

CHAPTER IV
AUDIT OF TRANSACTIONS (CIVIL)

HOME DEPARTMENT

4.1 Inaction of the Government on social problem

Rupees 10 lakh drawn from Government account in July 2003 could not be utilised for want of Government decision on disbursement of this amount to surrendered militants.

Test check (August 2005) of records of the Director General of Police, revealed that before finalization of the rehabilitation entitlement of the surrendered militants, the State Home Department, sanctioned (July 2003) Rs.10 lakh for maintenance of 229 surrendered militants in the rehabilitation camp. The amount was drawn by the DDO in July 2003 and deposited in his account with the State Bank of India, Imphal, Secretariat Branch.

Four months after drawal of the amount, the Department constituted a scrutiny committee in November 2003 to examine the claims of the 229 surrendered militants as per the scheme for surrender cum rehabilitation of militants. The Chairman of the Committee retired on superannuation in February 2005 without the committee submitting its report following which, a new committee was formed which submitted its recommendations to the Government in June 2005. However, Government's decision on disbursement of the amount to the surrendered militants as per their entitlements was not finalized till date (November 2006).

In Manipur, where insurgency is a major social problem, such inaction on the part of the Government would only have a negative impact on other militants willing to re-join the mainstream, as well as push these 229 surrendered militants into going back to militancy for want of proper and timely rehabilitation. Further, this may lead to aggravation of the existing law and order problem in the State. Despite these adverse consequences Rs.10 lakh remained unutilised for three years.

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

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.2 Undue benefit to the contractor

Steel and cement valued at Rs.24.88 lakh were issued in bulk to the contractor who retained them without executing the work for the last six to seven years resulting in undue benefit to the contractor.

Test-check of records (February-March 2006) of the Executive Engineer (EE), Thoubal Project Division No. IV, Irrigation and Flood Control Department (IFCD) revealed that Chief Engineer, IFCD issued instructions (April 1997) to the Divisional Officers of the Thoubal Project Divisions not to create further irrigation potential until the completion of the main dam and to slow down the work of canal and distribution system. Instructions were also given to accord priority to the works in progress which were in advanced stage only and not to take up the works which had not started/had remained suspended at that point of time.

Despite such instructions, the EE awarded (May 1999) the work of Renovation of Canal Section and construction of Open Duct from Reduced Datum (RD) 1.76 km to RD 1.847 km of Left Main Canal (LMC), valued at Rs.49.04 lakh to a local contractor on the basis of tendering, for completion in one working season. Soon thereafter, he also issued to the contractor, in bulk, steel and cement valuing Rs.18.29¹ lakh and Rs.6.59 lakh² respectively during June–November 1999. This was in contravention of the provisions of the CPWD Manual (Paragraph 27.6.2) which states that the issue of material to the contractor should be regulated according to the actual requirement, to prevent misuse. As of March 2006, the contractor had not even started the work. Thus, the EE not only provided undue benefit of Rs.24.88 lakh to the contractor, but also failed to initiate any action against him for not starting the work.

On this being pointed out in audit, the Divisional Officer stated (March 2006) that the work could not be started due to law and order problem at the work site. The reply is not tenable as:

- The Division should not have issued the material in bulk if the law and order situation was adverse.
- There was no evidence of any effort made by the Division to arrange for security on the work site.
- The Division did not make any effort to either take back the material or re-direct it to other places of work.

¹ 16 mm steel: Rs.12.93 lakh @ Rs.19,247 per MT for 67,200 kg plus 8mm: Rs.5.36 lakh @ Rs.20,754 per MT for 25,840 kg.

² Cement: Rs.6.59 lakh @ Rs.219.71 per bag for 3,000 bags.

The Government stated (July 2006) that 1000 bags of cement (valued at Rs.2.19 lakh) had since been returned by the contractor and that the contractor would utilise the balance material as soon as the work resumed. The reply is not tenable as cement would have deteriorated by now and would have outlived its usable life thus causing a loss of Rs.22.69 lakh.

4.3 Blocking of funds

A canal syphon was constructed at a cost of Rs.1.32 crore, without the completion of the Dam and its main canal, resulting in blocking of funds and possibility of deterioration of the syphon due to disuse.

Test check of records (February/March 2006) of EE, Thoubal Project Division No. IV, Irrigation and Flood Control Department revealed that the Department took up construction of a canal syphon at Reduced Datum (RD) 25.818 km across the Wangjing River despite the fact that no earthwork excavation had been taken up in this stretch of the canal of Thoubal river multipurpose project. The work order for Rs.93.79 lakh was awarded (August 1994) to a local contractor.

