# CHAPTER-II
# AUDIT OF TRANSACTIONS

## 2.1 EXTRA EXPENDITURE/EXCESS PAYMENT

## AVIATION DEPARTMENT

### 2.1.1 Extra expenditure

**Failure of the department to finalize the first offer for purchase of Agusta A-109 Power helicopter within the due date and its subsequent procurement at higher rate led to extra expenditure of ₹ 65 lakh**

The Government of Chhattisgarh approved purchase of a new Agusta A-109 Power helicopter (January 2007) and constituted a committee comprising of Principal Secretary (PS) to Chief Minister (CM) and PS, Finance under the chairmanship of Additional Chief Secretary (ACS), Aviation for deciding options for procuring a new helicopter.

However, instead of calling tender as per Store Purchase rules, the Cabinet in its meeting approved (February 2007) the relaxation from calling global tender on the ground that the helicopter was a specialized product. Further, the Cabinet authorized the committee to carry out negotiations with the dealer on a proposal received (January 2007) from the manufacturing company's service provider in India, M/s OSS Air Management. The proposal was received for supply of the helicopter at a price of US $ 63.15 lakh including a premium of US $ 2.00 lakh. As per the terms and condition of the offer, the delivery would be made by August/September 2007, provided (i) the supply order was placed by 31 January 2007 and (ii) US $ 35.97 lakh was paid in advance to M/s Sharp Ocean Investment Limited, the authorized dealer of the company based at Hong Kong for the region.

On negotiation (February 2007) with the dealer at Hong Kong, the dealer agreed to waive the premium of US $ 2.00 lakh and supply the helicopter at US $ 61.25 lakh[1] (₹ 25.31 crore at the prevailing exchange rates). The dealer further intimated (March 2007) that the purchase contract would be signed directly between the Chhattisgarh Government and the manufacturer (Agusta) and assured delivery by September 2007. The manufacturing company forwarded their contract to Director, Aviation, Government of Chhattisgarh with a request to sign the same before 29 March 2007, failing which the offer would expire. However, instead of signing the contract before the due date, the Government wrote (April 2007) to the company to reduce the price and bring it down to US $ 55.91 lakh (₹ 24 crore at the exchange rate prevailing in 2005-06), to make it equivalent to the price paid by the Jharkhand Government in 2005-06. In response to this, the company expressed (April 2007) its inability to supply the helicopter at the above rate and informed the department that

[1] US $ 60 lakh as cost+ US $ 1.25 lakh for service

since the contract was not signed before the assigned date, the offer stands expired.

Having failed to sign the contract by the due date, the Government floated (May 2007) a global tender for purchase of Agusta A 109 Power helicopter. Out of the five bids received, the Cabinet approved (August 2007) the bid of the same Hong-Kong based dealer, who had offered to supply the helicopter earlier, and signed (October 2007) the agreement for US $ 65.70 lakh (₹ 25.96 crore as per prevailing exchange rates). The supply of helicopter was received in December 2007 and payment of ₹ 25.96 crore was made. Thus, due to avoidable delay in taking decision on signing the contract by due date for purchase of new helicopter at the first instance, the Government had to purchase the same helicopter model from the same dealer at an extra cost of ₹ 65 lakh (₹ 25.96 crore - ₹ 25.31 crore) as detailed in ***Appendix-2.1***.

On being pointed out the Government stated (May 2011) that the decision to renegotiate with the company for supply of the helicopter at ₹ 24 crore was taken by the Chief Secretary, PS to Chief Minister, PS Finance and Director, Aviation in a meeting held on 30 March 2007. As the company did not agree to supply the helicopter at the above price, the Government purchased the helicopter by floating a global tender to maintain transparency.

Reply of the Government is not acceptable as the Government failed to finalize the first offer in time. Further, relaxation from calling global tender was granted at the first instance on the ground that the helicopter was a specialized product, and, then calling tender for a particular brand and model would not have in any case increased participation and therefore was not justified. Thus, purchasing the same brand and model of helicopter from the same dealer at higher price led to extra expenditure.

## PUBLIC WORKS DEPARTMENT

### 2.1.2 Wasteful expenditure

**Improper planning in establishing a Special Purpose Vehicle company resulted in wasteful expenditure of ₹ 9.68 crore**

With a view to upgrade about 1500 kilometres of roads in the State under the Chhattisgarh Accelerated Road Development Programme (CARDP), the Government of Chhattisgarh (GOCG) invited (May 2006) Expression of Interest (EOI) from Companies desirous of joining as a partner with the State Government for implementation of the CARDP. M/s Infrastructure Leasing & Financial Services Limited, Mumbai (IL&FS) was selected as Joint Venture (JV) partner for this purpose and a Programme Development Agreement (PDA) was signed (January 2007) between GOCG and IL&FS to setup a Special Purpose Vehicle (SPV). The SPV was incorporated in the name of Chhattisgarh Highway Development Company Limited (CHDCL). The validity of the PDA was three years and was extendable at the sole discretion of GOCG.

Scrutiny of records of Executive Engineer (B&R) Division No.III, Raipur (EE) revealed that for the constitution of the joint venture SPV (CHDCL), GOCG and IL&FS were to subscribe the equity capital of ₹ 10 crore in the

proportion of 26 per cent and 74 per cent respectively. As per the agenda for meeting of Board of Directors held on 11 June 2009, GOCG and IL&FS had infused ₹ 10 crore towards subscription to the company's capital. The company had reported that ₹ 9.68 crore was utilized towards payment to DPRs, consultants fees and other usual working expenses and a balance amount of ₹ 32 lakh only was remaining. In the Board of Directors meeting (June 2009), it has surfaced that company had a liability of ₹ 2.80 crore balance payment due to be paid to DPR consultants against balance of ₹ 32 lakh available with the company. Details of expenditure of the remaining amount (₹ 9.68 crore) were not available on records.

Further, as per PDA, a dedicated road fund 'Chhattisgarh State Road Fund (CSRF)' for a secure source of annuity payment was required to be enacted within sixteen weeks of signing the PDA. An allotment of ₹ 200 crore was made in the budget for the year 2007-08 by GOCG for this purpose. This amount was withdrawn (March 2008) and kept in the Personal Deposit (PD) account by the Engineer-in-Chief for one year. In view of the decision of the Government not to construct the roads under Annuity, the Finance Department, GOCG issued orders (March 2009) for transfer of the amount of ₹ 200 crore kept under PD account. Accordingly, the amount was transferred (December 2009) to the Government account.

The agreement with IL&FS, which was valid for three years, also expired in January 2010 without any achievement of objective for which the SPV was created.

Thus improper planning of the department in establishing the joint venture SPV (CHDCL) resulted in wasteful expenditure of ₹ 9.68 crore on account of investment in the company as the expenditure incurred from the capital fund failed to achieve the very purpose of its creation. Reasons for not extending the validity of the agreement, although called for, was not furnished by the department. Further, the amount of ₹ 200 crore was blocked and kept out of Government account for more than one year.

On being pointed out by audit, EE stated (October 2010) that the decision was taken at the Government level and will be furnished separately.

Matter was brought to the notice of Government (June 2011), reply is awaited (November 2011).

### 2.1.3 Excess payment

**Excess payment/extra cost of ₹ 2.58 crore and inadmissible payment of ₹ 1.34 crore on construction of new Engineering college building**

Administrative Approval for the construction of new Engineering College Building at University Campus, Raipur was accorded (March 2006) for ₹ 32.43 crore by the Government of Chhattisgarh, Higher Education, Technical Education, Manpower, Science and Technology Department, Raipur. The Technical sanction was accorded (May 2006) by the Chief Engineer, PWD, Raipur for ₹ 28.03 crore. The probable amount of contract (PAC) of the above work was ₹ 27.63 crore. It was noticed that the work was awarded (September 2006) to a contractor for ₹ 30.03 crore @ 9.66 per cent

above Schedule of Rates (SOR-1999) for completion within 24 months including rainy season (i.e. October 2008) without finalizing the drawing. The drawing was subsequently approved in December 2006. Meanwhile the site for the construction of building was subsequently changed (October 2006) and a new site was selected at Sejbahar, Raipur. The work was started (December 2006) without final drawing at the new site. Revised administrative approval (July 2009) for ₹ 51.51 crore and technical sanction (January 2011) for ₹ 37.35 crore was accorded. As per 34th running account bill (May 2010), the contractor was paid ₹ 45.93 crore for the value of work done by him and the work was in progress (January 2011).

