

## **Chapter-III**

# **Compliance Audits**

- **Audit of "Establishment of Madhya Pradesh Professional Examination Board and Monitoring of its functioning"**
- **Audit of "Madhya Pradesh Building and Other construction Workers Welfare Board"**
- **Audit on "108 Ambulance Services"**
- **Follow up Audit of the Performance Audit on "Mahatma Gandhi National Rural Employment Guarantee Scheme"**
- **Audit paragraphs**



## **Chapter III: Compliance Audit**

Compliance Audit of the Government departments, their field formations as well as that of the autonomous bodies brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

### **TECHNICAL EDUCATION AND SKILL DEVELOPMENT DEPARTMENT**

#### **3.1 Audit of 'Establishment of Madhya Pradesh Professional Examination Board and Monitoring of its functioning'**

##### **3.1.1 Introduction**

The Royal Commission on Superior Services in India, 1924 (Lee Commission), which established the Public Service Commission in India had noted that 'wherever democratic institutions exist, experience has shown that to secure an efficient civil service, it is essential to protect it as far as possible from political or personal influences and give it that position of stability and security which is vital to its successful working as an impartial, efficient instrument to give effect to the policies of Government, whatever be its political complexion.'

The former Chief Justice of India, Justice P.N. Bhagwati in a judicial pronouncement observed 'that the Public Service Commission occupies the pivotal place of importance in the State and the integrity and efficiency of its administrative apparatus depends considerably on the quality of the selection made by the Public Service Commission' and went on to say that 'this can be achieved only if the Chairman and Members of the Public Service Commission are eminent men possessing a high degree of calibre, competence and integrity, who would inspire confidence in the public mind about objectivity and impartiality of selections to be made by them. We would, therefore, like to strongly impress upon every State Government to take care to see that its Public Service Commission is manned by competent, honest and independent persons of outstanding ability and high reputation who command the confidence of people and who would not allow themselves to be deflected by any extraneous consideration from discharging their duty of making selection strictly on merit.'

The debate of the Constituent Assembly at the time of the framing of the Constitution of India reflected the following views of Shri Lakshminarayan Sahu, '..... Moreover, I would also like that the members of the subordinate services too should be selected by the Public Service Commission. If the members of the subordinate services are taken through the Public Service Commission, nobody can complain of nepotism. But if the appointments to subordinate services are kept out of the scope of the Public Service Commission, there would always be complaint against one minister or the other of being guilty of nepotism in the appointments made by them. With a view to avoid such criticisms, I want that the subordinate services may also be selected by the Public Service Commission.'

Public Service Commissions have been set up under the Constitution and corresponding statutes to conduct examination and other assessment modes for recruitment of persons into Government services. Similarly, Technical Boards, such as Central Board of Secondary Education (CBSE) have been set up by various professional bodies to conduct examinations and recruit students into different professional streams. The purpose of creation of these commissions and Board or other bodies is to ensure transparency and accountability in recruitment to these important posts and disciplines to ensure that the principle of merit and social equity prevail. Against this background, we undertook the appraisal of the procedure in place to ensure the achievement of these lofty ideals, in the recruitment of subordinate staff of State of Madhya Pradesh and conduct of examination for entrance to professional courses, which was the domain of MPPEB otherwise known as VYAPAM.

Government of Madhya Pradesh established a Pre-Medical Test Board in the year 1970 for conducting entrance examination for admission into the Medical Colleges. Later, in the year 1981, a Pre-Engineering Board was set up for conducting entrance examination for admission into engineering colleges. These Boards were amalgamated in the year 1982 to set up Madhya Pradesh Professional Course Entrance Examination Board for conducting entrance tests for admissions in the Medical, Engineering, Agriculture and Polytechnic colleges of the State. The Board was reconstituted and named (July 1997) as 'Professional Examination Board' (*Vyavsayik Pariksha Mandal*), commonly known as VYAPAM. In April 2003, the Board was entrusted the responsibilities to conduct recruitment to those State level posts (except for posts of Police and Law Departments), which were not filled by the Madhya Pradesh Public Service Commission.

With a view to conduct examinations in professional courses and matters connected therewith or incidental thereto, the *Madhya Pradesh Vyavsayik Pariksha Mandal Adhiniyam, 2007* (MPPEB Act 2007) was enacted by the State Legislature. The Act provides for establishing a Board, which would be a body corporate by the name of the Madhya Pradesh Professional Examination Board (MPPEB/MP VYAPAM), having perpetual succession and a common seal with power to acquire and hold property. State Government notified the constitution of the Board under MPPEB Act in March 2016.

