

## CHAPTER 3

### AUDIT OF TRANSACTIONS

#### 3.1 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.

#### PUBLIC WORKS DEPARTMENT

##### 3.1.1 Excess payment

**Excess payment of ₹ 67.74 lakh was made to the contractor due to adoption of incorrect price indices for computation of price adjustment.**

Government of Chhattisgarh, Public Works Department (PWD) accorded (between September 2005 and March 2006) Administrative Approval for 16 works of construction of Highlevel bridges on Manendragarh-Janakpur road. Accordingly, Executive Engineer, PWD (Bridge Construction) Division, Ambikapur (EE) issued Notice Inviting Tender (NIT) for 16 works on lump sum contract basis. The tenders were finalized for ₹ 17.91 crore and work orders were issued (February 2006) to M/s Uttam Construction Company, Raipur on a lump sum contract for completion within 16 months from the date of issue of the work order excluding rainy season and two agreements<sup>1</sup> were entered into with the contractor. During execution, four more works were also included in the agreements (two works in each agreement) as supplementary

<sup>1</sup>

Sl. No.	Agreement No.	Name of work	Work Order No./ Date	Amount of contract (₹ in crore)	Amount paid in final bill (₹ in crore)	Remarks
1	31DL/2005-06	Construction of H/L bridges i/c approaches across river in KM 65/10 to 94/4 (8 Nos.) on Manendragarh-Janakpur road.	537/22.02.2006	9.00	15.75	Two more bridges were constructed as supplementary work
2	32DL/2005-06	Construction of H/L bridges i/c approaches across river in KM 23/10 to 58/10 (8 Nos.) on Manendragarh-Janakpur road.	584/28.02.2006	8.91	15.37	Two more bridges were constructed as supplementary work

works. All the works were completed (February 2008) and payment of ₹ 31.12 crore was made (May 2008 and January 2009) to the contractor.

According to clause 2.33 of the agreement, “Contract Price shall be adjusted for increase or decrease in rates and price of labour, materials and POL<sup>2</sup> as per formula<sup>3</sup> prescribed for different components”. Further, as per the formula prescribed for calculating the price adjustment for labour, the Consumer Price Index for industrial workers at the town nearest to the town or site of work as published by Ministry of Labour, Government of India (GoI) will be applicable. Similarly, for calculating the price adjustment of Steel, the all India Wholesale Price Index for Steel (Bars and Rods) as published by Ministry of Commerce and Industries (MoCI), GoI will be applicable.

Test check (April 2012) of the records of the EE revealed that as per clause 2.33 of the agreement, the calculation of price adjustment was to be done according to increase or decrease in the cost of work during the month under consideration due to changes in rates of labour, material and POL components in respect of their rates on the date of inviting tender (January 2006). As per method prescribed under this clause, ₹ 2.49 crore was payable to the contractor as shown in **Appendix 3.1** (₹ 1.12 crore) and **Appendix 3.2** (₹ 1.37 crore).

However, while calculating the price escalation as per formula prescribed in the agreement, the department did not consider the price indices specified in the agreement and payment of ₹ 3.16 crore, so calculated, was made to the contractor. Thus, application of incorrect price indices by the EE for calculation of price adjustment resulted in excess payment of ₹ 67.74 lakh (₹ 28.33 lakh + ₹ 39.41 lakh) to the contractor as detailed in **Appendix 3.1** and **Appendix 3.2** respectively.

On this being pointed out (May 2013), the Government accepted (August 2013) the excess payment in calculation of price adjustment to the tune of ₹ 39.16 lakh<sup>4</sup> and stated that recovery of the same would be made from the contractor. It was further stated that index for Steel (Bar and Rods) was dropped from the year 1993-94 in the revised wholesale price index and in place of this, the index of Steel and Iron (Rebars) was given, therefore, the calculation of excess payment as calculated by audit in respect of Steel component is not acceptable.

The reply of the Government is not acceptable. As per clause 2.33 of the agreement, index of Steel (Bars and Rods) was to be taken under consideration

<sup>2</sup> Petrol, oil and lubricant

<sup>3</sup>

1	Adjustment for Labour component:	$0.85 \times P_l \times 100 \times R \times (L_t - L_0) / L_0$
2	Adjustment for Cement component	$0.85 \times P_c \times 100 \times R \times (C_t - C_0) / C_0$
3	Adjustment for Steel component	$0.85 \times P_s \times 100 \times R \times (S_t - S_0) / S_0$
4	Adjustment for POL component	$0.85 \times P_r \times 100 \times R \times (F_t - F_0) / F_0$
5	Adjustment for Other Material component	$0.85 \times P_m \times 100 \times R \times (M_t - M_0) / M_0$

<sup>4</sup> Labour ₹ 27.85 lakh, steel ₹ 6.44 lakh, other material ₹ 0.69 lakh and cement ₹ 4.18 lakh

for calculation of price adjustment of steel component. The department's contention regarding dropping of the index of Steel (Bars and Rods) is not acceptable as the same is available in the website of MoCI, GoI for the period upto August 2010. Moreover, department could not produce any documentary evidence in support of dropping of price index for Steel (Bar and Rods).

## CULTURE AND ARCHEOLOGY DEPARTMENT

### 3.1.2 Irregular Payment

**Non/short deduction of TDS from firms/persons resulted in irregular payment of ₹ 39.33 lakh.**

As per the provisions of Section 194C, 194I and 194J of the Income Tax Act 1961, it is the statutory liability of the concerned officer of the office to ensure that Tax Deduction at Source (TDS) is effected for contractual, rental, professional and technical services respectively from the payment made to the firm/person at the rates prescribed in the Finance Act for the respective financial years and deposited in time under the receipt head 0021 Income Tax.

