

CHAPTER IV

AUDIT OF TRANSACTIONS

AUDIT OF TRANSACTIONS

This chapter presents Audit of transactions of the departments of Government, their field formations as well as that of autonomous bodies. The instances of lapses in the management of resources and failures in the observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraudulent payment

PUBLIC WORKS DEPARTMENT

4.1.1 Fraudulent payments by recording fictitious measurements

The Department recorded fictitious measurements without executing the works and made payments to the contractors for works not executed. The fraudulent payment in respect of three such works was Rs 53.49 lakh.

The Department executed a number of road improvement works utilising Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC). Test-check of three¹¹ such works executed by Building and Roads (North) Division, revealed the following deficiencies:

(i) BM and SDBC layers were provided unnecessarily in the estimates since the design had more thickness than needed for improvement of roads. The quantity of BM required was also boosted in the estimates. These gave scope for fraud by recording fictitious measurement during execution.

(ii) The hot mix of BM and SDBC required for the works were transported to the sites by the contractors and laid on the same day. The Junior Engineer (JE) maintained the Bituminous Temperature register at the sites for recording the date of arrival and temperature of the mix and details of vehicles. The works executed were recorded in the measurement books by the JE and after check measurement by Supervisory Officers, payments were made to the contractors. Scrutiny of the Bituminous Temperature registers disclosed the following:

(a) The JE recorded measurements accounting for larger quantity of work than that is possible with the quantity of mix received at the sites upto

¹¹ (1) Improvement to the road from Katterikuppam to Lingareddypalayam from chainage 0/0 to 3/400, (2) Improvement to the road RC 13 from Sellipet causeway to Vadhanur and (3) Improvement to the road RC 21 Frontier road from Madagadipet to Silkanipalayam

the date of measurement. He made payments for quantities not actually executed on those dates (details in Appendix 18).

(b) In respect of RC 13 road, though BM mix was transported and the work was commenced only on 26 March 2002, it was recorded as executed from 24 March 2002 itself in the measurement book.

(c) The additional work of improving the two intermittent stretches belonging to Tamil Nadu in RC 13 road which involved SDBC, was approved by Executive Engineer (EE) and Superintending Engineer (SE) in August 2002 and April 2003. The measurements for the work were recorded in September 2002. However, SDBC mix was not transported for the work after May 2002. Hence, the work could not have been executed in September 2002.

(d) The Ministry of Road Transport and Highways (MORTH) specifications state that profile correction is to be measured by taking initial and final level measurements and after bringing the road to even surface, the increase in the thickness of the road is to be measured by linear measurement (length, breadth, thickness). However, it was seen that in all the three works, the linear measurements were recorded before taking final level measurements.

(e) The total quantity of BM utilised was measured by taking initial and final level measurements. The initial measurement of BM layer could be done only after completing patch work with Built Up Spray Grout and the surfacing with SDBC could be executed after taking final measurement for BM layer. However, these two items were shown as executed in the measurement book during the intermittent period between initial and final measurement of BM.

(f) Test-check of the registration numbers of vehicles which were stated to have carried the mix disclosed that 14 vehicles were light motor vehicles like car, jeep and motor cycle, which could not have been used for carrying the mix. Thus, the quantity of BM recorded as carried by these vehicles was bogus.

(g) The contract conditions for these works stipulated that the bitumen should be got tested before use and the paid vouchers of bitumen procured for the works by the contractor were to be produced to the EE. In spite of specific requests by Audit, the Chief Engineer had not produced the records.

Thus, fictitious measurements were recorded and payments were made to the contractors. The quantity of work that could have been executed utilising the BM and SDBC mix carried to the sites by lorries, the quantity of BM and SDBC as measured and paid for by the Department and the amount paid for works not executed are given in Appendix 19. The fraudulent payment worked out to Rs 53.49 lakh.

When pointed out, Government stated (September 2003) that the thickness required for improvement of these roads were arrived as per MORTH

specifications. Government also contended that the vehicles carried 8.5 cubic metre (cu.m) of mix during each trip and based on this, the quantity of BM and SDBC measured were well within the quantity of mix transported to the sites. The Government, however, did not give any reasons for the other fictitious recordings. The contentions of Government were not tenable as vehicles with laden weight of less than three metric tonnes were considered for estimating the thickness required for the roads although they were to be excluded. Further, based on the permissible weight of 10 metric tonnes of mix that could be carried by each lorry, only 6.62 cu.m of BM and 5.81 cu.m of SDBC could be carried in these vehicles.