The Department decided (November 1995) to slow down the construction of the left main canal of the dam (LMC) from RD 24.418 km to RD 29.115 km and its allied structures in order to keep pace with the construction of the dam and the spillway. Accordingly, the Superintending Engineer directed (November 1995) the Divisional Officer of the Thoubal Project Division No.IV to slow down the construction of the syphon. However, the Department went ahead and revised the estimate of the work to Rs.1.33 crore on the ground of change in design and specifications and asked the contractor (October 1998) to execute the work as per the revised estimate. As of December 2005, the contractor had executed almost all the items of work valuing Rs.1.32 crore as per the revised estimates, of which Rs.1.27 crore had been paid. The Department had no plans to take up the construction of the canal from RD 24.996 km to RD 29.115 km in view of insufficient irrigation potential due to non-completion of the main dam.

A decision to complete the dam by 2007-08 was taken only in September 2005. Thus, construction of the syphon without the completion of the main dam and the LMC led to blocking of Rs.1.27 crore for considerable period with the possibility of deterioration of the syphon due to disuse and possibility of further expenditure on its repair in future.

The Government in its reply (July 2006) did not contest the blocking of funds.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.4 Extra expenditure due to delay in clearing goods from the port and their transportation to Imphal

Failure of the Government to provide adequate funds in time for clearing imported goods and their transportation led to avoidable expenditure of Rs.2.22 crore.

In order to provide Imphal city with a modern underground sanitation system the State Government entered into an agreement with a French Consortium under the aegis of Indo-French Protocol in December 1998 to plan and execute a sewerage system in the core area of the city. The Project was to be executed by the Public Health Engineering Department under the supervision of French engineers. According to the agreement signed between the Government of Manipur and the French Consortium, the French Consortium was to provide all process equipment including piping and fittings, civil engineering guide drawings and equipment drawings CIF³ Kolkata.

The period of implementation as per the agreement was four years (2003-07) including one year of test running with French assistance. The total project cost was estimated to be Rs.134.75 crore. The work was started in January 2003.

Scrutiny of the project records in the office of the Executive Engineer, Drainage & Sewerage Division, PHED, Lamphelpat during July 2005 and May 2006 disclosed the following lapses and irregularities in the implementation of the project.

4.4.1 Avoidable Customs warehousing charges

As per terms and conditions of the agreement it was the responsibility of the State Government to clear the goods from the Customs by paying the required customs duty (Article 7.6) and thereafter to transport the same from Kolkata Port to Imphal (Article 7.7).

Records revealed that the Department imported the required quantity of PVC pipes and other equipment during 2003-04 and 2004-05 without provisioning of funds for payment of customs duty and other charges. The imported consignments arrived at Kolkata Port during the months – July 2003 to January 2004 (1st to 4th shipments) and October 2004 to April 2005 (5th to 8th shipments). Customs duty was payable within three days from the date of preparation of bill thereof failing which interest @ 18 *per cent* per annum on the value of the material was payable.

³ Cost including Insurance and Freight (CIF).

Due to non-release of adequate cheque drawal authority by the Government, the Department failed to clear the customs duty (Rs.14.21 crore) immediately and kept the consignments in the Customs' Bonded Warehouse (M/s Balmer Lawrie & Co.) for periods extending up to 176 days as of April 2005 incurring avoidable warehousing charge of Rs.1.72 crore. Of this, the Department has so far made payment of Rs.1.11 crore. (Abnormal delays in respect of ten cases are shown in *Appendix 4.1*).

Although the materials had started arriving as early as July 2003, the Department approached the Finance Department for additional funds of Rs.15.24 crore for clearing customs duty, other taxes and for transportation of the materials from Kolkata to Imphal only in August 2004. The Government released Rs.12.17 crore on 31 March 2005 for clearing the customs duty and other charges but provided no funds for transportation of the material and equipment to Imphal although it was known to them that it was their responsibility to clear the customs duty and to transport the goods to Imphal in time to avoid slippage in the Project schedule.

The consignments were kept for almost six months in the Customs' warehouse leading to an avoidable expenditure of Rs.1.11 crore and a liability of Rs.0.61 crore due to inefficient financial management on the part of the Department which is indicative of its lack of planning and foresight.

