

## **CHAPTER IV**

### **Audit of Transactions**

#### **4.1 Fraud/Misappropriation/Embezzlement/Losses**

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

###### **4.1.1 Suspected embezzlement of Government money**

**Failure to observe the codal provisions and Government orders facilitated embezzlement of Rs.10.55 lakh in the office of Civil Surgeon Barwani.**

M.P. Treasury code Vol.I provides that all money transactions should be entered in the cash book as soon as they occur and got attested by the officer incharge of the cash book in token of check. To prevent fraudulent drawals from treasury, Government had issued further orders (December 2000) that a list of all cheques drawn during the month should be sent by the Treasury Officer to the Drawing Officer by the 10<sup>th</sup> of the following month and the Drawing Officer after recording the certificate of verification thereon should return the list to the Treasury Officer by the 20<sup>th</sup> of the same month.

Test-check (March 2007) of the records of Civil Surgeon-cum-Hospital Superintendent, Barwani (CS) revealed that 11 fake bills were prepared and sent to the treasury through Bill Transit Book on different dates without entering in Bill Register. This has resulted in fraudulent drawal of Rs.10.55 lakh.

It was further noticed that the amount of Rs.10.55 lakh drawn from the treasury through fake bills was not entered in the Government cash book and relevant records. Out of the sum drawn, Rs.6.35 lakh drawn between September 2005 and January 2007 through nine bills, were credited in the personal saving bank account No.5410 of the accountant posted in CS office, with Nimar Kshetriya Gramin Bank, Barwani. The details of the amount of Rs.4.20 lakh, drawn through two bills were not traceable in the records. As such suspected embezzlement of Rs.10.55 lakh could not be ruled out.

Non-adherence to the codal provisions and non-observance of the Government instructions facilitated embezzlement of Rs.10.55 lakh. Further there was no control in the software used by Treasury to check the drawal of such fake bills. On being pointed out CS Barwani stated (March 2007) that thorough investigation in the matter will be conducted and necessary action would be initiated accordingly. However, the Treasury officer stated (June 2007) that there is no provision in the

**system to record the bill numbers and held the DDO responsible for fraudulent drawals.**

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

**Horticulture Department**

**4.1.2 Loss of Rs.37.56 lakh in the implementation of the scheme for development of tree borne oilseeds**

**Irregular deposit of fund in a non nationalised bank which went bankrupt resulted in loss of Rs.37.56 lakh.**

The Government of India (GOI), devised a programme and sanctioned (October 2004) Rs.74.90 lakh to the State Government under the Central Tenth Five Year Plan for Integrated Development of Tree Borne Oilseeds (TBO) like Neem, Karanja, Mahua, Jatropha etc. in nurseries for further plantation on government/private farmer's land. The scheme was implemented through National Oilseeds and Vegetable Oils Development Board (NOVOD) and after plantation, trees were to be maintained for two years for which NOVOD would provide funds. Against Rs.74.90 lakh, NOVOD provided Rs.56.18 lakh (November 2004: Rs.37.45 lakh and October 2005: Rs.18.73 lakh) for the programme with the condition that a separate bank account for NOVOD funds be opened in any nationalised bank.

Test-check (February and March 2007) of the records of the Director, Horticulture, Bhopal (Director) and Deputy Director, Horticulture Sagar (DDH) revealed that the Director provided (December 2004) Rs.37.45 lakh to the DDH Sagar for implementation of the said programme in Sagar district. Contrary to the provision, the DDH Sagar deposited (December 2004) the money in the District Co-operative Bank, Sagar instead of depositing in a nationalised bank on the verbal instruction of Collector, Sagar. The Co-operative Bank became bankrupt (July 2005) and the unutilised amount of Rs.37.56 lakh (including interest) lying with the bank could not be drawn (May 2007). Out of second instalment of Rs.18.73 lakh received from NOVOD the Director provided (November 2005) Rs.9.72 lakh to the DDH Sagar. Rupees 9.01 lakh were retained by the Director and were lying unutilized (May 2007). Out of second instalment and interest thereon DDH dug 2.11 lakh pits and planted 1.47 lakh plants by spending Rs.10.12 lakh and left the remaining 0.64 lakh pits without plantation. There was no expenditure on maintenance and irrigation of these plants during dry (non-rainy season) period, which severely reduced the chances of survival of these plants. It was further noticed that no physical verification of plants was carried out.

On being pointed out in audit the Director and DDH stated that amount was deposited in Cooperative Bank on the direction given by the Collector and plantation could not be done in 0.64 lakh pits due to locking of funds in co-operative bank, and that the irrigation and maintenance of plants in dry season

could not be done due to non-availability of funds. The reply was not tenable as out of the NOVOD assistance received, Rs.9.01 lakh were lying unutilized at the Directorate.

Thus, due to depositing money in a co-operative bank contrary to terms an amount of Rs.37.56 lakh was blocked as the bank had gone bankrupt. Further, the utilized amount of Rs.10.12 lakh was also rendered unfruitful due to non-maintenance of the plants in subsequent years.

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

### **Labour Department**

#### **4.1.3 Loss due to short recovery of electricity charges**

**Non-initiation of action by ESIS authorities resulted in short recovery of Rs.40.17 lakh during 2004-05 to 2006-07 from the occupants of the departmental quarters of ESI Hospital, Indore.**

Test-check (November 2006) of the records of Superintendent Employees State Insurance Hospital (ESI Hospital) Indore revealed that the electric supply to 143 residential quarters situated in the premises was being made through the HT connection installed for the hospital and separate meters had not been installed in the quarters due to which actual power consumed by the allottees of the quarters could not be assessed. Superintendent Engineer Madhya Pradesh State Electricity Board (MPSEB) Indore intimated (February 1998) to the Senior Accounts Officer, MPSEB, Indore that Executive Engineer MPSEB and Assistant Engineer Indore Circle, CPWD during the spot inspection of the hospital had noticed that the Government and non-Government electric consumption was jointly billed and for assessing the electricity duty payable on non-Government consumption, the actual consumption was to be apportioned in the ratio of 40:60 for Government and non-Government purposes.

Since MPSEB decided to apportion (February 1998) 60 *per cent* consumption of electricity to residents of quarters, the hospital authorities were supposed to recover 60 *per cent* of energy charges alongwith electricity duty billed by MPSEB from the quarter holders till the individual meters are installed. It was however seen that against the 60 *per cent* electricity charge recoverable, the recovery was done on adhoc rates. During 2004-05 to 2006-07 for which records were made available to audit, against recoverable charges of Rs.50.94 lakh, calculated at 60 *per cent* of main bills the recovery of Rs.10.77 lakh only was made from the residents. Thus, Government had to bear an extra burden of Rs.40.17 lakh paid to MPSEB.

The Director ESIS, Indore stated (September 2007) that single connection was obtained in 1967-68. Reasons as to why separate connections for occupants of quarters was not obtained at that time were not on record. He however assured that the matter will be taken up with MP Vidyut Vitaran Company Limited,

Indore City Circle for installation of separate meters for residential electricity consumption.

As the ESI authorities did not initiate prompt action for installation of separate connections as well as separate meters in residences after inspection by MPSEB in February 1998 the Government had to bear a burden of Rs.40.17 lakh which was actually recoverable from the residents of the quarters in hospital premises.

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

#### **4.2 Excess/Wasteful/Infructuous/Unfruitful expenditure**

##### **Higher Education Department**

###### **4.2.1 Unfruitful expenditure on construction of buildings**

**Improper selection of site for construction of hostel and other buildings resulted in unfruitful expenditure of Rs.26.20 lakh.**

Government of Madhya Pradesh, Higher Education Department accorded administrative approval (March 1992) for construction of a 24 seated Hostel and a “G” Type Quarter at Government Degree College, Gotegaon (Narsinghpur district) for Rs.13.25 lakh under Special Component Plan.

