

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Fraudulent drawal/misappropriation/embezzlement/losses/overpayments

HOME DEPARTMENT

4.1.1 Loss of interest

Investment of welfare fund in ineligible bonds resulted in loss of interest of Rs 15.93 lakh besides probable loss of Rs 3.65 lakh upto April 2008.

Ministry of Finance and Company Affairs, Department of Economic Affairs, Government of India (GOI) notified (March 2003) the issue of eight percent savings (Taxable) Bonds 2003 (Bond). Charitable institutions and institutions which had obtained a certificate from Income Tax authority for the purpose of Section 80 (G) of the Income Tax Act, 1961 were eligible for investing in the bonds.

The Director, Sainik Welfare (DSW), Chhattisgarh, Raipur maintains an Amalgamated Special Fund (ASF) for reconstruction and rehabilitation of ex-servicemen, welfare of war widows and their dependants in Chhattisgarh. It consists of initial corpus provided by the Central Government as well amounts received as contributions.

Scrutiny of records (April 2008) of DSW revealed that on 16 April 2004, an amount of Rs 75 lakh of the ASF fund was invested in the Bond with Reserve Bank of India (RBI) through State Bank of India (SBI), Raipur. DSW also submitted a certificate to SBI from Income Tax authority under section 197 (1) which was actually not a valid certificate of eligibility for investing in the Bond. RBI paid three installments of interest amounting to Rs 7.76 lakh upto July 2005. Subsequently, SBI¹ and RBI² requested DSW, Raipur to submit the section 80 (G) certificate or certificate of Registration as a charitable institution by 25 October 2006 after which the investment would be returned without any interest. DSW, Raipur failed to submit the requisite certificates and requested RBI (December 2006) to refund the deposit amount. Out of investment of Rs 75 lakh, Rs 67.24 lakh was refunded (February 2007) and Rs 7.76 lakh was withheld in lieu of interest already paid. This has resulted in loss of interest of Rs 15.93 lakh (@ 7.5 per cent for 34 months). Subsequently DSW reinvested (March 2007) Rs 70 lakh in a fixed deposit @ 9.5 per cent.

It was also observed that DSW, Raipur had invested Rs 15 lakh (January 2005) in the same bond through ICICI bank, Raipur for six years. This investment was not reviewed even after the issue of non-eligibility was raised by SBI/RBI from October 2005. Consequently, the amount remains in

¹ October 2005 & October 2006.

² December 2005.

an ineligible investment and there would be another loss of interest upto the date when the investment is withdrawn. This loss of interest had already accrued to Rs 3.65 lakh upto April 2008.

By investing the amount without verifying the eligibility norms, the DSW incurred a loss of interest of Rs 15.93 lakh and would incur further inevitable loss of interest which had already become Rs 3.65 lakh upto April 2008.

On being pointed out in audit, DSW, Chhattisgarh, Raipur stated (June 2008) that the amount was invested in the eight *per cent* Savings (Taxable) Bonds, 2003 as per the decision of State Managing Committee in its first meeting held on 19 February 2004.

Reply was not acceptable. The DSW had not ascertained that it was not eligible for the investment and had not informed the managing committee accordingly. Had the DSW intimated the same to the committee, loss of interest could have been avoided by way of other investments. The DSW is also required to withdraw the Rs 15 lakh invested in the same bond and reinvest in other instruments to avoid further loss of interest.

The matter was reported to Government (May 2008); reply had not been received (September 2008).

