

## CHAPTER XVII : UNION TERRITORIES

### Andaman and Nicobar Administration

### Andaman Public Works Department

#### 17.1 Abnormal delay in execution of a scheme work

**Abnormal delay in execution of work with the link road remaining incomplete under PMGSY Scheme resulted in non-achieving of desired socio-economic benefit to be derived even after lapse of over ten years from the date of its sanction. Further, interest, penalty and other recoveries amounting to ` 74.20 lakh due from the contractor remained unrecovered.**

With a view to promoting socio-economic development by providing a connection to Vijaynagar and Radhanagar villages in the Havelock Island in A&NI under the Pradhan Mantri Gram Sadak Yojana (PMGSY) Scheme, the Government of India, Ministry of Rural Development accorded administrative approval and expenditure sanction in March 2001 for ` 1.92 crore for construction of a rural road, including a link road for a total length of 3.65 kilometers, in the island. The scheme envisaged a period of 18 months for completion of road work to be executed by the Andaman Public Works Department (APWD).

As per revised guidelines, all procedural formalities and award of work were to be finalized within 120 days of clearance of the project otherwise it would be deemed to have been cancelled. After a lapse of one year, Executive Engineer, APWD, however, awarded the work in March 2002 to the contractor at a cost ` 2.01 crore with stipulation to commence and complete the work in April 2002 and October 2003 respectively. The delay was attributable to belated issue of NIT and verification of comparative statement etc. APWD, however, did neither seek the fresh approval for the project which, as per the scheme, was deemed to have been cancelled nor submit any revised estimate for sanction. It was also observed that on awarding the work, APWD could not ensure handing over of a clear land/site to the contractor for execution of work as per manualised provision till March 2003 though it was indicated at the time of preparation of detailed estimate that the land was available and there was no hindrance in taking up the work. The delay of one year from date of award in handing over the site, besides forest clearance and land dispute, was attributed to delayed departmental decision on various issues including

demarcation of land, shifting of existing electric poles, laying of foundation stone, most of which could have been avoided.

Meanwhile, much before the actual start of work in May 2003 by the contractor, the Executive Engineer, APWD, had made a premature payment of secured advance of ` 53.67 lakh in August 2002 and October 2002 against the stone aggregates brought at site for future consumption on road metal works to be taken up after completion of earth work and other incidental works. Owing to abnormal delay in earth work coupled with stoppage of work by contractor and settlement of dispute of shortage of stone aggregates, the amount of advance paid remained blocked for over three and half years and APWD did not take any action to recover the interest of ` 54.12 lakh calculated @ 12 *per cent per annum* as per clause 7 of the Indenture signed for secured advance. Though APWD stated in February 2010 that the interest would be recovered from the final bill considering all aspects like escalation, penalty etc. the final bill was yet to be settled as of February 2011.

Moreover, the work progressed very slowly and completion was overly delayed due to delay in taking decision by APWD on making sea sand available, substitution for sand to be used in sub-base work, settlement of dispute on shortage of stone aggregates, non-supply of stipulated materials and other internal administrative lapses. Even after delayed start of work in May 2003, the slow execution of work, non-response to departmental directives and intermittent stoppage of work by the contractor continued which contributed to the delay to a large extent. For such abnormal delay, APWD, although, issued seven show cause notices to the contractor between August 2005 and June 2008, did not take any action for levying compensation of ` 20.08 lakh under Clause 2 of Contract for such non-performance. APWD, though proposed to rescind the contract in October 2005 and February 2007, no concrete action was taken to get the work restarted by defaulting contractor or executed through a separate agency. APWD, however, did not furnish any reasons for not taking action for slow progress as per conditions of contract.

As per the scheme, defective execution by the contractor was not acceptable and the roads to be constructed were expected to be of a very high standard requiring no major repairs for at least five years after completion of construction. Besides, the contractor was also responsible for setting up laboratory for testing of materials etc at his own cost. Contrary to the provision, certain items of work like earth work, cement concrete works, WBM sub-base work, sub-grade work, seal coat work etc executed by the

contractor were not found conforming to the rigorous specification required under PMGSY for which the department made payment to the contractor at reduced rate. APWD, however, used its own laboratory for testing of materials and testing charges alone were recovered from the contractor.

