

Chapter III

Audit of Transactions

- 3.1 Non-compliance with the rules, orders etc,**
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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 the rules, orders, etc.

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, 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:

CIVIL AVIATION DEPARTMENT

3.1.1 Procurement of EC 155 B1 Helicopter from Eurocopter

The Directorate did not make any estimation of the cost of helicopter to benchmark the price of the helicopter to be procured and supply of helicopter was awarded to L2 manufacturer at extra cost.

Rule 14 of the Madhya Pradesh Financial Code, Volume-I (Rules and Instruction Governing the Purchase of Stores) states that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. As per sub-rule viii of Rule 64 of General Financial Rules, 2005, the Government procurement procedure for procurement of services and supplies are to be ensured in a fair, equitable, transparent, competitive and cost effective manner.

As per Para 11.5 of 'Manual on policies and procedures for purchase of goods' issued by Ministry of Finance, if offers have been received containing different currencies (as in the case of purchasing imported goods), all the quoted prices are to be converted into Indian rupees for evaluation and comparison of offers on equitable basis, as per the selling exchange rates established by a competent authority (like RBI/SBI) as prevailing on a particular date to be specified in the tender enquiry. Generally, this date is the date of tender opening.

The Directorate of Aviation, Government of Madhya Pradesh recommended (September 2009) the Government for procurement of twin engine helicopter on the ground of better safety and in view of policy in the Central Government that a flying machine with two or more engines would be used for flying their VVIP/VIPs. It was also proposed by the Directorate for replacement of existing Bell 407 helicopter on actual arrival of new helicopter.

The Government constituted (October 2009) a High Level Committee¹ (HLC) for the procurement of twin engine helicopter and sale of existing Bell 407

¹ HLC consisted of Principal Secretary (Home), Principal Secretary (Finance), Principal Secretary (Aviation) and Director (Aviation).

helicopter. As decided (November 2009) by HLC, expression of interest was published (November 2009) for purchase of new twin engine turbine helicopter. Five manufacturers submitted (November 2009) technical details of their seven products. The Technical Committee² (TC) before which comparative position of the seven types of helicopters was placed, recommended (February 2010) three models of helicopters.

Subsequently, Directorate invited (April 2010) the three qualified manufactures to submit technical and financial bids by May 2010. However, the base date for prevailing exchange rate to determine the cost in Indian rupees was not specified in the tender documents.

We noticed that TC evaluated the technical bids submitted by the three manufacturers and disqualified one of the helicopters on the grounds of more weight and safety deficiency. Thus, only two manufacturer's viz., Eurocopter (155B1) and Sikorsky (S76C++) qualified for opening of their financial bids. The TC opened their financial bids on 26 May 2010, the date fixed for opening of financial bid. The cost of helicopters quoted by Sikorsky (L1) and Eurocopter (L2) was US \$ 1,25,90,000 (₹ 59.59 crore³) and Euro 1,05,00,000 (₹ 60.42 crore³) respectively.

In view of provisions in 'Manual on policies and procedures for purchase of goods', the date of tender opening was required to be considered to evaluate the financial bid. However, the HLC evaluated (9 June 2010) bids of the two manufacturers by converting the foreign currencies in Indian rupee at the exchange rate prevailing on 9 June 2010. The cost of helicopter quoted by Sikorsky was ₹ 59.26 crore and that by Eurocopter it was ₹ 59.02 crore based on the exchange rate prevailing on 9 June 2010. The Committee, stating that it would be according to the requirement of the State Government, recommended (9 June 2010) for purchase of EC 155 B1 helicopters for taking final decision by the Council of Ministers, but did not mention any specific reason for selection of EC 155 B1 helicopters. The Council of Ministries gave its consent (29 June 2010) for purchase of EC 155 B1 helicopter at the price of ₹ 60.42 crore.

Accordingly, the Directorate of Aviation placed (29 July 2010) purchase order on Eurocopter, the L2 bidder. The helicopter was received on 10 October 2011 and final payment was released in October 2011. The total amount paid to Eurocopter was ₹ 65.63 crore on the basis of foreign exchange rate of Euro on the date of payments.

We noticed (April 2015) that:

- There was no evidence that the Directorate made any estimation of the cost of helicopter or ascertained its market price to benchmark the price of the helicopter to be procured so as to ensure reasonableness of the price.
- There were two technically qualified bidder's viz. Eurocopter, France and Sikorsky, USA. Hence, after opening of the financial bids, selection of bidder should have been on financial basis only as envisaged in the tender conditions.

² Technical Committee consisted of Director, Chief Engineer, Senior Pilot and Administrative Officer.

³ Quoted price converted into Indian rupee on the basis of exchange rate prevalent on the date of tender (26 May 2010)

Considerations of comparative technical parameters during financial evaluation of the bids, thus, vitiated the process of evaluation of financial bids and rendered the whole process of evaluation of bids opaque. Besides, the Directorate purchased helicopter from the L2 bidder at the extra cost of ₹ 0.83 crore.

The Government *inter-alia* stated (August 2015) that the TC looked at the prevailing conditions in the state and also the flying requirements while determining the make of the helicopter that suits the most based on consideration of safety, state geographical and climatic conditions alongwith tested sophisticated technology. It further stated that on the date when the proposal was submitted before the Committee, the price of Eurocopter and Sikorsky became ₹ 59.02 crore and ₹ 59.26 crore respectively and the Committee recorded that looking at the proposal of both the helicopter comprehensively the purchase of Eurocopter be recommended. It was also stated that the Committee was competent to determine which helicopter at what price should be purchased.

The reply is not acceptable as the Department found two makes of helicopters technically qualified after technical evaluation and therefore, in terms of the tender condition, L1 manufacturer at the date of opening financial bid was to be selected. Thus, considerations of comparative technical parameters during financial evaluation of the bids vitiated the process of evaluation of financial bids rendering undue favour to the L2 bidder.

WATER RESOURCES DEPARTMENT

3.1.2 Excess and irregular payment to the contractor

Excess payment of ₹ 80.35 lakh was made to the contractor due to non-deduction of rock toe, stone pitching and utilisable soil besides irregular payment of ₹ 90.89 lakh on unreconciled/unrecorded quantities of items of work.

The Department awarded (October 2011) the work of construction of earthen dam from RD⁴ km 0 to RD km 1.20, Nalla closure and canal with excavation of cut-off trench, filter, boulder toe, pitching and construction of head sluice, waste wier and canal structure etc. in Bhitri Mutmuru tank Scheme to a contractor at the cost of ₹ 16.67 crore (15.33 *per cent* below Unified Schedule of Rates (USR) effective from February 2009). The work order was issued in October 2011 to complete the work within 24 months including rainy season i.e., by October 2013. The work remained incomplete due to damage of earthwork in the dam from RD km 0.49 to RD km 0.53 (June 2013) and the work was stopped thereafter. The contractor was paid (June 2013) ₹ 16.14 crore upto 27th Running Account (RA) bill.

Para 4.036 and Para 4.038 to 4.040 of Madhya Pradesh Works Department (MPWD) manual provides that after execution of work in the field, measurements shall be taken by the Sub-Engineer/Sub-Divisional Officer (SDO) incharge of the work and entered in measurement book (MB). The measurements taken by the sub-ordinates shall be checked by the SDO before payment. The Executive Engineer (EE) or SDO may record his check on the

⁴ Reducing distance

original measurements or may enter thereon a reference to the number and page of the MB, in which the check measurements are recorded. The check measurements for a final bill must be made before bill is paid and thus, only after verification of quantity and quality of work at site, bills for payment are to be prepared and paid for. According to clause 4.7.2 of Irrigation Specifications, excavated material in the work site was to be utilised in dam work to its maximum possible extent. This was also reiterated by Engineer-in-Chief (E-in-C) in March 2011 that minimum 60 *per cent* of excavated hard soil/hard morrum should be utilised in earthen dam. Further as per Note 8(h) of Chapter 4 of USR, provisional payment for the net quantity of earthwork shall be arrived after deducting utilised excavated earth and separately payable items.