4.2 Excess payment/Infructuous/Wasteful expenditure

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

4.2.1 Unfruitful expenditure

Unfruitful expenditure of Rs 2.38 crore on 'e-Gram Suraj' project

With a view to improve monitoring and reporting on rural development programmes three³ Janpad Panchayats (JPs) passed resolutions (March 2002) to establish computer network for Gram Panchayats (GPs) by providing dial-up connectivity with a Remote Access Server (RAS) at District Headquarters. This work was taken up through a pilot project 'e-Gram suraj' to be implemented in 262⁴ GPs of the three JPs. The project was entrusted (April 2002) to Chhattisgarh Infotech and Biotech Promotion Society (CHIPS) for implementation and technical support. It envisaged providing by December 2004 one computer⁵ (monochrome) to each gram panchayat with modem and preloaded application for 'Basic information of village'. Before the pilot studies were done, the Panchayat and Rural Development Department reviewed (January 2005) the project and included seven⁶ more JPs (consisting

³ Bagbahara, Fingeshwar and Mahasamund.

⁴ Bagbahara (95 GPs), Fingeshwar (70 GPs) and Mahasamund (97 GPs).

⁵ Simple small size computer with limited applications.

⁶ Basna (93 GPs), Dongargarh (63 GPs), Kawardha (83 GPs), Kurud (101 GPs), Magarlod (64 GPs), Pithora (108 GPs) and Saraipali (99 GPs).

of 611 GPs). It decided to provide coloured simputers to all GPs instead of monochrome and to include seven⁷ more applications software.

Scrutiny (January 2006) of records of CHIPS and further information collected (April 2008) from JPs and GPs revealed that Mahasamund and Raipur Zilla Panchayats (ZPs) released (November/ December 2002) Rs 1.88 crore out of Eleventh Finance Commission grant to CHIPS for implementation of the project. CHIPS also received Rs 56.70 lakh (December 2002 and December 2003) from United Nations Development Programme (UNDP). It placed (February-March 2005) a supply order for 900⁸ simputers valuing Rs 1.94⁹ crore and Rs 31.20 lakh for development of application software on M/s. Bharat Electronics Limited (BEL), Bangalore (a Government of India Enterprise). The simputers were received in April 2005 and distributed to the GPs during February to June 2006 after imparting training to JP level officials for three days during June to September 2005 and to GP representatives for one day during February to May 2006.

Information was collected in April 2008 from five¹⁰ JPs and 122 GPs under them to ascertain the utilisation of 427 simputers issued to them. The five JPs stated that out of 427 simputers, 265 (62 per cent) were out of order of which only Kurud Janpad had sent 51 simputers to CHIPS (December 2007) which had not been received back (April 2008). The 122 GPs stated that 69 simputers (57 per cent) were non functional and the remaining 53 were functional, but they were not being used for any application and had been used only for training. All 122 GPs also confirmed that they did not have telephone connection. It was evident that non-functional simputers were lying in test checked block without repairing/replacement although Annual Maintenance Contract (AMC) of Rs 19.23 lakh for a period of one year from 15 October 2007 to 14 October 2008 was given to BEL and payment of Rs 12.96 lakh was made (November 2007). It was also established from the 122 GPs that no data capture or updating of data was being done and the concept of data centres and dial-up connectivity through RAS, as envisaged, were neither established nor functional.

Thus, the simputers were purchased and distributed without providing adequate network connectivity. A large number of simputers were also out of order. Therefore, they were not being utilized for the monitoring or reporting of Rural Development Programmes as envisaged. The procurement and maintenance expenditure of Rs 2.38 crore has remained unfruitful.

On being pointed out Government gave an evasive reply and stated (September 2008) that 50 simputers of Kurud Block were repaired and sent back. The reply did not indicate the status of remaining 215 simputers which were out of order or if they had been repaired. The letter of department enclosed with the reply was issued (February 2007) to CHIPS asking them to

⁷ *Swarna Jayanti Swarojgar Yojna, Sampooran Gramin Rojgar Yojna, Indira Awas Yojna, Finance Commission Aided programmes, Pension schemes, Rashtriya Parivar Sahayata and Grameen Rojgar Yojna.*

⁸ *873 simputer for GPs of 10 JPs and 27 for CHIPS for testing.*

⁹ *Simputer @ Rs 19,950 and Modem @ Rs 1,650.*

¹⁰ *Basna, Fingeshwar, Kurud, Magarlod and Saraipali.*

arrange for Annual Maintenance Contract as the simputers had been distributed and were being used. The reply was not tenable as it was the general statement and did not mention any details of the usage and number of applications running on the simputers. During audit scrutiny in April 2008, 122 GPs stated that the simputers had not been used for any purpose other than training. Therefore, the evidence collected from the JPs and GPs showed that the simputers remained unutilised.