APWD stated in February 2011, that the three kilometres road work at Kalapathar village was completed and opened for traffic. The work for remaining 650 meters link road which still had a land dispute for 100 meters at the end was started by October 2009. Though APWD stated in February 2010 that work was likely to be completed shortly, the work remained incomplete as of February 2011 and department was of the view that the work should be closed. Analysis of items of work executed, however, indicated that the percentage of items yet to be executed and paid ranged from a minimum of 19.64 per cent to a maximum of 88.78 per cent. Till February 2011, i.e. more than seven years from scheduled date of completion, the value of work executed and paid for stood at ` 1.40 crore only as against the total cost of ` 2.01 crore. The interest and compensation amounting to ` 74.20 lakh due from contractor still remained unrecovered.

Thus, the abnormal delay in execution of work without the link road remained as such and the desired socio economic benefits to be derived from the construction of road under the PMGSY scheme remained illusive even after more than ten years from the date of its sanction. APWD is now preparing to close the work.

The matter was reported to the Ministry in June 2009 and August 2010; their reply was awaited as of March 2011.

#### **Directorate of Fisheries**

#### **17.2 Non-utilization of ₹ 2.40 crore of Rajiv Gandhi rehabilitation package**

**Failure to assess the technical capability of ANIIDCO resulted in ₹ 2.40 crore meant for creating infrastructure for fisheries sector remaining unutilized for last four years.**

In November 2005, the Andaman and Nicobar Administration (Administration) decided to transfer the civil works of Fisheries department to Andaman and Nicobar Islands Integrated Development Corporation (ANIIDCO). Thereafter, ANIIDCO submitted (March 2006) estimates for eight works valuing ₹ 2.40 crore. Before entrustment of work to ANIIDCO, no Memorandum of Understanding was signed as required under rules.

As there was paucity of fund under plan, the department decided to utilize the fund provided under Rajiv Gandhi Rehabilitation Package. A special departmental advance of ₹ 2.40 crore was drawn and paid (March 2006) to ANIIDCO without the approval of the Government of India.

ANIIDCO however did not execute any work due to non-availability of technical manpower and in September 2007 expressed its inability to execute the works.

The Administration in November 2007 asked the department to execute the work through the Andaman Public Works Department (APWD).

In September 2008 Administration decided that APWD will execute the work and payment will be made by ANIIDCO. Three out of the eight works planned valuing ₹ 1.33 crore were dropped between November 2008 and March 2009. No amount was deposited by ANIIDCO to APWD as of April 2010 for execution of the civil works.

Thus failure on the part of Administration to assess the technical capability of ANIIDCO prior to release of advance resulted in non – utilization of fund of ₹ 2.40 crore since March 2006 and the objective of creating infrastructure for fisheries sector remained unaccomplished. Moreover, the department is not in a position of taking any penal action against ANIIDCO in the absence of any agreement prior to release of funds.

The matter was referred to the Ministry in June 2010; their reply was awaited as of March 2011.

### **Directorate of Shipping Services**

#### **17.3 Over payment of ` 41.95 lakh to a private firm**

**Ignoring the conditions provided in the Service Support Agreement, the Directorate of Shipping Services made an over payment of ` 41.95 lakh as margin to a private firm.**

Andaman and Nicobar Administration entered into a Service Support Agreement (SSA) (July 1999) with M/s Ind Aust Marine Pvt. Ltd. (IAM), the sole authorized Indian representative for Yanmar Diesel Engine Company Limited, Japan (Yanmar).

The SSA was for engine maintenance and stocking of spares for a period of 20 years, for 18 vessels owned by Directorate of Shipping Services (DSS) and fitted with engine and other equipment manufactured by Yanmar.

Throughout the duration of the contract, IAM was required to maintain at Port Blair, an inventory of spare parts adequate for one year planned maintenance. As per the terms, the pricing of the spares to be stocked at Port Blair would take into account the Yanmar list price (FOB) and all other costs incurred to bring these spare parts to Port Blair, inclusive of transportation, insurance, clearing and forwarding, all Indian tariffs, duties and taxes levied.

Thus, as per the Agreement, all overheads / incidentals over and above the Yanmar (FOB) price list are payable provided they are supported with proper documents. There was however no provision for charging additional profit.

Against the supply of spares, IAM submitted the final invoice supported by bills and vouchers for all overheads / incidentals and claimed 10 *per cent* as margin on (FOB) value.

Test check of payments made to IAM for spares supplied revealed that during January 2005 to March 2008 IAM supplied spares against 53 purchase orders worth ` 419.48 lakh and was paid ` 41.95 lakh as margin which was contrary to the SSA.