During scrutiny of records of EE, Water Resources Division Panna, we noticed (February 2014) that:

- Quantities of many items⁵ shown executed and paid through 25th RA bill differed from the quantities mentioned in abstract of quantities in MB prepared for the purpose of payment and were generally on higher side. The value of such excess quantity of items works out to ₹ 46.69 lakh as detailed in **Appendix 3.1**.
- In 26th and 27th RA bills, there was no reference of MBs in support of the quantities executed after measurement of quantities for 25th RA bill. The Sub-Engineer of the division intimated (February 2015) to the EE that after measurement for 25th RA bill, no measurement was taken. The division, however, paid (June 2013) ₹ 44.20 lakh to the contractor against 26th and 27th RA bills. Thus, in the absence of recorded measurements, the genuineness and actual execution of quantities for which payment of ₹ 44.20⁶ lakh was made to the contractor against these two RA bills, could not be established.
- Hard soil and hard morrum obtained from excavation in the work site was to be utilised in dam work to its maximum extent in terms of provisions of Irrigation Specifications and E-in-C's directions. It was observed that upto 27th RA bill total earthwork quantity paid was 4,46,390.52 cu m. EE intimated that out of total excavated quantity of hard soil and hard morrum, 4,97,621.50 cu m was obtained from dam portion. Therefore, 2,23,929.68 cu m quantity were to be utilised in dam embankment and deductible from total quantity paid for the embankment which was not done. Further, as per test results maximum compaction achieved was 96 *per cent*, hence four *per cent* shrinkage allowance of embankment quantity i.e., 17,855.62 cu m shall be deducted from total quantity paid for embankment which was also not done. Apart from this, separately paid items of rock toe, stone pitching were also not deducted from total sectional measurements to determine net payable quantity of earthwork. This resulted in excess payment of ₹ 80.34 lakh to the contractor as detailed in **Appendix 3.2**.

⁵ Excavation in hard soil/hard morrum, Excavation in DR/SR, RCC M-15A20, supplying and fixing steel reinforcement bars and providing stone chips under pitching

⁶ Since previous payment of 26th RA bill - ₹ 20.57 lakh and 27th RA bill - ₹ 23.63 lakh

The Government in its reply (July 2015) stated that instructions had been issued to recover excess payment of ₹ 90 lakh from the agency and also to recover excess payment due to non-deduction of quantity of rock toe, boulder toe and shrinkage from earthwork from the contractor and the Department would take disciplinary action after detailed investigation against responsible officers. Regarding non-utilisation of excavated soil he stated that 4,97,621.50 cu m quantity was obtained from excavation of dam portion but due to presence of higher percentage of silt particles made the soil unsuitable for dam. However, 1,25,000 cu m of excavated quantity from dam portion was utilised in constructing spill channel guide bund, hence non-utilisation of unsuitable excavated soils could not be categorised as excess payment.

The reply regarding non-utilisation of excavated soil in dam on the ground of high silt content is not acceptable as the quality of soil utilisable for construction of guide bund for the purpose of retaining water can be utilised in dam portion. Further any type of soil can be utilised in downstream portion of dam and in free board above maximum water level.

3.1.3 Execution of cohesive non-swelling soil layer without required tests

Utility of an expenditure of ₹ 1.54 crore on account of execution of cohesive non-swelling soil material could not be assured in the absence of test results of soil.

The Department awarded (December 2011) the work of cement concrete (CC) lining with Paver Machine in Sihawal main canal from RD⁷ km 15.24 to RD km 75.12 to a contractor at the cost of ₹ 42.56 crore. The work order was issued in February 2012 to complete the work within 17 months including rainy season i.e., by July 2013. The work was in progress as of July 2014 and the contractor was paid (June 2014) ₹ 22.00 crore upto 24th running account bill.

As per technical circular issued (December 1988) by the Engineer-in-Chief (E-in-C), Water Resources Department (WRD), if swelling pressure of black cotton or swelling type of soil in canal is more than 0.5 kg/cm², cohesive non-swelling soil (CNS) should be provided at the back of CC lining. CNS is not required if swelling pressure of soil in canal is less than 0.5 kg/cm².

During inspection of Sihawal canal, the E-in-C, WRD observed (August 2011) that the requirement of CNS material was not apparent from the inspection. He further directed that tests of soil were necessary before start of the work for ascertaining necessity of CNS material at the back of CC lining, as the provision had been made in the estimates without any examination.

During scrutiny of records of Lower Sihawal division, Churhat, we noticed (July 2014) that 47,495.99 cu m CNS material was executed by the contractor at the back of CC lining for which he was paid ₹ 1.54 crore⁸. When enquired by us (July 2014), the division could not produce tests reports for determining swelling pressure of soil found in canal for ascertaining necessity of CNS material in the canal work.

⁷ Reducing distance

⁸ 47,495.99 cu m at the rate of ₹ 324.40 per cu m

On being pointed out, the Government stated (July 2015) that in compliance to E-in-C's directions, the CNS layer was executed after proper testing and ascertaining its requirement.

The division and subsequently the E-in-C and the Government also provided (May 2015, June 2015 and July 2015) copies of reports of tests taken from the Sihawal Main Canal for ascertaining the requirement of CNS, issued by Assistant Research Officer (ARO), Quality Control Unit, Rewa vide endorsement no. T.557, dated 22 April 2013.

On enquiry, ARO, Quality Control Unit, Rewa, intimated that test reports provided by the Department were not found in the file of Sihawal Main Canal and no such report was issued from his office. He further, informed that vide endorsement no. 557/T, dated 22 April 2013, test reports of CC work in respect of Churhat Distributory were issued.

The reply of the Government is thus not convincing because the test reports enclosed with E-in-C's and the Government reply were not found issued by Quality Control Unit, Rewa. Thus, necessity of use of CNS in the said work and expenditure of ₹ 1.54 crore there-on was not assured.

The matter was again referred to the Government (August 2015), their reply has not been received (November 2015).

3.1.4 Unjustified payment to the contractor for cement concrete work

Unjustified payment of ₹ 1.01 crore was made to the contractor for cost of lead of 180 km included in payment of cement concrete work.

The Department awarded (October 2009) the work of construction of earthen dam, spill way, deck bridge and sluice of Sagar Medium Project (Unit-1) to a contractor on item rate basis at the cost of ₹ 64.65 crore (24.15 per cent above the Unified Schedule of Rate effective from July 2007) for completion in 24 months including rainy season i.e., by October 2011. The work was completed and final bill was paid (May 2014) to the contractor for total value of work done of ₹ 75.47 crore including escalation of ₹ 8.58 crore.

As per clause 3.11 (A) of the tender forming part of the agreement, the quoted rates of the contractor was inclusive of the lead and lifts for any material. The said clause of the agreement further provides that the contractor shall bring approved quality of materials and for that different quarries were indicated in Annexure-"C" showing locations of the quarry on map. The said clause further stipulated that details shown in Annexure "C" were only as a guide to the contractor and the contractor before tendering should satisfy himself regarding quality and quantities available of mineral and the contractor should provide for any variation in lead, lifts and place etc. in his tendered rates.

