

## CHAPTER II : AUDIT OF TRANSACTIONS

### *Fraud/Misappropriation/Embezzlement/Loss*

#### RURAL WORKS DEPARTMENT

##### 2.1 Fraudulent payment for work not carried out

**Executive Engineer, Aalo Division, Rural Works Department paid ₹ 73.64 lakh during October and November 2009 to a contractor by recording false measurement of the work which was not actually executed.**

The Government of Arunachal Pradesh accorded (August 2007) administrative approval and expenditure sanction for ₹ 1028.97 lakh for construction of road (single lane) from Ngomdir to Beye (9.81 km) under PMGSY Scheme. Technical sanction was also accorded (July 2007) by the Chief Engineer, Rural Works Department (CE, RWD). The work was awarded to M/s.Ansari & Co. in March 2008 for ₹ 977.35 lakh with stipulated date of completion as March 2009.

Scrutiny of records by audit revealed that the Executive Engineer, RWD, Aalo Division reported to the CE, RWD (April 2010) that the construction of 24 numbers of 1.5 metre slab culvert and 610.00 metre Retaining/Breast wall (R&B Wall) among other items of work had been completed after incurring an expenditure of ₹ 718.33 lakh out of which ₹ 141.73 lakh was paid to the contractor during October and November 2009 for construction of 24 culverts and 455.60 metre R&B Wall at various chainages of the road as recorded in the measurement book of the Division.

A joint physical verification (16 and 19 May, 2010) of the project site conducted by audit along with departmental officers revealed that as against the 24 slab culverts and 455.160 metre R & B wall reported as completed (April 2010), only 14 numbers of 1.5 metre slab culverts and 100 metre R&B wall were actually completed.

Thus, an amount of ₹ 73.64 lakh was paid on the basis of fictitious measurements recorded in measurement book without the work being actually done which has been accepted by the Executive Engineer (May 2010). This is a serious irregularity, which needs to be thoroughly investigated and strict punitive action taken against the official(s) involved in falsification of records.

The matter was reported to the Government (August, 2010); their reply has not been received (October, 2010).

**RURAL DEVELOPMENT DEPARTMENT**

**2.2 Presumptive misappropriation of CGI Sheets**

**Out of 212.44 MT of CGI Sheets procured by DRDA, Aalo during 2007-08 for distribution under IAY, 44.19 MT of CGI Sheets worth ₹ 28.28 lakh appears to have been presumptively misappropriated.**

Indira Awas Yojana (IAY) is a flagship scheme of the Government of India with the primary objective of helping construction/ upgradation of the dwelling unit of the beneficiaries belonging to SC, ST and BPL families, by providing lump-sum financial assistance. According to the IAY guidelines, the payment should be made to the beneficiaries on a staggered basis depending on the progress of the work. However, it was noticed that, disregarding these guidelines, CGI sheets as roofing materials were procured by District Rural Development Agencies (DRDAs) centrally and distributed to the beneficiaries through the respective Block Development Officers (BDOs).

Test check (March 2010) of the records of Project Director (PD), DRDA, Aalo revealed that the PD procured 212.44 MT of CGI sheets valued at ₹ 127.22 lakh and payments were made to the supplier after verification of the receipt of the materials.

The cross check of procurement records with stock register disclosed that out of the total procurement of 212.44 MT CGI Sheets, 120.566 MT valued at ₹ 77.16 lakh procured during June 2007, October 2007, January 2008 and February 2008 were not accounted for in the stock register of the DRDA. However, the remaining quantity of 91.877 MT CGI Sheets was stated to have been issued to various BDOs. During discussion (March 2010), some additional challans in support of distribution of 76.373 MT of CGI sheets in March 2008 to BDOs were shown to audit. Even after taking into account these 76.373 MTs of CGI sheets, the facts remains that only 168.251 MT against total procurement of 212.444 MT of CGI sheets was issued to 12 BDOs during 2007-08 and this was also corroborated with the records maintained by the BDOs.

On this being pointed out in audit, the department stated (August 2010) that due to absence of the concerned staff, entire issue records could not be produced to audit, and also furnished copies of three Stock Registers maintained by PD office for total quantity of 212.44 MT of CGI Sheets (First for 91.8777 MT; second for 76.373 MT; and third for 44.19 MT).

Scrutiny of Stock Register for 44.19 MTs revealed that PD had distributed these CGI sheets directly to the beneficiaries. The Stock Register for 44.19 MTs appears to have been manufactured after it was pointed out by audit since under the prevalent system for IAY, the scheme benefits are to be extended by BDO and PD has no role in this. Maintaining three different Stock Registers for same item during the same period, creates doubt about their veracity. PD office was not able to make available the relevant stock register during 77 days period while audit of that office was in progress.

Thus, there was presumptive misappropriation of 44.19 MT of CGI sheets valued ₹ 28.28 lakh out of the procurement during 2007-08.