Test-check (January 2012) of the records of the Director, Culture and Archeology, Raipur (Director) revealed that payments amounting to ₹ 3.20 crore were made to 411 firms for various contractual, rental, professional and technical services during the period 2007-08 to 2009-10. However, TDS deductible from the bills was either short deducted or not deducted before making payment. The Assistant Commissioner of Income-Tax (TDS), Raipur (AC) raised (November 2009 and March 2011) demand for the differential amount of ₹ 39.33 lakh<sup>5</sup> on account of TDS and interest thereon. Accordingly, the amount of ₹ 39.33 lakh<sup>6</sup> was withdrawn from the department budget and deposited (January 2010, March 2010 and March 2011) into the receipt head of Income tax Department.

As funds provided under this head of accounts was for transactions connected with the promotion of Art and Culture, the drawal of such fund and making

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Date of Demand	Particulars of Demand	Amount (₹)	Details of Deposit	
			Date	Amount (₹)
4/11/2009	2007-08 to 2009-10 differential amounts.	32,01,411	15/1/2010 31/3/2010	6,31,411 25,70,000
11/3/2011	2007-08 to 2009-10 interest	7,31,829	28/3/2011	7,31,829
<b>Total</b>		<b>39,33,240</b>		<b>39,33,240</b>

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Date of Sanction	Amount (₹)	Total (₹)
6/1/2010	6,31,411	23,33,240
27/3/2010	9,70,000	
24/3/2011	7,31,829	
27/3/2010	8,50,000	16,00,000
27/3/2010	7,50,000	
<b>Total</b>		<b>39,33,240</b>

payment of TDS out of budget provision rather than recovering the tax amount from firms/persons was irregular and was also not in accordance with the Act and Rules. Thus, the Director not only created a liability of ₹ 39.33 lakh due to non/short deduction of TDS but also irregularly paid the tax from the department budget. Further scrutiny revealed that even after making income tax payment between January 2010 and March 2011, the Director had not initiated any action for recovery of the differential amount of TDS from the concerned firms/persons till the audit.

On this being pointed out (January 2012) the Director, Culture and Archeology stated (June 2013) that the rates of TDS were revised by the Income Tax Department which was not in the knowledge of the cashier. Under the pressure of notices issued by Commissioner, Income Tax to deposit differential amount along with interest of TDS, the differential amount and interest thereon was paid from the savings under various heads to prevent payment of penalty to Income Tax department and ex-post facto sanction of Government would be obtained. It was also stated that notices have been served to the defaulters for depositing the differential amount and after receipt of the amounts from the firms, the amount will be credited to Government account.

The reply confirms that the Department failed to discharge its statutory liability of deducting the due amount of TDS on various services and depositing the same in time. Further, despite making payment (between January 2010 and March 2011) of tax due to the Income Tax Department, the Director did not initiate any action to recover the amounts from the firms/persons and initiated action only in September 2012 after a period of two years only after being pointed out by audit. Moreover, the dues from the respective firms have not yet been recovered (August 2013) even after issue of notices by the Department.

The matter was brought to the notice of the Government (September 2012) and reminder has been issued (September 2013), reply still awaited.

### **3.2 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.

## WATER RESOURCES DEPARTMENT

### 3.2.1 Excess payment, extra expenditure and blockage of fund.

**There were instances of excess payment and undue aid in construction of Haldimunda Diversion Scheme**

The work for Construction of Right Bank Main Canal from Chainage (Ch) 497 to 1014 including 53 numbers masonry structures of Haldimunda Scheme was awarded (March 2006) to a contractor (first contractor) for ₹ 11.67 crore against estimated cost of ₹ 14.08 crore for completion within 21 months from the date of issue of work order (December 2007). Completion certificate was issued (July 2009) without completion of the work and an amount of ₹ 11.97 crore was paid (November 2011) to the contractor.

After two years of issue of completion certificate, a proposal containing execution of balance work was submitted (June 2011) by the Executive Engineer (EE), Water Resources Division (WRD), Jashpur to the Chief Engineer (CE), Bilaspur which was approved (September 2011) by the CE. Subsequently, the balance work was awarded (April 2012) to the same contractor (second contractor) for ₹ 3.58 crore. After making (September 2012) payment of ₹ 28.06 lakh to the contractor in the running account bills the contract was rescinded (January 2013) by the EE.

Scrutiny (December 2012) of the records relating to the above two contracts revealed the followings :

**(i) Excess payment of ₹ 1.28 crore due to erroneous calculation of quantities in the measurement book.**

As per the first contract, the contractor had to execute 1,63,267 cum (@ ₹ 39 per cum) item of excavation and 10,11,529 cum (@ ₹ 52 per cum) item of earthwork valuing ₹ 5.90 crore. As against this, 1,79,594 cum item of excavation and 11,12,682 cum of item of earthwork shown as executed by the contractor were recorded in the measurement book (MB) and payment of ₹ 6.49 crore<sup>7</sup> was made to the contractor in the final bill.

Scrutiny of the levels of excavation (upto Canal bed level) and earthwork entered in the MB and the computation of corresponding quantity of execution revealed that as against the actual execution of 1,89,841.90 cum of excavation and 8,59,715.92 cum<sup>8</sup> of earthwork, the calculation in MB showed 1,79,593.70 cum of excavation and 11,12,681.92 cum of earthwork. The quantity of excavation was understated by 10248.20 cum, while the earthwork quantity was overstated by 252966 cum. We also observed that in 99 chainages, quantity of excavation payable at a lower rate (₹ 39) was recorded under the item of earthwork payable at a higher rate (₹ 52). The understatement of quantity of excavation and overstatement of quantity of earthwork had resulted in less payment of ₹ four lakh under excavation and

<sup>7</sup> Excavation @ ₹ 39 x 179594 cum and earthwork @ ₹ 52 x 1112682 cum

<sup>8</sup> Quantity considering earthwork measured after compaction

excess payment of ₹ 1.32 crore under earthwork as detailed in *Appendix 3.3* resulting in net excess payment of ₹ 1.28 crore.