We noticed (December 2012) that Annexure "C" of the agreement stipulated a quarry for better quality sand from Narmada River near Hoshangabad town for cement concrete (CC) work. Accordingly, estimated rate of ₹ 2,485.52 per cu m for CC work (41,512.25 cu m) included ₹ 692.46 per cu m on account of lead of 180 km for transportation of sand from Narmada river to dam site.

However, for another item of work (Filter blanket horizontal and inclined), local sand was to be used for which the estimated rate included ₹ 118.26 per

cu m as cost of transportation of local sand from Sagar river, District Vidisha (for lead of 10 km from dam site). The Executive Engineer (EE) stated (June 2014) use of 73,132.66 cu m local sand in construction of filter.

We further noticed that the contractor executed 34,038.11 cu m against the estimated 41,512.25 cu m CC items of the said project. The division paid an amount of ₹ 1.22 crore⁹ at the rate of ₹ 692.46 for 14,205.12 cu m quantity of Narmada sand consumed in the project without any documentary evidence such as, copy of license for mining in Narmada river by the contractor, royalty payment for Narmada sand etc. When we enquired from the office of the Collector (Mining), Hoshangabad, Madhya Pradesh regarding issue of license and deposit of royalty for Narmada sand, the Mining Officer intimated (January 2015) that the contractor was not issued any temporary license for mining of sand nor the contractor submitted any details of transportation of minor mineral (sand) to the Department. The Mining Officer further stated that the EE, Sanjay Sagar Project had also not deposited any royalty for sand used in Sagar Medium Project in the Mining Office, Hoshangabad since October 2009. Thus, in the said work, use of Narmada sand from Hoshangabad town is not established, indicating use of local sand for the CC work, compromising the quality of work.

The Department intimated (March 2015) that ₹ 54.78 lakh for 87,337.78 cu m sand consumed, was deducted on account of royalty and deposited with the Collector (Mining) District Vidisha. This further, indicates that required 73,132.66 cu m local sand was used in filter as stated by EE and balance 14,205.12 cu m local sand was used in CC work. As such, payment of ₹ 1.01 crore¹⁰ as cost of lead of 180 km for Narmada sand included in payments of CC work was not justified.

The Government in its reply (July 2015) stated that no direct/separate payment for lead of 180 km has been made to the contractor and being an item rate tender, payment for concrete work is made at the rate quoted by contractor over clubbed rate (estimated rate) of the Department. It was further stated that as per Clause 3.11 (A), the contractor should bring approved quality of material and the quoted rates of the contractor shall be inclusive of the leads and lifts and in no case separate payment for leads or lifts for any materials including water shall be payable.

The reply is not acceptable because as per contract clause, the contractor shall use approved quality i.e. Narmada sand in CC work. However, this was not used and the contractor had used local sand from Sagar river for which additional amount for lead was provided and the higher rates quoted by the contractor compared to the estimated rates of the items using Narmada sand indicated that the contractor took into consideration the lead indicated (180 km) in the tender. Therefore, unjustified payment of ₹ 1.01 crore was made to the contractor towards lead of Narmada sand in place of actually utilised local sand.

⁹ (14,205.12 cu m of sand @ ₹ 692.46 per cu m)+24.15 per cent tender premium= ₹ 1,22,11,987

¹⁰ 14,205.12 cu m of sand @ ₹ 574.20 per cu m (₹ 692.46 per cu m for lead of 180 km of Narmada sand - ₹ 118.26 per cu m for lead of 10 km of local sand) + 24.15 per cent tender premium = ₹ 1,01,26,394

3.1.5 Suspected fraudulent payment to the contractor

Payment of ₹ 48.58 lakh was made to the contractor for cement concrete lining work for deployment of paver machine, which was not possible for the given width of the canal. Later ₹ 20.44 lakh have been recovered after being pointed out by Audit.

The Department awarded (February 2010) the work of “Restructuring and Modernisation of Dam and Canal of Chiraipani, Gadaghat and Jabera Tank” to a contractor at the cost of ₹ 11.74 crore on Unified Schedule of Rates effective from 2007 (22.15 per cent above the estimated cost of ₹ 9.60 crore) on item rate tender. The work order was issued (February 2010) to complete the work within 24 months including rainy season, i.e., by February 2012. The work was completed in July 2013 and final bill was paid (September 2014) to the contractor for total value of work done of ₹11.92 crore.

As per technical details of canal paver machine, use of paver machine is possible for concreting in canal having width more than three metre. Subsequently, the Engineer-in-Chief (E-in-C) also clarified (February 2012) regarding applicability of paver machine that paver machine should be used where bed width of canal is more than three metre and if site condition permits, pavers may be used where bed width is in between 1.5 metre to 3 metre. It further provides that the decision of the Superintending Engineer (SE) will be final regarding this. The schedule of rates 2007 published by the Department provides the rates of ₹ 2,117 per cu m for cement concrete (CC) lining work without use of paver machine and ₹ 2,435 cu m for CC lining with use of paver machine.

During scrutiny of records (November 2014) of the Executive Engineer (EE), Water Resources Division, Damoh, we observed that the bed width of the canal varied from 0.40 metre to 0.70 metre which was much lesser than the bed width required for making use of paver machine possible but technical sanction for the work was accorded by SE on incorrect estimation based on use of paver machine. The Department also accepted and paid for CC lining in the work with paver machine as shown in running account bill despite the fact that width of canal did not permit for use of paver machine in CC lining. In response to preliminary observation, the EE of the division replied (November 2014) that it was not possible to provide proof for use of paver machine. Though, the use of paver machine in the said work was not possible, payment of ₹ 48.58 lakh¹¹ was made to the contractor on the basis of the rate applicable for use of paver machine, indicating collusion with the contractor. Thus, suspected fraudulent payment of ₹ 48.58 lakh was made to contractor by Divisional Officer in CC lining work.

The Government in its reply (July 2015) stated that the instructions had been issued to the EE to ascertain use of paver machine in CC lining and if it is

¹¹ Quantity of CC lining executed = 10,806.22 cu m
Rate of CC lining with paver = ₹ 2,485 per cu m
Rate of CC lining without paver = ₹ 2,117 per cu m
Difference of Rate = ₹ 368,
Fraudulent Amount = 10,806.22 * ₹ 368 = ₹ 39.77 lakh
Add Tender Percentage (22.15 per cent above)= ₹ 39.77 * 122.15/100 = ₹ 48.58 lakh

found that lining with paver machine had not been done, recovery would be made from the contractor. The E-in-C in his further reply (October 2015) accepted that no paver machine was used in the work and stated that action was being taken to recover the amount and accordingly EE of the Division has recovered ₹ 20.44 lakh. He further, stated that efforts are being made to recover the balance amount from other running works in Madhya Pradesh.

The reply of the Government, however, does not give information about initiation of enquiry in the matter to fix responsibility for such payment to the contractor.

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:

WATER RESOURCES DEPARTMENT

3.2.1 Extra cost due to incorrect provision and unwarranted execution of cohesive non-swelling soil and sleepers

Extra cost of ₹ 2.48 crore was incurred due to incorrect provision and execution of cohesive non-swelling soil. Besides this, extra cost of ₹ 2.05 crore was also incurred due to superfluous laying of concrete sleepers.

The Department awarded (November 2011) the work of cement concrete (CC) lining with paver machine from RD¹² km 0.00 to RD km 22.917 of Mahan main canal to a contractor at the cost of ₹ 31.40 crore (4.69 per cent above Unified Schedule of Rates effected from 2009). The work was scheduled to be completed within eight months including rainy season, i.e., upto July 2012. The work was still in progress as of August 2015 and the contractor was paid an amount of ₹ 21.72 crore upto June 2015.