**FOOD AND CIVIL SUPPLIES DEPARTMENT**

**2.3 Presumptive fraud in payment of Land Transport Subsidy for transportation of Iodised Salt.**

**Presumptive fraud of ₹1.11 crore by admission of questionable land transportation subsidy claims for transportation of iodised salt for PDS beneficiaries in Dibang Valley by head load operations.**

Consequent upon the discontinuation of transport subsidy on salt, superior kerosene oil and levy sugar by Food Corporation of India, the Government of Arunachal Pradesh decided (May 1997) to allow Land Transport Subsidy (LTS) for transportation of Public Distribution System (PDS) items by head load operation to the interior remote areas of the State. The State Government approved carriage rate of ₹ 125.00 per quintal per Km for head load with effect from April 2003. As per the norms prescribed by the Government of India (GOI), 500 gm of iodised salt are to be issued under PDS to each PDS beneficiary per month. According to the information/data on projected population furnished by the department, the total BPL and AAY population of Dibang Valley was 3,220 (BPL: 928; AAY: 2,292) for whom the monthly salt requirement was 16.10 quintals.

Test check (January 2010) of records of the Director of Food and Civil supplies, Naharlagun, revealed that against the annual requirement of 193.20 quintal of salt, the District Administration, Dibang Valley on four occasions (August 2003, March, May and June 2004) allotted total 1,800 quintal of salt, which was far in excess of the actual entitlement of the district.

The District Administration finalised LTS claims totalling ₹ 191.45 lakh for the head load operations of 1,800 quintal. of salt which was paid by the Directorate to the carriage contractors in August 2009. The LTS paid on transportation of the salt in excess of one year's entitlement was ₹ 139.33 lakh.

On this being pointed out in audit, the department stated (July 2010) that audit has not taken APL population into account whereas under PDS scheme, they are also the entitled beneficiaries. Even after taking into account the APL population, which is 5,414, the total population of Dibang Valley was 8634 and the monthly entitlement of salt works out to 43.17 quintals only. Thus, the annual entitlement of salt would be 518 quintals whereas 1800 quintals of salt was allotted resulting in excess allotment of 1325 quintals. The LTS paid on transportation of the salt in excess of one year's entitlement was ₹ 110.98 lakh (Calculated at the rate of ₹ 125 per quintal per km for an average distance of 64 km).

It is apparent that the entire exercise of allotment and lifting of salt and its transportation to remote locations in the district far in excess of the actual entitlement

is an elaborate plan to defraud the Government. Further, the delay in settlement of LTS claim for over five years seems to be intentional as the subsidiary records relating to transportation and distribution of salt is lost with the passage of time.

## **PUBLIC WORKS DEPARTMENT**

### **2.4 Undue financial benefit to a firm by falsifying the record**

**Executive Engineer, Roing Division, PWD paid secured advance of ₹ 1.39 crore by making fake entry in measurement book to extend undue financial benefit to a firm.**

According to the CPWD Work Manual, secured advance not exceeding 90 per cent of the value of material required for the works as brought to the site and measured; and mobilisation advance limited to 10 per cent of the tendered amount at 10 per cent simple interest could be paid to a contractor on specific request as per the terms of contract.

The Executive Engineer (EE), Roing Division, PWD awarded (March 2009) the work 'Construction of permanent bridge over river Sisiri' (span 270 metre) to M/s Soma-Sarada JV (a Hyderabad based firm) at a negotiated amount of ₹ 16.08 crore with the stipulation to complete the work by November 2011. As per the terms of agreement, the contractor was entitled to mobilisation advance and secured advance but was silent on interest on mobilization advance.

Scrutiny (January 2010) of the records of Roing Division, PWD revealed that (i) mobilisation advance of ₹ 1.61 crore (March 2009) was paid to the firm against Bank Guarantee furnished by it and (ii) secured advance of ₹ 1.39 crore was also paid to the firm on the ground that material valued at rupees two crore was actually brought to the work site.

***The payment of secured advance was obviously made on false entry made in the measurement book in view of the following evidence.***

- a) From the correspondence available on the files of the Division, the firm itself had stated (July 2010) that it placed order for material costing ₹ 49.39 lakh from SAIL in July 2009, where as the secured advance was paid on the date of award of contract i.e., 12 March 2009.
- b) The firm also expressed its inability, in July 2009, to make any progress in the work due to hurdles in transportation of machineries, equipment, material, etc. due to the non-opening of RCC Bridge over Siang at Pasighat for vehicular traffic, which according to EE, Pasighat was opened only in August 2010.
- c) In response, the EE, Roing Division, PWD, informed (01.10.2010) that the date of receipt of bridge material at site was 12.03.2009 which is improbable as it was the day on which work order was issued to the firm. No information regarding receipt of tools and plants at site has been provided by the Department.

It was also noticed that no mention regarding the mobilization advance was made in 'Notice Inviting Tender' while the tenders were invited for the work. Since the other tenderers were unaware of this facility this tantamount to an undue benefit to the contractor.