**(ii) Payment of ₹ 33.39 lakh without actual execution of work.**

We further observed that in the proposal for execution of balance work submitted by the EE to CE, 84,175 cum item of excavation and 3,49,265 cum item of earthwork were shown as left incomplete. The proposal further mentioned that the first contractor executed 79,092 cum excavation and 6,62,264 cum earthwork. Whereas the MB showed that the first contractor had executed 1,79,594 cum of excavation and 11,12,681 cum earthwork and payment for the same was also made to the contractor. The depiction of short execution of 1,00,502 cum of excavation and 4,50,417 cum earthwork in the proposal submitted to the CE indicates suppression of information about the work which was already shown as executed and paid to the first contractor.

Besides the above, we also observed that the levels recorded in the MBs as executed by the first contractor and the levels existing as shown in the estimates of second contractor were different. The difference in levels ranged upto 5.023 metres where excavation was executed and upto 11.359 metres where earthwork was executed, the difference in levels of some of the reaches are detailed in *Appendix 3.4*.

The above indicates that the first contractor executed the work as per existing levels shown in the estimates of balance work. Based on these existing levels in the estimates of balance work, 42341.173 cum of excavation and 32468.10 cum of earthwork, though paid to the first contractor, was not actually executed (as detailed *Appendix-3.5 and 3.6*). This resulted in excess payment of ₹ 33.39 lakh to the first contractor.

The audit observations were also corroborated from the clarifications sought (August 2012) by EE from the then EE, Sub Divisional Officer (SDO) and Sub Engineers for inviting tenders for balance work when the same was shown as completed in the first contract. The fact of payment made to the contractor without actual execution of work in the first contract was also informed (November 2012) to the Superintending Engineer by the EE.

On this being pointed out (December 2012) in audit, the EE replied that the reasons for difference in the levels had been sought from the officials involved in the work and due to non-receipt of reply from the concerned officials, the amount paid to the contractor has been charged to Miscellaneous Public Works Advances (MPWA) against the concerned officials. The EE further stated (June 2013) that matter has been informed (November 2012) to the higher authorities and action will be initiated as per their orders.

The reply confirms that payments were made to the contractor without recording proper measurements.

**(iii) Undue aid of ₹ 1.13 crore due to non-imposition of penalty for delay in execution of work**

Clause 4.3.2 (A) stipulates that the time allowed for carrying out work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence the work is given to the contractor. The contractor shall pay as compensation an amount equal to one *per cent* or such smaller amount as the EE/SE/CE may decide, on the amount of estimated cost of the work as shown in the tender for every day that the work remains unfinished after the proper dates provided that the entire amount of compensation to be paid under the provision of this clause shall not exceed eight *per cent* of the estimated cost of the work.

We observed that the first contractor failed to complete the work within the stipulated period (December 2007) and sought extension of time up to December 2008. The reasons mentioned by the contractor for the delay was (i) heavy rain fall, (ii) scarcity of labour and (iii) scarcity of material. Though the contractor sought extension of time up to December 2008, the same was sanctioned only up to February 2008 and further extension of time was not sanctioned for the period March 2008 to December 2008. However, the EE issued completion certificate showing the work as completed in July 2009. The issue of completion certificate contradicts, the EE's directions (September 2010) issued to the SDO and the SE's directions (October 2010) issued to the EE to finalise the contract as the first contractor had failed to complete the work.

Since the work was not completed by the contractor even during the extended period, the EE should have imposed penalty under clause 4.3.2 (A). However, instead of initiating action as required under relevant clauses of contract, EE issued completion certificate and released the payment of final bill (November 2011) without imposition of penalty resulting in extension of undue aid of ₹ 1.13 crore<sup>9</sup> to the contractor.

In reply, EE stated (December 2012) that penalty, if any, will be recovered from the available Security Deposit (SD) after final decision of competent authority.

The reply is an acceptance of the audit observation. Further no Security Deposit was available with the division. However, the decision of extension of time case was still pending (June 2013).

Since the Haldimunda diversion scheme was approved with the objective to irrigate 2840.00 ha<sup>10</sup> of land, the non completion of work even after incurring expenditure of ₹ 12.25 crore on both canal and headwork resulted in unfruitful expenditure and deprived the people of Jashpur district from availing irrigation facilities.

<sup>9</sup> @ eight *per cent* of ₹ 14.08 crore

<sup>10</sup> Kharif : 1950.00 ha and Rabi : 890.00 ha

On this being pointed out (July 2013), Government stated (November 2013) that an inquiry committee has been constituted (October 2013) to investigate the case.

### 3.3 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:

#### PUBLIC WORKS DEPARTMENT

##### 3.3.1 Loss to Government

##### Arbitrary termination of contract for collection of toll at Nandghat Bridge resulted in loss of ₹ 25.65 lakh to Government.

Notice inviting tender (NIT) for collection of toll under Section 2 of the Indian Toll Act 1851 (VIII of 1851) at Nandghat Bridge<sup>11</sup> for 10 months and 11 days (21.05.2010 to 31.03.2011) was issued (April 2010) by Executive Engineer, Public Works Department, National Highway Division-2, Raipur (EE) with the probable amount of contract of ₹ 2.77 crore. The tender was finalised and lease for collection of toll was awarded (August 2010) to M/s Vanshika Construction, Bilaspur (Contractor) for ₹ 3.80 crore for 10 months and 11 days with effect from 03.08.10 to 14.06.11 (316 days) with the direction to deposit the lease so collected in seven<sup>12</sup> instalments. Accordingly, a lease agreement was entered into between the EE and the Contractor in August 2010.