(A) According to para 25.3.1.1.1 of Irrigation Specifications, expansive soils i.e. black cotton soil in side slopes and bed of canal swell, when come in contact with water, exert a swelling pressure of 0.5 kg/cm² to 3 kg/cm² or more. As per technical circular issued (March 1984) by the Engineer-in-Chief (E-in-C), Water Resources Department (WRD), if swelling pressure of soil in canal is found more than 0.5 kg/cm², cohesive nonswelling soil (CNS) should be provided at the back of lining. This was further re-iterated by BODHI¹³, WRD through its order of December 2012 and February 2013.

During scrutiny of records of Mahan Canal division, Sidhi, we noticed (February 2015) that 1,07,196.495 cu m CNS material was executed by the contractor at the back of CC lining and was paid ₹ 1.64 crore¹⁴ for it. We

¹² Reducing Distance

¹³ BODHI – Bureau of Design and Hydraulic Investigation

¹⁴ 1,07,196.495 cu m at the rate of ₹ 153.00 per cu m

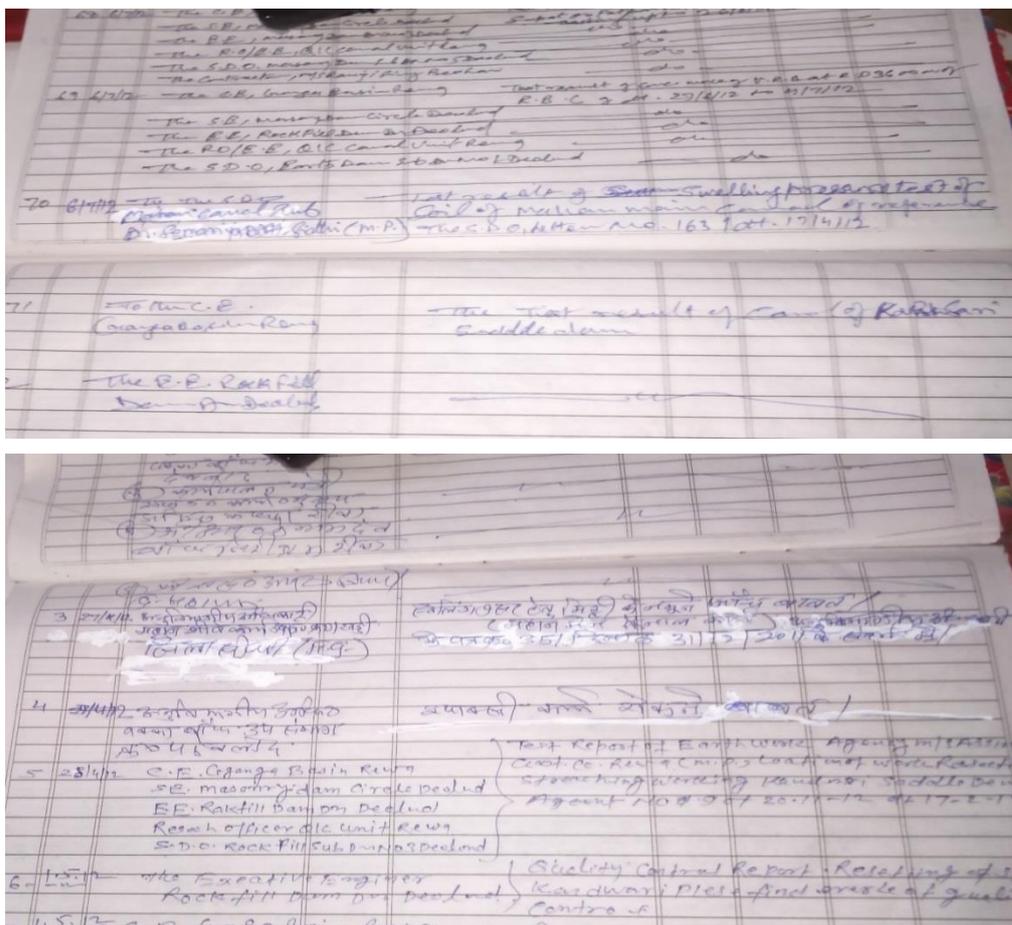
further noticed that the work of excavation for housing of CNS material for lining was included in the item of “Excavation in different types of soil, morrum and rock in canal bed and side slope for lining” comprising of excavation in porous hard soil/soft morrum below sub-soil water level and disintegrated rock i.e. in soil of non-expansive nature not requiring the CNS material. Against this item of work 5,36,448.956 cu m quantity of excavation was done. This indicated presence of pervious hard soil, soft morrum and disintegrated rock in canal bed and side slopes and therefore, CNS material was unwarranted. However, for ascertaining necessity of CNS, tests were required to be carried out to find out swelling pressure of existing soil in canal bed and side slopes. But no evidence of carrying out tests for ascertaining swelling pressure was provided by division at the time of audit. Thus, as a result, of not following Irrigation Specifications and E-in-C’s directions, an extra cost of ₹ 2.48 crore¹⁵ was incurred on provision of excavation for housing and execution of 1,07,196.495 cu m CNS material.

The Government in its reply (September 2015) stated that the quantity of disintegrated rock is only seven *per cent* and the entire stretch of canal was on the earthen sub-grade; hence, provision of CNS was essential as per the departmental specifications and enclosed copies of two tests reports of swelling pressure of soil in certain reaches of the minor No. 2 & 8. It further, stated that the CNS had not been used in the stretch where disintegrated rock strata have been found.

The reply is not acceptable as according to the actual excavation the reaches in canal had porous hard soil/soft morrum and disintegrated rock sub-grade, which did not have the swelling properties and therefore CNS was not required. In verification of the two test reports¹⁶ submitted with the Government reply, it was found that the despatch particulars of the reports of the tests, were entered into the despatch register after making corrections in earlier entries through whitener, raising a doubt about the genuineness of the test reports, as depicted in picture below. Thus necessity of use of CNS in the said work and expenditure of ₹ 2.48 crore thereon was not assured.

¹⁵ Excavation for housing of CNS – 1,07,196.495 cu m at the rate 78.17 per cu m = ₹ 83,79,550, laying of CNS material – 1,07,196.495 cu m at the rate 153.07 per cu m = ₹ 1,64,08,567 Total = ₹ 2,47,88,117

¹⁶ Tests were shown conducted at Quality Control Unit, Deolond.



(Pictures showing the manipulation of test results with use of whitener)

(B) As per Irrigation Specifications, concrete sleepers are required to be laid below construction joints when *in-situ* CC lining is to be laid in alternate panels in such a manner that end of each panel and each joint shall rest on midpoint of sleepers. CC lining with paver machine is laid in continuous manner and not in alternate panel. Therefore, CC lining with paver machine did not require concrete sleepers. It has been further clarified by E-in-C in the minutes of the meeting held in February 2012 regarding canal lining that sleepers are not provided in canal lining where paver machine is to be used in concrete lining.

We noticed that the said work included concrete lining in canal with paver machine. Since paver machine was to be used for concrete lining, concrete sleepers were not required to be laid in the work. But the Department nevertheless made provision of concrete sleepers in the estimates and executed between April 2012 to June 2015 and paid for 5,132.09 cu m of concrete sleepers. Thus, extra cost of ₹ 2.05 crore¹⁷ was incurred due to superfluous provision and execution of concrete sleepers.

The Government in its reply (September 2015) stated that the work of lining was being executed as per approved drawings and designs.

The reply is not acceptable as drawings and design approved by the Chief Engineer was not as per specifications. Further, execution of concrete sleepers

¹⁷ 5132.09 cu m at the rate of ₹ 3,993.30 per cu m = ₹ 2,04,93,975

in canal was neither done as per Irrigation Specifications and further clarification of the E-in-C, nor brought to the notice of higher authorities by EE.

