

## CHAPTER IV

### Audit of Transactions

#### 4.1 Fraudulent Drawal / Misappropriation/losses

##### Agriculture Department

#### 4.1.1 Suspected defalcation of Government money

**Non-observance of codal provisions resulted in defalcation of Rs. 1.84 lakh.**

According to the provisions of the Madhya Pradesh Treasury Code Volume-I, all monetary transactions should be entered in cash book as soon as they occur and should be attested by the officer in-charge of the cash book in token of check. The head of an office where money is received on behalf of the Government must give a receipt in Form MPTC 6. Moneys received should be credited into treasury without delay.

Test-check (March 2004 and March 2006) of the records of the Assistant Director of Horticulture (Principal Garden) Bhopal (ADH) and further information collected in July 2006 revealed that six Garden Superintendents (Park No.1, 2, 3, Gulab Udhyan, Vallabh Bhawan Udhyan and Udhyan Sewa Kendra) sold plants worth Rs. 1.84 lakh during the period 1<sup>st</sup> April 2003 to 13<sup>th</sup> August 2003, for which they issued Departmental receipts. The amount of sale proceeds was handed over to Assistant Director of Horticulture who issued them receipts for Rs. 1.63 lakh only on simple paper. The amount was neither accounted for in the cash book of ADH, nor was the amount remitted into treasury. This has resulted in defalcation of Rs. 1.84 lakh.

On being pointed out (March 2004) in Audit, the ADH stated (March 2004) that matter was reported to Director of Horticulture in November 2003. Further scrutiny of case revealed (March 2006) that a First Information Report was lodged on 2 December 2004 at Police Station, Economic Offence Wing Bhopal against the then Assistant Director of Horticulture after expiry of 15 months. The officer retired from service on 31 December 2004.

Thus, non-observance of codal provisions by ADH and laxity on the part of higher authorities led to defalcation of Rs. 1.84 lakh.

The matter was reported to Government in April 2004/2006; reply had not been received (October 2006).

**Narmada Valley Development Department**

**4.1.2 Loss due to pilferage of material**

**Pilferage of material / non-returning of unused material resulted in loss of Rs. 92.76 lakh to the Government.**

Central Public Works Accounts Code (adopted by State PWD) vide paragraph 10.3.11 provides that in all cases, material issued directly to work should, as soon as received, be brought to accounts and full value should be debited to the work, and quantities entered in the Register of *Material-at-site (MAS)* account (Form 35), in cases in which the works accounts are maintained by sub-heads. An account of all the transactions should be prepared and submitted to sub-division/ division office every month.

If the officer or the subordinate in direct charge of work, the accounts of which are kept by sub-heads, is transferred before the accounts of it are closed, the unused materials at site of work should be verified by the relieving officer in company with the relieved officer and the report prescribed under paragraph 10.3.14 should be prepared by the Sub-divisional officer and submitted to the Divisional Officer.

Scrutiny in audit (December 2005) of accounts of the Executive Engineer (EE), Rani Awanti Bai Lodhi Sagar, Distributory Division, Patan, revealed that RCC Hume Pipes (1607 Running Meters valuing Rs. 68.20 lakh) and LDPE Film (30.706 MT valuing Rs. 24.56 lakh) were issued to Sub Engineer "A" from stock of the division. The Sub Engineer did not render MAS account to sub division/ division and consequent upon his transfer to the office of the Engineer-in-Chief, Water Resources Department, Bhopal, was relieved of his duties on January 4, 2006. The Sub Engineer also failed to hand over the material valued at Rs. 92.76 lakh to his successor. Due reports were neither furnished by Sub Engineer nor were received by the EE. Thus, failure to follow the control mechanism prescribed in CPWA code on the part of EE resulted in pilferage of stores and the resultant loss of Rs. 92.76 lakh to the Government. On being pointed out in audit, the Executive Engineer admitted the facts and requested (January 2006 and August 2006) the Station Officer, Police Station, Patan for registering First Information Report (FIR) against the delinquent official, which was lodged on August 22, 2006. Charge-sheet against the official was stated to be in process (November 2006).

The matter was reported to the Government in February 2006, reply had not been received as of November 2006.

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**Public Health Engineering Department**


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**4.1.3 Fraudulent drawals of Government money**


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**Fraudulent drawals of Government money through cheques by tampering with or manipulating figures resulting in fraud of Rs. 1.89 crore.**

Paragraph 3.2.1 of Central Public Works Accounts Code (CPWA Code adopted by State PWD) stipulates that the *Divisional Officer* is the primary disbursing officer of the division, who is permitted to obtain by cheque on civil treasuries or on the bank, the funds required for all disbursements in connection with the execution of works. He also collects some of the departmental receipts and remits them into civil treasuries or the Bank. The accounts of these receipts and disbursements (including the transactions of subordinate officials acting on his behalf) are compiled under his supervision by an Accountant posted to his office by the Accountant General, and are submitted monthly to the Accountant General who audits them against sanctions and appropriation of funds and then incorporates them in the general accounts of Government.

Paragraph 22.3.3, further lays down that for cheques drawn, the pass books, duly completed for the months, should be obtained from Treasury Officers with the certificate of issues from treasuries and their agreement with the cash books of the division should be effected in Part II of Form 51- Schedule of Monthly settlement with treasuries, which also gives details of the differences. This form 51 is required for submission to Audit in original.

Scrutiny in audit (November 2005) of accounts of the Executive Engineer (EE), Public Health Engineering (PHE) Division, Bhind, revealed that the divisional officer failed to submit schedule of settlement of accounts with treasury (Form 51) after August 2003. During reconciliation of cheques drawn from treasury and divisional cash book, it was observed that 72 cheques (as detailed in Appendix 4.1) were shown to be issued to replenish the cash for chest aggregating to Rs. 18, 37,000 between October 1998 and June 2005, whereas cheques amounting to Rs. 2, 07, 37,000 were actually encashed from the bank by tampering with or manipulating figures as compared to amount shown on the counterfoil of chequebook and amount entered in the cashbook. The drawals during the period from 17 June 1999 and 30 June 1999 could not be reconciled by Audit as the Treasury Officer; Bhind did not furnish the details. Malpractice in the Division had thus resulted in fraudulent drawal of Rs. 1.89 crore.

The matter was referred (September 2005) by the Accountant General (A&E) to Finance Department of State Government desiring thorough investigation. Thereafter two First Information Reports (FIRs) were lodged (September 2005 and January 2006) with Bhind Police against the delinquent officers/ officials. The case was still under investigation with the State Government.

**Failure in reconciliation of amount of cheques issued and actually encashed from the bank/ treasury and non-preparation/ submission of schedule of settlement with treasury (Form 51), thus resulted in this persistent fraudulent draws.**

**The matter was reported to the Government (September 2005 and April 2006); reply had not been received as of November 2006.**

### **Food, Civil Supplies and Consumer Protection Department**

#### **4.1.4 Loss of interest**

**Savings from rounding of the rates of Kerosene were kept for two years in a fixed deposit account with Post Office instead of co-operative bank depriving the Government from interest income of Rs. 37.50 lakh.**

State Government framed rules (March 2001) to ensure supply of Kerosene at a uniform rate to the consumers of the State. Consumer Price of Kerosene as determined by the State Government is to be rounded off after adding transportation, Commission etc. at the discretion of Collector to ensure supply of Kerosene at uniform rate in rural and urban area of the district. The amount of savings from rounding off was to be deposited in the saving account and/or fixed deposit account of the Collector with the District Central Co-operative Bank and utilized for strengthening the Public Distribution System.

A test-check (February 2006) of the records of Controller, District Supply, Bhopal revealed that in contravention of the rules an amount of Rs 3 crore from the savings of rounding off was deposited (March 2003) in an account with the General Post Office, Bhopal for two years without ascertaining the fact whether the interest was payable on it. Post Office did not allow interest on it, as it was Government deposit. This deprived the Government from earning interest amounting to Rs. 37.50 lakh (computed at the rate 6.25 per cent per annum).

On being pointed out, Controller stated (February 2006) that in anticipation of higher interest, the funds were kept with the Post Office and on denial of interest by the Post Office, necessary action was initiated.

The reply was not tenable because as per rules, the funds were to be deposited in District Central Co-operative Bank. Thus, Rs. 37.50 lakh that could have been earned as interest was lost due to non-adherence to the rules.

The matter was referred to the Government in April 2006; reply had not been received (November 2006).

