

## CHAPTER-III

### PUBLIC WORKS DEPARTMENT

#### 3.1 Chief Controlling Officer (CCO) based audit of Public Works Department

##### Highlights

*The mandate of the Public Works Department of Goa is to plan, design construct, repair and maintain roads, bridges, buildings as also water supply and sewerage schemes. Chief Controlling Officer based audit of the department revealed lack of budgetary control and financial management, delays in award and execution of works, non-issue of work completion certificates and weak internal control.*

- Lack of budgetary control resulted in persistent savings and non-surrender of funds.

*(Paragraph 3.1.7.1)*

- During 2007-10, 27 to 41 *per cent* of the expenditure was incurred in the month of March, indicating rush of expenditure towards the end of the year.

*(Paragraph 3.1.7.2)*

- Inadequate financial control resulted in excess payment of ₹ 7.88 crore towards loan repayment.

*(Paragraph 3.1.7.4)*

- Bank guarantees amounting to ₹ 13.72 crore obtained in lieu of security deposits from contractors were not renewed.

*(Paragraph 3.1.7.8)*

- Delays in processing of tenders within the validity period of the offers necessitated re-tendering and award of works at higher rates, resulting in extra expenditure of ₹ 2.89 crore.

*(Paragraph 3.1.8.1)*

- Failure of the department in obtaining clearance from Forest Department before issue of a work order resulted in termination of a contract and consequent extra expenditure of ₹ 18.13 lakh on its re-tendering.

*(Paragraph 3.1.8.6)*

- Payment of bills in the order of their receipt could not be ensured due to non-maintenance of a register of bills.

*(Paragraph 3.1.8.7)*

##### 3.1.1 Introduction

In Goa, the Public Works Department (PWD) is responsible for planning, designing, constructing and maintaining roads, bridges, buildings for Government offices, residential quarters, water supply and sanitation etc. The PWD also executes works for local bodies and autonomous organizations of the State and Central Government as deposit works.

The administrative control of the department vests with the Secretary, PWD. All constructions and maintenance works are carried out by 25 Divisions.

The main objectives of the department envisaged in the Eleventh Five Year Plan 2007-2012 were as under:-

- Developing land for various Government construction programmes and providing Government office accommodation at taluka headquarters.
- Construction, widening and improvement of rural roads, State highways and major district roads.
- Construction of bridges/missing links to rural areas and reduction in travelling distances.
- Improving the service level of water supply in all villages and towns to meet the increasing demands of water and providing assured sources of drinking water supply.
- Improving hygienic conditions and creating sanitary awareness in rural areas.

### **3.1.2 Organisational set-up**

The Public Works Department functions under the administrative control of the Secretary, PWD. The Principal Chief Engineer (PCE) is the head of the department. He is assisted by two Chief Engineers (CE), a Superintending Engineer (SE) (Monitoring and Evaluation), a Superintending Surveyor of Works and a Chief Architect. There are nine Circles, each under a Superintending Engineer and 25 Divisions headed by the Executive Engineers (EE). The Joint Director of Accounts is the head of the Accounts Department looking after the accounting, budgeting and internal audit functions. A chart showing the organizational structure of PWD is given in **Appendix-3.1**.

### **3.1.3 Audit objectives**

The broad objectives of the review were to assess the performance of the department on the following parameters:

- Planning process
- Financial management
- Programme implementation
- Internal control mechanism
- Monitoring

### **3.1.4 Audit criteria**

The performance of the department was assessed on the following criteria keeping in view the audit objectives:

- Central Public Works Department Works Manual adopted by PWD,
- Central Public Works Account Code adopted by PWD,

- General Financial Rules, 2005 and
- Receipt and Payment Rules.

### 3.1.5 Audit coverage and methodology

The State PWD has 40 units under its control, out of which 22 units (55 *per cent*) were selected in audit. The details of units selected are given in **Appendix-3.2**. The audit was conducted between March and October 2010 covering the period 2007-08 to 2009-10. The selection of units, which were stratified based on the risk profile of the units, was done on random basis. Aspects related to roads, bridges, buildings and water supply were covered in audit. An exit conference was held with Secretary in December 2010 to discuss the audit findings.