### **3.1.1.1 Audit Objectives**

An audit was conducted to examine what were the objectives of Government of Madhya Pradesh (GoMP) in establishing the Board and Government's relation with the Board including oversight of its activities particularly those related to conduct of various examinations. An entry conference was held with the Principal Secretary, Technical Education and Skill Development Department, GoMP in August 2015 to discuss the audit objectives, criteria and audit coverage. Government specifically wanted us to examine "the inherent weaknesses in the MPPEB Act 2007 and suggest measures for improvement". The draft report was issued to Government on 30 December 2016. The audit observations of the report were also discussed during exit conference held on 14 February 2017 with Principal Secretary, Technical Education and Skill Development Department.

### 3.1.1.2 *Audit coverage*

The audit of ‘Establishment of MPPEB and monitoring of its functioning’ was carried out (from April 2016 to August 2016) at Technical Education and Skill Development Department, Government of Madhya Pradesh. The audit findings are based on scrutiny of records relating to the Board and replies received from the Department in response to audit enquiries/observations.

### 3.1.1.3 *Audit constraints*

The report is based on the examination of records in the Technical Education and Skill Development Department, which provided seventeen files related to the Board for audit scrutiny. However, the records held by MPPEB could not be test checked in the audit and Department also did not provide the information related to the Board during audit scrutiny.

### 3.1.1.4 *Acknowledgement*

Audit acknowledges the co-operation extended by the Chief Secretary, Government of Madhya Pradesh, on whose initiative, the audit could start from 30 April 2016 (eight months after entry conference).

## **Audit findings**

### **3.1.2 Duality in Government approach on the status of the Board**

Government of Madhya Pradesh notified (April 1982) constitution of *Vyavsayik Pathyakram Pravesh Pariksha Mandal* (VYAPAM) for conducting entrance examinations for admission into medical, engineering, agriculture and polytechnic colleges. With this notification, erstwhile Pre-Medical Test Board and Pre-Engineering Board ceased to exist and their powers and duties were vested in the Board, which envisaged to be an independent entity with capacity of suing and being sued. The Board was endowed with the right to acquire and hold movable and immovable property.

#### 3.1.2.1 *Status of the Board*

There was initial confusion over the status of VYAPAM, whether it was a Government Department or not. This was demonstrated by the notification of 1982 wherein the State Government declared that it would not be responsible for the acts of VYAPAM. However, the status of Board as a Government Department was accepted in various other subsequent inter-departmental deliberations of the Government, which was also upheld by judicial pronouncements, as discussed in succeeding paragraphs.

Under the notification of April 1982, the Board was envisaged to work under Manpower Planning Department (now, Technical Education and Skill Development Department). State Government had power to issue instructions from time to time to the Board for its functioning. However, under section 6 of the notification, State Government declared that it was not liable for any act of omission or commission by the Board. This act of abdication of responsibilities by the State Government despite having the powers to issue instructions regarding the Board led to confusion over its status as a Government Department.

In a note submitted to Chief Minister (June 1983), Principal Secretary, GoMP, Manpower Planning Department noted that the Board was semi-autonomous body and proposed for its annual audit by the office of the Auditor of Local Funds. The proposal was approved by the Chief Minister.

The Chairman, VYAPAM intimated (August 1994) Principal Secretary, Manpower Planning Department, GoMP regarding continued confusion on the status of the Board. The Chairman requested the Government to take a decision in this matter, as it was neither a registered society nor considered as Department of Government. It was not established by any Act also.

On a reference from the Manpower Planning Department, Department of Law opined (October 1994) that the status of the Board was a part of GoMP and it was not an independent body. In a related meeting of the Committee of Senior Secretaries (February 1997), headed by the Chief Secretary, convened for granting independent status to Board, the Manpower Planning Department informed the Committee that the status of Board was that of a Government Department. The Committee, however, decided that there was no need to change the existing arrangement of Board.

