

## **Chapter-III Compliance Audit**

- **Audit paragraphs**



## Chapter III: Compliance Audit

Compliance Audit of the Government departments, their field formations as well as that of the autonomous bodies brought out 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.

### Audit Paragraphs

#### GENERAL SECTOR

##### Law and Legislative Affairs (Election) Department

#### 3.1 Irregular procurement and extra expenditure

**Failure on the part of Chief Electoral Officer, Madhya Pradesh to ensure procurement of Voting Compartments as stipulated by Election Commission of India and at competitive rates resulted in irregular procurement of ₹ 5.77 crore and avoidable extra expenditure of ₹ 5.06 crore.**

As per the guidelines of Central Vigilance Commission (CVC), the core principle of any public purchase is to procure the material/ services of the specified quality at the most competitive prices and in a fair, just and transparent manner. According to the Madhya Pradesh Financial Code, purchase must be made in the most economical manner.

Election Commission of India (ECI) issued (November 2016) directions to Chief Electoral Officers (CEO) of all the States and Union Territories regarding uniformity on use of voting compartments<sup>1</sup> (VC) and provided that the VC should be made only of corrugated plastic sheet (flex board) of steel grey colour which is opaque and reusable.

Scrutiny of records (February 2018 to March 2018) in four<sup>2</sup> offices of the District Election Officers (DEO), information collected (November 2018) and office of the CEO, Madhya Pradesh (January 2019) in regard to procurement of VCs by 15<sup>3</sup> DEOs revealed that CEO, Madhya Pradesh had instructed (February 2017 and April 2017) all the Collectors and DEOs to procure the VCs made of PVC foam (Item Code, SMM 169204) instead of corrugated plastic sheet as per ECI stipulation from *Madhya Pradesh Laghu Udyog Nigam* (MPLUN). Pursuant to the instructions of CEO, DEOs of these 19 districts

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<sup>1</sup> Used for covering ballot unit (s) in order to maintain secrecy of vote at the time of poll.

<sup>2</sup> Jablapur (March 2018), Khargone (March 2018), Shahdol (July 2018) and Ujjain (February 2018).

<sup>3</sup> Anuppur, Balaghat, Bhopal, Damoh, Dewas, Dhar, Indore, Jhabua, Katni, Neemuch, Panna, Rewa, Satna, Shivpuri and Tikamgarh.

procured (July 2017 to June 2018) 32,063 VCs<sup>4</sup> by incurring ₹ 5.77 crore from MPLUN as detailed in **Appendix 3.1.1**.

Audit observed that MPLUN entered into a Rate Contract for VC made of PVC foam at the request of CEO, Madhya Pradesh (January 2017) at the rate of ₹ 1,134 per Square Meter (SM) during August 2016 to July 2017 and ₹ 1,078 per SM during November 2017 to December 2018. The surface area of one VC for two Ballot Units (BUs) is 1.626 SM<sup>5</sup>; thus the effective rate of one VC (two BUs) in Madhya Pradesh was ₹ 1,844 and ₹ 1,753 respectively during this period.

Audit further noticed that pursuant to the ECI instruction (November 2016), CEO Uttar Pradesh fixed the rates of ₹ 135, ₹ 150, ₹ 165 and ₹ 180 per BU for VC made of corrugated plastic sheet (flex board) having one, two, three and four BUs respectively. Similarly, in the State of Rajasthan also, the rate of VC used for one BU was fixed to ₹ 222 per VC. Evidently, the rates of VC in Madhya Pradesh were extraordinarily higher than that of Uttar Pradesh and Rajasthan.

It is felt in audit that as corrugated plastic sheet was not included in Appendix 'A' and 'B' of the Madhya Pradesh Store Purchase and Procurement of Services Rules, 2015 and also the item was not available in MPLUN Rate Contract, the VCs made of corrugated plastic sheet should have been procured as per ECI stipulation as well as through e-tendering system as prescribed in Rule 11.2 of the Madhya Pradesh Store Purchase and Procurement of Services Rules, 2015 to ensure procurement at competitive rates. Thus, in procurement of VCs, compliance of the ECI stipulation that VC made of corrugated plastic sheet (flex board) as well as the provisions of Procurement Rules relating to observing economy was not ensured by CEO, MP which resulted in irregular expenditure of ₹ 5.77 crore. Further, in comparison to the rates of VCs for two BUs approved by CEO, Rajasthan, avoidable extra expenditure of ₹ 5.06 crore was incurred as detailed in **Appendix 3.1.1**.

On this being pointed out, CEO, Madhya Pradesh and Principal Secretary, Law & Legislative Affairs (Elections) stated that VCs made of PVC foam sheet are similar to the prescribed VCs and that there had been no irregularity in the procurement.

Reply is not acceptable as the prescribed VCs as per ECI should be made only of corrugated plastic board; whereas department purchased VCs made of PVC foam which is much more expensive than the prescribed material. Thus purchase of VCs made of PVC foam sheet by DEOs at the instruction of CEO, MP in violation of ECIs directions resulted in avoidable extra expenditure of ₹ 5.06 crore.

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<sup>4</sup> Equaling to 52,134 square meter sheet of 24" X 36" X 30" size (VC for covering two Ballot Units)

<sup>5</sup> Surface Area of two Ballot Units VC (24 inch Length, 36 inch Width, 30 inch Height) = (24+36+24) X 30 Sq. Inch = 2520 Inch<sup>2</sup> or 1.626 M<sup>2</sup>

## Revenue Department

### 3.2 Irregular expenditure

**Illegal appointments to the posts of Assistant Grade-3 and Peon by Collector, Morena and Sheopur resulted in irregular expenditure of ₹ 76.12 lakh on account of pay and allowances.**

General Administration Department (GAD), Government of Madhya Pradesh (GoMP) laid down (April 1972 and November 1973) provisions that the temporary officials engaged in Election work, after their eviction on completion of the election work should be placed in Category B<sup>6</sup> for according preference in recruitment process for regular appointments in Government services. These provisions were further reiterated by GAD, GoMP in September 1990, September 1991 and September 2013.

GoMP notified (October 2013) Madhya Pradesh Junior Service (Joint Qualifying) Examination Rules, 2013 (Rules) which provides for recruitment of all the posts under various Departments/Institutions which are outside the ambit of the MP Public Service Commission. These rules shall be applicable to all the departments/institutions of the State. For filling up of all the posts relating to the Government department, office of the Head of the Departments and Institutions, the selection shall be done by the Professional Examination Board (Board) and all the departments/institutions shall be restricted from conducting such selection at their own level or through any other agency. Rules further provide that all the departments shall send their requisitions to the Board for all such posts which are to be filled and likely to fall vacant in the ensuing recruitment year. Earlier, GAD had also issued specific instructions (February 2011 and May 2011) that Class three and Class four officials are to be recruited through the Board.

During test check of records in office of Collector, Morena (February 2018) and further information collected from Office of Collector, Sheopur (May 2018), Audit noticed that 20 persons who had earlier been engaged against temporary posts created for election work were irregularly appointed (January to August 2016) as Assistant Grade-3 and Peon by the then Collectors (Collector Morena, Shri Vinod Sharma; Collector Sheopur, Shri P. L. Solanki) against the vacant posts. The appointments were made without making a reference to the relevant recruitment rules in the appointment orders and without following the due regular recruitment process as stipulated in the MP Junior Services (Joint Qualifying) Examination Rules, 2013 and instructions/guidelines issued by GAD in February 2011 and May 2011 in respect of appointment of Class III and IV officials.