### Audit findings

#### 3.1.6 Planning

##### 3.1.6.1 Formulation of plans

Formulation of a comprehensive plan is of vital importance to achieve the objectives of any organization economically, efficiently and effectively. The PWD prepares Perspective Plans containing physical and fiscal targets to be achieved during the next five-year period. The targets envisaged in the Five Year Plans are considered while preparing Annual Plans. Analysis of the targets envisaged in the Five Year Plans and those fixed in the Annual Plans of the department for bridges, roads, water supply and sanitation during the period 2007-10 revealed the following:

i) The Five Year Plan (2007-12) envisaged construction of five<sup>⊕</sup> bridges with an outlay of ₹ 11.30 crore. However, the Annual Plans during the period 2007-10 included construction of eight more bridges costing ₹ 166.17 crore which were not included in the Five Year Plan. The State provided only ₹ 35.20 crore as total outlay in the Annual Plans of 2008-10 for completing the 13 bridges.

ii) In respect of piped water supply in rural areas, the Five Year Plan envisaged coverage of 752 people in three villages. The department planned coverage of all the 752 people in the first year (2007-08) itself. The department, however, planned further coverage of additional four villages with population of 1,287 during 2008-10. The additional coverage in the Annual Plans over that envisaged in the Five Year Plan indicated inadequacies in assessing the requirements while formulating the Five Year Plan.

The PCE stated (October 2010) that the Five Year Plan was prepared based on public requirements duly suggested by Executive Engineers. New schemes had

<sup>⊕</sup> Includes one spillover bridge work of the previous period.

been taken up in the Annual Plans as per the priority and approval of the Government. The fact remains that no comprehensive surveys to assess the requirements had been conducted while formulating the Five Year Plan, which resulted in preparation of the Plans on adhoc basis without long term perspective.

### ***3.1.6.2 Inadequacy in plan formulation leading to non-achievement of targets***

Based on the Annual Plans the departments fixed the targets during 2007-10 which could not, however, be achieved as detailed below.

i) The Five Year Plan envisaged construction of 30 kilometre (km) of State Highway. As against the target of 18 km fixed in the Annual Plans for the year 2007-10, the department constructed only 4.38 km which constituted only 24 *per cent* of the target.

ii) As against the target of 1,500 sewerage connections to be released during 2007-10 only 379 connections were released, resulting in shortfall of 75 *per cent*.

iii) The department had fixed a target of 15,000 latrines and 450 community latrines to be constructed during 2007-10 against which only 9,696 latrines (64 *per cent*) and 58 community latrines (13 *per cent*) were constructed.

iv) As against 210 habitations/villages to be covered for increase in supply of water from 80 LPCD<sup>£</sup> to 100 LPCD the number of habitations/villages covered were only 96 resulting in a shortfall of 54 *per cent*.

Thus, non-achievement of targets for implementation of above schemes reflected inadequacies in fixation of targets by the departments.

The department attributed (October 2010) the shortfall in achieving the target to various reasons like problems in land acquisitions, rains, objections from public, change in alignment, hurdles like water pipe lines, underground cables and other unforeseen problems. The reply is not acceptable as all the above factors are taken into consideration by the department before fixation of targets.

## **3.1.7 Financial management**

### ***3.1.7.1 Budgetary allocation and expenditure***

The budget of the PWD is prepared in the office of the PCE based on the estimates from the divisions which are submitted to the Government for approval. On approval of the demand, the allotment of funds is made to each division based on the monthly requirements intimated by it. The budget

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<sup>£</sup> litres per capita per day

estimates and actual expenditure under capital and revenue heads during 2007-08 to 2009-10 are given in **Table-1** below:

**Table-1: Details of budget allocation and expenditure**

*(₹ in crore)*

Year	Budget provision			Expenditure			Saving (-) or Excess (+)	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital
2007-08	277.52	297.57	575.09	270.58	221.83	492.41	(-) 6.94(2)	(-) 75.74(25)
2008-09	337.16	354.88	692.04	334.20	273.06	607.26	(-) 2.96(1)	(-) 81.82(23)
2009-10	412.93	381.00	793.93	407.70	353.77	761.47	(-) 5.23(1)	(-) 27.23(7)
<b>Total</b>	<b>1027.61</b>	<b>1033.45</b>	<b>2061.06</b>	<b>1012.48</b>	<b>848.66</b>	<b>1861.14</b>	<b>(-) 15.13(1)</b>	<b>(-) 184.79(17)</b>

