

CHAPTER-III

RURAL ENGINEERING SERVICE DEPARTMENT

3.1 Integrated Audit Of Rural Engineering Service Department

The Rural Engineering Service (RES) Department is responsible for execution of deposit works in rural areas of the State for various departments of the Government.

An integrated audit of the RES Department for the period 2004-05 to 2008-09 revealed deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works. Management of deposits and stores was not found in accordance with provisions of financial rules as there were instances of excess expenditure over deposits, non-recovery of advances, un-authorized retention of unspent balances, lapsed deposits and stock profit. Human resource management by the Department was also found poor as most of its executive and supervisory posts are being managed by nominating *Prabhari* from lower cadres; deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. The main findings are highlighted below:

Highlights

➤ *Department had no mechanism for centralised monitoring and effecting recoveries of outstanding advances, as advances amounting to Rs.49.67 lakh were outstanding for recovery, out of which Rs.21.70 lakh remained unrecovered for more than 10 years.*

[Paragraph: 3.1.7 (iii)]

➤ *Responsibility of RES remains undefined in respect of number of client departments entrusting work resultantly, the department overburdened with a large number of works accumulating year after year.*

[Paragraph: 3.1.8.1]

➤ *Sixteen works valued at Rs.14.05 crore were irregularly split into 50 parts by subordinate authorities to avoid approval of competent authorities indicating inadequate control by higher authorities.*

[Paragraph: 3.1.8.2]

➤ *Contract management and execution of works was unsatisfactory with weak controls as there were instances of unjustified acceptance of bids, excess payment over agreed cost and arbitrary execution of works/deviation from sanctions.*

[Paragraph: 3.1.9]

➤ *Despite instructions from Secretary RES, the Department is yet to completely switch over to vertical tendering process which envisages management of all material for work by the contractors.*

[Paragraph: 3.1.10.1]

➤ *Stock profit (Rs.38 lakh) and unclaimed deposits for more than three years (Rs.98.35 lakh) remained to be credited to revenue account as required under financial rules.*

[Paragraph: 3.1.10.3 & 3.1.7 (ii)]

- *The Department is running without regular Chief Engineer, Superintending Engineers and has a shortage of 28.57 per cent of Executive Engineers and 43.39 per cent of Assistant Engineers. The work of these posts was being managed by nominating 'Prabharies' from lower cadres.*

[Paragraph: 3.1.11.1]

3.1.1 Introduction

RES was established in July 1972 in Uttar Pradesh under Rural Development Department with a view to undertake and execute various departmental works in rural areas taking into account standard specifications and engineering aspects. Subsequently, it was created as a separate Department and continued to be so in Uttarakhand after the State reorganization in November 2000.

The RES Department has no scheme or project of its own; it undertakes assigned construction works of various Government departments viz. construction of buildings, link roads, small bridges and development of sites, etc, as 'Deposit Works'. The working of RES Department is similar to the working of the Public Works Department (PWD) and the various provisions / schedule of rates (SOR) meant for the PWD are applicable for the RES Department as well.

3.1.2 Organisational Set up

The RES Department is headed by a Secretary at Government level. Chief Engineer (CE) is the Head of the Department assisted by Superintending Engineers (SE), Garhwal and Kumaon Circles, respectively. Overall 13 divisional offices (one in each district) headed by an Executive Engineer (EE) are responsible for execution of all assigned works within their territorial jurisdiction.

3.1.3 Scope of Audit

Integrated audit of the RES Department was carried out between June and September 2009 through a test check of records of office of the CE, one SE (Garhwal Circle) out of the two, and six EEs out of 13, for the period 2004-05 to 2008-09.

During the course of audit, all 7 agreements of CE, 11 agreements of SEs (pertaining to sampled divisions), 50 *per cent* agreements of EEs and 25 *per cent* agreements of AEs were reviewed with reference to their progress, payments, time extension, security deposits etc. However, detailed analysis was carried out in 35 works depending upon materiality of the case with reference to their Technical Sanction (TS), SOR, Measurement books, running / final bills and other relevant records.

3.1.4 Audit Objectives

The audit objectives were to appraise the functioning of the RES and to assess:

- Whether the assigned works were in consonance with the capacities and resources commanded by RES.
- Whether estimation and sanction of works was carried in conformity with the applicable financial rules.

- Whether basic canons of financial propriety were adhered to and public resources were safeguarded during the stages from entering into contracts till project execution.
- Whether procurement and management of stores was as per laid down rules and in conformity to the principle of economy.
- Whether human resources available with the Department were being utilized optimally and deployed judiciously.
- Whether the Department had an effective mechanism of internal controls.

3.1.5 Audit Criteria

The performance of the Department was evaluated and benchmarked with the following audit criteria:

- Provisions of departmental Rules, Regulations and Manuals.
- Provisions of the Financial Hand Book (Volume –V & VI).
- PWD-SOR applicable in concerned district / area and estimates approved by designated authorities.
- Directives of client departments for deposit works.
- Inspection and monitoring mechanism prescribed in the Department.

3.1.6 Audit Methodology

Before commencing audit, the audit objective, criteria and scope were discussed (June 2009) with the Secretary and CE of the Department in an entry conference. Six divisions, three from each region (Dehradun, Haridwar, Pauri from Garhwal; and Almora, Nainital, Udham Singh Nagar (U S Nagar) from Kumaon) were selected through random sampling method: PPSWR (Probability Proportional to Size with Replacement) based on division-wise total expenditure for the year 2004-05 to 2008-09. The audit findings were also discussed (November, 2009) with the Joint Secretary, the CE and concerned EEs in an exit conference and views of the Department were suitably included in the report.