Test-check (November 2006) of records of Principal, Government Degree College Gotegaon (District Narsinghpur) and further information collected in May and August 2007 revealed that the construction work of hostel and quarter executed through Public Works Department was completed in March 1999 at a cost of Rs.20.67 lakh but the possession of the said buildings was not taken by the college. Further, one library room at a cost of Rs.1.52 lakh and two class rooms at a cost of Rs.4.01 lakh were also constructed, but these were also lying vacant without any use.

On being pointed out in audit, the Principal stated that these buildings could not be used as these were two kilometer away from city, was near a burial ground with water logging, there were no means of conveyance and that the Government did not provide additional staff i.e. one Hostel Superintendent, one Peon, one Sweeper and one Choukidar for safety. Reply was not tenable as these aspects should have been considered before starting construction of buildings.

Thus improper selection of site and lack of planning resulted in unfruitful expenditure of Rs.26.20 lakh on construction of hostel, library and class room buildings besides depriving the students from intended benefit.

Matter was referred to Government in January 2007; reply had not been received (November 2007).

<b>Jail Department</b>
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<b>4.2.2 Unfruitful expenditure</b>
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<b>Non-operation of five sub-jail buildings and diversion of three sub jail buildings rendered an expenditure of Rs.2.86 crore unfruitful.</b>
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Mention was made in paragraph 3.16 of Report (Civil) of the Comptroller and Auditor General of India for the year ending 1995 regarding delay in construction of 92 sub jails under Eighth Finance Commission at places where Courts already existed but sub-jails did not exist and infructuous expenditure incurred on pay and allowances of Jail staff.

Test-check (October and November 2006) of records of Superintendent, Central Jails, Indore and Gwalior and further information collected (April and September 2007) from Inspector General of Prisons (Jail Headquarters) revealed that of the 92 sub-jail buildings constructed, five sub-jails<sup>1</sup>, whose possession was taken by the department during 1990-95, constructed at a cost of Rs.1.72 crore and another three sub-jails<sup>2</sup>, whose possession was not yet taken (March 2007), constructed at a cost of Rs.1.14 crore were still not functioning (March 2007) even after lapse of a period of 16 years as there were no arrangements for drinking water, sanitation, electricity and approach road etc. Further, it was found that an expenditure of Rs.5.99 crore had been incurred on pay and allowances of staff recruited for four sub jails<sup>3</sup> (no staff was sanctioned for Badnagar sub-jail). Out of these eight sub-jails, one sub-jail building (Gairatganj:cost Rs.43.46 lakh) was transferred (September 2006) to Warehousing Corporation and two sub-jail buildings (Vijaypur:cost Rs.38.01 lakh and Teonthar:cost Rs.32.50 lakh) were proposed (November 2005) for transfer for use by other departments.

On being pointed out, Inspector General of Prisons stated (March and September 2007) that the work relating to sanitation, electric fittings, arrangement of drinking water and approach road in case of three jails (Sonkatch, Badnagar and Maheshwar) was in progress and works of Manawar and Badnawar were completed and these jails will start functioning at the earliest. Further, the services of staff were being utilised in other jails.

The reply is not convincing because even after lapse of a period of more than 18 years since the receipt of funds from GOI, eight sub-jails still remained non-functional due to improper planning. The delay in completion of buildings and action to divert the use of building constructed for a specific purpose out of GOI funds was not only irregular but also deprived the prisoners the use of

<sup>1</sup> *Maheshwar, Badnawar, Manawar, Teonthar and Sonkatch.*

<sup>2</sup> *Vijaypur, Badnagar and Gairatganj.*

<sup>3</sup> *Manawar, Badnawar, Maheshwar: Rs.5.32 crore during April 1999 to March 2007 (Badnawar upto September 2006); Sonkatch: Rs.0.67 crore during July 2003 to March 2007.*

intended facility. Thus, an expenditure of Rs.2.86 crore incurred on construction of these sub-jails from the funds provided by GOI remained unfruitful and three jails constructed for Rs.1.14 crore had been diverted for other purposes.

Matter was referred to Government in November 2006; reply had not been received (November 2007).

**Narmada Valley Development Department**

**4.2.3 Excess payment of price escalation**

**Excess payment of Rs.29.45 lakh on account of price escalation due to incorrect base indices for high speed diesel.**

The Earth work for main canal of Indira Sagar Project (ISP), construction of canal structures, cement concrete lining with paver machine from km 89.71 to 95.77 and km 96.03 to 107.33 was awarded (September 2004) in two groups to a contractor at his tendered cost of Rs.18.42 crore and Rs.23.97 crore respectively, under agreement No. 2 and 3 of 2004-05 by the Executive Engineer (EE), Narmada Development Division No. 13, Sanawad (Khargone). The work was in progress and 30<sup>th</sup> & 39<sup>th</sup> Running Account bills were paid (August 2006) for Rs.18.37 crore and Rs.25.11 crore respectively.

Price adjustment (escalation) clause 2.40.1 of the agreements provided that base indices on quarterly basis for increase or decrease in the rate of Labour, Material and Petrol Oil & Lubricant (POL) excepting those materials supplied by the Government would be the average consumer price indices on the date of receipt of tenders.

Scrutiny of the divisional records (August 2006) revealed that the base rate of high speed diesel (HSD) on 24 June 2004 (date of opening of tender) was taken Rs.25.36 per litre for payment of escalation to contractor as communicated by M/s Farm Fuel Centre, Sanawad an authorized dealer of Indian Oil Corporation. The division had, however, purchased 1,255 litres of HSD at the rate of Rs.26.33 per litre on same date from the same dealer. Thus, incorrect application of base rate resulted in excess payment of Rs.29.45 lakh to the contractor.

On this being pointed out in audit (August 2006), the Chief Engineer, Indira Sagar Canal, Sanawad admitted (February 2007) the facts and assured that the recovery of excess payment will be adjusted by the EE in the next bill of the contractor. The recovery from contractor was yet not made (December 2007).

The matter was referred to Government in December 2006; reply had not been received (December 2007).

#### 4.2.4 Payment for work not done

**Excavated hard rock was not stacked by the contractor but payment was made resulting in excess payment of Rs.57.49 lakh.**

The earthwork of main canal of Indira Sagar Project (ISP), construction of cement concrete (CC) structures and CC lining with paver machine between RD 89.71 to 95.77 km and 96.030 to 107.330 km were awarded (September 2004) to a contractor under two separate agreements No. 2 and 3 of 2004-05 at his tendered cost of Rs.18.42 crore and Rs.23.97 crore that were 22.05 and 23.95 *per cent* below the estimated cost of Rs.23.63 crore and Rs.31.52 crore respectively for completion in 30 months. The works were in progress and contractor's 30<sup>th</sup> and 39<sup>th</sup> running bills for Rs.18.37 crore and Rs.25.11 crore were paid in August 2006.

Clause 3.3.1 (iv) of the contract stipulates that excavated hard rock should be neatly stacked to facilitate accurate accountal and easy removal or transportation for other works. The item includes the payment for disposal of excavated material as shown in disposal plan. The unified schedule of rate provide rate of Rs.7.10 per cu m for stacking with boxing.

Scrutiny in audit (August 2006) revealed that 6,91,170 cu m and 3,57,499 cu m hard rock was excavated under agreement No.2 and 3 of 2004-05 respectively. The stacking of excavated hard rock was not done as no measurements for stacking were found recorded in the measurement books. Thus the rates for item of excavation in hard rock were not reduced proportionately @ Rs.5.53<sup>4</sup> and Rs.5.39<sup>5</sup> per cu m respectively under both the agreements, resulting in excess payment of Rs.57.49<sup>6</sup> lakh.