Scrutiny of records (January 2011) of Executive Engineer, Public Works Department, (B&R) Division No. 2, Raipur (EE) revealed the following irregularities:

**(a) Inadmissible payment of ₹ 1.34 crore due to excess excavations and filling of depth/width of foundation beyond specified levels**

Under the provisions of Note 1, below the excavation and foundation chapter of schedule of rates–1999 (SOR), it is mentioned that during execution of works, the contractor should not excavate outside the specified limits of excavation. Any excess depth/width excavated beyond the specified levels/dimensions in the drawings, shall be made good by the contractor at his own cost by filling the same with concrete as specified for the foundation. Further, as per clause 12(4) of the agreement, the mode of measurement for building works shall be as provided in the SOR applicable to the contract. Where such mode of measurement is not specified in the SOR, it shall be done as per IS code of building measurement.

It was noticed that the contractor executed 67556.51 cum of earthwork in column foundation in the entire area of the Engineering College building with a depth of 3.77 to 4 metres and simultaneously filled the same with the sand/crusher dust. This work was measured by the division and paid through running bills. This extra excavation was disallowed by the Chief Engineer (CE) while according sanction to the revised estimate (January 2011) which provided for 21139.628 cum of earthwork.

Thus, payment made on excess excavation of earth work (i.e. 46416.88 cum including hard rock) over the revised estimate resulted in inadmissible payment of ₹ 39.16 lakh **(*Appendix-2.2*)** and ₹ 94.40 lakh for filling up the extra excavated area of 39295.616 cum as shown in ***Appendix-2.3*.**

On this being pointed out in audit, Government stated (December 2011) that the excavation for columns upto a depth of four metres, was not possible as the site was a black cotton area and was water logged. It was also stated that as per SOR, the works were to be executed according to specifications of Central Public Works Department (CPWD). As per IS 1200, the excavation shall conform to the lines and levels shown in the drawing and as directed by the Engineer in charge.

Reply of Government is not acceptable because the provision to follow the CPWD code clause 2.7.8 of IS 1200, as referred to by the department, also provides that in case the excavation is done wider than that shown in drawings and any additional filling where required, on this account shall be done by the

contractor at his own cost. As regards site being black cotton soil and water logged area, the test report in this regard was not available for authentication. Further, CE also disallowed (December 2010) the over section excavation beyond the specified levels/dimensions in the drawings and filling after the payment was made by the EE and directed to fix responsibility in case of excess payment due to recording of measurement against the provisions.

**(b) Excess payment of ₹ 1.66 crore due to erroneous application of rates in form work of Reinforced Cement Concrete (RCC)**

As per agreement, for Form Work of R.C.C. (M-20), rate was to be paid for every 0.50 mt. height or a part thereof beyond 4 mts above the plinth level upto 32nd lift at a constant rate of ₹ 100/cum for which the contractor had also mentioned the total amount payable to him as ₹ 22821 for execution of 228.210 cum. Further, as per agreement, the non-scheduled rate of Form Work (i.e. per lift rate of RCC Work beyond 32 lifts) would be derived @ 0.20 per cent of the rate of RCC (i.e. ₹ 1770 per cum as provided in SOR) multiplied by number of lifts plus/minus tender percentage (13.2(i) of the Agreement clause).

During scrutiny of records, it was however, noticed that contrary to above provisions of Agreement, the department while making payment to the contractor had added ₹ 100 for every subsequent lift. Thus, making the rate of $32^{nd}$ lift as ₹ 3200 instead of admissible rate of ₹ 100 as quoted by the contractor. The derivation of rate for executing the work beyond 32 lifts was also not made in accordance with the above provisions of the agreement and ₹ 3800 was also allowed for $38^{th}$ lift against admissible rate of ₹ 147.51[2] . Thus, by making erroneous application of rates, excess payment of ₹ 1.66 crore was made to the contractor as shown in ***Appendix-2.4***.

On this being pointed out, the Government accepted (December 2011) the audit observation and stated that the excess payment made to the contractor would be recovered from the next running bill. However, the status of recovery is awaited (February 2012).

**(c) Excess payment of ₹ 92.47 lakh due to wrong application of rate in the Form Work of rectangular beams, lintels, cantilever and walls etc.**

The rates for providing and fixing of form work including centering, shuttering, strutting, propping, barcings etc, complete and its removal upto a height of 4 m above plinth level are given in Item No. 2, Chapter-II of SOR-1999. Where the height of staging for formwork exceeds 4 m, the rates for extra for every 0.5 m height or part thereof is given in Item No.3 of the SOR.

For the form work of rectangular beams, lintels, cantilever and walls, the contractor had quoted ₹ 100 per sq mt. for form work item for the first floor (4 mt.) and ₹ 200 per sq mt. for the height of 6.5 to 7 metre and 7.5 to 8 mt. For the other heights, this item was provided in the agreement. As per clause 13.2 (i) of the agreement, in the absence of rate in agreement, the rate should have

[2] 38th lift = ₹ 1770 (Rate of RCC )x0.20 *per cent* =3.54 x 38 add 9.66 *per cent* =₹147.52

been derived on the basis of rate of SOR plus/minus overall tender percentage. The rate of such item of form work, which was not available in the agreement, was to be arrived at ₹ 131.59 per sqm after addition of tender percentage (9.66 per cent) on the SOR rate of ₹ 120.

During scrutiny of payment vouchers, it was observed that the contractor was paid @ ₹ 200 per sq.m for 12654.85 sq.m of form work (4.5 mts. to 11 mts) against the admissible rate of ₹ 100 per sq mt. Similarly, for execution of 11174.74 sq.m of form work (from 11.5 mt. to 15 mt), the contractor was paid @ ₹ 300 per sq.m as against ₹ 200 per sq mt. As regards the execution of rectangular beams, lintels, cantilever and walls, the contractor was paid @ ₹ 400 per sq.m for10808.48 sq.m as against the admissible rate of ₹ 131.59 per sq mt. Thus, application of incorrect rates by the EE resulted in excess payment of ₹ 56.49 lakh to the contractor ***(Appendix-2.5).***

Further, for add extra (lifting of material) of the above work, payment was to be made where the height of staging was more than 4 mt. During scrutiny it was observed that the height of first floor was 4 meters, height of second floor was 3.5 mt. from the first floor, height of third floor was 4 meters from the second floor and height of fourth floor was 4 meters from the third floor. Thus, nowhere the height of staging exceeded 4 meters, therefore, no amount was payable to the contractor on this account. However, the Department paid ₹ 1.18 crore for 34638.1 sq.m of add extra for form work and out of which 24054.84 sq.m amounting to ₹ 81.78 lakh was withheld.

On this being pointed out, the Government accepted (December 2011) the audit observation and stated that the recovery of the excess payment made to the contractor would be recovered from the next running bill. However, the status of recovery is awaited (February 2012).

### 2.1.4 Excess payment, undue benefit, irregular and unfruitful expenditure

**Excess payment, undue benefit, irregular and unfruitful expenditure totalling ₹ 13.40 crore on construction of New High Court Building**

The High Court (HC) building was functioning in temporary buildings at Bilaspur, since formation of the Chhattisgarh State in November 2000. The new HC building complex was proposed (2005-06) for construction at village Bodari in Bilaspur and was constructed on approximately 24 hectares (62.30 acres) of land.

Administrative approval for construction of HC building complex for ₹ 65.02 crore had been accorded (March 2006) by the Government of Chhattisgarh. Accordingly the Chief Engineer (CE), PWD accorded technical sanction (TS) for ₹ 61.92 crore. The work was awarded (July 2006) by Executive Engineer, Public Works Department, Division I (EE) on item rate basis (Form-B) to M/s Engineering Projects of India Limited (EPIL), Mumbai for ₹ 69.32 crore. The work was to be completed by July 2008.

The post tender changes in the approved drawings[3] and structural drawings by the authorities of the PWD and HC authorities along with inclusion of extra items[4] enhanced the cost of the building. Consequently, the administrative approval was revised thrice by the Government as detailed below:

| Administrative Approval | Amount (₹ in crore) |
|---|---|
| Original AA (2006) | 65.02 |
| Revised AA (2007) | 84.55 |
| Re-revised AA (2008) | 99.48 |
| Re-re-revised AA (2009) | 106.60 |

The work was completed and payment of ₹ 104.15 crore was made (till December 2010). The High Court started functioning in the new building from January 2011.