Further, even after a lapse of more than a year, there is no significant progress in work including bringing of materials to site for their use in the bridge construction as is evident from the quarterly progress report for the quarter ending September 2010.

Payment of secured advance without materials being actually brought to work site by recording false entries is irregular and resulted in extending undue benefit to the firm. Further, financial interest of the State has been compromised as there is no backup to recover the money advanced to the firm if the firm defaults. The matter needs thorough investigation to fix responsibility and take penal action against the officials who colluded with the firm to pass on the undue benefit to it.

The matter was reported to the State Government (August, 2010); their reply has not been received (October, 2010)

## 2.5 Doubtful expenditure on cooking cost in mid-day meal scheme

**During the year 2007-08, the Education Department spent ₹ 8.83 crore towards conversion cost of cooked meal under midday meal programme. At the rate of rupees two per meal, the cooking cost for 3264.18 MT of rice lifted by the department should not exceed ₹ 6.53 crore. Hence there was a doubtful expenditure of ₹ 2.30 crore.**

With a view to enhancing enrolment, retention and attendance and simultaneously improving nutrition level among children, a Centrally Sponsored Scheme, National programme of Nutritional support to Primary Education popularly known as Mid-day-Meal (MDM) programme was launched in Arunachal Pradesh in 2003-04. Central assistance under the scheme consisted of free supply of 100 gm of foodgrain per child per school day. The scheme was revised (2006) to provide cooked meal with 300 calories and 8-12 gm of protein to all children studying in the Government and aided schools. In addition to free supply of foodgrain for states in north-eastern region, the revised scheme provided cooking cost of rupees two per child per school day to be borne in the ratio of 90:10 by Centre and State Government.

In Arunachal Pradesh, on an average the number of school days in a year is 200. During 2007-08, total number of school going children in the State was estimated at 2,70,197 (Primary school stage: 2,34,378; Upper primary school stage: 35,819).

Scrutiny (December 2009) of records of the Director of School Education revealed that:

- During 2007-08, Government of India allotted 5283.20 MT of rice (4558.68 MT for Primary School Stage; 724.52 MT for Upper Primary School Stage) for providing mid-day meal to school going children of the State (except Dibang Valley in case of upper primary school). Against this, the department

lifted only 3264.18 MT of rice meant for primary school students and did not lift any rice out of the allotment made for upper primary school stage.

- State Government also released ₹ 10.63 (₹ 9.52 crore for primary and ₹ 1.11 crore for upper primary) as cooking cost which included both Central assistance and State contribution.
- As per the utilization certificate furnished to the Government of India, ₹ 8.83 crore (₹ 8.13 crore for primary and ₹ 0.70 crore for upper primary) was shown as the cooking cost expenditure during the year leaving a balance of ₹ 1.80 crore.

Since 100 gm of rice was required per meal, only 3,26,41,800 meals could have been prepared with 3264.18 MT of rice lifted during the year 2007-08. At the rate of rupees two per meal, the cooking cost should have been not more than ₹ 6.53 crore. Hence there was a doubtful expenditure of ₹ 2.30 crore which needs investigation.

Further, due to short-lifting/non-lifting of rice, school going children were deprived of the benefits of midday meal scheme.

The matter was brought to the notice of the Government (August, 2010); their reply has not been received yet (October, 2010).

## **PUBLIC HEALTH ENGINEERING DEPARTMENT**

### **2.6 Short recovery from a contractor the cost of items issued.**

**Public Health Engineering Department, Namsai Division while making payment to the contractor short-recovered ₹ 12.21 lakh for the material issued to the contractor.**

In March 2005, Union Ministry of Urban Development sanctioned, ₹ 674.34 lakh for the project “Augmentation of water supply for Namsai Township”. 90 per cent of the estimated cost was to be borne by the Central Government and balance 10 per cent by the State Government. The administrative approval and expenditure sanction for ₹ 674.34 lakh were accorded by the State Government in March 2006. However, the ex-post-facto technical sanction for the work was accorded by the Chief Engineer (Eastern Zone), PHED in December, 2009 after completion of the work.

Test check (February 2010) of records of PHED, Namsai Division revealed that the Executive Engineer (EE) after observing all Codal formalities entered into an agreement (October 2005) and awarded five items of work in connection with the project to a local firm at its negotiated tender value of ₹ 197.00 lakh with stipulation to complete the work within 24 months reckoned from the date of signing the agreement. As per schedule ‘B’ of Clause 10 of the agreement, the Division was to issue material like MS rod, cement, etc to the firm for incorporation in the works and recover the cost of items issued to the firm. The firm commenced the work in



November 2006 and completed in March 2009 at a total cost of ₹ 197.00 lakh. The final bill was paid to the firm in March 2009.

