

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Fraudulent drawal/misappropriation/embezzlement/losses/overpayments

PUBLIC HEALTH & FAMILY WELFARE DEPARTMENT

4.1.1 *Fraudulent supply of equipment*

Fraudulent supply of medical equipment worth Rs 7.84 crore.

Payment of Rs 5.96 crore to fictitious/fraudulent suppliers

(a) The Dean, Pandit Jawahar Lal Nehru Memorial Medical College, Raipur (Dean) after issue of Notice Inviting Tenders (NIT) in September 2005 placed supply order (March 2006) on lowest tenderer M/s Trivitron Medical Systems Pvt. Ltd., Chennai for supply of one Central Station and eight Multipara Cardiac Monitors (all of “Nihon Kohden” make, made in Japan) for Rs 29.49 lakh, intended machine was received and final payment was released in June 2007.

The Director of Health Services (DHS) placed three¹ supply orders for 10 similar cardiac units (consisting of 10-Central Stations and 80-Multipara Cardiac Monitors of “Nihon Kohden” make, made in Japan) at the same rates as the Dean during August and September 2006. The units were supplied to 10² districts and payment of Rs 2.95 crore was made (November 2006).

Audit scrutiny of records relating to the above procurement in DHS (December 2006 and January 2007) and four³ Civil Surgeon-cum-Hospital Superintendents (CS) during May-July 2007 revealed that prescribed controls were bypassed which resulted in irregularities, omissions and fraud in the process of procurement and supply.

Three⁴ invoices were submitted (September-October 2006) to DHS for the 10 cardiac units enclosing installation reports and receipts from 10 districts. Audit scrutiny showed that four⁵ receipts were not dated. The installation/acceptance reports were very brief and did not indicate the make of the machine, dates of installation, list of accessories supplied and certificate of installation and satisfactory functioning. They were not at all like the standard installation reports for expensive and scientific equipment.

¹ Order nos. 187 dated 10 August 2006 (five), 200 dated 11 August 2006 (four) and 209 dated 4 September 2006 (one).

² Dantewada, Durg, Janjgir, Kawardha, Korba, Koriya, Mahasamund, Raigarh, Rajnandgaon and Surguja.

³ Durg, Kawardha, Mahasamund and Rajnandgaon

⁴ Invoice Nos. 1345 dated 25 September 2006; 1346 and 1347 dated 4 October 2006.

⁵ Durg, Kawardha, Mahasamund and Rajnandgaon.

Although the DHS processes such technical installation reports regularly for expensive medical equipment, it failed to notice the obvious omissions in these reports. Moreover, the supply order provided that the payment would be made after a successful installation and demonstration report is received from the concerned Chief Medical and Health Officer (CM&HO) and CS. However, the invoices were processed on installation reports submitted by the supplier.

The invoices submitted did not indicate the mandatory Central Sales Tax (CST), State Commercial Tax (ST) and Trade Index Number (TIN). As per the provisions of Rule 4.9 of Chhattisgarh Stores Purchase Rules 2002 and Rule 34 of Chhattisgarh Commercial Tax Act-1994, such information was mandatory for processing of invoices for payment.

The invoices indicated that the payment was to be made in favour of M/s Trivitron Medical Systems, Dhamtari. Although the order had been placed at Chennai, the invoices were processed without any enquiry as to why the payment was to be made at Dhamtari. Therefore, despite many discrepancies the three invoices were processed and payment of Rs 2.95 crore was made through three demand drafts nos. 1,63,711 to 1,63,713 dated 4 November 2006.

Joint physical verification (May/July 2007) of machines by audit at the four CS offices (Durg, Kawardha, Mahasamund and Rajnandgaon) showed that the Central Stations were of "Lenovo" make (Made in China) and the Multipara Cardiac Monitors were of "Mediaid" make which were not as per specifications in the supply orders. The software supplied was copied on recordable Compact Disks and not the original software. It was admitted (May/July 2007) by all the four CS that the installation reports and receipts produced by the supplier to DHS alongwith the invoices were fake. The actual installation at CS, Durg was on 21 November 2006, the actual installation report at Rajnandgaon was not produced to audit and units at Kawardha and Mahasamund had not been installed as of July 2007. However, the payments were released on 4 November 2006 before the actual installation, facilitated by fake certificates. The supplier did not submit any delivery challans in these test checked districts and concealed the place and date of despatch of these machines.

Further verification (July 2007) by audit from M/s. Trivitron Medical Systems Pvt. Ltd., Chennai revealed that it had not received the supply orders purportedly issued by DHS and had not supplied any machines, had not issued the installation/acceptance certificates and the invoices submitted to DHS were also fake. It had not received the payment of Rs 2.95 crore and did not have any branch at Dhamtari.

It was also ascertained (July 2007) by the audit that the three demand drafts issued on 4 November 2006 were deposited in account number 30031 in the Union Bank of India, Dhamtari branch. The bank stated that the account holder was one "Subhash Kumar Lal". After drawing the entire amount on 7 November 2006, 9 November 2006 and 13 November 2006, the account was closed on 19 January 2007. It was confirmed from

the Commercial Tax department that “M/s. Trivitron Medical System, Dhamtari” was not registered.

It was evident that while the name of M/s. Trivitron Medical Systems Pvt. Ltd., Chennai was used in this procurement, the supplies were made by some unknown entity and the payment was in the name of a fictitious firm. The cardiac units supplied were also different from the specifications ordered. All the fake invoices, installation reports, letters and even the agreement with DHS had been signed with the similar signature of “SBK Lal” which approximated to the name of the account holder in whose name payments were deposited.

(b) It was observed that an identical fraud had been committed earlier in the year 2004-05. The Central Purchase Committee (CPC) approved (February 2005) the rates of M/s Trivitron Medical System Private Ltd., Chennai for Elisa Reader (Make- Thermo Electric Ind.) and Childhood Blood Lead Tester (Make- ESA Inc. USA) machines. Accordingly, the DHS placed supply orders in March 2005 for seven Elisa Reader and eight Childhood Blood Lead Tester valuing Rs 1.04 crore for eight CS and a Letter of Credit (LC) No. SBI/0461/2005-06/07 dated 18 April 2005 was opened in favour of M/s Trivitron Medical System Private Ltd. Chennai in the State Bank of India, Main Branch, Raipur.

It was observed that while the ordered machines were received at concerned CS, the invoices and installation/acceptance reports carried same discrepancies i.e. they did not indicate the mandatory CST, ST and TIN, mentioned that the payment was to be made in favour of M/s Trivitron Medical System, Dhamtari, were signed by the same person "SBK Lal" and the bank account used for Central Stations and Multipara Cardiac Monitors had also been opened (April 2005) immediately after the issue of the supply orders (March 2005). Although the order had been placed at Chennai and LC was opened in the name of the Chennai firm, the invoices of Rs 1.04 crore were processed without any enquiry as to why the payment was to be made at Dhamtari. It was evident that the supplies were made by the same unknown fraudulent supplier using the name of M/s. Trivitron Medical Systems, Chennai.

(c) Scrutiny of procurement of 16 colour dopplers by DHS showed that the CPC approved the rate of Rs 24.60 lakh per unit of M/s. Trivitron Medical Systems Pvt. Ltd., Chennai as the supplier for colour doppler machines (Make-Aloka, Model SSD-3500) while approving the annual list of suppliers through annual tendering process (August 2004). Accordingly, DHS placed three supply orders for 16 colour dopplers (Nos. 187 dated 10 August 2006 (six), 200 dated 11 August 2006 (four) and 209 dated 4 September 2006 (six)) valuing Rs 3.94 crore. A letter was purportedly issued (October 2006) by M/s. Trivitron Medical Systems Pvt. Ltd., Chennai to M/s Chhattisgarh Surgicals, Raipur authorising them to supply 10 machines against supply orders dated 11 August 2006 and 4 September 2006, to raise bills and collect payment on their behalf.

It was observed that M/s. Chhattisgarh Surgicals, Raipur delivered the machines during November 2006 to April 2007 and submitted eight

invoices (Nos. 1405 to 1412 dated between 2 January 2007 to 7 January 2007) alongwith eight undated installation reports purportedly issued by M/s. Trivitron Medical Systems, Chennai to DHS against supply of colour dopplers to eight⁶ CS. The DHS released payment of Rs 1.97 crore to the firm through bankers cheque no. 329931, dated 22 January 2007. In reply, DHS stated (July 2007) that the payment of Rs 1.97 crore for the other eight machines had been withheld in view of the discrepancies noticed in purchase of Central Station and Multipara Cardiac monitors. Audit scrutiny further revealed that out of eight colour dopplers, five⁷ were installed during February to July 2007 after payment of Rs 1.97 crore.