## Public Works Department

### 4.1.5 Loss of interest

#### **Loss of interest to the tune of Rs. 38.57 lakh due to unauthorized opening of current account and on account of blockage of funds.**

As per orders of Government (May 2002) and instruction (December 2002) of Engineer-In-Chief, saving bank accounts were to be opened in the name of the Executive Engineer (EE) for Mandi funds received from Madhya Pradesh Rural Roads Development Authority (MPRRDA) for upgradation /improvement of roads. The funds were also to be demanded from MPRRDA only on the basis of actual requirement for works already awarded. The funds that are not likely to be utilized within 15 days should be refunded to the MPRRDA immediately to avoid blockage of funds.

It was, however, seen in audit (November 2005) that the EE, PWD (B/R), Division-Sidhi had unauthorisedly opened current account (No-01079959101) in Sidhi Branch of State Bank of Indore. As a result, the interest on amounts deposited could not be earned during November 2002 to October 2005. Further, the funds were also demanded in excess of requirement and kept in current account for a period more than six months instead of surrendering it to the MPRRDA during the same period. Government orders were thus disregarded resulting in a loss of interest of Rs. 38.57 Lakh. <sup>^</sup>

Engineer-in-Chief, PWD, Bhopal accepted (November 2006) the audit objection and stated that EE was responsible for not keeping the amount in Saving Bank Account.

The matter was reported to Government in April 2006; reply had not been received as of November 2006.

## Urban Administration and Development Department

### 4.1.6 Loss due to cancellation of contract for parking of vehicles in the 'Mela Area'

#### **Cancellation of parking contract deprived the Government of Rs. 23.14 lakh during Simhastha Mela-2004.**

An agreement was executed on 5 March 2004 between Bhartiya Sewa Samittee Indore (BSS) and Simhastha Mela Officer Ujjain for awarding contract of parking the vehicles at seven spots in seven satellite towns around Ujjain town and an amount of Rs. 99.18 lakh was also deposited by BSS. As

<sup>^</sup> Period	Interest lost	Reasons
11/02 to 11/03	9,40,729.00	Amounts in current A/c (as per cash book)
12/2003 to 10/05	9,87,897.00	Amounts in current A/c (as per Bank statement)
11/02 to 10/05	<u>19,28,626.00</u>	Blocking of fund in savings account
<b>Total</b>	<b>38.57 Lakh</b>	

per clause 14 of agreement if contract is cancelled due to change in procedure the deposited amount would be refunded proportionately.

Scrutiny (November 2005) of the records of Mela Officer, Ujjain revealed that a 'High Level Committee', headed by the Minister-in-charge of the Mela, met on 10 April 2004 and decided to cancel the parking contract awarded to BSS, Indore, stating that the load of vehicles was lower than expected number of vehicles at the identified parking spots. Accordingly, Commissioner, Ujjain informed the contractor on 12 April 2004 and refunded whole amount deposited by BSS and did not recover from BSS Rs. 23.14 lakh (proportionate amount for seven days running of contract) though BSS was allowed to retain the amounts collected by it as parking fees during that period.

Thus, cancellation of the parking contract by Commissioner, Ujjain, just seven days after the start of mela, and refunding the whole amount deprived the Government from realizing revenue to the tune of Rs. 23.14 lakh.

The matter was referred to the Government in March 2006; reply has not been received till date (November 2006).

#### **4.2 Infertuous/Wasteful / Excess expenditure and overpayment**

##### **Narmada Valley Development Department**

#### **4.2.1 Overpayment of escalation and non-levy of liquidated damages**

**Unauthorised revision of sanction for extension of time and adoption of incorrect indices for escalation resulted in overpayment of Rs. 22.16 lakh besides non-levy of liquidated damages of Rs. 13.91 lakh for delay.**

The Works "Construction of Earth Work with structures and cement concrete lining of *Belkhedi Distributory*" estimated to cost Rs. 13.91 crore and "*Pipariya Sub Distributory*" estimated to cost Rs. 14.76 crore were awarded (April & June 2003) to a contractor by the Executive Engineer (EE) RABS Rehabilitation Division, Jabalpur, at tendered cost of Rs. 14.73 crore and Rs. 15.97 crore respectively for completion in 21 months including rainy season. The works were in progress as of March 2006 and contractor was paid Rs. 13.34 crore and Rs. 9.32 crore which included price adjustment of Rs. 75.45 lakh and Rs. 57.60 lakh respectively till December 2005. Scrutiny in audit revealed the following:

Clause 2.40.2 of agreement provides that the price escalation shall be applicable only for work that is carried out within the stipulated time or extension there of due to reasons not attributable to contractor.

The work of *Belkhedi Distributory* was scheduled for completion by 16 January 2005 but the contractor failed to complete the work within

stipulated period and the Chief Engineer (CE) granted (February 2005) extension of time up to 31 March 2005 under **penal clause** (Clause 4.3.2). In terms of agreement the contractor was, therefore, not entitled for price escalation during the extended period. It was, however, noticed that the CE revised (May 2005) his earlier sanction (February 2005) and granted extension of time under non-penal clause (Clause 4.3.5.2) and accordingly, the EE paid price escalation of Rs. 17.85 lakh for the extended period.

According to the clarification issued (July 1961) by the Government of Madhya Pradesh (GOMP) the decision once given can neither be reviewed by the officer nor by his successor. Thus, the CE was not competent to review and revise his own sanction. Unauthorised revision of time extension thus resulted in overpayment of Rs. 17.85 lakh.

Further, NVDD did not prepare the contract documents with due care which resulted in inconsistent and faulty contract clauses. The agreement was defective, in as-much as the clause regarding levy of liquidated damages was missing. As per standard clause, liquidated damages at the rate of one *per cent* of estimated cost or such smaller amount as the EE/ SE may decide for each day of default subject to a maximum of 8 *per cent* was leviable. However, no such penalty was levied due to defects in agreement. Had the penalty of minimum one per cent of estimated cost been provided, the amount of liquidated damages would have worked out to Rs. 13.91 lakh (Limited to 8 per cent).

The amount of escalation paid included payment of escalation on the basis of incorrect indices. The price bid of the work of **Pipariaya Sub-Distributory** was opened on 29 April 2003. Accordingly the base indices for labour and material were 475 and 173.1 against which division incorrectly adopted base indices of 473 and 171.06 respectively which pertained to March 2003, resulting in excess payment of Rs. 4.31 lakh.

When pointed out in audit EE stated (December 2005) that after examining the site condition the extension of time granted under penal clause was changed by the competent authority without penalty. Reply was not tenable in view of clarification issued by GOMP. As regards excess payment of escalation, it was stated that the tenders were opened on 28 March 2003, hence base indices of March 2003 were taken for escalation. The reply was not tenable as pre-qualification documents only were opened on 28 March 2003 and price bid was opened on 29 April 2003, as such base indices of April 2003 were to be adopted.

The matter was reported to Government in April 2006, but reply had not been received as of November 2006.

#### **4.2.2 Recovery of excess payment at the instance of Audit**

##### **Payment of watering and compaction twice resulted in excess payment of Rs. 23.55 lakh to the contractor.**

The Executive Engineer (EE), Narmada Development Division No.4, Jabalpur awarded (September 2004) the work of Excavation, Earthwork, Cement concrete lining and structures from RD 36.50 to 42 km of Bargi Right Bank Main Canal to a contractor on item rate tender under agreement No. 3 DL of 2004-05 at a cost of Rs. 21.48 crore for completion within the stipulated period of 9 months excluding rainy season. The work was in progress and the payment of 19<sup>th</sup> R A bill amounting to Rs. 11 crore was made to the contractor in May 2006.

Item 4(a) of the schedule of quantities appended with the agreement provided Earth work (E/W) for bunds and canal embankments as per dam specifications including all lead and lifts of all materials and all other charges, watering and compaction of earthwork at Optimum Moisture Contents (OMC) to achieve dry density not below 90 percent by Sheep Foot Roller (SFR) as per specification and as directed by Engineer-In -Charge. The contractor had quoted the rate of Rs. 50 per cum for this item.

Another item 4(b) provided watering and compaction of earthwork at OMC to achieve dry density not below 90 percent by SFR as per specification and as directed by Engineer-in-Charge. The contractor had quoted the rate of Rs. 22.10 per cum for this item.

From the aforesaid nomenclature of item 4(a) it would be evident that the item was inclusive of watering and compaction in respect of borrowed soil and item 4 (b) was meant for watering and compaction of embankment constructed with soil obtained from canal excavation.

Audit scrutiny revealed (January 2006) that contractor constructed canal embankment of 106543 cum from borrowed soil and was paid Rs. 53.27 lakh @ Rs.50 per cum under item 4(a). The contractor also executed 73641 (180184 -106543) cum of E/W with soil obtained from canal excavation. The item of watering and compaction for this quantity was payable at Rs. 22.10 per cum only. However the watering and compaction of 106543 cum borrowed quantity was again included in the total quantity (180184cum) for payment under item 4(b).

