

# Chapter 4

## Audit of Transactions

- 4.1 Non-compliance with rules and regulations
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## CHAPTER 4

### AUDIT OF TRANSACTIONS

#### 4.1 Non-compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are hereunder.

#### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

##### 4.1.1 Extra cost

**Non-compliance of departmental instructions led to irregular execution of extra GSB work of ₹ 1.65 crore and extra expenditure of ₹ 3.28 crore.**

The Pavement Thickness Design for construction of 54 road works executed under seven packages of *Pradhan Mantri Gram Sadak Yojna* (PMGSY), provided for 115 mm thickness of Granular Sub Base (GSB) as specified in the Detailed Project Report (DPR)/Bill of Quantities (BOQ) of these roads. Further, the departmental instructions (June 2007) of Panchayat and Rural Development Department provided that execution of any item upto five *per cent* of the quantity provided in the DPR/ BOQ required prior approval of the Superintendent Engineer (SE) and for upto 10 *per cent* in excess, the prior approval of the Chief Engineer (CE) was required. The order further provided that responsibility should be fixed and disciplinary action taken against the concerned Executive Engineer (EE) where the execution is carried out without prior approval of the competent authority.

Scrutiny of records (March 2011) relating to estimates, measurement books, running account bills/final bills of the Executive Engineer cum Member Secretary, (EE) Project Implementation Unit (PIU) No. 1, PMGSY, Raigarh revealed that seven work orders for execution of 54 roads under seven packages were awarded between April and June 2007. Further scrutiny revealed that the Department had allowed the execution of 200 mm to 210 mm thickness GSB against the provision of 115 mm thickness GSB in the agreement which works out to 73.91 *per cent* to 82.61 *per cent* above the estimate. However, prior approval of the competent authority was not taken before execution of the excess quantity of GSB. Thus, the excess execution of GSB was not only irregular but also resulted in avoidable extra cost of ₹ 1.65 crore as detailed in *Appendix 4.1*.

Scrutiny of records further revealed that there was abnormal increase of 19.54

to 159.80 *per cent* in the quantity of work done in two other items of work<sup>1</sup>. These works were also executed without obtaining prior approval of the competent authority leading to unauthorised expenditure of ₹ 3.28 crore as detailed in **Appendix 4.2**.

We also observed that the Superintendent Engineer (SE), PMGSY Circle, Raigarh issued (October 2009 and January 2011) instructions to recover the amount paid for the excess quantity executed beyond 10 *per cent* of the DPR/BOQ by booking it to Miscellaneous Public Works Advance (MPWA) against the concerned EE, Assistant Engineer (AE) and the consultant. The Chief Executive Officer (CEO), Chhattisgarh Rural Road Development Authority (CGRRDA) had also refused to consider (November 2009) the request of the EE to grant sanction of excess quantities executed and stated (November 2009) that payment made for excess execution without prior approval of competent authority appeared to be extension of undue benefit to the contractors, for which disciplinary action should be initiated against the concerned EE. Thus, the payment of ₹ 4.93 crore made by the EE was unauthorised.

After we pointed this out (March 2011) the EE stated that the quantity of GSB as provided in the estimates was made on the basis of survey conducted six months prior to grant of administrative approval. During actual execution of the work, the path was found damaged and it was not possible to execute GSB as per the estimates. Hence higher thickness of the GSB was executed to increase the life of the roads. The EE also stated (March 2011) that the excess quantities of other items were executed as per requirement of work and proposal for granting sanction had been submitted to the higher authorities.

Further, with reference to the audit observation, the EE endorsed (July 2012) a copy of the reply submitted by CEO, CGRRDA to Audit. On scrutiny of the reply and the records enclosed we observed that CEO, CGRRDA issued instructions (7 July 2012) to SE for examining the case with reference to the audit observation. However, SE approved (7 July 2012) the proposal of the revised pavement design for all the above 54 roads submitted by the EE on the same day of receipt of the communication from the CEO (i.e. on 7 July 2012) of the variation of cost incurred on excess execution of GSB and ordered to adjust the earlier debited MPWA against the concerned EE, AE and consultant (7 July 2012).

Once the higher authorities had already refused to sanction the excess executed quantity and instructed to debit the amount to MPWA against the concerned officials, inaction on these orders and subsequent approval for the above excess execution by the equivalent authority was irregular.

During discussion (March 2013) the Additional Chief Secretary (ACS), Panchayat and Rural and Development Department, while agreeing to procedural lapses on the part of the EE, stated that the DPR of these roads were prepared by consultants. Prior to start of these works, survey of initial levels and necessary testing of construction materials were carried out. Due to

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<sup>1</sup> *Item no.3.4*-Construction of Embankment with approved material obtained from borrow pits  
*Item no.6.4*- Construction of Cement Concrete Pavement.

rapid industrialisation of Raigarh District by opening of sponge iron industries/rolling mills etc. the traffic on rural roads increased enormously. Considering the traffic data and CBR<sup>2</sup> value of the sub-grade, the required thickness of the crust were redesigned. It was further stated that during this period, several road works were executed by the Department despite severe shortage of staff and that all these roads are currently in good condition. However, on the basis of the suggestion of audit, he agreed to review the case and if any irregularity is found, appropriate action would be taken.

The statement of the ACS however, does not give reasons as to why the EE did not take prior approval for the excess execution over the quantities specified in the DPR/BOQ, which he considered necessary.

#### 4.1.2 Doubtful expenditure

**Execution of earthwork after completion of GSB, WBM, HS and BT works and payment thereof indicates doubtful expenditure of ₹ 1.06 crore.**

Specification of rural roads approved by Ministry of Rural Development (MORD), GoI published by Indian Road Congress (IRC), August 2004 is adopted for construction of rural roads under *Pradhan Mantri Gram Sadak Yojna* (PMGSY). As per prescribed methodology for the construction of BT pavement, earthwork is first executed and only then Granular Sub-Base (GSB), Water Bound Macadam (WBM) Grade II and Grade III and Hard Shoulder (HS), Bitumen Tack (BT) or Cement Concrete (CC) pavement are executed.

Scrutiny (December 2010) of records of two Programme Implementation Units, PMGSY<sup>3</sup> revealed that work orders for construction of 11 BT roads under six packages<sup>4</sup> were issued to contractors. The earthwork for construction of Embankment aggregating 153790.09 cum was measured and payment of ₹ 1.36 crore was made. However, we observed that after execution of GSB, WBM, BT or CC pavement and hard shoulder, the earth work for embankment was re-measured and recorded in the measurement book (MBs). On the basis of the revised measurement, the total quantity of earth work executed by the contractors was calculated as 268353.60 cum valuing ₹ 2.42 crore. Thus, the payment of differential amount of ₹ 1.06 crore was made by recording the revised measurement for extra earth work for Embankment by taking the top width of the earthen embankment after executing GSB, WBM and BT work as shown in the *Appendix 4.3*. Since the quantities of earthwork re-calculated after completion of the roads, the release of the payments for such extra earth work of ₹ 1.06 crore is doubtful.

After we pointed this out (December 2010) the Government stated

<sup>2</sup> California Bearing Ratio (CBR) is a penetration test for evaluation of the mechanical strength of road sub grades and base courses

<sup>3</sup> Executive Engineer (EE), Programme Implementation Unit (PIU) No.1, PMGSY, Jagdalpur and EE, PIU No.1, PMGSY, Ambikapur

<sup>4</sup> Two roads of two packages in Jagdalpur and nine roads of four packages in Ambikapur

(November 2012) that the earthwork in required width and profile with side slopes of 1:2 may only be executed if the required land width is made available. The top formation width of 7.5 m with pavement width of 3.75 m is generally constructed under PMGSY. The bottom width required for earthwork is generally 10.5 m to 11.5 m (depending on height of the formation). In some roads (especially in field portion) required land width in some portions may not be available due to crops in the field. In such cases, the earthwork in available width is executed to avoid delay in completion (as stipulated in the contract agreement). Meanwhile, in such portion, the work of GSB and WBM work is subsequently done. After availability of the land, earthwork in prescribed width with required side slopes and profile are carried out. The quantities of the earthwork computed after completion of BT work were up to date measurements of the earthwork, from which the quantity paid earlier has been deducted and the remaining quantities were paid. The Government further stated that after completion of the work the final levels have been taken and from the overall quantity of the formation, the quantity of the crust including quantity of hard and soft shoulders has been deducted to obtain up to date quantity of the earthwork.