Joint physical verification (July 2007) by audit in four districts (Bilaspur, Kawardha, Mahasamund and Raipur) revealed that though the colour dopplers were of Make-Aloka (Model SSD-3500) its accessories viz. computer system was of Lenovo-make, made in China and not as per specifications. Audit also observed that complete set of accessories viz. computer system at Bilaspur and colour inkjet printer, cardiac probe (UST 5299), cardiac Software (SOP-3500-3B), Image Management Software, UPS etc. in remaining three districts were not supplied. It was also stated by CS, Kawardha that the installation report and receipt produced by the supplier to DHS alongwith invoice was fake.

In this case also M/s. Trivitron Medical Systems Pvt. Ltd., Chennai denied (July 2007) having received the orders or supplied Colour doppler machines. The firm also stated that the purported authorisation letter of 4 October 2006 issued in favour of M/s. Chhattisgarh Surgicals, Raipur to execute the order and receive the payment on its behalf was not issued by them. The eight invoices and undated installation reports also carried the similar signature of "SBK Lal" found on all the fraudulent records in the purchase of Central Stations and Multipara Cardiac Monitors. This was the third instance detected by audit in which the name of Trivitron Medical System, Chennai was used by the fraudulent supplier. M/s Trivitron Medical Systems, Chennai complained (August 2007) to the Superintendent of Police, Raipur for the fraudulent use of their company name for making supplies.

In reply the DHS (September 2007) and Government stated (November 2007) that an appointed committee had examined the cardiac units and found them to be of different specification and the supplier was directed five times (March to June 2007) to take back the 10 units and to return the amount of Rs 2.95 crore. It was also accepted that the supplier had submitted fake invoices, delivery challans & installation reports and also supplied "Mediaid" make machines without DHS approval. It was further stated that supplier had refunded entire sum of Rs 2.95 crore and had been instructed to take back six machines at its own cost. For the supply of colour dopplers, a committee had been constituted to enquire

⁶ Bilaspur, Janjgir, Korba, Raigarh, Rajnandgaon, Surguja, and Community Health Centre (CHC) at Khairagarh & Dongargarh (Rajnandgaon district)

⁷ At Janjgir, Korba, Surguja and CHC Khairagarh and Dongargarh (Rajnandgaon district).

into the specifications supplied by the firm. It was also stated that the DHS officials were unaware of this forgery and as the firm had refunded the payment, there was neither any corruption nor any loss to the Government. A First Information Report (FIR) had been lodged (October 2007) by the department with the police against M/s. Trivitron Medical Systems, Dhamtari and M/s. Chhattisgarh Surgicals, Raipur.

The reply is not acceptable. It did not indicate how the discrepancies noticed were completely overlooked at the time of payment and who was responsible for these omissions. It did not explain how the supply orders and letters prepared in the name of M/s Trivitron Medical Systems Pvt. Ltd., Chennai actually kept reaching the fraudulent supplier even after it was detected that machines were not supplied as per specification and the entire procurement process was being investigated. The department continued to correspond with the fraudulent supplier and also prevailed upon it to refund Rs 2.95 crore. Even after the fraud was pointed out by audit (July 2007), the fraudulent supplier was asked to take away six machines without full investigation for the criminal action of fraud.

Fraudulent supply of equipment of different specifications worth Rs 1.88 crore

(d) Sixty seven items of medical equipment supplied to five CS (Bilaspur, Dantewada, Dhamtari, Jagdalpur and Kanker) were compared in a joint physical verification (October/November 2007) to the specification and terms and conditions in the relevant supply orders issued by DHS in March 2005. It was observed that 28 equipment worth Rs 1.88 crore received were of different make and specification (*Appendix-4.1*). The five CSs stated that no requisition was made by them for these equipment and since they had not received the copies of supply orders and details of specification, they could not verify the ordered makes of these equipment. Full set of accessories had not been supplied for 21 of these equipment costing Rs 1.68 crore. Consequently, they could not be put to use. The fraudulent supply of incomplete set of equipment of different makes was facilitated by the faulty practice of placing orders centrally by DHS and not furnishing details of equipment to be supplied at districts.

The supply of medical equipment of total worth Rs 7.84 crore in a fraudulent manner was reported to the Government (July 2007 and November 2007) and findings discussed (September 2007) for urgent action and fixing responsibility. Action taken by the Government had not been intimated (November 2007).

4.1.2 Loss due to purchases at higher rates and extra payment

Purchase of disposable syringes at higher rates, extra payment to firms in addition to agreed rates and non-availing of discount resulted in loss of Rs 77.67 lakh.

Director, Health Services, Chhattisgarh, Raipur (DHS) after issuing Notice Inviting Tender (NIT) in March 2004 entered into rate contract with M/s Hindustan Syringe & Medical Devices Ltd., Ballabgarh, (HS&MD) which

was valid from 9 June 2004 to 8 June 2005 and procured (July 2004) 60,30,000⁸ disposable syringes from HS&MD. Rates of Director General of Supplies and Disposals (DGS&D) for above items valid from 1 February 2004 to 31 January 2005 were available with DHS which were lower than the rates of HS&MD shown in **Appendix-4.2 (a)**.

Scrutiny of records of DHS (January 2007) revealed that at the time of placing of orders with HS&MD (July 2004) for disposable syringes, both the rate contracts (HS&MD and DGS&D) were valid. The DHS was well aware of the DGS&D rates as it had placed orders for disposable syringes at these rates in March 2004 and also availed discount. However, supply orders valuing Rs 1.53 crore were placed at higher rates on HS&MD without comparison of rates with DGS&D. Had the rates been compared and orders been placed on DGS&D rate contract, an amount of Rs 60.14 lakh could have been saved and a discount of Rs 1.86 lakh could have been availed as detailed in **Appendix-4.2 (b)**.

On being pointed out in audit, the Government stated (November 2007) that DGS&D does not ensure quality, standard and certificates of WHO(GMP)⁹ while determining the rates and registering the firms and that purchases were as per the Government policy from WHO(GMP) certified L-1 firms. It also stated that discount of two *per cent* on disposable syringes was not available on DGS&D purchases, thus, there was neither any loss nor any extra payments to firm. The reply was not acceptable as it was totally contradictory to the fact that DHS had purchased disposable syringes valuing Rs 3.58 crore through DGS&D registered firms during the years 2004-07 and as per available records discount of two *per cent* was available on DGS&D purchases during February 2004 to January 2005. Thus, no justification could be provided for purchase of disposable syringes at higher rates.

(b) With a view to procure annual indents of medicines for various hospitals, during 2004-05 and 2005-06 the DHS issued NIT in March 2004 & June 2005 respectively, wherein the criteria for determination of lowest tenderer was all inclusive¹⁰. Accordingly, the rate contracts with lowest tenderer were entered during June 2004 and January 2006 by DHS. Further, purchases were also made from firms registered under DGS&D on their rates inclusive of commercial tax during the period June 2005 to October 2006.

Scrutiny of 290 purchase invoices under the Rate contract and DGS&D rates during the period June 2005 to October 2006 revealed that even though the rates were inclusive of commercial tax, in 62 invoices DHS paid an inadmissible amount of Rs 14.23 lakh to eight firms as commercial tax as detailed in **Appendix-4.3**. Further, it was observed that the DHS failed to avail discount of two *per cent* on orders amounting Rs 5.00 lakh or above as specified in DGS&D rate contract valid from February 2004 to January 2005, which resulted in irregular extra payment of Rs 1.44 lakh as detailed in **Appendix-4.4**.

⁸ Disposable syringes 2ml-30,00,000, 5ml-10,00,000, 10ml-20,00,000 and 20ml-30,000.

⁹ World Health Organisation (Good Manufacturing Practices).

¹⁰ Including incidentals, packing and forwarding, excise duty, insurance, sales tax and freight to FOR destination (Free on Rail/Road destination).

In reply, the Government stated (November 2007) that letters had been issued by DHS to the concerned firms to refund extra amount paid, final reminders are being issued and action would be taken at Government level against the defaulting firms. It was evident from the reply that the payments were made to firms without ensuring admissibility of rates and availability of discount offers. The total recovery has not been intimated so far.

PUBLIC WORKS DEPARTMENT

4.1.3 Avoidable excess payment and loss to Government

Irregular assessment of quantity of bituminous macadam resulted in avoidable payment of Rs 30.94 lakh and non-recovery of maintenance cost from the contractor resulted in a loss of Rs 42.56 lakh to the Government.

The work of strengthening and renewal of Rajeev Gandhi Marg (VIP Road) in Raipur City with PAC Rs 1.44 crore was awarded (April 2002) to contractor 'A' at 13.11 *per cent* above the SOR (Roads; effective from June 2000) and the contractor was paid Rs 2.04 crore (October 2005) for the work.

