525.96**	**245.82**

The Government stated (September 2013) that the tender document was approved by CE, Chambal Betwa Basin, Bhopal and percentages adopted for calculation of escalation were 10, 60 and 30 *per cent* for the labour, material and POL respectively which were mentioned in tender document sold to tenderers and were part of the agreement. The payment was made accordingly.

The reply is not correct as the sold document was marked "Not Applicable" for price escalation. Only after issue of the corrigendum, EE arbitrarily adopted the ratio of three components for escalation ignoring the orders of 1985 which was also referred in NIT. Therefore, the payment was to be regulated in accordance with the circular as clarified in the agreement.

33 Petrol, Oil and Lubricant.

3.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people through fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public service. However, audit scrutiny revealed instances where in the funds released by the Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below:

NARMADA VALLEY DEVELOPMENT DEPARTMENT

3.4.1 Infructuous expenditure due to failure of Plantation

Overall survival rate of plants in compensatory afforestation remained below 30 *per cent* against the specified target of 75 *per cent* due to improper planning and execution. This resulted in infructuous expenditure of ₹ 1.20 crore.

In view of the orders of the Hon'ble Supreme Court (September 2000), the Chief Conservator of Forest (Land Survey) Madhya Pradesh (CCF) issued instructions (February 2004) to achieve minimum survival percentage of plants in compensatory afforestation at 75 *per cent,* well above the survival percentage[34] specified in the Government orders of October 1986 and prepare the technical and financial planning including provision for irrigation, fertilizers and other treatments in the project. Further instructions issued (June 2004) by CCF, copy of which was endorsed to Narmada Valley Development Authority (NVDA), stated that the survival percentage shall be applicable to all plantations of compensatory afforestation undertaken after December 2001.

During scrutiny of records[35] of two Divisional Forest Officers[36] (DFOs), we observed (December 2012 and March 2013) that in 12 project/plantation sites Compensatory Afforestation was initiated in 2003-04 and 2004-05 with a project period of seven years to be completed between 2009-10 and 2010-11. In three project sites of Icchawar Division project was prepared for six years but the implementation period of maintenance was further reduced. Out of these 12 projects, nine projects were handed over during the period March to June 2010 and three projects were handed over during the period April to May 2013 to regular territorial divisions of the Forest Department. Total expenditure incurred on the projects was ₹ 2.02 crore.

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34 Between 20 *per cent* and 40 *per cent* depending upon the regions of the State.

35 Compartment histories, project reports, plantation journal, expenditure statements, and monitoring reports

36 DFO (Compensatory Afforestation) Ichhawar, Bhopal and DFO (Compensatory Afforestation) Kaveri, Khandwa of NVDA. The DFO's report to Member (Environment and Forest) NVDA.

We observed that, out of 6,55,115 saplings planted during July/August 2004 to July 2005 in 12 projects, only 1,94,208 (overall 30 *per cent*) survived at the time of handing over i.e. at the end of the respective project period. The survival rate in the projects ranged between 20 *per cent* and 50 *per cent*, **(Appendix 3.12)** which was well below the stipulated survival of 75 *per cent*. The low survival rate was attributable to the following:

- As per the project reports of plantation, the projects did not make provisions for irrigation of the saplings planted.
- The projects also provided for other treatments like weeding only in the first year of maintenance and not in all the years of maintenance (3^{rd} to 7^{th} years), although mortality occurred in each year after plantation, year-wise details of mortality and total expenditure are given in **Appendix 3.11.**

Thus, lack of irrigation facilities and lack of maintenance and other treatments like weeding resulted in the low survival of plants. Considering the loss factor of 0.33 to 0.73, the infructuous expenditure work out to ₹ 1.20 crore as detailed in **Appendix 3.12**.