The reply is not acceptable because the measurements were not recorded by taking the top width of the road i.e. 7.5 m. Instead the measurements were recorded by taking the height of embankment up to earthwork top level (with width ranging between 8.98 m to 9.22 m formation top level) which was not possible after execution of GSB, WBM, HS and BT or CC work. The fact mentioned by the Government regarding non-availability of required land width is also incorrect, as the execution of hard shoulder was done simultaneously with execution of GSB, WBM and BT or CC work. Instances of pending payments on the earthwork executed were also not evident as payments for the earthwork measured earlier had been made at the very instance. Thus, payment of ₹ 1.06 crore made to the contractors on account of extra earth work re-measured by showing excessive increased quantity of earthwork after completion of roads indicates doubtful payment and extension of undue benefit to the contractors.

#### **4.2 Audit against propriety and cases of expenditure without adequate justification**

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit detected instance of impropriety and extra expenditure.

## HOME (POLICE) DEPARTMENT

### 4.2.1 Idle investment

#### Failure of the Government to sanction the set up of medical and other staff for Super Speciality Hospital for police personnel led to idle investment of ₹ 7.21 crore.

The Government of Chhattisgarh accorded (July 2006) Administrative Approval (AA) of ₹ 4.60 crore for construction of a 100 bedded Super Speciality Police Hospital at Raipur. The objective of the hospital was to provide better medical services to the injured police personnel of the Naxal-affected regions, police personnel and their dependents. The revised AA was accorded (August 2008) for ₹ 7.14 crore on account of change of site, increased cost of vitrified tiles, structural glazing and due to increase in quantity and rates etc. The work was completed (August 2009) by the Public Works Department with a total expenditure of ₹ 7.21 crore and the hospital building was handed over to the Police Department (September 2010).

Scrutiny (April 2011) of records of Director General of Police (DGP), Police Headquarters, Raipur revealed that the Super Speciality Hospital (SSH) at Raipur was not made operational (May 2011 and July 2012) even after its handing over (September 2010) to the Police Department, for want of sanction of medical staff and equipment. Though the request for sanctioning of medical and other staff was submitted to the Government in 2004-05, on the basis of in principle approval for establishment of the hospital, no action was taken at the Government level even after protracted correspondence<sup>5</sup> made by the Police Department during 2008-11. Further, due to non-sanction of the set up of medical staff by the Government, the DGP submitted (June 2011) a proposal to the Government to run the hospital through a private agency. However, no action either to sanction the staff set up or to make necessary arrangements for making the hospital functional as per the proposal of the DGP (June 2011) was taken by the Government. Thus, inordinate delay in taking the decision for operationalisation of the SSH not only resulted in unfruitful expenditure of ₹ 7.21 crore but also deprived the police personnel and their dependent family members from availing the benefits of the SSH.

After we pointed this out (April 2011), the DGP stated (July 2012), that due to non sanction of medical and other staff and non-procurement of machinery/equipment the hospital could not be made operational.

The reply confirms that the Government had not taken steps to get the medical and other staff sanctioned (as of July 2012) which had resulted in idle investment of ₹ 7.21 crore and non achievement of the intended objectives till date (March 2013).

The matter was brought to the notice of the Government (July 2012); their reply is awaited (March 2013).

<sup>5</sup> Correspondence dated 12-10-2004, 02-09-2008, 19-12-2008, 30-12-2008, 30-06-2009, 13-10-2010 and 11-08-2011.

**SCHEDULED TRIBE, SCHEDULED CASTE AND OTHER  
BACKWARD CLASS DEVELOPMENT DEPARTMENT**

**4.2.2 Unfruitful expenditure**

**Failure of the Department to get the pilot training completed  
resulted in unfruitful expenditure of ₹ 2.34 crore.**

With the aim of providing pilot training to State sponsored Scheduled Caste (SC), Scheduled Tribe (ST) and Other Backward Classes (OBC) students of below poverty line (BPL), the Department of Scheduled Tribe, Scheduled Castes and Other Backward Classes Development (Tribal Department), Government of Chhattisgarh (GoCG) entered into agreements (May 2008, September 2009 and September 2010) with M/s Sai Flytech Aviation Private Limited, Bilaspur (Agency). As per the agreements, the period of training for Commercial Pilot License (CPL) was 12 months for the first batch of nine students and 18 months each for the students in the second and third batch. The pilot training was to be provided as per the norms<sup>6</sup> of the Director General of Civil Aviation (DGCA) provided in Section J of the Schedule II of Aircraft Rules 1937.

The Agency was selected on the basis of permission granted (June 2007) by the State Civil Aviation Department for establishment of a Flying club at Chakrabhata, Bilaspur and use of the air strip, on the condition that the Agency would reserve nine seats for the students from SC, ST and OBC category in each batch<sup>7</sup>. The Tribal Department entered into an agreement with the agency for imparting training at the rate of ₹ 12.90 lakh<sup>8</sup> (₹ 10.40 lakh for flying and ₹ 2.50 lakh for all other expenses) per student for 200 hours of flying and providing necessary training. As per the agreement, the Agency was required to compulsorily submit monthly progress of every student and accordingly, the payment was to be released in four<sup>9</sup> phases to the Agency.

<sup>6</sup> As per the DGCA norms the commercial pilot license (CPL) aspirant should have not less than 200 hours of flying experience within a period of five years immediately preceding the date of application for CPL, which should include not less than 100 hours of flight time as pilot-in-command (PiC) of which not less than 15 hours should be within a period of six months preceding the date of application; not less than 20 hours of cross-country flight time as PiC including a cross-country flight of not less than 300 nautical miles with full stop landing at two different aerodromes; not less than 10 hours of instrument time of which not more than five hours may be on an approved simulator; and not less than five hours of flight time by night including a minimum of ten take-offs and ten landings as PiC within a period of six months immediately preceding the date of application for the license.

<sup>7</sup> Three students from each category.

<sup>8</sup> It included ₹ 13.00 lakh @ ₹ 6500 per hour and 20 per cent rebate on this

<sup>9</sup>

40 per cent of flying cost and 100 per cent of all other expenses	At the time of issuing work order
30 per cent of flying cost	On completion of 50 hours of flying
20 per cent of flying cost	On completion of 150 hours of flying
10 per cent of flying cost	On completion of training

Scrutiny (April 2012) of records of the Commissioner, Tribal Department revealed that a total of 29 students (3 students each from SC, ST and OBC category each year and two students extra due to replacement of students) were admitted for the above training course during 2008-11 and payments aggregating ₹ 2.72 crore was made (for flying and other expenses) to the Agency for three years on the training. We however, observed that out of 29 SC,ST and OBC students in the three batches, only three students completed the training with 200 hours of flying and secured CPL. While 11 students completed 150 hours of training and nine students completed 50 hours of training, four students left the training midway. Thus, even after completion of the agreed period of training (upto June 2009 and April 2011) for the first two batches of 18 students, only three students could secure the license for flying from DGCA. However, we observed that progress reports of each student were not submitted by the Agency and the payments were made to the Agency on the basis of bills submitted along with the copy of log books of flying. Thus, failure of the Tribal Department to monitor the progress of training resulted in non-completion of 200 hours of flying and necessary training of 15 students of the first two batches within the agreed period.