Thus, 20 appointments made by the Collectors in the cases cited above were illegal and in contravention of the laid down Recruitment Rules which resulted in irregular expenditure of ₹ 76.12 lakh paid to these employees on account of

<sup>6</sup> As per order of preference for appointment to government service, category B is assigned to surplus officials and officials getting their salary from work charged and contingent fund.

pay and allowances for the varying period between January 2016 and March 2018 as detailed in the **Appendix-3.2.1**.

On this being pointed out, Revenue Department, GoMP intimated (July 2019) that the Principal Revenue Commissioner had been directed to instruct the concerned collectors to cancel the appointments as the appointments made by the district collectors had been treated as illegal.

Audit recommends that the Government should review cases of all such appointments made by Collectors in all the districts of the State.

## **SOCIAL SECTOR**

### **Public Health and Family Welfare Department**

#### **3.3 Embezzlement by manipulation in issue vouchers of stock**

**Non-observance of provisions and departmental instructions for store management in office of the CM&HO, Chhatarpur and fraudulent manipulation by storekeeper in office copies of issue vouchers of material/medicines supplied to sub-ordinate units facilitated the embezzlement of ₹ 12.71 lakh.**

The guidelines for Drug Management and Related Instructions issued by the Directorate of Health Services (DHS), Madhya Pradesh (M.P.) provides that receipts, issues and balances should be worked out for every item and attested regularly by the officer in charge of the stores. When the material are issued from stock, the officer in-charge should ensure that indent is in prescribed proforma. The issue vouchers for articles should be prepared in triplicate. The first copy will remain with the records of the stores. The second and third copies will go with supplies. The second copy will be retained by the person receiving the supplies and the third copy will be returned by the receiver to the store after making entries of stock book page number against each item. At each time the issue of items will be recorded in the stock book of the stores with signatures of the officer in charge. The medical officer in charge of the stores and the store keeper shall be held responsible for any irregularity found in the stores or for ignoring the ordered pattern of working. It shall be the duty of the medical officer in charge of the stores to check the stock books to tally the entries made in the third copy of the issue voucher.

During test check of records (August 2017) in office of the Chief Medical & Health Officer (CM&HO), Chhatarpur related to issue of store/stock and further information collected (May 2018), audit noticed that material/ medicines were being issued to subordinate Community Health Centers (CHCs), Primary Health Centers (PHCs) on issue vouchers though indent/requisitions of CHCs/PHCs were not found on record. Thus, the entries made in the stock register for issue of medicines/material to sub-ordinate CHC/PHC were not supported by indent/requisitions from CHC/PHC. Audit observed that issue vouchers/invoices were prepared in triplicate, first/original copy was retained in district store as office copy and other two carbon copies were provided to the requisitioning officer of sub-ordinate unit to obtain the acknowledgement of the material and for record

of the concerned CHC/PHC. However, there was no system of receiving/maintaining the third copy of issue voucher returned by the receiver of the articles. On cross verification of original copy of issue voucher with its carbon copy (which was available with the concerned CHC/PHC) audit noticed that there were differences between the quantity mentioned in the original copy of issue voucher and its carbon copy. Scrutiny of issue vouchers revealed that the then storekeepers, fraudulently manipulated the office copy of the issue vouchers/invoices by adding a new item in the issue list or inserting one zero after actual quantity of material/medicine issued to enhance it ten times or inserting one before the actual quantities issued to increase them and accordingly the enhanced quantities were entered in the stock register as issued to sub-ordinate CHC/PHC. This resulted in embezzlement of stock amounting to ₹ 12.71 lakh as detailed in the *Appendix-3.3.1*. Audit also observed that stock entries of receipt of medicines/material were certified by District Health Officer but the entries of issue of material/medicines were not certified, though it was to be certified by the officer in charge of the store. Thus lack of system for ensuring receipt of third copy of issue voucher at CM&HO and cross verification of the same with first copy of issue voucher by officer in charge of the store facilitated embezzlement of stock amounting to ₹ 12.71 lakh.

On this being pointed out, the Department intimated (January 2019) that a departmental inspection committee was formed for re-verification of the objection raised by the audit. The Committee found that the audit objection was correct. The Department further intimated that departmental enquiry under Rule 14(3) of M.P. Civil Services (Classification, Control and Appeal) Rules, 1966 has been initiated against the then CM&HO, Medical Officer in charge of the store, Store Keeper and Purchase Clerk. In exit conference (June 2019), the Government verified the facts and figures of audit observation and endorsed the reply furnished by the Department.

### **3.4 Non recovery of expenses**

**Non-compliance of conditions of purchase order for deduction of testing charges for quality testing of medicines as required under New Drug Policy resulted in non-recovery of expenses of ₹ 2.36 crore from the respective suppliers.**

The New Drug Policy-2009 duly approved by the Cabinet was implemented (August 2009) by the Government of Madhya Pradesh. Para 6.12 and 6.13 of the Drug Policy respectively provides that purchasing officer would ensure to send the sample of purchased drugs/medicines to the selected accredited laboratories for quality control and cost of the quality testing would be borne by the supplier firm. Para 17.1 *ibid* further provides that sample of each batch would be sent to selected accredited laboratories<sup>7</sup> within three days of the receipt by respective Chief Medical and Health Officer (CMHO) and Civil Surgeon (CS) and all the expenses incurred on quality testing would be borne by the respective supplier firm and deducted by the purchasing officer from their respective supply bills. Further, as per conditions of purchase orders, handling

<sup>7</sup> Laboratories authorized by Directorate for quality testing.

and testing charges for samples of supplies in each batch for testing done by empaneled laboratories, would be deducted by ordering authority.

Directorate Health Services, Madhya Pradesh issued instructions (November 2014) to all CMHOs and CSs that samples of medicines must be sent within three days of receipt of supplies to the accredited laboratories for testing. Certified bills of testing received from accredited labs must be sent to the Directorate so that its payment can be made.

During test-check (April 2017 & August 2018) of records of office of the Commissioner, Health Services (Directorate), Bhopal, and further information collected (February 2019) relating to the quality testing of medicines, it was observed that provision of New Drug Policy for deduction of testing charges for quality testing of each sample of medicines was altered in the tender document (i.e. clause 16.1) without any approval from the Government. As per clause 16.1 of tender document if quality assurance (QA) testing fails, the supplier shall bear the actual expenditure incurred for the testing and the same shall be deducted from the bills or the performance security. This condition is contrary to the provisions of the New Drug Policy as all the expenses incurred on QA testing would have to be borne by the respective supplier firms. Audit further noticed that though the conditions in the tender document was unauthorisedly altered but the same was not incorporated in the terms and conditions of purchase orders. The conditions of purchase orders on quality testing charges were in conformity with the New Drug Policy, 2009 which stated that quality testing charges were to be borne by the drug/medicine suppliers. Audit observed that certified bills of testing of drugs/materials by the accredited laboratories were sent to the Directorate by the concerned CMHOs and CSs and payment of such bills were made by the Directorate to the respective testing firms (laboratories). Scrutiny of payment vouchers of the year 2016-17 and 2017-18 for testing of medicines/drugs revealed that an amount of ₹ 2.36 crore was paid to accredited laboratories against their bills for testing of drugs/materials (details are given in **Appendix-3.4.1**). However, audit noticed that the amount incurred on quality testing of medicines was not deducted by the purchasing officers<sup>8</sup> from the bills of suppliers of medicines as per provision of the New Drug Policy. Thus, this resulted in an avoidable financial burden of ₹ 2.36 crore on the State exchequer and an undue favour to medicine suppliers.