On this being pointed out (August 2006) in audit, the Executive Engineer (EE), Narmada Development Division No. 13, Khandwa, admitted that stacking of hard rock was not done nor the quantity of excavated rock was taken in material at site account. The EE, however, added that stacking was not necessary in view of clause 1.3 and 3.18 of the agreements. The reply was not acceptable because the clauses referred relates to the manner of disposal of all the excavated material in general. Further, Technical Circular (March 2003) issued by the Member (Engineering), NVDA, who is technical advisor of the department, also categorically instructed that stacking is part and parcel of excavation operation and payment for the item of excavation is permissible only on completion of stacking.

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

<sup>4</sup> Rs.7.10 less 22.05 *per cent*= Rs.5.53/-

<sup>5</sup> Rs.7.10 less 23.94 *per cent* = Rs.5.39/-

<sup>6</sup> (691191 cu m x Rs5.53= 3822286)+(357499 cu m x5.39=1926920)=Rs.57,49,206/-.

#### **4.2.5 Overpayment due to inflated measurements and non-recovery of extra cost**

**The tendered quantities were substantially changed and over payment of Rs.1.22 crore was made to the contractor due to inflated measurement. Besides, extra cost of Rs.1.82 crore was also remained unrecovred from the contractor.**

Excavation, earth work and cement concrete lining of main canal of Bargi Diversion Project from RD 33 to 35 km was entrusted (June 2002) to a contractor 'A' under agreement No. 2 DL of 2002-03 by the Executive Engineer (EE), Right Bank Canal Division No. 1, Jabalpur (now work under Narmada Development (ND) Division No. 4, Jabalpur) at his tendered cost of Rs.10.71 crore that was 48.265 *per cent* below the estimated cost of Rs.20.70 crore. The work scheduled for completion within 12 months including rainy season was rescinded at the cost and risk of the contractor in the wake of tardy progress. Ninth and incomplete final bill was paid (November 2006) for Rs.6.63 crore with net payable amount of Rs.(-) 63,21,277.

Scrutiny in audit revealed (March 2007) that contractor was paid (June 2005) Rs.6.17 crore for 10,94,622 cu m (Rs.3.30 crore for 6,60,238 cu m @ Rs.50 per cu m and Rs.2.87 crore for 4,34,384 cu m @ Rs.65.94 per cu m) dry and wet excavation in disintegrated rock and soft rock (D/R & S/R) and Rs.13.20 lakh for 12,000 cu m dry and wet excavation in rock (H/R) @ Rs.110 per cu m upto the eighth running account bill against the estimated quantity of 6,00,216 cu m at an estimated rate of Rs.127.46 per cu m and 4,02,465 cu m at an estimated rate of Rs.39.02 per cu m respectively. In ninth and incomplete final bill dry and wet excavation in D/R & S/R and H/R was reduced from 10,94,622 cu m to 9,28,946 cu m and 12,000 cu m to zero respectively. Thus not only estimate was unrealistic but contractor was also over paid Rs.1.22 crore ( $10,94,622 - 9,28,946 = 1,65,676$  @ Rs.65.94<sup>7</sup>=Rs.1.09 crore for D/R & S/R and Rs.13.20 lakh for H/R) due to inflated measurements. Out of which Rs.63.21 lakh remained unadjusted.

Further, the balance left over work was awarded (March 2006) to another contractor 'B' at his tendered cost of Rs.4.28 crore that was 54.69 *per cent* above the estimated cost of Rs.2.76 crore. Extra cost of Rs.2.15 crore was recoverable from original contractor 'A' but no result oriented action has been initiated by the department.

On the matter reported (May 2007) to Government, the Government has accepted (October 2007) the audit objection and intimated that unadjusted over payment of Rs.63.21 lakh (June 2007) and part recovery of extra cost Rs.32.58 lakh (August 2007) has been made by adjusting security deposit of the contractor available with them. It has also been intimated that RRC has

<sup>7</sup> Estimated rate of Rs.127.46 minus Rs.61.52 (48.26 *per cent* below over all tender percentage)= Rs.65.94 per cu m for quantities in excess of 10 *per cent* of the estimated quantities.

been issued (August 2007) through Revenue authority for recovery of balance amount of extra cost of Rs.1.82 crore.

Further progress was awaited (December 2007).

#### **4.2.6 Extra expenditure due to unrealistic estimation**

**Defective and unrealistic estimation for construction of main canal of Indira Sagar Project led to incorrect evaluation of tender and avoidable extra expenditure of Rs.1.72 crore.**

The tenders for construction of main canal from km 75.82 to 79.52 of Indira Sagar Project were invited in November 2001. The estimated cost of work put to tender was Rs.19.55 crore. The lowest offer of contractor ‘A’ for Rs.10.68 crore (evaluated as 45.37 *per cent* below estimated cost) was accepted (April 2002) by the Government. The work order stipulating completion in 30 months including rainy seasons was issued (May 2002) by the Executive Engineer (EE), Narmada Development Division No.24 Khargone. Final bill of Rs.16.84 crore (including price escalation) was paid to the contractor in March 2006.

Audit scrutiny revealed (February 2007) that there was no consistency between the estimated quantities put to tender and the quantities actually executed. The quantities for hard rock (H/R) excavation increased from 6,85,949 cu m to 12,88,688 cu m (88 *per cent*), the quantities of excavation in all types of soil and excavation in disintegrated rock and soft rock (D/R & S/R) decreased from 5,27,207 cu m to 2,47,130 cu m (53 *per cent*) and from 6,50,053 cu m to 2,16,558 cu m (77 *per cent*) respectively. The comparative position of variation in estimated and executed quantities and the rates quoted by the first lowest tenderer (L-1) and the forth lowest tenderer (L-4) is shown below:

Item	Estimated quantities in cum	Executed quantities in cum	Variation quantities in cum	Tendered rate in Rs.	Amount (Rs.in lakh)	Tendered rate in Rs.	Amount (Rs.in lakh)
1.Excavation (a) In all types of soil (b) In D/R & S/R	527207 650053	247130 216558	-280077 -433495	L-4 30/- 62/-	74.14 134.26	L-1 10/- 37/-	24.71 80.13
2. Excavation in H/R	685949	1288688	602739	90/-	1159.82	112.37	1448.10
3. Construction of Service Road	84036	29350	- 54686	15/-	4.40	1/-	0.29
4. Construction of 22 cm thick sub base for WBM	8794	6538	- 2256	120/-	7.85	20/-	1.31
5 Construction of 80 mm thick WBM	3198	2378	- 820	130/-	3.09	50/-	1.19
<b>Total</b>					<b>1383.56</b>		<b>1555.73</b>

The work which would have cost Rs.13.84 crore at the quoted rates of fourth lowest tenderer (L-4) had finally cost Rs.15.56 crore (excluding escalation of Rs.1.29 crore) at the rates quoted and paid to the first lowest tenderer (L-1). Thus, the tender documents were floated with unrealistic quantities leading to incorrect evaluation of tender and extra cost of Rs.1.72 crore.

On this being pointed out, the Chief Engineer stated (July 2007) that the unpredictable geological changes had led to abnormal variation during actual execution.

The reply was not tenable because geological changes does not occur with such rapidity and due care was not taken to minimize errors in estimation of strata wise quantities.