As per the Clause 1(a) and (b) of the lease agreement, any liability of the contractor may be deducted from his security deposit and additional security deposit.

<sup>11</sup> in Km. 66/2-8 of NH 200

<sup>12</sup> 1<sup>st</sup>- ₹ 37.97 lakh by 18.08.2010, 2<sup>nd</sup>- ₹ 56.95 lakh by 07.10.2010, 3<sup>rd</sup>- ₹ 56.95 lakh by 22.11.2010, 4<sup>th</sup> - ₹ 56.95 lakh by 06.01.2011, 5<sup>th</sup>- ₹ 56.95 lakh by 20.02.2011, 6<sup>th</sup> - ₹ 56.95 lakh by 06.04.2011 and 7<sup>th</sup> ₹56.95 lakh by 20.05.2011.



Clause 15 of the lease agreement<sup>13</sup> empowered the EE to resume the work departmentally or resell by auction for the unexpired portion in case of failure by the contractor to pay any instalment.

Clause 16 of the lease agreement further stipulates that “if any instalment is not paid on due date, the contractor shall be liable to pay the interest at the rate of 10 *per cent* per annum on such instalment from the date of default provided three days of grace for the payment of the instalment is allowed”.

Test check of the records of EE, PWD, NH Division No.2, Raipur (September 2012) revealed that as per clause 1(a) and 1(b) of the lease agreement, the contractor deposited ₹ 38 lakh as Security Deposit in the form of Fixed Deposit Receipts (FDR) and ₹ 75 lakh as additional Security Deposit in the form of Bank Guarantee. Further, as per clause 2 of the lease agreement, the contract amount was required to be deposited in seven instalments. However, the contractor failed to deposit the first instalment amounting to ₹ 37.97 lakh on the due date (19.08.2010). The EE issued notice on 20.08.2010 to the contractor for the same and terminated the contract on 27.8.2010 within seven days from the date of issue of the notice to the contractor under clause 15 of the agreement and the Division started the toll collection departmentally from 27.8.2010.

Further scrutiny revealed that after termination of the contract, the contractor approached the Hon’ble High Court, Bilaspur which quashed the termination order of the contract and gave the verdict (October 2010) in favour of the contractor. Accordingly, the toll collection was again handed over to the contractor on 11.10.2010. The contractor collected the toll tax upto 14.06.2011 for 271 days and deposited a total amount of ₹ 3.23 crore at the rate of ₹ 1.19 lakh<sup>14</sup> per day and Department collected ₹ 27.78 lakh at the rate of ₹ 0.62 lakh per day during the period 27.08.10 to 11.10.2010 (45 days) which was less by ₹ 0.57 lakh per day and loss incurred in 45 days amounted to ₹ 25.65 lakh.

Thus, arbitrary termination of contract and subsequent collection of toll tax by the Department for the period resulted in loss of ₹ 25.65 lakh to the Government.

On this being pointed out (May 2013), the Government stated (August 2013) that the contract was terminated under clause 15 of the agreement and as the termination order was quashed by the Hon’ble court, the Department revoked the agreement and the contractor had been again allowed to collect the toll. The Government further stated that the notice to the contractor was issued on

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<sup>13</sup> Clause 15 of the lease agreement stipulated that in case of failure to pay any instalment or rent on due date or the breach or non observance of any provision of the said Act VIII (Indian Toll Act) of 1851 or any condition of this lease shall render the lease liable, in the discretion of the EE to be resumed and worked departmentally or resold by auction for the unexpired portion of this lease and the contractor shall be liable to pay any loss that may be sustained by the Government by reason of such resumption and department working or resale

<sup>14</sup> ₹ 3.23 crore/271 days

20.08.2010. But since the contractor did not respond to the notice even after six days, hence the contract was terminated on 27.08.2010.

The reply is not acceptable since contractor was allowed three days grace period from date of default and further the department had the option under clause 1(a) and (b) of the agreement to deduct the amount of instalment from the SD of the contractor which the contractor failed to deposit by the due date. Further department was also entitled to recover under clause 16 of the agreement the interest at the rate of 10 *per cent* per annum for delayed deposit. However, instead of exercising the above available options within the agreement, the department arbitrarily terminated the contract within 10 days of issue of show cause notice and without giving reasonable opportunity to the contractor resulted in loss to Government. Further, per day toll collected by the department was far below the toll collected by the contractor.

### 3.3.2 Wasteful Expenditure

#### Non rectification of damaged work at the cost of contractor resulted in wasteful expenditure of ₹ 1.12 crore

Government of Chhattisgarh accorded (September 2008) Administrative Approval of ₹ 3.08 crore for construction of a bridge including approach road across Gej River on Khandgawan-Gajinawapara road in Ambikapur. The Executive Engineer, PWD (Bridge) Division Ambikapur (EE) awarded (February 2009) the work to a contractor on a lump sum contract for ₹ 1.59 crore against probable amount of contract (PAC) of ₹ 2.94 crore with stipulated period of completion of 10 months excluding rainy season. Upto date payment of ₹ 1.12 crore (excluding secured advance) was made by the EE to the contractor vide 5<sup>th</sup> Running Account bill (August 2011).

As per Clause 3.9 (Chapter-III) of the agreement, the contractor will be the sole incharge of all the materials/valuables related to the work till completion of the work and obtaining the completion certificate. The contractor will be responsible for the safe custody of the material and shall be responsible to make good the loss or damages at his own cost.