Audit findings

The results of the integrated audit are enumerated as follows:

3.1.7 Financial Management

The financial position of the Department for the period 2004-05 to 2008-09 was as under:

Table-3.1

(Rs. in crore)

Year	Opening Balance	Funds Received	Funds Available	Expenditure	Closing Balance
2004-05	17.60	40.58	58.18	40.10	18.08
2005-06	18.08	64.98	83.06	54.29	28.77
2006-07	28.77	115.30	144.07	89.27	54.80
2007-08	54.80	113.27	168.07	102.85	65.22
2008-09	65.22	156.26	221.48	129.57	91.91

Source: Departmental figures

The financial position of sampled divisions is given in *Appendix-3.1*.

Following deficiencies were noticed in the management of deposit funds:

(i) Paragraph 580 of the FHB¹ (Vol.-VI) provides that outlay on deposit works is required to be limited to the amount of deposit received. It was noticed in 49 works that an expenditure amounting to Rs.34.35 lakh² was incurred in excess of deposits received for these works by diversion of deposits relating to other works.

(ii) Paragraph 622 of the FHB (Vol.-VI) provides that unclaimed deposits for more than three completed years should be credited to revenue as lapsed deposits. Scrutiny revealed that none of the sampled divisions credited such unclaimed deposits amounting to Rs.98.35 lakh³ to the revenue account during the year 2004-05 to 2008-09.

(iii) Paragraph 578 of the FHB (Vol.-VI) stipulates that transactions related to sale on credit, expenditure incurred on deposit works in excess of deposits received, losses, retrenchments, recoverable penalties and advances against employees etc are recorded as 'Miscellaneous P.W. Advances', which should be recovered by the divisional officer as soon as possible.

Scrutiny of records of the sampled divisions revealed that miscellaneous advances of 181 cases⁴ amounting to Rs.49.67 lakh were outstanding for recovery as on date of audit out of which an amount of Rs.21.70 lakh pertaining to 118 cases were outstanding for more than 10 years which indicates that the divisional officers had a lackadaisical approach towards recovery of these outstanding advances.

(iv) Paragraph 634 of the FHB (Vol.-VI) stipulates that unexpended balances of completed works should be refunded to concerned departments by taking it as reduction in the deposits. Scrutiny revealed that unexpended balance of 27 completed works amounting to Rs.35.42 lakh (Almora: Rs.8.55 lakh of 12 works; and Nainital: Rs.26.87 lakh of 15 works) was not refunded to the concerned departments after completion of these works (between November 2006 and March 2008).

(v) Paragraph 514 of the FHB (Vol.-VI) stipulates that the account of deposit work should be closed as early as possible after completion / handing over of the work. Scrutiny revealed that, contrary to the provision, accounts of 114⁵ works were kept open and expenditure amounting to Rs.1.87 crore was incurred after handing over of works to the concerned departments.

(vi) The EEs are responsible to recover the applicable Government revenues, viz. Income Tax, Royalty and Sales Tax from the contractors' bills at the prevailing rates. It was noticed in U S Nagar division that royalty on mineral-ores (viz. boulder, sand and earth) used for various construction works

¹ Financial Hand Book

² Almora: Rs.2.76 lakh in 5 works; Nainital: Rs.12.06 lakh in 12 works; Pauri: Rs.18.57 lakh in 25 works; U S Nagar: Rs.0.96 lakh in 7 works.

³ Almora: Rs.2.95 lakh; Dehradun: Rs.3.24 lakh; Haridwar: Rs.8.15 lakh; Nainital: Rs.7.11 lakh; Pauri: Rs.51.37 lakh; and U S Nagar: Rs.25.53 lakh

⁴ Almora: Rs.10.24 lakh (4 cases); Dehradun: Rs.5.62 lakh (46 cases); Haridwar: Rs.0.83 lakh (3 cases); Nainital: Rs.11.44 lakh (79 cases); Pauri: Rs.12.64 lakh (39 cases); and U S Nagar: Rs.8.90 lakh (10 cases).

⁵ Almora: Rs.47.85 lakh (in 15 works); Dehradun: Rs.30.10 lakh (in 21 works); Haridwar: Rs.18.15 lakh (in 8 works); Nainital: Rs.48.31 lakh (in 12 works); Pauri: Rs.17.22 lakh (in 37 works); and U S Nagar: Rs.25.53 lakh (in 21 works).

by contractors was not recovered for entire period of audit (2004-05 to 2008-09) except royalty on earth of Rs.0.40 lakh which was started only from October 2008.

The EE stated (August 2009) that deduction of royalty on boulders and sand at applicable rates has also been started from July 2009.

(vii) The Government of Uttar Pradesh (at the time of re-organization of the State of Uttar Pradesh on 9th November 2000) had frozen all deposits under head of account '8443-Civil Deposits' for appropriate bifurcation of assets and liabilities between Uttar Pradesh and Uttarakhand. Scrutiny revealed that deposits amounting to Rs.2.79 crore of four⁶ divisions (Almora: Rs.95.91 lakh; Dehradun: Rs.38.72 lakh; Nainital: Rs.47.44 lakh & Pauri: Rs.97.09 lakh) remained frozen in possession of the Government of Uttar Pradesh even after lapse of more than nine years.

The CE accepted the above points and assured (November 2009) that necessary initiatives are being taken to rectify all the irregularities pointed out by Audit.

In sum, the RES has no mechanism for centralized monitoring of excess expenditure and outstanding dues. The lackadaisical approach towards recovery of advances, excess expenditure and frozen funds indicates that financial management of the department was not satisfactory.