Thus watering and compaction for 106543 cum was paid twice. This has resulted in excess payment of Rs. 23.55 lakh (106543 cum x Rs. 22.10 = Rs. 23,54,600 i.e. 23.55 lakh).

Although the Executive Engineer did not accept (January 2006) the Audit objection, the Government, to whom the matter was reported in May 2006, admitted the overpayment and stated (September 2006) that the amount of Rs. 23.55 lakh had since been recovered in June 2006.



## Public Health Engineering Department

### 4.2.3 Over payment due to incorrect application of rate

#### **Incorrect application of rate for yield test and development of tube wells by power pumps instead of hand pump resulted in extra payment of Rs. 78.02 lakh.**

An amendment to Unified Schedule of Rates (USR) in force from May 2002, issued (July 2004) by the Engineer-in-Chief, Public Health Engineering Department, stipulated that yield test and development of tube wells, intended for installation of hand pumps only, shall be done manually for four hours at the rate of Rs. 75 per tube well.

Scrutiny of the records of six divisions\* revealed that in total disregard to the above provision of USR, yield test and development of 3303 tube wells, intended for installation of hand pumps, was carried out through various percentage rate contracts by submersible power pumps instead of hand pumps manually, at the rate of Rs. 2437 (labour for installation of power pumps- Rs. 698, conducting yield test by power pumps for nine hours-Rs. 1143 and labour for taking out power pumps- Rs. 596) per tube well.

Incorrect application of rates in violation of USR, thus resulted in overpayment of Rs. 78.02\* lakh (Rs. 2437 minus Rs. 75= Rs. 2362 per test on an average excluding tender percentage which varies agreement to agreement) to the contractors.

On these being pointed out the Executive Engineers (EEs) stated (January 2006 and May 2006) that payments were made in accordance with the rate of USR applicable and matter would be referred to higher authorities for guidance. The replies were not acceptable in view of amendment issued by the highest authority of the Department.

The matter was reported to the Government in June 2006, reply had not been received as of November 2006.

* 1.PHE Dn, Betul	538 x 2362	=12,70,756
2.PHE Dn. Rewa	254 x 2362	= 5,99,948
3. PHE Dn. Dindori	1195 x 2362	=28,22,590
4. PHE Dn. Chhindwara	664x 2362	=15,68,368
5.PHE Dn. Seoni	137*2362	= 3,24,000
6.PHE Dn Khargone	515*2362	=12,16,000

**Total = 78,01,662**

**Public Health and Family Welfare Department**

**4.2.4 Infertuous expenditure on construction of hospital building on a hilly track**

**Due to construction of hospital at unsuitable site the intended objective of augmentation of medical facility was not achieved and expenditure of Rs. 3.37 crore on construction proved infertuous.**

To augment the medical facilities at Tehsil level, Government decided (July 1997) upgradation of the existing 30-bedded Community Health Centre (CHC), Saunsar, District Chhindwara, to a 100-bedded hospital. The work of construction of hospital building was awarded to the Public Works Department (July 1997). A new building was constructed, around 4 km away from the existing CHC on a hilly track, at a total cost of Rs. 3.37 crore. The building was handed over (January 2003) to the Health Department for utilisation.

A test-check (December 2005) of the records of Chief Medical and Health Officer, Chhindwara (CMHO) and further information collected in May 2006 revealed that despite the Health Commissioner's direction (January 2003) to shift the existing CHC to the newly constructed 100-bedded hospital building on priority, the CHC was not shifted to the new building due to lack of facility of water supply, sanitation and approach road. Further, the District Planning Committee (headed by minister in charge of the district) also ordered (January 2003) to continue to run the CHC from the old building in view of difficulty being faced by the public at large. Only X-Ray machine and store was shifted (January 2003) to new building and other departments including OPD were running in old CHC Building.

On being pointed out in audit, CMHO admitted (December 2005) the above facts.

Thus, despite incurring an expenditure of Rs. 3.37 crore and lapse of three years, the intended objective of augmenting medical facilities at Saunsar were not achieved and the expenditure of Rs. 3.37 crore on construction of 100 bedded hospital proved infertuous. Further, improper planning as evident from selection of site for new building at a hilly track 4 km away from the existing CHC, lack of proper conveyance, medical facilities being scattered at two different places and non-completion of water supply, sanitation and approach road at the new building increased the inconvenience to the public.

The matter was referred to the Government in March 2006; reply has not been received till date as of November 2006.

## Public Works Department

### 4.2.5 Excess payment due to violation of contractual obligations

**Use of bulk bitumen instead of packed bitumen violated special condition of contracts resulting in excess payment to the tune of Rs. 61.38 lakh to the contractors.**

With a view to preventing adulteration in the bitumen used in construction / improvement of Black Topped (BT) roads the additional special condition forming part of the contracts stipulated that all bituminous works shall be carried out by using packed bitumen of grade 60/70 only.

Scrutiny in audit of three Public Works Divisions conducted during March 2005 and December 2005 revealed that notwithstanding the above contractual provision, bituminous works such as BT renewal, strengthening and upgradation of various roads were executed through eight item rate contracts, under which the contractors were allowed to use bulk bitumen instead of packed bitumen. Since the cheaper input was provided for execution of these works, the Department was entitled to recover the cost difference from the erring contractors. But except one (EE, Ashoknagar for part quantity), the remaining two Executive Engineers (EE) failed to effect recovery on this account. Use of cheaper input in violation of contract provisions and non-recovery of cost difference, thus resulted in excess payment of Rs. 65.90\* lakh, of which only Rs. 4.52 lakh was recovered by EE, Ashoknagar division.

On these being pointed out in audit, the Executive Engineers of Ashoknagar and Katni Divisions, while admitting the facts stated that appropriate action to recover the amount would be taken after scrutiny, whereas EE, Rajgarh stated (December 2005) that the agreement did not provide for recovery of cost difference due to use of bulk bitumen instead of packed bitumen. The reply, being not in consonance with the provisions of contract, was not acceptable in audit.

The matter was reported to the Government in May 2006, reply had not been received as of November 2006.

### 4.2.6 Overpayment due to incorrect application of rates

**Incorrect application of rates for backfilling of Hume Pipe Culverts resulted in over payment of Rs. 33 lakh.**

Ministry of Road Transport & Highways (MORT&H) Specifications for Road and Bridge Works (Fourth Revision- 2001) provided that in construction of Hume Pipe (HP) culverts, two or more pipes required to be laid adjacent to each other shall be separated by a distance equal to at least half the diameter of the pipe subject to a minimum of 450 mm. Trenches shall be backfilled up to

\* PWD (B/R) Dn. Katni-Rs. 33.78 lakh, PWD (B/R) Dn. Rajgarh-Rs. 23.61 lakh and PWD (B/R) Dn.Ashoknagar-Rs. 8.51 lakh= Total Rs. 65.90 lakh (-) Rs. 4.52 lakh recovered = Rs. 61.38 lakh

300 mm above the pipes immediately after the pipes have been laid and jointing material has hardened. The backfill soil shall be clean, free from boulders, large roots, excessive amounts of sods or the vegetable matter and shall be approved by the Engineer.

Accordingly the Schedule of Rates (SOR) for Bridge Works issued by the Engineer-in-Chief, PWD, provided an item (D-26) for the work of backfilling between abutments and returns, at the rate of Rs. 165 per cum.

During test check (between December 2005 and May 2006) of records of three divisions<sup>▲</sup>, it was noticed that another item (D-11) of SOR applicable for moorum filling in haunches<sup>♦</sup> of arch type major bridges and payable @ Rs. 467 per cum. was incorrectly applied for payment of backfilling of 13029.26 cum in Hume pipe culverts which was payable at the rate of Rs. 165 per cum (D-26). The payment was incorrect because the distance between the two adjacent pipes was minimum 450 mm, and thus there were no haunches. Further, in similar works of HP culverts executed under Pradhan Mantri Gram Sadak Yojana (PMGSY) the payment under item D-11 of SOR was prohibited through a general circular (August 2003) issued by Madhya Pradesh Rural Road Development Authority at the instance of Audit. Incorrect application of rates in Public Works Divisions resulted in overpayment of Rs. 33 lakh\* to the contractors.

On this being pointed out, Executive Engineers (EEs) stated (December 2005-May 2006) that the items were executed as per provisions of sanctioned estimates and site conditions. The reply was not tenable because item (D-11) was incorrectly provided in the estimates and sanctioned.

Matter was reported to the Government in June 2006, reply had not been received as of November 2006.