3.2.2 Extra expenditure due to injudicious off loading of an item of work

Due to award of work for increased quantity of an item at higher rates to a new contractor in a project, the Department incurred extra expenditure of ₹ 1.03 crore on the executed quantities and has committed for extra expenditure of ₹ 2.09 crore.

The Department awarded (November 2011) the work of construction of balance earthwork of Pench earthen dam from RD¹⁸ m 0.00 to RD m 1400 and RD m 1800 to RD m 6376 to HES Infra Private Limited (HIPL) at the cost of ₹ 99.68 crore (7.59 per cent below tender amount). The work was scheduled to be completed within 21 months including rainy season i.e., by August 2013. The work was in progress as of May 2015 and an amount of ₹ 47.75 crore including escalation of ₹ 2.91 crore was paid to the contractor against the value of work done.

As per the clauses 4.3.13.1 and 4.3.13.3 (A) of the agreement, the Engineer-in-Charge shall have the power to make any alteration, omission, additions or substitutions in original specification, drawing or design. Such alteration, omission, addition or substitution shall not invalidate the contract and the work shall be carried out by the contractor on the same conditions on which he agreed to execute the main work. The contractor shall have to complete the whole work irrespective of the quantity required of various items. The payment for the quantity of any item in excess of 10 per cent of the quantity mentioned in the tender document, shall be payable at the rate quoted by the contractor or the clubbed rate (estimated), whichever is lower.

During scrutiny of records (February 2015) of the Executive Engineer (EE), Pench Diversion Dam Division-I, Singana, Chhindwara, we observed that after award of the work the thickness of dumped rip rap¹⁹ was increased from 60 cm to 100 cm and from ground level to top of embankment based on the recommendation of Central Water Commission (CWC), New Delhi (August 2012). Due to this the quantity was increased in dumped rip rap material (1,61,933 cu m to 3,93,134.40 cu m), filter with metal (58,806 cu m to 83,833.02 cu m) and sand (58,806 cu m to 84,678.96 cu m) respectively. Due to increase in quantities of above items, the Department excluded the item of dumped rip rap alongwith the work of filter from the scope of the work of the contractor on the ground that the contractor had demanded higher rate and the item was a new item in the bill of quantities due to change in thickness of rip rap. Therefore, the Department awarded (July 2014) the excluded work to another contractor viz, Mantena Sarla Joint Venture (MSJV) at the cost of ₹ 24.01 crore (14.56 per cent above USR²⁰ 2009).

¹⁸ Reducing Distance

¹⁹ This is an item of the said work, composed of layers of stones of specified size for protecting downstream slope of dam.

²⁰ USR – Unified Schedule of Rates

We further observed that in recommendation of the CWC, only the thickness of laying of rip rap changed from 60 cm to 100 cm with length of rip rap and filter without any change in size of individual stone (50 per cent individual stones of size 0.05 cu m of 130 kg) and therefore item number of USR remained same. Since, nature of work and USR item was not changed, the Department should have enforced the original contractor to execute the item of dumped rip rap and work of filter with metal and sand for increased quantity as per clause 4.3.13.3 (A) of the agreement. But, the Department excluded these items from the scope of work of the original contractor and awarded it to a new contractor at higher rates without enforcing the contract condition. Thus, due to award of these items at higher rates to a new contractor, the Department incurred extra expenditure of ₹ 1.03 crore for the executed quantities and has committed for extra expenditure of ₹ 2.09 crore for the balance quantity of the work (**Appendix 3.3**).

It was further noticed that certain projects such as; Mahan main canal, Teonther lift canal and PENCH earthen dam of Water Resources Department were being shown as ongoing projects by both HIPL and MSJV on their websites, indicating that both the contractors (HIPL and MSJV) were mutually related.

The Government, in its reply (July 2015) stated that as per the CWC recommendation, the thickness of dumped rip rap was changed from 60 cm to 100 cm making the item as an extra item. It further stated that original contractor offered rate of ₹ 1,004.75 per cu m²¹ of extra quantity which was rejected by the Department. Owing to importance and urgency of work, fresh bids were called and the work was awarded to MSJV. It was also stated that laying of 60 cm rip rap and 100 cm rip rap was similar in nature but not in magnitude and clause of price adjustment was applicable to both the agreements and there was difference of almost three years in the base index due to which the Department saved an amount of ₹ 49.61 lakh by awarding the work to the new contractor.

The reply is not acceptable as it was a case of addition in quantity of item and therefore, the original contractor was bound to execute the increased quantity in terms of the agreement. Since the item was same with increase in thickness only, the Department should have enforced the original contractor to execute the work by regulating the rate of the item in terms of the agreement. Further, even after taking into account escalation in price of the original contractor, extra cost is ₹ 3.12 crore (on executed quantity: ₹ 1.03 crore and balance quantity: ₹ 2.09 crore) due to award of work to the new contractor.

²¹ Dumped rip rap at the rate ₹ 470.44 per cu m, metal at the rate ₹ 447.28 per cu m and sand at the rate ₹ 208.11 per cu m against the quoted rates of original contractor.

NARMADA VALLEY DEVELOPMENT DEPARTMENT

3.2.3 Avoidable extra expenditure due to unrealistic estimation

Undue benefit of ₹ 1.00 crore was made to the contractor due to deletion of structure of cross regulator cum escape from the scope of the work in turnkey contract.

The Department awarded (February 2009) the work of execution of Nagod (Satna) branch canal from RD km 0.00 to RD km 33.175 and complete distribution system of Bargi Diversion Project on turnkey basis to a contractor at the cost of ₹ 183.95 crore i.e. 7.20 per cent below estimated cost of ₹ 198.22 crore put to tender. The work was scheduled to be completed in 40 months including rainy season i.e., by June 2012. The work was in progress as of May 2015 and the contractor was paid an amount of ₹ 220.88 crore including price adjustment of ₹ 46.36 crore up to April 2015.

The tender conditions laid down in Design parameter and Drawing; Volume-IV provided that escape should be provided at every 40 km of upstream of strategic and vulnerable reaches. However, as per the list of structures appended in Volume-IV forming part of the agreement, the scope of work *inter-alia* included one cross regulator (CR)-cum-escape (tender cost ₹ 1.08 crore) at RD km 32.880 of main canal which was 17.17 km away from the another CR-cum-escape at RD km 15.71.

During scrutiny of records of ND Division No.7, Satna we noticed (December 2014) that the Chief Engineer (CE) deleted (April 2012) the structure of CR-cum-escape at RD km 32.880 from the scope of work due to unsuitable ground conditions and requirement of keeping CR-cum-escape at the distance of 40 km in view of proposal submitted by the contractor. Accordingly, this deleted structure was not executed by the contractor. However, the total price of the turnkey contract was not reduced by the cost of CR-cum-escape of ₹ 1.00 crore²² on the plea of being a turnkey contract. As the contractor had quoted price considering cost involved on construction of this deleted structure, non-reduction of price of turnkey contract by the cost of CR-cum-escape resulted in undue benefit of ₹ 1.00 crore to the contractor. Had the feasibility of structure been assessed at the stage of preparation of design and drawing, estimates and technical sanction, extra cost of ₹ 1.00 crore on non-executed deleted structure of CR-cum-escape could have been avoided.

On this being pointed out in audit, the Executive Engineer (EE) stated (December 2014) that the structure of CR-cum-escape was deleted by the CE, Upper Narmada Zone, Jabalpur (April 2012) on the basis of unsuitable ground condition. The EE further, stated that there was no provision for additional payment/recovery in the turnkey contract for addition/deletion of works; hence, there was no undue benefit to contractor as per contract conditions.