We further observed that the training programme was closed mid-way with effect from 15 November 2011 by the Agency due to taking over of the air strip by the Indian Army (November 2011) as a result of which the training of all the 15 students of the first and second batch and also nine students of the third batch remained incomplete (March 2013). Though the Agency had sought the consent (November and December 2011 and January 2012) of the Tribal Department to transfer the GoCG-sponsored students to Banasthali Vidyapith Gliding and Flying Club, Newai, Rajasthan, the Tribal Department had not conveyed its decision (March 2013). Thus, failure of the Tribal Department to monitor and get the training completed within the agreed time of 12 months and 18 months respectively for the first and second batches and non-initiation of action for transfer of the students to another agency led to non-completion of the training of the 24 students. This not only deprived the students from securing CPL but the expenditure of ₹ 2.34 crore incurred on imparting training for securing CPL was also rendered unfruitful.

After we pointed this out (September 2012), the Government stated (November 2012) that the agency had closed the training due to unexpected acquisition of Chakarbhata air strip by the Army. It was further stated that the medium for pilot training course is in English and as all the trainees were belonging to below poverty line with Hindi medium education, the training could not be completed successfully in due time. The DGCA also made it compulsory (October 2010) for the candidates to qualify the English language proficiency level-4 for CPL. By the time the Tribal Department took action to provide training in English to the trainees, the institute was closed. However, it was stated that with the cooperation of the Civil Aviation Department, the completion of the remaining part of the training through another agency Vanasthali Vidyapeeth Gliding and Flying Club, Rajasthan is under process. It was further stated that there is a provision of ₹ 30 lakh in the budget for the year 2012-13 to fulfill the criteria for CPL. Hence, it was not justified to conclude at this stage that expenditure incurred on the training was unfruitful.

The reply of the Government is not acceptable as it failed to ensure



completion of training within the agreed time by regularly monitoring the progress of the students. The Department had also failed to take necessary action to get the training course completed despite lapse of 15 months from the closure of the air strip.

## WATER RESOURCES DEPARTMENT

### 4.2.3 Extra cost

**Extra cost of ₹ 1.48 crore was incurred due to inflated designing and execution of Cement Concrete lining beyond the specified height in free board.**

According to the Technical Circular No-19 issued by the Irrigation Department, Government of Madhya Pradesh (GoMP) in 1989, as adopted by the Government of Chhattisgarh (GoCG), the height (free board<sup>10</sup>) of cement concrete lining of the canal bank may range from 20 cm to 60 cm above the Full Supply Level (FSL<sup>11</sup>) depending on the discharge of the canal, as shown in the table below:

**Table 1: Free board for lining and canal bank**

Discharge of canal (cumecs)	Free board (cm)	
	For lining	For canal bank
Less than 1	20	45
1 to 3	30	60
3 to 10	35	75
10 to 25	40	75
25 to 50	45	90
50 to 100	50	100
Above 100	60	120

To enhance the culturable command area of Tandula Main Canal from 68,219 ha to 1,03,705 ha, Cement Concrete lining (CC) was designed with 60 cm height of free board from existing FSL for the entire length of the canal by the Chief Engineer, Mahanadi Godavari Basin, Raipur.

Accordingly, a Notice Inviting Tender was floated (July 2003 and February 2005) for the work of remodeling and CC lining of TMC from 0 mile to 68.80 mile by paver machine including treatment of canal with Cohesive Non Swelling (CNS) soils, wherever necessary. The work was awarded (February 2004 and October 2005) in three different groups on lump-sum contract basis.

<sup>10</sup> Free board of canal is the vertical distance from the top of the canal bank (TBL) to the water surface (FSL) at the design condition.

<sup>11</sup> The water level in the channel when it is carrying its full supply discharge is termed as full supply level (FSL).

The Probable Amount of Contract (PAC) was ₹ 97.26 crore<sup>12</sup>. The final bills of all the three works amounting to ₹ 142.65 crore were paid between March 2007 and August 2009.

Scrutiny of the records (January 2012) of the Executive Engineer (EE), Tandula Water Resources Division, Durg revealed that discharge of canal ranged between 83.15 cumec to 15.56 cumec (from head to tail) and for which the CC lining was designed with 60 cm height of free board over the existing FSL by the Chief Engineer, Mahanadi Godavari Basin, Raipur. As per technical circular issued by the Water Resources Department, the height of free board should have been designed with 50 cm to 40 cm above the FSL for above discharge of 83.15 cumec to 15.56 cumec. The work of CC lining was accordingly executed with a constant height of 60 cm above the FSL, which was not in consonance with the above Technical circular. Thus, preparation of inflated design and subsequent execution of free board of CC lining over the specified height led to execution of extra quantity of 5060.77 cum cement concrete which resulted in extra expenditure of ₹ 1.01 crore (*Appendix 4.4*) on execution of CC lining. Apart from this, the CNS layer of moorum laid beyond the specified height behind the CC lining was also unwarranted and resulted in extra expenditure of ₹ 47 lakh.

Thus, due to preparation of inflated design and execution of quantity in excess of that required for CC lining and CNS resulted in extra expenditure of ₹ 1.48 crore.

On this being pointed out (January 2012), the Government stated (October 2012) that there are no universally accepted rules for determination of free board since wave section or water surface fluctuations in a canal may be created by many uncontrollable causes; the free board in canals will depend upon, amongst other factors, canal size, storm water inflow, water table fluctuations, curvature in alignment, operating road requirements etc. These factors ultimately led to increase in the width of free board to 0.60 m. It was also stated that the TMC system was built in the year 1912, when it was designed to cater to irrigation purposes only. Thereafter, from 1956 onwards, supply of water to Bhilai Steel Plant (BSP) was also started. Therefore, owing to fluctuations in water surface the free board had to be increased, which is in keeping with the provisions of the Technical Circular No. 19/DS as no corresponding increase in steepness of side-slopes of the top bund level (TBL) was allowed. It was further stated that the tank was designed for irrigation of 68,219 hectare. But the command area developed is 89,809 ha and there is still further land available to develop the irrigation upto 1,03,800 hectare for which

<sup>12</sup>

RD (in mile)	PAC (₹ in crore)	Stipulated period (including rainy season)	Amount of contract (₹ in crore)	Agreement No.	Date of work order	Final payment (₹ in crore)
0-23	36.99	30 months	64.98	36 DL (03-04)	25.02.04	64.98
23-46	29.88	30 months	52.02	37 DL (03-04)	25.02.04	52.02
46-68.8	30.39	24 months	26.25	15 DL (05-06)	31.10.05	25.65
<b>Total</b>	<b>97.26</b>		<b>143.25</b>			<b>142.65</b>

water is not being supplied due to the improper canal system. The same can be brought under the command of the Tandula Project. It was also stated that the audit observation was based upon specified discharge, which, in case of this canal, is only the average discharge. The additional discharge of water for BSP in addition to irrigation purposes necessitated the additional height and width of free board to cater to public interest.

The reply of the Government is not acceptable as in the project report of Tandula Main Canal, the existing Culturable Command Area was 68,219 ha and after lining the total area was to be enhanced to 1,03,705 ha for which CC lining in the canal was designed. The lining in free board with 60 cm height should only be provided where the discharge of water in the canal was above 100 cumec. As the probable hectare for designed irrigation potential and command area was already in the project report, the design of CC lining in free board over FSL should have been prepared on the basis of actual discharge of the water. Further, the contention of the department about increase of the water level due to storm water inflow, water table fluctuations, curvature in alignment etc., is not acceptable as the height of free board was fixed taking into account all these conditions.