On this being pointed out, the Department stated (February 2019) that as per para 15.4 of New Drug Policy 2009; Drug Cell in-charge at State level has been conferred administrative powers to ensure availability and quality of medicines/materials purchased at district level. The department also stated that the decision for this change in condition of quality testing of medicines was taken by the then Director Procurement (Drug Cell). Further, in exit conference (June 2019), the Government verified the facts and figures of audit observation and endorsed the reply furnished by the Department.

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<sup>8</sup> CMHOs of Badwani, Bhind, Damoh, Datia, Bhopal, Khandwa, Jabalpur, Raisen, Ratlam, Seoni and CSs of Balaghat, Betul, Datia, Dewas, Neemuch, Ratlam, Rewa, Vidisha districts have accepted that for the purchases made during the period 2016-17 and 2017-18, quality testing charges were not deducted from the bills of suppliers.



The reply of the department is not acceptable because approval for alteration of condition for deduction of testing charges only in cases of failed medicines instead of all expenses incurred on QA testing was not obtained from the Government level. Moreover, para 15.4 of New Drug Policy 2009 does not empower the Drug Cell to make any changes in the conditions of quality testing of medicines. Further, the terms and conditions of purchase orders were in conformity with the New Drug Policy. Thus, failure to deduct expenses of ₹ 2.36 crore incurred on quality testing of medicines from the bills of the respective supplier firms or from the performance security resulted in an avoidable burden on Government exchequer by this amount besides undue favour to the suppliers of medicines.

### **3.5 Unfruitful expenditure**

#### **Failure of the Civil Surgeons to create infrastructure for operationalisation of Blood Component Separation Units before procurement of equipment led to unfruitful expenditure of ₹ 2.21 crore and idling of equipment for more than two years**

Madhya Pradesh State Blood Transfusion Council (MPSBTC), Bhopal directed (December 2014) the Civil Surgeons cum Chief Hospital Superintendents (CSs) of 11 districts for establishment of Blood Component Separation Unit<sup>9</sup> (BCSU) by upgrading the existing blood bank in the District Hospitals (DHs). The directions further provided that as per the Drugs and Cosmetics Rules, 1945, an area of 50 square meters is required to establish BCSU and a Medical Officer and a Lab Technician were to be sent immediately for training and for any delay concerned CS would be held responsible.

MPSBTC further instructed (November 2016) the concerned CSs that if the work of building renovation/construction was delayed, then a room might be selected as per norms for BCSU amongst the available rooms in the DH, and after installation of equipment, action should be taken to obtain license from Licensing Authority, Food and Drugs Administration (F&DA), Bhopal for operationalization of BCSU.

During test check of records of office of seven<sup>10</sup> CSs related with the establishment of BCSU, audit noticed that MPSBTC released (September 2015) an amount of ₹ 2.51 crore (₹ 35.80 lakh per DH) to these seven CSs with instructions (March 2016) to use the fund in the same financial year 2015-16 and if not used then the fund would not be continued in next financial year i.e. 2016-17 and be lapsed. The CSs purchased equipment amounting to ₹ 2.21 crore during March 2016 to May 2016 to establish BCSUs (Details are given in *Appendix-3.5.1*). However, these equipment could not be put to use due to lack of infrastructure and other requirements i.e. non-availability of

<sup>9</sup> Blood Component Separation Unit (BCSU) is very crucial as patients often need particular constituents of blood such as red blood cells, white blood cells, plasma and platelets. That way one unit of blood can be used for three to four patients and the available blood can be used effectively.

<sup>10</sup> CSs: Balaghat (June 2017), Chhatarpur (September 2017), Guna (May 2017), Khandwa (February 2019), Khargone (February 2019), Mandsaur (February 2019) and Ratlam (February 2019).

trained human resources and license from Licensing Authority, Food and Drugs Administration (F&DA), Bhopal for operationalization of BCSU. Status of availability of required facilities for operationalization of BCSU are given in **Appendix-3.5.2**. Audit further observed that warranty period of equipment purchased for these BCSUs were also lapsed between April 2018 to September 2018. Thus, non-compliance of directions (December 2014) of MPSBTC, Bhopal by the concerned CSs regarding arrangement of building, trained human resources and licensing procedures and procurement of equipment without ensuring the adequate basic infrastructure and other requirements led to idling of equipment purchased for BCSUs for more than two years with the result the expenditure of ₹ 2.21 crore became unfruitful.

In the reply, Directorate, Health Services (DHS) stated (March 2019) that instructions for renovation of blood bank buildings and for imparting training of component separation to lab technicians working in blood bank had been issued (December 2014) by MPSBTC. Further as the application procedure for obtaining license included renovation of blood bank building, training of blood bank technician and procurement of equipment so the application procedure could only be completed after procurement of equipment. Deputy Director (Blood Cell), National Health Mission (NHM) confirmed (June 2019) that BCSUs in all these seven districts were presently not functioning and efforts were being done to get license from FDA and create required infrastructure to operationalize the BCSUs. In exit conference (June 2019), the Government verified the facts and figures of audit observation and endorsed the replies of the DHS and NHM.

It is evident from the reply that the department failed to create the basic infrastructure, and fulfill other essential requirements due to which the BCSUs could not be made operational resulting in equipment lying idle for more than two years and the expenditure so incurred became unfruitful.

## **Technical Education and Skills Development Department**

### **3.6 Irregular expenditure**

**Unauthorised segregation of items in packages to avoid purchase through Directorate and purchase on the basis of fabricated quotations and without adhering to the prescribed procedure by the Principal, ITI, Rampura resulted in irregular expenditure of ₹ 98.94 lakh.**

In order to improve the quality of training and to upgrade the training infrastructure in Government Industrial Training Institutes (ITIs) into Centre of Excellence, the World Bank aided project Vocational Training Improvement Project (VTIP) was implemented under the coordination and direction of the Directorate General of Employment and Training (DGE&T), Ministry of Labour and Employment, Government of India (GoI).

The Skill Development Directorate, Madhya Pradesh, Jabalpur issued instructions (April 2014) for utilization of fund received under VTIP and Principals of ITIs were directed to send list of required equipment, machinery and furniture in the prescribed format to the Directorate by 25 April 2014 for

ascertaining that whether items were to be purchased at Principal level or Directorate level under 'Shopping Mode'<sup>11</sup>. Packages<sup>12</sup> of items of the same nature produced by one manufacturer, were to be prepared as per requirement of the institution and got approved by the Joint Director. If total cost of items included in a package was up to ₹ nine lakh then it could be purchased at Principal level and if the total cost of items was more than ₹ nine lakh and up to ₹ 60 lakh then such items could be purchased at Directorate level under Shopping Mode.

