



Overview

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This Report of Comptroller and Auditor General of India on Economic (Non-PSUs) Sector, Government of Madhya Pradesh for the year ended 31 March 2015 includes four Performance Audits, one long draft paragraph and 14 paragraphs arising from audit of the financial transactions. A summary of the important findings is given below:

1. Performance Audits

1.1 Construction of canals and creation of irrigation potential of Indira Sagar Project

Indira Sagar Project (ISP) (in district Khandwa) is a multipurpose project of the State on the Narmada River upstream of Sardar Sarovar Project. The project comprises of a 92 m high and 653 m long concrete gravity dam having 7.90 Million Acre Feet (MAF) live storage, 2.00 MAF dead storage capacity and 248.65 km (revised to 243.89 km) long main canal. The objective of the project is to provide irrigation in 1.23 lakh hectare (ha) net irrigation in Khandwa, Khargone and Badwani districts with a total annual irrigation of 1.69 lakh ha in the State. A performance audit of construction of canals and creation of irrigation potential of ISP revealed the following deficiencies:

- The work of the initial reach of the ISP Canal i.e. Phase I and Phase II to provide irrigation in 62,200 ha, were not completed even after incurring expenditure of ₹ 3,102.89 crore.

(Paragraph 2.1.7)

- The contractors gave emphasis mainly on execution of main canal instead of simultaneous execution of its distribution network which adversely impacted creation of irrigation potential.

(Paragraph 2.1.7.2)

- Deviations from the condition mentioned in the standard bidding documents, injudicious revision of orders, adoption of incorrect indices for computation of price escalation and irregular grant of time extension after stipulated completion period resulted in extra payment of ₹ 93.48 crore on account of escalation.

(Paragraphs 2.1.8.2 and 2.1.8.8)

- Penalty of ₹ 118.78 crore was not levied on the turnkey contractors for delays in completion of milestones of the works and inclusion of unwarranted item of transmission line extended undue benefit of ₹ 75.19 crore to the turnkey contractor.

(Paragraphs 2.1.8.7 and 2.1.8.11)

- The objective of switching over to turnkey contracts from the item rates contracts was not fulfilled as there were abnormal delays in submission of proposal for acquisition of land by the turnkey contractors, delays in execution of the works and consequential non-creation of irrigation potential.

(Paragraph 2.1.8.14)

1.2 Construction of roads under Pradhan Mantri Gram Sadak Yojana

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by the Government of India in December 2000 with the objective of providing connectivity by way of all weather roads to unconnected habitations in the rural areas. In the State, the scheme was implemented by Madhya Pradesh Rural Road Development Authority (MPRRDA).

Out of 20,210 eligible unconnected habitations as on April 2000 in Madhya Pradesh, connectivity under PMGSY was provided to 12,496 habitations upto March 2010 by constructing 8,258 roads (37,355 km) at a cost of ₹ 8,795.73 crore. During the period of audit coverage (April 2010 to March 2015), connectivity was provided to 3,323 habitations by incurring expenditure of ₹ 6,328.61 crore for 5,190 roads (23,030 km). As of March 2015, 3,388 eligible habitations were unconnected. Some significant audit findings of the performance audit are as under:

- The planning was deficient as transect walks were not held, approval of roads on yearly basis was not obtained from the *Zila Panchayat*. After a lapse of 14 years from the commencement of the scheme, 17 per cent of the eligible habitations were yet to be provided connectivity by all weather roads

(Paragraphs 2.2.7.1 to 2.2.7.3)

- Detailed Project Reports were not realistic. Instances of short levy of liquidated damages of ₹ 34.42 crore, incorrect payments of ₹ 11.21 crore for hume pipes, payment of ₹ 29.19 crore without substantiating measurements, excess payments of ₹ 69.41 lakh, short/non-recovery of ₹ 47.34 crore recoverable from contractors and undue financial aid of ₹ 2.60 crore due to non-insurance of works were noticed.

(Paragraphs 2.2.7.4, 2.2.8.1 (v to vii) and 2.2.8.3)

- There was delay in award of post five year maintenance works after defect liability period of work in case of 103 packages of road works and instances of non-maintenance of roads during defect liability period were noticed.

(Paragraph 2.2.8.4)

- The quality monitoring through State Quality Monitors (SQMs) were not being held as per prescribed norms for assessing quality of work. There was delay in rectification of defects pointed out by SQMs.

(Paragraph 2.2.9.2)

1.3 Implementation of Bundelkhand Drought Mitigation Package in Madhya Pradesh

Bundelkhand region comprised of Chhattarpur, Damoh, Datia, Panna, Sagar and Tikamgarh districts of the State. The Government of India (GoI) approved (December 2009) a special Bundelkhand Drought Mitigation Package (BDMP) with the objectives of optimisation of water resources through utilisation of river system, development of irrigation facilities, warehousing and marketing infrastructure and watershed treatment in forest area upto end of 11th plan period for addressing severe drought condition and their impact on the livelihood of the people in the region.