As 21 other works were under execution with BM and SDBC, similar fraudulent payments in these works could not be ruled out. The Government has been requested to conduct a detailed investigation of all road works executed with BM and SDBC during 1998-2003 and inform audit the results of investigation.

4.2 Overpayment

PORT DEPARTMENT

4.2.1 Overpayment due to admission of ineligible claim

The failure of the Executive Engineer to ascertain the veracity of the claim which included Excise Duty element with basic price resulted in overpayment of Rs 16.73 lakh.

The Executive Engineer (EE) prepared (January 2001) an estimate for the work of design, construction, equipping and supply of jetting sand pump by obtaining rates and duties for various items from Firm 'S'. When tenders were called for (April 2001), the Firm 'S' quoted the lowest rate. Though the tenders indicated the basic price and all-inclusive price including duties and taxes, the supply order placed in November 2001 indicated only the all-inclusive price for all items of work.

The supplies were completed in January 2002 and the supplier while claiming payment raised invoices mentioning the basic price and Central Sales Tax; the basic price was inflated by Rs 16.09 lakh with the Central Excise Duty element. The Department, without verifying the reason for inflation of basic price in the invoices, settled the bills. This resulted in overpayment of Rs 16.73 lakh. When a reference was made by Audit (September 2002), the Deputy Commissioner of Central Excise, Guindy Division, Chennai IV Commissionerate stated (February 2003) that Firm 'S' manufactures only small pumps and the contract division of the Firm which was not an assessee under Central Excise, imported the equipment from

United Kingdom for supply to Pondicherry Port. Thus, the Department without verifying the claim of the tenderer with regard to his liability to pay Excise Duty, accepted the amount quoted and placed orders at all-inclusive price.

Audit pointed out (August 2003) that there was an overpayment of Rs 16.73 lakh (*vide* Appendix 20) since the Firm 'S' had included the Excise Duty in the basic price, although it was not the manufacturer of the pump. Government replied (October 2003) that the Department was not aware that the Firm was not an Excise assessee and stated that Rs 15 lakh were recovered by invoking the Bank Guarantee given by the Firm. The Government agreed to recover the balance from the final bill or from the security deposit.

4.3 Avoidable/unfruitful expenditure

AGRICULTURE DEPARTMENT

4.3.1 Avoidable payment of cash compensation

The Department paid cash compensation to farmers affected by loss of production without verifying the veracity and genuineness of loss. Though there was production loss only in 1612 hectares, compensation was paid for 3989 hectares resulting in avoidable payment of Rs 89.14 lakh.

The Additional Director of Agriculture, who inspected the crop damage due to unseasonal heavy rainfall from 31 January 2002 to 6 February 2002, estimated that 4000 hectares (ha) of samba paddy crop in Karaikal region had been adversely affected to the extent of 60 to 80 *per cent* and proposed cash compensation of Rs 3750 per ha to the affected farmers. Government, while sanctioning (February 2002) the compensation, ordered that the Department should ensure the veracity and the genuineness of loss and the identity of beneficiaries before payment of compensation to the owners/tenant cultivators. The field officers paid Rs 1.50 crore to 8311 cultivators covering 3989 ha. Scrutiny of the related records revealed the following:

(a) The guidelines issued by the Joint Director (March 2002) did not provide for co-ordination with the Revenue Department for identifying the area affected, extent of damage and the beneficiaries. Consequently, the payment was made on the recommendation of the field officers of the Agriculture Department. The applications submitted did not contain vital information and the field officers recorded only the area affected by rain

without assessing the production loss. Many of the applications were not countersigned by the Deputy Director of Agriculture.

(b) Twenty one farmers for whom cheques have been drawn based on applications had not come forward to receive the compensation.