(a) As per clause 113.3 of MORT&H specifications, finished thickness of bituminous courses to be paid on volume basis should be computed by recording the levels before and after construction. As a supplementary check, the Engineer-in-Charge has the option to take cores/make holes to check the depth of construction. Further, general note-4 of SOR stipulates that mode of measurement shall be as per provisions contained in the relevant clauses of the specifications unless specified otherwise.

Test-check of records (July 2006) of EE, PWD Division No.I, Raipur revealed that as per sanctioned estimate, the contractor was to execute 4,657.95 Cum BM in an area of 60,690 Sqm. at an average thickness of 77 mm which includes 40 *per cent* for profile correction and 10 *per cent* for culverts. In actual execution, levels were not taken violating the MORT&H specifications. In the absence of measurement of levels, assessment of accurate thickness of bitumen was not possible. Payment to the contractor was made for 100 mm overall thickness which was 30 *per cent* above the estimated quantity. The division assessed 100 mm thickness by measuring thickness by a core-cutter at four different reaches only. As per provision the assessment of thickness through core-cutter was only a supplementary check and cannot be used as the sole basis for making payment. Therefore it was absolutely irregular to make the excess payment of Rs 30.94 lakh (6,183.80¹¹ Cum-4,743.20 Cum = 1,439.80 Cum @ Rs 1,900 plus 13.11 *per cent*) for the increase of as much as 30 *per cent* over estimated thickness based on totally irregular and unverifiable assessment of thickness of BM layer.

On being pointed out in audit, Government forwarded (October 2007) the departmental reply, wherein it was stated that the plant mix bituminous material was weighed and the weight was then converted into volume to find the quantity of BM to be paid as per clause 113.5 of MORT&H specifications.

¹¹ In an area of 61,600 Sqm.

The reply is not acceptable. Had this been the adopted method of calculation, it would have been shown accordingly in the MB. The MB does not show any conversion from weight to volume. The volume was actually calculated through core cutter reading as already pointed out. This reason has been furnished after the audit observation, is an after thought and not supported by records.

(b) As per additional special condition of the agreement, the contractor shall be responsible for performance of work carried out by him for a period of three years and performance security has to be furnished by him in the shape of bank guarantee at the rate of 15 per cent of the amount of contract for the period of 36 months from the date of completion of the work. Completion certificate required under Clause-6 of the agreement was not issued to the contractor, hence treating the date of final payment (October 2005) as completion date, the contractor was responsible for maintenance of the work upto September 2008.

Test-check of records (July 2006) revealed that an amount of Rs 42.56 lakh was incurred (December 2005-January 2006) on maintenance of the road through contractor 'B'. Instead of making efforts to recover the maintenance cost, the division refunded (October 2005) the security deposit amounting to Rs 15.32 lakh to the contractor, treating the date of completion date as 8 August 2002, i.e., the date of last measurement recorded in the MB-796/P-5.

It was observed by audit that the date of last measurement (8 August 2002) was tampered with to alter the completion date. The Sub-Engineer actually recorded measurements on 8 March 2003 and these were checked by SDO on 2 May 2003. The date of 8 March 2003 recorded by the Sub-Engineer was overwritten to 8 August 2002. This was corroborated by the checklist to third running bill where the completion date was mentioned as 8 March 2003 and also in the note-sheet for refund of security deposit in which the initial noting showing completion date as 2 May 2003 was overwritten to 8 August 2002. It was also observed that EE issued (November 2002) show cause notice to the contractor for slow progress and was asked to apply for time extension which was not possible had the work been completed on 8 August 2002. The SDO also submitted (July 2003) ex-post facto proposal for extension of time upto 15 January 2003 to EE. The date of completion of work was again mentioned as 2 May 2003 in the final bill and checklist to the final bill. From these facts it was evident that completion date was manipulated from 8 March 2003 to 8 August 2002 to give undue advantage to the contractor. Thus, the maintenance of the road was actually carried out within the performance period and was liable to be recovered from the contractor. Non-recovery of the same resulted in loss of Rs 42.56 lakh to the Government.

On being pointed out in audit, Government stated (October 2007) that the E-in-C, PWD had been directed (October 2007) to investigate the tampering of completion date in MB and the undue aid to the contractor. However, the outcome of the action to fix the responsibility for tampering the important records and for giving undue aid to the contractor is still awaited (November 2007).

4.2 Excess payment/Infructuous/Wasteful expenditure

WATER RESOURCES DEPARTMENT

4.2.1 Excess reimbursement of subsidy.

Non-revision of unit rates for drilling of cultivators tubewells resulted in reimbursement of subsidy in excess of norms amounting to Rs 35.01 lakh.

Under "*Krishakon Ke Niji Nalkup*" (Cultivators' tubewell) scheme launched in 1968, cultivators were allowed 50 *per cent* subsidy on expenditure incurred on the tube wells drilled successfully in their farm land. The maximum considerable expenditure of a tube well was fixed as Rs 50,000 (1985) for calculating the amount of subsidy. Cases where the expenditure on a tube well exceeded Rs 50,000, the Chief Engineer (CE), tubewell and lift irrigation, was empowered to decide the subsidy only. In case of unsuccessful drilling of tubewells Rs 1,000 was recoverable from cultivator and the balance amount was to be borne by the Government.

Meanwhile, to distribute the cost of unsuccessful tubewells among the beneficiaries of successful tubewells, an average unified rate of drilling and installing motor pump was introduced in 1985. The average unified rate was applied to work out the total expenditure incurred in a particular successful tubewell and 50 *per cent* of this expenditure was classified as subsidy subject to the limits mentioned above and balance of the actual expenditure after deduction of subsidy of the tubewell was required to be recovered from the cultivators of successful tubewells.

Test-check of records (May 2006) of Executive Engineer (EE), Light Machinery Tube Well and Gate (LMTWG) division, Durg revealed that 51 successful tubewells were drilled through contractors on schedule of rates (December 2003) in the year 2005-06 and an expenditure of Rs 60.51 lakh was incurred on drilling and installation of motor pumps. Division calculated the subsidy by preparing the bills at average unified rate basis and worked out an amount of Rs 12.75¹² lakh as maximum subsidy payable to the cultivators for these 51 successful tubewells. Instead of collecting Rs 47.76¹³ lakh out of Rs 60.51 lakh from cultivations division collected only Rs 12.75 lakh, which led to payment of excess subsidy of Rs 35.01 lakh (47.76-12.75).

On being pointed out in audit, the Government stated (November 2007) that the cost of drilling and pump installation has increased considerably as compared to the cost of Rs 50,000 fixed in 1985. Further added that 50 *per cent* (Rs 25,000) was booked under subsidy major head and Rs 25,000 was received from farmers and the balance was charged under construction sub-head, thus, excess subsidy was not paid to cultivators.

The reply indicated that the Government was following an incorrect procedure and booking the enhanced part of the subsidy under construction sub head. This practice also led to gross understatement of subsidy in the accounts.

¹² 50 *per cent* of Rs 25.50 lakh, i.e., the cost of 51 successful tubewells @ Rs 50,000/- per tubewell (maximum allowed under the scheme).

¹³ Rs 60.51 lakh – Rs 12.75 lakh = Rs 47.76 lakh.

Thus, the reply confirms that subsidy in excess of norms was reimbursed to the cultivators by booking the expenditure to the construction head.

4.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure

WATER RESOURCES DEPARTMENT

4.3.1 Unauthorised aid to contractors

Payment of Rs 50.87 lakh made to the contractor prior to actual execution of work.

(a) Notice inviting tender (NIT) for the work of balance earthwork of main bund with nalla closure including construction of sluice, waste weir etc. of "Karchu Tola tank" with PAC Rs 1.46 crore was issued (December 2005) by the Executive Engineer (EE), Water Resources Department, Kharkhara Mohadipat Project Division (KMPD), Durg. The lowest tender of contractor 'A' was accepted (22 March 2006) by E-in-C and work order was issued (23 March 2006). Contractor was paid Rs 94.24 lakh (July 2006) upto August 2007.

Test-check of records (November 2006) of EE, KMPD, Durg revealed that as per construction schedule, 66,448.40 cum quantity of eight¹⁴ items of work were scheduled to have been executed in nine months, which was a part of the contract agreement, but an amount of Rs 31.47 lakh was paid on 24 March 2006, i.e., within two days of award of work in the first running account (RA) bill, whereas only 5,000 cum and 0.36 sqm of two¹⁵ items of work was supposed to be executed in the first month valuing Rs 1.89 lakh. While conducting audit neither the name of Sub-Engineer and measurement book (MB) number were recorded in the RA bill nor the MB was made available to audit. However the MBs were collected (August 2007) and on further scrutiny it was observed that the measurements were recorded between 20 March 2006 to 23 March 2006, i.e., prior to issue of work order (23 March 2006).