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

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

##### **4.2.7 Extra cost due to adoption of costlier specification for rural roads**

###### **Execution of modified penetration macadam instead of open graded premix carpet resulted in avoidable extra cost of Rs.30.75 lakh.**

Construction of rural roads under Pradhan Mantri Gram Sadak Yojna (PMGSY) was to be strictly governed by specifications SP 20-2002 issued by Indian Road Congress (IRC). In rural roads with low density of traffic, structural layer of bituminous mix is provided, only if the traffic density is exceptionally high. Accordingly, the Madhya Pradesh Rural Road Development Authority (MPRRDA) issued instructions (October 2002) to replace the top layer of water bound macadam (WBM) by one layer of Modified Penetration Macadam (MPM) on such roads where the projected traffic is likely to range between 150 commercial vehicles per day (CVPD) to 450 CVPD. However, it was later decided (June 2004) by MPRRDA that the MPM followed by Mix Seal Surface (MSS) should be executed in place of WBM Grade III where projected traffic density is more than 120 CVPD.

Scrutiny in audit revealed that though the projected traffic density of the road was less than 120 CVPD yet MPM followed by MSS was executed over an area of 1,90,121.022 sq.m on four roads by the three Project Implementation Units (PIUs) of MPRRDA instead of open graded premix carpet (OGPC) with seal coat over WBM Grade III. The injudicious adoption of costlier specification thus resulted in an avoidable extra cost of Rs.30.75 lakh as detailed in the **Appendix 4.1**.

On this being pointed out, the General Managers (GM) stated (December 2005 and March 2006) that the MPM followed by MSS was provided keeping in view the likely increase in traffic density of the roads future.

The reply was not acceptable as the projected traffic density of all the roads as per detailed project reports was less than 120 CPVD.

Matter was referred to the Government in June 2006; the reply had not been received (December 2007).

**Public Works Department**

**4.2.8 Inadmissible payment of price escalation**

**A contractor executing road work was paid price escalation of Rs.44.10 lakh though the enabling clause was deleted from the agreement.**

Upgradation and widening of Shajapur Dupada Kanad road; length 33.60 km sanctioned (February 2004) under Central Road Fund (CRF) at an outlay of Rs.3.96 crore was targeted to complete in 24 months. The work was awarded (August 2005) to a contractor at 24.66 *per cent* below schedule of rate enforced from April 2005 by the Executive Engineer (EE), Public Works Division, Shajapur. The scheduled period of completion of work was last extended (December 2006) from June 2005 to March 2007 by the Chief Engineer (CE) for the reasons not attributable to the contractor. The work was still incomplete and 22<sup>nd</sup> running account bill for Rs.3.17 crore was paid in July 2007.

Audit scrutiny revealed (March 2007) that though clause 11-C of the agreement relating to payment of price escalation were specifically scored out and no price escalation was payable<sup>8</sup> to the contractor irrespective of time extension granted. However, price escalation of Rs.44.10 lakh was paid (February-July 2007) to the contractor. The inadmissible payment of escalation was undue financial assistance to contractor.

On this being pointed out in audit (March 2007), the Engineer in Chief accepted (October 2007) the incorrect payment of price escalation and directed the EE to recover the excess payment from the contractor forthwith. Recovery particulars are awaited (December 2007).

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

**4.2.9 Non recovery of cost of repairs of damaged work from the contractor**

**Failure on the part of the Divisional Officer to recover Rs.26.21 lakh spent on repairs of the damages to work from the contractor and incorrect debit to miscellaneous works advance.**

The patch repair work in km 13/6 to 146 of Agra Bombay Road (National Highway-3) estimated to Rs.1.14 crore was awarded to a contractor 'A' under agreement No. 55 of 2003-04 at 0.01 *per cent* below schedule of rate. The work order was issued in February 2004 by the Executive Engineer (EE), National Highway Division, Indore to complete the work within two months.

<sup>8</sup> M.P. High Court, Jabalpur's judgment in P.C.Rajput v/s State of M.P. and others- Civil Revision No. 474 & 481 of 1988 (1992 ALTR-311).

However, the work was completed in May 2004 and the fourth and final bill was paid in March 2005 for Rs.1.12 crore.

Clause 19 of the agreement lays down that any damages or any imperfections become apparent within six months of its completion, the contractor shall be responsible to make good at his own expenses or in default the cost shall be deducted from the contractor.

Scrutiny in audit revealed (September 2006) that the work was badly damaged within three months of its completion and contractor did not make good the same at his own expenses despite several reminders. Subsequently the damages in work got repaired (June 2005) through another contractor 'B' by debiting Rs.26.21 lakh to miscellaneous works advances in the name of contractor 'A'.

On this being pointed out in audit the EE had assured (September 2006) that action was being taken to recover the amount but the amount has not been recovered till December 2007.

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

#### **Revenue Department**

##### **4.2.10 Wastage due to stationery items remained unused/unsold**

**Unsaleable diaries and calendars and unused forms in stock led to wastage of Rs.28.29 lakh.**

Government Printing Presses were established for providing printed forms, publications, diaries and calendars etc. to various Government Departments.

Test-check (November 2006-December 2006) of records of Deputy Controller, Government Regional Press, Gwalior and the Assistant Controller, Stationery and Publication, Gwalior and further information collected (June-July 2007) revealed that various forms printed during the period 1986 to 2003, at a cost of Rs.22.24 lakh for Treasury and Accounts Department, Public Works Department and Revenue Department were not taken over by these departments and were lying unused in the Press. Further, diaries and calendars for the year 2005 and 2006 valuing Rs.6.05 lakh were lying unsold with the Assistant Controller, Stationery and Publications, Gwalior. After expiry of calendar year, these diaries and calendars have become obsolete.

On being pointed out in audit, Deputy Controller stated (November 2006 and June 2007) that the forms were printed on the demand of these departments, but the concerned departments had not lifted the printed forms. Assistant Controller, Stationery and Publications stated (November 2006 and July 2007)

that the diaries and calendars were received in excess of requisition from the Headquarters.

Thus, inaccurate assessment of requirement of diaries and calendars and non taking over of printed forms by user departments led to these items lying unlifted/ unsold and thereby likely becoming obsolete over a period of time which ultimately resulted in wastage of Rs.28.29 lakh.

The matter was referred to Government in December 2006; reply had not been received (November 2007).

#### **Water Resources Department**

##### **4.2.11 Extra payment for the work not actually done**

**Item of laying of cohesive non swelling soil in canal lining though provided in the agreement but actually neither required nor laid resulting in extra payment of Rs.25 lakh for work not done.**

The construction of balance earth work and structures, cement concrete lining, escape channel at km 5.43 including distributaries and minors from km zero to eight of Keoti main canal of Bansagar Project, Rewa was awarded (November 2002) by the Executive Engineer (EE), Keoti Canal Division, Rewa to a contractor ‘A’ under agreement No. 2 of 2002-03 at a tendered cost of Rs.10.58 crore that was 2.85 *per cent* above the estimated cost of Rs.10.28 crore. 25<sup>th</sup> and final running account bill of Rs.10.23 crore was paid (November 2006) to the contractor.

The EE in reply to an Assembly question No.2,703 had intimated (August 2005) that cohesive non swelling (CNS) layer was not laid. Scrutiny in audit (December 2005) revealed that during execution of work the swelling pressure of soil was tested between 0.15 to 0.245 kg/ sq.m as a result of which neither CNS layer was required nor was laid but contractor was paid full rate of item for providing and laying 100 mm thick cast-in-situ cement concrete lining @ Rs.2,900 per cu m. The component for providing and preparation of CNS layer included in item was not deducted. It resulted in extra payment of Rs.24.90 lakh to the contractor for work which was not actually done.

The Chief Engineer, Water Resources Department, Ganga Basin, Rewa, admitted (January 2007) that during actual execution of work CNS layer was not required but was laid in reaches (portion of structures and lining work). The reply was not acceptable because the test results of soil itself provided that there was no requirement of the CNS layer and no measurements were, therefore, recorded.

The matter was referred to Government in August 2006; the reply had not been received (December 2007).