Scrutiny of records pertaining to the construction of New HC building during audit (December 2010 and January 2011) of EE, PWD (B&R) Division No.1, Bilaspur revealed several irregularities as detailed below:

**(i) Non-forfeiture of security deposit and release of dues of contractor against unauthorised subletting of work amounting to ₹ 6.86 crore**

As prescribed in clause 7.1 of Appendix-2.10 of the agreement, the contractor shall not, without the prior approval of the authority who has accepted the tender in writing, sublet or assign to any other party or parties, any portion of the work under the contract. Where such approval is granted, the contractor shall not be relieved of any obligation or responsibility which he undertakes under the contract.

Clause 24 of the agreement further stipulates that the contract may be rescinded and security deposit forfeited if the contractor sublets the work beyond permissible limit. In addition, the contractor shall not be entitled to recover or be paid for any work actually performed under the contract.

Test check (December 2010) of records however, revealed that Engineer-in-Chief (E-in-C), PWD degraded (May 2010) the registration category of the contractor from A5 to A4 due to unauthorized subletting of the work. Accordingly as per clause 24 of the agreement, the contract should have been rescinded and the Security deposit alongwith pending payments should have been forfeited in view of the un-authorised subletting.

However, the E-in-C only degraded the contractor's category and the department released (August 2010) ₹ one crore out of security deposit of ₹ 3.57 crore available with the department. In addition to this, a sum of ₹ 3.29 crore was also released (March 2010) by the department on account of pending payments in running account bills of the contractor.

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[3] Deep excavation, change in slab thickness, boundary wall, change in flooring from Kota stone to Granite flooring, mosaic flooring to vitrify flooring, wooden platform for judges dias and additional payment of concrete lift etc.

[4] Inclusion of extra items like Hon'ble Judges Dias, False Ceiling/Acoustic Ceiling, Wall Paneling, Blind, Shelves/Almirah/Wardrobes, Decorative lights in Garden Areas, land leveling, Art work for front boundary wall, main entrance with Arch, cornice & molding with POP, Wooden flooring & skirting, curtains & pelmets, wooden decorative doors in atrium entrance, fountain work, LCD screen for display, Art work for front main entrance, Art work for Atrium, Public address system, Watch tower & search light, EPABX system, Public utility like toilets, canteen etc.

On being pointed out, Government stated (October 2011) that on award of the work, the firm entered into the contract keeping in mind that mutually agreed terms of contract did not prohibit them from getting indefinite number of items of work executed through their associates whether with material or without material. It was further stated that if contractor gets item/items of work executed on task rate basis with/without material, this shall not amount to subletting of the contract.

The reply of the department is not based on fact because as per E-in-C's order (May 2010), the work was sublet and the contractor had also failed to reply to the show cause notice issued (January 2010) by EE in this regard. Moreover the clarification furnished by the contractor against another show cause notice issued (February 2010) by the E-in-C was not found satisfactory which ultimately resulted in de-grading the category of the contractor. Thus, non-initiation of action as per agreement clause resulted in undue financial aid of ₹ 6.86 crore to the contractor.

**(ii) Non-execution of 'nil' rated items resulting in undue financial aid of ₹ 47.27 lakh to the contractor**

Clause 2.3.1 of the agreement stipulated that the tenderers shall fill their tendered rates and prices for all the works described in the schedule of items in Annexure "E" i.e. the bill of quantities (BOQ) of the contract. The tendered rates of such items against which no rate or price is entered by the tenderer, will be taken as zero and the price of the same shall be deemed to have been covered by the other rates and prices of the schedule of other items indicated in Annexure-E. The rate quoted in the tender for various items of work will not be altered by the contractor during the term of contract.

Further, as per note (iv) below clause 1.11 of the tender documents, the comparative statement when made ready, should be exhibited publicly to the tenderers or their representatives.

Scrutiny (December 2010) of records of the construction work of the High Court building, revealed that the agency (i.e. M/s EPIL) which quoted 'nil' rates against seven items ***(Appendix-2.6)***, was given (July 2007) work order by EE to execute the above work valuing ₹ 56.97 crore @ 8.01 per cent below the estimated cost of ₹ 61.93 crore. The value of the 'nil' rated seven items was ₹ 47.27 lakh.

However, it was observed that the contractor did not execute these 'nil' rate items and the department also did not take any action to get the items executed by the contractor. Thus, inaction on the part of the department to get these items executed through the contractor resulted in undue financial aid to the extent of ₹ 47.27 lakh **(*Appendix-2.6*)**. Further, while taking re-revised administrative approval of this work, the department had eliminated these items in the proposal submitted for the same, but no specific reasons for eliminating these items were mentioned in the final estimates.

On being pointed out, Government stated (October 2011) that this had happened due to malfunctioning or error of the software. It was further stated that M/s EPIL pointed out this fact right at the time of entering the contract. A meeting to resolve the matter was convened in the office of the E-in-C at

Raipur in January 2007 and it was decided that such items against which no rate appears in BOQ shall be considered as extra items.

Government's contention that the same happened due to error of the software is not acceptable because for the same work, another firm ($L3$[5]) had filled 'nil' rates for only two items out of the seven items appearing in the tender document. Further by considering the 'nil' rated items offered by M/s EPIL, the firm had qualified as L1 bidder, leading to undue benefit. The records relating to other two bidders (i.e. $L_2$ & $L_4$) were not made available to audit.

**(iii) Excess expenditure of ₹ 3.17 crore due to excess excavation of earth work**

As per schedule of rates (SOR) for building works -1999, the excavation in earth work shall conform to the lines and levels shown in the drawings and also as directed by the Engineer-in-charge of the work concerned. The contractor shall not excavate outside the limits of excavation. Any excess depth/width excavated beyond specified levels/dimensions of the drawings shall be made good at the cost of contractor with the concrete as specified for the foundation of a building work.

The sanctioned estimate and drawing design of the Bilaspur High Court building, provided for excavation 49291 cum of earth work. The design made for the preliminary estimate was examined thoroughly by the Engineering College, Bilaspur to analyse the stability, strength, safety and serviceability of the structure and to unfold any unforeseen gravity of lateral load.

Against the estimated quantity of 49291 cum of excavation of earth work, the actual quantity of excavation increased to 109700 cum on the advice of contractor who stated that the area was of black cotton soil and requires excavation foundation. Notwithstanding the recommendations of Engineering College authorities, the contractor was, however, allowed to excavate 106342.766 cum of earth work against the estimated quantity of 49291 cum approved by the department and also to back fill the foundation with moorum and sand. Thus, in this process, the department had to incur extra expenditure of ₹ 3.17 crore.[6]

On this being pointed out, Government stated (October 2011) that during excavation, loose soil was encountered which resulted in increase in the depth of foundation till sufficient hard strata was found as hard strata was indispensible for optimum safety and durability of the building. It was further stated that extra quantity of excavation has been duly sanctioned by Government in the revised administrative approval.

The reply of the Government is not acceptable because the Advisor of Public Works Department had also objected (December 2008) to the above work of excavation by stating that excavating the entire area and refilling the same

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5 M/s Nagarjuna Construction quoted 'nil' rates for two items and quoted rates for remaining five items as given in ***Appendix 2.6***.

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| | | |
|---|---|---|
| Expenditure on excavation of earth work | 57051.766 Cum @ ₹ 62/Cum | ₹ 35.37 lakh |
| Expenditure on filling the moorum/sand | 105054.766 Cum @ ₹ 268/Cum | ₹ 281.54 lakh |
| | **Total** | **₹ 316.91 lakh** |

with outside soil was not technically required and may cause unnecessary expenditure. Moreover the work was executed without prior approval of competent authority.

**(iv) Extra payment of ₹ 1.66 crore on account of wrong application of rates for execution of reinforced cement concrete (RCC-M25) work**

Clause-13 of the contract stipulates that, for items not existing in the Bill Of Quantities (BOQ) or substitution to the items of BOQ, rate payable should be the rates in the Schedule of Rates[7] (SOR) plus/minus overall tender percentage of contract.

As per SOR, the rate of lifting of RCC M25 concrete (concrete) beyond four metre above plinth level and for every 0.5 metre or part thereof was ₹ 4.60[8] per cum. Similarly the rate of form work beyond four metre above plinth level and for every 0.5 metre or part thereof was ₹ 15 per sqm.