During scrutiny (March 2012) of records of the EE, we observed that as per the drawing, the contractor was required to construct abutments (A-1 and A-2) and seven number of piers (P-1 to P-7). The contractor completed (April 2011) the execution of abutments (A-1 and A-2) and five piers (P-1 to P-5) while another pier (P-6) was completed upto cap level<sup>15</sup>. During construction of the bridge, two piers (P-5 and P-6) collapsed and one pier (P-2) got tilted during the rainy season in 2011. After that the contractor left the work leaving the balance work incomplete.

After collapse of the pier, construction site was inspected (November 2011) by Superintending Engineer, PWD, Bridge Circle Ambikapur (SE) and reported that three pier foundation was damaged due to non concreting of pile foundation by fixing liner, liner was not laid by the contractor, concreting of

<sup>15</sup> Pier Cap is used to create a barrier between the structural elements of flooring and foundation concrete block piers used to support them.

pile and pile cap was weak, pile was not adequately fixed in the rock and binding of steel was not done according to drawing and design. Further, as per the fact sheet enclosed with charge sheet issued (August 2012) to the concerned Executive Engineer, Sub Divisional Officer (SDO) and Sub-Engineer, the works were not executed as per the approved specifications, confirmatory boring was not drilled to determine the foundation level, liners were not fixed permanently etc. This indicates that the execution of work was not properly monitored and timely action was not initiated by the department and the reasons for damage were analysed through inspection (November 2011) only after the piers collapsed.

We further observed that out of a sum of ₹ 34.18 lakh given to the contractor as secured advance<sup>16</sup>, an amount of ₹ 18.45 lakh only was recovered and the balance ₹ 15.73 lakh was due for recovery. Against this unrecovered amount, security deposit and performance guarantee amounting to ₹ 12.16 lakh was available with the department. No action for recovery or adjustment of the dues was initiated by the department till date (May 2013).

Since the department failed to get the damaged work rectified (as per clause 3.9) either through the contractor or departmentally, the executed work remained incomplete and the expenditure of ₹ 1.12 crore incurred on its construction was rendered wasteful. As intimated (April 2013) by the EE, work has again been taken up as a new work and budget provision of ₹ 60.00 lakh was made for the year 2013-14 by stating that the work executed earlier got damaged.

The Government forwarded (July 2013) the reply of EE wherein it was stated that the matter was under consideration with the higher authorities and action would be taken as per instructions received from the higher authority. It was also stated (May 2013) that an FIR has been lodged (August 2012) against the contractor for not depositing the outstanding secured advance and a charge sheet has been issued against the concerned officials involved in the work for damage of the bridge. The EE further stated that the action was being taken at the Government level and responsibility would be fixed after completion of the enquiry. It was also stated that proposals for termination of the agreement under clause 1.14<sup>17</sup> had been sent (August 2012 and April 2013) to the higher authority for approval. Suitable action for recovery of penalty as per the agreement would be taken against the contractor after termination of the agreement.

The reply of the Government confirms departmental lapse as the department failed to periodically monitor the execution of the work and also failed to terminate the agreement despite lapse of two years and take action for recovery as per clause 3.9 of the agreement. Further the proposal for

<sup>16</sup> Advance on security on material brought at site.

<sup>17</sup> Clause 1.14 stipulates that the EE may terminate the contract, if the contractor causes the fundamental breach of contract such as the contractor stops work for four weeks without authorized by EE, the contractor had delayed the completion of work by more than 12 weeks, contractor has not completed at least 30 per cent of the value of the construction of work required to be completed in half of the completion period.

re-execution of work by treating as new work rather than getting the work rectified through the same contractor at his risk resulted in wasteful expenditure of ₹ 1.12 crore.

## HOME (POLICE) DEPARTMENT

### 3.3.3 Idle equipment

**Failure of the Department to develop infrastructure for laboratory and to develop skilled man power to operationalise the DNA testing laboratory immediately after procurement of machinery and equipment led to idle investment of ₹ 1.48 crore for more than three years.**

Government of Chhattisgarh (CoCG) sanctioned (July 2008) ₹ 5.31 crore for modernization of police force under Modernization of Police Forces (MOPF) Scheme 2007-08. Accordingly, the Inspector General of Police sanctioned ₹ 1.57 crore (August 2008) for procurement of Deoxyribonucleic acid (DNA) sequencer<sup>18</sup> and other related equipments for setting up of DNA testing laboratory in State Forensic Science Laboratory, Chhattisgarh, Raipur (SFSL).

Test-check of records (January 2013) of Director, SFSL revealed that the equipment was procured (April 2010) through State Trading Corporation (STC) at a cost of ₹ 1.36 crore and installed in May 2010. The other items required for the setting up of above mentioned equipments (items not procured through STC) such as Laboratory Temperature Controlling devices, Environment Protection Glass Dividers, Inverter with battery costing ₹ 9.59 lakh were procured (November 2009) before procuring DNA sequencer and an expenditure of ₹ 2.45 lakh was also incurred for electrification of the laboratory which was completed in January 2011. Even after procuring the equipments, the same could not be put to use due to non-availability of trained manpower.

We observed that after one year of procurement of DNA sequencer, the SFSL had requested (June 2011) Additional Inspector General, Madhya Pradesh for imparting DNA training at SFSL, Sagar Madhya Pradesh. SFSL, Sagar had agreed (July 2011) to impart training to two officials in this field and prepare a profile of DNA from at least 300 blood samples representing each caste of the permanent residence of the State which would be utilized as DNA database in the DNA laboratory at SFSL, Raipur. Two officers of the SFSL, Raipur, one in the rank of Senior Scientific Officer (SSO) and another Scientific Officer (SO) were nominated for training in the DNA testing. The training started in November 2011 and was in progress (November 2013). It was observed that one of the trainee on being selected for another post left the job (January 2013) and another scientific officer was nominated for the above training.