On being pointed out by audit, a proposal to amend the SSA for payment of 10 *per cent* on (FOB) value was forwarded to the Administration (September 2008) which is yet to be approved.

The fact remains that, due to ignoring the conditions provided in the SSA, the DSS had made an over payment of ` 41.95 lakh to the firm.

The matter was referred to the Ministry in June 2010; their reply was awaited as of March 2011.

#### **Zilla Parishad**

#### **17.4 Unfruitful Expenditure - ₹ 5.77 crore**

**Failure to replace the damaged sluice gates has rendered the expenditure of ₹ 5.77 crore on restoration and strengthening of sea bunds for reclamation of paddy land unfruitful.**

Due to earthquake followed by Tsunami on 26 December 2004, the sea bunds and sluice gates at different places in South Andaman District were damaged

causing the sea water to enter the paddy land. In order to reclaim 569.09 hectares of land in 9 villages of South Andaman, 17 estimates were prepared (February 2005) for restoration and strengthening of the damaged sea bunds. The estimates, however, did not contain provision for replacement of damaged sluice gates which were essential to prevent the sea water from entering the agricultural land.

The works were approved by the Zilla Parishad in February-March 2005 and completed between March 2005 and October 2006 at a cost of ₹ 5.77 crore. However, since the work of providing and laying of sluice gates was not taken up, sea water continues to enter the paddy fields. Execution Engineer, Zilla Parishad stated in October 2010 that estimate amounting to ₹ 1.66 crore for repair of sluice gates was yet to be sanctioned by the competent authority.

Therefore, failure to replace the damaged sluice gates resulted in unfruitful expenditure of ₹ 5.77 crore on restoration and strengthening of earthen bunds. Besides, the very purpose of the expenditure to reclaim the paddy land remained illusive even after more than five years.

The matter was referred to the Ministry in August 2010; their reply was awaited as of March 2011.

### **Chandigarh Administration**

#### **17.5 Avoidable expenditure on purchase of uniform**

**Failure of District Education Officer (DEO) U T Chandigarh (2006-07) in assessing the correct requirement of uniform cloth and jersey, resulting in excess quantity of cloth and jersey worth ` 90.71 lakh was purchased. To deplete the stock of excess uniform held, the department also distributed the uniforms among the students of ineligible schools.**

As per the scheme of Union Territory Administration, Chandigarh, all the students studying in Government ordinary schools (non model schools) from I to VIII classes were to be provided free uniforms during the year 2006-07. The requirement of uniform cloth and jersey for 45730 students enrolled was worked out to 126508 meters and 45730 jerseys for the year 2006-07. Though the purchases were intended for the year 2006-07, due to slow pace of finalization of the process, purchase orders were placed only in December 2006 for 314816 meters of cloth and 52942 jerseys, leading to 188308 meters of cloth and 7212 jerseys in excess valuing ` 90.71 lakh.

Test check of records of the District Education Officer (DEO), Union Territory of Chandigarh, in February 2008 revealed that the reasons for excess procurement are as under:

- The excess purchase was due to counting of 7212 SC students twice in the enrolment valuing ` 19.15 lakh extra burden to the state.
- The purchase of double the quantity of cloth valuing ` 36.10 lakh for uniforms required for the girl students of classes I to VIII.
- The excess quantity of cloth valuing ` 35.46 lakh for the boys of the class I to II due to mistakes in calculation.

The lots of cloth were received between January 2007 and August 2007 and got stitched and distributed only during 2007-08, due to which children could not be supplied uniform during 2006-07.

Meanwhile in February 2008, the Education Department changed the colour of uniforms for the year 2008-09 and decided to purchase stitched uniforms without taking cognizance of the old stock. Accordingly, the DEO placed order (February 2008) with a firm in Mumbai for the purchase of stitched uniforms for the year 2008-09 which were received and distributed among the students of Class I to VIII in non model schools during 2008-09. Simultaneously, the department also distributed the old uniforms among the same students and students of ineligible schools merely to deplete the stock of excess uniform held.