(Source: Demands for grants & Appropriation Accounts)

(Figures in parentheses indicate percentage)

***Lack of budgetary control resulted in persistent savings***

The savings under the capital head during 2007-08 (25 per cent) and 2008-09 (23 per cent) were on account of non-approval of the project for 'Augmentation of water supply and sanitation'. The PWD did not surrender any part of the budgetary provision made for the project though it was clear that the provision made for the entire year could not be used. The savings during 2009-10 (seven per cent) were mainly due to excess budget provision of ₹ 19.36 crore made for repayment of loan to the Goa State Infrastructure Development Corporation. The PWD did not surrender the budget provision though it was aware (May 2009) that the repayment had already been completed and no provision was required. A supplementary provision of ₹ 25 crore made under the capital head during 2008-09 proved unnecessary as the expenditure did not come up to the level of the original provision. Thus, lack of budgetary control resulted in funds not being re-appropriated in time to the needy departments.

Allotment of funds to the divisions is done by the PCE based on monthly demands. Scrutiny in audit of the demands and allotments in respect of seven<sup>♦</sup> divisions for the year 2007-10 revealed that the allotment were less than the demands, which resulted in bills amounting to ₹ 43.45 crore remaining unpaid. Thus, the allotment of funds by the department was lopsided, which resulted in unpaid bills on the one hand and savings in the budgetary provisions on the other hand, reflecting poor financial management.

***3.1.7.2 Rush of expenditure***

As per the General Financial Rules, 2005, rush of expenditure, particularly in the closing month of the financial year is to be regarded as breach of financial propriety and should be avoided. The percentage of expenditure incurred in the month of March vis-à-vis the total expenditure during the year is given in **Table-2** below:

<sup>♦</sup> Division No-IV, VI, IX, X, XI, XII and XV.

**Table-2: Rush of expenditure in March**

*The percentage of expenditure in the last month of the financial year ranged between 27 and 41 per cent*

(₹ in crore)			
Year	Total capital expenditure during the year	Capital expenditure in March	Percentage of expenditure in March
2007-08	221.83	91.64	41
2008-09	273.06	85.66	31
2009-10	353.77	97.24	27

(Source: Appropriation Accounts and data furnished by the department)

As seen from the table, the department incurred 27 to 41 *per cent* of the total expenditure in March during the years 2007-10. Scrutiny of the records of Division VIII and Division XVI revealed that expenditure in the month of March ranged between 12 and 59 *per cent* during 2007-10. Details are given in **Appendix- 3.3**.

### 3.1.7.3 Non-settlement of deposit work accounts

The PWD undertakes construction, repairs and maintenance works for local bodies and autonomous organizations of the State and Central Government as deposit works. As per para 3.6 of the CPWD Works Manual, the deposit for a work should be realized before any liability is incurred on the work. Further, it has to be ensured that the expenditure incurred is not more than the deposit received for the work. Para 3.6.5 of the Manual also stipulates that the EEs should settle their accounts against the deposit works expeditiously so that the accounts do not remain unsettled for long.

Test check of records in the selected divisions revealed that Division XII received (1996) a deposit of ₹ 1.02 crore for replacing a pipeline for the Konkan Railway Corporation. However, the division incurred expenditure to the extent of ₹ 1.16 crore. The excess expenditure of ₹ 13.64 lakh had not been recovered despite the lapse of more than 14 years, as the Konkan Railway Corporation had requested to waive the 12 *per cent* departmental charges.

Further, in four ♦ divisions, 64 deposit works amounting to ₹ 16.31 crore were completed as against deposits of ₹ 17.74 crore received from them. Though the Manual provision stipulated expeditious settlement of deposit works, the deposit accounts remained unsettled to the extent of ₹ 1.43 crore. The delays in settlement of deposit accounts ranged between one and 20 years from the date of completion of the work.