**4.2.12 Loss due to incorrect accountal of hard rock**

**Incorrect accountal of utilizable excavated hard rock resulted in loss of Rs.42.03 lakh to Government.**

According to note below chapter 4 relating to 'Excavation and Earthwork' of Unified Schedule of Rates issued by the Engineer-in-Chief, Water Resources Department (WRD) accounting of utilizable excavated hard rock shall be 1.30 times (inclusive of 16 *per cent* voids) the quantity paid in excavation (solid rock cut). No further reduction for wastage is permissible.

Scrutiny of the records (April 2007) of the Executive Engineer (EE), Rajeev Sagar Project Division No. 2, Kudwa district Balaghat revealed (April 2007) that contrary to the above position 2,14,705.42 cu m hard rock was taken in account and issued to different contractors as against required 2,79,117.03 cu m. Thus incorrect accounting as well as its issue resulted in loss of Rs.42.03 lakh due to short recovery of 64,411.61 cu m hard rock as under:

Agreement	Hard rock to be accounted and issued in cu m	Hard rock accounted and issued in cu m	Difference in cu m	Stipulated issue rate per cu m	Short recovery (Rupees in lakh)
09/1997-98	1,39,508.65	1,07,314.35	32,194.30	72.40	23.31
03/1999-2000	74,942.41	57,648.01	17,294.40	58.10	10.05
12/2000-01	64,665.97	49,743.06	14,922.91	58.10	8.67
<b>Total</b>	<b>2,79,117.03</b>	<b>2,14,705.42</b>	<b>64,411.61</b>		<b>42.03</b>

On this being pointed out in audit, the EE stated (April 2007) in reply that the accounting and payment for hard rock excavation was done on pit measurement instead of stack measurement. The reply was not acceptable because accounting and issue of excavated hard rock was to be done as 1.30 times of the quantity paid irrespective of the mode of measurements.

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

**4.3 Violation of contractual obligation/ Undue favour to contractors/  
Avoidable expenditure**

**Public Works Department**

**4.3.1 Extra cost due to simultaneous execution of two wearing courses**

**Unwarranted execution of surface dressing- a wearing course prior to laying of another wearing course - open graded premix carpet with seal coat, resulted in extra cost of Rs.31.48 lakh.**

Road specifications issued by the Ministry of Road Transport & Highways (MORT&H) provide that according to technical suitability any one wearing course among different types of wearing courses viz. Surface Dressing (SD), Open Graded Premix Carpet (OGPC), Mix Seal Surfacing (MSS), Semi Dense Bituminous Concrete (SDBC) etc. could be chosen and laid on the previously prepared base to complete the final surfacing of the road. However, the Manual for "Construction and Supervision of the bituminous work", lays down that when it is not possible to lay designed overlay immediately SD could be provided as an intermediate wearing course on freshly laid Water Bound Macadam (WBM) to prevent deterioration of WBM surface.

Scrutiny in audit revealed (May 2006 and November 2006) that in following two agreements, two types of wearing course viz. SD and 20mm OGPC with seal coat were laid simultaneously.

Name of Division	Agreement No.	Name of Roads	Tender percentage	Area of Surface Dressing (Sq m)	Rate per Sq m	Amount in lakh
EE, PWD, Shahdol	41DL/ 2005-06	Upgradation of Chhtvai-Patsai Road	(-) 19.98%	31,158.0 m <sup>2</sup>	23.00	5.73
E.E. P.W.D., Balaghat	19DL/ 2004-05	Upgradation of Balaghat-Samnapur-Lamta Road	(+) 16.6%	78,875.40 m <sup>2</sup>	28.00	25.75
<b>Total</b>				<b>110033.40 m<sup>2</sup></b>		<b>31.48</b>

Thus execution of SD simultaneously with OGPC was unwarranted and resulted in an extra cost of Rs.31.48 lakh.

On this being pointed out, the Executive Engineer (EE) stated (May 2006 and November 2006) in reply that the works were executed as per orders of Engineer-in-Chief and in accordance with the provisions of sanctioned estimates and the agreements. It was further stated that SD was just for protection of WBM surface before laying OGPC.

The reply was not in conformity with the specifications and simultaneous execution of the SD followed by OGPC was unwarranted.

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

#### **4.3.2 Undue financial benefit to contractor under BOT**

##### **Undue financial benefit of Rs.84.93 lakh to the contractor due to incorrect computation of additional days for toll collection and non-recovery of arboriculture charges of Rs.35.71 lakh.**

A tender under Build Operate and Transfer (BOT) scheme<sup>9</sup> for the work of replacement, widening, reconstruction of bridges and culverts, strengthening, renewal and maintenance of Indore-Sanwer-Ujjain Road-a State Highway, was invited (April 1999) with completion period of six months. The Government accepted (December 1999) the lowest offer of collection and retention of toll tax for 2,419 days in lieu of investments made by the contractor. After completion of the work, the contractor started the collection of toll tax from 29 June 2000. Audit security disclosed (June 2007) the following irregularities:

##### ***Undue financial benefit due to incorrect computation of additional days for toll collection***

Clause 5 (Force Majeure) of common conditions forming part of agreement provided for compensating the entrepreneur (contractor) for deficit/ short fall in toll collection along with interest for reasons beyond the control of entrepreneur either by making payment in lump-sum or by extending toll collection period. Further, clause 18 of special condition of the contract made the Government responsible for its decision for deduction/ increase in the rate of toll for which extension/ reduction in the period of collection of toll fee would be mutually negotiated.

It was noticed that the toll tax collection was put to hold for 36 days by the Government during the Simhastha Mela 2004. However, the Dispute Settlement Committee (DSC)<sup>10</sup> compensated (August 2006) the loss by awarding 183 additional days<sup>11</sup> for toll tax collection under Clause 8 of the common conditions instead of clauses 5 and 18 of the agreement. The traffic census of the vehicles during the period for Simhast Mela, did not mention the vehicle numbers which resulted not only in non-identification of toll free vehicles (Schedule-3) but also in escalated estimation of loss by considering ineligible vehicles. Thus, incorrect and injudicious computation of 67

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<sup>9</sup> BOT is a scheme in which an entrepreneur has to build and operate the asset at his own investment and in lieu of that the right of collection and retention of toll tax from the beneficiaries at the rates specified by the Government for a specified period.

<sup>10</sup> Committee comprises of the Superintending Engineer of the Circle as Chairman, the Engineer-in-Charge as Member Secretary and the Executive Engineer (Attached Officer) as a member.

<sup>11</sup> Value of loss due to non collection of toll during Simhast Mela as per traffic census= Rs.69,22,820/Average collection for first three months = Rs.37,783/-

Additional days sanctioned = 6922820/37783=183 days (excluding loss of interest).

additional numbers of days not only resulted in undue financial benefit of Rs.84.93 lakh <sup>12</sup> (as of April 2007) to the contractor but also unnecessary burden to public. On this being pointed out in audit, the Executive Engineer (EE), PWD Division No. II, Indore admitted in reply that the extra days were sanctioned by the DSC and had to follow the decision.

#### ***Non-recovery of Arboriculture charges***

With a view to provide pollution free environment Clause 16 of Special conditions of the agreements stipulates plantation of 25 trees per km per year viz. Neem, Mango, Peepal etc. and their maintenance by the contractor during the period of the contract otherwise the Government may also reduce the period of toll collection sanctioned under clause 5 on account of non-plantation of the trees.

Scrutiny in audit (June 2007) revealed that the entrepreneur failed to carry out plantation and maintenance of the required number of trees but the right of collection of toll tax for a period of 29 days was not reduced. The EE had also recommended (May 2007) the DSC in terms of clause 8 of common condition of contact, either to recover Rs.25.48 lakh (Maintenance cost for 25 trees @ Rs.251/- per plant for 7 years X 58 km) or reduce the right of collection of toll period proportionately. However, no action was initiated against the contractor. Thus non-execution of arboriculture work had not only resulted in a loss of Rs.35.71 lakh to the Government as of February 2007 as detailed in **Appendix 4.2**, but also had adverse impact on environment.