4.4.2 Avoidable private warehousing charge

After clearing the Customs duty the consignments were later shifted (April 2005) to a private Warehouse (Aarpee International Private Warehouse) at Kolkata as they could not be transported to Imphal due to lack of funds. On account of this, the Department had to pay another Rs.9.55 lakh as storage rent for the period May 2005 to February 2006 at the rate of Rs.50 per cubic metre per month. Of 1909.354 cubic metres of the consignments, the Department had transported only 784.835 cubic metres to Imphal during March 2006 leaving a balance of 1124.519 cubic metres in the private warehouse. Rent for the remaining period (March 2006 – May 2006) was assessed at Rs.1.69 lakh.

4.4.3 Avoidable detention charges and wharfage

Scrutiny of records revealed that the Department had to pay Rs.32.84 lakh of avoidable detention charges because of delay in returning the shipping companies' containers within the stipulated five days.

Similarly, the Department had to pay a wharfage of Rs.5.74 lakh to the Port Authorities for delay in clearing the consignments from the wharves.

4.4.4 Irregular payment of loading charges to transporters

It was also observed that for clearing the consignments from the Port, the department appointed a Clearing Agent³ in August 2003 and September 2004. According to the agreements entered into with this agency a rate of Rs.4,800

³ Rajesh Shipping & Clearing Agency, Kolkata.

per container of the size 6m x 3m x 3m (or Rs.88.89 per cubic metre) was allowed to it for loading the container/crate from the warehouse onto the Department's nominated trucks for transportation to Imphal.

Later the Department appointed (September 2003 and February 2006) two transport contractors for transporting the consignments from Kolkata to Imphal at the rate of Rs.1,64,900 per crate which was inclusive of the cost of loading the crates from the warehouse onto the Department's nominated trucks despite the fact that a Clearing Agency had already been engaged for loading.

So far the transporters have transported 92 crates and have received payments thereof. As the loading into the Department's nominated trucks was the responsibility of the Clearing Agency and they had already been paid accordingly (paid Rs.4,96,122), the payment of the same element of Rs.4.42 lakh (92 crates x Rs.4800) again to the transporters was not in order.

The matter was referred to the Government (June 2006); their reply was not received as of November 2006.

PUBLIC WORKS DEPARTMENT

4.5 Fraudulent drawal of Government funds

65 cheques for Rs.56.21 lakh were fraudulently drawn during March 2005 by the Executive Engineer, Ukhrul Division.

Test check of records of EE, PWD, Ukhrul Division, (February 2006) revealed that the Divisional Officer drew 65 cheques amounting to Rs.56.21 lakh during March 2005 for making payments to contractors for execution of works by them. The drawals were entered in the Divisional cashbook on the payment side showing disbursement to the contractors and separate voucher nos. were assigned against the respective drawals as shown in *Appendix 4.2*. The vouchers in support of payments were not available in the Division.

Relevant work order copies, agreement copies, administrative approvals, expenditure sanctions, technical sanctions, measurement books in support of execution of the works for which cheque drawals of Rs.56.21 lakh had been made were also not available in the Division.

Further verification of the monthly accounts and supporting payment vouchers of the Division for the month of March 2005 as submitted to the Office of the Sr. DAG (A&E), Manipur revealed that the said vouchers were not enclosed while sending monthly accounts of the Division for March 2005.

Thus, the Divisional Officer drew the cheques amounting to Rs.56.21 lakh fraudulently in the name of fictitious contractors and for fictitious non-existent works. The matter was discussed with the present Divisional Officer who agreed to take up the matter with the erstwhile Divisional Officer.

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

4.6 Doubtful payment without execution of work

Hill cutting for widening of narrow portion of road length of 32 Km was shown completed within unreasonably short period of eight days resulting in doubtful payment of Rs.41.98 lakh without execution of work.

Test-check (January 2006) of Ukhrul Division, PWD, revealed that the work of “Improvement of Kharasom to Tusom Christian village road” was awarded

by the EE, Ukhru Division on 15 March 2005 to a local contractor⁴ on the basis of a limited tender for Rs.66.96 lakh (Estimated cost: Rs.61.74 lakh) for completion within ten days of start of work. As contracts about Rs.20 lakh were to be awarded with the approval of the Secretary, it could not be ascertained whether the sanction of the competent authority had been obtained.