3.1.8 Status and estimation of works

Each work is undertaken by the RES on receipt of administrative and financial sanctions, site and funds for the work from client Department; however, the funds are provided in installments by client departments in most of the deposit works. The TS is granted by the designated authorities of the RES.

3.1.8.1 Physical position

Status of works in sample divisions was as under:

Table- 3.2

Name of divisions	Type of works			Total	Sanctioned Cost (Rs.in crore)	Completed works	Yet to be completed
	Buildings ⁷	Roads ⁸	Other ⁹				
Almora	242	90	323	655	51.76	567	88
Dehradun	117	382	145	644	36.44	573	71
Haridwar	360	1275	401	2036	115.27	1851	185
Nainital	306	174	125	605	36.13	516	89
Pauri	210	355	388	953	46.41	780	173
U S Nagar	323	160	33	516	41.63	330	186
Total	1558	2436	1415	5409	327.64	4617	792
Year-wise details of assigned works							
Year	2004-05	2005-06	2006-07	2007-08	2008-09		
No. of works	669	978	1569	977	1216		
Expenditure (Rs. in crore)	28.67	44.80	79.10	80.50	94.56		

Source: Data extracted from deposit registers of respective division

⁶ Rest two sampled divisions (Haridwar and U S Nagar) were created after bifurcation.

⁷ Buildings includes: Construction of Govt. offices, schools, hospital, additional rooms and staff quarters.

⁸ Roads includes: Cement-Concrete, Bituminous, *Kharanja* and Pedestrian roads.

⁹ Others includes: Repairs / renovations of Govt. buildings and Temples, construction of small bridges & mini stadia and site- development works etc.

An analysis of the physical position of the sampled divisions revealed that

- RES divisions have large number of deposit works in hand and sites of these works are scattered in remote and hilly areas. It was found that there were no terms and conditions between RES and client departments regarding time bound execution of works. This, coupled with heavy workload and scattered nature of the works, has adversely affected the efficiency and timely execution of works resulting in yearly accumulation of deposits.
- Out of 792 works which were yet to be completed as on date of audit (between June and September, 2009), 61 works amounting to Rs.6.16 crore were un-started and no further expenditure was noticed in 44 works for past one year after incurring an expenditure of Rs.3.03 crore. Thus, the un-started and held-up works defeated the very objective of their deposits. Audit observed that the works were un-started due to non-availability of site and disputes thereon; whereas the held-up works were attributable mainly to non-availability of remaining instalments from the client departments.
- The responsibility regarding entrustment of works to the RES has not been defined by the Government in terms of workload and number of client departments. As such, the Department faced the brunt of uncertainty regarding the quantum of work.

The State Administrative Reforms Committee in its report to the Government (October 2007) has recommended that the works valuing less than Rs.2 lakh should be assigned to Panchayats instead of an agency like RES; Government approval is awaited.

The CE stated (September 2009) that the Department is burdened with heavy workload and a proposal for restructuring and formation of some new divisions has been sent (February 2009) to the Government, on which, decision is awaited. Timely execution of works could be ensured if the sanctioned funds are made available in time and the restructuring of the Department is approved by the Government.

3.1.8.2 Flaws in estimation and sanction

➤ Inaccurate estimation of works

The correctness of detailed estimates is to be measured by the extent of nominal variation between quantities estimated and actually executed. Any substantial variation between these quantities of work indicates that estimation was not done accurately.

The above aspect was analysed in audit through comparison between estimated / agreed cost and actual cost of work agreements of the sampled divisions. In 261 work agreements, audit found that there was overall 25.50 *per cent* variation between the costs which is indicative of inaccurate estimation. The details are given in *Appendix -3.2*.

The CE assured (November 2009) that the substantial variation in costs will be viewed seriously.

➤ **Unjustified revision of TS**

Government sanctioned (March 2006) Rs.32.09 lakh for construction of a Mini Stadium, Bhirgukhal (Yamkeshwar – Block), Pauri; the work was assigned to the EE, RES, Pauri. The work consisted of (i) Construction of Pavilion building at a cost of Rs.15.87 lakh, and (ii) Construction of Play Ground at a cost of Rs.14.28 lakh including miscellaneous expenses of Rs.1.94 lakh as per details of TS accorded (October 2006) by the EE, Pauri. The funds were made available to the division in two instalments¹⁰ against which expenditure as on date was Rs.21.31 lakh (May 2009).

Audit noticed that on receipt of second instalment of the work, the division prepared and got sanctioned (June 2008) a fresh estimate only for construction of Play Ground costing Rs.32.09 lakh by excluding the provision relating to construction of Pavilion building. The hike in cost of play ground was mainly due to addition of 15 cms extra layer of earth filling, which was to be carted from Kotdwar valued at Rs.10.73¹¹ lakh. Ostensibly, the additional provision of earth filling was made for adjustment of funds relating to Pavilion building as there was no such provision for additional layer in two similar constructions of Mini Stadia under construction (Pavoan and Dudbodevi) for the same client Department.

The EE replied (June 2009) that the estimate was revised due to price escalation and as per direction of the client Department. The revision of TS was unjustified as the division had received no such direction from the client Department for revision of estimate and utilisation of funds relating to Pavilion, accordingly.

➤ **Irregular estimation of cartage rate**

It is mandatory for preparation of estimate / granting of TS for each work that distance for cartage of material is to be taken from the nearest approved quarry or market as the case may be.