On this being pointed out in audit, the EE had assured in reply that the decision of DSC was awaited and action would be taken accordingly.

The matter was referred to Government in June 2007; reply had not been received (December 2007).

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<sup>12</sup>

<i>Value of loss as per traffic census during Simhasth Mela period</i>	<i>Rs. 69,22,820</i>
<i>Less same day return vehicles and 10 per cent toll free vehicles</i>	<i>Rs. 6,92,282</i>
<i>Total</i>	<i>Rs. 62,30,583</i>
<i>Add Interest @ 13% for 28 months from April 2004 to August 2006</i>	<i>Rs. 18,89,930</i>
<i>Present value of loss as on August 2006</i>	<i>Rs. 81,20,468</i>
<i>Average per day collection of toll tax during August 2006</i>	<i>Rs. 69,839</i>
<i>Additional days admissible for collection of toll tax (8120468/69839)</i>	<i>116 days</i>
<i>Additional days actually sanctioned</i>	<i>183 days</i>
<i>Excess Additional days sanctioned (183-116)</i>	<i>67 days</i>
<i>Extra financial benefit as of April 2007 (67 days X Rs. 126766 average collection of toll tax for April 2007)</i>	<i>Rs. 84,93,322</i>

**Water Resources Department**

**4.3.3 Extra cost due to unrealistic estimation**

**Award of work on unrealistic estimates led to extra payment of Rs.33.46 lakh.**

The Executive Engineer (EE), Sindh Right Bank Canal Division, Narwar district Shivpuri awarded the work of remodeling of Right Bank High level Ukaila Canal from RD 1,200 m to 10,500 m, cement concrete lining from RD 1,200 m to 6,090 m and balance work of Ramkudi Nalla aqueduct at RD 7,530 m of Ukaila Canal, to a contractor in December 2002 (Agreement No. 5 of 2002-03) for Rs.1.88 crore (evaluated at 1.12 *per cent* above estimated cost Rs.1.86 crore). The stipulated completion period was 24 months including rainy season. The contractor's 24<sup>th</sup> and final bill for Rs.2.58 crore was paid in February 2007.

Audit scrutiny revealed (May 2006) that the quantity of excavation of existing canal had increased during execution from tendered quantity of 39,364.40 cu m to 1,25,500 cu m reportedly due to change in alignment of canal and canal slope. The Chief Engineer (CE) and the EE were already aware of the necessity for change in alignment as early as May 1999 as they had accorded approval to cut-off statement and revised drawing of the canal. But non-inclusion of realistic quantities in the tender and award of work on unrealistic estimate led to extra payment of Rs.33.46 lakh to the contractor. The payment up to 10 *per cent* above tendered quantity i.e. 43,300 cu m was made at the tendered rate of Rs.34 per cu m. The payment of balance quantity in excess of 10 *per cent* i.e. 82,200 cu m. was made at estimated rate of Rs.73.87 plus 1.12 *per cent* above over all tendered rate i.e. Rs.74.40 per cu m in accordance with the provisions of the contract.

On this being pointed out in Audit, the EE stated (May 2006) that the quantities of excavation increased due to change in alignment of canal and canal slope from 1:1 to 1.5:1 and realistic quantities could not be indicated in the tender due to late receipt of approved drawing from Central Water Commission.

The reply was not acceptable as the revised drawing of the canal was already approved (May 1999) by the CE. The realistic quantities should have, therefore, been mentioned in the tender floated in June 2002.

The matter was referred to the Government in August 2006; reply had not been received (December 2007).

**4.4 Idle investment/Idle establishment/Blockage of funds/Delay in commissioning equipment/Diversion of funds**

**Housing and Environment Department**

**4.4.1 Nugatory expenditure under NRCP**

**Expenditure worth Rs.47.86 lakh remained nugatory due to the failure of Municipal Corporation/Municipalities in taking over the possession of the created system, under Centrally Sponsored Scheme NRCP.**

National River Conservation Programme (NRCP) was introduced in the State in 1993. The main purpose of the programme was to intercept and divert the sewerage and treat it to requisite standards before releasing it in rivers to keep the rivers clean. Under the programme various pollution abatement works in 11 towns of Madhya Pradesh were sanctioned. The construction cost was to be borne by GOI. The assets created was to be handed over to local bodies as per their commitments for operation and maintenance.

Test-check (December 2006) of the records of MP Pollution Control Board Bhopal (Board) and further information collected in June 2007 revealed that although construction of six Interception and Diversion and four Sewage Treatment Plants was completed<sup>13</sup> during 2001 to 2007 at a cost of Rs.47.86<sup>14</sup> crore but due to not taking over the possession by the local bodies for their operation and maintenance, the assets created under the system remained idle and expenditure incurred also remained unfruitful. GOI, Ministry of Environment and Forests wrote to the State Government in January 2005 that due to non-taking over of possession by local bodies, the plants are getting rusted and requested for immediate action so that entire investment does not become infructuous.

<sup>13</sup> The work of two IDs (Nagda and Vidisha) and two STPs (Indore and Vidisha) were stated to have been completed before March 2007 but completion certificate not yet issued (June 2007).

<sup>14</sup> *(Rupees in crore)*

	<b>ID</b>	<b>STP</b>
<i>Indore</i>	<i>Part-I</i> 1.32	24.44
	<i>Part-II</i> 2.47	
<i>Nagda</i>	2.25	0.41
<i>Ujjain</i>	<i>Part-I</i> 6.41	2.36
	<i>Part-II</i> 4.79	
<i>Vidisha</i>	2.43	0.98
<b>Total</b>	<b>19.67</b>	<b>28.19</b>
		<b>47.86</b>

On being pointed out, the Member Secretary of Board stated (June 2007) that the local bodies could not take possession of these completed schemes due to non-availability of funds. Thus, due to lack of coordination between State Government and local bodies not only the assets created were lying idle but also the objective of conserving river water from pollution was not achieved.

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

#### **4.4.2 Assets lying unsold**

**Due to non-adherence to Boards orders, 157 buildings/plots costing Rs.95.67 lakh were lying unsold under Mandal Ujjain.**

Madhya Pradesh Housing Board (Board) reiterated (November 1996) the instructions that sanctioned schemes of construction works may be implemented after getting the adequate registration from the beneficiaries/applicants so that the constructed assets may not remain unsold.

Test-check (November 2006) of the records of Estate Manager, Madhya Pradesh Housing Board, Ujjain and further information collected (March, July and September 2007) revealed that 157 commercial/ residential buildings/plots costing Rs.95.67 lakh constructed/ developed seven to 17 years back were lying unsold. It was also noticed that construction was made without making registration to ascertain their demand, which led to assets of Rs.95.67 lakh lying unsold.

On being pointed out Estate Manager, Madhya Pradesh Housing Board, Ujjain stated (November 2006 and August 2007) that assets were lying unsold mainly due to selection of sites being far away from the town and also due to closure of industrial units and industrial crisis and that efforts were being made to sell the unsold property and the position would be intimated to the audit.

The reply may be viewed in the light of the fact that the position could have been avoided, had the construction/ development work been initiated after making proper site selection, keeping in view of market trend and assessing the actual demand/registration.

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

#### **4.5 Regulatory issues and other points**

##### **Forest Department**

###### **4.5.1 Excess payment of Rs.54 lakh on account of share of benefit paid to Joint Forest Management Committees**

**Incorrect computation of profit from sale proceeds of timber led to excess payment of Rs.54 lakh.**

As part of benefit sharing, the Government decided (February 2005) to spend 10 *per cent* of the net profit<sup>15</sup> earned from production of timber for Joint Forest Management. Eighty *per cent* of this amount was to be disbursed directly to the Joint Forest Management Committees (JFMCs). The budget for this purpose was allotted (February 2006) for the period from 2001-02 to 2003-04.