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

PUBLIC WORKS DEPARTMENT

4.3.1 Avoidable extra cost

Irregular laying of GSB with excessive thickness of Rs 31.96 lakh.

A percentage rate contract at 18.91 percent above the probable (estimated) amount of contract (PAC) of Rs 13.08 crore was concluded by Executive Engineer (EE), Jagadapur for upgradation and strengthening of Jagadapur to Chitrakote road (38 km length). The work order was issued in November 2005 with period of completion of 18 months including rainy season. The work executed was valued at Rs 14.06 crore (August 2007).

The contract provided for laying of dense bituminous macadam and bituminous concrete in entire 38 km. In 13 km out of total length of 38 km, additional work of laying of Granular Sub-base (GSB) with an average thickness of 200 mm was to be executed for rebuilding of crust of 16,000 cum in eight kms and construction of paved shoulder of 4,500 cum in five kms.

Scrutiny of records revealed that 42,647.81 cum of GSB was laid which translated to an average thickness of 416 mm as against the estimated quantity of 20,500 cum and thickness of 200 mm. The actual thickness ranged between 150 mm and 2,900 mm. Therefore, the quantity of GSB executed was much in excess of the estimate for which sanction was not obtained from competent authority.

On being pointed out (November 2007) EE stated that as per site condition and in black cotton soil reaches GSB was extended in full width of sub grade for proper drainage from the crust and replaced the item of filling of behind the abutment @ Rs 222 per cum plus tender percentage. He further added that the width of formation has increased to 12 meter in approaches of culverts therefore quantity of GSB increased.

Considering that GSB had been extended to full width of 12 meter in the entire 13 km as stated in reply, the quantity of GSB required would be 19,200 cum in eight km and 5,000 cum in five km against estimated 20,500 cum. This represented additional 3,700 cum GSB work. Secondly, the estimated quantity of filling of behind the abutment was 3,714.18 cum out of which only 976.545 cum was executed. Therefore the balance of 2,737.635 cum was

executed through GSB as per contention of EE. However, the sum of two quantities worked out to only 6,437.6 cum extra GSB work whereas the actual excess quantity of GSB executed was 20,097.81 cum. Therefore, the reply did not explain the use of 13,660.21 cum GSB beyond the estimated quantity. This resulted in irregular expenditure of Rs 31.96 lakh¹¹ in execution of GSB laying work.

The matter was reported to the Government (April 2008); reply had not been received (September 2008).

PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.2 Extra cost on purchase of medical equipment

Non-recovery of differential cost from defaulter firms resulted in extra cost of Rs 21.73 lakh on purchase of medical equipments

The State Government decided (2005-06) to set up a 100 seated Medical College at Jagdalpur (Bastar) in 2006-07 on the premises of the existing Government Maharani Hospital, Jagdalpur. This hospital, alongwith all staff and infrastructure was transferred (February 2006) to the administrative control of Director, Medical Education (DME). Additional medical equipments were required to be installed prior to inspection of Medical Council of India (MCI) for permission to start and continuation of Medical College. The DME after inviting tenders and placed three supply orders (28 June 2006) for 82 items valuing Rs 9.66 lakh on three¹² firms (L-1) who offered lowest rates for these items.

As per the terms and conditions of contract the medical equipment was to be supplied within 15 days from date of issue of order failing which, if the DME placed order on second lowest rates, the defaulter firms were liable to pay the differential cost between lowest and second lowest rates. Despite extension of time limit up to 15 October 2006 supplies were not made. Thereafter, the DME cancelled (October 2006) all the three supply orders and intimated the defaulter firms that the amount of earnest money deposit (EMD) would be forfeited and differential extra cost would also be recovered from them.