The work consisted of three items viz., (i) Earth work in widening of the narrow portion and Kutcha drain from 10 Km-42 Km, (ii) shingling for the portion 10 Km – 13.5 Km and (iii) construction of 14 nos. of 900 mm dia RCC pipe culvert at different stretches.

The measurement records depicted completion of the entire work on 30 March 2005 at the cost of Rs.66.94 lakh as indicated in *Appendix 4.3*. The contractor was paid Rs.66.04 lakh on 30 March 2005.

Scrutiny revealed that the estimate of the work was framed on manual labour rate basis, as the Department has not evolved any schedule on mechanical labour. Hence, reasonableness of the rates could not be ascertained in Audit. It was also observed that instead of measuring works from time to time, the works were measured only at the time of final payment.

For the earth work in hill cutting in hard dense soil (1,07,112.31 cum) and in ordinary rock (71,066.42 cum), the number of labourers required worked out to 30,705⁵ and 62,775⁶ respectively. Thus, the total number of labourers required for the earth work alone worked out to 93,480 (*i.e.* 30,705+62,775) which was shown as completed on 22 March 2005 (*i.e.* within 2 days of the scheduled date of the start of the work) as per measurement record. Even if it is presumed that the work started on the date of issue of work order, it took only eight days to complete the earth work since the measurement⁵ was taken on 22 March 2005. Accordingly, the contractor would have had to engage 11,685 labourers per day (93,480/8) for the earth work, which was highly improbable. Hence, the payment appears to have been made to the contractor without execution of any work.

The EE stated (June 2006) that the work was executed using five bull-dozer⁶ and furnished three log-sheets signed by the owners of the machines and five Registration Certificates signed by the District Transport Officer. Scrutiny revealed that:

As per the log-sheets, the bull-dozers were used for 627 hours for which the contractor paid hire charges of Rs.9.41 lakh (Rs.6.09 lakh to one owner at Singjamei and Rs.3.32 lakh to an owner at Ukhru) while the Department paid him Rs.41.98 lakh for this work.

⁴ Khashim Vashum

⁵ For 30 cum = 8.6 labourers; 1,07,112.30 cum= 30,705 labourers.

⁶ For 30 cum = 26.5 labourers (excavation: 4.5; Breaker: 9.0; Belder: 5.0; Cooler: 8.0); 71,066.42 cum = 62,775 labourers.

⁵ Measurement was not done on daily basis.

⁶ It is not possible to ascertain how many bull dozers had actually been used by the contractor as the reply furnished by the EE is full of contradictions.

The bull-dozers were shown working from 13 to 31 March 2005, whereas the work order was issued only on 15 March 2005 and the concerned item of work was shown to have been completed by 22 March 2005 as per the measurement book.

Two of the bull-dozers (Registration Nos. MN 05 3660 and MN 05 3780) stated to have been hired from a person at Ukhrul appeared to have been purchased only during 2006, as these were registered with the District Transport Office, Bishnupur on 18 May 2006. As the work was executed during March 2005, there was no possibility of their being used in the work. Therefore the payment of hire charges (Rs.3.32 lakh) to the owner at Ukhrul cannot be vouchsafed.

The Registration Certificates furnished for the other three bull-dozers, stated to have been hired from a person at Singjamei (Registration Certificates nos. MN 05A 0807, MN 05A 0808 and MN 05A 0809) categorised them as tractors and not as bull-dozers. Accordingly, the payment of Rs.6.09 lakh to the owner of bull-dozers at Singjamei cannot be vouchsafed.

Thus the contention of the EE that earth moving machinery *i.e.* bull-dozers were used appears doubtful as the same is not supported by official record and circumstantial evidence.

In the light of these facts, the measurement record for the earth work valued at Rs.41.98 lakh (Rs.12.85 lakh + Rs.29.13 lakh) appeared to be fictitious. In addition, the completion of the other two components of the work *viz.*, shingling in 3.5 km of the road and construction of the 14 culverts, appeared to be doubtful in the stated duration of time (*i.e.* by 30th March 2005). The matter needs investigation and independent physical verification of the quantum and quality of the work done.

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

4.7 Undue benefit to the contractor

Undue benefit of Rs.36.23 lakh was given to a contractor, by awarding a work without following the tendering procedures.