The EE of Division, XXV stated (August 2010) that the deposit accounts remained unsettled due to pending final bills. The reply is not acceptable as the CPWD Works Manual stipulates final payment/settlement within three to six months from the date of completion of a work, depending on the cost of the work.

♦ Division No- VII, XVIII, XXIII and XXV.

#### 3.1.7.4 Excess repayment of loan

**Failure to watch monthly outstanding balances of loan resulted in excess repayment of ₹ 7.88 crore**

Three major water supply schemes at Assonora, Opa and Sanquelim, to be partly funded by a loan from the Goa State Infrastructure Development Corporation (GSIDC) were approved (2000) by the State Government. GSIDC sanctioned (December 2001) a term loan of ₹ 150 crore for the scheme. The loan was to be repaid in 84 equated monthly instalments (EMI) of ₹ 2.61 crore each, with interest compounded quarterly at GSIDC's prime lending rate. As against the sanctioned loan of ₹ 150 crore, the PWD availed loan of ₹ 114.84 crore only due to the inability of GSIDC to release the entire loan sanctioned. Since the loan availed of by the PWD was less than the sanctioned loan, the repayment was completed by December 2008. The PWD failed to watch the monthly outstanding balance of the loan and continued to pay the EMI at the rate of ₹ 2.61 crore per month till April 2009. The excess EMI paid was ₹ 7.88 crore and was yet to be recovered from GSIDC (July 2010). The department replied (July 2010) that the excess repayment of instalments was made due to non-submission of outstanding loan balance statements by GSIDC. The reply is not acceptable as the PWD should have worked out the monthly outstanding balances of the loan to guard against excess payment. The absence of financial controls and maintenance of data in respect of loans to be repaid was a serious deficiency in financial management.

#### 3.1.7.5 Time-barred cheques not cancelled

As per para 6.2.11 of the CPWD Account Code, cheques which have been issued but not encashed should be cancelled after three months from the date of issue and their amounts written back into the accounts of the division. Scrutiny in the selected divisions revealed that 275 cheques amounting to ₹ 91.08 lakh issued between February 1986 and September 2009 were not cancelled and written back in the accounts.

#### 3.1.7.6 Non-refund of security deposits to contractors

As per para 15.4.1 of the CPWD Account Code, security deposits remaining unclaimed for more than three complete accounts years after they become due for payment are to be treated as lapsed deposits and credited to Government account. Scrutiny in audit revealed that in 11<sup>^</sup> divisions, security deposits amounting to ₹ 12.11 crore in respect of 2,826 works, which were lying unclaimed for more than three years, were not credited to the Government account as lapsed deposits.

#### 3.1.7.7 Non-refund of earnest money deposits to contractors

As per para 18.5.1 of the CPWD Works Manual, earnest money deposits (EMD) of all the bidders except the lowest bidder should be refunded immediately on opening of a tender or latest within a week from the date of

<sup>^</sup> Division No – II, VII, VIII, X, XII, XIII, XV, XVI, XIX, XXIII and XXV.

receipt of tenders. The EE should periodically review the tender register with a view to ensure that the EMD is refunded in time. Scrutiny of the EMD register in the selected divisions revealed that in 11<sup>~</sup> divisions, 970 EMDs amounting to ₹ 2.37 crore pertaining to the period August 2002 to March 2010 had not been refunded to the contactors.

### ***3.1.7.8 Non-renewal of bank guarantees obtained in lieu of security deposits***

As per para 21.2(3) of the CPWD Works Manual, security deposit should be collected by deduction from the running account bills of a contractor. The security deposit can be released to the contractor against a bank guarantee issued by a scheduled bank. Scrutiny in selected divisions revealed that in 10 divisions<sup>\*</sup>, the security deposits collected in the form of bank guarantees amounting to ₹ 13.72 crore were not renewed by the divisions despite their expiry during the period from August 1994 to March 2010. This shows that there was no control mechanism existing in the department.