The reply is not convincing as the contractor had quoted his price taking in to account the cost of deleted CR-cum-escape and therefore, non-reduction of the cost of the deleted item has resulted in undue benefit to the contractor to that

²² Tender cost of the structure ₹ 1.08 crore – 7.20 per cent = ₹ 1.00 crore.

extent which could have been avoided if number of CR-cum-escape has been decided correctly at the time of tender.

The matter was referred to the Government (May 2015); their reply has not been received (November 2015).

PUBLIC WORKS DEPARTMENT

3.2.4 Excess payment to the contractor

Excess payment of ₹ 49.37 lakh was made to the contractor due to not restricting payment of bituminous items applicable for 40-60 TPH hot mix plant.

The Department awarded (January 2010) the work of “Upgradation of Awan road (Janjali) to Maksudangarh road (39.00 km)” under Central Road Fund to a contractor at the cost of ₹ 30.46 crore on item rate tender basis which was 22.80 *per cent* below the estimated cost based on Schedule of Rates (SOR) 2009. The work order was issued in January 2010 to the contractor to complete the work within 22 months including rainy season. The work was completed (February 2013) and final bill was paid (June 2014) to the contractor for total value of work done of ₹ 34.19 crore including escalation of ₹ 4.60 crore.

According to the sanctioned detailed project report (DPR), estimates and tender document, the Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC) work were to be executed using 100-120 tonne per hour (TPH) hot mix plant. Accordingly, the contractor quoted rates of these items. Further, SOR 2009 provides that work of BM and SDBC should be executed using 100-120 or 40-60 TPH hot mix plant as required in concerned work. The SOR rates of BM and SDBC items by using 100-120 TPH hot mix plant were ₹ 4,220 and ₹ 5,708 and by using 40-60 TPH hot mix plant, the rates were ₹ 3,878 and ₹ 5,528 respectively.

We noticed (February 2015) during scrutiny of records of Executive Engineer (EE), Public Works Department (PWD), Guna that, in measurement books and contract data consisting of list of plant and machineries to be used, the items of bituminous course (BM and SDBC) were executed by contractor by using 40-60 TPH hot mix plant²³ instead of 100-120 TPH hot mix plant as provided in the agreement. Therefore, payment for the work of BM and SDBC was required to be made with reference to the SOR rate applicable for 40-60 TPH hot mix plant but the contractor was paid at full quoted rate of BM and SDBC applicable for use of 100-120 TPH hot mix plant. Thus, excess payment of ₹ 49.37 lakh was made to the contractor due to not restricting payment of bituminous items applicable for 40-60 TPH hot mix plant as detailed in **Appendix 3.4**.

The Divisional Officer stated (February 2015) that the information in this regard would be submitted after receiving it from Chief Engineer (CE) Office as notice inviting tender (NIT) was invited by CE, Central Sponsored Scheme (CSS), Bhopal and original records were maintained by CE.

²³

In the MB, it has been mentioned 50-60 TPH instead of 40-60 TPH.

The reply, however, does not explain the reason for utilisation of 40-60 TPH hot mix plant instead of 100-120 TPH hot mix plant and not restricting payment to the contractor at the rates applicable for 40-60 TPH hot mix plant actually used in the work. Further tendered bill of quantities annexed with bid document approved by the Government and duly signed by CE, CSS and contractor also provided for BM and SDBC using 100-120 TPH hot mix plant.

The matter was referred to the Government (May 2015); their reply has not been received (November 2015).

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

PUBLIC WORKS DEPARTMENT

3.3.1 Inadmissible payment of price escalation to the contractor

The Executive Engineer, PWD (B&R) division, Dindori paid excess price escalation of ₹ 3.63 crore to a contractor due to taking into account the inadmissible period for escalation and using incorrect method for calculation of escalation against the one specified in Standard Bidding Document.

The Department awarded (November 2006) the work of “construction of bridges and culverts on Shahpur-Batondha-Vikarampur road (49.60 km)” to a contractor at the cost of ₹ 9.07 crore which was 3.63 *per cent* below the estimated cost of ₹ 9.41 crore. The work was scheduled to be completed within 17 months, i.e., by April 2008. The Department rescinded (August 2012) the contract due to slow progress of work. The contractor was paid (June 2012) ₹ 14.12 crore including ₹ 3.76 crore on account of price escalation based on the value of work done up to 50th running account (RA) bill.

According to the corrigendum issued (October 2005) by the Government of Madhya Pradesh, Public Works Department (PWD), forming part of the tendered agreement no claim for price escalation shall be entertained if construction period as per notice inviting tenders is not more than 18 months. It is further clarified in the corrigendum that if the completion period in the agreement is 18 months or less and on account of valid time extension the operative period exceeds 18 months then no escalation will be paid for the initial period of 18 months. Thus, escalation was payable as per the formula²⁴ given in standard bidding document of percentage rate tender for

²⁴ Escalation for labour component = $(0.75 \times 0.60 \times \text{value of work during Quarter} \times (\text{Base Index for labour} - \text{Avg. Index of Quarter for labour})) / \text{Base Index for labour}$.
Escalation for POL = $(0.75 \times 0.40 \times \text{Value of work during Quarter} \times (\text{Base Index for POL} - \text{Avg. Index of Quarter for POL})) / \text{Base Index for POL}$.

period beyond 18 months, if time extension is granted without penalty. Since, the period of construction in the said work was 17 months, the escalation Clause 11-C was deleted from the terms and conditions of the standard bidding documents for the said work.

We noticed (February 2014) in scrutiny of records of Executive Engineer (EE), PWD (B&R) division, Dindori that the contractor could not complete the work within the scheduled completion period of 17 months. The Chief Engineer (CE) granted time extension of 26 months upto June 2010 on the ground of lack of fund. As the contractor could not complete the work even in the extended period, the CE further granted (September 2011) time extension of 21 months up to March 2012 under penal clause of the agreement. The contractor, however, failed to complete the work and the Department rescinded (August 2012) the contract. As the price escalation was payable on valid time extension granted for delays in work attributable to the Department, the contractor was eligible for price escalation on the work done during May 2008 (stipulated date of completion) to June 2010 (time extension without penalty). The division, however, calculated and paid escalation of ₹ 3.76 crore by adopting rate (without explaining as to how it was arrived at) of escalation for different items of work executed during entire period of execution of the work from November 2006 to August 2012. On the basis of formula given in the standard bidding documents price escalation is worked out to ₹ 13.09 lakh for the eligible period from April 2008 to June 2010. Thus, the division paid an excess amount of ₹ 3.63 crore (**Appendix 3.5**) on account of price escalation to the contractor.

On this being pointed out, the EE, PWD (B&R) division, Dindori stated (August 2015) that the Collector, Dindori was requested (June 2015) for effecting recovery from the contractor through issue of Revenue Recovery Certificate (RRC) and the Collector, Dindori in turn has requested (July 2015) the Collector, Rewa to issue RRC for recovery of ₹ 3.63 crore. He further stated that demand draft of ₹ 1.43 crore had been received out of deposits of the contractor.

The reply, however, does not describe action taken against the erring officers responsible for inadmissible payment to the contractor besides recovery of balance amount of ₹ 2.19 crore was still awaited (August 2015).

The matter was referred to the Government (February 2015); their reply has not been received (November 2015).

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

3.3.2 Short levy of liquidated damages on the contractors

Liquidated damages amounting to ₹ 1.57 crore on account of delay in completion of work, was short imposed on the contractors.