(b) Similarly NIT for another work of balance work of headwork, construction of head sluice, waste weir, earthwork of spill channel etc. of "Kori Tola tank" with PAC for Rs 57.04 lakh was issued (January 2006) by EE, KMPD. The lowest tender of contractor 'B' was accepted (21 March 2006) by Chief Engineer (CE) and work order was issued on the same day. Work was completed (December 2006) and contractor was paid Rs 50.82 lakh (March 2007).

¹⁴ (i) excavation in all type of soil (27,966 cum) (ii) excavation in all type of rock (218 cum); (iii) providing & filling puddle with clay (1,395.35 cum); (iv) providing filter blanket with metal & sand (1,326.45 cum); (v) construction of rock toe (1,165.60 cum); (vi) earth work for bund (33,000 cum); (vii) providing & laying 22 cm dry stone pitching (750 cum) and (viii) providing & laying 15 cm thick dry stone pitching (627 cum).

¹⁵ (i) excavation in all type of soil (5000 cum) and (ii) fabrication supply and erection (0.36 sqm.).

Test-check of records (November 2006) revealed that as per construction schedule, 9,219.51 cum related to eight¹⁶ items of work were scheduled to have been executed in four months, which was a part of the contract agreement, but an amount of Rs 19.40 lakh was paid on 24 March 2006, i.e., within three days of award of work in the first RA bill, whereas only 5,000 cum and 42.44 metre of three¹⁷ items of work was supposed to have been executed in the first month valuing Rs 1.43 lakh. While conducting the audit only an abstract of MB was shown and no detailed MBs were produced for the payment made. Neither name of Sub-Engineer nor MB number was recorded in the first RA bill paid. However, the MBs were collected (August 2007) and on further scrutiny it was observed that the measurements were recorded between 20 March 2006 to 23 March 2006, i.e., prior to issue of work order (21 March 2006).

Since it was not actually possible to complete such a large quantum of work in two-three days which were scheduled to have been completed between one to nine months and the non-corroboration of MBs raised grave doubts on the genuineness of the payments of Rs 50.87 lakh (31.47 + 19.40).

Government accepted (August 2007) the audit observations and stated that disciplinary action has been initiated against the concerned EE and SDO, for working against the departmental rules and committing irregularity. However, action taken by the Government is awaited (November 2007).

PUBLIC WORKS DEPARTMENT

4.3.2 *Doubtful execution on road work*

Doubtful execution of work prior to issue of work order and payment of Rs 37.03 lakh thereon.

As per Clause-2.090, 2.092 (Section-15) and Clause 4.023 of Madhya Pradesh Works Department Manual (adopted by Government of Chhattisgarh) on acceptance of tender, the Executive Engineer (EE) will draw and execute the agreement on the original tender alongwith supply of a certified copy of the agreement and work order. Every measurement must be recorded directly in the Measurement Book (MB) and in no other records.

The work of Sealing and Rebuilding of crust on Km 269 to 281 of National Highway (NH) No.6 (Raipur Bye Pass Road; estimated cost Rs 30 lakh) was awarded to contractor 'A' at 4.91 *per cent* below the SOR-Roads effective from 01 September 2004. The work order was issued on 25 March 2005 with completion period of one month. Contractor was paid Rs 37.03 lakh (March 2006).

¹⁶ (i) excavation in all type of soil (4,700 cum) (ii) excavation in all type of rock (100 cum); (iii) providing & filling puddle with clay (532.95 cum); (iv) providing filter blanket with metal & sand (582.63 cum); (v) construction of rock toe (337.03 cum); (vi) earth work for bund (1,220.90 cum); (vii) providing & laying 22 cm dry stone pitching (1,025 cum) and (viii) providing & laying 15 cm thick dry stone pitching (721 cum).

¹⁷ (i) excavation in all type of soil (5000 cum); (ii) dismantling of lime or cement concrete (19.94 rm) and (iii) dismantling of hume pipe culvert (22.50 rm).

Scrutiny (October 2006) of MB along with other records of Executive Engineer (EE), Public Works Department (PWD) NH Division No. I, Raipur revealed that the tenders were opened by the Superintendent Engineer (SE), NH circle, Raipur on 22 March 2005 and work order was issued on 25 March 2005 whereas measurements for the entire work valued Rs 37.03 lakh were recorded on a single day (time allowed as per agreement was one month) on 24 March 2005 i.e. even before issuing the work order. The payment for the measurements recorded was made through five different running bills between 11 May 2005 and 30 March 2006. The execution and completion of the work even before acceptance of tender and before issue of work order was not only highly irregular but also in violation of the codal provision.

On being pointed out, the E-in-C stated (September 2007) that the tender was opened on 22 March 2005, in which contractor 'A' offered the lowest rate. Superintendent Engineer (SE) was empowered to accept the lowest tender and offered his consent to accept the lowest offer over phone. Looking into the urgent need of the work the lowest rate offered contractor 'A' was directed to start the work with immediate effect on 22 March 2005. Accordingly the measurements were recorded on 24 March 2005. The EE stated (October 2006) that the work was executed in a single day looking to the heavy damage to road and to avoid lapse of the grant.

The reply is not acceptable. The execution of the entire work in a single day against the completion period of one month is highly improbable. Moreover, the clarification on avoiding lapse of budget was also incorrect as the payments were made in the next financial year (May 2005 to March 2006). Further, there is no evidence on record of any such instruction of SE or any justification. Therefore the reply is an afterthought on the audit objection. All the above mentioned discrepancies and omissions, render execution of work in a single day and the expenditure of Rs 37.03 lakh doubtful.

The matter was reported to the Government (April 2007), reply had not been received (November 2007).

4.3.3 Extra cost due to inconsistencies in processing of tender and frequent changes in design.

Extra cost due to defective planning and inconsistencies in processing of tender of High Level Bridge-Rs 57.91 lakh
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Specification of MORT&H for Road and Bridge works provides that preliminary investigation should be carried out to decide tentatively the bridge site, type of structure with span arrangement and the location and type of foundation. Thereafter, the scope and extent of detailed investigation is decided and adequate data is collected for the detailed design and execution.

The Government accorded (February 2002) administrative approval (AA) for Rs 2.96 crore for construction of a high level bridge across Mahanadi¹⁸ and technical sanction (TS) was accorded (March 2002) by the Chief Engineer, National Highway & Bridge Zone, Raipur for Rs 2.66 crore. The lump-sum

¹⁸ In Km 7/2 (Sarangpal Ghat) Kanker-Amoda-Narharpur Road.

work was awarded (November 2002) to contractor 'B' for Rs 4.38 crore and final bill for Rs 4.63 crore was paid (March 2005).

Test check of records (February 2005 and January 2006) of SE, Bridge Circle, Raipur and EE, PWD (Bridge) Division, Jagdalpur revealed that tenders were initially invited (March 2002) with Probable Amount of Contract (PAC) Rs 2.79 crore¹⁹ with a tentative General Arrangement Drawing (GAD-1) which provided for well foundation of 13.10 metre. After receipt of initial offers, the GAD-1 was revised (GAD-2) with PAC Rs 3.13 crore with the depth of the well foundation changed to 18.75 metre and revised offers were invited (March 2002). The lowest offer of contractor 'A' for Rs 3.80 crore was rejected (July 2002) by the CE, NH & Bridge, Raipur on the plea that it was 21.41 *per cent* above the PAC and onset of rainy season.

The lowest offer of contractor 'B' on second tender (July 2002) for same GAD-2 was Rs 4.38 crore (40 *per cent* above PAC-Rs 3.13 crore). However, after receipt of offers (September 2002), the PAC was enhanced from Rs 3.13 crore to Rs 4.00 crore (October 2002) indicating higher specifications for many items. However, neither revised bids nor revised offers were invited as in the first tender and the offer of contractor 'B' was accepted as 9.35 *per cent* above the revised PAC of Rs 4.00 crore. Had these higher specifications been ascertained at the time of first call, the offer of contractor 'A' for the same design GAD-2 would have been acceptable (below PAC). During actual execution the revised GAD-2 and the subsequent technical specifications leading to higher PAC were also not executed. The design was changed again and instead of well foundation, pile foundation was made as the hard rock was found at higher level than expected. It was evident that the initial study, survey etc., were inadequate leading to four sets of design/specifications and incorrect rejection of tenders in first call resulted in extra cost of Rs 57.91 lakh (Rs 4.38 crore-Rs 3.80 crore)

On being pointed out in audit (February 2005), the E-in-C stated (August 2006) that as the work was executed within sanctioned cost there was no extra cost. Revised TS for Rs 4.60 crore and revised AA of Rs 5.33 crore had also been granted.