#### 4.2.4 Incorrect assessment

**Award of work without detailed survey, proper assessment and preparation of unrealistic estimate resulted in extra cost of ₹ 1.34 crore.**

Para 2.026 of the Works Department Manual provides that the survey work for a major project shall be initiated by the Superintending Engineer (SE) and results submitted to the Government through the Chief Engineer (CE). On receipt of administrative approval (AA), detailed survey and investigation will be taken up after the estimate is technically sanctioned by the competent authority. Further, Para 7.003 (a) provides that before starting the survey work, permanent benchmarks will be established at suitable places and the Sub-Engineers entrusted with the survey shall be fully responsible for the correctness of the survey.

Item rate tender for balance earthwork<sup>13</sup> of Bhatapara Branch Canal from km 20 to km 27 of Mahanadi Project was accepted by the Chief Engineer, Mahanadi Project Raipur (January 2007) in favour of Contractor 'A'. The probable amount of contract was ₹ 3.94 crore and the tendered amount was ₹ 2.36 crore at 40.07 *per cent* below the Schedule of Rates (SOR) (December 2003). The work order was issued (January 2007) with stipulated time period of eight months including rainy season, for completion of work. The final bill for ₹ 2.80 crore was paid to the contractor (December 2008).

Scrutiny of records (October 2011) relating to estimates, measurement of execution, payment documents etc. of the Executive Engineer (EE), Mahanadi Reservoir Project, Division, Tilda revealed that a tender for execution of five items was invited and six contractors had participated in the tender process. Out of five items of the G-Schedule, for item number 3- 'Excavation in hard

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<sup>13</sup> Residual earthwork

rock in canal bed and side slopes in design profile with blasting etc.’, contractor ‘A’ had quoted ₹ 10 per cum against the SOR of ₹ 197.05 per cum. As the cost of item number 3 constituted 67 per cent<sup>14</sup> of the total Probable Amount of Contract (PAC), this imbalanced rate along with the rates of other four items quoted by the contractor enabled him to become L-1 and his tender was accepted (January 2007).

On further scrutiny, we noticed that the estimated quantity of item number 3 as per agreement was 135407.57 cum whereas contractor ‘A’ executed only 26013.91 cum (19.21 per cent) of the estimated quantity. However, in case of item number 1 and 2, the contractor executed 152627.61 cum (197 per cent) and 87040.57 cum (132.94 per cent) as against the quantity of 77553.94 cum and 65474.09 cum respectively provided in the agreement. We recasted the offers on the basis of the actual executed quantity and observed that the L-1 contractor would have become L-5 while the second lowest bidder would become L-1. Thus, the total work which could have been executed by the L-2 contractor at a cost of ₹ 1.47 crore was executed by the L-1 contractor (‘A’) at a cost of ₹ 2.80 crore. This indicates that there was inadequate survey prior to preparation of estimates and issue of tender, leading to wide variation in the estimated and executed quantity of hard rock. Had proper assessment of the quantities of work to be executed at the stage of preparation of estimates been made, the work could have been completed at a lower cost. Thus, preparation of estimates without proper survey and investigation resulted in extra cost of ₹ 1.34 crore to the Government (*Appendix 4.5*).

After this was pointed out (May 2012), the Government stated (December 2012) that estimates were prepared on the basis of strata found on the top canal section. During excavation, hard rock was not found as such but it was in the shape of pieces of rocks and there was soft soil between the soft rock strata and hard rock strata. Hence there was variation in the quantity of soil and hard rock as compared to the estimates and the payment was made accordingly after obtaining approval from the higher authorities. As regards inadequate survey, the EE stated (December 2012) that the survey work was done on piece work basis and no detailed survey report was available.

The reply of the EE is an acceptance of the fact that detailed survey and investigation as prescribed in Works Department manual was not carried out prior to preparation of the estimates and invitation of tender. Further, the Government reply also did not specify about preparation of estimates without conducting detailed survey.

<sup>14</sup> ₹ 2.67 crore ÷ ₹ 3.94 crore × 100 = 67 per cent

## LABOUR DEPARTMENT

### 4.2.5 Unfruitful expenditure

#### **Non-utilisation of ambulances for the intended purpose led to unfruitful expenditure of ₹ 94.93 lakh under Sanjeevani Ambulance Scheme.**

To regulate employment and conditions of service and to provide safety, health and welfare measures for the building and other construction workers, the Government of India (GoI) enacted the 'Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996'. Accordingly, the Government of Chhattisgarh (GoCG) constituted the Building and Other Construction Workers Welfare Board (Welfare Board) in September 2008. The Welfare Board launched the 'Sanjeevani Ambulance Scheme' (April 2010) to provide free ambulance service to the registered members of the Welfare Board. A notification to this effect was also issued by the Labour Department (June 2011). The expenditure of the scheme was debitable to the Welfare Board Fund which includes receipts from labour welfare cess levied on the construction works and receipts realised from the registered members of the Welfare Board.

The Welfare Board procured 15 ambulances<sup>15</sup> (May 2010) at a total cost of ₹ 60.80 lakh under the scheme to provide free ambulance service to its registered members, whenever accidents take place at the construction sites. The ambulances were allotted (June 2010 and November 2010) to different Labour offices and Assistant Labour Offices of different districts of Chhattisgarh.

During scrutiny of records (March 2012) of the Welfare Board we noticed that the ambulances allotted (June 2010 and November 2010) to different district labour officers and Assistant Labour Officers in the State were not being utilised for providing free ambulance services as not even a single patient was transported by any of the ambulances. Further, test check of the log books<sup>16</sup> revealed that the ambulances were utilised for routine official work. An expenditure amounting to ₹ 20.68 lakh and ₹ 13.45 lakh was incurred by the Board (upto March 2012) on the salary of the drivers and on fuel charges respectively. Thus, procurement of ambulances and their subsequent non utilisation for transporting of patients resulted in unfruitful expenditure of ₹ 94.93 lakh<sup>17</sup> and non-achievement of the desired objective.

After we pointed this out (March 2012), the Government stated (September 2012) that 104 registration camps and 30 meetings were organised for creating awareness as a result of which 3.70 lakh labourers were registered throughout the State and 88 patients were benefitted from the scheme. It was further stated that information relating to the scheme has been displayed on the

<sup>15</sup> Seven ambulances in May 2010 for ₹ 28,37,477 and eight ambulances in August 2010 for ₹ 32,42,831

<sup>16</sup> Bilaspur, Dhamtari, Durg, Jagdalpur, Korba, Raipur, Raigarh and Rajnandgaon

<sup>17</sup> ₹ 60.80 lakh in procurement of ambulances, ₹ 20.68 lakh on account of salary of the drivers and ₹ 13.45 lakh on account of fuel charges.

ambulance. However, due to operation of '108 Sanjeevani ambulances' by the Health Department of the State Government, the registered labourers showed less inclination towards availing Sanjeevani ambulance scheme. In view of this, the name of the scheme 'Sanjeevani Ambulance' has been replaced (September 2012) with 'Mobile Registration Van' and these ambulances are now being utilised for registration of labourers and publicity purposes. Regarding expenditure incurred on fuel and salary of drivers, it was stated that the services of ambulances and staff were utilised for publicity and promotional activities and hence the same cannot be termed as unfruitful.

The reply furnished by the Government confirms that the requirement of the ambulance was not assessed prior to procurement. Further, the contention of the Government regarding use of the ambulances for transportation of 88 labour patients is also not acceptable as it failed to submit documents in support of this when the same was called for verification by audit. The very fact that the Department has changed (September 2012) the name of the scheme from 'Sanjeevani Ambulance' to 'Mobile Registration Van', and the same is now being used for registration of labourers, indicates that the objective of the scheme has been defeated and the expenditure incurred on purchase of ambulances and on their operation was also rendered unfruitful.