The Department awarded the work of construction of roads under five packages under Pradhan Mantri Gram Sadak Yojna (PMGSY) during February 2009 to March 2010 to different contractors with scheduled completion period of 11 to 12 months including rainy season. These works were completed after delays of 195 days to 809 days from the scheduled completion period.

Clause 44.1 of agreement provides that the contractor shall pay liquidated damages (LD) to the employer at one *per cent* per week subject to maximum of 10 *per cent* of the initial contract price for the period that the completion date is later than the intended completion date. Clauses 27 and 44 of general conditions of agreement further, provide that the employer may grant interim extension of time on the request of contractor reserving the right to recover the LD and decide the quantum of LD on completion of work taking into account the effect of compensation events²⁵ and delay on the part of contractor.

Clause 27.1 provides that the Engineer shall extend the intended completion date if a compensation event occurs or a variation is issued which makes it impossible for completion by the intended completion date. Clause 44.2 of agreement provides that delay in departmental assistance ingrained in the contract will be taken duly into account while recovering any compensation for the delay.

During scrutiny of records (August 2013) of Madhya Pradesh Rural Roads Development Authority (MPRRDA), Project Implementation Unit (PIU), Shivpuri we noticed that the works were completed after delay of 195 days to 809 days from the scheduled completion period (**Appendix 3.6**). On completion of these road works, the Chief Executive Officer (CEO) determined and imposed (February 2010 to July 2013) LD of one to two *per cent* (equivalent to delays of one to two weeks) only of initial contract price or actual cost, whichever is less, on the contractors without mentioning reasons of delays on the part of the Authority and the contractors. On analysing the reasons of delays from the letters of the General Manager, PIU, Shivpuri forwarding the cases of time extension and imposition of LD, to the CEO it was found that after excluding delays on the part of the Authority and other reasons for which contractors were not liable, there were delays of 102 to 706 days on the part of the contractors (**Appendix 3.7**). Since delays on the part of the contractors were much more than 10 weeks, the contractors were liable for LD of 10 *per cent* being the maximum LD. The CEO, however, levied LD of one to two *per cent* only on the contractor. We further observed that no speaking order analysing reasons and extent of delays on the part of contractor or the Authority, was issued. This resulted in short levy of LD of ₹ 1.57 crore on the contractors (**Appendix 3.7**).

The Government in its reply (August 2015) stated that the Department could not give possession of site to contractors in the prescribed time limit for want of forest clearance, forest clearance was with number of conditions and farmers/land owners created problem when actual construction started. It was further stated that the quantum of LD was decided by the CEO through personal hearing following the prescribed procedure and keeping in mind the circumstances prevailing in the field such as encroachments, local nuisance and shifting of electricity lines etc. It was also stated that audit had calculated the number of days by which works were delayed for want of forest

²⁵ These events are: an order for delaying execution by more than 30 days issued by the Engineer or the effects on the contractor of any of the employer's (MPRRDA) risk (war, insurrection, riot commotion, contamination from any nuclear fuel/waste or cause due solely to design of the works etc.)

permission without considering consequential losses to the contractors.

The reply is not convincing as the delays after excluding the delays on the part of the Authority and other reasons for which contractors were not liable, ranged between 107 to 706 days which was much more than the period of 10 weeks rendering the contractors liable for LD of minimum 10 *per cent*. The terms and conditions of the agreement do not provide for payment on account of any consequential loss to the contractors. In terms of clause 27.1 read with 44.2 of the agreement, delay in departmental assistance (here delay in forest clearance) would only postpone the completion period and not the reduction of LDs.

NARMADA VALLEY DEVELOPMENT DEPARTMENT

3.3.3 Adoption of incorrect price indices resulting in excess payment

Adoption of incorrect base price index for calculation of price escalation in two canal works resulted in excess payment of ₹ 99.69 lakh to a contractor, out of which ₹ 52.47 lakh was recovered on being pointed out by Audit.

The Department awarded (February 2009) two works for execution of the Satna-Rewa main canal (Bargi Right Bank Canal) from RD²⁶ km 154.050 to RD km 196.650 of Bargi diversion project and Nagod (Satna) Branch canal from RD km 0.0 to RD km 33.175 including complete distribution system of Bargi diversion project to a contractor at the cost of ₹ 144.90 crore (21.79 *per cent* below Unified Schedule of Rates (USR) 2007) and ₹ 183.95 crore (7.20 *per cent* below USR 2007) respectively on turnkey basis. The work orders were issued (February 2009) to the contractor to complete the works within 30 months and 40 months including rainy season respectively. The works were in progress and the contractor was paid (July 2015) ₹ 199.10 crore including ₹ 37.51 crore on account of escalation vide 78th running account (RA) bill in Satna-Rewa main canal and ₹ 248.42 crore including ₹ 46.63 crore on account of escalation vide 86th RA bill in Nagod branch canal.

As per the terms of the agreements, the increase or decrease in the cost of materials (other than POL²⁷, Steel and Cement) shall be calculated quarterly on the basis of average index of whole sale prices in India (all commodities) as published by the Government of India (GoI), Ministry of Industry, Office of Economic Advisor.

During scrutiny (December 2014) of records of Executive Engineer (EE), ND Division no. 07, Satna (Nagod branch canal) and EE, ND Division no. 09, Maihar (Satna-Rewa main canal) we noticed that the Department used price index published by RBI bulletin instead of price index published by GoI, Ministry of Industry, Office of the Economic Advisor while calculating the price escalation for material. The Department paid an amount of ₹ 15.40 crore²⁸ to the contractor on account of price escalation for material (other than POL, Steel and Cement) only based on RBI bulletin though the amount of

²⁶ RD - Reducing Distance

²⁷ POL – Petrol, Oil and Lubricant

²⁸ ₹ 6.36 crore Satna Rewa main canal and ₹ 9.04 crore for Nagod branch canal

price escalation is worked out to ₹ 14.38 crore²⁹ on the basis of average index of wholesale prices (all commodities) published by GoI, Ministry of Industry, Office of the Economic Advisor (**Appendix 3.8 and 3.9**). Thus, due to use of incorrect price index, excess amount of ₹ 99.69 lakh³⁰ was paid to the contractor. This also indicated weakness in system of checking bills with reference to terms and conditions of contracts.

The Chief Engineer in its reply (August 2015) in respect of Nagod Branch Canal stated that, ₹ 25 lakh and ₹ 26.27 lakh were recovered through 82nd RA bill and 85th RA bill respectively. Regarding Satna-Rewa main canal, he further stated that ₹ 45.52 lakh was retained as additional security deposit through RA bills, which shall be adjusted through next running bill and provided copy of 78th RA bill through which recovery of ₹ 31.77 lakh has been made.

The fact remains that EE, ND division no. 07, Satna (Nagod branch canal) recovered only ₹ 20.70 lakh through 85th RA bill while ₹ 25 lakh was withheld due to non-approval of payment but not adjusted/recovered in 82nd RA bill and for recovery of remaining ₹ 5.49 lakh, no documents was provided by the Division. In respect of Satna-Rewa main canal, ND division no. 09 Maihar, recovery of ₹ 31.77 lakh was made against the total amount of ₹ 47.93 lakh. Thus, ₹ 47.22 lakh was yet to be recovered. Besides, no action for incorrect payment was initiated against the erring employees.

The matter was referred to the Government (January 2015); their reply has not been received (November 2015).

WATER RESOURCES DEPARTMENT

3.3.4 Wasteful expenditure on Lift Irrigation Schemes due to negligence

Due to negligence, an expenditure of ₹ 60.26 lakh was incurred because of overlapping of common command area of two Lift Irrigation Schemes which can be avoided.