### **3.1.2.2 Control of the State Government**

State Government approved (September 2000) *Vyavsayik Pariksha Mandal Seva Bharti Niyam, 1999* for making appointments of officers/staff for VYAPAM. However, Rules to govern the service conditions of the officers/staff of VYAPAM were not framed by the Government so far. It provided for 126 posts of various cadres in the Board and classified them under Class I, Class II, Class III and Class IV post of the State Government (**Appendix-3.1.1**). Under this rule, Chairman, Director and Controller in the Board were to be appointed by transfer of State Government officers. However, it was never clarified as to whether this constituted a deputation or transfer to an ex-cadre post. The officers continued to be shown as borne on the regular cadre of the Government Department but were not paid from the Consolidated Fund of the State.

The procedure adopted for appointment of Chairman could not be ascertained from the records/information provided to Audit. On being enquired (May 2016) regarding rules, regulations, notifications and executive orders under which Chairman of the Board was appointed, the Department furnished (August 2016) only the list of Chairmen during September 2007 to March 2016 and no further details were provided. Further scrutiny revealed that officers were appointed to the posts of Director and Controller in the Board treating such posting at times as ex-cadre post as well as Foreign Service. Thus, the Board was manned by the officers of State Government and controlled by the State Government.

The status of the Board was finally settled as a Government Department by Hon'ble High Court in a civil petition<sup>1</sup> filed by the Board to challenge imposition of property tax on it by Bhopal Municipal Corporation. The Hon'ble High Court, Jabalpur held (July 2003) that VYAPAM is a department of the Government.

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<sup>1</sup> No. 1232 of 2002.

From all the above arguments, it would emerge that evidently, the Board was a Government Department and its activities were to be subjected to the same oversight as applicable to a Government Department. However, State Government adopted a duality in its approach towards the status of Board since its inception and allowed it to function without adequate control, such as scrutiny of its functioning by the administrative department, scrutiny by vigilance authorities, scrutiny by internal audit and scrutiny by C&AG of India. Nor were any procedures identified for selection and appointment of the Chairman and other members of the Board, which would have ensured that qualified persons of eminence and who could function in an independent manner were selected for such posts such as the selection process for various Staff Selection Commissions etc. in the States.

On being enquired as to whether any rules were framed for the functioning of Board under section 4 of the Executive Order of 1982, Department replied (October 2016) that *Vyavsayik Pariksha Mandal Seva Bharti Niyam*, 1999 was implemented since September 2000 for recruitment to various posts of the Board, including its Chairman. However, Department did not frame any other rules/regulations regarding conduct of the business of Board, financial rules, rules regarding conduct of examination and collection of fees, etc. The examinations were conducted by Board even without finalisation of important regulations by Government, such as regulation for conduct of examination including ensuring safety and security of Question papers, Answer scripts, fair evaluation, confidentiality procedures and imposition of penalties on candidates using unfair means. Thus, State Government did not exercise the required oversight over the activities of the Board.

### **3.1.2.3 Dichotomy of approach**

Despite it being a part of State Government as argued above, the receipts and expenditure of the Board were not included in the Government Accounts and the transactions were outside the Consolidated Fund of the State. Thus, unlike a Government Department, finances of the Board was not subjected to budgetary control of State Legislature. This, despite the fact that the Advocate General clarified (May 2006) on a reference from administrative department that the procedure for receipts of VYAPAM and its drawal and disbursal should be such as in case of Government Departments.

It is pertinent to mention that the expenses of the Union or a State Public Service Commission, including any salaries, allowances and pensions payable to or in respect of the members or staff of the Commission, are charged to the Consolidated Fund of India or, as the case may be, the Consolidated Fund of the State. Further, the receipts of these commissions are credited into the Consolidated Fund. Similarly, the receipts of Staff Selection Commission (SSC), which is an attached office of the Department of Personnel and Training, Government of India, are remitted into the Consolidated Fund of India and budgetary support for the functioning of SSC is given by Government of India.

Contrary to provisions applicable to similarly placed government organisations, the Board was allowed to keep its receipts and expenditure



outside the State government accounts. This led to dilution in financial accountability of the Board, as discussed in paragraph 3.1.6.

Government Departments are subject to audit under section 13 of the C&AG's (Duties, Powers and Conditions of Services) Act, 1971.

The provision for audit was also not reviewed even after judicial pronouncement of Hon'ble High Court in July 2003 that the Board was a Government Department. Thus, unlike any other Government Department, the activities of the Board was kept outside the purview of audit of C&AG.

We further noticed that State Government did not develop any mechanism to follow up the reports of Local Fund Audit on the Board and as informed by the Department, Board has not been providing information on the audited accounts, balance sheet and inspection report relating to Local Fund Audit to Government of Madhya Pradesh. Therefore, the quality of the Audit could not be verified by us.