#### **4.2.7 Sub-standard execution of work resulting in wasteful expenditure**

**Execution of sub-standard bituminous work led to premature failure of road rendering the entire work wasteful (Rs. 54.36 lakh) besides non-recovery of extra cost Rs. 62.04 lakh spent by department for restoration of traffic.**

The work "Improvement of riding quality in km 299 to 306 of National Highway No. 7", was sanctioned (June 2002) by Government of India, Ministry of Road Transport & Highways (MORT&H) for Rs. 2.73 crore. The work was awarded (August 2002) to a contractor on percentage rate contract at 17 per cent below the Schedule of Rate (SOR of August 1999) for completion in four months. However, after executing work valuing Rs. 54.36 lakh, the contractor abandoned the work. The contract was, therefore, rescinded

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<sup>▲</sup> PWD(B/R) Division, Gwalior, Tikamgarh and Balaghat.

<sup>♦</sup> It is the lower part of the flanks of the arch

<sup>\*</sup> PWD (B/R) Dn.Gwalior-Rs. 16.55 lakh, PWD (B/R) Dn. Tikamgarh-Rs. 4.94 lakh and PWD (B/R) Dn Balaghat-Rs. 11.51 lakh= Total Rs. 33.00 lakh

(September 2004) by the Executive Engineer, National Highway Division, Katni. Scrutiny in audit (November 2005) revealed the following lapses:

Sanctioned estimate, among other items, included 40 mm thick profile corrective course (PCC) with Bituminous Macadam (BM), 75 mm thick BM in uniform thickness and 25 mm thick Semi Dense Bituminous Concrete (SDBC). MORT&H in its technical note categorically mentioned that since richer specifications are being provided, no deficiency in riding quality shall be acceptable. In case work is executed of inferior quality the agency shall rectify defects without any extra cost.

MORT&H specifications also provide that BM shall be covered either by next pavement course or wearing course within 48 hours. If there is to be any delay, the course shall be covered by seal coat which shall be incidental to the work and shall not be paid for separately.

It was, however, observed that after executing PCC (1713.833 cum) and BM (810.15 cum) the surface was neither covered with wearing course (SDBC) nor was it covered by seal coat before opening the road to traffic. Due to non-adherence to the technical specifications and provisions of sanctioned estimate, the BM layer completely deteriorated. The Superintending Engineer, MORT&H, during his inspection observed (October 2003) that damages transformed into no road condition causing inconvenience to traffic. A joint inspection was also conducted (November 2003) by Principal Secretary, Secretary and Engineer-in-Chief and they also conclusively found that work was sub-standard; hence Engineer-in-Chief rejected the work executed. It was imperative on the part of EE to stop further payment. The EE, however, injudiciously allowed (March 2004) net payment of Rs. 11.12 lakh to contractor towards 4<sup>th</sup> running bill.

Further, rectification of defects was responsibility of contractor but the defects were rectified by Department at a cost of Rs. 62.04 lakh to restore the traffic worthiness of the road. This amount was also recoverable from the erring contractor in terms of contract. Thus, due to non-adherence to specifications and execution of sub-standard work the expenditure of Rs. 54.36 lakh was rendered wasteful.

On being pointed out the Executive Engineer while admitting the facts, stated (November 2005) that the contractor was jailed in connection with some case hence defects were rectified by Department. The fact remains that no action to recover the cost was initiated by the Department.

Matter was reported to the Government in July 2006, reply had not been received as of November 2006.

**Scheduled Tribes and Scheduled Castes Welfare Department**

**4.2.8 Irregular excess expenditure on purchase of uniforms**

**Providing two sets of uniforms to girl students instead of one resulted in irregular extra expenditure of Rs. 24.48 lakh.**

Government of Madhya Pradesh Scheduled Tribes and Scheduled Castes Welfare Department launched a scheme (2000-01) to provide one set of uniform to Scheduled Caste and Scheduled Tribe girl students studying in first to fifth class.

Test-check of records (June 2005) of Assistant Commissioner Tribal Development (ACTD), Shahdol revealed that the ACTD purchased a total of 27,808 numbers of uniforms (2002-03: 13,124; 2003-04: 14,684) valuing Rs. 48.95 lakh against 13,904<sup>1</sup> number required to be provided to scheduled caste girl students. Thus contrary to the directions of Government, two sets of uniform were purchased and provided instead of one set. This resulted in irregular excess expenditure of Rs. 24.48 lakh.

The ACTD accepted the excess expenditure stating that supply of two sets of uniforms instead of one was irregular. During 2004-05 supply was made as per norms.

The matter was reported to the Government in August 2005; reply had not been received (October 2006).

**Water Resources Department**

**4.2.9 Over payment due to incorrect application of rates**

**Contractor executing work of an Earthen Dam was overpaid Rs. 1.14 crore due to incorrect application of rates for excess quantities.**

The Executive Engineer (EE), Sindh Project Earthen Dam Division, Narvar, Shivpuri awarded (January 1994) the work of 'Construction of 607 m. long Madikheda main earthen dam and Ukaila saddle dam' to a contractor on an item rate contract for Rs. 25.91 crore (evaluated at 6.39 percent above estimated cost of Rs. 24.35 crore). The stipulated period of completion was 48 months excluding rainy season. The work was however, in progress as of April 2006 and 84<sup>th</sup> Running Account bill of contractor amounting to Rs. 58.08 crore was paid in February 2006.

According to the contract clause, if quantity of any item exceeded by more than 10 percent of the quantities shown in the tender document, the payment for such excess quantity shall be made at the estimated rate of the item, plus or minus the overall tender percentage.

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<sup>1</sup> (Number of SC girls 2002-03: 6562; 2003-04: 7342).

Scrutiny in audit revealed that in respect of an item '*Providing vertical Chimney filter,*' the tendered rate was Rs. 225 per cum for the quantity of 44,330.30 cum. The contractor executed 84,534 cum. of this item till 84<sup>th</sup> Running Account bill. According to the contract provision 48,763 cum was payable at his tendered rate Rs. 225 per cum and the remaining quantity of 35,771 cum. was payable at the rate of Rs. 96.17 per cum (estimated rate Rs. 90.39 plus 6.39 tender percentage). The contractor was however, paid at Rs. 225 per cum for 57623 cum and @ Rs. 118.71 per cum for 26911 cum quantity, which resulted in excess payment of Rs. 34.08 lakh (including proportionate excess payment of Rs. 16.61 lakh towards price escalation.)

On being pointed out in audit, the EE stated (May 2006) that the relevant clause of agreement regulating payment for quantities in excess of 10 percent was altered by the Chief Engineer(CE); hence payment was made to the contractor at his tendered rate. He further stated that excess payment would be recovered from the contractor if Government disapproves the amendment made by CE. Reply is not tenable as CE was not competent to alter the contract clause which was approved at Government level.

(ii) Another item of contract, '*providing horizontal and inclined filter with 40 mm grade metal and sand*' specified execution of 97,610 cum. During execution the CE instructed the contractor to execute this item of work with 'gravel and sand' in place of '40mm grade metal and sand', but subsequently (January 2003) instructed him to resume execution with '40 mm grade metal and sand'. The drawings approved by the Central Water Commission, New Delhi specified both the options.

Scrutiny in audit revealed that the contractor executed 1,07,344.80 cum of this item with '40 mm metal and sand' representing quantity up to 10 percent over tender quantity and he was paid at his tendered rate of Rs. 180 per cum. However, in respect of 66,454.50 cum representing quantities in excess of 10 percent of tendered quantity, the same was paid erroneously as an '*extra item*' at the rate of Rs. 172.32 per cum, instead of payable rate of Rs. 110.99 per cum (estimated rate Rs. 104.32 plus 6.39 tender percent). The erroneous payment as '*extra item*' for the scheduled item of work resulted in excess payment of Rs. 79.52 lakh (including proportionate excess payment of Rs. 38.74 lakh towards price escalation).

On being pointed out, the EE stated (May 2006) that as the contractor was facing difficulty in installing stone crusher at the site due to forest area, he was permitted to execute the work with 'gravel' in place of "40 mm graded metal" and the quantity of work executed with the item of 'gravel' was treated as '*extra item*' and paid accordingly. Reply is not tenable because i) execution with 'gravel' in place of '40 mm grade metal' was permitted owing to contractor's convenience, ii) design approved by CWC New Delhi permitted use of both '40 mm grade metal' or 'gravel', and iii) CE was not competent to sanction extra item rate beyond Rs. 15 lakh as per Government Orders (20 October 1987) specified in the agreement.

The matter was reported to Government (June 2006), reply had not been received as of November 2006.