Audit scrutiny of the following cases revealed that cartage rate for material upto the site was estimated irregularly:

- (i) TS granted by the EE-Haridwar for construction of 4.24 km. Peetpur–Allavalpur road of Haridwar district provides that estimated rate of stone ballast was taken from Doiwala (Dehradun) quarry instead of nearest quarries at Bahadrabad, Haridwar. The cartage difference up to the site of the work from the two quarries was Rs.111 per cum and 2986.22 cum stone ballast was used for the work. This resulted in an extra expenditure of Rs.3.31 lakh on the work.
- (ii) 0.5 km. mule cartage for material (grit, sand and cement) was allowed by the EE, Almora through TS for re-construction of two cement concrete Motor Roads despite the fact that *Kacheha* roads were available for transportation of the material through power¹² cartage, resulting in an excess expenditure of Rs.2.67 lakh.

¹⁰ Rs.6.00 lakh in August 2006 and Rs.26.09 lakh in March 2008.

¹¹ The entire cost (Rs.894/cum) pertains to carriage of soil from Kotdwar to the site.

¹² Power cartage means, the material carted through a Truck or Motor.

The EE, Haridwar stated that cartage rates from Doiwala quarry was taken as the district administration had banned all quarries of district Haridwar at that time. The reply was not acceptable as the respective district authority of Haridwar had clarified (November 2009) that the quarry was banned only in the rainy season whereas the TS of the work was granted in February 2008.

➤ **Granting of irregular TS**

Paragraphs 321 and 369 of the FHB (Vol.-VI) provide that no officer may sanction any estimate for a work or a group of works which forms one project if the cost of all such works collectively exceeds his power of sanction. The financial limits for granting of TS by various designated authorities of RES are Rs.2 lakh for AE, Rs.40 lakh for EE, Rs.1 crore for SE; and full powers for CE.

Audit scrutiny of the sampled divisions revealed that TS for 7 works of CE's power (amounting to Rs.9.15 crore) were granted by subordinate authorities (SEs/EEs) in contravention to the above financial provisions through splitting of the works into 26 parts as per their suitability of financial limits. Similarly, 9 works of SE's power (valued at Rs.4.90 crore) were also splitted in 24 parts by EEs for granting of TS (details are given in *Appendix -3.3*). Thus, the TS were granted irregularly and approval of competent authorities avoided; which is indicative of inadequate supervisory controls.

In sum, large number and scattered nature of works as well as undefined responsibility of the RES due to the uncertainty in the number of client departments entrusting work to it, are adversely affecting the utilisation of funds and timely execution of works. Besides, cases relating to irregular and inaccurate estimation of works do not provide reasonable assurance about adequate mechanism in the Department for preparation/sanction of estimates.

3.1.9 Contract management and execution of works

RES executes all works through contractors which are selected through tendering. An agreement stipulating quantities of work to be done, agreed sum and the period for completion of the work is required to be prepared and signed between the authorized signatory of the department and the contractor.

Progress of work being executed by contractor is required to be constantly supervised and monitored by the technical staff of the division and each item is to be recorded in the measurement book. Payment to the contractors is made as per the item rate specified in the contract and quantity actually executed.

The deficiencies noticed relating to contract management and execution of works have been discussed as under:

3.1.9.1 Unjustified acceptance of bids

Although financial rules are silent about higher and lower ceiling for acceptance of tendered rate, financial prudence shows that tendered rate over estimated cost should not be accepted invariably at first instance to maintain transparency in dealing with public money. Further, any tendered rate over estimated cost for deposit work can not easily be accepted until and unless assurance to bear the liability of extra financial burden from the client department is received. Audit scrutiny revealed that bids for six¹³ agreements amounting to Rs.11.13 crore were accepted over estimated cost in the first instance through negotiations with lowest bidders. Audit further noticed that bill of quantity (BOQ) amounting to Rs.1.14 crore of two works was reduced while signing the agreements to keep the tendered cost within limit of the financial sanctions. The details are as under:

Table- 3.3

(Rs. in lakh)

Agreement No.	Cost of Agreement	Estimated cost / BOQ as per TS	Estimated cost of agreed BOQ	Value of left BOQs	Tendered rate over estimated cost (in percentage)
06/CE/05-06	219.29	201.98	201.98	-	Above 8.57
07/CE/05-06	206.68	248.77	177.48	71.29	Above 16.45
08/CE/05-06	130.06	115.98	115.98	-	Above 12.14
01/CE/06-07	225.51	259.41	216.40	43.01	Above 4.21
02/CE/06-07	114.58	112.82	112.82	-	Above 1.56
03/CE/06-07	217.05	206.73	206.73	-	Above 4.99
Total	1113.17	1145.69	1031.39	114.30	

Source: Agreements of the CE.

The acceptance of higher bids in the first instance was unjustified as funds were provided by client departments in accordance with estimated cost and their assurance for bearing extra burden was essential.

The CE replied that the bids on negotiation were accepted to avoid further delay of re-tendering. The reply was not convincing as process of retendering was to be exercised at least once to observe the principle of economy and transparency in dealing with public funds.

3.1.9.2 Irregular selection of contract and execution of work beyond sanction

Records relating to construction of Sports Stadium, Kotdwar of Pauri Division showed that the work was awarded to the third lowest contractor at a cost Rs.55.12 lakh; whereas, first lowest bid for the work was Rs.48.30 lakh (12.38 per cent lower than third bidder). The justification recorded for not awarding the contract to the first and second bidders was that the progress and quality of some other works in progress of these contractors was not satisfactory.

Audit scrutiny revealed that awarding of contract to the third lowest bidder was irregular because the division had neither imposed any penalty for works being carried out by the first and second bidders, for which the justification was recorded, nor the contractors were blacklisted. Moreover, sub-work amounting to Rs.7.05 lakh of the same work was awarded to the same

¹³ Out of total seven agreements executed by the CE during the period 2004-05 to 2008-09.

contractor whose second lowest bid was rejected earlier. Thus, awarding of contract to the third lowest bidder was irregular and expenditure of Rs.12.35 lakh on this work could have been avoided had the contract been awarded to the first lowest bidder as the value of work done against this agreement was Rs.99.78 lakh¹⁴.