Scrutiny of records of the office of the Divisional Forest Officer (General), Harda revealed (October 2006) that an amount of Rs.2.95 crore was disbursed to JFMC in March 2006 on account of sharing of profit from sale of timber for the year 2002-03. On the basis of revenue figures reported by Divisional Forest Officer (Production) Harda, the amount that was actually to be disbursed to JFMCs worked out to Rs.2.41 crore instead of the disbursed amount of Rs.2.95 crore. As a result, there was an excess disbursement of Rs.54 lakh to the committees. Excess payment was made by the Divisional Forest Officer (General), Harda because of using incorrect amount of revenue of Rs.49.41 crore from sale of timber. The correct amount of revenue was Rs.42.64 crore as intimated by DFO (Production) (May 2005).

On this being pointed out by audit, the Divisional Forest Officer (General), Harda stated that the net revenue of Rs.49.41 crore was worked out after deducting the revenue of Rs.7.04 crore pertaining to another forest division (DFO Hoshangabad) from the total revenue of Rs.56.45 crore as intimated by the Divisional Forest Officer (Production) Harda.

The reply was not tenable as the figures reported by DFO (Production), Harda in May 2005 were Rs.13.48 crore and Rs.56.12 crore respectively. The correct amount of net revenue from sale of timber for Harda division was, therefore, Rs.42.64 ( $56.12 - 13.48$ ) crore instead of Rs.49.41 crore as calculated by DFO (General), Harda.

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<sup>15</sup> *The net profit, as per order dated February 2005 was to be calculated by deducting the following expenditure from the sale proceeds of timber and bamboo:(i) All taxes/cess payable on the sale of timber and bamboo, (ii) Expenditure of all items of work in respect of production forest divisions and items relating to production in respect of territorial forest divisions (including pay and allowances), (iii) 50 per cent of all expenditure of non-plan of territorial forest divisions, (iv) Expenditure on regeneration and (v) Revenue obtained from exploitation in submerge area.*

The matter was referred to the Government and Principal Chief Conservator of Forests in March 2007; reply had not been received (November 2007).

**Home Department**

**4.5.2 Non-recovery of rent**

**Rent amounting to Rs.5.46 crore was not recovered from unauthorised occupants.**

Bhopal Sthit Shaskiya Awas Avantan Niyam 2000 (Bhopal based residential allotment rule 2000) provides that in case of unauthorised retention of Government accommodation, the allotment officer should submit reports to the competent authority to take action under Madhya Pradesh Lok Parisar (Bedakhlee) Adhiniyam 1974. Proceeding for realisation of rent at the double of the prevailing market rate for the period of unauthorised occupancy was also to be initiated.

Test-check (November 2006) of the records of the Director, Sampada Madhya Pradesh Bhopal (Director) and further information collected in June 2007 revealed that as per status report submitted (April 2007) alongwith affidavit in Hon'ble Supreme Court, although action was completed for vacation/ regularisation of Government accommodation for 266 employees but the dues amounting to Rs.2.42 crore towards penal rent due on 30 November 2006 could not be recovered. Further, in 69 cases though notices were given to employees but the dues amounting to Rs.1.79 crore as penal rent due on 30 November 2006 could not be recovered so far (April 2007).

Similarly realisation of Rs.1.25 crore for the period upto June 2007 was also reported pending from 24 press pool occupants according to the prescribed norms/ regulation of the Niyam for unauthorised retention of Government accommodation.

On being pointed out Director stated (November 2006 and June 2007) that the list of defaulters had been sent to the Executive Engineer (EE), Public Works Department, New Division Bhopal who is authorised to recover the dues outstanding on account of pending rent. The reasons for not taking action to cancel the allotment and get the quarters vacated were however not intimated. The EE PWD stated (August 2007) that demand letters were issued from time to time and RRCs are being issued to recover the dues from unauthorised occupants and from those who already vacated the quarters.

Thus due to lack of coordination between Director Sampada and Executive Engineer PWD and their lackadaisical approach the Government was deprived from receipt of rent of Rs.5.46 crore.

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

## Horticulture Department

### 4.5.3 Non-utilisation of funds due to delayed registration of suppliers

**Delayed registration of suppliers for drip/sprinkler sets resulted in non-coverage of targeted area for irrigation and non-utilisation of Rs.2.82 crore.**

With a view to expand the irrigated area by drip/sprinkler irrigation, Government of India (GOI) launched (January 2006) a Centrally Sponsored Scheme on Micro Irrigation under which 40 *per cent* of the cost of micro irrigation (MI) (excluding cost for demonstration which was to be borne fully by the GOI) was to be borne by the GOI, 10 *per cent* by the State Government and the remaining 50 *per cent* by the beneficiary. Any balance of grant that remained unspent during the financial year was to be refunded to the GOI at the end of financial year. For timely utilisation of assistance, registration of suppliers of MI system was to be done by the State Micro Irrigation Committee and intimated to all district units.

Test-check (April 2007) of records of Commissioner-cum-Director, Horticulture, Madhya Pradesh Bhopal (Director) revealed that against the administrative approval (March 2006) of Rs.14.39 crore for the year 2005-06, the Government of India released (March 2006) Rs.5.70 crore (Drip irrigation: Rs.5.47 crore; Sprinklers: Rs.0.23 crore) and the State Government contributed its share of Rs.1.43 crore (August 2006) totalling to Rs.7.13 crore for covering 3,498 hectare area for irrigation by drip/sprinklers.

It was further observed that the registration of the MI system suppliers was delayed by the State Micro Irrigation Committee (MIC) and finalised in October-November 2006 which ultimately delayed the utilisation of assistance. Even after expiry of twelve months from receipt of Central assistance an amount of Rs.4.31 crore only could be utilised covering 3,057 hectare area and Rs.2.82 crore (Rs.2.25 crore Central assistance + Rs.0.57 crore State assistance) was lying in the Bank accounts of various DMICs. Thus, the delayed selection of MI system suppliers led to non-utilisation of Rs.2.82 crore and non-achievement of covering 441 hectare for irrigation till March 2007.

On being pointed out the Commissioner stated that non-utilisation of fund was due to delay in finalisation of list of suppliers as the terms and conditions with suppliers could not be finalized on time, non holding of SMIC meetings timely and due to lack of interest of beneficiaries in bank loans.

Reply indicates that neither the State Micro Irrigation Committee had finalised the list of MI system manufacturers in time despite the receipt of assistance from Government of India in March 2006 nor the department took interest in arranging demonstration etc. for popularising the scheme and in helping the beneficiaries in getting bank loans etc. which resulted in non-utilisation of funds.

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

**Public Works Department**

**4.5.4 Irregular execution of work contrary to the specifications**

**Semi Dense Bituminous Course (SDBC) was executed directly over single coat surface dressing, a wearing course instead of a bituminous bound base course resulted in execution of work costing Rs.74.90 lakh contrary to the road specifications.**

Clause 508.1 of Road specifications issued by the Ministry of Road Transport & Highways (MORT&H) provide that final wearing course of Semi Dense Bituminous Concrete (SDBC) should be laid on previously prepared bituminous bound base.

Scrutiny in audit revealed (October 2006) that contrary to the above specifications, the work of upgradation of Basoda-Jarod-Sironj Road (km 1 to 29) sanctioned under Mandi funds in Vidisha, single coat surface dressing (SD) was laid in an area of freshly executed 97,446 sq.m/ of Water Bound Macadam (WBM) course that was finally followed by 25 mm thick SDBC without a bituminous bound base course. This resulted in irregular execution of SDBC amounting to Rs.74.90 lakh.