A performance audit on “Implementation of BDMP in Madhya Pradesh” by Water Resources; Farmer Welfare and Agriculture Development and Forest Departments revealed:

- The Planning Commission, GoI announced (December 2009) a special package with cost of ₹ 3,760 crore for Madhya Pradesh for 11th plan period and Additional Central Assistance (ACA) ₹ 1,953.20 crore was earmarked. ACA of ₹ 1,884.50 crore was earmarked for 12th plan period for BDMP.

(Paragraph 2.3.1)

Water Resources Department

- Under BDMP, Water Resources Department was allotted ₹ 1,581 crore for creation of 2.16 lakh hectare (ha) irrigation potential through implementation of 177 schemes/projects. Of which 1.14 lakh ha irrigation potential could be achieved up to March 2015 by incurring expenditure of ₹ 1,098.86 crore.

(Paragraph 2.3.7)

- In Datia and Tikamgarh districts, the work of development of 45,536 ha command area was undertaken in Rajghat Project for which ₹ 50 crore was allocated under BDMP against which only 22,624 ha of command area could be developed at the cost of ₹ 56.11 crore. Further, an amount of ₹ 11.54 crore was incurred in Bhind and Shivpuri districts outside the Bundelkhand region.

(Paragraph 2.3.7.1)

- The additional fund of ₹ 117.08 crore under BDMP was provided for Bariyarpur left bank canal (LBC) project for completing it by 11th plan period. However, lining in main canal, 12 numbers of structures in main canal, earthworks of distribution system and lining of distribution system were not completed. There was avoidable extra expenditure of ₹ 15.83 crore due to award of work on the basis of inflated estimates.

(Paragraph 2.3.7.2)

- Singhpur project was intended to irrigate 12,474 ha land in Chhattarpur districts. ACA of ₹ 100 crore was provided for completing it by 2012-13. However, significant part of its distribution system was incomplete as of March 2015 due to frequent changes in the design parameters.

(Paragraph 2.3.7.3)

- An expenditure of ₹ 708.13 crore was incurred upto March 2015 on 167 minor irrigation schemes. 135 minor irrigation schemes were completed and 37,028 ha irrigation potential was created. There were changes in selection of the schemes, resulting in delay in start as well as completion of works. Further, late initiation of land acquisition process also resulted in delay in completion of schemes.

(Paragraph 2.3.7.4 (i))

Farmer Welfare and Agriculture Development Department

- The Farmer Welfare and Agriculture Development Department created warehousing capacity of 5.34 lakh metric tonne (MT) at the cost of ₹ 478.26 crore. Twenty seven marketing infrastructures (mini mandis) having capacity of 76,800 MT were constructed under BDMP by incurring

expenditure of ₹ 80.14 crore. Mini mandis, envisaged to be run by the Primary Agriculture Co-operative Societies (PACS), however, could not be handed over to PACS as of October 2015.

(Paragraphs 2.3.8 and 2.3.8.1)

- Detailed Project Reports (DPRs) of works of warehouse and marketing infrastructure sanctioned at the cost of ₹ 222.14 crore were based on similar drawings of warehouses instead of specific site requirements. This resulted in large deviation in items of works during execution.

(Paragraph 2.3.8.2 (i))

Forest Department

- Forest Department incurred ₹ 158.69 crore as of March 2015, against project cost of ₹ 322 crore for soil moisture and conservation (SMC) works in watershed areas. However, SMC works in only 1.39 lakh hectare area could be completed against targeted area of 2.88 lakh hectare due to short release of funds by GoI during 12th Plan period.

(Paragraphs 2.3.9 and 2.3.9.1)

1.4 IT Audit on Implementation of “Enterprise Information Management System-EIMS” by Water Resources Department, Madhya Pradesh

Water Resources Department of Madhya Pradesh is entrusted with the responsibility of development of water resources of the State. The Enterprise Information Management System (EIMS) is a part of the World Bank funded Madhya Pradesh Water Sector Restructuring Project. Objectives of EIMS application are to streamline and improve efficiency, facilitate better planning and management of the integrated water resources, irrigation and drainage systems.

General Control

- Formal logical access control policy, change management policy and business continuity and disaster recovery plan were not prepared by the Department so far.

(Paragraphs 2.4.6.1 to 2.4.6.3)

Application Control

- The examination of the database in 24 modules of EIMS indicated inadequate input control, absence of data validation, incomplete mapping of business rules, incomplete capturing of data in many of the modules and non-utilisation of certain modules. The expenditure of ₹ 16.79 crore incurred on development of EIMS remained unfruitful to the extent the modules planned are not being developed/utilised.

(Paragraphs 2.4.7.1 to 2.4.7.17)

Contract management of EIMS

- The website was not secured as an expired Secure Sockets Layer Certification was installed with the application. Agreement with the Consultant provided for installation of bilingual dictionary to switch between Hindi and English and phonetic conversion engine. However, these were not installed with the application.