Test check of records (November 2005) of the EE, Senapati Division, PWD, revealed that the work of “Improvement of Maram Purul Road including reconstruction of bailey bridge of 130 ft. span over the Barak river” was awarded by the EE on 22 March 2005 to a local contractor⁷ for Rs.77.53 lakh for completion by 31 March 2005 (*i.e.* within 10 days). Reasons for urgency in allowing only 10 days for completion of the work were not on record. The work was awarded without calling tenders. In fact, the EE is not competent to

⁷ L. D. Raini

award works for this value as the competent authority to award contracts above Rs.20 lakh is the Secretary of the Department.

The work order consisted of 13 items such as dismantling of the existing bailey bridge and stiffened steel decking, demolition of the earlier abutments, reconstruction of new abutments, earth excavation for abutments, other allied works, assembly and launching of bailey bridge, shingling of the approach roads to the bridge *etc.* Eight items contained in the work order right from the work of dismantling of the existing bailey bridge and stiffened steel decking up to the stage of construction of new abutments including earth excavation for abutments at an aggregate cost of Rs.61.86 lakh were recorded as completed on 27 March 2005 (*i.e.* within 6 days of the issue of the work order). The details are shown in the *Appendix 4.4*. Rupees 36.23 lakh was paid to the contractor on 31 March 2005 against the first Running Account (RA) bill. Scrutiny revealed that the Measurement Book (MB) recorded the same quantity of work for the item for which payments were made, as in the work order without any variation including excavation of the earth from the river bed.

Considerable time is required for various activities related to the construction of such structures with RCC and PC. Besides, the excavation of earth for abutments and wall, dismantling and demolition of earlier bailey bridge and steel deckings, demolition of earlier abutments *etc.*, also require considerable time.

Even if it is presumed that the work started on the date of issuing the work order, which is highly unlikely, it was highly improbable that the contractor could complete the work within 6 days *i.e.* from 22 March 2005 to 27 March 2005, as recorded in the MB. Thus, the measurement records appeared to be fictitious resulting in undue benefit of Rs.36.23 lakh to the contractor.

In reply, the Government stated (August 2006) that on its verbal instructions to take up the work of the bridge as early as possible, the EE had issued a letter of intent to a local contractor who had started the work in the last week of December 2004, but the formal orders were issued on 22 March 2005. The reply is not tenable as the rules do not permit undertaking works on verbal orders, without following established procedures of tendering *etc.* The matter needed investigation to fix responsibility and determine loss, if any, to the State on account of the above irregularities.

4.8 Undue benefit to the contractor

Undue benefit of Rs.14.20 lakh was extended to a contractor by allowing excavation of earth from an unauthorised quarry 15 km away, while an authorised site was available within 5 km.

Bridge Division, PWD, Manipur awarded the work of “Improvement of Approach Road to Irilbung Bridge” in Imphal East at a tendered amount of

Rs.58.11 lakh (E/C: Rs.53.35 lakh) in March 2005 to a local contractor⁸ (six contractors participated in the tender). The contractor executed the entire work during March 2005 and Rs.57.90 lakh had been paid to him (Rs.50.87 lakh, Vr. No.22 of 3/05; Rs.7.03 lakh, Vr. No.54 of 3/05) as of January 2006. One of the items included in the work order was excavation of earth (Hard dense soil) from a borrow place (*i.e.* quarry) and filling the bridge approaches with the excavated earth. The contractor had executed 15,526.07 cum of this item (valued at Rs.41.92 lakh) against the work order quantity of 15,526.09 cum.

Test check of records (January 2006) of the Division revealed that the original estimates showed the nearest carriage lead from the quarry from where the earth was to be excavated as 5 km.

In the final estimate, however, the carriage lead was shown as 15 km without indicating the name of the quarry. On audit query, the Division identified the quarry as 'Waithou', which, however, was not authorised by the Forest Department as a quarry. Thus, by allowing a lead of 15 km while there was an approved quarry within 5 km the Division had allowed undue benefit of Rs.14.20 lakh (details in *Appendix 4.5*) to the contractor.

In reply, the Government stated (August 2006) that the quarry site was changed when local villagers objected to excavation of earth from the earlier site at Iribung and the earth was excavated by the contractor from a private land at Waithou.

The reply is not tenable because even if the local people objected to excavation from the hillocks around Iribung village, as originally planned, an alternative site at Keirao Chingdum, which was an authorised quarry, was available within 5 km of the work site.

4.9 Irregular expenditure to avoid lapse of fund

In disregard of the provisions of the GFRs, the Executive Engineer, Chandel Division, paid Rs.5.68 crore to Stores Division, PWD on 31 March 2005 for procurement of 3,000 MT of bitumen against the required quantity of 462.23 MT for the work.