### **4.3 Violation of contractual obligation**

#### **Narmada Valley Development Department**

##### **4.3.1 Defective terms of contract resulted in loss to the Government and non-recovery of debit extra cost**

###### **Non-invoking of condition for additional security deposit due to unbalanced rates of items of work resulted in avoidable loss of Rs. 37.18 lakh and non recovery of debit extra cost of Rs. 7.72 crore.**

The work “Construction of Bargi Right Bank Canal from RD 63 to 72 km”, estimated to cost Rs. 26.81 crore was awarded (October 2003) by the Executive Engineer (EE) to a contractor for Rs. 25.27 crore (evaluated at 5.74 per cent below the estimated rates) for completion within 12 months from the date of commencement of work. Owing to slow progress and failure to complete the work till June 2005, the contract was rescinded (June 2005) at risk and cost of the defaulting contractor. However, the contractor was paid Rs. 8 crore till June 2005. Scrutiny in audit revealed (December 2005) the following.

According to the terms of the contract, in case the approving authority considers that the tenderer has quoted disproportionately high rates for some items or the tender is unbalanced<sup>9</sup>, the payment of such items shall be limited to the estimated rates plus or minus overall percentage and the balance payment of such items shall be retained as additional security deposit, which shall be released after completion of entire work. In case of failure to complete the work, the entire additional security deposit shall also be forfeited. The Narmada Valley Development Department (NVDD) also directed (April 1993) that item rate tenders should be accepted with the above stipulations.

Though the contractor had quoted disproportionately high rates for 11 items, and a specific undertaking for retention of additional security deposit was also signed by the contractor (forming part of contract), the contractor was paid at his tendered rates without recovering additional security deposit in respect of items bearing rates higher than the estimated rates.

Had the additional security deposit been retained, the same could have been forfeited upon rescission of contract. Thus, by not invoking the condition, Department foreclosed the opportunity to retain additional security deposit resulting in avoidable loss of Rs. 37.18 lakh, as detailed in **Appendix 4.2**.

After rescission of the contract (June 2005), work left incomplete estimated to cost Rs. 19.17 crore (cost of original contractor Rs. 18.07 crore) was awarded for Rs. 25.79 crore (at 34.54 percent above SOR 1998) in August 2006 to another contractor at the risk and cost of defaulting contractor during November 2005. Thus award of work on unworkable rates led to work being left incomplete and contract had to be terminated midway resulting in

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<sup>9</sup> As per Government NVDD circular dated 21-06-93, if the quoted rate for any item is more than the corresponding estimated rate of those items (plus/minus tender percentage), that rate is treated as unbalanced.



debitable extra cost of Rs7.72\* crore recoverable from erring contractor. However, Department failed to initiate action for recovery of debitiable extra cost as of December 2005.

On this being pointed out in audit (December 2005), CE, Upper Narmada Zone, Jabalpur admitted (November 2006) the facts and stated that efforts would be made to effect recovery from the contractor's available deposits and through revenue Recovery Certificate.

The matter was reported to the Government in February 2006, reply had not been received as of November 2006.

#### **4.3.2 Defective terms of contract resulted in undue aid to contractors**

##### **Non-recovery of additional security deposit in five contracts resulted in undue aid amounting to Rs. 4.77 crore to the contractors.**

Government of Madhya Pradesh, Narmada Valley Development Department (NVDD) instructed (June 1993) that in item rate tenders, the items for which the contractors had quoted disproportionately high rates, payment for such items should be limited to the estimated rates plus or minus overall tender percentage. The balance payment may be retained as additional security deposit, which would be released only after successful completion of the entire work. If the contractor leaves the work incomplete for any reason; the additional security deposit so retained shall be forfeited to the Government. With a view to safeguarding the interests of the Government this clause was to be incorporated invariably in all the tenders.

Notwithstanding the above instructions and also in contravention to clause 3.47 appearing in other tender documents of the department, it was observed that this condition was not found included in five contracts for construction of Indira Sagar Project main canal being executed under Narmada Valley Development Divisions No.8 and 21, Sanawad and Division No.32 Barwaha. As a result, NVDD foreclosed opportunity to recover Rs. 4.77 crore from five contracts as detailed in **Appendix 4.3**.

NVDD did not prepare the contract documents with due care, which resulted in inconsistent and faulty contract clauses. Missing contract terms with regard to retention of additional security deposit provided extra financial assistance to the contractors affecting the economy of the project.

On these being pointed out in audit, the Executive Engineers (EEs) stated that there was no provision in the agreements to recover additional security deposit for unbalanced rates of items of work. The replies were not tenable because non-inclusion of such clause was against the instructions of the Government to safeguard its interests.

The matter was reported to the Government in August 2005; reply had not been received as of November 2006.

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* Estimated cost of balance work:	Rs.19.17 crore
Cost of original contractor (5.74%below)	18.07 crore
Cost of subsequent contractor(34.54% above)	25.79 crore
Debitiable extra cost	7.72 crore

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### 4.3.3 Non-recovery of royalty charges

#### Unauthorised extraction of minor mineral without payment of royalty charges Rs. 1.45 crore in advance and failure of the department to recover the same from contractors.

Clause 4.3.36.2 of agreement provided that, the royalty charges for extracting the minor minerals<sup>^</sup> for Government work will be paid by the contractor as per rules and amount so recovered shall not be refundable to the contractor. According to MP Minor Mineral Rules 1996, the contractor is required to obtain the permission from District Collector for extraction of minor-minerals for the use in Government works after depositing royalty charges in advance and amount so deposited shall not be refundable to the contractor. The Government (NVDD) also instructed (October 2002) that tenders should be invited with above stipulations.

Test check of records of two Divisions of Rani Avanti Bai Sagar Project (RABS)<sup>\*</sup> revealed that the contractors executing works on four agreements neither obtained permission of the Collector, Jabalpur for extraction of minor minerals nor deposited the royalty in advance.

Despite specific request by Collector, Jabalpur (August 2005) and repeated instructions (August 2005 to January 2006) issued by the Executive Engineers (EE), neither the contractors deposited the royalty charges amounting to Rs. 1.45 crore<sup>v</sup> to the Mining Department nor EEs deducted royalty charges from the payments of their running bills in respect of minor minerals extracted and used in Government works.

On being pointed out in audit both the EEs, stated (December 2005) that the final bills of the contractors would be paid only after receipt of royalty clearance certificate. EE, Rehabilitation division, Bargi Hills further stated that soil was used by the contractor as Cohesive Non-swelling (CNS) layer for which no royalty was payable.

The replies were not in consonance with the rules because the contractors having failed to deposit royalty charges in advance, it was imperative on the part of the EEs to recover the royalty from the contractor's running bills to ensure proper and timely flow of revenue to the government. Further, the reply of the EE, Rehabilitation Division Bargi Hills that soil was used as CNS on which no royalty is recoverable is also not tenable because soil of swelling characteristic cannot be used as CNS and as per clarification (9<sup>th</sup> August 2005) issued by the Collector, Jabalpur, royalty @ Rs. 15 per cum is chargeable even on Kankar mixed yellow soil which was inter-alia used in these works.

The matter was reported to Government (May 2006); reply had not been received as of November 2006.

<sup>^</sup> Sand, Morrum, Metal and Granular soil

<sup>\*</sup> Rehabilitation Dn., Bargi Hills, Jabalpur and Distributory Division, Patan, Jabalpur

<sup>v</sup> Item	Quantity (cum.)	Rate/cum.	Amount
Moorum	712497	Rs. 15.00	Rs. 106.90 lakh
Sand	56197	Rs. 25.00	Rs. 14.05 lakh
Metal	81500	Rs. 30.00	Rs. 24.45 lakh
			<b>Total Rs. 145.40 lakh</b>

**Public Health Engineering Department**

**4.3.4 Violation of contractual obligations and sub-standard execution**

**Non-recovery of an amount of Rs 53.80 lakh towards cost of hard rock and payment of Rs 11.36 lakh towards work which was not done.**

Construction of earthen dam with side spillway across Bebus river for Sagar Augmentation Water Supply Project, Sagar was entrusted (February 1998) to a contractor on item rate contract for Rs. 18.09 crore to complete the work within 32 months including rainy season. The work had been completed and 56<sup>th</sup> & final bill of the contractor for an aggregate amount of Rs. 19.54 crore with net amount of Rs. 67.06 lakh was pending (May 2005) for payment. Scrutiny in audit revealed the following inconsistencies:

According to the agreement hard rock excavated by the contractor, was to be issued at the rate of Rs. 40 per cum. The contractor excavated 183593.758 cum hard rock which was issued to him for bonafide use on works. It was however, noticed that as against recoverable amount of Rs. 73.44 lakh, Rs. 19.64 lakh were only recovered leaving a balance of Rs. 53.80 lakh.

Further, item of excavation in hard rock paid to the contractor at the rate of Rs. 120 per cum included the work of stacking of rock excavated. The contractor, however, did neither stack the rock nor was the rate for item proportionately reduced while making payment. Thus, the contractor was allowed payment of Rs. 11.36 lakh at the rate of Rs. 6.19 per cum for stacking work not actually done.

