

## Overview

This Report of Comptroller and Auditor General of India on Economic (Non-PSUs) Sector, Government of Madhya Pradesh for the year ended 31 March 2013 includes six Performance Audits and 15 paragraphs arising from audit of the financial transactions. Total money value of audit observations is ₹ 293.71 crore. A summary of the important findings is given below:

### 1. Performance Audits

#### 1.1 Construction of Bridges

The responsibility of planning, designing and construction of bridges and railway over bridges in the State is with Public Works Department. Construction of the bridge works was funded from the State Plan Budget, National Bank for Agriculture and Rural Development and Central Road Fund. During the period 2008-13, expenditure of ₹ 695.50 crore was incurred on construction of 385 bridges. A performance audit of "Construction of Bridges" showed deficiencies in planning, execution, contract management and monitoring of the execution of works. Important audit findings are as under:

- There was lack of planning and investigation for bridge works. Selection of unsuitable sites, inadequate survey and investigation delayed execution of 20 bridges from one month to eight years and resulted increase in cost by ₹ 11.40 crore. Due to inappropriate drawings and designs, Tawa bridge (cost: ₹ 4.19 crore) and approaches of Kurel bridge and Sitarewa bridge were washed away.
- We observed deficiencies in work execution. Completion of 52 bridge works delayed by two to 88 months due to award of works without land acquisition, delays in construction of approaches of bridges and approval of drawings/designs as well as in taking action on defaulting contractors. This has also resulted in unfruitful expenditure and extra cost on works.
- Contract management was not effective. Due to short claim of rebate and irregular grant of time extension for delays in execution resulted in undue financial benefit (₹ 4.47 crore) to contractors and absolved them from the liability of penalty (₹ 1.08 crore) besides payment of escalation (₹ 1.11 crore). Further, initial rejection of request for change the type of foundation of a bridge and subsequent acceptance of same after retendering, resulted in execution of the works at an extra cost of ₹ 1.28 crore.
- Monitoring of work execution by the Department was deficient as reflected from non conduct of inspections of works by SEs and lack of pursuance at the higher level for acquisition of land required for works.

*(Paragraph 2.1)*

#### 1.2 Working of Co-operative Department

Co-operative Department has been entrusted with the administrative responsibility of ensuring constitution, operation, audit and inspection of Co-operative societies and implementation of various schemes aimed at developing different classes of the society particularly weaker sections and women through Co-operative Societies. There are 36,062 working

Co-operative societies registered with the Department, of which nine are apex societies. A review of the working of the Department (2012-13) revealed the following deficiencies:

- The Department failed to show substantial progress in ensuring greater autonomy of Co-operative sector. As a result, the State was deprived of Central assistance of ₹ 667.21 crore for revival of Co-operative banks/societies.
- There was pendency in recovery of share capital of ₹ 38.13 crore from Co-operative societies and Co-operative banks and recovery of loans plus interest amounting to ₹23.61 crore from the societies.
- There was pendency in audit (15 to 21 *per cent*) of the Co-operative societies. The Department did not take action against the societies for non-maintenance of records and not holding Annual General Meetings and also against the Board of Directors of Co-operative banks for failing in recovery of loans given.
- Integrated Co-operative Development Project schemes, for economic development in Agriculture Sector, were not completed within the stipulated period. The Department admitted the claim of interest subsidy on crop loans only on the basis of utilisation certificates, without obtaining audited accounts in support of claims for interest subsidy.
- There was shortage of manpower in many cadres of the Department adversely affecting its functioning. Also, the Department was not having any set up for internal audit and inspection of records was not conducted by DDOs as required in MP Treasury Code.

*(Paragraph 2.2)*

### ***1.3 Management of forest offences in Madhya Pradesh***

Management of forest against offences and forest protection is one of the primary responsibilities of the State Forest Department. The management and protection of forests is regulated mainly by the Indian Forests Act, 1927. The Performance Audit examined adequacy and efficacy of the Forest Department on prevention, detection, registration, investigation, disposal and monitoring of forest offences. Important audit findings are as under:

- There was 213 *per cent* increase in encroachment cases during 2008-12. Fifty one *per cent* of wireless sets for prevention of forest offences were not in working condition. There was shortage of 3,870 staff affecting the prevention of forest offences.
- Detection of forest offence was deficient. Use of satellite data for detection of offences was not adequate. Use of hired vehicles for patrolling of sensitive area was not ensured. There was shortfall (11 to 40 *per cent*) in beat inspections.
- The registration of forest offence cases was not properly monitored due to non submission of counterfoils of Preliminary Offence Report to the Divisions. There were delays up to five months in registration of cases.
- Investigation of forest offences was deficient. The procedure adopted for fixing commercial rates of timber was not based on uniform system of the

classification of girth classes of timbers. The quantity of minerals extracted through illegal mining was not reported in 1264 cases. We observed delay in investigation and submission of cases to Courts. As a result, 5,592 forest offence cases were time barred.