## **3.1.8 Programme management**

### ***3.1.8.1 Delays in award of works***

As per para 19.3.1 of the CPWD Works Manual, top priority should be given for expeditious finalisation of tenders. A period of seven to 45 days from the date of receipt of tenders is allowed as per the Manual for scrutiny, finalisation of tenders and awarding of works.

Test check of the records in 12 selected divisions revealed the following:

*Delays in processing of tenders ranged between 31 and 356 days*

In nine<sup>^</sup> divisions test-checked in audit, out of 244 tenders valuing ₹ 50 lakh and above, awarded during 2007-10, there were delays in processing of 99 tenders, ranging between 31 and 356 days. The delays in processing of the tenders within the stipulated time schedule resulted in delays in award of works with consequent delays in project completion. In three<sup>a</sup> divisions, the delays in processing of 12 tenders at various levels within the validity period of the offers led to re-tendering and award of works at higher rates, resulting in extra expenditure of ₹ 2.89 crore.

Thus, non-adherence to the time-frame for processing of tenders diluted the control and accountability mechanism which contributed to project delays and cost overruns.

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<sup>~</sup> Division No – II, IV, VII, VIII, XII, XIII, XV, XVI, XIX, XXIII and XXV.

<sup>\*</sup> Division No – II, IV, VII, VIII, XII, XIII, XVI, XIX, XXIII and XXV.

<sup>^</sup> Division No – II, IV, VII, VIII, XV, XVI, XVIII, XXIII and XXV.

<sup>a</sup> Division No- II, XVIII, XXIII.

### 3.1.8.2 Delays in completion of works

Test check of 14 works costing over ₹ 50 lakh of three Roads divisions (Division Nos VII, XVI and XXV) revealed that 13<sup>e</sup> works were not completed within the stipulated period. In respect of seven works which were scheduled to be completed within three months, extension of time (EOT) was granted for periods ranging from 106 to 515 days. In the remaining six works (five of Division XXV and one of Division XVI) sanction of EOT was not available on record.

The examination of EOT cases revealed that the reasons stated for delays in execution of works were the onset of monsoon, delays in making payments etc. The reasons given for grant of extension were not justified as the time required for completion of the works had been fixed after taking into account the period of the monsoon. Further, timely payment of bills was to be ensured by the department to avoid such delays.

### 3.1.8.3 Non-issue of completion certificates

*Completion certificates were not issued for many of the completed works*

As per para 29.2 of the CPWD Works Manual, a contractor has to furnish a notice of completion of work within 10 days of completion of the work. The completion certificate has to be issued by the concerned engineer within 30 days of the receipt of the contractor's notice. Additionally, the SE/EE has to give a certificate stating that the work has been carried out generally to the specifications and has been completed satisfactorily. Further, final payment is to be made within three months of completion of the work in respect of works valuing upto ₹ 15 lakh and within six months in respect of works valuing above ₹ 15 lakh.

Test check revealed that in respect of 192 works valuing ₹ 1.78 crore completed during June 1995 to December 2009, completion certificates were not issued due to non-regularisation of the extension period, non-approval of revised administrative approval and expenditure sanction etc. Pending issue of work completion certificates, the final bills of the contractors were also not released.

*During 2005-10, though the department received a grant of ₹8.42 crore towards SSA, the funds utilised was only ₹5.02 crore*

### 3.1.8.4 Non-completion of works under Sarva Shiksha Abhiyan

Under the 'Sarva Shiksha Abhiyan' (SSA) a Centrally sponsored scheme, the PWD received funds from the Project Director, SSA. The funds under the scheme were received for construction of compound walls, additional rooms, block resource centres and cluster resource centres. The year-wise position of funds received by Division VIII, Margao and Division XVI, Ponda, expenditure incurred and the balance funds under the scheme during 2005-10 is given in **Table-3**:

<sup>e</sup> Five of Division VII, three of Division XVI and five of Division XXV.