On being pointed out, the Executive Engineer while admitting (April 2005) the facts of non – stacking assured to recover the amount. As regards recovery of cost of hard rock, he stated that entire quantity of rock excavated was issued but recovery has been made for the quantity utilized. The reply was not tenable in view of the provisions of contract.

Matter was reported to the Government in June 2005 reply had not been received as of November 2006.

**4.4 Avoidable expenditure**

**Housing and Environment Department**

**4.4.1 Avoidable expenditure**

**Avoidable expenditure of Rs. 35.37 lakh on maintenance in developed colonies not handed over to Municipal Corporation.**

In compliance to notification issued by the Government of MP, Housing and Environment Department (March 1991), the Madhya Pradesh Housing Board (MPHB) issued orders (April 1991) to all the Executive Engineers (EEs) that the colonies having roads declared as 'Lok Marg' under section 42(1) of MPHB Rules 1972, should be handed over to Municipal Corporation/Local

bodies and no further expenditure should be incurred from May 1991 onwards on maintenance in these colonies.

A test check of records of EE, MPHB, Division No.1, Gwalior (December 2005) and EE MPHB Division No.1 Bhopal (October 2006) and further information collected (November 2006) revealed that the colonies (Madhav Nagar, Gwalior and Kohefiza Bhopal) having roads declared as 'Lok Marg' by the Government of Madhya Pradesh vide notification (March 1991) were not handed over to Municipal Corporation Gwalior and Bhopal even after a lapse of 15 years. The expenditure on maintenance in these developed colonies was still being incurred by the MPHB and the actual expenditure from 2001-02 to 2005-06 worked out to Rs. 35.37 lakh. (Gwalior: Rs. 12.35 lakh; Bhopal: Rs. 23.02 lakh.)

The Commissioner, MPHB stated (July 2006) that even after repeated correspondence to handover these colonies, the officers of Municipal Corporation were not extending the desired cooperation, as such the colonies could not be handed over and the Board had to incur expenditure on maintenance of these colonies.

Thus, lack of coordination between MPHB and Municipal Corporation led to avoidable expenditure of Rs. 35.37 lakh on maintenance of these colonies in contravention to Government notification (March 1991) and MPHB orders (April 1991).

The matter was reported to Government in February 2006; reply had not been received (November 2006).

## **Public Works Department**

### **4.4.2 Unwarranted execution of surface dressing and tack coat resulted in avoidable expenditure**

**Execution of surface dressing and tack coat on granular surface followed by bituminous base and wearing courses was unwarranted and contrary to the specifications resulting in avoidable extra expenditure of Rs. 47.66 lakh.**

Ministry of Road Transport and Highways (MORT&H) specifications provide for various types of bituminous base or wearing courses for road works. Surface Dressing is one of the wearing courses used for surfacing of granular base course. The Rural Roads Manual published by Indian Road Congress (IRC:SP:20-2002) also provides that surface dressing is an age-old technique of surfacing roads, which has been continually modernized in recent years. The merits of this type of construction which mainly seals granular surface are:

- ❖ binder ensures water proofing of base layer as well as fixation of aggregates and prevents further oxidation of old surface;
- ❖ aggregates serve to ensure contact between the traffic and pavement and provide skid resistant surface.

If, the granular surface (Water Bound Macadam) is to be strengthened by Bituminous Macadam (base course) followed by Semi Dense Bituminous Concrete (wearing course), Surface Dressing is not required as per technical specifications. The Chief Engineer, PWD, Rewa Zone, issued (November 2003) orders to delete surface dressing from all road works in his zone, where Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC) were provided in the estimates and the agreements for ongoing works.

Scrutiny in audit (September 2005), however, revealed that in total disregard to the above instructions, Surface Dressing over 189663.08 sqm area costing Rs. 47.66 lakh\*, followed by BM & SDBC, was got executed under the two agreements by Executive Engineer (EE), PWD Division, Satna, Execution of surface dressing prior to BM & SDBC was not only unwarranted but also was contrary to the instructions and specifications.

The matter was reported to the Government in October 2005. Government stated (October 2006) that single coat Surface Dressing was provided and executed in accordance with Guidelines issued by Engineer-in-Chief in September 2001. The reply is not acceptable as the Guidelines were not in conformity with the MORT&H specifications adopted by State Government.

### Water Resources Department

#### 4.4.3 Avoidable expenditure due to defective planning

##### **Failure to take timely corrective measures for foundation treatment led to avoidable expenditure of Rs. 79.37 lakh on escalation.**

Central Soil and Material Research Station (CSMRS), New Delhi conducted (July 1990) Plate Jacking, Shear and Anchor Pullout tests at Gulab Sagar (Mahan) Project, District Sidhi. The report on these tests clearly indicated weak zone at foundation block requiring foundation treatment before taking up further execution of work. Thereafter the work remained closed for about 10 years.

In total disregard to the above report and even without taking up remedial measures for foundation treatment, the balance work "Masonry dam and its appurtenant works" of the project estimated to cost Rs. 14.40 crore was awarded (November 2002) to a contractor for Rs. 13.71 crore (evaluated at 5.06 per cent below estimated cost) for completion in 20 months ( up to 17 July 2004). The work was in progress and time extension up to 30 June 2006 was granted (July 2005) on the grounds that hair cracks were observed in previously executed work for which necessary tests had been conducted by Central Water Commission (CWC) and Geological Survey of India (GSI).

- *Agt.No.235/02-03- Surface Dressing 62143.08 sqm @ Rs. 22/- (13.85 % above)= Rs. 15.56 lakh*
- *Agt. No.152/02-03, Surface Dressing-127520.00 sqm @ 21.34 (17.95 % above)=Rs. 32.10 lakh*

*Total = Rs. 47.66 lakh*

CSMRS reminded (January 2005) that the project authorities were already having reports on tests conducted by them in July 1990 and *in-situ* testing at present is not required. Thus, defective planning by project authorities and failure to take corrective measures in time delayed the work abnormally resulting in avoidable expenditure of Rs. 79.37 lakh on escalation in extended period.

On being pointed out, the Executive Engineer stated (September 2005) that after execution of agreement hair cracks were seen in old work and after inspection by CWC and GSI, the drawings for foundation treatment were provided which delayed the work.

Reply was not tenable because problem of existence of weak zone in foundation was already in the knowledge of the authorities since 1990, for which timely remedial steps, before awarding of works, were not taken by the Department. Consequently during execution when these defects again came to notice the work completion period had to be extended and escalation was paid which could have been avoided.

Matter was reported to the Government in April 2006, reply had not been received as of November 2006.

#### **4.5 Idle investment/blockage of funds / Diversion of funds**

##### **Jail Department**

#### **4.5.1 Blocking of funds**

##### **Lack of proper planning resulted in blocking of Rs. 28 lakh allotted for installation of powerlooms in Jails.**

The scheme of modernisation of Prison Administration included establishment of power looms in Central Jails for production of cloth in Jails for use of prisoners. Government of India released (March 2002) Rs. 14 lakh towards 50 per cent Central share for installation of powerlooms at three Central Jails (Bhopal, Sagar and Satna). The State Government provided (February 2003) matching contribution of Rs. 14 lakh for purchase of 12 powerlooms and its accessories from its own budgetary resources.

Test-check (December 2005) of the records of the Inspector General of Prisons, M.P. Bhopal revealed that Rs. 28 lakh meant for purchase of 12 Powerlooms was kept (March 2003) under Civil Deposits. Jail Headquarters Bhopal placed the orders (March 2005) with Madhya Pradesh Laghu Udyog Nigam Bhopal (MPLUN) for establishment of 11\* powerlooms (Bhopal : 4; Sagar:3; and Satna : 4) within 45 days. The amount of Rs. 28 lakh was withdrawn from Civil Deposit and deposited (March 2005) into Personal Deposit Account of MPLUN. The MPLUN intimated (July 2005) that

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\* Against 12 powerlooms supply order for only 11 powerlooms were placed as per availability of fund.

powerlooms could not be installed because arrangements such as shed/ platform/ power connection were not found ready. Due to non-availability of sufficient space at Central Jail, Sagar, it was decided (September 2005) to install the powerlooms at Central Jail, Rewa. Although looms were installed at Bhopal in May 2006, the installation of powerlooms at Central Jail Satna and Rewa was not commenced as the infrastructure developed by Jails for powerlooms was found inadequate by technical experts of the firm and technical inspection of powerlooms installed at Bhopal was not done (October 2006).