- Monitoring of forest offence cases was deficient as the inspection reports for controlling illegal mining were not submitted to the Government. Forms for reporting of offences did not provide important information. Besides, timber accounts were not prepared for long period.

**(Paragraph 2.3)**

#### **1.4 Rashtriya Krishi Vikas Yojana**

Rashtriya Krishi Vikas Yojana (RKVY), a Centrally Sponsored Scheme aims at achieving four *per cent* annual growth in the agricultural sector during the eleventh plan period, by ensuring holistic development of agriculture and allied sectors. In the State, 402 RKVY projects were executed by Farmer Welfare and Agriculture Development (FW&AD) Department during the period 2007-13, of which, 297 projects were completed. Performance Audit of implementation of RKVY during 2008-13 revealed the following deficiencies:

- The work of preparation of District Agricultural Plans (DAPs) was awarded belatedly in June 2009. The plans prepared for the years 2007-08 to 2010-11 were of no use due to delayed preparation.
- The FW&AD and Jawahar Lal Nehru Krishi Vishwa Vidhyalaya (JNKVV) utilised ₹8.75 crore for purposes other than those specified in the Scheme. Animal Husbandry Department parked unspent balance of ₹ 13.94 crore pertaining to 2007-10 which remained unspent till the end of year 2010-11 and ₹1.45 crore till 2012-13 in Personal Deposit Account .
- The formation of State level monitoring cell, required for monitoring and implementation of projects under RKVY, was still under process (September 2013) though the projects were taken up since 2007-08.
- In JNKVV, Jabalpur three research projects were abandoned thereby defeating the purpose of the projects.
- In Custom Hiring Centers, tractors and implements were underutilized to the extent of 20 *per cent* to 56 *per cent* of targets set. Four cattle breeding farms did not function due to incomplete civil works. Cold chain for the purpose of preserving potency of vaccines was not established in the manner as planned.
- Project-wise accounts/ledgers were not maintained for accounting of expenditure on projects. FW&AD has not formed any dedicated monitoring cell for evaluation and monitoring of performance of projects.

**(Paragraph 2.4)**

#### **1.5 Quality assurance in construction of rural roads**

A three tier quality management mechanism has been operationalised under Pradhan Mantri Gramin Sadak Yojana (PMGSY) for ensuring that quality of assets created conforms to the prescribed standards. A Performance Audit on Quality Assurance in construction of rural roads by MPRRDA during the period 2008-13 revealed various deficiencies:

- There was lack of quality assurance for preparation of Detailed Project Reports (DPRs) as reliability of data for preparation of DPRs was not ensured. There were shortage of testing equipments in district laboratories required for project preparation and quality control.
- Quality in respect of execution of road works was not assured as prescribed tests for alignment, regularity and surface levels, earthwork, granular work, bituminous work and concrete work were not carried out and adequately recorded.
- Second tier quality control by State Quality Monitors (SQMs) was deficient as frequency of inspection by SQM was inadequate and PIUs did not report compliance with their suggestions to the State Quality Co-ordinator (SQC). There was shortfall in sites inspections by Assistant /Executive Engineers.

*(Paragraph 2.5)*

#### ***1.6 Review of Internal Control in Water Resources Department***

The Water Resources Department (WRD) is responsible for planning, estimation, execution, operation and maintenance of irrigation projects, safety of dams, matters relating to user associations etc. There are 6109 completed projects (13 major, 110 medium and 5986 minor) and 688 ongoing projects (7 major, 18 medium, 663 minor) as of March 2013. A review of internal controls in WRD during the period 2010-13 revealed deficiencies in budgetary, financial operational and organisational controls.

- An amount of ₹ 27.59 crore and ₹ 162.32 crore were surrendered in the last week of the financial year 2010-11 and 2011-12 respectively.
- Revised administrative approvals regularising the excess expenditure of ₹ 83.95 crore in respect of 48 works were not obtained as of March 2013.
- Reconciliation of cheques and remittances by the divisional officers with the Accountant General (A&E) office delayed up to 157 months.
- Miscellaneous Works advance of ₹24.11 crore relating to the period from 1957 to February 2013 against officials, contractors, suppliers and other departments etc. were outstanding at the end of March 2013. Advances of ₹1257.66 crore paid to Land Acquisition Officer (LAO) for acquisition of land for irrigation projects were directly charged to final head of expenditure.
- Material at site accounts, contractor's ledger and works abstract were not maintained to ensure control over the receipt/issue of material for works and transactions relating to advance payments, secured advances, adjustment of advances and value of work done.
- Quality control functions were inadequate as only two main laboratories were established though it should have been established at all the 25 major and medium projects; field laboratories were also not established at any of the work sites.