**Table-3: Utilisation of SSA funds**

(₹ in crore)

Year	Opening Balance	Funds received	Total	Expenditure incurred	Balance funds
2005-06	Nil	3.02	3.02	--	3.02
2006-07	3.02	3.90	6.92	1.87	5.04
2007-08	5.04	1.50	6.54	0.76	5.77
2008-09	5.77	Nil	5.77	0.88	4.89
2009-10	4.89	Nil	4.89	1.51	3.38

(Source: Expenditure statement furnished by divisions)

Scrutiny in audit revealed that in Division XVI out of 43 works valuing ₹ 9.04 crore envisaged under the scheme, nine works valuing ₹ 2.31 crore were not taken up till March 2010 despite delays ranging between one and two years for which no reasons were on record. Out of the 34 works valuing ₹ 6.73 crore taken up, only 10 works were completed while 24 works valuing ₹ 4.83 crore remained incomplete (71 per cent) with time overruns ranging between two and 37 months as of March 2010. It was further noticed that as against ₹ 86 lakh received by the Division XVI during 2006-08 for Cluster Resource Centres the division had finalized 11 tenders valuing ₹ 3.17 crore. The reasons for finalizing more work tenders than the number for which funds were received from SSA were awaited (October 2010).

### 3.1.8.5 Poor participation in tenders

The PWD executes construction of roads, bridges and buildings by inviting tenders. As per para 16.1 of the CPWD Works Manual, tender notices for all the works irrespective of their value, should be posted on the website.

Scrutiny of records in test-checked divisions revealed that the tender notices were published in one or two local newspapers without posting the same on the website of PWD. Test check of 43 notices inviting tenders by the seven divisions\* revealed that only two to three offers were received against them, indicating poor participation in the tenders, thereby depriving the divisions of more competitive bids.

In reply, the Executive Engineers stated that the tendering process adopted by the PWD was open tendering and therefore, there was no control whatsoever on participation of the contractors in the tendering process. Moreover, it was stated that these tenders were accepted by the higher authorities as per CPWD norms.

The department should have adhered to the norms in the CPWD Manual for e-tendering. The practice of e-tendering would encourage more participation to enable transparency. More participation in tenders called for by PWD would ensure competitive rates and inhibit the possibility of cartel bidding.

\* Division No-II, VII, XV, XVI, XVIII, XXIII and XXV.

**3.1.8.6 Avoidable extra liability of ₹ 18.13 lakh due to termination of contract and re-tendering of work**

The work of Construction of RCC<sup>®</sup> Bridge on National Highway-17 for Tillari Irrigation Project canal crossing at kilometre 17.00 Panaji Panvel section at an estimated cost of ₹ 36.85 lakh was initially awarded to the lowest tenderer M/s C.H. Abdullah at the negotiated cost of ₹ 45.86 lakh. The stipulated date of commencement and completion of work was 30 March 2007 and 25 September 2007 respectively.

It was noticed that the work could not be executed within the validity period as the site was not free from hindrances due to standing trees. The permission from the Forest Department to cut trees was obtained only in February 2008 i.e. 11 months after issue of the work order. In the meantime, M/s C.H. Abdullah expressed (August 2008) his unwillingness to execute the work due to substantial increase in market rates and non-availability of clear site within the agreement period. Further M/s C.H. Abdullah agreed to carry out the work if payment was made as per the prevailing market rates. The department did not consider the agency's request and the work was finally terminated (September 2008).

The work was subsequently re-tendered (July 2009) at an estimated cost of ₹ 60.97 lakh. The work was awarded to the same contractor as his offer was the lowest at ₹ 63.99 lakh. The work order was issued (December 2009), date of completion being June 2010. The work is yet to be completed (October 2010).

Thus, termination of work due to non-availability of hindrance free site resulted in avoidable extra liability of ₹ 18.13 lakh.

**3.1.8.7 Non-maintenance of register of bills and history sheets of assets**

As per para 10.1 of the CPWD Works Manual, a consolidated record of all the bills received from the sub-divisions in respect of works/supplies should be maintained in the register of bills. The bills should be entered in the register strictly in the order of receipts and the payment of the bills should also be made strictly in the order of their receipts. Scrutiny in 12 divisions<sup>♦</sup> selected in audit revealed that the registers of bills were not maintained to ensure that no undue favour was given to any contractor.