Rule 132 (1) of the General Financial Rules, 1963 (GFR) states that the authority granted by a sanction to an estimate shall on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide.

Further, Note 2 below Rule 69 of the GFR states that it is contrary to the interest of the Government that money should be spent hastily or in an ill-considered manner merely because it is available or that the lapse of a grant could be avoided.

⁸ Kh. Ingocha Singh

Test-check (June 2005) of the records of the EE, Chandel Division, PWD, revealed that Administrative Approval (AA) for the work of “Improvement of Pallel Chandel Road” was accorded for Rs.24.22 crore in March 2005 with an expenditure sanction (ES) not exceeding Rs.15 crore by the Principal Secretary (Works) in the financial year 2004-05. The award of the work was under process till May 2006 as intimated by the EE.

Scrutiny revealed that against 462.23 MT of bitumen required for the work, the EE paid Rs.5.68 crore⁷ to the Stores Division, PWD on 31 March 2005 for procurement of 3,000 MT of bitumen. Excess procurement of 2537.77 MT of bitumen was stated to have been done at the instance of the Chief Engineer in order to meet the requirement of bitumen for the Department. However, as of September 2006 *i.e.* 18 months after receiving the advance, Stores Division had not issued any bitumen against the work.

Thus, procurement of excess quantity of bitumen on the last day of March 2005 amounting to Rs.4.80 crore (2537.77 MT @ Rs.18,931 per MT) is a violation of the Rules *ibid* and therefore, irregular and was done in order to avoid lapse of fund.

The Government stated (August 2006) that 2796 MT⁸ of bitumen had been procured and the whole quantity had been distributed to six Divisions. The distribution of bitumen to six Divisions as stated by the Government confirms the excess procurement as pointed out by Audit.

4.10 Misuse of funds

Executive Engineer (EE), Stores Division, Public Works Department (PWD) misused cheque drawal authority allotted for purchase of store material amounting to Rs.2 crore in other purposes resulting in not only hampering in procurement of the store material but also cheque drawals amounting to Rs.1.82 crore has not yet been reflected as expenditure of the department in State Finance Accounts even after lapse of two years of their transactions.

The Central Stores Division (CSD) of PWD generally stocks the material required for construction and maintenance by other working divisions. To maintain and replenish stock levels and meet demands from other Divisions, funds are released to the CSD from time to time.

Appendix 7 of CPWD Account Code provides that where payments on behalf of other Divisions are to be made by one Division, such payments are classified under the Head Cash Settlement Suspense Account (CSSA) in the accounts of the paying division. At the close of the financial year concerned there should be no balances under this suspense head.

⁷ 3,000 MT of bitumen @ Rs.18,931 per MT = Rs.5.68 crore.

⁸ Supply order made to HPC Ltd for 3,000 MT of bitumen. The Company, however, delivered 2796 MT of bitumen as element of Sale tax had been deducted from the amount of Supply order.

Test check of records (July 2005) of the EE, Stores Division revealed that the Government allotted (April 2004), a Cheque Drawal Authority (CDA) amounting to Rs.3 crore in favour of EE, Store Division, for purchase of cement and steel and to debit the expenditure under the Major Head (MH): 3054-Roads and Bridges (Non-Plan). The allotment order categorically mentioned that the EE, Store Division was to ensure utilisation of the funds for the purpose for which it was allotted.

Instead of utilising the CDA for procurement of cement and steel, EE, Stores Division, misused the CDA amounting to Rs.2 crore by drawing cheques for other purposes in July 2004 as detailed below:

- Rs.7.26 lakh; on payment of contractors' bills for maintenance and repairing of the Divisional office, godown, toilets, renovation of drains around its buildings, etc. by charging to the MH 2059 – Public Works (Non-Plan).
- Rs.11 lakh; on payment of contractor's bill pertaining to earlier period for transportation of cement by charging to the MH 3054- Roads & Bridges (NP).
- Rs.1.82 crore; on payment of contractors' bills transferred by five divisions⁹ of PWD by classifying the transaction as CSSA without any directions or approval of appropriate authorities.

Therefore, the Division misused the CDA issued to it for specific purpose by utilising it for other purposes.