Further analysis of records revealed that 2050.50 cum good earth (mixed with clay and sand) was required to be supplied and laid (12 cm. thick) at a cost of Rs.8.49 lakh¹⁵ for the Stadium (Hockey and Sports grounds) as per agreement and TS of the work. But 8971.68¹⁶ cum earth work was supplied and laid (up to 55 cm. thick) against this item of work at a cost of Rs.37.14 lakh without obtaining any revised sanction or variations from the competent authority (SE). The value of total work done had already exceeded over total sanctioned cost (Rs.101.40 lakh) of the work by Rs.16.50 lakh and payment for aforesaid item of work for 5644.81 cum (Rs.23.37 lakh)¹⁷ was pending as of May 2009. Thus, the execution of work amounting to Rs.28.65 lakh beyond sanctions was irregular.

The EE-Pauri assured that work done by the contractor will be re-measured once again and final payment will be made accordingly.

3.1.9.3 Unjustified execution of works

Scrutiny of the following cases revealed that execution of works and quantities recorded in measurement books (MB) was not found justified in accordance with provisions of TS and scope of work:

Re-construction of 430 metres¹⁸ internal roads of Rudrapur Industrial Estate, U S Nagar was to be carried out in 3.60 meter width and 1,548 Sqm area (430 x 3.60) of the roads. Audit scrutiny revealed that there was huge variation in sanctioned quantities and actual execution of the roads as per details given below:

Table- 3.4

Sl. No	Item of work	Quantity ¹⁹ as per TS	Quantity as per execution	Difference in quantity	Cost of work done (Rs.)	
					Unit Rate	Amount
1	Scraping	774.00 sqm.	648.00 sqm.	(-)126.00 sqm.	9.50	6,156.00
2	Inter Coat	160.99 cum.	121.62 cum.	(-) 39.37 cum.	862.80	1,04,933.73
3	Top Coat	157.89 cum .	177.86 cum.	19.97 cum.	866.80	1,54,169.00
4	BM-1	1548 sqm.	1900.50 sqm.	352.50 sqm.	35.00	66,517.50
5	PC (BM)	1548 sqm.	1900.50 sqm.	352.50 sqm.	43.60	82,861.80
6	Seal Coat	1548 sqm..	1900.50 sqm.	352.50 sqm.	16.00	30,408.00
7	Cost of Bitumen	1548 sqm.	1900.50 sqm.	352.50 sqm.	129.25	2,45,639.62
Total						6,90,685.65

Source: Data extracted from the divisional records.

¹⁴ As on date of audit (June 2009).

¹⁵ As per tendered rate of Rs.414 per cum.

¹⁶ The layer was laid 55 Cm. (thick) in Hokey Ground and 14 Cm in Sports Ground as per MB No-107(L).

¹⁷ Payment was made to the contractor only for 3326.87 cum. by the division.

¹⁸ Respectively: 130, 200 & 100 metres in length.

¹⁹ For full road length of 430 metre.

Apart from the deviation in quantities sanctioned and actually executed, the minimum quantities for inter coat and top coat of 1900.5 sqm area of the road was required to be laid 228.06 cum and 190.05 cum, respectively. But the details of above table shows that the quantity for inter and top coats was laid 121.62 cum and 177.86 cum only.

Thus, the inter and top coats were laid in lesser portion; whereas, the bituminous work were carried out in more than total area of the proposed roads which shows that the data recorded in measurement book was itself contradictory and doubtful.

3.1.9.4 Sub-standard and incomplete execution of works

(i) Analysis of work relating to construction of two roads (600 and 540 meters respectively) of U.S. Nagar division for 46th Battalion, PAC, Rudrapur revealed that the work was carried out only in 809 metres against sanctioned length of 1140 metres, as per details given below:

Table- 3.5

Item of Work	Required execution as per TS			Work executed			
	Area (sqm.)	H/D in Cm. (loose)	Quantity (cum.)	Area (sqm.)	H/D in Cm. (loose)	Quantity (cum.)	Cost (Rs.)
Soling Coat	5082	15	762.30	3723.07	13.70	510.35	4,28,898
Inter Coat	5082	12	609.84	3723.07	10	371.58	3,20,599
Top Coat	5082	10	508.20	3723.07	10	370.46	3,21,115
Premixed Carpet	5082	As per sqm.		3723.07	As per sqm.		3,52,575
Seal Coat	5052	-do-		3723.07	-do-		1,39,987
Total							15,63,174

Source: Data extracted from the divisional records

Above details show that the execution of road work was not only incomplete but it also was substandard as the desired thickness of the soling and inter coats were not laid as per TS. It was also found that Rs.7.52 lakh pertaining to this work was spent on other items²⁰ of work which were not part of the sanction.

The EE did not respond to the low thickness of soling and inter coats of the road but it was mentioned that expenditure was incurred as per requirement of client department / direction of the Commandant, PAC, Rudrapur. The reply was not acceptable as the quality of road work was compromised in lieu of other requirement of client Department.

(ii) TS (Rs.29.85 lakh) for construction of Mini Stadium at Shankarpur village (Sahaspur Block), Dehradun provided that the stadium ground was to be prepared with 15 cm. thick layer of screened earth (mixed with clay and sand)²¹ in total area of 4900 sqm.

Analysis of the work revealed that only 2.05 cum screened earth (mixed with clay and sand) was laid against 735 cum required quantity for the proposed layer; which means the upper layer of ground was left unfinished. However, the work was shown completed (February 2007) and handed over with full utilisation of funds.