Reply is not acceptable. There were inconsistencies in the tendering process which worked to the advantage of contractor 'B' and these remain unexplained. In the first tender, due to design changes, the PAC was enhanced and revised offers were invited. Similarly in the second tender, PAC was enhanced due to higher specifications but revised offers were not invited as in the first tender. The revised PAC was worked out after completing the bidding and was used solely to justify the acceptability of the lowest offer of contractor 'B'. The final offer of contractor 'A' in the first tender (Rs 3.80 crore) was based on GAD-2 and was rejected but when a much higher L1 offer (Rs 4.38 crore) was received in the second tender based on same GAD-2, the specifications were reassessed and PAC revised. Nothing on record explained why the reassessment was not done on the first tender and why revised bids were not

¹⁹ PAC put to tender was Rs 2.79 crore, the NIT floated on 5 March 2002, whereas TS accorded by CE, NH on 23 March 2002 for Rs 2.66 crore, i.e. TS accorded after floating NIT. However, the comparison of tenders were made with TS amount of Rs 2.66 crore.

invited in the second tender on changing the PAC. The reply also did not explain why there were so many changes in design.

The matter was brought to the notice of the Government (April 2006); reply is awaited (November 2007)

4.3.4 Undue benefit to contractor

Unauthorised release of withheld money of Rupees one crore resulted in undue benefit to the contractor.

Government of Chhattisgarh, PWD ordered (September 2004) that based on inquiry report of examination of 1,054 contracts, Government had decided that E-in-C, PWD was to recover all the amounts from the contractors who had not submitted original invoices of bitumen or submitted invoices of non-specified grade. It also circulated list of contractors against whom said recovery was to be made, with the direction to adjust the outstanding amount from earnest money, security deposits, bank guaranty and pending bills in concerned divisions or other divisions.

Test-check of records (August 2006) of EE, PWD, Durg and information collected (March 2007) from EE, PWD, Bemetera revealed that the EE, PWD (B&R) Division, Bemetera and Durg had withheld an amount of Rs 1.33 crore²⁰ from the bills of contractor 'A' which had accrued upto the date of the Government orders. However, an amount of Rs One²¹ crore was released (May 2005) for payment to contractor 'A' without any instructions from the competent authority, which was in total violation of instructions of Government resulting in undue benefit to the contractor.

On this being pointed out in audit, E-in-C stated (April & May 2007) that the contractor submitted the original invoices and the representation of the contractor was submitted to Secretary, PWD, GOCG, and as per verbal instructions of the Secretary, PWD, GOCG the amounts were released by the divisions. It was further added that the matter of final recovery is still under consideration with the Government for final action and as the contractor is executing number of works and it would be possible to recover any amount ordered by the Government.

The reply is not acceptable as there is no evidence of any instruction to the EEs from competent authority for release of the payments. Moreover at the time of release of Rs One crore, only Rs 1.96 crore was kept withheld in the six divisions ordered to do so against the outstanding amount of Rs 1.85 crore.

The matter was brought to the notice of the Government (March 2007); reply had not been received (November 2007).

²⁰ Bemetera : Rs 60.73 lakh; Durg : Rs 72.20 lakh.
²¹ Rs 50 lakh each by EE, PWD, Bemetera & Durg.

PUBLIC HEALTH ENGINEERING DEPARTMENT
4.3.5 Undue benefit to contractor and loss to government

Non insertion of special condition in the agreement and irregular issue of exemption certificate and form 'D' led to undue benefit of Rs 80.35 lakh to contractor and subsequent loss to government
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All items for setting up of water treatment plants (WTP) and pipes for delivery of water from its source to WTP and therefrom to the first storage facility were exempted from Central Excise duty by the Government of India vide notification No. 47/2002, dated 1 March 2002. This exemption is subject to production of an "intended use" certificate from the concerned District Collector.

Two lumpsum contracts for commissioning pumping main and distribution main from (a) Shankar Nagar to Vidhan Sabha and Accountant General (AG) office complex and (b) for improvement of existing Raipur Water Supply scheme were awarded to contractor 'A' (May 2004) and contractor 'B' (December 2005) respectively.

In both cases, as per NIT condition No. 8.3,"taxes" forming part of agreement, all charges regarding taxes and duties including sales tax, royalties, octroi duties, excise, turnover tax, commercial tax etc levied on the contract work by the Government, local bodies or private individuals would be payable by the contractor executing the work and the department would not entertain any claim on this account.

Test check (November 2006) of records of EE, PHE Division, Raipur revealed that on the recommendation of the EE, a certificate was issued by the Collector, Raipur to the contractor 'A' in January 2005 for claiming Central Excise duty exemption under notification dated March 2002 for purchasing 10,000 metres ductile iron (DI) pipes. The certificate issued by the collector was for carrying water from source to water treatment plant (WTP) and from WTP to storage, whereas the pipes were actually to be used for carrying water from first storage (Shankar Nagar) for which no exemption was allowable as per the exemption notification. Thus the issue of incorrect exemption certificate beyond the scope of agreement entitled the contractor to avail exemption of central excise duty worth Rs 12.41²² lakh on 5,835 metre pipes purchased under exemption notification (*Appendix-4.5(a)*). In another contract, the division issued form 'D' for supply of pipes and fittings valuing Rs 3.28 crore to the contractor 'B' on the basis of which commercial tax was payable at the concessional rate of 4 *per cent* instead of 12 *per cent* which would result in benefit of Rs 26.27 lakh. It appeared from the copy of an available invoice that contractor 'B' had also availed Central Excise duty exemption for AC pressure pipes and DI pipes of various dia valuing Rs 2.55

²² Calculated on DGS&D rates.

crore purchased under same exemption notification and stood to benefit upto Rs 41.67 lakh (**Appendix-4.5(b)**).

As per terms of the contract the contractor was liable to pay all taxes. Therefore in case of any exemptions, these were to be passed on to the Government. Thus due to issue of certificates and non inclusion of special condition in the NIT the contractors stood to gain undue benefit upto Rs 80.35 lakh.

When pointed out E-in-C stated (September 2007) that contractor was liable to pay all the taxes and duty as applicable and while submitting the lump sum offer it was deemed that contractor had considered all the taxes and duties to be paid by him as per prevailing rate and the department has not entertained any claim of contractor on account . However, it was also stated that central excise duty would be recovered after ascertaining exact amount of exemption. The pipes were laid from Shankar Nagar to sumpwell of AG complex and the water from treatment plant to Shankar Nagar and from there to AG office complex did not have any point of consumption in between.

The reply is not acceptable. The drinking water was brought from treatment plant to Shankar Nagar (1st storage point) and from there to AG office complex (2nd storage point). The Central Excise Department has clarified that there is no exemption from first storage point to a subsequent storage point. Therefore, although the department was not liable to issue any certificate as the contractor was bound to pay all the duties and taxes, it issued an incorrect exemption certificate. In case exemptions were to be availed, they should have been passed on to the Government which was paying for all the purchases as the final user. Moreover, EE could not provide the invoices of purchase of pipes for scrutiny as contractor 'B', when asked to provide, did not furnish the copies stating that as there was no such condition in the agreement. The photo copy of an invoice found on record showed that crucial information like the rates of pipes and duty paid and exempted etc. had been blanked out before submission. No reply was received in respect of the other contract.

The matter was brought to the notice of the Government (March and April 2007); reply is awaited (November 2007).

4.3.6 Extra cost due to inflated estimates.

Preparation of inflated estimates without proper analysis resulted in extra cost of Rs 25.23 lakh and enhancing the estimated cost beyond the scope of works department manual led to irregular expenditure of Rs 1.83 crore.

As per clause 2.027, of Works Department (WD) Manual the rates in an estimate should generally agree with scheduled rates. If the latter is not considered suitable or sufficient, the deviation should be explained in details in the report.

(a) Technical sanction (TS) of Rs 3.96 crore for Bhanpuri pipe line Scheme was accorded (October 2005) by the CE, Public Health Engineering Department (PHED), Raipur Zone. One of the main works was laying of the

distribution pipe line network of 11.214 km. EE, PHE (Project) Division, Raipur invited (February 2006) tenders on lump sum contract with an estimated cost of Rs 2.36 crore. The tendered rate of contractor 'A' for Rs 2.27 crore was accepted (April 2006) by the Government. Work order was issued (April 2006) with a stipulated period of 10 months excluding rainy season. The work was completed (June 2007) and accordingly the contractor was paid Rs 2.33 crore (June 2007).