On this being pointed out, the Government in their reply stated (August 2013) that 75 *per cent* survival was possible only in irrigated plantation and stated that project for these plantations were approved prior to CCF's direction (February 2004) and hence could not be applied retrospectively. The Government further stated that irrigation facilities could not be provided due to absence of perennial water source on the sites and accordingly, plantation project for un-irrigated plantation was prepared and executed in two districts Khargone and Sehore. These were areas of deficient rainfall, high temperature, high biotic pressure and low site quality. Besides, Sehore and Khargone received scanty rainfall and high temperature after plantation in the year 2004 and 2005 respectively, affecting survival adversely. The Government further stated that in view of norms set for survival percentage of un-irrigated plantations by Forest Department (October 1986), these plantations were successful.

The reply of the Government is not correct as the instructions of CCF (February 2004) based on Hon'ble Supreme Court orders (September 2000) regarding compensatory afforestation were issued well before the start of plantation projects (2004-05). Besides, in view of the climatic conditions of the sites selected, necessary provisions for irrigation and other suitable facilities should have been made accordingly.

PUBLIC WORKS DEPARTMENT

3.4.2 Cost over-run due to delay in obtaining forest clearance

Starting of work without obtaining approval of Forest Department led to stoppage of upgradation work of Unchehra-Parasmaniya-Dureha road midway. Late initiation for forest clearance and re-tendering of the balance work resulted in increase in cost amounting to ₹ 2.39 crore.

According to the orders issued (June 2000) by the Government of Madhya Pradesh (GOMP), it is necessary to obtain permission from the Forest Department before taking up work of upgradation of roads in forest areas. The detailed instructions for granting approval for the upgradation of such roads were issued (May 2005) by the Forest Department and the copy of the same was endorsed to the Principal Secretary, Public Works Department (PWD).

Scrutiny of PWD, B&R Division, Satna revealed (March 2013) that the work for upgradation of the existing 43 km Unchehra-Parasmaniya-Dureha road was awarded (January 2008) to a contractor at an estimated cost of ₹ 8.53 crore. The work was scheduled for completion in 16 months i.e. by May 2009. The estimate was revised (September 2008) to ₹ 10.78 crore on the ground of cost escalation and further revised (August 2010) to ₹ 11.30 crore on the ground of site specific modifications[37].

The contractor completed (January 2009) the work in 25.20 km length. But, the work in the remaining 17.80 km length could not be completed as the Forest Department stopped (January 2009) the work due to undertaking the work without obtaining prior permission from it. On the ground of delay and increase in cost of material, the contractor requested (April 2012) the Department to foreclose the work under clause 14[38] of the agreement. Based on orders of the Engineer-in-Chief (E-in-C), the Executive Engineer (EE), PWD (B&R) Division, Satna foreclosed (May 2012) the work. The final bill was paid (June 2012) to the contractor for total value of work done amounting to ₹ 7.18 crore.

We noticed (March 2013) that though 35 km road out of the total road length (43 km) was passing through forest land[39], the Chief Engineer (CE), PWD Rewa Zone, Rewa accorded (August 2007) technical sanction of the work without obtaining permission of the Forest Department. The EE submitted proposal to Divisional Forest Officer (DFO), Satna, only in April 2009 seeking permission to take up the balance work of upgradation of the road, which was obtained in January 2012.

37 Provision of 65 Hume Pipe culverts and 4 medium bridges as well as provision of wet mixed macadam in 25.80 km length of road.

38 Clause 14 stipulates that the Engineer in-charge shall, for any reason what so ever, require the work to be stopped with notice in writing to contractor and the contractor shall have no claim to any payment or compensation.

39 As intimated (January 2012) by DFO, Satna to EE, PW Division, Satna, the original road existed prior to 1980, which included 8 km revenue road and 35 km forest road.

We further noticed (August 2013) that the upgradation work of balance road length was awarded in June 2013 to another contractor for ₹ 6.51 crore. Thus, delay in initiating action for obtaining approval of the Forest Department led to increase in cost to the tune of ₹ 2.39[40] crore for completion of the balance work. The work was in progress (February 2014).

The Divisional officer stated (March 2013) that despite regular and continuous pursuance since April 2009 the Forest Department accorded approval for the work in January 2012. It was further stated that the circumstances were unavoidable and the balance work was being completed by inviting fresh tenders.