The BOQ of the contract provided floor-wise rates of RCC M25 and form work required for all the four[9] blocks of the HC building. Apart from this, item of lifting of concrete and executing form work beyond four metre, required only for typist block, estimated at 770 cum and 2445 sqm respectively was provided in the BOQ at the rate of ₹ 535 per cum and ₹ 64 per sqm respectively.

We observed that against the quantity provided in the BOQ, the payment for lifting of concrete and form work was paid for 7280.5976 cum and 46036.388 sqm respectively. The excess quantity paid was pertaining to lifting of concrete from 0 to 26 metre height of blocks other than typist blocks which were not provided in the BOQ. Since the items did not exist in the BOQ, per unit rate applicable should be as per contract clause-13. Contrary to this, the payments were made at ₹ 535 per cum (concrete work) and ₹ 64 per sqm (form work), for every 0.5 metre height beyond four metre, ranging between ₹ 535 to ₹ 23540 per cum (concrete work) and ₹ 64 to ₹ 2752 per sqm (form work) respectively. This resulted in extra payment of ₹ 1.66 crore to the contractor as detailed in ***Appendix-2.7 & 2.8.***

On being pointed out, Government stated (October 2011) that extra rate for lifting concrete was paid for such parts of the building where concreting work was done at a height greater than four metre from any particular floor level and there was no intermediate floor between the level of concrete work and previous floor level. The extra rate was allowed for concrete work executed at a height of 5.4 metres and 26 metres of the building. Further the discrepancy of initial estimate was rectified while preparing subsequent estimate for obtaining revised AA and approval of Government has also been accorded to the corrected estimate.

Government's reply is not acceptable as the BOQ did not contain rate for concrete work at 5.4 and 26 metres height, therefore the rate admissible should

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7 SOR for building issued by E-in-C, PWD and effective from June 1999.

8 At the rate of 0.20 per cent of the basic rate of RCC M25, i.e. 0.20 per cent of ₹ 2300/-

9 (i) High Court building, (ii) Advocates' chamber, (iii) Advocates' General chamber and (iv) Typist Block.

have been as per contract clause-13. Moreover the advisor, PWD, GOCG has also objected to the mode of payment and recommended for readjustment of the payment.

**(v) Excess payment of price escalation of ₹ 1.25 crore due to inclusion of Non-SOR items in the value of work done**

As per price escalation clause No. 11(c) of the agreement, value of work done shall be calculated by excluding the value of works executed under variations for which price adjustment will be worked out separately based on terms mutually agreed by the contractor and the department.

Further, as per clause 13 of the agreement, the E-in-C shall identify the non-SOR items with their quantities involved in the contract and shall ask the contractor to submit his rates for these items. The Engineer-in-charge will get the rates approved from the Superintending Engineer (SE) and will communicate the rates to contractor. However, while making payment of price escalation, the non-SOR items were to be excluded from the value of work done (R) by the contractor.

During scrutiny of records (December 2010), it was noticed that while calculating the price escalation, the value of non-SOR items of work was also included in the total value of work done (R) by the contractor. This resulted in excess payment of price escalation to the extent of ₹ 1.25 crore as detailed in ***Appendix-2.9.***

On this being pointed out, Government stated (October 2011) that if non-SOR items are included in the original agreement, then such non-SOR items becomes an integral part of the contract and escalation as per clause 11(c) of the agreement on all items of the BOQ was payable.

The reply of the Government is not acceptable because as per price escalation clause No. 11 (c) of the agreement, the value of work done shall be calculated by excluding the value of work executed under variations for which price adjustment will be worked out separately based on the terms mutually agreed by the contractor and the department.

## SCHOOL EDUCATION DEPARTMENT

### 2.1.5 Extra expenditure

**Benefit of reduced price of desktop computers could not be availed by DPI during procurement resulting in extra expenditure of ₹ 1.41 crore.**

With the aim to provide computer education to the students of higher secondary schools in rural areas, the 'Information and Communication Technology (ICT) scheme' was launched by the State Government. Under the scheme, 3000 sets of computers were to be purchased for 300 higher secondary schools that were selected for the implementation of ICT Scheme in the State.

Chhattisgarh Store Purchase Rules provide for purchasing of computer directly from the suppliers with whom the Chhattisgarh State Industrial Development Corporation Ltd. (CSIDC) had finalized the rates. CSIDC

finalizes the rates based on the rates approved by Director General of Supplies and Disposals (DGS&D) and intimates the rate contract along with the conditions of contract to all the departments of the State Government.

The clause 7(iii) of Special conditions of rate contract provides that the contractor shall furnish a certificate with each bill for payment to the effect that there was no reduction in sale price of the stores supplied to the Government under the contract.

CSIDC had entered into a rate contract (25 June 2008) with authorized suppliers of DGS&D rate contracted firms for supply of desktop computers (Intel Core 2 Duo configuration) @ ₹ 32,232.26 per set which was based on DGS&D's existing price for that item. DGS&D issued notification (11 July 2008) reducing the price of the same computers to ₹ 26,600 per set which was applicable to all supply orders issued on or after 01 April 2008. Accordingly, the rates of the computers with similar configurations were required to be revised proportionately by CSIDC, since it followed the DGS&D rates and to circulate the revised rates to all departments of State Government.

Test check (June 2010) of records of Director, Public Instructions, Chhattisgarh, Raipur (DPI) revealed that DPI placed three[10] supply orders on 14 July and 14 August 2008 for purchase of 2500 desktop computers with same configurations @ ₹ 32232.26 per set directly with the CSIDC rate contracted suppliers. The computers were supplied during October to December 2008. DPI released payments (October 2008-January 2009) totaling ₹ 8.06 crore to the suppliers without obtaining certificate as required under clause 7(iii) of special conditions of contract. Thus, failure on the part of DPI to avail the facility to safeguard against payment at higher rates for stores supplied led to extra cost of ₹ 1.41 crore as detailed in ***Appendix-2.10.***

Government stated (July 2011) that DPI was unaware of the reduction in the price of computers. As soon as the rate difference came to the Government's knowledge, letter was issued to CSIDC which subsequently cancelled the rate contract on 26 August 2008. Further, CSIDC had also intimated that supply orders issued prior to the cancellation date would remain valid.

Reply of Government is not acceptable. Had DPI ensured the submission of certificate under clause 7(iii) of Special conditions of contract from the supplier and insisted on payment as per the existing reduced rates, department could have saved the extra cost of ₹ 1.41 crore.

[10] M/s P.S. Associates, Raipur for 500 computers on 14-7-2008; M/s Mitshree Infotech, Raipur for 1000 computers on 14-8-2008 and M/s Mini Infotech, Raipur for 1000 computers on 14-8-2008.

## ST & SC DEVELOPMENT DEPARTMENT

### 2.1.6 Excess payment on price escalation

**Erroneous calculation of price escalation led to excess payment of ₹ 37.78 lakh to contractor**

The work 'Construction of *Ekalavya Awasiya* Parisar at Antagarh, District Kanker', was awarded (July 2007) to a contractor on percentage rate basis by the Assistant Commissioner, Tribal Development Department, North Bastar, Kanker (ACTD). The stipulated period for completion of the work was 18 months including rainy season. The Tribal Development Department executes the works as per the provisions of Chhattisgarh Public Works Department (PWD).

Scrutiny (March 2010) of records of ACTD, Kanker revealed that the ACTD signed (July 2007) two sets of agreements-one in the format adopted prior to October 2005, and, the other in the format revised (October 2005) by the PWD.

Clause 11(c) of the agreements provided for payment of escalation in order to compensate/reimburse the contractor for variation in prices of Cement, Steel, Petrol, Oil and Lubricant (POL), Labour and other materials, in accordance with the procedure and formula provided in the agreement.

As per the pre-revised format, the DGS&D rates for Cement and the nearest stock yard rates of Steel Authority of India Limited (SAIL) for Steel were to be taken for calculation of price escalation.

However, the revised format provided for calculation of escalation on the basis of the All India wholesale price indices for all the components including Cement and Steel.

The calculation of escalation was done using the pre-revised formula for all the components. However, while calculating the escalation for cement, the rates from the local agencies were taken stating non-availability of DGS&D rate. Similarly for steel component, the rate of steel excluding taxes and duties was taken as base price instead of taking price inclusive of taxes, duties and other incidental charges, thus widening the gap for calculating the price escalation. Further, the base price of POL component was also not taken correctly. Consequently, escalation amounting to ₹ 67.45 lakh was paid (May 2010) to the contractor.