Test check of records (November 2006) of E-in-C, PHED, Raipur revealed that the estimated cost of work as per scheduled rates²³ worked out to Rs 1.35 crore. This was enhanced by 75 per cent²⁴ as prevailing tender percentage and the administrative approval (AA) for this enhanced estimate was given (December 2005). There was no detailed justification or analysis on record to explain this very large adhoc enhancement of 75 per cent. It was seen that as per schedule of rate, the main component i.e. cost of pipes was Rs 1.04²⁵ crore and as per CSIDC²⁶ rate contract (March 2005), prevailing rate was Rs 1.57 crore. By addition of 75 per cent the cost of pipes was raised to Rs 1.82 crore in the estimate which was higher than CSIDC cost by Rs 25.23²⁷ lakh (**Appendix-4.6**).

On being pointed in audit, E-in-C stated (September 2007) that similar works in all the divisions were sanctioned between 70 to 80 per cent above USOR. The work was very difficult due to heavy traffic and underground services like cables, sewerages etc. The township was suffering from polluted water and a heavy expenditure was being incurred on drinking water supply through tankers. There was also law and order problem for water. Further, the tender was accepted by a State level committee under the Chairmanship of the Secretary, PHED.

The reply is not acceptable because the 75 per cent hike was not supported with any rate analysis or justification and was simply added as prevailing tender percentage which was irregular. This enhancement facilitated the contractor in quoting higher rates. An analysis of the material cost in the estimates with that of CSIDC rates also showed that the 75 per cent hike was unjustified as detailed in **Appendix-4.7**.

(b) Similarly in the scheme for improvement and rehabilitation of existing water supply system of Raipur city, tenders were invited (August 2005) for Rs 6.63 crore and awarded (December 2005) at Rs 8.44 crore (lump sum). Contractor paid Rs 9.13 crore upto tenth RA bill (June 2007).

Test check of records (November 2006) of E-in-C, PHED, Raipur revealed that the estimated cost as per scheduled rates²⁸ was Rs 5.81 crore. The same was then enhanced by Rs 81.93 lakh (45 per cent in items of PWD and seven per cent in the item of PHED) as prevailing tender percentage without any

²³ Unified Schedule of Rates (USOR) issued by E-in-C, PHED, Madhya Pradesh, Bhopal effective from September 2002

²⁴ Rs 1.01 crore was added to the estimates enhancing the cost by Rs 2.36 crore.

²⁵ Item Cost (Rs 105.68 lakh) minus cost of laying & jointing (Rs 1.79 lakh)

²⁶ Chhattisgarh State Industrial Development Corporation

²⁷ Rs 181.82 lakh-Rs 156.59 lakh = Rs 25.23 lakh.

²⁸ SOR of PWD & USOR of PHED

measured justification and study. Since the tendering procedure was available to get the most competitive price, there was no justification in enhancing the estimates in an adhoc manner without following the provision of the WD manual.

On being pointed out in audit, E-in-C, PHED accepted that the cost of items were increased by 45 *per cent* and seven *per cent* above SOR of PWD and USOR of PHED and stated that the scope of work covers all types of work including repairs of leakages, bursting of pipes etc. at contractors cost.

The reply is not acceptable, as the reply did not explain the reasons for increasing the cost by 45 *per cent* and seven *per cent* which facilitated the contractors to quote higher rates.

The matter was brought to the notice of Government (March 2007); reply had not been received (November 2007).

TRIBAL WELFARE DEPARTMENT

4.3.7 Purchase of gas bhattis and cylinders in gross violation of purchase procedure

Purchase of cooking gas in gross violation of purchase rules and due to their non-utilisation in tribal hostels/Ashrams the expenditure of Rs 43.80 lakh was rendered wasteful including loss of Rs 28.81 lakh on non refundable security.

On the recommendation of Tribal Advisory Council (TAC) the Secretary, Schedule Castes, Schedule Tribes, Other Backward Classes and Minority Community Welfare Department accorded (December 2001) administrative approval (AA) for providing cooking gas connection ("bhattis"/cylinders) to tribal hostels/ashrams in the State with a view to discourage usage of firewood, to prevent '*chulha*' smoke and destruction of forests, controlling pollution and conserving environment.

Chhattisgarh Store Purchase Rules provide that tender should be invited through local news paper for purchase of stores exceeding by Rs 50,000 but for purchases exceeding Rs 10 lakh the tenders should be invited through two reputed State level news papers and one national level news paper. An agreement should be entered into for purchases exceeding Rs 50,000.

Test check (November 2006) of records of Assistant Commissioner Tribal Development (ACTD), Dantewada revealed that the Chief Executive Officer (CEO), Zila Panchayat, Dantewada placed orders (October 2001) and repeat orders (January 2002) on behalf of ACTD, Dantewada for supply of 364 cooking gas connections and 996 non-domestic cooking gas cylinders to M/s Mahalaxmi Gas Agency, Jagdalpur (Distributor of Hindustan Domestic Oil and Gas Co. Bombay Ltd, a private company) @ of Rs 3,900 (Rs 1,405 for gas bhatti and Rs 2,495 for cylinder which included Rs 1,984 as non refundable security). Similarly, ACTD, Kanker issued (December 2001) supply orders and repeat orders (August 2002) for 174 cooking gas connections, 456 gas cylinders to the same agency M/s Mahalaxmi gas agency, Jagdalpur at the same rate.

A total of 268 hostels & ashrams (Dantewada-182 and Kanker-86 hostels and ashrams) were to be supplied cooking gas connections. Supplies were made during November 2001 to August 2002 and payment of Rs 43.80 lakh was made including non refundable deposits of Rs 28.81 lakh. A scrutiny of the purchase procedure revealed that it was carried out in a most inappropriate manner for a large purchase of over Rs 40 lakh. The tender notices were not issued in state and national news papers. The purchase order was finalized on the basis of three quotations and the two quotations other than that of Maha Laxmi Gas agency were not even on printed forms but hand written, on plain paper without any reference of departmental letter calling for quotation and any indication of address, registration numbers, State or Central CST numbers and were of doubtful authenticity (Copies as cited below:).

Quotation		
से० काकदुर्गा, से० 299 बसवलपुर		
TO, Assistant Commissioner Tribal Development Kanker.		
Particular	Qty	Amount
1. 17 Kg. Cyl. Non Domestic	1	2560=00
2. L.P.G stove (Bhatti)	1	1580=00
Total		4140=00

13/11/11

ORDER

प्रति
यहोयक - आकृत
आधिकारी विकास, विभाग
जिला - कंकर (छ.प्र.)

① गैस सिलिंडर 17 Kg. 2700=00
+ गैस

② अदारी रेगुलेटर पापि 1550=00

आर एलएर दो ती पचास रुपये मात्र 4250=00

मिसे
18/11/11

श्री राजू शर्मा
PAPU SHA
वंत हाउस
शबत नगर, बसवलपुर

Quotations were not taken from dealers of public sector companies such as Indian oil or Hindustan Petroleum (HP) or Bharat Petroleum (BP). No agreement was concluded with the firm and it was not even binding on it to provide refills for the cylinders. The justification for the very high non-refundable security (80 per cent of cylinders cost), which is not charged by HP, BP etc. was also not on record. In Kanker it was observed that the cylinders had been supplied in November 2001 as certified by all the 23 Hostel superintendents before issue of purchase order (December 2001). There were clear indications that the purchase process was compromised and the various stages were followed after first deciding on the supplier.

It was also observed that the gas connections were not used for the last four to five years as confirmed from 79 (out of 268) hostels/ashrams and therefore the entire expenditure of Rs 43.80 lakh has remained unfruitful for five years. This includes loss of Rs 28.81 lakh on account of non-refundable security.

On being pointed out the Government forwarded (September 2007) the reply of the department, wherein the department accepted all the audit observations and stated that from the various irregularities in the procedure it appeared that the purchase had been made through a mutual understanding with the gas agency. It was further stated that it was the duty of the ACTDs to ensure the usage of gas bhattis and cylinders for cooking in hostels and they should have taken appropriate steps to ensure their usage by bringing the matter to the notice of the Head of the Department. A departmental enquiry has been initiated for the irregularity.

PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.8 Avoidable expenditure on electricity charges

Non-maintenance of power factor as per agreement coupled with improper assessment of contract demand for high tension power supply resulted in avoidable extra expenditure of Rs 73.83 lakh.

The Dean, Pandit Jawahar Lal Nehru Memorial Medical College, Raipur (Medical College) concluded agreements (June 1992 and September 1993) with the Madhya Pradesh Electricity Board (now Chhattisgarh State Electricity Board (CSEB)) for two High Tension (HT) power supply connections with a contracted maximum demand (CMD) of 500 KVA each, for 700-bedded hospital (Hospital) and outpatients department (OPD) building in Dr. B.R. Ambedkar Memorial Hospital, Raipur attached to Medical College (Medical College & Hospital).