Audit scrutiny revealed that the Division issued 528.45 MT (₹ 5,380 per MT) of cement and 118.74 MT (₹ 37,408 per MT) of MS Rod to the firm for the work for which ₹ 72.85 lakh was recoverable from the firm, but only ₹ 60.64 lakh was actually recovered from the firm. Thus, ₹ 12.21 lakh was short-recovered from the contractor which needs to be recovered.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

### *Excess payment /Wasteful Expenditure*

#### **EDUCATION DEPARTMENT**

#### **2.7 Avoidable Expenditure on procurement of books**

**Despite availability of NCERT/CBSE text books at cheaper rates, Director of School Education procured text books for the year 2008-09 from private publishers at much higher rates and incurred an avoidable expenditure of ₹ 183.76 lakh.**

The Education Department procures text books every year for free distribution to the ST students of class I to VIII under Universalization of Education scheme. The main sources for procurement of text books have been NCERT, CBSE and Private Publishers.

A test check of the records of the Directorate of School Education (DSE) (December 2009) indicated that a Negotiation Committee, constituted for the purpose of fixation of book rates, held a meeting on 27 June 2007 wherein the rates for text books proposed to be procured from private publishers were fixed. It was noticed that the rates so fixed were much higher and were fixed by the Committee without comparing with the NCERT/CBSE rates.

Audit scrutiny revealed that between July and September 2008, even without ascertaining whether NCERT/CBSE was able to supply the books, the department procured various textbooks at a total cost of ₹ 4.91 crore from eight private publishers for free distribution. The payments were released to the publishers after necessary verification of the receipt of the books. The prices of books supplied by the private publishers were higher by one and half to three times than that of NCERT/CBSE published books. Had the department sourced the textbooks from NCERT/CBSE rather than the private publishers it could have saved approximately ₹ 1.84 crore on their purchase.

It was also found in audit that the department always procured books for Class IX to XII from NCERT/CBSE. Books for Class I to VIII for the year 2009-10 were also procured from CBSE/NCERT. Reasons for procuring books in 2008-09 from private

publishers without even ascertaining and comparing the rates of NCERT/CBSE, were not available in the records produced to audit. This total disregard to financial prudence in procurement of textbooks resulted in an avoidable expenditure of ₹ 1.84 crore.

The matter was brought to the notice of the Government in May 2010; their reply has not been received yet (September 2010).

**URBAN DEVELOPMENT AND HOUSING DEPARTMENT**

**2.8 Extra Expenditure on hire charges of bulldozers**

**Department incurred extra expenditure of ₹ 42.82 lakh on hiring of bulldozer D-50 and making payment at hourly rate instead of daily rate.**

According to Rule 129(1)(iv) of GFRs and Section 14.1 of CPWD Works Manual competitive bidding with wide publicity should be followed before commencing any work or incurring any liability. The Chief Engineer (Eastern Zone) approved (December 2000) the rate for hiring of the bulldozer D-50 as ₹ 7568.00 per day or ₹ 2523.00 per hour inclusive of the fuel charges in both the cases.

Test check (December 2009) of records of the Deputy Director, Urban Development and Housing, Division, Jairampur revealed that the Division without following the prescribed competitive bidding system hired (September 2008 to December 2008) bulldozers D-50 from four private agencies for execution of earthwork in work of "Improvement of road Network at Jairampur". Records also indicated that the four bulldozers were hired and utilised for a total 2816 hours during the period 03.09.2008 to 20.12.2008 and ₹ 71.05 lakh was paid as hire charges on hourly basis as per details given in the following table.

**Table 2.1**

Name of Contractor	Period during which hired	No. of days	No. of hours
M/s Changlang Enterprises	03.09.2008 to 10.09.2008	8	49
	16.09.2008 to 18.10.2008	33	230
	19.10.2008 to 15.12.2008	58	489
<b>Total days &amp; Hours</b>		<b>99</b>	<b>768</b>
M/s Morang Enterprises	03.09.2008 to 03.10.2008	31	451
	04.10.2008 to 07.11.2008	35	
	08.11.2008 to 20.12.2008	43	330
<b>Total days &amp; Hours</b>		<b>109</b>	<b>781</b>
M/s R R Agencies	03.09.2008 to 30.09.2008	28	183
	01.10.2008 to 04.12.2008	65	477
	05.12.2008 to 20.12.2008	16	147
<b>Total days &amp; Hours</b>		<b>109</b>	<b>807</b>
M/s M M B Agencies	11.09.2008 to 16.09.2008	6	
	26.10.2008 to 01.11.2008	7	460
	02.11.2008 to 14.12.2008	43	
<b>Total days &amp; Hours</b>		<b>56</b>	<b>460</b>



The above table shows that these bulldozers were hired for almost continuous periods except in respect of M/s MMB Agencies on one occasion where there was a gap of more than a month. As such the department could have hired the bulldozers on daily basis instead of on hourly basis. Thus, the negligence of the Division in following this simple financial prudence resulted in avoidable extra expenditure of ₹ 42.82 lakh.

In reply the department stated (July 2010) that the bulldozers could not be hired on daily/monthly basis since the division could not assess in advance the time/period for which the machinery was needed.

The department's reply is not acceptable since the very nature of the work necessitates the use of bulldozers for continuous periods and not intermittently.