Audit further observed that the Stores Division did not seek clearance of the CSSA against the bills of the five divisions mentioned above in 2004-05 itself. The claims are still awaiting settlement. As a result, the Finance Accounts of 2004-05 was unable to reflect transactions worth Rs.1.82 crore carried out by the Stores Division during the same year.

The CE taking cognizance of misuse of CDA, directed (October/2004) the EE not to write any further cheques for the balance amount CDA of Rs.99.89 lakh (Rs.300 lakh – Rs.200.11 lakh). However, no action has been taken for reimbursement of Rs.1.82 crore to the Stores Division for procuring cement and steel for maintenance of Roads and Bridges, thus compromising the maintenance of roads and bridges in the State.

In its reply (September 2006) the Government stated that although the CDA was given for purchase of construction material, the EE could not initiate action for their procurement as there was an apprehension of likely disturbance in transit by some unlawful organisation and sought advice of the superior authorities in regard to the manner in which the CDA could be

⁹ Building Division No. II	:	Rs. 75,49,500
National Highways Division No. I:		Rs. 38,50,500
Tamenglong Division	:	Rs. 56,00,000
Churachandpur Division	:	Rs. 10,00,000
Thoubal Division	:	<u>Rs. 1,85,000</u>
		Rs.1,81,85,000

utilised. Keeping this point in view, the EE, Stores Division utilised the CDA in writing cheques for transferred bills for which he had already raised the claims to the respective Divisions.

The reply is not acceptable as the CDA in favour of the EE was accorded by the Government for purchase of cement and steel only with clear instructions to endorse on the back side of the cheque that it is utilised properly for the purpose for which it has been allocated. Fact is that Government did not issue any instructions to EE for diversion at any time.

REVENUE DEPARTMENT

4.11 Suspected misappropriation

Relief funds amounting to Rs.15.28 lakh was withdrawn by an erstwhile Drawing and Disbursing Officer (DDO) without submission of any document in support of the utilization of the amount at the time of his transfer resulting in misappropriation of funds.

Audit scrutiny of the Cash Book of the office of the Deputy Commissioner (DC), Churachandpur in May 2006 revealed that the Branch Officer (Accounts) who was also the DDO of the office, deposited a cheque amounting to Rs.15,27,950, received from the Relief and Disaster Management Department, in his official account on 29 October 2004. He subsequently withdrew the whole amount by drawing a cheque No.400067 dated 6 November 2004. In the cashbook, the amount was shown as disbursed on the same date but the names of the payees were not indicated.

Further scrutiny revealed that the said DDO was transferred shortly thereafter and he handed over the charge to the new DDO on 3 December 2004. On Audit requisition for production of documents in support of the utilization of the cash of Rs.15,27,950 drawn by the former DDO, the new DDO stated that no documents were handed over to him by the previous DDO on 3 December 2004 at the time of his transfer.

No utilisation certificate for the said amount had been furnished to the sanctioning authority *i.e.* Relief Department, Government of Manipur even after 19 months of release of funds for flood victims (May 2006).

In the absence of any details of payment and utilisation certificate, the amount of Rs.15.28 lakh meant for relief assistance is suspected to have been misappropriated by the former DDO of the office of the DC, Churachandpur. The matter needs to be investigated for making good loss to the State.

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

DEPARTMENT OF TRIBALS AND SCHEDULED CASTES

4.12 Loss to the Government

The Division made full payment to a contractor, who left two works incomplete without recovering Rs.13.77 lakh representing the cost of material issued to him. Since all the bills had been paid, the non-recovery led to a loss of Rs.10.27 lakh to the State Exchequer.

Test-check of records (October 2005) of the EE, District Council Engineering Cell Wing I, Tribal Development Department revealed that the EE awarded (December 1999) the work of construction of an auditorium at the Palace Compound, Imphal Phase I (estimated cost: Rs.67.78 lakh) and Phase II (estimated cost: Rs.51.37 lakh) to a local contractor⁹ on the basis of a tender at Rs.182.66 lakh and Rs.114.03 lakh respectively, for completion within 18 months (*i.e.* by May 2001). It could not be ascertained from records whether approval of the competent authority had been obtained. The huge difference between estimated cost and tendered amount was noted by Audit but could not be examined due to non-availability of records.