Audit has evaluated the escalation as per the revised format at ₹ 29.67 lakh. Thus, by calculating the price escalation as per pre-revised rates, ACTD sustained extra expenditure to the extent of ₹ 37.78 lakh as shown in ***Appendix-2.11***.

Matter was brought to the notice of the Government (May 2011). In reply, Government forwarded (July 2011) the comments of Joint Director (Finance), Scheduled Caste and Scheduled Tribe Department wherein it was stated that for execution of construction works, Public Works Manual is only partly observed and further mentioned that the agreement was entered with the contractor in the approved format in which the contractor had indicated his

rates. It was also stated that the agreement containing the new procedure for calculation of escalation was erroneously entered with the contractor.

Reply forwarded by Government is not acceptable as revised format was also approved by the PWD, GoCG. Further, the Department's contention that agreement with the revised procedure for calculation of escalation was erroneously entered is also not acceptable because it was made part of the agreement.

## PUBLIC HEALTH & FAMILY WELFARE DEPARTMENT

### 2.1.7 Extra cost

**Extra cost of ₹ 90.36 lakh due to purchase of medicines at higher rates**

Rule 9(i) of Chhattisgarh Financial Code provides that every Government employee is expected to exercise the same vigilance in respect of expenditure from public funds as a person exercises while incurring expenditure from his own money. Financial rules provide that purchases should be made in the most economical manner.

The Director, Medical Education (DME), Chhattisgarh, Raipur invited (July 2008) tender for supply of various medicines. The rates of successful bidders were finalized in the purchase committee's meeting (September 2008) and the rates were intimated (September 2008) to the Director Health Services, Raipur (DHS) for their use. Agreements were signed (October 2008) by the DME with the successful bidders for supply of medicines for a period of 24 months (October 2008 to September 2010).

Meanwhile, the Government of India (GoI) issued (October 2008) instructions to Mission Director (MD), National Rural Health Mission (NRHM) for purchase of medicines from five Public Sector Undertakings (PSUs) under Purchase Preference Policy (PPP). According to PPP, the State Government was required to make the purchases of 102 enlisted medicines through five PSUs for implementation of the health programmes which were funded by GoI. Accordingly, MD NRHM forwarded (November 2008) a copy of the letter to DHS and DME. However, the Government decided (September 2009) to procure the medicines on the rates already approved in 2008-09 which were valid upto October 2010, and the same was intimated (October 2009) to DHS also.

Scrutiny (December 2010) of the records of the DME, Raipur and information collected from DHS, revealed that a high level committee decided (May 2010) to purchase medicines from the PSUs, on the basis of letter of MD, NRHM. Accordingly, DHS issued (May 2010) supply orders to the PSUs for purchase of medicines worth ₹ 2.90 crore from the State budget, despite availability of valid lower rates finalized through tender.

Thus, injudicious decision of the Government to purchase the medicines out of the State budget at higher rates from the five PSUs was uneconomical, and led to extra cost of ₹ 90.36 lakh to Government as detailed in ***Appendix-2.12.***

On being pointed out, the DME (December 2010) stated that the approved rate contract was valid for 24 months, and the rates along with the validity period were intimated to the DHS and Government.

The Government stated (September 2011) that tender was invited (June 2008) by DHS with a validity of one year. Since, rates were not obtained for all medicines and re-tendering would have consumed more time, purchases of medicines were made at the L1 rates of DME and DGS&D, whichever was lower. It was further stated that the finalized rates of DME were applicable for DME only. Subsequently, the high level committee decided to procure the 102 medicines from the five enlisted PSUs.

Reply is not acceptable as the DHS was procuring medicines on the basis of rates finalized by the DME till January 2010. Also, the rate contract of DME was valid for 24 months (upto October 2010) and the medicines were available at lower rates than the rates of the above PSUs. Moreover, the orders of GoI for purchase of medicines from PSUs were applicable for health programmes funded by GoI. In respect of expenditure on medicines for non-GoI schemes, State Government was having the liberty to procure medicines in the most economical manner.

## AGRICULTURE, ENERGY AND PANCHAYAT & RURAL DEVELOPMENT DEPARTMENT

### 2.1.8 Wasteful expenditure

**Wasteful expenditure of ₹ 5.61 crore on plantation of Jatropha due to excessive mortality under bio-fuel scheme**

To improve economic condition of farmers by utilizing wasteland, improving agro-forestry, checking soil erosion, and producing bio-fuel and ultimately improve economic condition of farmers, a Bio-Fuel Development Programme was launched by Chhattisgarh Bio-Fuel Development Agency (CBDA), soon after its constitution in January 2005. Chhattisgarh Renewable Energy Department (CREDA) was the nodal agency for implementation of the programme. Under the programme, 2500 plants were to be planted per hectare on waste, barren land including field fences, *badi*, tanks embankments and along side the road. A provision of 500 plants was made for gap filling in subsequent years, assuming 80 *per cent* survival of plants. The seeds/fruits from Jatropha plant were to be collected from third year onwards. As per CBDA guidelines, necessary inputs (i.e. manures, pesticide, anti-termite, fertilizer, irrigation facility at preliminary stage and training to the farmers) were to be provided during plantation.

The funds were provided by the Government of India (GoI) as well as the State Government and these funds were disbursed to Agriculture, Horticulture, Panchayat and Rural Development Department and CREDA for implementation. The monitoring was to be done by the respective departments.

The Agriculture Department, Horticulture Department and Panchayat and Rural Development Department executed plantation work on the private lands of farmers and land under Government control. Test check (between March

2010 and February 2011) of records of seven[11] DDOs revealed that an expenditure of ₹ 11.34 crore ***(Appendix-2.13)*** was incurred on plantation of 1.79 crore Jatropha plants in 5204 hectares during 2005-06 to 2007-08 by farmers/department. Of the above plants, 1.05 crore plants died and the survival of plants ranged between 0 and 61 per cent and no fruits were borne except for 50 Kg in the case of plantation done by Agriculture department in Mahasamund district. Thus, the expenditure of ₹ 5.61 crore incurred on the plantation of 1.05 crore Jatropha plants was rendered wasteful, due to the high mortality of the Jatropha plants.

On being pointed out, the seven DDOs stated that failure of crop was attributed to lack of irrigation facilities, excessive rise in temperature and improper upkeep of the plants by the farmers. It was further stated (April-May 2010) by some Gram Panchayats that no funds were made available by Janpad Panchayats for protection and irrigation facilities for the subsequent years whereas CEO, Janpad Panchayat, Durg stated (May 2010) that it was the responsibility of the Gram Panchayats to seek funds and take adequate measures for their survival but no demand for funds was made by the Gram Panchayats.

The Director, Agriculture Department stated (August 2011) that there was no provision in the scheme for irrigation, protection etc. of the plants, and the farmers themselves were responsible for protection and maintenance of the plants. The farmers did not make proper arrangements for irrigation and proper protection of plants which led to the low survival percentage. Hence, it would be unjustified to hold responsible the departmental officials for the high mortality.

The Director, Horticulture stated (February 2012) that lack of irrigation facilities, excessive heat and improper maintenance by the Gram Panchayats to which the plantations were transferred, resulted in mortality of plants.

The Executive Director, CBDA in his reply intimated (August 2011) that funds received were disbursed to the various Government departments for plantation and maintenance of the plants. The protection of plants was to be done by the departments concerned or by the farmers. Training to farmers was provided through vocal contacts and through booklet issued to each farmer. CBDA had neither prescribed any system for collection of seeds nor entrusted the work to any agency. This was to be done by the farmers themselves. It was further clarified that CBDA or Government had not fixed any minimum percentage of survival, as this was a new scheme and no past experience was available. However, it was estimated that plants' mortality would be around 20 *per cent* and hence provision for gap filling was made. Regarding monitoring, it was stated that no monitoring committee for plantation was constituted separately at any level.