Thus, the failure of the Division to exercise basic financial prudence resulted in an avoidable extra expenditure of ₹ 42.82 lakh.

## **PUBLIC WORKS DEPARTMENT**

### **2.9 Wasteful expenditure on construction of a bridge**

**Execution of Steel Truss Girder Bridge without ascertaining its technical viability led to subsequent change in design of bridge to SAB and in the process an expenditure of ₹ 19.51 lakh incurred on execution of the originally designed Steel Truss Girder Bridge was rendered wasteful**

The Union Ministry of Road Transport and Highways accorded (October 2001) administrative approval to the work, "Construction of Steel Truss Girder Bridge over river Dibang" (span 150 metre) at an estimated cost of ₹ 434.88 lakh. Technical sanction was, however, accorded by the Chief Engineer (Eastern Zone), (CE (EZ)) PWD in February 2002 for an amount of ₹ 442.00 lakh. Accordingly, the Division invited tender (March 2002) for construction of Steel Truss Girder Bridge for a span of 150 metre with a mid pier. The tender was finalised (March 2003) in favour of a Kolkata based firm for ₹ 342.05 lakh. Subsequently the estimate had to be revised and revised technical sanction for ₹ 526.63 lakh was accorded by the CE (EZ) PWD (August 2008) by changing the original specification of work.

Audit scrutiny of the records (January 2010) of the Executive Engineer (EE), PWD, Anini revealed that during site inspection (June 2003) by CE, (EZ), PWD along with the representative of the firm, the project was found to be technically unfeasible due to the presence of deep water throughout the year in the foundation area of the Pier. In order to overcome the problem an alternative offer for construction of Steel Arch Bridge with a span of 135 metre with substructure but without any mid pier, was found suitable in March 2004 and awarded to the same Kolkata based firm for ₹ 323.57 lakh. The substructure work was to be done by the Division. The firm commenced the work in February 2005 and as on December 2009, 98 *per cent* of the bridge work was completed after incurring an expenditure of ₹ 512.03 lakh.

However, prior to the change in specification of the bridge, the Division had already incurred expenditure of ₹ 38.00 lakh on the original Steel Truss Girder Bridge. Of this, ₹ 7.21 lakh was incurred on design and drawing, ₹ 5.55 lakh on sub-soil investigation for mid-Pier and ₹ 6.75 lakh on labour charges for abutment work, which became wasteful due to change in the scope of work.

Thus, execution of Steel Truss Girder Bridge without ascertaining its actual technical feasibility led to change in bridge design to Steel Arch Bridge and in the process an expenditure of ₹ 19.51 lakh incurred on execution of the originally designed Steel Truss Girder Bridge was rendered wasteful.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

## **PUBLIC WORKS DEPARTMENT**

### **2.10 Wasteful expenditure on formation cutting for a road**

**Due to improper/defective survey and investigation the alignment of the road from 1.2 to 5 km had to be diverted on which the State Government had already incurred expenditure towards formation cutting of ₹ 28.84 lakh which proved to be wasteful**

The work “Widening of existing road from 0-1 km and formation cutting from 1-7 km including slab culverts soiling and metalling and black topping of Rima-Montongso road via Wingtong 0-7 km” was administratively approved by the Government of India (March 2007) at an estimated cost of rupees five crore. The work was to be completed by March 2009. The work was technically sanctioned in July 2007 and was funded under Central Road Fund.

Out of the above work, formation cutting from 1.2 to 7 km was taken up and awarded during January to December 2008 to three different contractors at the tendered value of ₹ 114.93 lakh. Accordingly, the work was commenced and completed between February 2008 and January 2009 and the contractors were paid ₹ 115.96 lakh between May 2008 and January 2009.

Scrutiny (December 2009) of records of the EE, PWD, Jairampur revealed that:

- the department had earlier, in September 2000, administratively approved “formation cutting 0-5 km” of the same work at an estimated cost of ₹ 35.58 lakh. The approval was based on survey and investigation report by the Division. However, no technical sanction of the competent authority was obtained. The work was departmentally executed during October 2000 to September 2007 by incurring a total expenditure of ₹ 37.95 lakh.
- the alignment of the road from 1.2 to 5 km had to be diverted and redone while taking up of the work under Central Road Fund in 2008-09, due to the high gradient which made the road unfit for plying vehicles.

Thus, due to improper/defective survey and investigation by the department the alignment of the road had to be diverted and redone and as a result expenditure of ₹ 28.84 lakh incurred earlier out of State fund on formation cutting of 1.2 to 5 km road proved to be wasteful.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

## WATER RESOURCES DEPARTMENT

### 2.11 Wasteful expenditure

**Execution of an irrigation project without conducting proper survey and investigation to ascertain its technical feasibility led to wasteful expenditure of ₹ 74.07 lakh besides depriving the targeted beneficiaries of the intended benefits from the planned irrigation project.**

The work “Construction of Pipe Irrigation for Deki area at Ramsing–Phase- I”, with estimated cost of ₹ 88.99 lakh was administratively approved (March 1994) by the Government for providing pipe irrigation for Deki area consisting 120 hectares of land converted into Tea plantation. The estimate of the project provided for drawing water from the stream by constructing a trench weir and conveying water to the centre of the area through 300 mm diameter M.S pipes for the initial length of 2,000 metres. The project was to be completed by 1996-97.