*(Paragraph 2.6)*

## 2. Audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government Departments/ Organisations. These are broadly categorised and grouped as:

- Non-compliance with rules
- Expenditure without propriety
- Persistent and pervasive irregularities
- Failure of oversight/governance

### 2.1 Non-Compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 3.49 crore. Some significant audit findings are as under:

- Forest Department did not raise demand for revised Net Present Value (NPV), despite orders of the Hon'ble Supreme Court and the State Government. This resulted in short realisation of NPV amounting to ₹ 99.81 lakh.

*(Paragraph 3.1.1)*

- 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 by two DFOs to Joint Forest Management Committees.

*(Paragraph 3.1.2)*

- The Executive Engineer (EE) WR Division Dindori made excess payment of ₹ 64.26 lakh to the contractor due to payment for the quantity in excess of 10 *per cent* of bill of quantity at quoted rates instead of estimated rate plus or minus the overall percentage to the total cost of work.

*(Paragraph 3.1.3)*

- While according sanction of rate of an extra item (M-25 controlled concrete) of an irrigation tank, Government (Water Resource Department) 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

*(Paragraph 3.1.4)*

- While making payment for earthwork, non-deduction of cost of watering and compaction, which were neither watered nor compacted, resulted in acceptance of below specification earthwork valued ₹ 86.80 lakh leading to unstable base of embankment, besides excess payment of ₹ 19.29 lakh by the EE, Mahan Canal Division, Sidhi.

*(Paragraph 3.1.5)*

### 2.2 Expenditure without propriety

Authorisation of expenditure from public funds 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 noticed instances of impropriety, extra and infructuous expenditure, involving ₹ 5.92 crore are mentioned below:

- In construction of three buildings by two PWD Divisions adoption of incorrect price of steel for calculation of price variation resulted in excess payment of ₹ 73.96 lakh to contractor.

*(Paragraph 3.2.1)*

- The Water Resources 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 resulting in avoidable extra expenditure of ₹ 1.22 crore.

*(Paragraph 3.2.2)*

- Due to adoption of incorrect price indices for material components of the work, EE, Sanjay Sagar Project Ganjbasoda made excess payment of ₹ 45.60 lakh to the supplier on account of price variation.

*(Paragraph 3.2.3)*

- Inclusion in DPR and execution of item of WBM grading II below CC pavement though not provided in the specifications resulted in extra cost of ₹ 3.50 crore by MPRRDA

*(Paragraph 3.2.4)*

### **2.3 Persistent and pervasive irregularities**

An irregularity is considered persistent if it occurs year after year and it becomes pervasive, when it is prevailing in the entire system. Reoccurrence of irregularities despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the executives 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 the administrative structure. Cases of persistence irregularity valuing ₹ 5.95 crore reported in audit are discussed below:

- The Chief Engineer, Major District Road (MDR) adopted incorrect parameters in computation of traffic intensity, incorrect provision, and execution of richer specification of Bituminous Macadam and Semi Dense Bituminous Concrete instead of required Open Grade Premix Carpet with Seal coat. This resulted in extra expenditure of ₹ 3.49 crore on construction of Major District Roads.

*(Paragraph 3.3.1)*

- Undue financial aid of ₹ 2.46 crore was extended by EE, Sanjay Sagar Project Bah river Division, Ganjbasoda (Vidisha) to the contractor due to adoption of incorrect ratio of components in terms of value of work for price escalation.

*(Paragraph 3.3.2)*

### **2.4 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 wherein 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. Cases amounting to ₹ 5.02 crore have been discussed below:

- 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 two Forest Divisions, Ichhawar and Kavery of Narmada Valley Development Department.

*(Paragraph 3.4.1)*

- Late initiation in obtaining approval of the Forest Department led to stoppage of a road work midway and re-tendering of the balance work. Starting of work by EE, PWD (B&R) Satna Division without seeking clearance from the Forest Department resulted in cost overrun of ₹ 2.39 crore in upgradation work of Unchehra-Parasmaniya-Dureha road. The works remained incomplete for 39 months.

*(Paragraph 3.4.2)*

- In Harsi High Level Canal Division, Dabra, '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, if the item of LDPE film, for which lowest tenderer had quoted only ₹ 1 per sqm against the estimate of ₹ 22 per sqm was excluded from the estimates.

*(Paragraph 3.4.3)*

- Due to improper planning by EE, WRD, Katni expenditure of ₹ 75.34 lakh remained unfruitful on construction of Khirahni Lift Irrigation Scheme in Katni District.

*(Paragraph 3.4.4)*