(Paragraphs 2.4.8.2 and 2.4.8.3)

- The Department could not develop adequate manpower to utilise full potential of the EIMS application. Some of the main functions of development phase of EIMS were executed through a sub-contracted firm in contravention of the agreement which led to system design deficiencies.

(Paragraphs 2.4.8.5 and 2.4.8.8)

1.5 Long Draft Paragraph on Quality Assurance in work

Water Resources Department had established two central laboratories, two quality control divisions with its eight sub-divisions and 12 other quality control sub-divisions. The adequacy of quality control establishment and adherence of prescribed quality control norms were test checked for the period 2012-13 to 2014-15 in three major, two medium and 23 minor irrigation schemes costing ₹ 1,250.52 crore being executed through 72 agreements. The significant audit findings are as follows:

- The number of quality control circles, divisions and sub-divisions were not established as per the norms given in Quality Control Manual of the Department. There was shortage of staff including technical staff in the quality control divisions/sub-divisions affecting quality assurance in works.

(Paragraphs 2.5.5.1 (i) and (ii))

- Test reports relating to quality of cement and steel reinforcement bars costing ₹ 121.71 crore, physical properties of cohesive non-swelling soil material and low density polyethylene film costing ₹ 12.90 crore were not available and requisite tests of materials and cement concrete/reinforcement cement concrete were not done as per the prescribed frequencies. As such, there was no assurance that materials having requisite quality and physical properties were used in the works.

(Paragraph 2.5.5.2)

- The test results of cement concrete work in the work of Rampur distributary indicated strength of cement concrete work was less than the specified strength. For defect in the cement concrete work valued at ₹ 7.01 crore, the Department neither directed the contractor for removal of the defect nor reduced the payment.

(Paragraph 2.5.5.3)

- In respect of six turnkey agreements of canal lining and structures of Pench diversion scheme costing ₹ 580.77 crore, reports of joint measurements for works, checking by the competent authority and reports of tests of materials, cement concrete/reinforcement cement concrete works in the frequency specified in the Quality Control Manual, were also not found.

(Paragraph 2.5.5.4)

2. Audit of transactions

Audit has 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, orders, etc.
- Expenditure without propriety
- Persistent and pervasive irregularities
- Failure of oversight

2.1 Non-compliance with 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, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 5.58 crore. significant audit findings are as under:

- The Directorate of Aviation, Government of Madhya Pradesh 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 of ₹ 83.00 lakh.

(Paragraph 3.1.1)

- In Water Resources Division Panna, 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.

(Paragraph 3.1.2)

- In Lower Sihawal division, Churhat, 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.

(Paragraph 3.1.3)

- The Executive Engineer, Sanjay Sagar Project made unjustified payment of ₹ 1.01 crore to the contractor towards lead of Narmada Sand in place of actually utilised local sand.

(Paragraph 3.1.4)

- 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.

(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 ₹ 9.14 crore are mentioned below:

- In Mahan Canal division, Sidhi, 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.

(Paragraph 3.2.1)

- In Pench Diversion Dam Division-I, Singana, Chhindwara, due to award of work for increased quantity of an item at higher rates to a new contractor in a project, the Division incurred extra expenditure of ₹ 1.03 crore on the executed quantities and has committed for extra expenditure of ₹ 2.09 crore .

(Paragraph 3.2.2)

- In ND Division No.7, Satna, undue benefit of ₹ 1.00 crore was given to the contractor due to deletion of structure of cross regulator cum escape from the scope of the work in turnkey contract.

(Paragraph 3.2.3)

- The Executive Engineer, Public Works Department, Guna made excess payment of ₹ 49.37 lakh to the contractor due to not restricting payment of bituminous items applicable for 40-60 tonne per hour hot mix plant.

(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. Significant cases of persistence irregularity valuing ₹ 6.80 crore are as under:

- 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.

(Paragraph 3.3.1)

- In Madhya Pradesh Rural Roads Development Authority, Project Implementation Unit, Shivpuri, liquidated damages amounting to ₹ 1.57 crore was short imposed on the contractors on account of delay in completion of work.

(Paragraph 3.3.2)

- In ND Division no. 07, Satna (Nagod branch canal) and ND Division no. 09, Maihar (Satna- Rewa main canal), 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.

(Paragraph 3.3.3)

- Due to negligence, the Chief Engineer, Ganga Basin, Rewa incurred an expenditure of ₹ 60.26 lakh because of overlapping of common command area of two Lift Irrigation Schemes which can be avoided.

(Paragraph 3.3.4)

2.4 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 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. A case amounting to ₹ 1.18 crore has been discussed below:

- Due to not specifying a minimum output of the hired machine in the agreement, the Electrical & Mechanical, (E&M), Heavy Earth Moving Division Bhopal paid for extra 4,033.77 machine hours resulting in undue benefit of ₹ 1.18 crore to the contractor.

(Paragraph 3.4.1)