## RURAL INDUSTRIES DEPARTMENT

### 4.2.6 Infertuous expenditure

**Failure of the State Government to implement the scheme even after preparation of DPR resulted in infertuous expenditure of ₹ 83.14 lakh.**

With a view to integrating within a geographical location a number of cluster of production units engaged in manufacturing services and non-farm activities and facilitating the expansion of production and employment in small and micro enterprises, the National Commission for Enterprises in the Unorganised Sector (NCEUS), Government of India (GoI) had proposed (September 2005) the formation of "Growth Poles" in different parts of the country.

Scrutiny of records (January 2012) of the Managing Director (MD), Khadi and Village Industries Board (KVIB), Raipur pertaining to Pilot Growth Pole project revealed that the GoCG had proposed (September 2005) to GoI to develop a cluster based Growth Pole at Kondagaon for development of the unorganised sector and desired to undertake technical studies to work out the full details of the identified Growth Pole project. Chhattisgarh Infrastructure Development Corporation Limited (CIDC) was assigned the work (May 2006) of preparation of the Detailed Project Report (DPR). CIDC engaged M/s Consulting Engineering Services (CES) (India) Private Limited as consultant for preparation of the DPR at a cost of ₹ 8.50 lakh. The DPR was prepared and submitted (August 2006) to GoI but the presentation of DPR made by the above firm before the NCEUS was rejected by GoI (August 2006) as it was not considered upto the mark and it was apprehended

that the agency may not achieve the expected objectives of the Growth Pole. Accordingly, the services of CES were terminated by CIDC on the recommendation of NCEUS (September 2006). CIDC had incurred an expenditure of ₹ 3.64 lakh on advertisement (₹ 1.26 lakh) and payment (₹ 2.37 lakh) to the consultant.

Consequently, an Expression of Interest was invited (September 2006) by the Rural Industries Department, GoCG for preparation of DPR, through National newspapers. M/s Infrastructure Leasing & Financial Services Limited (IL&FS), New Delhi, the only tenderer, was selected (December 2006) to prepare the feasibility report at a negotiated cost of ₹ 79.50 lakh. Accordingly NCEUS sanctioned ₹ 79.50 lakh (December 2006) for payment to MD, KVIB, Raipur (on behalf of GoCG) for preparation of DPR for the Growth Pole and also approved the engagement of IL&FS as the consultancy agency. The inception report prepared by IL&FS on Kondagaon Growth Pole Project (GPP) was submitted before NCEUS in February 2007. However, NCEUS observed that the Kondagaon area would not be feasible in achieving the objectives of the GPP and suggested to select another area. Accordingly Janjgir-Champa was selected. IL&FS prepared and submitted (December 2008) the DPR which was approved (January 2009) by the Planning Commission and payment of ₹ 79.50 lakh was also made to IL&FS (February 2007 and March 2009) as per the agreement.

Accordingly, GoI directed (February 2009) the GoCG to address the needs of the project so that a note for the Expenditure Finance Committee (EFC) could be submitted at the earliest for obtaining financial approval and budgetary allocation for the purpose. However, despite lapse of more than three years from the date of approval by the Planning Commission (January 2009), no action to implement the GPP was initiated by the State Government.

Thus, the expenditure of ₹ 79.50 lakh incurred on preparation of DPR could not be gainfully utilised for the intended purpose due to inaction on the part of the State Government as of December 2012. Further, expenditure of ₹ 3.64 lakh incurred by CIDC towards payment to the consultant for preparation of DPR and on advertisement was also rendered wasteful.

On this being pointed out (January 2012), the Government stated (September 2012) that the estimated cost to implement the project would be ₹ 127.20 crore. As per DPR, the cost of the project was to be shared by the GoI-NCEUS, State Government, banks and private sector. Unfortunately, the key implementing agency of GoI (NCEUS) was closed (April 2009) which was leading to delay in implementation of the project. It was further stated that a request has been made (September 2012) to GoI for making provision of funds of ₹ 40.70 crore (32 per cent) by GoI, ₹ 39.43 crore (31 per cent) by the Private sector and ₹ 47.06 crore (37 per cent) by the banks and the State Government. However, the Department of Khadi and Gramodyog and KVIB were looking forward to the implementation of the project with the support of the State Government and action for allotment of budget provisions through State Government is under process.

The reply confirms that the State Government had failed to initiate action for

submitting the proposal for budget allocation as per directions of GoI (February 2009) and action was initiated only in September 2012, after a delay of three years. Thus, inaction on the part of GoCG to implement the project defeated the purpose of preparation of the DPR and resulted in infructuous expenditure of ₹ 83.14 lakh (₹ 79.50 lakh + ₹ 3.64 lakh) as of March 2013. We also noticed that MD, KVIB had requested (March 2012) Principal Secretary, GoCG for revision of the DPR prepared three years ago (December 2008) in view of the increase in the project cost.

## PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

### 4.2.7 Excess payment

#### Excess payment of ₹ 35.25 lakh was made to the contractors due to incorrect determination of rates for WBM.

Executive Engineer (EE), *Pradhan Mantri Gram Sadak Yojna* (PMGSY) had invited tenders (September 2006) on item rate, on the basis of estimates prepared as per Schedule of Rates (SOR August 2005), for the construction and maintenance of rural roads under *Pradhan Mantri Gram Sadak Yojna* (PMGSY) in September 2006. The agreements were entered into with a contractor in April 2007 and the work orders for ₹ 6.34 crore and ₹ 5.98 crore were issued in April 2007 for completion within 12 months including rainy season.

Clause 36.1 of the agreement provided that “if rates for variation items are specified in the Bill of Quantities (BOQ), the contractor shall carry out such work at the same rate. This shall apply for variations only up to the limit prescribed in the contract data. If the variation exceeds this limit, the rate shall be derived under the provision of clause 36.3 for quantities (higher or lower) exceeding the deviation limit”. Clause 36.2 (payment of variation) of these agreements provided that “if the rates for variation are not specified in the BOQ, the Engineer shall derive the rate from similar items in the BOQ/SOR applicable for PMGSY work”.

During audit (June 2011) of the records of the Executive Engineer, Programme Implementation Unit, (PIU) PMGSY, Durg we observed that in two agreements<sup>18</sup>, Wet Mix Macadam (WMM) was provided in the estimates as well as in the BOQ for ₹ 885 per cum (21.40 *per cent* above SOR for WMM) and ₹ 900 per cum (23.46 *per cent* above SOR for WMM) respectively. However, the contractor requested (August 2007) the EE for replacement of WMM with WBM on the grounds of less availability of crusher metal and costlier proposition to install WMM plant in the area. The

<sup>18</sup>

Sl No.	Agreement No./Date	Package no.	Contract amount	Date of final bill	Amount
1	Agt. No.02/PIU-2/PMGSY/06-07 dtd.19/04/2007	CG05-37	₹ 634.12 lakh	21-10-10	₹ 566.19 lakh
2	Agt. No.03/PIU-2/PMGSY/06-07 dtd.19/04/2007	CG05-39	₹ 597.69 lakh	21-10-10	₹ 580.91 lakh



Chief Engineer, Chhattisgarh Rural Road Development Authority (CGRRDA), Raipur (CE) permitted (December 2007) the execution of WBM GR-II and GR-III in place of WMM on the basis of the recommendation (August 2007) of the EE. As per the payment of variation clause mentioned in the agreements, the rate of WBM GR-II and GR-III should have been derived on the basis of the rate given in the SOR (August 2005) and also taking into account the rate approved for payment in BOQ for similar item i.e. WMM. Had the rate of WBM GR-II and GR-III been derived (as per clause 36.2 of agreement) on the basis of SOR 2005 and plus/minus percentage of rate of WMM, the admissible rate would have been ₹ 538 per cum and ₹ 605 per cum for WBM GR-II and GR-III respectively. Contrary to the above provisions, the EE analysed and allowed the rates of ₹ 854 per cum for WBM GR-II and ₹ 870 per cum for WBM GR-III respectively on the basis of prevailing market prices and allowed payment for 11089.87 cum of WBM GR-II and 10524.858 cum of WBM GR-III respectively.