(c) The weekly report of crop production indicated the productivity of paddy after the rain as under:

Period	Area harvested (ha)	Production in MT	Productivity (MT per ha)
9.2.2002 to 15.2.2002	800	2134	2.67
16.2.2002 to 22.2.2002	1612	1598	0.99
23.2.2002 to 1.3.2002	1295	2763	2.13
2.3.2002 to 8.3.2002	497	1061	2.13
9.3.2002 to 29.3.2002	883	1884	2.13

MT: Metric Tonne

Compared to the productivity of 2.65 MT per ha obtained for crops harvested before the rain, there was production loss of more than 60 *per cent* only in 1612 ha harvested during 16 February 2002 to 22 February 2002. Hence, only these farmers were eligible for payment of compensation. But the payment of compensation was made in respect of 3989 ha, evidently without verifying the veracity and genuineness of loss.

To an audit query, Government stated (July 2003) that payment of compensation was made without ascertaining the land particulars as these details were not furnished by the tenants, who cultivated the land without any lease agreement and the field staff had satisfied themselves about the identity of these beneficiaries before making the payment. The Government also contended that 4000 ha which were harvested between 7 February 2002 and 5 March 2002, yielded 4240 MT only (1.06 MT per ha) which worked out to 60 *per cent* loss.

The contentions of the Government were not tenable due to the following facts:

(i) Test-check of records of Revenue Department revealed that many Survey Numbers shown in the applications were Government lands and many applicants who did not mention the Survey Numbers in the application were not identifiable by the respective Village Administrative Officers. Further, more than one applicant mentioned the same Survey Number. These indicate the improper verification of beneficiaries.

(ii) The Co-operation Department implemented the 'National Agricultural Insurance Scheme' for the farmers. When the Registrar of

Co-operative Societies claimed loss of production in Samba paddy due to heavy rain in February 2002 in Karaikal region, the Insurance Company, after obtaining the yield data based on crop cutting experiments conducted by Economics and Statistics Department, stated that the paddy crop of Nedungadu Commune in Karaikal region alone was affected by the rain and allowed compensation to the 62 insured farmers of that commune only. The Department, however, allowed compensation for the entire Karaikal region, without verifying that the crop damage was more than 60 *per cent*. Further, the weekly report indicated that the production loss was more than 60 *per cent* only in 1612 ha.

Thus, payment of compensation for 2377 ha without verification of crop damage resulted in avoidable expenditure of Rs 89.14 lakh.

When the matter was again referred (August 2003), Government contended (December 2003) that the compensation was payable to all affected farmers irrespective of percentage of crop damage and the Revenue Department would not be able to identify the beneficiary farmers cultivating on oral tenancy basis. These contentions were not tenable as the Government order stipulated that the compensation was eligible for more than 60 *per cent* damaged crops only and the audit observation was not on payment to wrong beneficiaries, but to ineligible beneficiaries.

POLICE DEPARTMENT

4.3.2 Blocking of funds in the purchase of Fast Patrol Vessel

Rupees 43.46 lakh spent on the construction of Patrol Vessel remained unfruitful as the vessel did not meet the specifications.

For maintaining vigil along the sea coast to combat sea-borne terrorism, curb smuggling activities and prevent clashes between fishermen in the sea, the Government approved (September 1997) setting up of a 'Marine Police Wing'. Government constituted a Committee to monitor the construction of one ten metre (m) 'GRP Fast Patrol Vessel' for the wing and the Department appointed (March 1998) a technical consultant to supervise the construction of the vessel. The construction work was awarded (November 1998) to a ship-building firm (Builder) for Rs 51.73 lakh for delivery by November 1999. However, due to delay in deciding the life saving devices and since the required speed was not attained during trial runs, the vessel was not delivered as of November 2003. The Department paid Rs 42.41 lakh to the Builder during March 1999 to January 2001 and Rs 1.05 lakh to the consultant.

Scrutiny of the records revealed the following:

(i) When the construction of the vessel was nearing completion, the Department proposed (January 2000) to provide a communication system and a ten men life raft instead of a dinghy with a capacity of four, which was heavy and space consuming. Approval of Government for the additional cost was obtained only in January 2001, leading to delay in fabrication of the vessel.