The reply itself confirms delay in initiating action for execution which resulted in time and cost overrun. Besides there was no record to show that the Department regularly persued the matter with the Forest Department for obtaining the clearance.

The matter was referred to the Government (June, August 2013 and January 2014); their reply has not been received (February 2014).

WATER RESOURCES DEPARTMENT

3.4.3 Vitiating of tendering process by inclusion of an item not required for the work

'Providing LDPE film below canal lining' was included in the estimate of a canal work, but not got executed. This resulted in vitiating of tendering process because the lowest tenderer would no longer have been the lowest, and the cost had become lower by ₹ 68.13 lakh if the item of LDPE film, for which lowest tenderer had quoted only ₹ 1 per sq m against the estimate of ₹ 22 per sq m, was excluded from the estimates before entering into tendering process.

As per para 2.028 of Works Department Manual, an officer according the technical sanction to an estimate is responsible for soundness of design and for incorporating the required items for inclusion in the estimates. Further, according to the technical circular issued (1984) by the Engineer-in-Chief (E-in-C), black Low Density Polyethylene (LDPE) film should be used below the base mortar of plain cement concrete and flag stone lining and concrete *cast-in-situ* slabs. It may be avoided in non-water absorbent sub-grade.

Scrutiny of records (February 2013) of Harsi High Level Canal Division, Dabra (Gwalior) and further information collected (January 2014) revealed

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Amount of revised TS		₹ 11.30 crore
Value of Work done	(-)	₹ 7.18 crore
Cost of balance work		₹ 4.12 crore (A)
Cost of balance work as per revised Work order		₹ 6.51 crore (B)
Extra cost (B-A)		= ₹ 2.39 crore

that tenders for construction of Main Canal in three groups[41] including earthwork, lining, structures etc. were invited (December 2007) by the Superintending Engineer, Sindh Project Canal Circle, Shivpuri. The works were awarded (July to October 2008) to M/s SK Jain, being the lowest tenderer (L-1), on item rate tender basis for completion within 21 months (April to July 2010). The works were in progress as of January 2014.

We noticed (February 2013) that cement concrete canal lining by paver was provided in the estimate/agreement along with the item "providing and laying in position LDPE film".The estimated rate of the said item was ₹ 22 per sq m based on Unified Schedule of Rates (USR). Against this, the contractor quoted an abysmally unworkable rate of ₹ 1 per sq m. The said item "Providing and laying in position LDPE film" was, however, not executed by the contractor. The Department did not give justification for not enforcing execution of the item of work by the contractor. Total amount quoted by the contractor for this item in three agreements was only ₹ 4.65 lakh against the cost estimated by the Division as ₹ 1.02 crore.

We observed that the unit rates quoted for LDPE film by L-2 contractor (in three agreements) ranged between ₹ 15 per sq m and ₹ 20 per sq m as against ₹ 1 quoted by the L-1 contractor. Inclusion of the item in the estimate, which was not needed, vitiated the tendering process because if this item is excluded then the L-1 would not have remained the lowest bidder in any of the three agreements and would have entailed saving of ₹ 68.13 lakh as detailed below:

Table: 3.3: Comparison of the value of bids without the item of LDPE

(₹ in lakh)

Sl. No	Agreement no.	Estimated cost of work	Bid amount of L-1	Bid amount of L-2	Value of bid of L-1 without LDPE	Value of bid of L-2 without LDPE
1	2/2008-09	1691	1,714.00	1,714.84	1,712.642	1,694.509
2	3/2008-09	1497	1,452.39	1,452.84	1,451.034	1.432.508
3	11/2008-09	2222	2,322.21	2,327.52	2,320.276	2.288.805
Total					**5,483.952**	**5,415.821**

The Government stated (September 2013) that E-in-C had issued an order in February 2012 in which the item of 'providing and laying LDPE film' was deleted if the lining work was carried out by paver machine. The Government justified the action of the Executive Engineer (EE) stating that, during execution if it is found that certain item is not required, the Engineer has full liberty to delete such item.