On being pointed out in audit (February 2008), the DEO stated (February, 2008) that 7212 students were inadvertently included twice in the general enrolment and the excess purchase was made accordingly. The DEO further stated (November 2009) that the uniforms had been distributed among the students in various government schools leaving a balance of uniforms /cloth valuing ` 10.47 lakh in stock. The reply is not acceptable as the DEO, with a view to deplete the stock of uniforms had distributed, the uniforms made out of the excess cloth twice/thrice among the students of non model schools and to the students of ineligible model schools and schools run under Sarva Shiksha Abhiyan, deviating from the norms fixed by the UT Administration. Moreover, decision to change the colour of uniform in February 2008, was taken without taking into account stock in hand. The recent distribution of uniforms as also without any justification indicates a total disregard of the Canons of financial propriety with regard to spending of

public money. This led to an avoidable expenditure of ` 90.71 lakh to the exchequer.

The matter was reported to the Education Secretary, Chandigarh Administration (November 2008 and November 2009), and Home Secretary, GOI (January 2010); their reply was awaited as of March 2011.

### **Chandigarh Transport Undertaking**

#### **17.6 Imprudent decision in awarding contract**

**Imprudent decision in awarding the contract for display of advertisements on the buses of Chandigarh Transport Undertaking resulted in loss of ` 1.15 crore.**

Tenders for display of advertisements on 412 buses of the Chandigarh Transport Undertaking (CTU) for two years were invited in July 2005 and opened in August 2005 as the previous contract @ ` 2055 per bus per month (PBPM) with M/s Pisces Communication (P) Limited, Delhi was to end on 16 October 2005. As per the terms and conditions of tender, the tenderers were to quote the rates for minimum group of 30 buses. Out of 5 bids received, M/s Ad Global offered the highest rate of ` 3402 per bus per month for 120 buses only, whereas M/s Excel Advertising, Chandigarh quoted the next highest rate of ` 2828 per bus per month for all the 412 buses. The other bidders were M/s Media Solutions, Chandigarh, M/s Pisces Communications (P) Limited and ESPN ADS who had quoted the rate of ` 2701, ` 2061 and ` 1818 PBPM respectively for all the 412 buses.

Scrutiny of the records revealed that when the tenders were opened on 24 August 2005, the department recorded two minutes signed by the Tender Committee consisting of the Assistant Controller (F&A), General Manager. (CTU-I) & General Manager (CTU-II). In one of the minutes, it was indicated that the rate of M/s Excel Advertising, Chandigarh at ` 2828 PBPM was the highest and the company be called to complete the formalities. In the other minutes, the Tender Committee recommended to make offer to M/s Ad Global for 120 buses at ` 3402 PBPM and for 292 buses at ` 2828 PBPM to M/s Excel Advertising. Reasons for recording the two minutes were not on record. The Tender Committee negotiated (2 September 2005) with both the firms to execute the agreement for the split offer which did not materialize and the tender was cancelled as M/s Ad Global did not agree to accept the offer for 292 buses at ` 2828 PBPM, in addition to their offer for 120 buses at ` 3402 PBPM and M/s Excel Advertising, Chandigarh declined to execute the



agreement only for 292 buses at ` 2828 PBPM on the plea that it had quoted the rate for the whole lot of 412 buses. In the tender notice it was stated that bids should be in minimum groups of 30. Therefore, denial of offer to M/s Ad Global for 120 buses only at ` 3402 PBPM was not appropriate. The department neither opted for the offer of the highest tenderer at the rate of ` 3402 PBPM for 120 buses and reinvite tenders for the remaining 292 buses, nor offered the contract to the second highest tenderer for all the 412 buses at ` 2828 PBPM. Records did not reveal as to why no offer was made to the next higher bidder i.e M/s Media Solutions (after the offers were declined by the above mentioned two firms), who had quoted for all the 412 buses at ` 2701 PBPM. The CTU chose to reinvite tenders in September 2005 without recorded reasons for not considering the available options.

It was noticed that out of the bids received in response to the second tenders (September 2005), the highest bid of M/s Media Solution at ` 2424 PBPM was recommended by the Departmental Committee and sent to the UT Administration (13 September 2005) for approval. The matter remained pending with the Chandigarh Administration for waiver of a condition regarding payment of advertisement fee to the Municipal Corporation of Chandigarh by the Contractors. The Home Secretary, Chandigarh Administration exempted in January 2006 the Contractors from payment of advertisement fee to the Municipal Corporation and directed the CTU to call fresh tenders on the plea that the department expected higher rates by floating fresh tenders after the decision to exempt payment of advertisement fee to the Municipal Corporation had been taken. The expectation to get higher revenue however as one of the conditions of the tender of September 2005 was liability to pay advertisement fee to the Municipal Corporation and the Administration's separate exercise to waive the said fee was nothing to do with the tender already finalized in September 2005. Thus, rejection of the tender by the Home Secretary by linking the two independent issues was not justified.