(ii) The agreement stipulated that the maximum speed of the vessel should be 20 knots and the engine speed should be 3400 revolutions per minute (rpm). Though the construction was completed by April 2001, the vessel did not meet the required specifications. During the trial runs in March 2002, November 2002 and May 2003, it was found that the boat was steady only when the engine speed was 2500 rpm and the maximum speed attained was only 13 knots. When the Builder prepared the vessel for the next trial run in November 2003, the propeller was lost at the mouth of the channel. As such, the vessel was not delivered as of November 2003.

(iii) The agreement provided for relaxation of the speed capability by 1.5 knots with reduction in price at the rate of Rs 2 lakh per knot. It also provided for the cancellation of the contract with cost, if the agreed speed was not achieved. The Department, however, had not cancelled the contract with cost, even though the vessel could not achieve the stipulated speed and the defect could not be rectified for over two years.

Thus, the Builder could not deliver the vessel as per specification even after two years of completion of construction, indicating either design failure or manufacturing defect. The Department had not ascertained the actual technical snag in the vessel and whether it could be rectified. Consequently, Rs 43.46 lakh was blocked and the Marine Police Wing was not set up in spite of sanction of required posts by Government.

When the matter was reported, Government accepted the facts (October 2003) and stated that a final decision would be taken after completion of trial run.

4.4 Other points

AGRICULTURE DEPARTMENT

4.4.1 Functioning of State Land Use Board

State Land Use Board failed to take up the required activities to solve the problem relating to the use of land and the Government of India assistance of Rs 31.46 lakh was mainly used to meet the establishment charges.

In order to (i) maintain proper balance among various uses of land, (ii) prevent land degradation and (iii) to reclaim the degraded land, Government of India (GOI) launched (December 1974) the scheme of setting up State Land Use Board in each State. In November 1986, GOI strengthened the scheme by providing financial assistance to meet the cost of nucleus staff, procurement of infrastructure and conduct of studies, reviews, workshops and seminars.

The main functions of State Land Use Board (Board) were preparation of 25 year perspective plan for optimum management of land and soil resources and protection of agricultural land against depletion by reclamation of land, increasing land-water efficiency etc. A review of the functioning of the Board during 1998-2003 revealed the following:

(i) During 1998-2003, Rs 28.41 lakh was spent on salaries, while only Rs 3.05 lakh was spent on infrastructure, awareness campaigns and conducting studies. The Board failed to take up any activities to achieve its objective.

(ii) The scheme provided for creation of six posts with an Additional Director to head the Board and reconstitution of the Board once in two years. The Board was to meet four times a year and communicate the deliberations of seminars and studies to GOI. The Board was not reconstituted after August 1997 and no meeting was held after June 1997. Further, the post of Additional Director was vacant during March 1998 to May 2000 and September 2001 to November 2001. Thereafter, the Additional Director was declared as the Head of Department of Agriculture. In the absence of proper direction from the Board, most of the GOI assistance was utilised only to meet the establishment expenditure.

(iii) During 1998-2003, the Board conducted only essay competitions in schools and survey of status of soil organic carbon, organised camps in villages on improvement of soil fertility and issued Soil Health Cards to the farmers in certain villages. However, the main objectives of reclamation of land, increasing land-water efficiency and creation of informed public opinion were lost sight of. The only study taken up for formulating crop production plan was not completed as of March 2003.

(iv) The stock register did not reflect the availability of any of the infrastructure viz., Jeep, Slide Projector, Ammonia Printing Machine, Laminator, Mapping Equipment and Cassettes created under the scheme.

Thus, the Board constituted in 1976 remained non-functional and even the basic objective of preparation of 25 year perspective plan was not taken up.

When pointed out, Government stated (August 2003) that the Board's function was only advisory and assured to take action to prepare the perspective plan and reconstitute the Board. Government claimed that four studies undertaken during the last 29 years were used for issuing clearance for use of agricultural land for other purposes. However, the Board did not take action on any of the objectives set forth by GOI. Hence, the expenditure of Rs 31.46 lakh incurred during 1998-2003 proved unproductive.

INDUSTRIES AND COMMERCE DEPARTMENT

4.4.2 Ineffective planning in setting up of Coir Growth Centre

Inadequate preliminary investigation of the land taken over for setting up the Coir Growth Centre and the hasty action in releasing funds to developing agency resulted in avoidable interest loss of Rs 18.09 lakh.