The DME placed supply orders (November 2006) for 60 items on second lowest firms¹³ valuing Rs 34.89 lakh which was higher by Rs 25.23 lakh as

¹¹ $42647.81 \text{ cum} - 22550 \text{ cum} = 20097.81 \text{ cum} @ \text{Rs } 201 \text{ per cum plus } 18.91 \text{ per cent above} = \text{Rs } 48,03,559 - \{\text{GSB for } 12 \text{ meter width i.e. } (3700 \text{ cum} @ 201 + 18.91 \text{ per cent}) \text{ Rs } 8,84,334 + \text{GSB for filling behind abutment i.e. } (2737.635 \text{ cum} @ 222 + 18.91 \text{ per cent}) \text{ Rs } 7,22,681\} = \text{Rs } 31,96,544.$

¹² M/s. Surgi Aid Pharma, Raipur: Rs 3.11 lakh (30 items), M/s. Mahendra Enterprises, Raipur: Rs 4.85 lakh (42 items) and M/s. Metro Pharmaceuticals, Bilaspur: Rs 1.70 lakh (10 items).

¹³ M/s. Laxmi Scientific Works, Raipur: Rs 0.09 lakh (one item), M/s. Medicaid System, Raipur: Rs 13.21 lakh (three items), M/s. Modern Scientific Company, Raipur: Rs 10.33 lakh (14 items), M/s. Syma Medical & Dental Surgical, Raipur: Rs 9.90 lakh (37 items) and M/s. Scientific Traders, Raipur: Rs 1.36 lakh (five items).

detailed in **Appendix-4.1**. While the EMDs of Rs 3.50¹⁴ lakh of concerned firm was forfeited, the remaining extra cost of Rs 21.73¹⁵ lakh was not recovered (May 2008).

On being pointed out in audit, the Director, Medical Education, Chhattisgarh stated (September 2008) that the material was purchased after placing orders on L-2 firms as per the approval of purchase committee. He also stated that so far no recovery has been made and information was being collected on other pending bills of the defaulter firms from which recovery could be made.

The matter brought to the notice of Government in May 2008; reply had not been received (September 2008).

4.4 Idle investment / Idle establishment/Blocking of funds / delay in commissioning of equipment; diversion / misutilisation of funds.

PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.1 Idle investment

Infrastructure created for Rs 2.88 crore for telemedicine system remained unutilized for more than three years.

The State Government decided (June 2002) to provide improved efficiency and cost-effectiveness in delivery of rural healthcare services, medical research, education and training in remote rural communities through the Chhattisgarh Telemedicine Network Project (project). It was to be implemented in two phases. In pilot phase¹⁶ connectivity was to be established between Medical College, Raipur (MCR); District Hospital, Jagdalpur (Bastar) and Community Health Centre, Marwahi. In second phase the facility was to be extended to all district hospitals of the State along with the facility of Continued Medical Education (CME). The State Government also decided (May 2003) to include mobile telemedicine vans under the project to cover the peripheral hospitals.

The pilot phase work was awarded (September 2003) on turn key basis to Indian Space Research Organization (ISRO), Bangalore against their proposal (July 2003) and a Memorandum of Understanding (MoU) was signed in September 2003. According to MoU, ISRO was to provide free of cost telemedicine software, hardware, V-SAT¹⁷ and compatible medical equipments, satellite bandwidth, hub station and maintenance support as per

¹⁴ M/s. Surgi Aid Pharmaceutical, Raipur: Rs 1.50 lakh, M/s. Mahendra Enterprises, Raipur: Rs one lakh and M/s. Metro Pharmaceuticals, Bilaspur: Rs one lakh.

¹⁵ M/s. Surgi Aid Pharmaceutical, Raipur: Rs 2.13 lakh, M/s. Mahendra Enterprises, Raipur: Rs 6.80 lakh and M/s. Metro Pharmaceuticals, Bilaspur: Rs 12.80 lakh.