It was therefore observed that out of the total payment ₹ 1.36 crore made to STC, scientific equipment, lab equipment, chemicals costing ₹ 1.25 crore were not put to use (December 2012) and warranty period of 12 months from date

<sup>18</sup> DNA sequencer is a scientific instrument used to automate the DNA sequencing processor for detailed checking of human DNA

of installation had expired in May 2011. Thus, there was idle expenditure of ₹ 1.48 crore<sup>19</sup> on procurement of DNA testing equipments and infrastructure developed for the setting up of DNA laboratory. Due to non-installation of DNA testing facilities, the Police department conducted DNA test outside the State.

On this being pointed out in audit (January 2013) the Director, SFSL, Raipur accepted the audit observation and stated (August 2013) that the DNA sequencer machine had not been put to use till date (August 2013) due to the non-availability of infrastructure and manpower. The Director further stated that, DNA training is to be conducted in three phase out of which only one phase has completed. For imparting remaining two phase training the required chemicals and equipments is to be procured. It was also stated that since a separate DNA building with all infrastructure was necessitated to start the DNA laboratory, proposal for the same has been forwarded (October 2012) to the State Planning Commission

On this being pointed out (June 2013), the Government stated (November 2013) that training of the scientific officers are in progress, procurement of chemicals has been made, specifications has been prepared and installation of equipments are being done in phased manner.

Thus, procuring the equipment without ensuring adequate infrastructure such as separate DNA building, scientific equipment, chemicals and trained technical manpower and delayed initiation of training resulted in idling of equipment worth ₹ 1.48 crore. Besides this, the objective of setting up of the DNA testing laboratory also could not be achieved. As per reply furnished by the Director, the DNA testing facilities was not put to use as of August 2013. Further, the department continued to incur expenditure for getting DNA tests done outside State, even after procurement and installation of the required machinery and equipment.

## PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.3.4 Avoidable expenditure

**Non-maintenance of power factor as per agreement coupled with improper assessment of contract demand for high tension power supply resulted in avoidable extra expenditure of ₹ 37.20 lakh.**

Audit Scrutiny (November 2012) of electricity bills of 48 months (August 2008 to September 2012) of Civil Surgeon cum Chief Hospital Superintendent, Sardar Patel Hospital (SPH), Bilaspur revealed that the actual average monthly power factor<sup>20</sup> was ranging between 0.57 and 0.85 against required 0.90 as stipulated in the agreement executed (May 2008) with

<sup>19</sup> Laboratory equipment ₹ 1.36 crore, inverter, battery ₹ 9.59 lakh and electrification work ₹ 2.45 lakh.

<sup>20</sup> The power factor of an AC electric power system is defined as the ratio of the real power flowing to the load, to the apparent power in the circuit. Real power is the capacity of the circuit for performing work in a particular time. Apparent power is the product of the current and voltage of the circuit.

Chhattisgarh State Electricity Board (CSEB). Further, the actual electricity consumption was far below against the Maximum Contract Demand<sup>21</sup> (MCD).

As per clause 21 (a) of the agreement, the consumer shall from the date of utilisation of electrical energy, guarantee such minimum consumption as when calculated at the tariff or pay such as a minimum. The deficit, if any, between the guaranteed minimum charges and the actual charges shall be payable by the consumer. As per electricity bill, 75 per cent of the contractual demand was charged as guaranteed minimum charges<sup>22</sup>. As per clause 24 of the original agreement, the average monthly power factor should not be less than 0.90, failing which the consumer was liable to pay additional charges as specified in the tariff. Clause 13(d) of the agreement also provided that if the consumer was not in a position to consume sufficient electricity it could reduce the contract demand once during the currency of the agreement to such extent and from such date as the Board may decide.

Due to the shortfall in consumption and non maintenance of power factor, SPH had to pay extra avoidable expenditure of ₹ 20.60 lakh on account of demand charges and power factor charges as shown in *Appendix 3.7*.

Thus improper assessment of contract demand at initial stage coupled with subsequent failure of the hospital authorities to get it reduced to the level of actual requirement on the basis of consumption and failure to take necessary steps for raising the power factor up to required level resulted in avoidable expenditure.

On this being pointed out (November 2012) in audit, Civil Surgeon cum Hospital Superintendent, Bilaspur stated (July 2013) that consumption of electricity during the said period was less due to developing stage of the Hospital and non-installation of some machines. He further stated that contract demand from 250 KVA to 150 KVA has been reduced in July 2013 and further necessary action would be taken after consultation with CSEB, Bilaspur in future.

The reply indicates that contract demand was not assessed properly. Had timely action been taken to assess the electricity consumption and steps taken to maintain the power factor, the extra expenditure could have been avoided.

Similarly, scrutiny (October 2010) of electricity bills of the office of the Joint Director-cum-Superintendent, Dr. Bhimrao Ambedkar Memorial Hospital (DBRAMH), Raipur, it was observed that in the bills of Ayushman Endosurgery Unit (AEU) of 45 months (November 2009 to July 2013) the average monthly power factor was ranging between 0.14 and 0.23 against 0.90 and consumption was far below the MCD<sup>23</sup>. Due to the shortfall in consumption and lower power factor, DBRAMH had to incur avoidable extra

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<sup>21</sup> 500 Kilo Volt Ampere (KVA) from August 2008 to March 2010 and 250 KVA from April 2010 to July 2013.

<sup>22</sup> 375 KVA (75 per cent of 500 KVA) from August 2008 to March 2010 and 188 KVA (75 per cent of 250 KVA) from April 2010 to July 2013.