As per clause 24 of the agreement, the monthly average power factor (KWH/KVAH) should not be less than 0.90, failing which the consumer was liable to pay such additional charges as per tariff. Further, if the power factor remained less than 0.90 continuously for a period of three months, the consumer was required to take necessary remedial measures to raise it by installing shunt capacitors, under intimation to the Board.

Scrutiny (January-February 2007) of 74 months' electricity bills in the office of the Joint Director-cum-Superintendent of the Medical College Hospital and further information collected (June and October 2007) revealed that between November 2000 and March 2007, the monthly average power factor mostly remained below 0.90²⁹ in Hospital and OPD. The Hospital and Medical College did not install adequate shunt capacitors to keep the power factor above 0.90, which led to avoidable expenditure of Rs 49.23 lakh (**Appendix-4.8 & 4.9**) on account of power factor charges.

Tariff conditions provided that billing shall be for the maximum reading recorded during the month or seventy five *per cent* of the CMD whichever is higher. Clause 3(d) of the agreement also provided that if the consumer was not in a position to consume sufficient electricity it could reduce the contract

²⁹ Out of 74 months, in 54 months (73 per cent) power factor ranged between 0.61 to 0.86 for hospital and in 60 months (81 per cent) ranged between 0.71 to 0.88 for OPD building.

demand twice during the currency of the agreements to such extent and from such date as the Board may decide.

The 74 electricity bills pertaining to OPD building for the period from November 2000 to March 2007 showed that the average recorded consumption during the period was only 196 KVA and in 67 months (91 *per cent*) the consumption was less than 75 *per cent* of the CMD but the hospital continued with 500 KVA. No action as admissible under the agreements with CSEB was taken to reduce the contract demand to avoid the excess payment, which led to avoidable expenditure of Rs 24.60 lakh on account of additional demand charges (*Appendix-4.9*).

Thus, the initial improper assessment of contract demand coupled with subsequent failure of the hospital authorities and the Dean to get it reduced to the level of actual requirement and to get installed adequate shunt capacitors resulted in avoidable extra expenditure of Rs 73.83 lakh.

On being pointed out in audit the Dean, Medical College, Raipur forwarded (September 2007), the reply of Joint Director-cum-Superintendent, Medical College Hospital who has stated that the capacitors have been installed (March 2007) and the electricity bills have reduced. The reply did not indicate the reasons for delay in installation of capacitors and improper assessment of CMD. Moreover, the electricity bills from April 2007 to September 2007 did not show appreciable reduction.

The matter was referred to the Government in March 2007; reply had not been received (November 2007).

FOREST DEPARTMENT

4.3.9 Avoidable Expenditure

Construction of check dams carried out unauthorisedly in BOWC coupes resulted in avoidable expenditure of Rs 16.73 lakh.

Principal Chief Conservator of Forests (PCCF), Chhattisgarh, Raipur had fixed (April 2004) norms of Rs 2,100 per hectare for execution of works such as survey/demarcation/soil examination, treatment/ preparation of map, preparation of project report, cut back operations³⁰ (CBO) and treatment of bamboo for Rehabilitation of Degraded Bamboo Forest (RDBF) working circle.

Test check (November 2006) of records of Divisional Forest Officer (DFO), South Surguja, Ambikapur revealed that Conservator of Forests (CF), Surguja circle, Ambikapur had allotted Rs 17.11 lakh (December 2004) and Rs 17.00 lakh (October 2005) to DFO South Surguja, Ambikapur, for survey, demarcation, cut back operation and treatment of bamboo clumps³¹ in 815 hectare (2004-05) and 1,032.70 hectare (2005-06) for first year work in due coupes of RDBF circle. The DFO sanctioned (December 2004 and October 2005) the above amount in favour of Forest Rangers Kudargarh and Surajpur

³⁰ *Cutback Operation – Dressing of existing stumps to regenerate coppice shoots.*

³¹ *Treatment of bamboo clumps – Dressing of clumps and covering the raizobium with excavated soil.*

Ranges for first year work in eight compartments due in the year 2004-05 and 2005-06.

Scrutiny revealed that an expenditure of Rs 17.38 lakh was incurred on treatment of bamboo clumps and inadmissible expenditure of Rs 16.73 lakh was incurred (out of total expenditure of Rs 34.11 lakh) on construction of 8,912³² nos. of earthen/boulder check dams.

On this being pointed out Government stated (September 2007) that check dams were constructed as per provisions contained in Chapter-6-rehabilitation of bamboo plantation. Moreover, CF can alter any scheme within the budget allotted as per requirement of site situation and the same was provided in the project report. This work enhances the moisture content level which in turn increases natural reproduction in such area.

The reply is not tenable as the construction of check dams had not been prescribed by the PCCF in the RDBF circles. Moreover, conservation of soil and water was provided in other works such as in RDF³³, PCRWC³⁴, PWC³⁵, SSIWC³⁶, FFPDWC³⁷, TUWC³⁸ and in Pure Bamboo Plantation Area but not provided for in RDBF³⁹ working circles. Besides, there is no mention of construction of check dams in Chapter-6 and no new work should have been got executed.

4.4 Regularity issues and other points

PUBLIC WORKS DEPARTMENT

4.4.1 Avoidable extra cost

Wrong projection of PAC resulted in acceptance of tender at high rate and potential extra cost of Rs 66.51 lakh.

An initial estimate for Rs 4.68 crore (67 items) was prepared for construction of Shankar Nagar-Khamardih-Kachna Road (4.8 km.). CE, PWD accorded (April 2006) TS for this work (58 items) at an estimated cost of Rs 4.09⁴⁰ crore. The work was under progress and contractor had been paid Rs 1.33 crore (May 2007).

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Year	Range	Compartments	No. of earthen/ check dams	Earthwork (in cum)	Expenditure (Rs. in lakh)
2004-05	Kudargarh	P-1545,P-1547,P-1551,P-1576	4,075	12,467.9	7.09
2005-06	Kudargarh	P-1463,P-1542,P-1546	4,837	15,838.8	9.64
	Surajpur	P-1467			
G Total		8	8,912	28,306.7	16.73

33

Rehabilitation degraded forest.

34

Protection-cum-rehabilitation working circle.

35

Protection working circle.

36

Special sal improvement working circle.

37

Fuel fodder and pasture development working circle.

38

Tribal upliftment working circle.

39

Rehabilitation degraded bamboo forest.

40

Including contingency charges of Rs 13.83 lakh.

Test-check of records (July 2006) of SE, PWD, Raipur revealed that the online NIT issued subsequent to TS (April 2006) was for only 51 items as seven items of work amounting to Rs 13.19 lakh were eliminated, effectively reducing the cost of work as per TS to Rs 3.82 crore⁴¹. However, in the online NIT the PAC was mentioned incorrectly as Rs 4.68 crore. The lowest tender received was for Rs 4.24 crore. The tender percentage of the lowest tender was therefore worked out to 9.40 *per cent* below the incorrect PAC (Rs 4.68 crore) while submitting the tender for acceptance to Government, whereas it was actually 11.01 *per cent* above the actual estimated cost of Rs 3.82 crore as per TS. The tender was accepted by GOCG (June 2006) after comparing the incorrect rate of 9.40 *per cent* below with another previously accepted (February 2006) tender of Ring Road-Mahadeoghat Road for Rs 1.78 crore which was 6.40 *per cent* below SOR (Roads; effective from April 2005). Thus, incorrect information was submitted to the Government by inflating of the PAC and consequently the financial commitment increased in the range of Rs 66.51 lakh⁴².

On being pointed out in audit (July 2006), E-in-C, PWD stated (October 2007) that the tender inviting process was based on the approved PAC and the NIT presumably to execute any unforeseen items which may arise in the course of execution. He further added that the amount of offers in totality was compared with PAC amount of Rs 4.68 crore, moreover, TS was also accorded for Rs 4.09 crore.

The reply is an acceptance that the PAC in the NIT was overstated as compared to TS. Therefore, the tender evaluation committee had not been able to take an informed decision on the reasonableness of the lowest offer as it had been presented with wrong figures. The reason cited for adopting higher PAC was not mentioned in the tender evaluation papers submitted to the Government and was an after thought after receiving the audit observation.

The matter was reported to the Government (April 2007); reply had not been received (November 2007).

4.4.2 Irregular execution of road works

Irregular execution of road works of Rs 9.06 crore in violation of codal provisions of contract agreements.

Appendix-2.14, Clause-13 of MPWD manual which is also a clause in the standard format for contract agreements, stipulates that the contractor shall be bound to carry out any additions and alterations in specification and design of the work made by the Engineer-in-Charge at the same rates as were specified in the tender of the main work subject to the limitation of 25 *per cent* of the amount of contract.

⁴¹ Rs (3.95 - 0.13) crore = Rs 3.82 crore.