²⁰ Wire fencing, brick and cement concrete works.

²¹ After filling and leveling of 859.46 cum earth managed locally.

A physical verification of the site by the audit team (July 2009) noticed that the ground was not being utilized by the local public as: (i) the ground was covered with shrubs; (ii) levelling of ground was inadequate, mixed with stones; and (iii) electric line is passing over the ground having an electric pole in middle of the ground as is evident from the photograph.



Thus, the incomplete work was handed over by the division which rendered the expenditure unfruitful as condition of the ground did not appear to be usable.

The Division replied that the condition of the ground was in order at the time of handing over the work which, however, was misleading and contrary to the facts.

3.1.9.5 Excess payment over agreed cost

Fundamental meaning of any valid contract is that both the parties (Contractor and Department) are legally bound to execute the work on the rates which was mentioned in the agreed documents.

Audit scrutiny of 11 agreements of the EE, Nainital pertaining to three²² road works at Bindukhatta, Haldwani revealed that an amount of Rs.20.14²³ lakh was paid to contractors in excess of agreed rates as per details given below:

Table- 3.6

Particulars	Item of work (stone ballast)		
	Soling Coat	Inter Coat	Top Coat
Sanctioned (TS) and agreed rate	Rs.600 / cum.	Rs.634 / cum.	Rs.641 / cum.
Payment rate	Rs.773 / cum.	Rs.798 / cum.	Rs.798 / cum.
Excess rate paid	Rs.173 / cum.	Rs.164 / cum.	Rs.157 / cum.
Total work done	5202.83 cum.	3796.03 cum.	3128.61 cum.
Excess payment	Rs.9,00,089.59	Rs.6,22,548.92	Rs.4,91,191.77

Source: Data extracted from the divisional records

According to the division, the higher rates for the soling, inter and top coats were allowed for crusher stone ballast in place of approved rate / stone ballast from Gola River quarry because material supply from this quarry was banned by the Forest Department during construction period of the roads. The justification of division was not acceptable in audit as there was no provision for revision of rates in the agreement documents; hence, the contractors were legally bound to execute the work on tendered rates. The division had an alternative of granting of time extension to the contractors for the banned

²² (i) Chitrakut Tewari Marg, (ii) Khairani-Vikaspuri and Trolley line Marg, (iii) Dr. Shushila Tewari Marg.

²³ Rs.20.14 lakh (Rs.9,00,089.59 + Rs.6,22,548.92 + Rs.4,91,191.77).

period instead of allowing of higher rates which was not opted. Moreover, a certificate of Forest Department showed that the Gola River quarry was open during execution of these road works (between October 2006 and April 2007).

In short, the contract management and execution of works in the Department lacked adequacy and sufficiency of desired controls. The cases relating to excess payment over agreed cost and acceptance of unjustified bids indicates that interest of Government money was not being secured by the departmental executives. The deviation from sanctions and arbitrary execution of works by contractors represents insufficiency of supervision by the departmental officials.

3.1.10 Management of Stores

The deficiencies relating to management of stores are as under:

3.1.10.1 Non-adoption of vertical tendering process

Secretary, RES had issued an instruction (July 2003) for adoption of vertical tendering process in the Department but audit scrutiny revealed that five out of six test checked divisions (except Haridwar division) had still not adopted the vertical tendering process; thus, depriving the Department from the following benefits:

- Presently the Department is required to provide material to contractors at rate as per *Schedule*²⁴-‘C’ of work agreements without considering future escalations in the cost of materials; whereas in vertical tendering process the price hike is to be borne by the contractor. This was to help the Department for ensuring timely execution of work by the contractor as price escalation in the material would affect the contractor directly.
- The Department will not have to deploy its own resources for purchase and the maintenance of the stores.

State PWD is working with vertical tendering process since May 2002, under which all the required material for work is to be managed by the contractors themselves.

3.1.10.2 Procurement of stock without tender

Provision of the State Store Purchase Rules stipulates that all items shall be purchased by inviting tenders unless value of order to be placed is small.

Scrutiny of five sampled store divisions revealed that store material (cement and steel) for the period 2004-05 to 2008-09 were purchased in bulk on quotation basis instead of inviting tenders, which was contrary to the above provisions. The EEs assured that the future store purchases will be made by inviting the tenders.

3.1.10.3 Profits on Stock

Paragraph 217-A of the FHB (Vol.-VI) provides that profit accruing on stock at the end of each year should be credited to revenue.

²⁴ List of items and rates of the material to be issued to the contractor.

Audit scrutiny revealed that none of the divisions had credited profit on stock to revenue during the period 2004-05 to 2008-09. At the end of year 2008-09, there was unaccounted profit on stock amounting to Rs.38 lakh²⁵ in four sampled divisions as per stock closing of March 2009. However, Almora division did not work out the details of profit or loss on stock for the period of report. It was also noticed during audit of the EE, U S Nagar that the division had obtained an approval from the SE, Kumaon for utilisation of stock profit of Rs.3.58 lakh for construction of sub-divisional godown at Kashipur which was in violation to the financial rules as profit of stock can not be utilised for creation of assets.

3.1.10.4 Avoidable expenditure on transportation of Cement

Provision of PWD-SOR provides that the cartage rate of cement for procurement of store is allowed from nearest Railhead only.

Scrutiny of records of the EE, Pauri revealed that 36279 bags of cement were procured by the division for Kotdwar store from Rishikesh railhead (120 km. away) during the period 2004-05 to 2008-09 by providing cartage of Rs.28 per bag despite the fact that Kotdwar is a rail-head town. This resulted into an avoidable expenditure of Rs.10.16 lakh.