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[11] **Agriculture Department-(i)** Deputy Director Agriculture, Durg; (ii) Sub Divisional Officer, Agriculture, Mahasamund; (iii) Asstt.Soil Conservation Officer, Dharmajaygarh
**Panchayat and Rural Development Department**-(i) Chief Executive Officer, Janpad Panchayat, Durg; (ii) Chief Executive Officer, Khairagarh; (iii) Chief Executive Officer, Zila Panahayat Raigarh
**Horticulture Department-(i)** Asstt.Director Horticulture, Janjgir-Champa

The above replies indicate that there was improper planning, monitoring and lack of adequate irrigation facilities, which resulted in higher rate of mortality. Thus, the objective of utilizing wasteland, improving agro-forestry, checking soil erosion, producing bio-fuel and also improve economic condition of farmers could not be fulfilled.

Matter was reported (May 2011) to Government; reply awaited (February 2012).

## AGRICULTURE DEPARTMENT

### 2.1.9 Wasteful expenditure

**Wasteful expenditure of ₹ 54.78 lakh on incomplete Vermi-Compost Units**

With a view to enhance biological diversity, maintain soil fertility and to promote use of bio-fertilisers, Government of India (GoI) introduced (June 2005) organic farming through construction of vermi-compost units under National Horticulture Mission (NHM) Scheme. The scheme envisaged active participation of various agencies at the National level and those of State Governments, Research Institutes and Organisations, farmer associations, self help groups and many others.

The Agriculture Department nominated Chhattisgarh *Rajya Krishi Evam Beej Vikas Nigam* Limited (Beej Nigam) for construction of vermi-compost units under the scheme. The construction works were carried out through the contractors engaged by the Beej Nigam, which were to be supervised by Mandi Board engineers.

As per scheme guidelines, 50 per cent of unit cost of ₹ 60,000 limited to a maximum of ₹ 30,000 per unit was to be provided as assistance to farmers for the construction of vermi-compost units of approved dimensions[12] including cost of vermi culture and plastic container. The assistance was payable after obtaining their willingness for construction of unit and undertaking from the farmers regarding arrangement of their share of contribution towards laying of roof, purchase of cow dung and payment of wages etc.

Test check (December 2010) of records of Deputy Director, Horticulture Surguja (DDH), revealed that the Director, Horticulture and Farm Forestry (Director), Raipur issued (March and April 2008) work orders to Beej Nigam for construction of 3361 vermi-compost units in 13 blocks of Surguja district with the directions to DDH to submit the bills to Directorate after physical verification. Out of 3361 vermi-compost units ordered, only 400 vermi-compost units were completed, of which 269 units were physically verified by the department along with the representatives of Beej Nigam. The physical verification report along with satisfaction certificate was submitted to the Directorate by the DDH.

On the basis of physical verification report of DDH, the Director issued (February 2009) instructions for making payment to Beej Nigam. Accordingly, DDH, released the payment of ₹ 45.54 lakh to Beej Nigam for

[12] Length 31'6" x width 24'10" x height 9' per unit

180 units and the clearance of payment for remaining 89 units was awaited from the Director. The Director further incurred (January and February 2009) an expenditure of ₹ 9.24 lakh[13] on vermi culture and plastic drums for distribution to the farmers through DDH.

During the joint physical verification (December 2010) of 178 completed vermi-compost units and interaction with the beneficiaries by Audit and the departmental officials, it was observed that out of 178 units verified, only nine units were being utilized for production of vermi-compost. As many as 12 units were not in existence and 157 units were without roof and were completely/partially damaged.

Although the beneficiaries had initially agreed to do the roofing work by investing ₹ 30,000 either from their own resources or by availing loan facility and expressed satisfaction over construction of cement structure, it was, however, stated by the farmers during interaction that due to non availability of local materials for such big size of structures constructed and also due to economic reasons, roof work of the units could not be carried out. The absence of roof led to the death of earthworms resulting in non-functional vermi-compost unit.

This indicates faulty planning as the department did not assess the capability of farmers to contribute their share for construction and rest of the items. The injudicious decision of Government in planning the scheme without ascertaining the beneficiary's component and ensuring active participation led to wasteful expenditure of ₹ 54.78 lakh (₹ 45.54 lakh: construction of structures, ₹ 2.46 lakh: purchase of vermi culture and ₹ 6.78 lakh: PVC drums) towards payment of assistance for vermi-compost units. Also, the benefit of organic farming could not be provided to the farmers.

On this being pointed out, DDH, stated (December 2010) that the selection of construction agency, purchase of vermi culture and PVC drums were carried out at the Directorate level and the deficiencies noticed during physical verification of units and complaints received from farmers from time to time were brought to the notice of the Director as well as Beej Nigam.

The Director intimated (July 2011) that the statement of DDH that deficiencies were intimated to the Director, is not true, as the DDH himself had signed the reports on the basis of which directions were issued to release the payments. He further stated that it was the responsibility of DDH to complete all formalities for payment; action is being taken against him for failure to do so. Further information about action taken is awaited (January 2011).

The above replies indicate complete lack of coordination between the Director and the DDH. Further, the Department had also failed to take necessary steps to complete the balance work of vermi compost units through beneficiaries even after releasing payment to the construction agency. Thus faulty planning and failure to ensure completion of the incomplete units and consequent non-production of vermi compost resulted in wasteful expenditure.

Matter was intimated (May 2011) to Government; reply awaited (February 2012).

[13] ₹ 2.46 lakh on 1980 kg vermi culture and ₹ 6.78 lakh on 538 plastic drums

## 2.2 UNAUTHORISED/AVOIDABLE EXPENDITURE/ UNDUE FINANCIAL AID

## WATER RESOURCES DEPARTMENT

### 2.2.1 Undue financial aid

**Failure to enter into agreement as per the NIT clauses regarding admissibility of price escalation led to undue financial benefit of ₹ 39.78 lakh to the contractor.**

Construction work of "Head work and Canal work of Gharjia Bathan Tank Project", was awarded (April 2008) to a contractor for ₹ 12.18 crore by the Executive Engineer, Water Resources Division, Dharamjaigarh (EE). The stipulated period for completion of the work including rainy season was 15 months.

During scrutiny (September 2010) of records of the EE and further information collected (September 2011), it was observed that a notice inviting tender (NIT) was issued (January 2008) for the above work wherein it was clearly mentioned that clauses from 2.40.1 to 2.40.3 relating to payment for price escalation were not applicable. Despite this, the aforesaid clauses were retained in the agreement and the contract was signed with the contractor. The contractor was paid ₹ 12.17 crore (upto December 2011), which included ₹ 39.78 lakh as price escalation. This led to extension of undue financial benefit of ₹ 39.78 lakh to the contractor.

During the exit conference held on 15 September 2011, Principal Secretary, while accepting the audit observation stated that similar bids would be scrutinized to see for more such mistakes.

## DEPARTMENT OF LABOUR, PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT, WATER RESOURCES DEPARTMENT, PUBLIC HEALTH ENGINEERING DEPARTMENT AND PUBLIC WORKS DEPARTMENT

### 2.2.2 Undue financial aid

**Non-implementation of Government order for deduction of cess for contribution towards Labour Welfare Fund led to short deposit of funds and undue financial aid of ₹ 103.63 crore to the contractors**

An Act named 'Building and Other Construction Workers' Welfare Cess Act' was introduced by Government of India (GoI) in 1996 effective from 3 November 1995. The Act was applicable to whole of India and *inter alia* provided for levy and collection of cess on the cost of construction incurred by the employers at the rate of not less than one *per cent* of the cost of construction incurred by the employers. The proceeds of the cess so collected are payable to the Building and Other Construction Workers' Welfare Board, by the local authority or the State Government collecting the cess.

It was observed in audit that although the Act was deemed to have come into force from 3 November 1995, the State Government published the notification of the Act in May 2008 and made it applicable from 13 June 2008 i.e. after a delay of over seven years since the formation (November 2000) of Chhattisgarh State. Subsequently, the Labour Department constituted the "Buildings and Other Construction Workers' Welfare Board" (Board) in September 2008 in compliance to the Government of India (GoI) Act and issued instructions for recovery of one *per cent* cess from the employers with effect from 13 June 2008. Examination of records and further collection of information revealed the following:

**a)** The State Government departments executed works and made payment of ₹ 5848.41 crore (for 66 Drawing and Disbursing Officers (DDOs)) to the contractors from January 2001 to May 2008[14], on which the leviable cess would have been ₹ 58.48 crore as detailed in ***Appendix-2.14***. However, in the absence of the Act, contribution of this amount could not be made to the Board.