For *Phase I*, the contractor executed work valuing Rs.127.76 lakh up to 7th Running Account (RA) bill¹⁰ and was paid in full (the value of the work done up to 7th RA bill) without recovery of the value of the material worth Rs.8.75 lakh¹⁰ issued to him. After receiving payment of the 7th RA bill of Rs.9.04 lakh in May 2005, the contractor left the work without assigning any reasons. The records did not reveal why the Department did not initiate action to get the work done at the risk and cost of the contractor by engaging the second lowest contract. The Department rescinded the work order in July 2005. Security deposit of Rs.4 lakh (Phase I), however, had already been refunded in October 2001. The fact that the Department failed to recover material worth Rs.8.75 lakh and also released the security deposit after the sixth RA bill when the work was only 70 *per cent* complete. The quality of workmanship of the incomplete work appears doubtful.

As regards *Phase II*, the contractor had executed work worth Rs.82.74 lakh up to 4th RA bill⁹ and was paid in full for work done up to 4th RA bill without recovery of the value of material worth Rs.5.02 lakh issued to him. After receiving payment of 4th RA bill (valued at Rs.18.25 lakh) in March 2000 the contractor did not resume the work for which a show cause notice was served to him in July 2005 for non-resumption of the work. Reasons for not taking

⁹ W. Rupachandra Meitei

¹⁰

Date of payment of bill	1 st RA	2 nd RA	3 rd RA	4 th RA	5 th RA	6 th RA	7 th RA
Phase I	11.2.2000	16.2.2000	26.8.2000	25.1.2001	12.4.2001	29.6.2001	16.5.2005
Phase II	30.12.1999	12.1.2000	11.2.2000	10.3.2000	-	-	-

¹⁰ Phase I: Rs.4.82 lakh and Rs.3.93 lakh recoverable from 5th RA bill and 7th RA bill respectively for material issued were not recovered.

action against the contractor were not on record. It was noticed in Audit that though the contractor left the work without assigning any reason and did not restart the work even after the show cause notice, the Department had not yet rescinded the work order.

Thus, in the two works, the contractor had left execution of the works after receiving payment of full value of the works done without recovery of Rs.13.77 lakh (Phase I: Rs.8.75 lakh; Phase II: Rs.5.02 lakh) for material issued. There was no scope of recovery of the amount. Out of a security deposit of Rs.7.50 lakh, Rs. 4 lakh was refunded in October 2001 leaving only Rs.3.50 lakh with the Department. Therefore, failure of the Department in recovering the cost of material issued to the contractor resulted in loss of Rs.10.27 lakh to the State exchequer even if the balance amount of Rs.3.50 lakh of security deposit is forfeited. Apart from loss to the Government the purpose for which the expenditure of Rs.2.11 crore was incurred was not achieved as the work of construction of auditorium was not completed. As the work for incomplete portion has not been taken up so far the likelihood of its completion appears remote.

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

MISCELLANEOUS DEPARTMENTS

4.13 Overdrawals from the GPF

State Government employees were granted GPF advances/withdrawals by their drawing and disbursing officers in excess of their balances resulting in negative balances in the GPF accounts of 362 subscribers amounting to Rs.1.24 crore at the end of March 2005.

According to Rule 12 (1) of GPF (CS) Rules, 1960 which is also followed by the State Government, advances from GPF can be granted to a subscriber up to half of the amount at the credit in the GPF account or three months' pay, whichever is less. Rules 15 and 16 *ibid* permit withdrawals from GPF to a maximum of 90 *per cent* of the balance at credit.

Examination of GPF accounts of the State Government employees maintained in the Office of the Sr. Deputy Accountant General (A&E), Manipur revealed that there were negative balances in the GPF accounts of 157 subscribers amounting to Rs.25.22 lakh at the end of March 2004; the number went up to 362 at the end of March 2005 with aggregate value of Rs.1.24 crore as indicated in *Appendix 4.6* (account group-wise). The occurrence of negative balances owing to overdrawals without verifying the balances at the credit of the subscribers was referred to the State Government in May 2005 and again in February 2006 requesting the Commissioner (Finance), to instruct the Departments to investigate the matter urgently. Accordingly, instructions were issued by the State Government on 6 March 2006 to all the DDOs and the Treasury Officers to deduct the overdrawn amounts from the salary of the subscribers for the month of February 2006. The report on actual recovery was awaited from the Government/DDOs as of June 2006. Lack of internal controls in sanctioning advances/withdrawals of GPF by the DDOs led to overdrawal of Rs.1.24 crore from the State employees General Provident Fund. No action was initiated against the DDOs concerned for violating GPF rules and sanctioning excess amounts to their employees.

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