Scrutiny (February 2010) of the records of the Executive Engineer, Water Resources Division, Yingkiang revealed that the work was taken up for execution without any survey and investigation to ascertain the feasibility of the work. However, the State Government released ₹ 88.62 lakh (₹ 39.13 lakh in March 1994 and ₹ 49.49 lakh in March 1998) against which the Division spent ₹ 74.07 lakh on formation/terrace cutting (₹ 35.04 lakh) and procurement of 1,506 metres of 300 mm diameter M.S pipes (₹ 39.03 lakh).

Thereafter, only in 2005, the department made an attempt to start the headwork but could not do so due to dispute with the landowners of ‘Gossang’ village (not being the beneficiaries) who objected to tapping of their water source. Consequently, the project work was suspended (December 2006) due to non-settlement of the dispute.

In response to an audit query the Division stated (February 2010) that with the passage of time the formation/terrace cutting executed at a cost of ₹ 35.04 lakh had been damaged by rains/landslides. Besides, the procurement of 1506 metres M.S pipes procured up to September 1996 at a cost of ₹ 39.03 lakh was lying at the work site as of February 2010. Possibility of deterioration in their condition could not be ruled out.

Thus, the taking up of a project without any survey and investigation to ensure guaranteed source of water resulted in a wasteful expenditure of ₹ 74.07 lakh. In response, the Division stated (July, 2010) that the survey and investigation was done

departmentally. The reply is not acceptable as no records in support of the reply were provided to audit.

The matter was reported to the Government (August 2010), their reply has not been received (October 2010).

### ***Undue favour to Contractors***

## **RURAL DEVELOPMENT DEPARTMENT**

### **2.12 Undue benefit to a private contractor**

**Inclusion of an item of work in the work order not provided in the approved estimates; and also non-compliance of statutory provision of VAT deduction by DRDA, Seppa resulted in extending undue benefit of ₹ 22.26 lakh to a private contractor.**

An estimate of ₹ 141.37 lakh was technically approved by the Chief Engineer, Water Resources Department (WRD) for the work of construction of 150 meters span foot suspension bridge over the river Pachuk between Lapang and Effa villages in East Kameng District. The estimate was prepared based on the prevailing market rates and working rates of Bameng Division for the year 2008-09. The District Rural Development Agency (DRDA), Seppa was responsible for execution of the work.

Test check (January 2010) of the records of the Director of Rural Development, Itanagar revealed that the rate provided in the estimate included the cost of manufacturing, providing and supplying, fitting and fixing including fabrication of foot suspension bridge. Accordingly, ₹ 149.25 lakh was sanctioned by the State Government in May 2009 and work order for ₹ 149.25 lakh was issued by the DRDA, Seppa to M/s. Buna Traders without inviting competitive bidding as per codal provisions. The work was stipulated to be complete within 120 days.

Audit noticed that work order included an extra element “Carriage charges” for carrying cement, rod, wire, rope etc for ₹ 9.07 lakh which was not provided in the estimate. The work commenced on 11 May 2009 and was completed on 9 July 2009. The total amount of ₹ 149.25 lakh paid to the contractor for the entire work, included extra amount of ₹ 8.27 lakh for carriage charges of 11,500 load. The payment of ₹ 8.27 lakh for carriage charges was not in order as the rate provided in the estimates catered for providing and supply of items.

In addition, the DRDA, Seppa also failed to deduct VAT amounting to ₹ 13.99 lakh (at the rate of 12.5 *per cent* on the value after deduction of 25 *per cent* from gross value of the work) at source. DRDA didn't deduct VAT on the plea that provision for VAT was not included in the original estimate. The contention is not acceptable since deduction of VAT at source is a statutory provision and is to be levied irrespective of any situation.

The matter was reported to the Government (June, 2010); their reply has not been received (August 2010).

## WATER RESOURCES DEPARTMENT

### 2.13 Undue benefit to the carriage contractors.

**Executive Engineer, Water Resources Division Itanagar revised, without justification, the carriage rates from 29 paisa to 80 paisa per kg per km for carriage of boulders by preparing the analysis rate. This resulted in undue benefit to the carriage contractors to the tune of ₹ 25.08 lakh.**

Government of Arunachal Pradesh accorded (July 2008) administrative approval and expenditure sanction for the work “Flood protection and river training works at Papu Nalha, Naharlagun” for rupees two crore on the basis of preliminary estimates prepared in January 2008. The estimate of the work inter-alia consisted of “Construction of retaining wall with launching of apron/construction of wire crated boulder river training work” for ₹ 1.81 crore. No. Technical sanction was, however, accorded for the work.