Thus, the payments made to the contractor on the basis of the rates arrived at by the Department were in contravention to the provisions in the agreement for calculation of variation which resulted in excess payment of ₹ 35.25 lakh to the contractor as detailed in the *Appendix 4.6*.

After we pointed this out (April 2012), the Government stated (October 2012) that a letter has been issued (September 2012) to the contractor for recovery of sum of ₹ 35.28 lakh. The final decision regarding recovery will be taken after receipt of reply/clarification from the contractor.

The reply is an acceptance of the audit contention. Further developments are awaited (February 2013).

### **4.3 Failure of oversight/governance**

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public services etc. However, audit noticed instances where funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various level. A few cases have been discussed below:

## SCHOOL EDUCATION DEPARTMENT

### 4.3.1 Blocking of Government of India funds

**Lack of coordination and deficient monitoring at the Government and district level had resulted in blocking of Central funds of ₹ 7.38 crore for 2008-09 in the bank account, non-deposit of ₹ 9.45 crore in the bank even after lapse of one year and non-release of GoI funds for the subsequent years under “Incentive to Girls for Secondary Education” Scheme.**

The Government of India (GoI) launched (July 2008) “Incentive to Girls for Secondary Education,” a Centrally Sponsored Scheme (CSS), for establishing an enabling environment to reduce school dropouts, promote the enrollment of girl children belonging to SC/ST communities and ensure their retention in schools till attaining the age of 18 years. As per the scheme, a sum of ₹ 3000 was to be deposited in a fixed deposit (FD) in a public sector bank or in a post office in the name of every eligible girl child. The girl child receiving the incentive would be entitled to draw the amount on her attainment of 18 years of age. No premature withdrawal was allowed. Every implementing school was required to complete the exercise of identification of eligible girl children and prepare the proposal for release of the amount within one month of commencement of the academic year. A consolidated report of eligible beneficiaries was to be sent by the State Government to GoI within three months of commencement of the academic year.

Scrutiny of records (January 2012) of the Director, Public Instruction (DPI), Government of Chhattisgarh (GoCG) revealed that on the basis of the proposal submitted by GoCG (December 2008), GoI sanctioned (March 2009) ₹ 7.38 crore<sup>19</sup> for 24,590 beneficiaries to GoCG for the year 2008-09 with the instruction to deposit the above amount with the State Bank of India (SBI), Main Branch, New Delhi along with the details of the beneficiaries like student’s name, father’s name, the name of the bank and its address, account number etc. to enable SBI to issue the FD certificates to the beneficiaries under the scheme. Accordingly, DPI deposited ₹ 7.38 crore in SBI, (October 2009) vide demand draft along with the list of beneficiaries and other related details in Hindi.

Subsequently, SBI, New Delhi intimated (July 2010) GoI about submission of incomplete data by GoCG and accordingly GoI requested (August 2010) the latter to send the correct data after removing the discrepancies<sup>20</sup> pointed out by SBI at the earliest to enable the bank to process the cases. Accordingly, DPI issued (August 2010) instructions<sup>21</sup> to all the District Education Officers

<sup>19</sup> 24,590 beneficiaries @ ₹ 3000 per beneficiary

<sup>20</sup> i) Data was in Hindi, ii) Home address was blank, iii) Maturity date was not stated, iv) State code and District code was not filled up.

<sup>21</sup> August 2010, January and June 2011. DPI issued instructions to DEOs regarding rectification of discrepancies in the data and to provide the data in English, to complete the date of birth column, home address etc.

(DEOs). As no information was collected by DPI, GoCG could not send the rectified data till the date of audit (January 2012).

Thus, even after receiving funds from GoI and depositing the same in the bank by GoCG, the fixed deposit certificates could not be provided to the eligible students as envisaged under the “Incentives to Girls for Secondary Education” scheme as of March 2013. This had also led to blocking of GoI funds amounting to ₹ 7.38 crore.

Scrutiny of records also revealed that DPI, Raipur had not sent the proposal for the years 2009-10 onwards even after issue of a reminder (October 2011) by GoI to send the proposal for the year 2009-10. Had the proposal for the years 2009-10 and 2010-11 been sent to GoI, the benefit could have been extended to the students enrolled during 2009-10 and 2010-11 also.

On this being pointed out (January 2012), the Commissioner, Public Instruction stated (December 2012) that the proposal for the years 2008-09, 2009-10 and 2010-11 had already been sent to GoI in March 2012. The Commissioner further intimated (March 2013) that FD certificates for 2008-09 have not been received by the beneficiary students so far. As regards funds of ₹ 9.45 crore for 2009-10, the same has been received in March 2012 from GoI and action for deposit of the same into the bank is being taken. The information in respect of 2010-11 has been sent (March 2012) to GoI and sanction from GoI is awaited.

The reply confirms that there was lack of coordination coupled with deficient monitoring at the district level and departmental level which resulted in delayed implementation of the GoI scheme as well as non provision of incentive amount to the beneficiaries. GoI funds of ₹ 7.38 crore was also blocked in the bank account since October 2009. Further, failure on the part of the DPI to forward the proposal within the due time for the succeeding years also led to delay in release of GoI funds for subsequent years.

During discussion (March 2013), while accepting the audit observation, the Government intimated that FD certificates for the year 2008-09 have not yet been received from the SBI, New Delhi. Funds for the academic year 2009-10 have been received (₹ 9.45 crore in March 2012) from GoI and the same will be deposited into Canara Bank, New Delhi. The proposal for 2010-11 for 35,600 beneficiaries has been sent in March 2012 to GoI and the process for submission of the same for the academic year 2011-12 is under process.

The fact remains that girl students of SC/ST communities were deprived of the benefits of the scheme and GoI funds of ₹ 7.38 crore remained blocked as of March 2013. Further, funds of ₹ 9.45 crore received in March 2012 for the academic year 2009-10 also remained blocked due to non deposit of the same in the bank even after lapse of one year (March 2013).

## WATER RESOURCES DEPARTMENT

### 4.3.2 Loss to Government

**Injudicious planning and issue of work orders prior to acquisition of land and subsequent arbitrary termination of contract resulted in avoidable payment of ₹ 8.15 crore towards decretal dues.**

Para 2.104 of Works Department manual specifies that notification for the acquisition of land required for any particular work must be submitted before the work is put in hand. Further, Para 1.129 of the manual specifies that the Executive Engineer (EE) shall work out the requirement of land for work, and draw up the programme for land acquisition/ land transfer with a view to ensure transfer of required land before the target date set for starting of work.

The work of construction of Kharsia Branch Canal (KBC) from KM 17.31 to KM 20 pertaining to of Mini Mata Bango (MMB) Project was awarded to M/s Integral Construction Company of Vijayawada through three<sup>22</sup> agreements by the EE, MMB Canal Division No.05, Kharsia. Work orders were issued (February 2002) for completion within 15 months each (including rainy season) for the first two works and 10 months for the third work. The contractor had executed works valuing ₹ 69.52 lakh (December 2002) against the contract amount of ₹ 4.09 crore.

Scrutiny (March 2011) of records of EE, MMB Canal Division No.5, Kharsia revealed that the work orders for the above three works were issued prior to acquisition of land. Due to delay in acquisition of land, the EE could hand over (30 October 2002) the complete site for construction only after eight months from the date of issue of the work orders, whereas the stipulated period for completion of the work allowed to the contractor was only 10 months (one work) and 15 months (two works) from the date of issue of the work orders (including rainy season). The contractor intimated (December 2002) the EE that the time stipulated for completion of the work was a very important factor of the contract and the Department had already wasted 10 months in handing over the work site. Accordingly, the contractor expressed (December 2002) his inability to complete the work without time extension and demanded revision of rates for the extended period.