¹⁶ Super Specialty Node (SSN) in Medical College, Raipur and Stationery Patients Nodes (SPN) at District Hospital, Jagdalpur and Community Health Centre, Marwahi).

¹⁷ Very Small Apparatus Terminal.

the warranty provided by the manufacturers/suppliers of equipment. The State Government was required to provide all logistics like building, furniture, telephone, technicians/staff, electricity points and cabling etc.

The entire cost of Rs 3.14¹⁸ crore in second phase plus recurring expenditure on maintenance was to be borne by State Government. A contract was entered (April 2004) between M/s. Antrix Corporation Limited (ACL), Department of Space, Bangalore and State Government, for supply of equipment for the second phase. The State Government during 2003-04 provided Rs 3.52 crore in the budget and designated a separate Nodal Officer at State level for implementation of the project.

ISRO supplied and installed equipment for first phase during September 2003 to October 2004 at the three specified locations and ACL supplied and installed equipment during February to March 2005 for second phase. ACL was paid (April 2004) Rs 2.54 crore in advance and another Rs 34.29 lakh was spent by the designated districts on electrical fittings, room renovation, room construction etc. The status of implementation of the project was ascertained from Dr. B.R. Ambedkar Memorial Hospital (Hospital), Raipur (January and February 2007), two Civil Surgeon-cum-Hospital Superintendents, Durg and Rajnandgaon (May 2007), Kawardha (June 2007), Dhamtari (May 2008) and Koriya (July 2008). It was observed that telemedicine facility was not being used as there was no separate staff / trained man power available to use the installed equipment. Consequently, the entire infrastructure created at a cost of Rs 2.88 crore was lying unutilized and intended benefits had not been achieved.

The matter was pointed out by audit (May 2007), the Nodal Officer intimated (April 2008) that trained manpower was required to operate the systems, the department was also exploring the possibilities of outsourcing the operations and the appointment of the additional staff was also being processed with the finance department and the project is not being implemented in the State.

The matter was reported to Government in June 2008; reply had not been received (September 2008).

SCHOOL EDUCATION DEPARTMENT

4.4.2 Irregular hiring of vehicles

Diversions of fund from SSA on hiring of vehicles Rs 22.70 lakh

Manual of Financial Management and procurement of Sarva Siksha Abhiyan (SSA) provides (Para no.85) that persons authorised to incur expenditure must ensure that financial order and strict economy is enforced and the funds allotted/ transferred are spent upon objects for which provisions have been made.

¹⁸ Rs 32.00 lakh for controlling Node at Medical College, Raipur; Rs 10.50 lakh for SSN at Medical College, Bilaspur; Rs 178.75 lakh for SPN at 13 districts and Rs 54.75 lakh for three Mobile patient nodes and miscellaneous expenditure Rs 38.00 lakh.

Scrutiny (July 2007) of records of Mission Director, Rajeev Gandhi Siksha Mission (RGSM)¹⁹ and compilation of 318 vouchers revealed that during the period March 2005 to April 2008 an amount of Rs 22.70 lakh was incurred on hiring of vehicles on monthly basis for use of Hon'ble Education Minister and others including Private Secretary to Education Minister, Secretary/Joint Secretary, Ministry of Education, Parliament Secretary and Director, State Council of Education Research and Training (SCERT). It was observed that -

- The expenditure of Rs 20.61 lakh on hiring vehicles for *four*²⁰ entitled persons was irregular as they were already provided with Government vehicles from the State Garage (**Appendix-4.2**).
- Expenditure of Rs 2.09 lakh incurred on hiring vehicles for the Private Secretary to Hon'ble Education Minister was irregular as he was not entitled to any vehicle (**Appendix-4.3**).

This resulted in irregular expenditure of Rs 22.70 lakh on hiring of vehicles.