During test check of records (September 2017) of office of the Principal, ITI, Rampura, District Neemuch, audit noticed that:

(i) Total 12 packages were prepared for purchase of equipment, computers and other items under VTIP. Details of number of items included and purchased under these packages and quotations invited for packages are given in the *Appendices-3.6.1 & 3.6.2*. During 2014-15 purchases of ₹ 98.94 lakh were made by the institution by issuing purchase orders on the same day without sending the list of required equipment, machinery and furniture to the Directorate. Audit also observed that, without considering the manufacturer of items, separate packages were prepared in order to keep value of each package under ₹ nine lakh. Rates of all the 322 items included in packages one to seven<sup>13</sup> were taken from four suppliers which indicated that all these items were available with all these four suppliers. There was no need to segregate these items in such separate packages for placing the order. Thus, these items were unauthorisedly segregated in separate packages so as to avoid its purchase by the Directorate.

(ii) In package number eight, through which six type of items were purchased, five items<sup>14</sup> were of different companies in each quotation. Make name of Computer Sets were mentioned as Royal, Crescent, Divya, Tatame etc. instead of any computer manufacturing company e.g. HP, Acer, Dell etc., which indicates that neither the items purchased were of standard make nor were the rates of items comparable. In package number nine, which contained automobile equipment, quotations were obtained from computer firms who were not supposed as authorized suppliers for automobile equipment. Similarly, items included in packages 10 to 12 were of furniture and quotations received for these items did not mention any make name which indicates that there was no basis for comparison of rates of steel furniture items. Note-sheet and records related with selection of firms for invitation of quotations were not produced to audit. Therefore, it could not be ensured that quotations were invited only from the manufacturers or reputed suppliers as required under 'Shopping Mode'.

<sup>11</sup> A procurement method for procuring readily available off-the-shelf goods or goods of standard specifications ordinarily available from more than one source which is based on comparing price quotations obtained from at least three suppliers to ensure competitive prices.

<sup>12</sup> Items of same nature produced by same manufacture are to be included in one package.

<sup>13</sup> Package-1 (items related to Hand Tools), package-2 (items related to Mechanical Tools), package-3 (items related to Electrical Tools), package-4 (items related to Automobile Tools), package-5 (items related to Measuring Tools), package-6 (items related to Electrical Equipment) and package-7 (Electronic Equipment).

<sup>14</sup> Laser Printer, LCD, Computer Set, External Hard Disk and Online UPS.

Thus, quotations for purchase of items and comparative statements were prepared to show apparent compliance but related records showed that quotations were not fairly obtained and procedure for inviting quotations under shopping mode was not adhered to, which resulted in an irregular expenditure of ₹ 98.94 lakh incurred on the purchase of items under VTIP.

On this being pointed out, the Government intimated (August 2019) that the then Principal and Training Superintendent (Store Officer) (presently under suspension) of ITI, Rampura and the then Joint Director, Regional Office, Ujjain were *prima facie* found to be guilty and therefore, departmental enquiry for disciplinary action against them was in progress.

## **Tribal Affairs and Scheduled Caste Welfare Department**

### **3.7 Excess payment of supervision charges**

#### **Excess payment to Madhya Pradesh Vidyut Vitran Company Limited as supervision charges and service tax thereon amounting to ₹ 1.06 crore.**

Regulation 4.2.6 of the Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulations (Revision-I), 2009 as amended in January 2013 provides that the power supply to irrigation pump sets for agriculturists shall be arranged by the distribution licensee on a requisition after realizing the cost for providing the Low Tension (LT) line including cost of distribution transformer sub-station and service line necessary for efficient distribution. Alternatively, the applicant if he so desires, shall be permitted to deposit supervision charges at the rate of three *per cent* of the estimated cost of above work and on depositing such supervision charges, the work may be got executed by the applicant through 'A' class contractor under the supervision of the distribution licensee.

During the test check of the records of the offices<sup>15</sup> of the Assistant Commissioner, Tribal Development (ACTD), Burhanpur and Chhindwara and District Organiser, Tribal Welfare (DOTW), Katni, Mandsaur, Devas and Ujjain revealed that the distribution licensee Madhya Pradesh Vidyut Vitran Company Limited (MPVVCL) prepared the estimates for extension of the electrical lines to the wells of the farmers of Scheduled Caste (SC) and Scheduled Tribes (ST) categories for electrification of pump sets. The supervision charges were paid to the MPVVCL at the rate of five *per cent* on the estimated cost of the work and service tax thereon by the concerned ACTDs/DOTWs, whereas under the aforesaid regulations, supervision charges to the MPVVCL were to be paid only at the rate of three *per cent* of the estimated cost of the work and service tax calculated thereon.

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<sup>15</sup> Burhanpur (January 2017), Chhindwara (October 2017), Dewas (July 2017), Katni (July 2017), Mandsaur (July 2017) and Ujjain (October 2017).

Thus, an excess payment of amount ₹ 1.06 crore<sup>16</sup> was made to the MPVVCL due to additional two *per cent* supervision charges and service tax thereon as detailed in *Appendix-3.7.1*.

On this being pointed out in Audit, ACTDs<sup>17</sup>/DOTWs<sup>18</sup> stated that supervision charges at the rate of five *per cent* was paid to MPVVCL on estimated cost of work for the works done under deposit scheme by 'A' category contractor and as per demand and calculation of MPVVCL. They further stated that provision of supervision charge at the rate of 3 *per cent* was applicable on Own Your Transformer (OYT) scheme, and for all other estimates supervision charge at the rate of 5 *per cent* was applicable.

The replies of ACTDs and DOTWs are not acceptable as supervision charges and service tax thereon were to be paid at the rate of three *per cent* as per amended regulation *ibid*. Further, Energy Department also verified (June 2019) that in case of electrification of pumps of SCs/STs, supervision charge was to be paid only at the rate of three *per cent*.

The matter was reported to the Government (December 2018) with subsequent reminders (March 2019 and July 2019); their reply has not been received.

## Urban Development and Housing Department

### 3.8 Avoidable expenditure

**Failure of Municipal Corporation/Municipal Council in maintaining the power factor at prescribed level on High Tension (HT) connections led to avoidable expenditure of ₹ 1.10 crore towards payment of penalty imposed on them by Madhya Pradesh Vidyut Vitaran Companies.**

According to para 1.13 (i) and (ii) (Terms and Conditions of High Tension Tariff) of Aggregate Revenue Requirement and Supply Tariff order of Madhya Pradesh Electricity Regulatory Commission (MPERC), if the average monthly power factor<sup>19</sup> (AMPF) of the consumer falls below 90 *per cent*, the consumer shall be levied a penalty at the rate of one *per cent*, for each one *per cent* fall in AMPF below 90 *per cent* and a penalty of five *per cent* plus two *per cent* for each one *per cent* fall in AMPF below 85 *per cent* on total amount billed under the head "Energy Charges". Electric Power Factor Controller/Capacitor (EPFC) are installed by consumers for maintaining Power Factor.