<sup>23</sup> 130 KVA from November 2009 to July 2013

expenditure of ₹ 16.60 lakh on account of demand charges and power factor charges as per clause 2 (b) of the agreement (September 2009) (*Appendix 3.8*).

On this being pointed out (October 2012) in audit, the Joint Director and Superintendent, DBRAMH, Raipur stated (July 2013) that due to some administrative reasons like inadequate medical and para-medical staff, non-completion of civil work, delay in installation and demo of the machineries etc. AEU could not be started immediately. In anticipation of commencement of AEU in near future the connection was not disconnected in public interest.

The reply confirms to the fact the hospital administration had taken electric connection without ensuring functioning of AEU which led to avoidable expenditure of electricity charges on unit.

During discussion (November 2013) Principal Secretary Public Health and Family Welfare Department while agreeing to the audit observation stated that installation of electric connection and equipments is the responsibility of the Public Works Department. On the basis of their assessment of the requirement of consumption of electricity, the Health Department entered into the agreement with the CSPDCL. Based on the audit observation, the matter will be taken up with the PWD for reassessment of the requirement of the electricity of all the buildings of the Health Department and appropriate action will be taken thereafter.

## WATER RESOURCES DEPARTMENT

### 3.3.5 Unfruitful expenditure

**Issue of work order without ensuring the availability of unencumbered land resulting in non-completion of work and wasteful expenditure of ₹ 92.08 lakh besides non-fulfilment of the objective of creating irrigation potential.**

As per para 2.104 of the Chhattisgarh Works Department Manual (WD Manual), “When the estimate has been sanctioned and funds allotted, an application for acquisition shall be sent to the Collector by the authorities (i.e. EE or SE)” and as per Note (3) given below above para, “notification for the acquisition of land required for any particular work must be submitted before the work is put in hand.”

Administrative approval for construction of Koranja Tank Project was accorded (December 2004) by Chhattisgarh Government for ₹ 4.41 crore. The work was taken up through loan of ₹ 4.15 crore sanctioned (August 2005) by National Bank for Agriculture and Rural Development (NABARD). Technical Sanction for construction of Main Bund, Main Water Gate, Spill Channel etc. under the project was accorded (October 2005) by Chief Engineer (CE), Hasdeo Kachar, Water Resources Department, Chhattisgarh, Raipur for ₹ 3.92 crore. Item Rate Tenders for the above work was invited (November 2005) with a probable amount of contract (PAC) of ₹ 2.75 crore and the work was awarded (13 March 2006) to a contractor for ₹ 2.21 crore with stipulated period of completion of six months including rainy season.

Test check (December 2012) of records of the Executive Engineer (EE), Water Resource Division, Jashpur revealed that the work had to be executed on Government as well as private land, however the land acquisition process was not completed before issuing the work order. Further scrutiny revealed that there was protest by the villagers against the execution of work on their land and the work had to be stopped by the contractor on 31 March 2006 on the orders of the District Collector. However, a payment of ₹ 92.08 lakh was made to the contractor on 25 March 2006 on the basis of bill submitted by him for the work shown to have been executed in 11 days<sup>24</sup>. The balance work could not be executed as the required land has not been acquired so far (August 2013). Thus, due to issue of work order without ensuring the availability of unencumbered land, the work remained incomplete and expenditure of ₹ 92.08 lakh incurred in execution of incomplete work rendered unfruitful. Further, the deterioration of the executed work cannot be ruled out (as shown in the Photograph) due to non execution of further work on the land for the last seven years.



On this being pointed out (March 2013), Engineer-in-Chief (E-in-C) stated (May 2013) that an enquiry was constituted by Government against the then EE, then Sub Divisional Officer and then Sub Engineer for executing the work before completing the land acquisition process, but the enquiry cases of all these officials has been closed as the charges could not be proved. He also stated that the land acquisition cases have been prepared and submitted (April 2006 and December 2007) to the Collector, Jashpur Nagar. The work would be completed after completion of land acquisition process, so the expenditure incurred is not unfruitful.

Reply only confirms that the department failed to ensure availability of unencumbered land before issue of work order in accordance with the provisions of WD Manual. Further, the land has not been acquired till date (August 2013) even after lapse of seven years. Besides, the objective of creating irrigation potential of 526 hectare land by taking loan also could not be achieved.

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<sup>24</sup> Between 14.03.2006 and 24.03.2006.



It was further observed that as per the work programme given in agreement, the contractor was required to complete the work within six months but no work programme was submitted by the contractor. However, the work stated to have been executed by the contractor in 11 days was in excess of the work to be executed in the 1<sup>st</sup> month ranging between 14 and 336 *per cent* higher than the work programmed for 1<sup>st</sup> month (as shown in table below). The contractor was paid ₹ 92.08 lakh on the basis of work stated to have been executed within 11 days which was 41 *per cent* of the total value of work to be executed in six months.

**Table: Details of work executed against the work programme issued by the department**

Sl. No.	Item of work	Work is to be executed in 1 <sup>st</sup> month as per construction programme (Annexure-G) of the agreement	Actual work stated to have been done by the contractor in 11 days	Excess work done by the contractor
1.	Excavation in all type of soil	40,000 Cum	45640.20 Cum	5640.20 Cum (14.10%)
2.	Excavation in DR & SR	10,000 Cum	43695.53 Cum	33695.53 Cum (336.95%)
3.	Cut off trench	10,000	27,396.49	17,396.49 Cum (173.96%)
4.	Filter Blanket			
(a)	Metal layer	1200 Cum	1930.64 Cum	730.64 Cum (60.89%)
(b)	Sand layer	1200 Cum	1930.64 Cum	730.64 Cum (60.89%)

However, no supporting documents such as Measurement Books (MBs) and certificate by any official, in respect of actual execution of more than one month's work in a short period of 11 days time, were furnished to Audit. The EE intimated (June 2013) that the MBs of the above work was kept with the then EE and had not been returned to the division office. A joint physical verification of the work was done (June 2013) by the audit personnel and the EE. On the issue of doubtful execution of work highlighted by audit in the Joint Physical verification, the EE stated that excavation and earth work for the bund have been executed by the contractor but calculation of the quantity cannot be done by eye judgement only and it required detailed measurements. As measurements were not taken at site so the exact quantity of excavation can not be stated. Work of providing and filling of cut off trench filter blanket are hidden items, without proper investigation, whether the work was executed or not can not be ascertained.