The reply of the Government is not acceptable since the circular issued by E-in-C in February 2012 cannot logically apply to contracts drawn four years ago. Besides, if the item of LDPE film was not needed for the work, it should have been excluded from the estimates before the tendering process.

[41] RD km 0.00 to RD km 6.5, RD km 6.5 to RD km 13.00 and RD km 20.207 to km 30.00.

3.4.4 Unfruitful expenditure on Lift Irrigation Scheme

Due to improper planning, expenditure of ₹ 75.34 lakh incurred on construction of Khirahni Lift Irrigation Scheme in Katni District was rendered unfruitful.

Lift Irrigation Schemes (LIS) involve lifting of water by electrical and mechanical means, either from rivers, canals or from reservoirs to irrigate high altitude fields which are not irrigable through a normal gravity canal. According to the technical circular issued (September 1991) by the Water Resources Department (WRD) for planning, construction and operation of Minor Irrigation (MI) schemes, design criteria for MI schemes[42] included delegation of the responsibility of managing the operation and maintenance of MI schemes to registered Water User's Associations (WUAs) in order to manage the irrigation system. The State Government also enacted law[43] in 1999 which provides for formation of WUA, for every water users' area for operation and maintenance of irrigation schemes including LIS.

Up to 2008, the Department had constructed 185 LISs. Of these, only 52 schemes were functional and remaining 133 schemes remained non-functional from 2007-08 due to various reasons. Of these non-functional schemes, 74 LISs were non-functional due to disconnection of electricity in 13 districts[44] up to 2010-11[45]. This was reported in the para number 2.5.7.1 of Audit Report for the year ended 31st March 2011.

The WRD, Government of Madhya Pradesh nevertheless, accorded (April 2008) administrative approval of ₹ 1.96 crore for construction of Khirahni LIS (MI scheme) to irrigate 250 ha in Katni District.

We noticed (February 2013) during scrutiny of records of the Executive Engineer (EE), WRD, Katni that construction for LIS was started in July 2009 and the Department incurred expenditure of ₹ 75.34 lakh as of January 2013 in construction of jack well, pump house, inlet chamber, approach to jack well and procurement of pipes. WUA was not formed up to August 2010. During video conference held in August 2010, the Principal Secretary asked EE to stop the work and directed that further expenditure would be incurred only after constitution of WUAs to obtain electricity connection in its name. The work remained incomplete as of February 2013 due to non-constitution of WUAs. The work could not be resumed as the farmers disagreed to operate the scheme on community irrigation basis and for payment of bills of electric charges.

Thus, due to taking up the work of LIS before ensuring constitution and active participation of farmers committee and taking consent for electricity connection in their name for payment of electricity bills by them, expenditure of ₹ 75.34 lakh on LIS remained unfruitful since August 2010.

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42 Irrigable area less than 2000 hectare (ha).

43 Madhya Pradesh Sinchai Prabandhan main Krishakon ki Bhagidari Adhiniyam, 1999.

44 Ashok Nagar, Badwani, Betul, Burhanpur, Chhindwara, Dewas, Guna, Indore, Rewa, Satna, Shajapur, Shivpuri, and Ujjain.

45 Up to 2007-08: 40 LISs and after 2007-08: 34 LISs.

On this being pointed out in audit, the Government accepted (September 2013) the fact that LIS should be operated through farmers' committees which were supposed to obtain electricity connection in their names. The Government further added that modalities were underway to make LISs functional at its own level provided the beneficiary farmers agree to pay ₹ 1,000 per ha of irrigated area.

Earlier, the farmer's committee had refused (August 2010) paying electricity bill of LIS, indicating reluctance to bear any expenditure. The Department should have ensured constitution of WUAs and their active participation, especially keeping in view the fact of non-operation of many LISs in earlier years for want of active participation of WUAs, so that expenditure having been incurred from the State exchequer does not remain unfruitful.

Bhopal
The

(D.K. SEKAR)
Accountant General
(Economic and Revenue Sector Audit)
Madhya Pradesh

Countersigned

New Delhi
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India