**b)** Even after the Act was made applicable in the State, the cess was not fully deducted in all cases. Test check and information collected revealed that 101 DDOs did not recover Labour Welfare Cess amounting to ₹ 45.14 crore for building and other construction works valuing ₹ 4514.49 crore ***(Appendix-2.15)*** through various agencies between June 2008 and March 2011. The amount was not recovered and remitted to the Board, which led to extension of undue financial benefit to the contractors and short deposit of funds to the Board.

On being pointed out, the Deputy Labour Commissioner stated (April 2011) that due to issue of notification by the State Government in June 2008, the Board was constituted in September 2008 and orders for recovery of cess were issued thereafter. No amount of cess was recovered on the contracts executed prior to September 2008.

The reply of Deputy Labour Commissioner is not acceptable, since the GoI Act was applicable to whole of India. The State Government initiated action on the Act in June 2008, i.e. after a gap of more than seven years since the formation of the State, leading to denial of benefit to labourers.

With regard to non-deduction of cess despite receiving the order, the DDOs of various departments stated that the orders regarding realization of cess were received late. However, necessary deduction of cess has since been started. As regards past cases, the DDOs stated that it would not be possible to recover the amount of cess as the works had been finalized in maximum cases and the works' accounts of contractors had been closed.

Matter was referred to Government (April 2011). Secretary, PHE stated (May 2011) that no undue financial benefits were provided to any contractor as deduction would be unjustifiable in the absence of enabling provision in the contracts. The Secretary further stated that as per a decision of the Hon'ble High Court, Andhra Pradesh any deduction of cess shall not be done, unless the corresponding amount is included in the estimates of the work.

[14] As the State was formed in November 2000 and data is available from January 2001 onwards.

Principal Secretary, WRD stated (September 2011) that the orders for deduction of cess were received from the Labour Department in March 2010 and accordingly the orders were issued in July 2010.

Principal Secretary, PWD stated (October 2011) that although responsibility for enforcement of this Act lies primarily with the State Government, the respective contractor is responsible for payment of the cess. It was further stated that as the Act was introduced by the State Government in June 2008, no procedure to collect cess was introduced in the contract agreement. Condition for deduction of cess was inserted in the contract agreement in July 2010, and, the cess is now being recovered from the bills of the contractors and deposited regularly in the Labour welfare fund.

The fact still remains that the GoI Act was applicable to whole of India and was deemed to have come into force on 3 November 1995. The State Government initiated action on the Act as late as in June 2008, i.e. after a gap of more than seven years since the formation of the State, leading to denial of benefit to labourers.

Thus delay in issuing the orders for implementation of the Act and failure to constitute the Board led to non-recovery of cess amounting to ₹ 103.63 crore and extension of undue advantage to the contractor. Besides this, delay in implementation of Act also resulted in denial of intended benefits to the workers. Considering the potential social benefits that could have accrued to the labourers, the Government should have initiated timely action to constitute the Board and frame rules in compliance to the provisions of the Act.

## GENERAL ADMINISTRATION DEPARTMENT

### 2.2.3 Unauthorised expenditure

**Unauthorised utilization of ₹ 47.52 lakh from departmental receipts for meeting office expenses and irregular retention of departmental receipts totaling ₹ 22.62 crore out of Government Account**

As per Rule 29 of Chhattisgarh Financial Code Vol-I for special category of receipts, it is the duty of controlling officer to see that all amounts due to Government are being recovered promptly and regularly and are being deposited in Consolidated Fund or Public Account of the State**.**

As per Rule 7(i) of Chhattisgarh Treasury Rules, all receipts which need to be deposited into the Consolidated Fund or Public Account of the State, should be deposited into Treasury or Bank immediately and included in Consolidated Fund or Public Account of the State. The above receipts should neither be utilized for meeting departmental purposes nor kept separated from the Consolidated Fund.

The Land Acquisition Officer (Collector) collects 80 *per cent* of the estimated compensation charges as specified in the award for land acquisition in advance from the applicant department and deposits the same into a Personal Deposit (PD) account maintained by the Collector. A specified percentage of compensation amounts, as determined in the award, are collected from the applicant department as Administrative cost, which are required to be credited into the Consolidated fund of the State.

Scrutiny (March 2011) of records of office of Collector, Surguja revealed that an amount of ₹ 22.62 crore, representing administrative cost on land acquisition received upto March 2011 was irregularly kept in a savings Bank account in contravention of Chhattisgarh Treasury Rule 7(i). This included interest amount of ₹ 15.22 lakh earned during 27.09.2008 to 25.02.2011.

It was further observed that out of the above amount, ₹ 47.52 lakh was irregularly utilized for various purposes such as purchase of computer accessories, furniture, petrol, oil and lubricants, hiring of vehicles etc. during December 2007 to February 2011 in total disregard to the provisions of State Treasury Rules.

On this being pointed out in audit, the Collector stated that ₹ 14.00 lakh was paid to the Protocol Section for hiring of vehicles with the condition to refund the amount as and when the allotment is received but no amount has been refunded so far. It was further stated (March 2011) that, barring a few receipts of earlier period, the amount received on account of administrative fees was regularly deposited in the head 0029-land acquisition, 800-Other Receipts. However, no reasons were furnished for keeping the funds outside Government account.

The reply is not tenable. The direct appropriation of receipts for meeting departmental expenses is contrary to the provisions of treasury rules besides being irregular as expenditure was incurred in the form of Administrative expenses over and above the budget allotment for protocol and hiring. Further, retaining ₹ 22.62 crore out of Government account is also a serious financial irregularity.

Matter was brought to the notice of Government (June 2011), reply is awaited.

## VETERINARY DEPARTMENT

### 2.2.4 Avoidable payment

**Failure on the part of the Government to monitor, coordinate and to repay the loan to NDDB as per the time schedule resulted in avoidable extra payment of ₹ 2.38 crore**

Under Operation Flood-II Programme in erstwhile State of Madhya Pradesh (MP), a tripartite agreement was executed (June 1981) between Madhya Pradesh State Co-operative Dairy Federation Limited, National Dairy Development Board (NDDB) and Raipur Dugdh Sangh (RDS) for a loan of ₹ 4.08 crore, of which the RDS received a loan of ₹ 3.73 crore only and the MP government was the guarantor for the loan. In the event of failure on the part of the RDS to make repayment as required by NDDB, the Surety (Guarantor) was required to pay the amount as and when so required by the NDDB. An amount of ₹ 1.07 crore was repaid by the erstwhile State of Madhya Pradesh and the loan amount of ₹ 3.73 crore was apportioned to Chhattisgarh State after re-organisation of the State in November 2000.

Scrutiny (April 2010) of records in Directorate, Veterinary Services, Raipur and information collected from RDS revealed that the NDDB communicated (June 1999) outstanding loan of ₹ 3.73 crore as of March 1999 to RDS and

also offered full time settlement of the loan on payment of ₹ 5.04 crore against the total recoverable amount of ₹ 12.71 crore. As per the offer, the amount of ₹ 5.04 crore was to be paid in 13[15]varied annual installments commencing from the year 1999-2000 upto year 2011-12. In view of the settlement offer, RDS paid an amount of ₹ 1.70 crore as the installments for the years 2000-01 and 2001-02 but no further installment was paid thereafter under the offer due to poor financial position of RDS. Again another option for converting the loan as a fresh loan @ 5.5 per cent interest per annum was offered by NDDB in October 2004 but no action was taken by the RDS in this regard.

Further information collected (April 2011) from Directorate Veterinary Services revealed that NDDB offered another proposal (April 2009) for one time settlement (OTS) of the loan after making payment of ₹ 7.41 crore and also informed about initiating legal action against RDS in case of failure to pay the dues. In view of the above, Chhattisgarh Government, being the guarantor of the loan, decided (December 2010) to pay the sum of ₹ 5.72 crore as OTS, to which NDDB also agreed (December 2010). Accordingly an amount of ₹ 5.72 crore was paid to NDDB (March 2011) by the State Government as final settlement.

This indicates lack of monitoring and coordination between the State Government and RDS. Further, there was failure on the part of State Government in making the payment as per the scheduled installments offered by NDDB during the year 1999, which led to extra payment of ₹ 2.38[16] crore.

On this being pointed out, the Managing Director/RDS stated (2011) that, due to its poor financial position, RDS was not in a position to repay any amount since 2002-03. State Government, after taking control of RDS in August 2008, held meetings with the representatives of NDDB to discuss their proposals. After considering all aspects, it was then decided (March 2011) to pay lumpsum amount of ₹ 5.72 crore as one time settlement.