Due to non availability of measurement records relating to the execution and payment of ₹ 92.08 lakh could not be verified in audit. However, no efforts (after September 2012) at Government level were found to have been made to obtain the MBs.

On this being pointed out, the Government stated (November 2013) that direction has been issued to the Chief Engineer, Hasdeo Bango Kachhar, Ambikapur to collect the necessary records from the concerned official and

in case of non submission of records, it was also directed to take appropriate action against the official concerned as per rule. Government also stated that an inquiry committee has been constituted (October 2013) to investigate the case.

## ANIMAL HUSBANDRY DEPARTMENT

### 3.3.6 Idle expenditure

**Non-procurement of cold cabinet for the chilling unit resulted in idle infrastructure valuing ₹ 63 lakh for two to three years besides non-achievement of objective of the scheme to maintain cold chain.**

As per the project proposal of Rashtriya Krishi Vikas Yojana, to prevent the cattle from various diseases, the department makes procurement of various vaccines. Necessary vaccines like Peste-des-Petits Ruminatum (PPR), Ranikhet Disease (RD) and Fowl Pox (FP) are live attenuated vaccines requiring rigid cold chain management, while Hemorrhagic Septicemia (HS), Black Quarter (BQ), Foot and Mouth Disease (FMD) vaccines need to be stored at 4-8° C for periods over 1-5 days. If the cold chain is broken at any stage, it is not possible to assess the quality of vaccine at field or even at laboratories and the entire effort for running a vaccination program will get jeopardised.

For construction of chilling centers, for reducing live stock mortality through implementation of mass vaccinations covering entire State and through maintaining cold chain at block level, Government of Chhattisgarh accorded Administrative Approval (July and September 2008) for ₹ 2.12 crore<sup>25</sup> under Rashtriya Krishi Vikas Yojana (RKVY) for installation of Chilling section for vaccine and medicines storage. The amount was to be utilised for construction of 18 cabinet rooms with three phase electrification and installation of cold cabinets<sup>26</sup> in them.

Scrutiny (October 2012) of records of Director, Veterinary Services, revealed that funds were provided to construction agencies (Public Works Divisions and Rural Engineering Services) for construction of rooms for the cold cabinet. Against the sanctioned amount of ₹ 2.12 crore during 2008-09, expenditure of ₹ 63 lakh was incurred (2008-09) on civil works for construction of buildings for the 18 cold cabinets, out of which buildings for 16 cold cabinets<sup>27</sup> were completed during 2009-11 and two<sup>28</sup> were incomplete as of August 2013. However, the cold cabinets required for chilling centres

<sup>25</sup> ₹ 117.50 lakh in July 2008 and ₹ 94 lakh in September 2008

<sup>26</sup>

Cold cabinets	18 @ ₹ 8.25 lakh each	₹ 148.50 lakh
18 Construction of Hall	18 @ ₹ 3 lakh each	₹ 54 lakh
Three phase electrification charges	18 @ ₹ 0.5 lakh each	₹ 9 lakh

<sup>27</sup> Bilaspur, Bijapur, Champa, Dantewada, Durg, Dhamtari, Jashpur, Jagdalpur, Kanker, Koriya, Korba, Mahasamund, Narayanpur, Raigarh, Rajnandgaon and Raipur

<sup>28</sup> Sarguja and Kawardha

were not purchased by the Department or by the District offices, even though the funds were available. Since the XI<sup>th</sup> Five Year Plan ended in March 2012, the available funds could not be revalidated any further and the amount of ₹ 1.49 crore earmarked for procurement of cold cabinets were de-sanctioned by the State Government. Due to de-sanction of the amount earmarked for procurement of cold cabinets, no funds were available with the Department to utilise the already created infrastructure.

Thus, the chilling centers constructed by incurring expenditure of ₹ 63 lakh could not be made functional due to non procurement of cold cabinets even though sufficient funds were available. The created infrastructure continued to be idle for two to three years resulting in non-achievement of the intended objective of the scheme to maintain cold chain for which funds were made available to the Department in 2008-09.

On this being pointed out (July 2013), Government stated (January 2014) that even though cold cabinets have not been procured, the vaccination programme was not held up. Regarding procurement of cold cabinets department had made sincere efforts through inviting repeated tenders/e-tenders from directorate as well as from districts separately in all the years 2008-09 to 2011-12 but rates could not be approved by the purchase committee in adherence to store purchase rule. However in 2013-14, State Level Sanctioning Committee (SLSC) approved (May 2013) a project in which 18 cold cabinets are scheduled to be procured through Chhattisgarh Medical Services Corporation Ltd.

Reply of the Government confirms that the department failed to take effective steps in four years (2008-12) to finalise the rates for procurement of cold cabinets despite having sufficient funds which resulted in continuous idling of infrastructure constructed for installation of cold cabinets.

**Raipur**  
**The**

**(PURNA CHANDRA MAJHI)**  
**Accountant General (Audit), Chhattisgarh**

*Countersigned*

**New Delhi**  
**The**

**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**