Scrutiny of the records of office of Commissioner, Municipal Corporation, Jabalpur (March 2018) and Chief Municipal Officer, Municipal Council (MC), Badwani (August 2017) revealed that for water supply, these Urban Bodies had installed HT connections but EPFC were not installed for maintaining AMPF on these connections. We observed that Municipal Corporation/Council could not maintain energy power factor on these HT connections for the periods

<sup>16</sup> Burhanpur (₹ 10,41,986), Chhindwara (₹ 9,67,664), Dewas (₹ 25,61,989), Katni (₹ 13,13,978), Mandsaur (₹ 16,96,568) and Ujjain (₹ 29,79,363).

<sup>17</sup> Burhanpur (June 2018) and Chhindwara (October 2017 and June 2018)

<sup>18</sup> Dewas (July 2017), Katni (July 2017), Mandsaur (July 2017) and Ujjain (October 2017)

<sup>19</sup> The ratio in percentage of total kilowatt hours to the total kilovolt ampere hours recorded during the month.

varying between April 2014 and January 2018 and consequently paid the penalty amounting to ₹ 1.10 crore to Madhya Pradesh Vidyut Vitaran Companies<sup>20</sup> (MPVVCs) for low AMPF on these connections which could have been avoided by installing EPFC/capacitors (details are given in **Appendix-3.8.1**).

On this being pointed out the Government stated (January 2019) that instructions had been issued to all Urban Bodies for taking necessary action for maintaining the specified power factor and to install the capacitors.

Thus failure to take timely action by Commissioner/ Chief Municipal Officer of these ULBs for installing EPFCs to maintain overall average power factor resulted in payment of the penalty amounting to ₹ 1.10 crore to MPVVCs.

### **3.9 Avoidable payment of penalty imposed**

#### **Avoidable payment of penalty amounting to ₹ 2.50 crore imposed by the Employees Provident Fund Organisation (EPFO).**

Under the provisions of the Employee's Provident Fund Scheme, 1952, which was framed by the Central Government under the Employee's Provident Fund Act, 1952 (EPF Act), the employer shall deduct the employee's contribution from his wages, which together with his own contribution shall be deposited to the fund within fifteen days of the close of every month. Section 14(B) and 7(Q) of the EPF Act states that in case of default in payment of contribution the employer may be liable to pay penalty such as damages and interest at the rate of 12 *per cent* per annum from the date on which the amount has become so due till the date of its actual payment. Central Government notified (January 2011) that Municipal Corporations and Municipal Councils would be covered under the EPF Act. Further, Commissioner, Urban Administration and Development Department (UADD) had also issued (January 2012) instruction to all Commissioners/Municipal Corporations and Chief Municipal Officers/Municipal Councils (except *Nagar Parishads*) to ensure compliance of provisions of EPF Act.

During test check of records of Municipal Corporation<sup>21</sup>/Municipal Councils<sup>22</sup> (MCs), Audit found that though the contribution in respect of its daily wages employees was deducted by the MCs but the Employee's contribution along with employer contribution were being deposited to EPFO with delay ranging between two to 1452 days. Due to delay in deposit of employees and employer's contributions by MCs, EPFO levied penalty amounting to ₹ 2.50 crore which was paid by these MCs. The details are given in **Appendix-3.9.1**. Thus, due to delay in deposit of EPF contributions, these MCs had to pay avoidable payment of penalty ₹ 2.50 crore to EPFO.

On being pointed out in audit, Commissioner, UADD intimated (March 2019) that instructions had been issued to ULBs for depositing EPF deductions to

<sup>20</sup> Badwani (Madhya Pradesh Paschim Kshetra Vidhyut Vitaran Company) and Jabalpur (Madhya Pradesh Poorva Kshetra Vidhyut Vitaran Company)

<sup>21</sup> Chhindwada (August 2018), Dewas (August 2018) and Jabalpur (March 2018)

<sup>22</sup> Badwani (August 2017), Kareli (May 2017) and Kotma (August 2017)

EPFO within prescribed period. Deputy Secretary, UADD also endorsed (March 2019) the reply of Commissioner, UADD.

Fact remains that despite instructions (January 2012) of the Commissioner, UADD the provisions of EPF Act were not complied with, and timely deposit of employees and employers' contributions was not ensured by the ULBs which resulted in avoidable payment of penalty.

## Women and Child Development Department

### 3.10 Avoidable excess payment

**Avoidable excess payment of ₹ 2.32 crore of nutritional food was made by District Programme Officers to Self Help Groups under Supplementary Nutrition Programme (SNP).**

Under the Supplementary Nutrition Programme (SNP) scheme, fresh cooked food (breakfast, lunch and third meal for under weight children) is to be provided to the children aged between 6 months to six years while pregnant/lactating mothers and adolescent girls would also be provided lunch on every Tuesday. Women and Child Development Department (WCDD), Madhya Pradesh (MP), Bhopal issued (February 2014) directions for supply of supplementary nutrition food (SNF) to anganwadi/sub-anganwadi centers of the State. The directions provided that Self Help Groups (SHGs) would be responsible for supply of SNF and rates for supply of breakfast, lunch and third meal were mentioned in point no. 1.10<sup>23</sup> of the directions. Further, point no. 5.1<sup>24</sup>, 5.2 (payment of ₹ 500 per month per anganwadi to SHGs for fuel, transportation and management) and 5.3 (payment of ₹ 500 per month per anganwadi to cook) specify classification of payment to be made to SHG, Civil Supplies Corporation for supply of wheat/rice to SHGs and Cooks. Directorate, Integrated Child Development Services (ICDS), Bhopal clarified (October 2015) that rates of materials supplied under SNF at angwanwadi centres must be fixed on the basis of cost plus formula and these rates should include all expenditure incurring on supply of SNF on account of cooking, raw material, wheat/rice, transportation, remuneration, managerial expenditure, dividends, cooks, fuel etc. The direction further provided that rates must be identical as per criteria prescribed in department's instructions of February 2014.

<sup>23</sup> Point 1.10 of the directions provide rates for breakfast (₹ 2 each) and lunch (₹ 4 each) for children aged 3 to 6 years, third meal (₹ 3 each) for children aged 6 months to 6 years and lunch (₹ 7 each) for pregnant/ lactating mothers and adolescent girls.

<sup>24</sup> Age group 03 to 06 years- Break-fast/ lunch - Rate towards MP State Civil Supply Corporation for food grain- ₹ 0.41; Rate towards Self Help Group (SHG) for cooked food-break-fast - ₹ 1.50 and lunch - ₹ 3.00; Maximum rates for SNP – break-fast - ₹ 2.00 and lunch - ₹ 4.00.

Malnourished child of age group 06 month to 06 years- Third meal- Rate towards MP State Civil Supply Corporation for food grain- ₹ 0.22; Rate towards Self Help Group(SHG) for cooked food- ₹ 2.30; Maximum rates for SNP - ₹ 3.00.