To utilise the rich harvest of coconut and to provide employment to educated unemployed youth, the General Manager (GM), District Industries Centre proposed (March 1997) to establish a Coir Growth Centre where coir based industries were to be set up.

The GM identified (March 1997) 1.35 hectares (ha) of land at Villianur. He took over the land in October 1998 and entrusted the work of levelling the land and construction of compound wall to Pondicherry Agro Services and Industries Corporation Limited (PASIC) in March 1999. Though the development of land and construction of compound wall were to be entrusted to Public Works Department, the GM entrusted the work to PASIC and deposited Rs 43.16 lakh (Rs 15.45 lakh in April 1999 and Rs 27.71 lakh in March 2001) with it. When PASIC requested (May 1999) to identify the land for taking up the work, the GM discovered that the land in question was under cultivation by the villagers, who claimed that the land belonged to a temple and the land tax was also being paid regularly. Due to objection by the villagers, the proposal was dropped in January 2000. Subsequently, when no other land could be identified, the land in Villianur was again inspected (February 2002) and it was found that it was not contiguous and was actually separated by private land. Consequently, the land was returned (October 2002) to Revenue Department.

When the irregular parking of Government money outside Government account was pointed out by audit, the GM requested (December 2002) PASIC to refund the amount. PASIC refunded Rs 42.69 lakh in November 2003. As the Government obtained loan from Government of India for implementing 'Plan' schemes, retention of Rs 43.16 lakh by PASIC resulted in avoidable interest burden of Rs 18.09 lakh to Government.

When pointed out, Government contended (September 2003) that the land at Villianur was taken over after calling for objections from public through Revenue Department and was later abandoned to avoid law and order problem and that the money was locked up only with Public Sector Undertaking. However, the fact is that the land was not suitable and the deposit was unwarranted.

TOWN AND COUNTRY PLANNING DEPARTMENT

4.4.3 Two Million Housing Programme

Government of India fixed a target of construction of 3413 houses per annum for the poor under Two Million Housing Programme. Government had not followed the guidelines issued by Government of India for implementing the programme and treated the thatched houses, houses constructed for rental purpose and subsidies/loan released for construction of houses under other ongoing schemes as achievement under the programme.

In order to provide 'Housing for all', Government of India (GOI) introduced 'Two Million Housing Programme' (Programme) of construction of 20 lakh additional houses every year for the Economically Weaker Section (EWS) and Low Income Group (LIG). The average cost of the new units was fixed at Rs 35,000 for EWS and Rs 1 lakh for LIG. The Programme was to be funded through institutional finance (70 per cent), state subsidy and beneficiary contribution in cash, kind and labour. The GOI would provide additional equity support to Housing and Urban Development Corporation Limited (HUDCO) which would provide financial assistance at concessional rate of interest and also compensate any loss suffered by HUDCO in this regard. GOI fixed a target of 3413 houses per annum for the Union Territory (UT) of Pondicherry. The target was to be over and above the other ongoing schemes.

According to the guidelines issued by GOI, the following steps were to be taken at the State level.

(i) Specific agencies should be identified and action plan should be drawn up, (ii) Private sector, Community and Non-Government Organisations (NGOs) should be involved, (iii) Simplified and user-friendly technology should be evolved and (iv) Agricultural and industrial waste and eco-friendly building material should be used. Besides, the States are to reduce the stamp duty, simplify various registration procedures and provide basic infrastructure like water supply, road, drainage to make the Programme sustainable in the long run.

Audit of the implementation of the Programme in the UT during 1998-2003 revealed that the Government had not followed the guidelines issued by GOI and treated the dwelling units constructed by the Government departments and other agencies under various ongoing schemes as achievement under this Programme. The details of schemes implemented and the achievements during 1998-2003 are given in Appendix 21.

As against the target of 17,065 houses to be constructed during the five years under the Programme, the departments reported an achievement of 8006 dwelling units. While the achievement reported by Survey and Land Records, Adi-dravidar Welfare and Fisheries Departments and Pondicherry State Co-operative Housing Federation Limited indicates only release of subsidy/loan to the beneficiaries, the achievement by Public Works Department and Pondicherry Slum Clearance Board related to houses allotted on rental basis. Besides, the achievement reported also included thatched houses. These achievements were not therefore related to the Programme.