Scrutiny (July 2009) of records of the Executive Engineer (EE), Water Resources Department (WRD), Itanagar revealed that the EE spent ₹ 46.48 lakh towards carriage of 67,13,384 kg of boulders by head load during the period from July to August 2007 without issuing any work order. Subsequently, in July 2008 the EE issued 71 work orders on post-facto basis to regularise the works executed during July-August 2007. It was noticed that EE, WRD, Itanagar had allowed two different carriage rates 29 paisa per kg per km for work done on 05 and 06 July 2007 and 80 paisa per kg per km for head load for work done from 05 July to 06 August 2007. Details of payment made are tabulated below:

**Table 2.2**

Period during which carried (as per MB)	Quantity carried (Kg)	Rate per kg/km	Distance covered	Amount paid (in Rupees)
05 and 06 July 2007	24,64,000	29 paisa	1 km	7,14,560
05 July to 06 August 2007	29,13,630	80 paisa	1 km	23,30,904
	13,35,754		1.5 km	16,02,905
<b>Total</b>	<b>67,13,384</b>			<b>46,48,369</b>

The rates so allowed were on the basis of two sets of analysis of rates by adopting the daily rate as ₹ 55 per day and ₹ 100 per day respectively. However, there was no revision of daily wage rates notified by the Government of Arunachal Pradesh during that period. As such, the action of the EE, WRD, Itanagar adopting higher daily wage rate of ₹ 100 per day while preparing the analysis of rates to arrive at carriage rate of 80 paisa per kg per km was not justified. The matter needs investigation.

Thus, by allowing enhanced rate of 80 paise per kg per km, the division extended undue financial benefit to the extent of ₹ 25.08 lakh to the carriage contractors for carriage of 42,49,384 kg of boulders during July-August 2008.

The matter was brought to the notice of the Government (August, 2010); their reply has not been received (October, 2010).

## **PUBLIC WORKS DEPARTMENT**

### **2.14 Undue benefit to the Contractors**

**Due to non-adherence to negotiated approved rate and less utilisation of stone aggregate, the Department not only extended undue benefit of ₹ 16.49 lakh to the contractors but this also resulted in execution of substandard works.**

Union Ministry of Road and Transport and Highways accorded (December 2002) administrative approval to the work "Improvement of Dambuk-Paglam road including realignment from 31.40 km to 46.02 km, construction of culvert and road sign, etc." at an estimated cost of ₹ 13.58 crore. Technical sanction was also accorded (February 2003) by the competent authority. The estimate of the work included inter-alia premix carpeting and seal coat 55.58 km (₹ 3.03 crore).

The records of the Executive Engineer, PWD Roing showed (January 2010) that the works "pre-mix carpeting and seal coat" was divided into three groups and work was awarded (December 2004) to three different contractors after invitation of tenders, (M/s Valley Carriage and Construction, Itanagar from chainage 0 to 7.31 km, 13.32 to 21.13 km and 21.96 to 26.84 km; M/s Chow Chinakong Namechoom from chainage 26.84 to 46.84 km and M/s Urgelling Constructions, Tawang from chainage 46.84 to 62.82 km) for the following items of works at a negotiated rate.

- a) Laying 2 cm thick pre-mix carpet surfacing with 3 cum stone aggregate 10 mm size per 100 sq m of road surface and 64 kg of cutback bitumen of approved quality at 0.75 kg per sq m of road surface complete.
- b) Providing liquid seal coat type A of pre-mixed sand with cutback bitumen of approved quality using 128 kg of cutback bitumen per cum of sand and 0.75 cum of coarse sand per 100 sq m of road surface complete.

Three contractors commenced (January 2005) the allotted work but could not complete it for want of bitumen. The Division after completion of 1,36,647.56 sq m closed the agreements. ₹ 106.18 lakh was paid to the contractors for the quantum of works executed.

Further scrutiny of records revealed that there were irregularities while making payment to the contractors as discussed in the succeeding paragraphs.

- a) The three contractors utilised 2.40 cum stone aggregate of 10 mm size per 100 sqm in pre-mix carpeting instead of 3 cum stone aggregate of 10 mm size per



100 sqm. Thus, there was under utilisation of 819.88 cum<sup>Y</sup> stone. However, the contractors claim was not restricted for use of less quantity stone and the payments were made at the rate as though 3 cum stone aggregate of 10 mm size has been used for carpeting 100 sq m for entire quantum of work executed by three contracts. This resulted not only in excess payment of ₹ 10.43 lakh but also in execution of substandard work.