Tenders were invited for 3<sup>rd</sup> and 4<sup>th</sup> time in January 2006 and 15 February 2006, but these also did not materialize due to the reasons that on the 3<sup>rd</sup> time, the rates offered were lower than the rates obtained on the earlier occasions and on the 4<sup>th</sup> time no offer was received. The tenders were re-invited for the 5<sup>th</sup> time on 8 and 9 March and opened on 24 March 2006. This time, the highest bid at the rate of ` 1890 PBPM for 417 buses received from M/s Pisces Communication Private Ltd. was approved (4 April 2006) for a period of two years from 17 April 2006 to 16 April 2008. In the past, this firm had

been awarded contract for 412 buses from 20 March 2001 to 19 March 2003 and from 17 October 2003 to 16 October 2005 at the rate of ` 2055 PBPM.

Thus, in 2005, when the tenders were invited for the first time, by not awarding the contract to M/S Ad Global for 120 buses at ` 3402 PBPM and reinvite tenders for the remaining 292 buses or by not awarding the contract to M/s Excel Advertising, Chandigarh who had offered the bid of ` 2828 PBPM for 412 buses, the department suffered a loss of ` 1.15 crore. The chronology of events as brought out above clearly establishes that M/S Pisces Communication Pvt. Ltd. gained by getting contract at a lower rate.

On being pointed out by Audit (January 2007/May 2007), the UT Administration replied (September 2007) that by harmonizing the rates of first two highest bidders i.e. M/s Ad Global and M/s Excel Advertising, Chandigarh, the offer of contract was made to both the parties at ` 3402 PBPM for 120 buses and at ` 2828 for 292 buses, but the parties declined the offer.

The reply of the Administration is not acceptable as there were options available for accepting offer as per the terms and conditions of tenders which did not bar the management from allotting the contract for 120 buses only at the rate of ` 3402 PBPM to M/s Ad Global and reinviting tender for the remaining 292 buses or accepting the offer of M/s Excel Advertising, Chandigarh at ` 2828 per bus per month for all the 412 buses. Failure to take a prudent decision resulted in loss of income of ` 1.15 crore to CTU. Incidentally, the contract from 17 April 2008 for two years has been awarded to M/s Adlabs Films Ltd, New Delhi at ` 5000 PBPM.

#### **17.7 Drawal of funds in advance of requirement**

**Drawal of funds of ` 3.17 crore in advance of requirement resulted in loss of interest of ` 20.42 lakh.**

Financial rules require that money should not be drawn from treasury unless the same is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grant.

In January 2007 and March 2008, the Chandigarh Transport Undertaking (CTU) placed three orders with two firms for purchasing chassis for buses. Audit scrutiny revealed that in the three purchase cases, CTU withdrew total amount of ` 3.17 crore in advance of requirement and kept the amount in the

shape of bank drafts. The payments to the firms were actually made after a period ranging from three to twenty months from the date of drawal of funds.

The details are given below :-

S.No.	Date of Purchase order	Name of the firm	Number of chassis and cost	Date of supply/ Nos. of chassis	Date of payment	Date of Drawal of funds
1.	22.01.2007	M/s Tata Motors Limited, Chandigarh	16/` 1.26 crore	July 07-1 Aug. 07-8 Sept- 07-7	18.10.07 & 13.02.08	` 1.26 crore on 31.03.07
2.	31.03.2008	M/s Ashok Leyland Limited, Chandigarh	17/` 0.99 crore	21.06.08-10 24.06.08-07	02.07.08	` 0.99 crore on 31.03.08
3.	31.03.2008	M/s Ashok Leyland Limited, Chandigarh	5 Double decker/ ` 0.95 crore	17 Stag chassis: 13.11.09-16 16.12.09-01	28.12.09	` 0.92 crore on 31.03.08

In the first case, as per terms of the purchase order, 98 *per cent* payment was to be made on receipt of the chassis after pre delivery inspection by CTU at the premises of the dealer and the balance two *per cent* was to be made within 30 days from the date of receipt of final bill duly completed in all respects. The committee constituted for undertaking the pre delivery inspection submitted their reports on 21-9-07 and 98 *per cent* payment was released in October 2007 and the balance in February 2008 to M/s Tata Motors Limited. But CTU had withdrawn the amount of ` 1.26 crore from the treasury as early as on 31 March 2007, though payments were due only in October 2007.