The EE replied that the cement was procured from Rishikesh because the Cement Corporation of India's (CCI) dump is not available at Kotdwar. Reply was not acceptable as the division was not bound to purchase the cement of a particular brand while so many reputed brands are available in the market and the act of division was contrary to provision of SOR.

In sum, management of stock was not required since the vertical tendering process is applicable to the Department. However, if it was desirable, full adherence to the financial rules was to be ensured.

3.1.11 Human Resource Management

Human resource management necessitates that appropriate and transparent policies are framed and adhered to, for proper functioning of an organisation and achieving its goals. The following paragraphs examine adequacy of such management in the RES:

3.1.11.1 Staff management

The staff position of the Department was as under:

Table-3.7

Name of the Post	Sanctioned Strength	Filled-up Posts	Vacant Posts
Chief Engineer (CE)	01	-	01
Superintending Engineer (SE)	02	-	02
Executive Engineers (EE)	14	10 ²⁶	04
Assistant Engineers (AE)	53	30	23
Junior Engineers (JE)	217	232	(Excess 15)
Other Group-C Staff	193	175	18

Source: Information provided by the CE

²⁵ Dehradun: Rs.2.72 lakh; Nainital: Rs.24.02 lakh; Pauri: Rs.7.68 lakh and U S Nagar: Rs.3.58 lakh.

²⁶ One is on deputation.

Evidently the Department is running without regular CE, SEs and has a shortage of EEs (28.57 *per cent*) and AEs (43.39 *per cent*), which are vital posts for any Engineering Department. However, there are excess filled-up posts in the JEs cadre over sanctioned strength but the Department is deprived of their services since October 2005 as 17 JEs had been sent on deputation (after their appointments²⁷) to Public Works Department due to non-availability of vacant post in the RES Department.

Audit observed that the posts of CE, SEs and EEs are promotional but no departmental promotion committees were formed for filling of vacancies of these posts during the period 2006-07 to 2008-09 despite the fact that sufficient number of eligible candidates are available for EEs and SEs posts. However, the Department has nominated officer-in-charge (*Prabhari*) for these vacant posts from feeder cadres. The *Prabhari* charges of the CE and SEs are with 3 EEs, 8 AEs and 25 JEs are looking after the charges of EEs and AEs, respectively. Thus, more than 50 *per cent* posts of executive / supervisory cadres (AE to CE) are being managed on ad-hoc basis from lower cadres; resultantly, the entire burden of the vacant posts rests with men-in-position at the bottom cadre of the technical staff (JEs). The absence of well structured organizational mechanism reflects system inadequacy impacting upon the operational efficiency of the Department.

In reply, the CE-in-charge mentioned (November 2009) that regular promotion could not be granted in these years due to non-finalization of seniority lists for AEs and EEs cadres. The seniority lists of AEs and EEs have been finalized by the Government (September 2009) and the matter of promotions is under process.

3.1.11.2 Disproportionate deployment of staff

Scrutiny revealed that deployment of JEs (Civil) in divisional offices was imbalanced. Despite overall shortage of 27²⁸ men-in-position (MIP) in the Department, JEs in Haridwar, U S Nagar, Dehradun and Pithoragarh divisions were posted in excess of its sanctioned strength which indicates poor management of man-power. The details are given in *Appendix-3.4*.

3.1.11.3 Non-adherence to transfer policy

The transfer policies (2005, 2006, and 2008) laid down by the Government provided that all transfers were to be finalized on the recommendations of the designated Transfer Committees (State and Regional level). The provisions further provide that an employee can stay at a station for a maximum period of five years.

Analysis of the departmental transfers for the period 2004-05 to 2008-09 revealed that the Transfer Committee was formed once in the year 2005. The transfers for the remaining years were finalized mainly on recommendations of politicians and the designated committees were rendered moribund. Scrutiny also revealed that 26 employees²⁹ (Group-‘B’ and ‘C’) were kept posted at the same station for more than ten years. In reply, the CE assured

²⁷The RES had to appoint 17 JEs in excess of sanctioned posts (217) due to issuance of a faulty requisition to the State Public Service Commission (SPSC).

²⁸ Due to nomination of 25 JEs as AEs and 2 vacant posts.

²⁹ Dehradun: 5, Pauri: 5, Nainital: 6, U S Nagar: 8; and Almora: 2.

(November 2009) the Government transfer policy will be adhered to from the next financial year.

3.1.11.4 Undefined office procedure

Any Government Department requires a defined office procedure to govern its activities. It helps the organization to decide the incumbencies of employees and ensure a systematic and disciplined functioning.

Scrutiny revealed that the RES had no Office Procedure Manual (OPM) for its proper functioning. Hence, the duties and responsibilities of staff other than technical were undefined. In reply, the CE assured (November 2009) that instruction for preparing duty charts of ministerial staff were being issued.

3.1.11.5 Idle investment on testing lab

On request of RES, the Government sanctioned (February 2005) Rs.10.19 lakh for construction of a testing lab at Dehradun. Scrutiny revealed that the building was completed in May 2006 but no equipment and staff were provided by the Department to the laboratory as on date (September 2009) of the audit.

The CE replied that provision for staff for the laboratory has been included in the proposal of restructuring of the Department which is pending with the Government. The reply was not acceptable because these provisions would have been ascertained at the time of sending proposal for construction of the laboratory. Thus, the expenditure of Rs.10.19 lakh remained idle.