Pregnant/ Lactating mother & Adolescent girls: Lunch (Each Tuesday only) - Rate towards MP State Civil Supply Corporation for food grain- ₹ 1.16; Rate towards Self Help Group (SHG) for cooked food- ₹ 4.75; Maximum rates for SNP - ₹ 7.00

Test check of records of District Programme Officers (DPO), Dhar (August 2017), Khargone (August 2017) and Umariya (November 2017) related to SNF scheme, revealed that cost of materials supplied under SNF at anganwadi centres were not found to be prepared as per cost plus formula. Further scrutiny of bills for supply of SNF, revealed that during December 2015 to September 2017, SNF was provided to 10,96,07,964<sup>25</sup> beneficiaries for which ₹ 38.35<sup>26</sup> crore was paid. However, calculation at the rates as prescribed in the direction of WCDD, MP (February 2014) for the same number of beneficiaries arrived to ₹ 35.94<sup>27</sup> crore (Details are given in **Appendix-3.10.1**). Thus, against the admissible payment of ₹ 35.94 crore, payment of ₹ 38.35 crore was made which resulted in excess payment of ₹ 2.41 crore.

On being pointed out, Directorate, WCDD, Bhopal intimated (April 2019) that DPO, Dhar had taken action of recovery from SHGs and recovery would be made in ten equal installments, DPO, Umaria had recovered ₹ 56.53 lakh from the bill of SHGs and remaining amount would be recovered in ensuing months. Similarly, after examination DPO, Khargone had recovered ₹ 9.36 lakh from the recoverable amount. In exit conference (June 2019), the Government verified the facts and figures of audit observation and endorsed the reply furnished by the Directorate.

Recovery intimated in respect to DPO, Umaria is not acceptable as recovery details provided along with reply revealed that these recoveries were made against the short recovered amounts from the SHGs on account of food grains, which pertained to separate audit observation. Thus amount shown as recovered is not related to the present audit observation. This was also communicated (April 2019) to Directorate, WCDD, Bhopal for clarification; however, their reply have not been received.

Fact remains that recovery of excess paid amounts were initiated only after being pointed out by Audit. Further, an amount of ₹ 2.32 crore is still pending for recovery.

### **3.11 Fraudulent drawals and deposits in unauthorized accounts**

**Failure of internal control system at treasury level and lapses on the part of BCO/Directorate led to fraudulent drawal of honorarium for ₹ 4.24 crore by DPO/POs which were meant for AWCs/AHs under ICDS programme and the same were deposited into accounts of unauthorised persons.**

Under Integrated Child Development Services various services to targeted groups are delivered at the Anganwadi Centres (AWC) which are managed by

<sup>25</sup> Dhar (3,69,75,092 beneficiaries during 4/2016 to 6/2017), Khargone (5,68,99,459 beneficiaries during 1/2016 to 9/2017) and Umaria (1,57,33,413 beneficiaries during 12/2015 to 6/2017)

<sup>26</sup> Dhar (₹ 13.60 crore), Khargone (₹ 19.01 crore) and Umaria (₹ 5.74 crore)

<sup>27</sup> Dhar (₹ 12.13 crore), Khargone (₹ 18.71 crore) and Umaria (₹ 5.10 crore)



Anganwadi Workers (AW) and Anganwadi Helpers (AH) to whom honorarium are paid at the prescribed rates<sup>28</sup>.

As per instructions (April 2014) of Directorate, ICDS, Bhopal the Honorarium and Additional Honorarium to AWs and AHs would be drawn through the Centralized Budget Drawal System and the budget of BCO (Budget Controlling Officer) was directly available on the main server of Treasury and Accounts Directorate.

Directorate, ICDS, Bhopal had issued (October 2014) instructions that all details regarding payment of Honorarium and Additional Honorarium to AWs and AHs were to be updated/verified in the departmental Management Information System (MIS) by the Project Officers (POs). Drawing and Disbursing Officer (DDO) would download aforesaid details in excel or notepad file which subsequently would be uploaded in the treasury system for the payment of Honorarium and Additional Honorarium to AW and AH. The District Programme Officer (DPO) would draw and disburse the honorarium at district level for all the AWs and AHs working under different POs. The POs, however, would still monitor the working of AWs and AHs and send a report to the DPO. On the basis of the report of POs, DPO would make payment to AWs and AHs through e-payment. Directorate, ICDS reiterated (October 2014) its instructions to Collectors and further directed that treasuries should be informed accordingly and instructed not to accept bills pertaining to the older system<sup>29</sup>.

Finance Department, Government of Madhya Pradesh (GoMP) issued directions (November 2003) that on receipt of bill from DDO the treasury will examine the classification head, compute the bill amount, signature of DDO, Unique Employee Code of employees in case of personal payments, and that all necessary sanctions and authenticity are available.

Finance Department, GoMP issued (September 2010) directions that DDO would provide details like name, account number, name of the bank and IFSC Code of the recipient along with the bill and on the basis of this treasury would make payment through e-Payment.

Audit scrutiny in the offices of selected DPOs/POs revealed the followings:

***1(a) Fraudulent drawals by POs of Bhopal and Raisen district***

During test check of records of offices of the Project Officer, Govindpura (July 2016), Motiyapark (August 2016), Banganga (October 2016) of Bhopal district and DPO, Raisen (March 2018) and further scrutiny of e-payment data in respect of POs<sup>30</sup> obtained from Treasury, Bhopal and Raisen audit noticed that during the period from May 2014 to December 2016, an amount of ₹ 3.19 crore (**details are shown in Appendix-3.11.1**) was irregularly drawn by the POs of Bhopal and Raisen district on account of honorarium of AWs and AHs, and deposited into the 91 bank accounts. Among these bank accounts,

<sup>28</sup> Payment of Honorarium was to be made at the rate of ₹ 3,063/- per month for each AW and at the rate of ₹ 1,500 for each AH and payment of additional honorarium at the rate of ₹ 2,000/- and ₹ 1,000/- respectively was to be made.

<sup>29</sup> Upto October 2014 only POs raised bills for honorarium of AW/AH and subsequently from November 2014 onwards the bills were to be raised by DPOs.

<sup>30</sup> PO, Banganga, Barkhedi, Funda, Govindpura, Motiapark of Bhopal and PO, Udaipura of Raisen district.

89 bank accounts belonged to persons other than AWs/AHs and two accounts were related to AW/AH named Ms. Reeta Rani Chauhan and Ms. Sudha Vimal. Further scrutiny revealed that among these bank account holders, nine<sup>31</sup> were Data Entry Operators/Computer Operators engaged in various Projects offices, two<sup>32</sup> persons were employed in the Project Offices, one of the bank accounts pertained to the daughter<sup>33</sup> of an employee in the office of the PO, Govindpura, Bhopal and identity of the rest of the bank account holders were not known.

Further, Ms. Sudha Vimal was working as AW in PO, ICDS, Motiyapark but amounts of honorarium deposited in her bank account were from several POs of Bhopal district like Bairasiya-1, Bairasiya-2, Barkhedhi, Chandbud and Govindpura and PO, Udaipura district Raisen.

It was also found that in 55 bank accounts out of 91 accounts, honorarium for AWs/ AHs were paid from more than one projects, even though practically an AW/AH can work at a given time only in one project. The honorarium prescribed for an AW/AH was less than ₹ 6,000 during 2014-15 to 2017-18. However, audit observed that honorarium amount exceeding ₹ 6,000 and ranging upto ₹ 1.13 lakh were paid in the aforesaid bank accounts.