On this being pointed out in Audit, Inspector General of Prison intimated (October 2006) that the delay in placing order was due to non-availability of MPLUN/ DGSD rates for supply of powerlooms and MPLUN is pursuing with the firm to install the loom at other places. The reply was not tenable because due to lack of planning, powerlooms could not be installed though a period of four years has elapsed. Besides blocking of funds due to non-installation/commissioning of powerlooms the object of the scheme was also not achieved.

The matter was referred to Government in February 2006; reply had not been received (October 2006).

### Medical Education Department

#### 4.5.2 Idle outlay on medical equipment

#### **Medical equipment worth Rs. 3.50 crore were purchased without ensuring availability of staff for making them functional.**

Directorate of Medical Education Bhopal (Madhya Pradesh) purchased imported medical equipment and supplied for immediate installation and use thereof for treatment of patients in newly established Sanjay Gandhi Memorial Hospital at Rewa.

Test-check of records (October 2005) of Superintendent Medical College, Rewa revealed that during the year 2000-02 medical equipment (Brechy Therapy Machine, Cobalt 60, Dosimeter, Pitutary Surgery Complete Set and Laminectomy and Lumber dissection Set) worth Rs. 3.50 crore were purchased by the Directorate of Medical Education, Bhopal for Sanjay Gandhi Memorial Hospital, Rewa. The purchased medical equipment was for immediate installation and proper use thereof. Although equipment were installed during 2001-2003 but could not be put to use due to non-availability of technical staff (October 2006). Non-functioning of the installed medical equipment resulted in idle expenditure on purchase of these medical equipment and patients were deprived of the desired medical care thereby defeating by purpose of procurement of the equipment.

On this being pointed out in Audit, Superintendent stated (October 2005 and November 2006) that due to vacant posts of technical staff and Assistant Professor Neuro surgery being on deputation in other institution who could not join back, these equipment could not be put to use.

The matter was reported to Government in February 2006; reply is still awaited (October 2006).

### **Scheduled Tribes and Scheduled Castes Welfare Department**

#### **4.5.3 Diversion of untied fund for procurement of utensils**

#### **ACTD Dindori diverted Rs. 69.60 lakh from untied funds for procurement of utensils.**

Government of Madhya Pradesh, Panchayat and Rural Development Department being the State Coordinator for midday meal programme decided (February 2004) to introduce revised arrangement for midday meal under which cooked food was to be served to children in the schools. GOI was to provide wheat and rice at cent percent grant basis and other material, fuel and labour required for cooking was to be met by State Government from its own budget as well as from untied funds.\* Purchase of utensils from untied fund was not permissible. However, non-recurring expenditure on procurement of utensils, Gas chullaha etc was to be met from the school grant of Rs. 2000 per year available from Rajiv Gandhi Shiksha Mission.

Test-check (January 2006) of records of Assistant Commissioner Tribal Welfare Dindori revealed that Chief Executive Officer Jila Panchayat Dindori allocated Rs. 69.60 lakh out of untied fund to ACTD Dindori for purchase of mid day meal material through Shikshak Palak Sangh. ACTD Dindori in turn diverted the whole amount and issued cheques in favour of Block Education Officers to deposit the amount at Rs. 5000 per school in the banks accounts of Palak Shikshak Sangh for purchase of utensils for midday meal scheme. The utilisation of untied funds of Rs. 69.60 lakh for the purpose of purchase of utensils was against the norms fixed for utilisation of untied funds. Further funds for purchase of utensils was already provided under Rajiv Gandhi Primary Education Mission. This resulted in diversion of untied funds for procurement of utensils for mid day meal scheme.

On this being pointed out in Audit while reasons for diversion were not intimated, the ACTD replied (January 2006) that position of utilisation of funds is being ascertained from the units.

The matter was reported to the Government in July 2006; reply has not been received (October 2006).

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\* Untied funds (Anabaddha Rashi) are provided to meet the expenditure on petty works of local importance such as construction of bridges, culverts and stop dam, drinking water arrangement, incomplete works under DPAP, construction of residential accommodation for doctors in remote localities, etc.



## 4.6 Regulatory issues and other points

### Home Department

#### 4.6.1 Non-reimbursement of Central share

**Non-rendition of prescribed returns by Director, Sainik Welfare, Madhya Pradesh, Bhopal to the Kendriya Sainik Board deprived the State exchequer of Central share amounting to Rs. 4.89 crore on account of maintenance expenditure of Rajya/Zila Sainik Boards.**

According to the existing procedure, 50 per cent of the maintenance expenditure incurred by Rajya/Zila Sainik Boards (RSB) was shared by the Government of India (GOI). GOI issued (August 1983) orders for adoption of a new system for reimbursement of the Central share by the Kendriya Sainik Board (KSB) to the States. Under the new system, 90 per cent of the Central share could be obtained by the States in advance from KSB (50 per cent in June on furnishing sanctioned budget estimates and 40 per cent in November-December on furnishing sanctioned revised estimates to the KSB). The balance 10 per cent could be obtained only after rendition of the audited expenditure statement to the KSB. A schedule for furnishing the requisite returns was also prescribed (December 1983) by the KSB.

A test-check (March 2006) of records of Director, Sainik Welfare, Madhya Pradesh, Bhopal, (Director) revealed that an expenditure of Rs. 17.94 crore was incurred on maintenance of Rajya/Zila Sanik Boards during 1999-2000 to 2004-05. Of which the 90 per cent of Central share (Rs. 8.07 crore) was reimbursable by GOI without submitting audited accounts against which only Rs. 4.08 crore was received. The balance amount of Rs. 4.89\* crore could not be obtained as the prescribed returns/ audited accounts were not furnished to the KSB in these years.

On being pointed out in audit, Director did not attribute any reason for non-furnishing of the prescribed returns in due time. However, Director assured (March 2006) that prescribed returns/audited statements would be furnished to GOI in future. Thus due to non-rendition of prescribed returns/audited statements to GOI, the State exchequer was deprived of Central share amounting to Rs. 4.89 crore.

The matter was referred (May 2006) to the Government; reply had not been received (November 2006).

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\* Rs. 0.40 crore towards 50 per cent; Rs. 3.59 crore towards 40 per cent; and Rs. 0.90 crore towards 10 per cent central share.

**Jail Department**

**4.6.2 Non-utilisation of common fund meant for assistance to victims**

**In five Central Jails Rs. 2.38 crore were lying unutilised in common fund due to imposition of restrictions.**

With a view to provide financial assistance to the victims and their family members Government of Madhya Pradesh introduced an Act effective from 3<sup>rd</sup> January 2000 namely Prisons (Madhya Pradesh Amendment) Act 1999, thereby amending the Prisons Act 1894. Accordingly a new section 36 A was inserted which provides that the amount of fifty per cent of the total amount of wages earned by the prisoner in a month shall be kept and deposited in a separate common fund which shall be exclusively used for the payment of compensation to the deserving victims or his family of the offence the commission of which entailed the sentence of imprisonment to the prisoner. The amount of common fund shall be deposited in a personal deposit account in a treasury. The rate of compensation to be paid to the victims was to be fixed by a committee consisting of such persons as was to be prescribed. Subsequently Government of Madhya Pradesh inserted Rules 647 A and 647 B effective from 27<sup>th</sup> April 2001 regarding constitution of Committee, powers to determine deserving victims and management of wages and common fund. Further, Government of MP issued instructions (January 2002) that compensation is to be paid to only the victims of BPL families of the offender under section 302 of IPC 1860 where prisoner was sentenced to life imprisonment or death with maximum limit of Rs. 10000.

Test-check (August 2005) of records of Central Jail Gwalior and further information collected (July 2006) from Jail Headquarters revealed that an amount of Rs. 2.46 crore (Central Jail Gwalior: Rs. 25.19 lakh, Bhopal: Rs. 123.59 lakh, Satna: Rs. 28.38 lakh, Sagar: Rs. 26.07 lakh, Ujjain: Rs. 43.19 lakh) was deposited in the common fund up to March 2006, out of which an amount Rs. 8.10 lakh only (Central Jail Gwalior: Rs. 0.6 lakh, Bhopal: Rs. 0.6 lakh, Satna: Rs. 2.9 lakh, Sagar: Rs. 2.7 lakh, Ujjain: Rs. 1.3 lakh) could be disbursed to 81 beneficiaries and balance of Rs. 2.38 crore was lying unutilized against which 25 cases were pending at the end of March 2006. The reasons for such meagre utilisation of funds and in continuous increase in unutilised fund seems to be delay in framing of rules and imposing restriction on eligibility and amount of compensation vide instructions of January 2002 which does not match with new section 36 A of Prisons Act 1894, non-provision of publicity of the scheme for awareness of beneficiaries and lack of coordination between the members of the implementing committee. For utilization of amount lying idle in common fund, the Director General of Prisons had also proposed (October 2005) to waive clause of BPL and to increase the amount of compensation to Rs. 20,000.