The maintenance of roads, bridges, buildings and water supply lines are executed by five<sup>¥</sup> divisions. Scrutiny of the records revealed that the divisions had not maintained history sheets of the assets to record the details of maintenance works carried out such as the dates of works carried out, the nature of works done, expenditure incurred etc. In the absence of history

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<sup>®</sup> Reinforced Cement Concrete.

<sup>♦</sup> Division No-II, IV, VII, VIII, X, XII, XIII, XV, XVI, XIX, XXIII and XXV.

<sup>¥</sup> Division No-II, IV, XII, XVIII and XIX.

sheets of assets, the frequency of repairs and maintenance works carried were not ascertainable.

Registers of bills and history sheets of the assets with regard to repairs and maintenance works carried out should be maintained to ensure transparency in processing and payment of bills as well as transparency in taking up of maintenance works.

### **3.1.9 Internal control mechanism**

#### **3.1.9.1 Internal audit**

The State Public Works Department follows the CPWD Works Manual, the CPWD Account Code, General Financial Rules, 2005, Receipt and Payment Rules etc., in its functioning. Para 54.17 of the CPWD Works Manual stipulates the procedure to be followed by the Internal Audit Wing.

The internal audit of PWD is conducted by the Internal Audit Wing headed by the Joint Director of Accounts. The department had not prepared its own Internal Audit Manual specifying the duties and responsibilities of the internal auditors, the percentage of checks to be exercised for various items of works, periodicity of audit, procedure for settlement of internal audit objections etc. It was noticed in audit that internal audit of only one division in 2007-08 and two divisions in 2008-09 were conducted while no internal audit was conducted in 2009-10. No pursuance of objections raised in the internal audit reports was done for their settlement. The inadequate internal audit and lack of follow up of internal audit reports contributed to the failure of the system of monitoring and checks.

#### **3.1.9.2 Inspection of sub-divisional offices**

As per para 4.2.6 of the CPWA Code, the Divisional Accountant (DA) is required to periodically inspect and check the records of sub-divisional offices. Scrutiny in audit revealed that the DAs of six divisions\* had not conducted the inspections.

#### **3.1.9.3 Surprise checks of cash balances**

As per the instructions issued by the Finance Department, surprise checks of cash balances have to be carried out once in every quarter by an officer other than the head of the office in addition to the monthly physical verification of cash by the head of office. Scrutiny revealed that in none of the units checked in audit had such prescribed surprise checks been carried out.

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\* Division No-II, IV, X, XII, XVIII and XIX.

### 3.1.9.4 Non-reconciliation of remittances

*Regular reconciliation of remittances was not carried out by the department*

As per para 22.3.1 of the CPWA Code, the department has to conduct monthly reconciliation of remittances with the Government treasury. Scrutiny revealed that 162 challans amounting to ₹ 7.45 lakh remitted but not recorded in the treasury accounts were not reconciled with the treasury by 10 divisions\*. Out of these 162 challans, 139 challans amounting to ₹ 3.10 lakh were pending reconciliation for more than five years.

The non-reconciliation of remittances, absence of surprise check of cash balances, inadequate internal audit and inspection of sub-divisions indicated weak internal controls in the department.

### 3.1.10 Conclusion

Financial management of the department was inadequate with lack of proper budgetary control such as non-surrender of anticipated savings, rush of expenditure at the fag end of year and excess repayment of loan. Further, non-cancellation of time barred cheques, non-refund of security deposits and earnest money deposits to contractors also reflected poor financial management. Programme implementation suffered from delays in award and completion of works, non-issue of works completion certificates etc. Non-conducting of surprise checks of cash balances, inadequate internal audit indicated weak internal controls in the department.

### 3.1.11 Recommendations

- Five Year Plans should be prepared on the basis of surveys and the Annual Plans should flow from the Five Year Plans.
- While making provision of funds, the department should dovetail the anticipated expenditure with the schemes drawn up in the Annual Plans.
- Bank guarantees obtained in lieu of security deposit should be renewed in a time-bound manner.
- The system of issue of work completion certificates should be reviewed to ensure issue of certificates as per the Manual provisions.
- Tender notices should be posted in the website and action should be initiated for e-tendering of works.

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\* Division No – II, IV, VII, VIII, XIII, XV, XVI, XIX, XXIII and XXV.