#### ***1(b) Fraudulent drawals by DPO, Bhopal***

During test check of records of office of the District Programme Officer, Bhopal (September 2016 and August 2018) audit noticed fraudulent drawal and deposit of Honorarium/Additional Honorarium of ₹ 39.61 lakh during the period September 2016 to June 2017 into 44 bank accounts (**details are in Appendix-3.11.1**). In respect of 23 bank accounts, out of these 44 bank accounts fraudulent deposit of Honorarium/Additional Honorarium had also been made by POs. A typical instance was noticed in the above fraudulent drawals wherein the DPO, Bhopal submitted bill no. 99 dated 21.06.2017 for payment of flavoured milk amounting to ₹ 4.73 lakh. However, against this bill number, Treasury, Bhopal besides making payment<sup>34</sup> for flavoured milk also made payment<sup>35</sup> of ₹ 14.01 lakh from honorarium head bearing the same bill number though the date mentioned in the bill was different (16.06.2017). There was no corresponding records with the DPO, Bhopal with respect to payment of ₹ 14.01 lakh. On this being pointed out, DPO, Bhopal while accepting the facts stated (August 2018) that there may be a possibility that the bill had been drawn by forging the signature of DPO. Further, the Treasury Officer stated that the Centralised State Financial Management System (CSFMS) had been shut down so token number of the receipt of bill could not be known from the treasury. DPO, Bhopal stated (October 2018) that amount of ₹ 14.01 lakh was recovered from related persons and deposited back in the Government account through challan.

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<sup>31</sup> Shri/Smt. Hemant Paliwal, Jayshree Uday, Lalit Nagar, Surendra Kumar Maurya, Ashish Prajapati, Lata Yadav, Maya Nagle, Rahul Khatarkar and Deepak Shukla.

<sup>32</sup> Shri Dilip Jethani and Kashi Prasad.

<sup>33</sup> Ms. Pratima Lokwani daughter of Shri Rajkumar Lokwani, Assistant Grade-III

<sup>34</sup> ₹ 4,72,680 was paid vide treasury voucher slip no. 147 dated 21.06.2017

<sup>35</sup> ₹ 14,01,450 was paid vide treasury voucher slip no. 143 dated 21.06.2017

Further scrutiny of records of DPOs/POs of four districts<sup>36</sup> revealed that similar fraudulent drawals of Honorarium/Additional Honorarium amounting to ₹ 65.72 lakh<sup>37</sup> were made and deposited in various accounts other than AW/AH. The DDO wise details of amounts drawn are given in **Appendix 3.11.1**. Some of these accounts were related with firm<sup>38</sup>, officials and family members of officials<sup>39</sup> posted at the concerned project office.

## **2 Review of systemic issues and internal controls in audit brought out the following:**

- Audit noticed that aforesaid POs had prepared manual bills of honorarium which was submitted to the treasuries and the same were being paid into un-related bank accounts in violation of the extant guidelines. The list of beneficiaries attached with vouchers was different from the uploaded payment details on Treasury system.
- DDO failed to verify e-payment list with bank details of beneficiaries mentioned on the office copy of the bills. The treasury accepted the hard copy of the bills and passed the same without comparing with the treasury module forwarded to them online by the DDOs, which largely caused this fraudulent payment. Further, non-existence of DDO wise expenditure report system at the BCO level, and non-creation of unique employee code instead of vendor ID facilitated in siphoning off government funds in this manner and fraudulent payment of Honorarium/Additional Honorarium to unauthorised persons.
- DPOs<sup>40</sup> of six districts failed to comply with the directions issued by the Directorate, ICDS requiring to ensure drawal of honorarium at their levels by enforcing the instructions on POs.
- The directions (October 2014) of Directorate, ICDS were also endorsed to district treasuries for information and necessary action, however, concerned treasuries continued to accept bills relating to honorarium head submitted by POs, and thus facilitated the fraudulent drawal. Payments were found to have been made into the bank accounts of male or a firm though an AW/AH must only be a female. There was no check exercised at the treasury level to find this discrepancy. Further, scrutiny of a bill (No. 426 dated 26.03.2016) submitted by PO, Motiyapark revealed that the bill was to be drawn under head 55-2235-02-102-0658-0701-0658-V-22-011 (head for rent of *Aaganwadi Bhawans*) but the bill as per e-payment list was raised under head 55-2235-02-102-0658-0701-0658-V-31-004 (head for honorarium of AWs/AHs) and the amount was thus fraudulently paid into un-related bank accounts.
- No control mechanism system existed at the BCO level for monitoring of the DDO wise expenditure. Further, in spite of restriction on drawal of honorarium by POs, they continued drawing honorarium amounting to ₹ 15.97 crore till their DDO powers were withdrawn (August 2016) and simultaneously honorarium was also drawn at the DPO level (from April 2015).

<sup>36</sup> Vidisha, Morena, Alirajpur and Jhabua

<sup>37</sup> PO, Lateri, Vidisha (₹ 26.71 lakh), DPO, Morena (₹ 5.94 lakh), POs and DPO, Alirajpur (₹ 20.87 lakh) and POs and DPO, Jhabua (₹ 12.20 lakh).

<sup>38</sup> Sandeep Computer & Offset Morena, Sandeep Computer Morena.

<sup>39</sup> Shri Raj kumar Namdev posted in the O/o PO, Vidisha Urban as AG-3.

<sup>40</sup> DPO, Alirajpur, Bhopal, Jhabua, Morena, Raisen and Vidisha

Fraudulent drawal remained un-noticed, indicating complete absence of monitoring mechanism and internal control system at BCO/Directorate level. Further, audit noticed that payment to AWs/AHs was made by using vendor ID against the directions of Finance Department which clearly provided that personal payment was to be made by using unique employee code.

- E-payment list includes the details of Government account head, e-cheque number, name of receiver, bank account number, IFSC code and amount paid. Verification of details of e-payment list in audit revealed that the recipient name shown therein was different from actual holder of the bank account number/IFSC code as per details obtained from banks. This indicated that there was no system of checking in the Treasury before payment, as such payment should have been denied due to non-matching of the name of account holder.

The matter was reported to Finance Department, GoMP (August 2018) in order to strengthen the checks and internal control system at treasury level. The Finance Department intimated (November 2018) that software is being developed/modified for limiting payment, stopping payment if drawn lump sum for many months and to regulate monthly payment. Further, off-line bills had been prohibited and electronic bills had been made mandatory. The concerned POs/Accountants had been suspended with immediate effect and departmental enquiry and process for filing First Information Report (FIR) were under process.

In the exit conference (June 2019), the Government accepted the facts that payment of honorarium amounts had been made into unrelated bank accounts, and further intimated that in Bhopal district eight POs had been suspended; FIR had been lodged against them, and departmental enquiry (DE) is in progress. FIR had also been lodged against six accounts clerks, and out of these four clerks were dismissed and DE against remaining two was in progress. Besides, show-cause notices had been issued to two DPOs of Bhopal. Similar action had also been taken against erring officials in Raisen, Vidisha and Morena districts.