Thus huge amount of common fund was lying unutilised and the object of the scheme to provide financial assistance to the victims was defeated. The

victims of offence other than section 302 of IPC 1860 were deprived of the compensation available under section 36 A of Prison Act 1894.

The matter was referred to Government in October 2005; reply had not been received (October 2006).

### **Panchayat and Rural Development Department**

#### **4.6.3 Non -recovery/short recovery of Labourer Welfare Cess**

#### **Deduction on account of Labourer Welfare Cess amounting to Rs. 32.82 lakh was not made by Executive Engineers, Rural Engineering Services Mandla, Sehore and Khandwa.**

State Government in Rural Development Department decided (May 2003) to levy Labourers Welfare cess at one per cent on the amount related to the construction works of different types. These instructions were effective from 01 May 2003 and the amount so deducted was liable for rendition to Welfare Board for welfare of labourers under Bhawan and Sannirman Adhiniyam 1996.

Test-check of the records of Executive Engineers Rural Engineering Services (RES) Mandla, (September 2005) Sehore and Khandwa (April 2006) and further information collected (November 2006) revealed that expenditure of Rs. 30.35 crore was incurred during 2003-04 to 2005-06 on construction works and Rs. 30.35 lakh was deductible as cess from the bills; but cess to the tune of Rs. 25.20 lakh (Mandla: Rs. 10.20 lakh; Sehore: Rs. 1.77 lakh; and Khandwa: Rs. 13.23 lakh) was not deducted.

On being pointed out Executive Engineer, RES Mandla replied (September 2005) that in future one per cent cess would be deducted. Executive Engineer, RES, Sehore replied (April 2006) that the deduction of cess was not made on the material purchased from Madhya Pradesh Laghu Udyog Nigam. Executive Engineer, RES Khandwa replied (April 2006) that there was no clear instruction for deduction of cess on departmental works.

The replies were not tenable as the cess was recoverable on all payments relating to construction works including departmental works. Thus DDO's failed to comply the Government decisions (May 2003) which defeated the motto of establishing the funds for the welfare of labourers. Even during 2006-07, Rs. 7.62 lakh\* were not recovered on construction works till November 2006.

The matter was referred to the Government in June 2006; reply had not been received (November 2006).

\* EEs RES Khandwa Rs. 3.42 lakh; Mandla Rs. 2.66 lakh and Sehore Rs. 1.54 lakh.

**Public Health Engineering Department**

**4.6.4 Pollution abatement scheme in Chambal River**

**Non-functioning of the scheme for pollution abatement in Chambal River led to unfruitful expenditure of Rs. 2.66 crore.**

Pollution Abatement Scheme for river Chambal under National River Conservation Plan (NRCP) was administratively approved (December 1999) by Government of (India (GOI) at an outlay of Rs. 3 crore. The scheme envisaged construction of Interception and Diversion, Waste Stabilisation Pond, River Front Development (RFD) and Sewage Treatment Plant for the river at Nagda. The scheme was funded by the GOI. The State Government nominated Madhya Pradesh Pollution Control Board (MPPCB), Bhopal as Nodal Agency for the work. The MPPCB provided Rs. 2.55 crore (during 2004-05) to the Executive Engineer (EE), Public Health Engineering (PHE) Project Division Ujjain (Implementing Agency). However, Rs. 2.66 crore had been spent by the PHE Department as of February 2005.

Scrutiny of records revealed (August 2004) that the scheme was sanctioned with the stipulation that its operation and maintenance was the full responsibility of State Government/local body. After completion, the scheme was to be handed over to respective local body for its operation and maintenance. Though the interception and diversion (I&D) scheme with sewage treatment plants (STP) at Nagda for Chambal River was constructed and commissioned in June 2001 at a cost of Rs. 2.66 crore, however, the local body did not take possession of the scheme because of non-availability of funds. The PHE Department, as per directives of Government, operated and maintained the scheme of Nagda town from July 2001 to August 2003 by diverting funds to the tune of Rs. 16.13 Lakh. The scheme became non-functional since September 2003 due to non-availability of funds from the State Government. Government of India had also insisted (March 2004) that the State Government should provide funds for operation and maintenance and for handing over the completed assets to the local body.

Non-functioning of the scheme rendered the entire investment of Rs. 2.66 crore unfruitful and the very purpose of pollution abatement was defeated. Besides, the possibility of deterioration and damage of created assets cannot be ruled out.

On this being pointed out in audit (August 2004), the Superintending Engineer/Chief Engineer stated (February 2006) that the scheme of Chambal has been transferred (September 2003) to Nagar Palika, Nagda unilaterally but at present it is not being run by them. Efforts are being made through Collector/Commissioner to run the scheme by Nagar Palika, Nagda.

The reply was not tenable as the scheme completed by investing Rs. 2.66 crore even if transferred to Nagar Palika, Nagda, remains responsibility of State Government for ensuring that the scheme is successfully operated. Non-functioning of the scheme since September 2003 has thus, resulted in unfruitful expenditure.

The matter was reported to the Government in January 2005, reply had not been received as of November 2006.

### **Scheduled Tribes and Scheduled Castes Welfare Department**

#### **4.6.5 Non-implementation of the scheme of training**

##### **Idle retention of Central assistance worth Rs. 80.30 lakh outside government account since March 2004 deprived unemployed ST weaver families from the intended training and from receipt of looms.**

Government of Madhya Pradesh sanctioned (March 2004) Rs. 80.30 lakh out of Special Central assistance received during the year, for providing self employment opportunities to unemployed persons belonging to Scheduled Tribes (ST) category in Shahpur block of Betul District by way of running Weavers Training Centre by Madhya Pradesh Bunkar Gramodyog Vikas Samiti Headquarter Bhopal. Under the scheme, six months training in weaving was to be imparted to the selected trainees and thereafter looms were to be provided free of cost to them by the Samiti.

Test-check (October 2005) of the records of Assistant Commissioner, Tribal Development (ACTD), Betul, revealed that the entire amount of Rs. 80.30 lakh was drawn and deposited (March 2004) in the joint account of Collector and ACTD, Betul with the Post office under the orders of the Collector, Betul. Further due to dispute between President Bunkar Samiti and Collector regarding type of training, collector sought (April 2004) clarification from Government as to what type of training was to be given, but due to non receipt of clarification from State Government training to the beneficiaries could not be provided and the amount was lying unutilised in the Post office till July 2006. Government decided (July 2006) to implement the scheme through Udhyami Vikas Sangthan instead of Bunkar Samiti and directed the Collector Betul to hand over the entire amount to General Manager Udhyami Vikas Sangthan, Bhopal. Accordingly, Collector handed over the amount to Sangthan in August 2006. Lack of coordination between authorities and Government deprived ST unemployed youth from the intended training besides non-utilisation of funds.

On being pointed out, ACTD, Betul replied (September 2006) that Karya Yojna would be prepared for the scheme and would be intimated to Audit.

The matter was referred to the Government in April 2006; reply had not been received (November 2006).

### **General**

#### **4.6.6 Failure of senior officials to enforce accountability and protect the interests of Government**

Principal Accountant General (Civil and Commercial Audit), Madhya Pradesh (PAG) arranges to conduct periodical inspection of the Government

departments to test check, inter alia, the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities etc. detected during inspection are not settled on the spot, Inspection Report (IRs) are issued by the PAG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects with the omission promptly and report their compliance to the PAG. The PAG also brings serious irregularities to the notice of the Heads of Departments. A half-yearly report of pending IRs is sent to the Principal Secretary/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued upto March 2006 pertaining to Civil Departments (except Forest Department, Public Works Department, Public Health Engineering Department and Water Resources Department) disclosed that 20688 paragraphs relating to 7880 Inspection Reports remained outstanding as on 30 September 2006. This includes 2328 paragraphs of 1396 Inspection Reports outstanding for more than ten years. Department wise and year wise position of outstanding Inspection Reports and paragraphs in respect of some selected department was as shown in **Appendices 4.4** and **4.5** respectively.

A review of the IRs which were pending owing to non-receipt of replies revealed that the Heads of the Offices (whose records were inspected by the PAG) and the Heads of the Departments did not send any reply to a large number of IRs/paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs. The Principal Secretary/Secretaries of the Departments, who were informed of the position through half yearly reports, also did not ensure that the concerned offices of the Department took prompt and timely action.

Absence of any action against the defaulting officers facilitated the continuance of serious financial irregularities and loss to the Government, though these were pointed out in Audit. It is recommended that Government have a re-look into the procedure for fixing responsibility on the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule. Action made to be initiated to recover losses, outstanding advances, over payments, etc. in a time bound manner and revamp the system to ensure proper response to the audit observations.