The matter was referred to the Government in April 2008. In reply, Deputy Secretary, School Education stated (August 2008) that the vehicles were provided to the Hon'ble Ministers and other high officials in connection with monitoring work of SSA. Reply is not tenable since official vehicles were already provided by State Government through State Garage to Hon'ble Ministers and others for official duties.

4.4.3 Unauthorised expenditure

Unauthorised expenditure under Sarva Shiksha Abhiyan on printing and free distribution of quarterly magazines - Rs 8.97 crore.

Manual of Financial Management and Procurement of Sarva Shiksha Abhiyan (SSA) Para 25 (i) provides for free textbooks to all focus group children viz. girls/SC/ST children of Government schools, Government aided schools, Cantonment /Municipal schools and aided Madrsas. Workbooks are included in the definition of textbooks and can be distributed along with textbooks within the overall ceiling of Rs 150 per child.

Scrutiny (July 2007) of records of Mission Director, Rajiv Gandhi Shiksha Mission (RGSM)²¹, Chhattisgarh, Raipur revealed that two quarterly magazines viz, 'Bachpan' and 'Balmitra' printed by Textbook Corporation of the state were distributed under SSA to all girl students and SC/ST boys of class one to five and class six to eight respectively under the head of free textbooks during the years 2004-05 to 2007-08. A total expenditure of Rs 8.97 crore was incurred. Government of Chhattisgarh, School Education department issued notification on 22 January 2008 for treating 'Bachpan' and

¹⁹ RGSM is a registered society implementing SSA in Chhattisgarh.

²⁰ Hon'ble Education Minister, Secretary, School Education, Parliamentary Secretary and Joint Secretary (Education Department).

²¹ RGSM is the nodal agency for implementing SSA in Chhattisgarh.

'Balmitra' magazines as part of text book for educational sessions 2007-08 and 2008-09.

The printing and distribution of magazines was not envisaged as evident from para 25(i) SSA Manual and the entire expenditure incurred under SSA was irregular. The issue of orders to treat them as textbooks with retrospective effect was irregular. Permission of Government of India was necessary to treat them as textbooks since they were actually quarterly magazines not covered by the provisions of the Manual.

When this was pointed out (July 2007), Finance Controller, RGSM replied that for the personal development of children, the State Government had decided to distribute the magazines free of cost to the libraries set up in the schools treating the magazines as textbooks.

Reply was not acceptable. The free distribution of magazines was not admissible according to the manual for SSA and permission of GOI was not obtained for incurring the expenditure. The expenditure was therefore required to be financed from sources other than SSA.

The matter was reported to Government (March 2008); reply had not been received (September 2008).

4.5 Regularity issues and other points-General

4.5.1 Lack of response to audit

Failure on the part of the departments in settlement of outstanding objections and lack of response to audit

Accountant General arranges to conduct the audit of departments of Government of Chhattisgarh to test check, *inter alia*, the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. The important irregularities, failure of compliance of prescribed rules and regulations etc. pointed out by the audit and not settled or accepted on the spot are issued to the concerned auditee units, next higher officers and Government in the form of Inspection Reports (IRs). The head of the auditee units are supposed to submit the compliance reports to the Accountant General through appropriate authority. The submission of compliance reports is often delayed and the omission and objections remain outstanding.

While IRs and paragraphs are pending in all departments, pendency in Public Works Department and Water Resources Department are very high as mentioned in the following **Table-4.1**.

Table-4.1: Details of pending IRs and paragraphs

Sl. No.	Name of the Department	No. of pending IRs	No. of pending paragraphs	Total number of units
1.	Public Works Department	387	1,909	56
2.	Water Resources Department	533	2,062	71
Total		920	3,971	127

Out of 920 IRs and 3,971 paragraphs, 297 IRs and 1,012 paragraphs are pending for more than ten years. During 2006-07 and 2007-08, 75 IRs were issued to these two departments and for 26 IRs, even the first replies have not been received.

It is recommended that the Government should introduce adequate measures to ensure proper response to the audit observations by the departments.