However, the department directed (December 2002) the contractor to start the execution of work as per agreement and at the quoted rates stating that the

<sup>22</sup>

Sl. No.	Name of the work	Agreement No and date	Probable amount of contract
1	from 17.31 KM to 18.00 KM	13DL/2001-02/ Dt. 7-2-2002	₹ 181.45 lakh (45.02 per cent below)
2	18.00 KM to 19.00 KM	14DL/2001-02/ Dt. 7-2-2002	₹ 150.16 lakh (44.81 per cent below)
3	KM 19.00 to 20.00	12 DL/2001-02/ Dt.7-2-2002	₹ 77.48 lakh (44.718 per cent below)

status of availability of the land was already intimated to him (November 2002). The contractor intimated (December 2002) that he had shifted his men and machinery from the work site on 15 October 2002 and left the work incomplete due to delay in handing over of the entire land by the EE and considering that the possibility of handing over of land in the near future was remote. On 16 December 2002, the EE rescinded the contract under Clause 4.3.3.3 of the contract agreement, as per which the extra cost, if any, incurred in completion of the balance work will be recovered from the original contractor and he will have no claim for compensation for any loss sustained. Being aggrieved with the above order of the EE, the contractor filed a petition (February 2004) in the High Court of Chhattisgarh for appointment of an arbitrator as per Section 11 of the Arbitration and Conciliation Act, 1996. The case was submitted before the arbitrator in September 2005. After considering the records of both the parties the arbitrator opined (February 2009) that the respondents had breached the contract and had consequently rendered themselves liable to compensate the claimant for the damages suffered due to illegal termination of the contract. The award was passed in February 2009 for payment of compensation of ₹ 8.12 crore to the contractor as detailed in the **Appendix 4.7**. The Department had four months time to file an appeal against the decision of the arbitrator under section 34 of Arbitration and Conciliation Act, 1996. However, the Department released the compensation amount of ₹ eight crore in August 2009 against the award amount of ₹ 8.12 crore. As the Department failed to make the balance payment of ₹ 12.26 lakh, the contractor approached the court, which in turn directed the Department to pay ₹ 15.34 lakh along with interest by 14 October 2011, which was deposited by the Department in the District Court, Raigarh on 17 October 2011.

We observed that after two years of the judgment, the Chief Engineer, Mini Mata Hasdeo Bango Project, Bilaspur, Chhattisgarh sought (February 2011) legal opinion from the Advocate General, Chhattisgarh, regarding possibilities of filing appeal against the judgement. The Advocate General opined (February 2011) that no court is entitled to relax the period of three months plus one month as provided under section 34 of the Arbitration and Conciliation Act, 1996 and nothing further could be done from any court for setting aside the award as the case was already time barred.

Thus, delay in handing over of unencumbered work site to the contractor, arbitrary termination of the contract and non-filing of petition before the Court of Law within the time frame resulted in avoidable payment of ₹ 8.15 crore towards decretal dues.

After we pointed this out (March 2011) the EE, MMB Canal Division No.5, Kharsia stated (March 2011) that the process of land acquisition was completed (February 2002 and October 2002) during the stipulated period of the agreement. It was further stated that out of 27.418 hectares land, 14.422 hectares land was Government land but the contractor did not execute the work on Government land. However, as per the order passed by the tribunal and instruction of the Government, payments were made to the contractor.

The reply is not acceptable. As stated in the award, only 30 *per cent* of land

was in possession of the Government and the rest 70 *per cent* land was owned by private parties. Had the Department strictly adhered to complete the land acquisition process before issue of work order and taken judicious decision before termination of the contract, the above loss could have been avoided. Further, the Department did not take timely action to obtain legal opinion and file an appeal against the award within the prescribed time.

The matter was brought to the notice of the Government (May 2012); their reply is awaited (February 2013).

## PUBLIC WORKS DEPARTMENT

### 4.3.3 Avoidable payment

**Escalation charges of ₹ 61.77 lakh was paid without valid time extension and ₹ 1.30 crore was not recovered from the defaulting contractor.**

Administrative Approval (AA) and Technical Sanction (TS) for strengthening and widening of Bhatapara-Lawan-Mahanadi Road in km 26 to km 47 (SH-9) was accorded (March 2005) by Government of Chhattisgarh for ₹ 5.92 crore. The work order was issued to M/s Bhullar Construction Company, Korba (September 2005) by the Executive Engineer (EE), Public Works Department (B/R) division, Balodabazar at five *per cent* above SOR (2002) with the contract amount of ₹ 5.75 crore. The stipulated time for completion of the work was 18 months including rainy season from the date of issue of the work order (September 2005). However, due to substandard work and slow progress of the work, the Engineer-in-Chief black listed the contractor and accordingly the EE rescinded the work (April 2006) under clause 3 (c) of the agreement. However, the Government directed (February 2007) the EE to revoke the agreement without assigning any reasons. Accordingly, the EE revoked the agreement (February 2007) and directed the contractor to complete the work by December 2007.

As per clause 11(c) of the agreement, adjustment in the tender price by way of payment(s) arising out of variation shall be payable till the last date of valid time extension granted by the SE in case the work is delayed by the Department.

Scrutiny of records (July 2011) of Executive Engineer, PWD (B/R) Division Balodabazar revealed that as per the work order, the stipulated date for completion of the work was March 2007. However, the Superintending Engineer (SE), PWD Circle, Raipur sanctioned (September 2007) provisional permission to continue the agreement upto 15 December 2007 while reserving the right to levy compensation with the Government. Due to non-completion of work by the stipulated time period, the contract was terminated (March 2008) under clause 3(c) of the agreement at the risk and cost of the contractor and incomplete final bill was passed (December 2008) for ₹ 4.43 crore including payment of escalation of ₹ 64.85 lakh. Out of ₹ 64.85 lakh escalation payment made to the contractor, ₹ 61.77 lakh was paid for the work executed after March 2007 which was not admissible. This resulted in

inadmissible excess payment of ₹ 61.77 lakh to the contractor.

After we pointed this out (May 2012), the Government stated (September 2012) that SE's order for continuance of the agreement was misinterpreted and payment of escalation was released to the contractor inadvertently. It was further stated that a letter has been issued (October 2011) to the contractor to deposit the excess payment; reply of the contractor is awaited. Further, a letter has also been written (December 2010) to the Collector, Korba to issue Revenue Recovery Certificate (RRC) to the contractor and action taken by the Collector in this regard is awaited (September 2012).

The above confirms that the escalation payment was not admissible. Further, the Government reply regarding issue of letter to the Collector for initiating RRC is factually incorrect as the letter is relating to recovery of the extra expenditure incurred for completion of balance work.

Further scrutiny of the records revealed that as per the provisions of clause 3 (c) of the agreement, the extra cost amounting ₹ 1.30 crore incurred by the Department for completion of the balance work was recoverable. Though the Department had requested (December 2010) the Collector, Korba for issue of Revenue Recovery Certificate for realisation of the amount, the amount was not recovered from the contractor till date (March 2013) and no further persuasion in this regard was made by the Department with the Collector, Korba. Further, after being pointed out by audit, the EE, Balodabazar had also requested (June 2012) all the EEs of the State to recover the amount from the payments due to the contractor.

Further developments in the matter are awaited (March 2013).

## SCHOOL EDUCATION DEPARTMENT

### 4.3.4 Undue advantage

**Undue financial benefit of ₹ 36.97 lakh was extended to text book printers due to non-recovery of cost of excess paper supplied by CTBC.**

Chhattisgarh Text Book Corporation (CTBC), Raipur gets the text books printed through private printers every year for free distribution to the eligible students in the State. For this purpose "Commercial Tenders for printing, binding and distribution (without paper) of text books" are floated on an all-India basis and agreements are executed for printing of text books for the succeeding academic session. CTBC provides paper to the printers for carrying out the printing work.