In the second case, though CTU placed the purchase order on M/s Ashok Leyland Limited, Chandigarh on 31 March 2008 for supply of 17 chassis costing ` 0.99 crore, CTU withdrew ` 0.99 crore from the treasury on 31 March 2008 itself and kept the amount in the form of bank draft. As per terms of the purchase order, 100 *per cent* payment was to be made on receipt of the chassis after pre delivery inspection. A committee consisting of officers/officials to inspect the chassis at the dealer's premises submitted the reports in June 2008 and 100 *per cent* payment was released on 2 July 2008. Thus, drawal of money in March 2008 was unnecessary.

In the third case, CTU placed the purchase order on M/s Ashok Leyland Limited, Chandigarh on 31 March 2008 for supply of five number of double decker chassis. On the same day funds to the tune of ` 0.92 crore were drawn on this account from the treasury and kept in the form of bank draft. M/s

Ashok Leyland produced the double decker chassis in May 2008. As CTU was finding it difficult to finalise the body builder for these chassis even after resorting to three tenders, it approached (August 2009) the Chandigarh Administration to allow purchase of 17 numbers of stag chassis (i.e. chassis for mini buses) in lieu of the five double decker chassis. The Administration dropped the idea of double decker buses and accorded sanction (August 2009) to purchase the stag chassis at a cost of ` 0.95 crore from the same firm. These chassis were received in November - December 2009 and payment was made in December 2009.

The Director Transport stated (September 2010) that delivery of chassis was not taken in time as the body builders had requested not to supply the chassis in one lot, there was no space to park the chassis in the workshop of CTU and the tenders for fabrication of buses could not be finalised in time. He further added that funds were drawn as the chassis were readily available with the firms.

The reply is not acceptable as the reasons cited all the more warranted postponing of drawing money and drawal of fund on the same day/ time of placing the purchase orders for chassis without finalising the tenders for body building etc was not justified. Thus, the CTU in disregard to the financial rules and propriety withdrew ` 3.17 crore without any immediate requirement and retained the amount in the form of bank drafts for three to twenty months leading to loss of interest of ` 20.42 lakh.

The matter was referred to the Finance Department of the Chandigarh Administration in September 2010 and November 2010; their reply was awaited as of March 2011.

### **Chandigarh Administration – Engineering Department**

#### **17.8 Irregular advance payments for works**

**Without obtaining details of the utilization of ` 4.24 crore already advanced, the Chandigarh administration made further payment of ` 11 crore to Power Grid Corporation of India with a view to prevent lapse of the budget grants.**

General Financial Rules require that departments of the Central Government shall surrender to the Finance Ministry, all the anticipated savings noticed in the Grants or Appropriations controlled by them.

The Chief Engineer, Engineering Department of the Union Territory, Chandigarh entered (October 2008) into four agreements with Power Grid Corporation of India Ltd (PGCIL) for execution on cost plus basis of four works namely, providing of additional transformer, at the 66/11 KV Substation at Rajiv Gandhi I.T. Park, providing of automatic capacitor banks at various substations, upgradation of the existing 33 KV Sub-Station to 66 KV station in Sector-34, and upgradation of transformation capacity at 66 KV Grid Sub Station, IT Park. Justification, as required in Rule 204 of GFR, was not recorded for awarding the works on cost plus basis.

The total estimated cost of these four works excluding the consultancy fee and applicable taxes and duties was ` 24.66 crore. Three works were to be completed within 18 months and the fourth one was to be completed within 24 months from the date of release of first instalment of fund and signing of agreement, whichever was later.

The terms of payment as per the agreements, inter alia, provided for the following:

- (i) Consultancy fee payable to PGCIL was 13 *per cent* of the actual cost of the projects.
- (ii) 15 *per cent* of the estimated cost plus proportionate consultancy fee and applicable service tax on the consultancy fee was to be paid on acceptance of the offer of PGCIL or signing of the agreement whichever was later.
- (iii) The balance payment along with corresponding consultancy fee and applicable service tax was to be made in a phased manner as per the requirement of work. PGCIL was to submit the requirement of funds in advance along with justification and the department was required to release the funds promptly. While demanding further funds, PGCIL was to furnish maximum details of utilization of the funds already released by the department.