The reply failed to specify the reasons for failure on the part of State Government and RDS to coordinate with each other in making the payment as per the scheduled installments offered by NDDB during the year 1999, which eventually resulted in extra payment of ₹ 2.38 crore.

Matter was brought to the notice of Government (June 2011), reply is awaited.

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15 ₹ 84.85 lakh in 1999-2000; ₹ 84.83 lakh in 2000-01; ₹ 83.29 lakh in 2001-02, ₹ 79.86 lakh in 2002-03; ₹ 77.92 lakh in 2003-04; ₹ 56.51 lakh in 2004-05; ₹ 22.68 lakh in 2005-06; ₹ 10.02 lakh in 2006-07; ₹ 3.73 lakh in 2007-08; ₹ 0.21 lakh in 2008-09; ₹ 0.21 lakh in 2009-10; ₹ 0.21 lakh in 2010-11 and ₹ 0.10 lakh in 2011-12.

16 ₹ 1.70 crore (paid between the year 2000-01 and 2001-02) + ₹ 5.72 crore = ₹ 7.42 crore - ₹ 5.04 crore =₹ 2.38 crore

## 2.3 IDLE EXPENDITURE/BLOCKAGE OF FUNDS

## PANCHAYAT & RURAL DEVELOPMENT DEPARTMENT

### 2.3.1 Blockage of funds

**Blockage of funds due to execution of works without obtaining clearance of forest land- ₹ 22.54 crore**

The Forest (Conservation) Act, 1980 provides that prior approval of the Government of India (GOI) is required for use of forest land for non-forest purposes. Further, as per Para 3.6 of *Pradhan Mantri Gram Sadak Yojna* (PMGSY) guidelines, the State Level Standing Committee, set up by the State Government for monitoring the programme, is responsible to oversee the availability of lands for taking up the proposed road works.

Scrutiny of records (November 2010) of the Executive Engineer-cum-Member Secretary, Project Implementation Unit No-1, PMGSY, Jagdalpur, District Bastar (EE), and information collected from Chhattisgarh Rural Road Development Agency (CRRDA) revealed that Government of Chhattisgarh sanctioned 24 road works between 2001-02 and 2004-05. These works involved construction of Black Topping (BT) roads totaling 253.85 kms, out of which 157.95 kms length of roads pertained to forest area. These works were commenced in the forest land without prior approval from GOI/Forest Department. Consequently the works had to be stopped halfway by Department after execution of work upto earthwork and WBM only, on the objection raised by the Forest department after incurring an expenditure of ₹ 22.54 crore as detailed in ***Appendix-2.16***. Thus, commencement of the work by the respective EEs without getting the permission from competent authority was contrary to the rules and resulted in blocking of Government money totaling ₹ 22.54 crore apart from non-achievement of the objectives as envisaged.

The matter was brought to the notice of Government (September 2011). Government stated (November 2011) that although the roads were constructed in most cases upto WBM level only, they are still serving the rural traffic and providing connectivity to the targeted habitations. It was further stated that in respect of two stretches in Bastar district, the process of approval is in final stages and in respect of two stretches, necessary sanction from Forest department has since been received. In respect of some works in Dantewada and Kanker districts, clearance from Forest department was not required but the work could not be completed due to naxalite problems. It was also stated that the works were started in anticipation of sanction/approval from Forest department.

Government's reply is not acceptable as part of the road works was not executed. Further, necessary approval of GOI should have been obtained before starting the works of these roads.

## DEPARTMENT OF TECHNICAL EDUCATION, MAN POWER PLANNING, SCIENCE AND TECHNOLOGY

### 2.3.2 Idle expenditure

**Non-availability of basic infrastructure for installation led to idle expenditure of ₹ 2.14 crore**

Chhattisgarh Financial Rules provide that purchase of store articles should be made economically and after accessing actual requirements. Payment should also be made only after receipt of the material as per specification and after successful installation.

For upgradation of Industrial Training Institutes (ITI) of Chhattisgarh State under the sponsorship of World Bank and to impart advance training to the trainees, the Director, Employment and Training (DET) had issued supply orders for various equipments valuing ₹ 4.07 crore, with required specifications, to various suppliers between March 2004 and February 2010. The supply of machinery/equipments /tools was to be made directly to ITIs of Chhattisgarh States. The supplies were made between May 2007 and December 2010.

Test check (January to March 2011) of records of Director, Employment and Training (DET), eight[17] Industrial Training Institutes (ITIs) and joint physical verification by the Audit and the Department revealed that the equipments valuing ₹ 2.14 crore ***(Appendix-2.17)*** were either not installed or lying idle for period ranging from one to four years. This included equipments valuing ₹ 44.50 lakh which were lying idle or uninstalled for more than two years.

On being pointed out, Additional DET stated (December 2011) that some equipments were necessary for getting recognition from the National Professional Training Council, hence these were purchased and stated that the equipments could not be utilized due to either lack of space, non-completion of building, non-operation of the specific trade, non-availability of accessories etc. It was further stated that the equipments will be utilized as soon as the respective trade or accessories are made available.

Reply is not acceptable as even though the equipments were purchased for getting recognition but the same were not put to use. Failure to utilize these equipments led to idle expenditure of ₹ 2.14 crore. Besides, the objectives of imparting advanced training to the students of these ITIs also could not be achieved.

Matter was reported to the Government (June 2011); reply is awaited (February 2012).

[17] Ambikapur (11/2002 to 2/2011), Balodabazar (4/2010 to 12/2010), Bastar (3/2006 to 2/2011), Bhilai (3/2010 to 1/2011), Durg (4/1999 to 1/2011), Koni, Bilaspur (11/2000 to 1/2011), Mana, Raipur (11/1988 to 3/2010) Raigarh (5/2007 to 2/2011)

## 2.4 REGULARITY ISSUES AND OTHER POINTS

### 2.4.1 Lack of responsiveness of Government to Audit

The Accountant General (Audit) arranges to conduct periodical inspection of State Government departments to check the transactions, maintenance of initial accounts in their prescribed formats, the adherence to the codal provisions and internal control procedures and maintenance of basic control registers. These inspections are followed by the preparation of Inspection Reports (IRs) which contain audit paragraphs prepared on the basis of various audit observations. These are issued to the head of office concerned, with a copy to the next higher authority, to examine the audit paragraphs and report the compliance to the Accountant General (Audit). Outstanding paras are settled by the Accountant General (Audit) on intimation of requisite follow up action taken by the Department.

At the end of March 2011, there were 12290 outstanding paragraphs relating to 3234 IRs The year wise break up of these outstanding IRs and paragraphs is given below.

| Year | Number of outstanding IRs | Number of paragraphs |
|---|---|---|
| Up to 2002-03 | 1929 | 4995 |
| 2003-04 | 170 | 535 |
| 2004-05 | 321 | 1355 |
| 2005-06 | 218 | 1054 |
| 2006-07 | 209 | 1169 |
| 2007-08 | 49 | 365 |
| 2008-09 | 128 | 624 |
| 2009-10 | 210 | 1104 |
| 2010-11 | 184 | 1089 |
| **Total** | **3234** | **12290** |

The department - wise break-up of the outstanding IRs and paragraphs is also indicated in ***Appendix-2.18.***

**Pendency of Inspection Reports due to non-receipt of initial replies**

A review of the IRs issued in the previous three years 2008-09, 2009-10 and 2010-11 showed that all the IRs issued were pending due to non-receipt of satisfactory replies from the departments to the audit objections included in the IRs. In 340 cases (65 *per cent*), departments did not even furnish the first reply to the IRs. The year wise break up of pending IRs and cases where first reply has not been received is given below:

| Year | Number of IRs issued | Number of outstanding IRs | Cases of non-receipt of first reply |
|---|---|---|---|
| 2008-09 | 128 | 128 | 62 |
| 2009-10 | 210 | 210 | 130 |
| 2010-11 | 184 | 184 | 148 |
| **TOTAL** | **522** | **522** | **340** |

The department-wise break-up of these outstanding IRs is listed in ***Appendix -2.19.***

It is recommended that State Government should introduce adequate measures to ensure proper and timely response to the audit observations by the departments, thereby resulting in enhanced efficiency and effectiveness of the government functioning while reducing the pendency of paragraphs in the IRs.