⁴²

(i) Actual estimated cost of 51 items of work	= Rs 3.82 crore
(ii) Tender accepted	= 11.01 per cent above
(iii) Prevailing trend of tender as per rate accepted for Ring Road-Mahadeoghat Road	= 6.4 per cent below
Extra cost (3.82 crore x 17.41 %)	= Rs 66.51 lakh.

Engineer-in-Chief (E-in-C), Public Works Department (PWD) issued instructions (July 1998 & April 1999) not to award any supplementary work beyond the scope of the original work. In unavoidable circumstances the supplementary work was to be limited to 25 per cent of contract value of original work. This was reiterated by the Government (June 2004) which also stated that the supplementary schedule can be sanctioned by Executive Engineer (EE) upto 25 per cent with the written permission of Superintending Engineer (SE). Any supplementary schedule beyond 25 per cent was to be sanctioned after permission of the Government.

Test-check of records (March 2004, December 2006 & July 2005) of PWD (B&R) divisions No.1 Raipur, Bilaspur & PWD Bridge division Ambikapur revealed the following:

(a) Irregular award of work-Rs 3.21 crore

Repair work of five road works was awarded (February 2003) to contractor 'A' for Rs 86.61 lakh by the EE, PWD Division No.I, Raipur under annual repair programme. Consequently, 10 more road works amounting to Rs 1.46 crore were irregularly awarded (August-September 2003) under the same agreement by the EE through supplementary schedule. The contractor was paid (February 2005) Rs 4.08 crore which was more than four times (370 per cent) of the agreement cost.

The Chief Engineer (CE) had irregularly approved (July 2003 & September 2003) inclusion of the additional roads as supplementary schedule. The orders of 1998 had specifically forbidden inclusion of any additional roads in a supplementary schedule. The additional work of Rs 3.21 crore was far above 25 per cent limit and should have been awarded through a separate tender which would have been finalized by the Government. It was evident that fresh tendering was bypassed and this huge expenditure was incurred in violation of the department's instructions.

On being pointed out in audit, the Government stated (November 2007) that suitable disciplinary action was being initiated against the erring officials. However, final action taken by the Government is awaited (November 2007).

(b) Unauthorised expenditure : Rs 1.19 crore

EE, PWD division, Bilaspur awarded (April 2005 & July 2005) two⁴³ road works to contractors A and B with agreement costs of Rs 2.72 crore and Rs 2.00 crore respectively. Payments of Rs 3.05⁴⁴ crore were made (September 2006) which included additional works amounting to Rs 38.06⁴⁵ lakh and Rs 81.25⁴⁶ lakh not provided in original agreements. Supplementary schedules were submitted (September 2006) to the SE for ex-post facto approval. The SE refused (September 2006 and October 2006) ex-post facto sanction in these two cases as revised administrative approval (AA) had not been taken and indicated that EE should have made payment of supplementary items only after getting the approval of the revised AA. He also stated that executing the

⁴³ Jondhra-Son-Basantpur (Rs 2.72 crore) and Bilaspur By-pass road (Rs 2.00 crore)

⁴⁴ Contractor A-Rs 1.84 crore and Contractor B-Rs 1.21 crore.

⁴⁵ Supplementary work for construction of Cement Concrete Road : Rs 15.03 lakh and Construction of embankment : Rs 23.03 lakh.

⁴⁶ Supplementary work for construction of embankment.

additional work without prior approval was a serious financial irregularity and called for explanation from the concerned Sub Engineers and Assistant Engineers. Thus, the expenditure of Rs 1.19 crore without the prior approval of the competent authority was unauthorized.

On being pointed out in audit (December 2006), the Government stated (November 2007) that disciplinary action was being initiated against erring officials. However the information on the action taken by the Government is awaited (November 2007).

(c) Irregular expenditure -Rs 4.66 crore

Para 2.131 of MPWD manual provides that a revised estimate must be submitted to the competent authority when the expenditure is likely to exceed the amount of the sanctioned estimate by more than 10 per cent.

(i) Construction of Nawagaon-Palod-Uparwara road was awarded (October 2002) to a contractor for Rs 1.64 crore⁴⁷ by the EE, PWD Division No.I Raipur. Against the approved AA of Rs 1.32 crore, the contractor was paid Rs 4.22 crore upto February 2005 (318 per cent). The increase was due to the decision to use 50 mm Bituminous Macadam followed by Mix Seal Surfacing (MSS) instead of Open Graded Premix Carpet (OGPC) with Seal Coat after award of work. It was irregular to take up the additional work without approval of revised estimates.

On being pointed out in audit, the Government stated (November 2007) that suitable disciplinary action was being initiated against erring officials. However information on the action taken by the Government is awaited.

(ii) Government of India (GOI) sanctioned Rs 2.78 crore (December 2001) for construction of high level bridge over Maini river. Work was awarded (August 2003) to contractor 'C' by the EE, PWD (Bridge) Division, Ambikapur on lump sum contract for Rs 2.68 crore. Against the approved AA of Rs 2.43 crore, contractor was paid Rs 4.57 crore upto 8th RA Bill (November 2005), i.e. an excess of Rs 2.14 crore (89 per cent) was incurred irregularly without revised AA. The cost increased due to post tender changes in drawing/design of the bridge.

On being pointed out (July 2005) in audit, Government stated (November 2007) that suitable disciplinary action was being initiated against erring officials. However, the information on the action taken by the Government is awaited (November 2007).

FOREST DEPARTMENT

4.4.3 Irregular expenditure

Bamboo plantation carried out unauthorisedly in advance coupes of Rehabilitation of Degraded Forest and Improvement Working Circle resulted in irregular expenditure of Rs 15.30 lakh.

As per Government of Madhya Pradesh, Forest Department instructions (adopted by Government of Chhattisgarh) contained in circular of July 1997,

⁴⁷ PAC : Rs 1.29 crore and 27 per cent above SOR of June 2000.

any deviation in approved Working Plans (WPs), require prior sanction of the Chief Conservator of Forests (CCF), Working Plan and the GOI.

Test check (December 2006) of records of Divisional Forest Officer (DFO), South Surguja and Ambikapur revealed that Conservator of Forests (CF), Surguja Circle had allotted (January 2005) Rs 15.30 lakh to South Surguja Forest Division for bamboo plantations in 300-hectare area of Bamboo Overlapping Working Circle (BOWC) in 2004-05. As per Working Plan (1996-97 to 2006-07) of the division, plantation was due in BOWC⁴⁸ coupes. However, bamboo plantation was not carried out in the due BOWC coupes. It was done in one coupe of Improvement Working Circle (IWC)⁴⁹ and three coupes of Rehabilitation of Degraded Forest (RDF)⁵⁰ Working Circle as per sanction given by DFO. These coupes where plantation was carried out were due for rehabilitation / felling treatment in the years 2006-07 to 2012-13. Prior sanction of CCF (WP) and GOI was not taken for deviation in WP. Thus the entire expenditure of Rs 15.30 lakh was an unauthorized deviation and irregular.

On this being pointed out in audit (December 2006) DFO, South Surguja stated that the allotment was utilized in suitable areas of RDF circle, which was in conformity with the principle of WP and Forestry. The Government stated (September 2007) that funds were received for bamboo plantation, but due to non-availability of arrear coupes in improvement working circle the plantation work was done in advance coupes with the approval of CF, Surguja, who was competent to sanction, hence it does not come under deviation.

Reply of the DFO and the Government is not acceptable as 816 hectare area was available in BOWC for which the amount was allotted. The funds were diverted to carry out the work in advance coups of RDF & IWC without prior approval of CCF and GOI. Moreover, CCF (Land Management) had also issued instructions (December 2005) that selection of site for plantation in Improvement Working Circle is objectionable and this provision was also violated.

⁴⁸ *BOWC- All bamboo areas where sufficient quantity of bamboo clumps available are included in this working circle and bamboo exploitation, treatment of clumps ("Bhirra safai") work will be taken.*

Range	Compartment No.	Coup No.	Treatment Year
Kudargarh	P/1551	"Ras" IV	2004-05
Kudargarh	P/1545	"Masaki" IV	2004-05
Kudargarh	P/1547	"Kanai-Khopara" IV	2004-05
Surajpur	P/1576	"Danouli" IV	2004-05

⁴⁹ *IWC – This working circle has been constituted for the management of better quality forests. Compartment No.-P/2282,XII(Treatment Year 2008-09)*

⁵⁰ *RDF – Blank and understocked areas will be managed through plantation/ artificial regeneration under this working circle. Compartment No.-P/1628,XVI, P/1702,XV,(Treatment Year 2012-13,2011-12), Compartment No. P/2423 X, P/2501XVI (Treatment Year 2006-07, 2012-13)*