The offer of PGCIL was accepted on 7 July 2008. The department released 15 *per cent* advance payment of ` 4.24 crore in July 2008 for process of tendering work, design, Ground Logistics Operations and Miscellaneous expenditure during the tender and award of work.

PGCIL in November 2008 and February 2009 requested the Electricity Department, U.T, that the projects were under process for award of tender for

which they have to make advance payment to the suppliers of various materials. Hence, advance payment of ` 10 crore may be released so that they do not face any financial problem during the execution of projects. The Executive Engineer without obtaining the details of utilizations of ` 4.24 crore already released, released further payments of ` 5.00 crore in January 2009 and ` 6 crore in March 2009 on the instruction of Superintending Engineer.

Audit scrutiny revealed that the tender documents were issued in October 2009, ten months after the advance was received. Accordingly PGCIL in June 2010 concluded two contracts with M/S AREVA T &D limited for execution of these projects. Since the agreement with PGCIL did not provide for payment of interest on the advance amounts placed with them (required as per CVC guidelines), there was undue financial aid of ` 11 crore to PGCIL and loss of interest of ` 1.09 crore (up to May 2010) to the Government (calculated at 7.69 *per cent per annum* at the borrowing rate of Central Government).

The Superintending Engineer, Electricity Operation Circle, Chandigarh in his reply stated (June 2009) that instructions to the EE for further release of funds were as per direction from the higher office that no surrender/saving should occur during the Financial Year 2008-09. Further, the Division stated (June 2010) that the expenditure/utilization certificate was being obtained.

The reply is not acceptable as Financial Rules do not permit drawal of money from the treasury with a view to prevent lapse of budget. Therefore, the action of the department to release funds to PGCIL in advance of requirements and disregard to the terms of agreements was irregular.

The matter was reported to the U.T. Administration (July 2009 and November 2009); their reply was awaited as of March 2011.

#### **17.9 Embezzlement due to non-reconciliation of remittances in the Treasury**

**Due to non compliance of provisions/instructions issued from time to time regarding timely reconciliation of remittances in the treasury, a sum of ` 1.83 crore was embezzled by a cashier.**

Codal provisions regarding receipt and maintenance of Government money provide that cash received by the official on behalf of the Government should invariably be deposited in the treasury/bank at the earliest. To ensure that all collection of the Government revenue stand remitted and accounted for, a certificate of total deposits should be obtained from the Treasury Officer in

the Consolidated Treasury Remittances Register by the Divisional Officer (DO) at the end of each month. Any difference in remittances with the Treasury Office should immediately be investigated and reconciled by identifying each and every item. The DO can also obtain a copy of the scroll from the assigned bank to compare each entry of remittance into the bank and to clear the differences, if any depicted in the Schedule of Monthly Settlement with the Treasury. The Finance Department Chandigarh Administration issued (July 1991) guidelines to reconcile the remittances with bank/treasury by 5<sup>th</sup> of the month following the month of remittance.

During test check of records of the Electricity Department, it was observed that there were huge differences in the remittances made by the Division and as credited in the Government accounts during the years 2004-2007 as under:

Name of Division	Year of I/R and Para No.	Difference in Form 26
Operation Dn. No. 3	2004-05 Para-4	` 5.98 crore
Operation Dn. No. 1	2004-05 Para-2	` 6.37 crore
Operation Dn. No. 3	2005-06 Para-8	` 5.91 crore
Operation Dn. No. 3	2006-07 Para-2	` 2.29 crore
Operation Dn. No. 1	2006-07 Para-3	` 6.79 crore

The fact had regularly been pointed out in the annual audits of the Divisions through Inspection Reports issued by the Audit, but no action in the matter was taken by the department.

In March-May 2008 it was detected by the department that a cashier of the department embezzled ` 1.83 crore during the months of April 2005 to February 2008 in 89 transactions by submitting fake receipt challans duly stamped with dated stamp of the bank, which were accounted for in the monthly accounts of the departments.

On being pointed out (May 2008 and June 2008), the Chief Engineer, Union Territory admitted (August 2008) the embezzlement of ` 1.83 crore, which was attributed to a systems failure and informed that two FIRs had been lodged against the Cashier and the matter was under police investigation. The plea of systems failure is not accepted as failure of the departmental officers to carry out the reconciliation in time facilitated the misappropriation and no

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accountability has been fixed against the departmental officers concerned. The cashier has since retired.

The matter was reported (December 2009) to the U.T. Administration and Government of India (January 2010); their reply was awaited as of March 2011.