The UT Government released Rs 3 crore to the Pondicherry Housing Board during 1998-2002 for implementing the programme. The Board spent Rs 2.51 crore for acquisition and development of land at Pondicherry and Karaikal for the programme. The Board, however, also decided (October 2001) not to construct EWS/LIG houses in the two sites due to high cost and proposed (April 2002 and June 2002) to construct 49 MIG houses at Pondicherry and 24 MIG houses at Karaikal.

Thus, the Programme launched by GOI to reduce housing shortage for the poor did not yield any result in the UT so far.

When pointed out, Government agreed (October 2003) with the audit observations and stated that the Government departments and agencies constructed 906 houses over and above their normal targets during 1998-2003 which could be treated as the achievement under the Programme. The Government assured to make good the backlog under the new scheme 'Shelter for houseless poor' to be taken up by Pondicherry Slum Clearance Board. The Government also assured that the Housing Board would construct EWS and LIG flats in the land acquired and not houses for MIG.

PONDICHERRY PLANNING AUTHORITY

4.4.4 Revenue loss due to non-preparation of development plan

The failure of the Planning Authority to prepare development plan for rural areas resulted in non-collection of development charges of Rs 2.33 crore and release of Rs 68.75 lakh as grants by Government to compensate the revenue loss to the Authority.

The Pondicherry Town and Country Planning Act, 1969 (Act) provided that the Planning Authority has to prepare development plan for the area under his control within three years of declaration of Planning Area. If the Planning Authority failed in its duty, the Senior Town Planner of Town and Country Planning Department has to prepare the development plan. The development plan will come into operation on the date of notification of the plan in official gazette after approval by Government. The Authority has to collect charges for development of any land covered in the development plan and construction of building thereon at prescribed rates from public.

Though the rural areas of the Pondicherry region were also included in the Planning Area in July 1989, the Pondicherry Planning Authority (PPA) failed to prepare the development plan for the rural areas as of April 2003. Consequently, PPA could not collect development charges of Rs 2.33 crore for development activities undertaken in rural areas during 1993-2003 (*vide* Appendix 22). PPA attributed (April 2003) shortage of manpower as the reason for the failure. This contention was not tenable as the Senior Town Planner had prepared development plans for Karaikal, Mahe and Yanam regions in 1993 as the respective Planning Authorities did not have sufficient manpower. Further, PPA revised the development plan for the urban areas in 1997 and has taken up another revision for urban areas at a cost of Rs 15.80 lakh during 2002-2003 by employing contract employees for conducting the survey. Hence, the development plan for rural areas could have been prepared by engaging qualified personnel on contract basis. Incidentally, it was seen that Government released Rs 68.75 lakh as grants-in-aid to PPA during 1998-2003 as the revenue from development charges was insufficient for performing the functions envisaged in the Act.

When pointed out, Government stated (October 2003) that the post of Senior Town Planner was vacant from November 1994 to September 1997 and November 1998 to June 2002 and PPA did not prepare the development plan due to lack of manpower. While assuring to take up the work, Government informed that PPA worked out the loss as Rs 18.55 lakh only. However, Audit found that this loss was worked out based on the rate prescribed in May 1982, while the actual loss was Rs 2.33 crore based on the rate revised in June 1991.

4.5 General

4.5.1 Follow up action on earlier Audit Reports

The Committee on Public Accounts (PAC) accepted the recommendations of the Shakhder Committee wherein it was recommended that (i) Departments were to furnish replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them, within a period of three months of the presentation of the Reports to the Union Territory Legislature, (ii) A time limit of three months was prescribed for submission of Action Taken Notes on the recommendations of the PAC by the departments. A review of the outstanding paragraphs revealed the following:

(a) Out of 34 paragraphs/reviews included in the Audit Reports (18 relating to 2000-01 and 16 relating to 2001-02), departmental replies were not received for any of the paragraphs/reviews as of September 2003.

(b) The Government departments had not taken any action as of September 2003 on 205 recommendations made by PAC in respect of Audit Reports of 1974-75 to 1994-95 (Appendix 23).