### **3.12 Fraudulent payment into unrelated bank accounts**

#### **Fraudulent payment of ₹ 4 crore under various heads of ICDS (Integrated Child Development Services) into unrelated bank accounts.**

Under the Supplementary Nutrition Programme (SNP), payment for supplementary nutrition, rent for Anganwadi Centres (AWCs) running in private buildings, flexi fund for monitoring, supervision, training, travelling allowances and other heads were to be made to the vendor/employee as applicable.

DDO is responsible to provide full details (like name, account number, name of the bank and IFSC Code, sanction number etc.) of the recipients of payment to the treasury at the time of submission of the bill. On the basis of the said information, Treasury makes payment through e-Payment to the concerned person. Once the bill has been paid, it is the responsibility of the DDO to verify e-payment amounts and bank details of e-payment made from the office copy of the bill and shall satisfy himself that all e-payments have been made in correct Bank Accounts. In no circumstances details of Bank Accounts opened in the name of any other person/institute or office by name/designation shall be

recorded in the Bank Account details of the claimant. All the relevant records/details shall be attached electronically with the bill. Sanction of the competent authority should be enclosed with the bill.

As per the Subsidiary Rule 457 and 458 of Madhya Pradesh Treasury Code, bill should be received in the electronic format at treasury and all the details and sanctions of the bill should be enclosed in electronic form. Treasury should verify that all the documents are enclosed with the bill before passing of the bill. Further, treasury should ensure correct accounting head of the bill.

Test check of the records of the District Programme Officer (DPO), Women and Child Development Department (WCDD), Bhopal (September 2016, August 2018) and POs Govindpura (July 2016), Motiya Park (August 2016), Banganga (October 2016), Barkhedi, Phanda and DPO, WCDD, Raisen (March 2018), Alirajpur (February 2019) and Jhabua (February 2019) and scrutiny of e-payment data of treasury revealed that during the period from 2014-15 to 2017-18, ₹ 4 crore drawn from nine heads<sup>41</sup> (**DDO wise details of amounts drawn from nine heads are given in Appendices-3.12.1 to 3.12.9**), were deposited into the bank accounts of unrelated persons. Further scrutiny revealed that among these recipients, nine<sup>42</sup> were data entry operators/computer operators in various Projects Offices, four persons<sup>43</sup> were employees of the Project Office, Govindpura and Phanda, while two<sup>44</sup> were relatives of one of the employee and the identity of rest were not known to audit. These findings indicate serious suspicion on the genuineness of the payments made. In addition to this, it was found that some of these unentitled/unauthorised persons received payments from honorarium head also. Audit finding highlighting the fraudulent payment from honorarium head has been given in Para 3.11.

Audit also noticed that in some cases, names of persons in vouchers were not matching with the list of recipients as in the e-payment list. It was also noticed that payments were made in the bank account as mentioned in the e-payment list but on verification of account numbers and IFSC code it was observed that the account holder's name was different as mentioned in e-payment list. This possibly pointed to the fact that dummy names were mentioned in the vouchers. In addition to this, there were 19 individuals who were receiving rent from more than one POs with different names. It was found that the payment was shown in the e-payment list to 60 persons/firms, but bank accounts pertained to only 14 persons. Further, the bank had verified that names of all the 14 bank account holders were different from the names shown in the e-payment list. These

<sup>41</sup> Heads include (1) Anganwadi House Rent/Godowns, (2) payment of Hot Cooked Meal, (3) flexi funds, (4) advertisement and publicity, fair, function and exhibition, (5) expenditure on Minor Works, expenditure on inspection and maintenance of machines and equipment, (6) fees given to institutions for trainings of government servants, (7) expenditure incurred during such trainings, payments for all categories of consultancy services employed, (8) material and supply and (9) travelling allowances.

<sup>42</sup> Shri/Smt Hemant Paliwal, Jayshree Uday, Lalit Nagar, Surendra Kumar Maurya, Ashish Prajapati, Lata Yadav, Maya Nagle, Rahul Khatarkar and Deepak Shukla

<sup>43</sup> S/Shri Dilip Jethani, Raj Kumar Lokwani, Kashi Prasad and Jashwant Dhurve

<sup>44</sup> Shri Karan Lokwani and Ms. Pratima Lokwani were the son and daughter of Shri Rajkumar Lokwani

accounts were used for receiving payments both from Bhopal and Raisen district.

It was also found that suspected payment of training, expenditure on minor works, advertisements, fair and exhibition, payment for banners and travelling allowances and *Atal Bal Mission* were made to the same individuals, as mentioned above. In many instances, bills were showing payments to firms, while payment was actually made to individuals. For material supply, entry of stock in the stock register was not made on the bills. Further, contractual data entry operators were paid Travelling Allowance.

#### **Lapses at the DDO level**

DDO did not attach all the relevant records/ details electronically with the bills as required. Manual copies of the recipient lists were attached with the bills. Sub-vouchers were not attached with the bills. In Udaipura project office, purpose of drawal was intentionally not mentioned in the sanction. In the case of AWC rent and *Poshan Ahar*, payments were made to persons other than AWC house owners and SHGs respectively. Payment was received in the bank account of a person whose name was different from the name in the voucher. Thus, DDO failed to reconcile the bank account number of the recipients from the e-payment list with the office copy of the bill after payment. In many instances, records for these payment in the project offices were missing. It is evident that POs had fraudulently manipulated the bills and inserted the bank account numbers of data entry operators, employees and other people who were not eligible for these payment and thus substantial amount of government funds of ₹ 4 crore were siphoned off.

#### **Lapses at the Treasury level**

Further, negligence on the part of Treasury is also evident because treasury failed to verify that the amount was paid to the same person whose name and account number was mentioned in the bill. Treasury did not compare soft copy uploaded by DDO with the hard copies of the bill submitted to treasury. There were instances where names mentioned in bill were different from the names mentioned in the e-payment list. Treasury also ignored the fact that sub vouchers and sanctions were not enclosed with vouchers. Further in many instances, treasury did not check heads of account on the bills. As per the reply of Women and Child Development Department, there were no entries in Bill transit book (BTB) for many bills.

It was clear that the DDO, who was responsible for payment, manipulated the bill at his level and presented the same in the treasury for payment. The treasury overlooked its role of necessary examination in respect of bills and thus the payment was passed. Treasury did not execute its responsibility as the final passing authority. This system has been continuously followed by the various DDOs since 2014. This clearly indicates insufficient internal control system in the department as well as at treasury level.

In exit conference (June 2019), the Government while verifying the facts and figures of audit observation (except Alirajpur and Jhabua) intimated that fraudulent drawals were made and amounts had been deposited into unrelated bank accounts. Action against concerned officers/officials and others are being taken. Further, DPO, Alirajpur stated (February 2019) that information would

be obtained from the concerned Project Officers and accountants and action would be taken. DPO, Jhabua accepted the facts and stated (July 2019) that names mentioned in the list of recipients were neither SHGs nor related to SHGs. Payments were made into bank accounts pertaining to a Data Entry Operator<sup>45</sup> and members of his family.

**Gwalior**  
**The 27<sup>th</sup> January, 2020**



**(D. SAHU)**  
**Accountant General**  
**(General and Social Sector Audit)**  
**Madhya Pradesh**

**Countersigned**

**New Delhi**  
**The 30<sup>th</sup> January, 2020**



**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

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<sup>45</sup> Shri Shailendra Singh Daya