- b) the contractors were paid at higher rates than the negotiated rates resulting in extra payment of ₹ 6.06 lakh as tabulated below:

Table 2.3

Contractors	Item of work	Quantity executed (sq m)	Rate as per work order	Rate Allowed	Amount paid	Amount payable	Excess paid
			(Rupees)		(Rupees in Lakh)		
M/s Valley Carriage and Construction, Itanagar	Pre-mixed carpeting	62,187.56	60.88	64.80	40.30	37.86	2.44
	Seal coat		12.03	12.90	8.02	7.48	0.54
M/s Chow Chinakong Namechoom	Pre-mixed carpeting	20,475	61.16	64.80	13.27	12.52	0.75
	Seal coat		12.23	12.90	2.64	2.50	0.14
M/s Urgelling Constructions, Tawang	Pre-mixed carpeting	53,985	61.29	64.80	34.98	33.09	1.89
	Seal coat		12.34	12.90	6.96	6.66	0.30
<b>Total</b>					<b>106.17</b>	<b>100.11</b>	<b>6.06</b>

Thus, the payment for work below specifications and payment at rates higher than the approved rates in violation of the contract provisions resulted in an excess payment of ₹ 16.49 lakh to the contractors.

The matter was reported to the State Government (August 2010); their reply has not been received (October, 2010).

### General

#### 2.15 Follow up Action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative departments are required to prepare an Explanatory Note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the "Action Taken Note" to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department within three months from the date of receipt of the report.

<sup>Y</sup> Under utilized quantity of stone aggregate in execution of 136647 sqm area @ 0.60 cum per 100 sqm = 819.88 cum

Review of the outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1994-95 to 2008-09 revealed that the concerned administrative departments were not complying with these instructions. As of March 2010, *suo moto* explanatory notes on 235 paragraphs of these Audit Reports were outstanding from various departments (*Appendix-2.1*)

The administrative departments are also required to take suitable action on the recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the timeframe for submission of such ATNs as one month up to the 51<sup>st</sup> Report. Review of 13 reports of the PAC containing recommendations on 68 paragraphs in respect of 15 Departments included in Audit Reports as detailed in *Appendix-2.2* presented to the Legislature between September 1994 and August 2009 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of November 2010. Thus, the status of the recommendations contained in the said reports of the PAC and whether these were being acted upon by the administrative departments could not be ascertained in audit.

#### **2.16 Recovery at the instance of Audit**

In Paragraph 2.10 of the Audit Report for the year ending March 2009 an excess payment of ₹ 25.91 lakh made by the Executive Engineer Capital-A Division, PWD, Itanagar (AP) over and above the approved rate of wastage was pointed out. The aforesaid amount has been recovered by the concerned PWD Division by adjustment through final payment bill of the contractor.

#### **2.17 Failure to respond to audit observations**

**695 Paragraphs pertaining to 98 Inspection Reports involving ₹ 157.00 crore were outstanding as of March 2010. Of these first replies to 27 Inspection Reports containing 129 paragraphs had not been received.**

Accountant General (AG) conducts periodical inspection of Government Departments to test check the transactions and verify maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the Office inspected, with a copy to the next higher authorities and the Government. The Government instructions provide for prompt response by the executives to the IRs to ensure timely rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the serious lapses pointed out in the Inspection reports. Serious irregularities are also brought to the notice of the Heads of the Departments by the Office of the Accountant General. A half-yearly report of the pending IRs is sent to the Commissioner/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2010, 695 paragraphs relating to 98 IRs pertaining to 54 offices of three Departments remained outstanding. Of these, 25 IRs consisting of 33 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Head of Offices within six weeks from the date of issue were not received from eleven offices for 149 paragraphs of 27 IRs issued between 1982-83 to 2009-10. As a result, the following serious irregularities commented upon in these IRs had not been settled as of November 2010.

Table 2.4

*(Rupees in lakh)*

Sl. No.	Nature of Irregularities	Public Health Engineering Department.		Agriculture Department		Education Department.	
1.	Local purchase of stationery in excess of authorized limits and expenditure incurred without sanction	-	-	-	-	-	-
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll.	-	-	-	-	-	-
3.	Delay in recovery/non-recovery of Department receipts, advances, and other recoverable charges.	2	12.49	-	-	2	11.15
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods.	-	-	6	35.25	5	137.21
5.	For want of DCC bills.	-	-	7	19.85	13	1468.38
6.	For want of APRs.	-	-	7	37.99	3	63.29
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores.	-	-	-	-	-	-
8.	Utilization Certificates and accounts certified by Audit in respect of grants-in-aid not furnished.	-	-	5	29.42	3	25.41
9.	Sanction to write off loans, losses, etc., not received.	-	-	1	0.07	1	2.61
10.	Idle investment.	16	611.14	4	30.14	7	171.67
11.	Excess/Extra Expenditure.	33	499.35	3	22.92	20	5274.46
12.	Others.	148	2429.23	160	1354.03	249	3437.11
<b>Total</b>		<b>199</b>	<b>3552.21</b>	<b>193</b>	<b>1529.67</b>	<b>303</b>	<b>10591.29</b>

Source: Information furnished by the Departments and Objection Book

The Commissioner/Secretaries of the concerned Departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/audit paragraphs as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner and (c) there is proper system for expeditious compliance with audit observations.

#### **2.18 Position of Audit Committee Meetings**

No Audit Committee Meeting was held during 2009-10.