The Chief Engineer (CE), Ganga Basin, Rewa accorded (June 2013) technical sanction (TS) for the work of construction of Tamas main canal from RD³¹ km 9.60 to RD km 69.50, Mahana distributory from RD km 0 to RD km 47 and Chilla branch canal from RD km 0 to RD km 23 under Teonthar flow scheme for creating irrigation potential of 37,050 hectare (ha) in Jawa and Teonthar tehsils of Rewa district at the cost of ₹ 228.89 crore. The work was awarded (October 2013) to a contractor at the cost of ₹ 225.79 crore (1.354 per cent below USR³² 2009) on turnkey basis to complete the work in 36 months including rainy season i.e., by October 2016. The work was in progress as of March 2015 and the contractor was paid (February 2015) ₹ 31.27 crore against the value of work done up to February 2015.

We noticed (October 2014 and March 2015) that CE, Ganga Basin, Rewa accorded (June 2013) TSs of the work of restructuring and strengthening of

²⁹ ₹ 5.88 crore for Satna-Rewa main canal and ₹ 8.50 crore for Nagod branch canal

³⁰ Total excess payment = (₹ 47.93 lakh + ₹ 51.76 lakh = ₹ 99.69 lakh)

³¹ RD – Reducing Distance

³² USR – Unified Schedule of Rates

the existing five Lift Irrigation Schemes³³ (LISs), constructed for irrigation in Jawa Tehsil of Rewa district, at the cost of ₹ 1.88 crore. Subsequently, the Government of Madhya Pradesh accorded administrative approval (AA) (September 2013) of the same at the estimated cost of ₹ 1.88 crore for irrigation of 16,653 ha. The works were awarded (September 2013) to a contractor at the cost of ₹ 1.32 crore (23.10 per cent below USR 2009) to complete the work within 12 months including rainy season i.e. by September 2014. The contractor could complete about 35 per cent of the work and was paid (June 2014) an amount of ₹ 60.26 lakh against the value of work done upto May 2014. The CE, Ganga Basin, Rewa instructed (May 2014) the Executive Engineer (EE), Rewa division to stop execution of the works of LISs as the command area for irrigation of these LISs was found covered under the command area of Teonthar flow scheme. Accordingly, the work of the LISs was stopped on May 2014.

As the CE, Ganga Basin, Rewa had accorded TS of the work of Teonthar flow scheme (June 2013) before the award of the work of restructuring and strengthening of existing LISs (September 2013) and also the command area of 16,653 ha of these five LISs was fully covered in the projected command area of 37,050 ha of Teonthar flow scheme, the entire expenditure of ₹ 60.26 lakh on the LISs could have been avoided since the work of LISs was not required to be taken up for execution. It was also an indication of absence of control mechanism to identify schemes having overlapping command area before taking up projects for execution and non-coordination amongst different divisions within administrative control of CE of Water Resources Department. Thus, due to negligence on the part of the approving authority, wasteful expenditure of ₹ 60.26 lakh was incurred.

The Government in its reply (October 2015) stated that the AA was accorded for repair of five LISs in the year 2013 so that the cultivators are not deprived off existing LIS benefit for so many years on the ground that new schemes are proposed in that area. It further stated that CE has restricted the work to certain limit to avoid long term benefits as that may be taken under Teonthar flow network.

The reply is not acceptable as both the works were under same CE, Ganga Basin, Rewa and TS of the work under Teonthar flow scheme was accorded before according TS for the work of restructuring and strengthening of the five LISs. Therefore, the fact of common command area of the five LISs with that of the Tamas main canal under Teonthar flow scheme should have been noticed at the time of according TS of the five LISs. If it had been noticed at the time of according TS, the work of the five LISs could not have been awarded and the expenditure of ₹ 60.26 lakh could have also been avoided. Stoppage of work of LISs midway itself indicates that work of the restructuring and strengthening of LISs was not required from the very beginning and the expenditure on the partial execution of the work could have been avoided as approval of the work of Teonthar flow scheme was given before the approval and starting of the work of the LISs.

³³ Barauli, Chandi, Jawa, Mohraand Patehara on Tamas river in Jawa Tehsil of Rewa

3.4 Failure of oversight

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:

WATER RESOURCES DEPARTMENT

3.4.1 Undue benefit to the contractor

Due to not specifying a minimum output of the hired machine in the agreement, the Department paid for extra 4,033.77 machine hours resulting in undue benefit of ₹ 1.18 crore to the contractor.

The Department awarded (May 2011) the work of hiring the Hydraulic Excavator for completion of balance work of Purwa canal, Bansagar project, Rewa to a contractor at the quoted rate of ₹ 2924.76 per hour for estimated quantity of 21,600 hours. The 65th running account bill (RA) was paid (April 2012) to the contractor for gross value of work done of ₹ 8.48 crore.

As per the conditions mentioned in the work order (May 2011) and as per clause 10 of the agreement, payment was to be made to the contractor as per agreement rates at the end of every month as per actual running hours. Clause 9 of the Additional Special Conditions of the agreement provided that for deployment of machines at the site, all the transportation cost including shifting from one site to another, shall be borne by the machine owner and department shall not be responsible for such expenses.

According to the Schedule of Rate (SOR) revised and issued from time to time by Public Works Department (PWD) based on standard data book issued by MORT&H³⁴ New Delhi, for determining rate of excavation of soil per cubic metre, a normative output of excavation per hour of utilisation of hydraulic excavator has been considered. Thus, it is necessary for hiring of a machine for earthwork that, a condition of minimum output of the machine is incorporated in the contract, for control purpose and for ensuring effective utilisation of the machine.

During scrutiny of records of Executive Engineer (EE), Electrical & Mechanical (E&M) Heavy Earth Moving Division Bhopal, we noticed (July 2014) that no condition of minimum output of earthwork per machine hour was included in the agreement of the said work. We further noticed (July 2014) that the contractor executed 5,98,791 cu m earthwork in different types of strata by utilising 21,170.31 machine hours and were paid ₹ 6.00 crore (**Appendix 3.10**). Based on the normative output of the machines given in other agreements awarded to the same contractor for execution of earthwork, total machine hours required to be utilised by the contractor for the executed quantities of 5,98,791 cu m, should have been 17,136.54 hours only

³⁴ Ministry of Road Transport & Highways

(**Appendix 3.11**). Thus, due to not specifying a minimum output of the hired machine, the Department paid for extra 4,033.77 machine hours resulting in undue benefit of ₹ 1.18 crore to the contractor and loss to the Government to that extent (**Appendix 3.11**).

On this being pointed out, the Government replied (July 2015) that in the work order, nowhere minimum production per hour were mentioned and as such the objection was not tenable. The EE, Purwa Canal Division No. 2, Satna had replied (June 2015) that actual running hours of machines for execution of the work was only 17,136.54 hours and balance 4,033.77 hours of the machines were utilised in shifting/transportation of machines from one site to another site of work. He, further, stated that the payment for total 21,170.31 hours was made to contractor including transportation hours.

The reply of the Government is not acceptable as it does not explain reasons for non-inclusion of the condition of minimum output by the hired machine in the agreement, leading to undue benefit to contractor and loss to the Government. The reply of EE of the division confirms that the payment was also made for 4,033.77 hours used in shifting/transporting of machine from one site to another site whereas, additional special condition (9) of the agreement provided that transportation cost of machines from one site to another was to be borne by the contractor and separate payment for transportation would not be made. Further, in the agreement it was clearly mentioned that the payment would be made as per actual running hours of machines.



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The 26 February 2016

Countersigned



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Comptroller and Auditor General of India

New Delhi
The 2 March 2016