Most of the executive and supervisory posts of the Department are vacant and are being managed by nominating the *Prabhari*. Such system does not provide free and fair working atmosphere to any organisation that purely deals with contracts and construction activities. The idle investment, non-adherence to laid-down transfer policy, undefined office procedure and disproportionate deployment of JEs are indicative of poor resource management.

3.1.12 Internal Control Mechanism

The adequacy of accounting and internal controls in the RES was examined with reference to laid down procedure for internal controls, recording transactions and maintenance of records. The deficiencies noticed during audit are as under:

3.1.12.1 Improper recording of measurements

The proper rolling and compaction of layers is a vital factor for the life of a road. Record measurement of road works, for laying of Soling, Inter and Top coats are required to be recorded (in MBs) three times as per the PWD specifications: for collection of material; laying of loose quantities / layers as per TS; and compacted quantities / layers after proper rolling to ensure achievement of desired compaction of layer.

Audit scrutiny of records (MBs) of the sampled divisions revealed that only the first two measurements were recorded in the MBs and there was no record measurement for compacted quantities of the road layers. As a result, it was

not possible to ascertain whether desired rolling / compaction of the loose quantities / layers was done properly or not.

3.1.12.2 Non-maintenance of vital records

Audit scrutiny revealed that vital records like Register of Works (Form - 40 & 41), Contractors' Ledger (Form-43) and Deposit Registers (Part I to V in Form-67) of the divisions either were incomplete or were not maintained at all. The details are as under:

Table-3.8

Division	Records not being maintained	Incomplete records
Almora	Stock register in form-12	Register of works.
Dehradun	Contractors' ledger & Register of works	Deposit Register Part-III, Stock A/cs.
Haridwar	Register of works	Deposit Register Part- III
Nainital	Contractors' ledger & Register of works	Tools & Plant Register.
Pauri	Register of works	Contractors' ledger.
U S Nagar	-	Register of works, Contractors' Ledger, Deposit Registers': Part-II & III.

Source: Records / register of the concerned division.

3.1.12.3 Insufficient supervision of divisional offices

Paragraph 70 and 71 of the FHB (Vol.-VI) stipulates that the SE will inspect the state of various works within his circle to ensure that the system of management prevailing is efficient and economical. He will also inspect the divisional offices under his control at least once a year and submit a report to the CE in the prescribed form with a copy to concerned divisions for compliance.

Audit scrutiny of records of the SE, Garhwal (Pauri) revealed that only one inspection of each test checked division was carried out (2008-09) by the SE during the period 2004-05 to 2008-09 and none of the divisions had submitted requisite compliance report to the SE till the date of audit. Audit scrutiny of records of the Almora, Nainital and U S Nagar divisions revealed that no inspection was carried out by the SE, Kumaon (Nainital) during the reported period. Thus, the supervision of divisional offices was not only insufficient but also was ineffective due to non-compliance of inspection reports.

3.1.12.4 Non-settlement of audit paras

The periodical inspections of the Departments conducted by the Accountant General (Audit) are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. The Heads of Offices and the next higher authorities are required to report their compliance to the Accountant General (Audit) within four weeks of receipt of IRs.

Audit scrutiny of records of the test checked divisions revealed that 110 paragraphs³⁰ of 43 IRs³¹ for the period 1987-88 to 2007-08 were outstanding for settlement at the end of March 2009. The long pendency of outstanding audit paras / IRs indicates that proper and timely actions were not being initiated by these divisional officers resulting in erosion of accountability.

³⁰ Almora: 21; Dehradun: 22; Haridwar: 04; Nainital: 26; Pauri: 26; and U.S.Nagar: 11.

³¹ Almora: 7; Dehradun: 7; Haridwar: 2; Nainital: 12; Pauri: 10; and U.S.Nagar: 5.

In sum, periodical supervision of divisional offices by the SEs and timely pursuance of audit findings were an area of neglect in the Department which are very effective tools to monitor and control the internal weaknesses. Moreover, incomplete and non-maintenance of vital records leaves scope for errors and omissions.

3.1.13 Impact Assessment / Conclusion

The Rural Engineering Service Department was unable to ascertain the quantum of works to be undertaken by it as the responsibility of the Department in terms of workload and number of client departments was never defined by the Government resulting in overburdening due to substantial growth in entrustment of works and deposits in the divisions in recent years.

The deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works do not provide a reasonable assurance about adequate mechanism in the Department for preparation / sanction of estimates. Management of deposits and stores was not found in accordance with provisions of financial rules as there are number of cases relating to excess expenditure over deposits, non-recovery of advances, un-authorised retention of unspent balances, lapsed deposits and stock profit in all the sampled divisions. Human resource management of RES was also found poor as most of the executive and supervisory posts of the Department are being managed by nominating *Prabhari* from lower cadres, deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. Periodical inspections by SEs were fewer than mandated and were rendered ineffective due to absence of follow-up actions, indicative of weak internal control mechanism.

3.1.14 Recommendations

- *The internal control mechanism in the Department needs to be strengthened. An internal audit or vice-versa inspection (Peer Review) among the divisional offices would be fruitful to minimize the financial irregularities.*
- *The Government should decide and identify the departments for assignment of works to RES so that the department may become focused and accountable.*
- *The departmental proposal for restructuring/creation of new divisions should be expedited at the Government level to rationalize the heavy workload and facilitate proper monitoring of the works.*
- *The process of regular promotions needs to be expedited to minimize ad-hoc (prabhari) arrangements and deployment of staff should be proportionate to the sanctioned strength and work load of the divisions.*
- *A system for periodical returns on excess expenditure and outstanding advances to the CE and SE offices needs to be established for exercising proper watch and monitoring.*
- *The matter regarding long standing dues should be prioritised for recoveries and legal action may be initiated against defaulters.*