Clause 10 (vi) of the agreement for 2006-07 and 2007-08 provided that "if any excess paper beyond the permissible wastage or otherwise reaches the printer, the same shall have to be returned by him in good condition to CTBC immediately. In case of failure to do so, the successful tenderer shall be saddled with penalty at the rate of ₹ 45,000 per MT". The rate of penalty was revised to 1.5 times of the cost of paper for the agreements made from 2008-09 onwards.

Scrutiny of records (May 2012) of the General Manager (GM), CTBC, Raipur revealed that CTBC had issued 145.7136 MT of 60 GSM and 3850.82 MT of 70 GSM paper to a printer, M/s Printing World, Cuttack, during the period 2006-07 to 2010-11 of which 143.883 MT and 3827.768 MT paper respectively was utilised by the printer. As a result, at the end of the year 2010-11, 1.8306 MT of 60 GSM paper and 23.0515 MT of 70 GSM paper was lying with the printer. As per the terms of the agreement, CTBC was required to recover ₹ 11.20 lakh (including penalty) from the printer on account of the balance paper. As against this, no amount in the form of security deposit was available with CTBC to recover the above dues.

Similarly, 22.932 MT of 70 GSM Sheet paper and 890.68 MT of 70 GSM Reel paper was issued to M/s Keshari Enterprises, Cuttack (a sister concern of M/s The Printing World) during the period 2008-09 to 2011-12 of which 886.93 MT of 70 GSM Reel paper was utilised while the entire quantity of 70 GSM of Sheet paper was lying unutilised with the printer at the end of 2011-12. Thus, a total of 22.932 MT of 70 GSM Sheet paper and 3.7495 MT of 70 GSM Reel paper was lying with the printer at the end of 2011-12. As per the terms of the agreement ₹ 15.28 lakh (including penalty) was recoverable from the printer as per details given in the **Appendix 4.8**. We also noticed that in the year 2011-12, a sum of ₹ 10.50 lakh was recoverable from M/s Keshari Enterprises, Cuttack on account of finalisation of the bill for printing of text books in 2011-12. Thus, a sum of ₹ 25.78 lakh was recoverable from the printer against which security deposit of ₹ 5 lakh only was available with CTBC for adjustment.

Despite non return of the balance papers by both the firms, CTBC did not take any action either to recover the amount or adjust the available amount. Thus, CTBC failed to recover the amount against the balance quantity of papers from the printers which led to extension of undue financial benefit of ₹ 36.97 lakh as shown below:

**Table 2 : Details of balance papers available with the printers and amount due for recovery**

Sl. No.	Name of the printer	Paper issued during the period	Type of paper	Balance quantity of paper (in MT)	Rate per MT (in ₹)	Rate of penalty (in ₹) per MT	Total recoverable amount (₹ in lakh)
1	M/s The Printing World, Cuttack	2006-07 2010-11	60 GSM	1.8306	-	45000	0.82
			70 GSM	23.0515	-	45000	10.37
<b>Sub Total (A)</b>							<b>11.19</b>
2	M/s Keshari Enterprises, Cuttack	2008-09 to 2011-12	70 GSM Sheet	22.932	38160	57240	13.13
			70 GSM Reel	3.7485	38160	57240	2.15
		Amount recoverable on account of finalisation of printing of text book for the year 2011-12					10.50 <sup>23</sup>
<b>Sub Total (B)</b>							<b>25.78</b>
<b>Grand Total (A+B)</b>							<b>36.97</b>

During discussion (March 2013), while accepting the audit observation, the

<sup>23</sup> Against ₹ 10,50,450 a sum of ₹ 5,00,000 is available as security deposit with CTBC which has not been forfeited (February 2013).



Government stated that action for recovery as per the terms and conditions of the agreement will be made from the firms and the fact will be intimated to audit at the earliest.

The reply confirms that the Government failed to initiate timely action to recover the sum of ₹ 36.97 lakh due from the printers which led to extension of undue financial benefit to the printers.

#### 4.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. The case reported in audit about persistent irregularities has been discussed below:

### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

#### 4.4.1 Non adjustment of dues and advances

**Failure of the Department to initiate timely action to adjust/ recover the advances given to Sarpanches for various civil works resulted in blocking of ₹ 84.99 lakh and irregular retention of Government money by the Sarpanches.**

Article 89 (1) of the *Chhattisgarh Panchayat Raj Act, 1993* provides that each Panch, member or personnel holding any post, officer or employee of the *Panchayat* will be personally responsible for any loss, defalcation or misappropriation, caused due to his negligence towards his duty. The instituted/prescribed officer should recover the due amount from the defaulter. If the defaulter fails to pay the dues, the same will be recoverable as dues of land revenue from him. Further, Article 92 (1) and (2) of the *Chhattisgarh Panchayat Raj Act, 1993* empowers the Proper Officer to order the defaulter to pay the dues to the Panchayat.

During test check (July 2011 and May 2012) of records of seven *Janpad Panchayat* Offices we observed that balance of advances aggregating to ₹ 1.01 crore<sup>24</sup> in 71 cases sanctioned during the period 2008-09 to 2010-11 (**Appendix 4.9**) for various civil works<sup>25</sup> under various schemes/heads<sup>26</sup> to *Sarpanches* of Gram Panchayats by the Chief Executive Officer, Janpad Panchayats (CEO, JP). Most of the civil works involved petty construction

<sup>24</sup> Abhanpur-₹ 5.17 lakh, Baloda Bazar-₹ 13.47 lakh, Chhuikhadan-₹ 42.48 lakh, Dhamda-₹ 1.00 lakh, Patan-₹ 10.27 lakh, Palari-₹ 14.30 lakh and Rajnandgaon-₹ 14.35 lakh.

<sup>25</sup> Construction of kitchen sheds, Mangal bhavans, Public Distribution System buildings, Concrete roads, *Aanganwadi* centres, Toilets, etc

<sup>26</sup> Gram Utkarsh Yojana, MPLAD fund, MLALAD fund, SC/ST Development Authority, 11<sup>th</sup> & 12<sup>th</sup> Finance Commission Fund etc.

works (cost ranging between ₹ 0.6 lakh to ₹ 5 lakh per unit) and a maximum period of two to 12 months was allowed for completion to the agencies. Agreements were entered into with the *Sarpanches* by the CEOs, JPs. As per the agreement, the receiver of the grant was required to submit a progress report regarding actual status of the construction and intimate the amount of available balance to the CEO, JP periodically to enable him to monitor the progress of the ongoing works and control over the expenditure. Unrecovered dues, if any, were to be adjusted against any other grants payable to them.

However, we observed that out of the advance of ₹ 1.01 crore due for recovery as on March 2012, only ₹ 16.06 lakh was adjusted and the remaining sum of ₹ 84.99 lakh was still lying unadjusted with the respective *Sarpanches* as of December 2012 due to non refund of balance amount, non commencement of the works, less valuation of works etc.

This indicates that the CEO, JPs failed to implement the provisions of agreement for timely recovery or adjustment of the dues, and consequently, the Department failed to safeguard the interest of the Government.

After we pointed this out (January 2012 and May 2012), CEOs stated (May 2012) that recovery notices have been served to the defaulters and cases for recovery under the Land Revenue Act have also been sent to the concerned Land Revenue Court for recovery. Recoveries were under progress.

The fact remains that effective and timely action were not initiated against the defaulting *Sarpanches* and Secretaries of the Gram Panchayats. Had timely action been initiated before the expiry of their tenure/handing-taking over of charges of the *Panchayat*, the recoveries/adjustment could have been effected.

During discussion (March 2013), while accepting the audit observation, the Government assured that recovery position will be intimated to audit.

Further developments are awaited (March 2013).



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