On this being pointed out, the Executive Engineer, Public Works Department Division, Vidisha stated (October 2006) that the work was executed as per the technical sanction accorded by competent authority.

The reply is not tenable as the execution of work was contrary to the MORT&H specifications as well as technical sanction. Moreover, the utmost aim of restoring the condition of the road to the specified line and grades as per the technical report of the work remained defeated after spending Rs.3.20 crore.

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

**School Education Department**

**4.5.5 Unauthorised drawal of salary of excess staff**

**Drawal of salary to staff in excess of sanctioned strength resulted in unauthorised expenditure of Rs.1.13 crore.**

State Government in its General Administration Department memorandum of May 1999 directed all departments that salary of staff in excess of sanctioned strength shall not be drawn and in case of excess drawal, disciplinary action

must be taken against such drawing and disbursing officers. Government further reiterated (August 2000) that attachment of personnel must be withdrawn by 10 September 2000. Rule 256 (1) of MP Treasury Code Volume I and instructions issued (July 1976) by the Finance Department also provide that the DDO should indicate the sanction number, date and sanctioned strength of each pay scale in the pay bill for check by the Treasury Officer.

Test-check (November 2006) of records of drawal of pay and allowances of Primary/ Middle Schools under control of Principal, Maharani Laxmi Bai Girls Higher Secondary School, Chhatarpur and further information collected in May 2007 and November 2007 revealed that against sanctioned strength of 32 Assistant Teachers, 56 were working in 14 Middle / Primary Schools in the city area of the district, which not only resulted in unauthorised drawal of salary amounting to Rs.1.13 crore during the period 2001-07 but also deprived the children of other schools in rural areas of the district from intended education.

Treasury Officer Chhatarpur on enquiry for such unauthorised payment, stated (May 2007) that the Principal had not recorded the sanctioned strength in the pay bills and assured to insisted upon in future. The reply of Treasury Officer was not acceptable as pay bills incomplete in any respect, should have not been passed and paid. Thus Treasury Officer also failed to comply with the codal provisions.

On being pointed out in audit the Principal stated (November 2007) that from May 2007 drawal of pay and allowances of excess staff being paid from other institutions (May 2007) where vacancies existed but the working of teachers in excess of sanctioned strength continued (November 2007).

The matter was referred to the Government in December 2006 and March 2007; reply had not been received (November 2007).

#### **Water Resources Department**

##### **4.5.6 Irregular transfer of external assistance to Public Accounts**

**External assistance of Rs.26.33 crore was drawn without actual execution of work and was kept in personal deposit accounts to avoid lapse of fund.**

Balance work of Rajghat Canal Project funded by Japan Bank for International Co-operation (JBIC) with a loan of Rs.421.08 crore was sanctioned in April 1997 and the last extended date of completion of the project was May 2006. The loan was given on reimbursement basis subject to documental evidence of the date and amount of payment made to the contractor against the work executed. The project was incomplete as of November 2006.

Rule 487 of Madhya Pradesh Treasury Code Volume - I (Code) lays down that no deposit account should be opened in the treasury in the name of any Government servants of Works Department instead all sum payable into

treasury must be credited to that department. Rule 284 of the Code ibid also provided that no advance should be drawn from the treasury without immediate requirement merely to prevent lapse of budget grants.

Scrutiny in audit (July 2006) revealed that in violation of the above provisions Water Resources Department (WRD), in consultation with the Finance Department (FD) decided (28 March 2006) to withdraw unspent JBIC fund Rs.43.30 crore and to deposit in Personal Deposit (PD) accounts in the name of the seven Executive Engineers (EEs) for utilization in subsequent year. Accordingly, Rs.26.33 crore was drawn by debit to final head of account under JBIC fund by preparing anticipatory bills (without actual execution of work) based on fictitious quantities of items. The cheques drawn in favour of the contractors were deposited into PD accounts through challans. These anticipatory bills were incorporated in the monthly accounts that were rendered to Accountant General (AG), Accounts & Entitlement (A&E). Subsequently, on actual execution of works, fresh bills were prepared and Rs.17.88 crore were paid to the contractors out of PD accounts during 2006-07. Rupees 8.45 crore was still lying in PD accounts. This is a departure from the agreed terms and conditions of the loan.

Moreover, the concurrence of the AG was not obtained to operate PD account and the operative period of PD accounts was not specified.

Further, Madhya Pradesh works Department Manual clearly stipulates that funds should not be expropriated from Plan to Non-plan head or vice versa. Even then an advance of Rs.3.06 crore was also drawn (2005-06) by all the seven EEs of Rajghat Canal Project from JBIC funds and kept in PD accounts for making payment to Water Users Associations (WUAs) for maintenance of canals during next financial year (2006-07) as instructed (29 March 2006) by the Chief Engineer (CE) under the authority of Empowered committee. Though Rs.2.81 crore was disbursed to WUAs but the entire amount remained unspent at the end of the year. The diversion of project funds for maintenance allowance was a breach of financial discipline.

The EE admitted (July 2006) that this was done under direction of the Government. He further stated that the anticipatory paid vouchers were already submitted to the AG (A&E) and to avoid duplication of account, vouchers paid from PD accounts were not sent to AG.

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

<b>General</b>
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<b>4.5.7 Failure to enforce accountability and protect the interests of Government</b>
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Principal Accountant General (Civil and Commercial Audit), Madhya Pradesh, Gwalior (PAG) and Accountant General (Works and Receipt Audit), Madhya Pradesh, Bhopal (AG) conduct periodical audit 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. Irregularities detected during audit are reported through Inspection Reports (IRs) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses. 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 omissions promptly and report their compliance to the PAG/AG. The PAG/AG 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 by PAG upto March 2007 pertaining to Civil Departments (except Forest Department, Public Works Department, Public Health Engineering Department and Water Resources Department) disclosed that 20,706 paragraphs relating to 8,387 Inspection Reports remained outstanding as on 30 September 2007. This includes 7,288 paragraphs of 3,677 Inspection Reports outstanding for more than six years. Department-wise and year-wise position of outstanding Inspection Reports and paragraphs in respect of some selected departments was as shown in **Appendix-4.3**.

Similarly Inspection Reports issued by AG upto December 2006 pertaining to 646 divisions/offices of Forest, Water Resources, Public Works, Public Health Engineering, and other Works<sup>16</sup> Departments under Government of Madhya Pradesh disclosed that 15,127 paragraphs relating to 3,436 IRs are outstanding since 1996-97 to the end of June 2007. Department wise position of the outstanding IRs and paragraphs is also shown in **Appendix-4.4**. Of these, 1,092 IRs containing 4,456 paragraphs had not been settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of the Offices within six weeks from the date of issue of IR were not received in respect of 515 divisions/offices for 2,454 IRs and 11,339 paragraphs issued between January 1988 and December 2006.

A review of the IRs which were pending owing to non-receipt of replies revealed that the Heads of the Offices (whose records were audited by the PAG) and the Heads of 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.

Some types of irregularities brought out in outstanding Inspection Reports of Social Justice, Public Health and Family Welfare, Panchayat and Rural Development and General Administration departments for the year 2006-07 were as shown in **Appendix-4.5**.

<sup>16</sup> Other Works Departments include Narmada Valley Development, Housing and Environment, Bhopal Gas Rahat (Relief and Rehabilitation) and Panchayat & Rural Development Department (MPRRDA).

Absence of any action against the defaulting officers facilitated the continuance of serious financial irregularities and losses to the Government though these were pointed out in Audit. It is recommended that Government may 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 may be initiated to recover losses, outstanding advances, over payments, etc. in a time bound manner and revamp the system to ensure proper response to audit observations.