Thus, State Government adopted duality in the approach on the status of the Board and allowed VYAPAM to function in a nebulous atmosphere, without regulatory controls, scrutiny or responsibility, which reflected poor governance. The fact that the posts of Chairman, Director and Controller were held by State Government officers confirmed that the Board was under the control of government. Further, various inter-department deliberations at Government level revealed that State Government was well aware of its status as a Government Department. Despite this, State Government did not exercise the requisite oversight on the functioning of the Board. The confusion over its status were allowed to continue and the arrangement between the Board and State Government remained flexible. Instead of directing the Board for its acts of omission or commission, State Government ostensibly distanced itself from the activities of the Board through notification of 1982 while still maintaining administrative control over the apex management. This shadowy control, without accompanying measures for verification and assessment of VYAPAM's functions, was a case of exercise of power without assumption of responsibility. This eventually led to a situation where there was severe erosion in credibility of entrance examinations conducted by the Board.

### **3.1.3 Implementation of Madhya Pradesh Vyavsayik Pariksha Mandal Adhiniyam, 2007**

The primary objective of the Board was to hold examinations and tests for the purpose of admission to courses of higher professional studies or for public employment. In order to provide statutory recognition to the Board, a bill was drafted by the Law Department in 1983. However, State Government did not introduce the bill in the State Legislature.

On a reference of Manpower Planning Department regarding registration of the Board under Society Registration Act, the Department of Law opined (March 1996) that the authority to be vested with such important functions would be required to function in just, fair and reasonable manner and therefore, it should be created by an Act to enjoy better status than a registered society. It further stated that the bill drafted in 1983 could be suitably amended



and introduced in the assembly so that it may function as ‘State’ within the meaning of Article 12 of the Constitution of India.

Despite explicit opinion of Department of Law on essentiality of greater authority and more credibility for the Board, State Government did not introduce the bill in the State Legislature. Scrutiny of records revealed that the State Government decided (August 2006) to constitute the Board as a statutory institution only after a writ petition<sup>2</sup> was filed in Hon’ble High Court, Jabalpur (July 2005) challenging the powers of State Government to constitute VYAPAM under Article 162 of the Constitution. Thus, State Government took 23 years in initiating process for granting statutory recognition to the Board, since the bill was first drafted to provide the Board a statutory recognition.

### **3.1.3.1 Establishment of the Board**

The Madhya Pradesh *Vyavsayik Pariksha Mandal Adhiniyam*, 2007 (the Act) was passed by the State Legislature in August 2007 and came into force since 15 October 2007. However, we noticed that the State Government delayed establishment of the statutory Board even after enactment of the Act.

Under section 3(1) of the Act, State Government was required to establish MPPEB by a notification with effect from such date as may be specified in the notification. Section 25 of the Act further provided that the Professional Examination Board, existing immediately before the date specified in section 3(1), shall be merged in the MPPEB. Audit noticed that State Government notified 14 March 2016 as the date on which the MPPEB shall be established under Section 3(1) of the Act. Thus, Statutory Board (MPPEB) could be established only in March 2016, even though State Legislature passed the Act for its establishment in August 2007. The reason due to which State Government took more than eight years to establish MPPEB as a statutory Board could not be ascertained from the records.

Audit noticed that erstwhile VYAPAM started to exercise some of the powers given under the Act to MP VYAPAM, such as regulation making power. However, the authority under which VYAPAM exercised the powers under the Act, was not evident from the records of the Department. Consequently, the duality in the status continued even after enactment of Act in August 2007.

Audit further noticed that the Board still (August 2016) did not have the required full strength to carry out its functions as per the Act, as nominated members were yet to be appointed by the State Government.

A close scrutiny of the provisions of the Act revealed following lacunae in implementation of the Act:

### **3.1.3.2 Independence of the Board**

The Act provided that the Board would consist of the Chairperson, 14 ex-officio members and 11 members nominated by the State Government. An officer of the rank of Chief Secretary was to be appointed as Chairperson and

<sup>2</sup> M/s Study Circle Society, Bhopal vs. Secretary to Government, Department of Technical Education and VYAPAM.

the service condition shall be prescribed by the regulations. The tenure and service conditions of the Chairperson was to be such as may be prescribed by the regulations.

Audit scrutiny revealed that no regulations had been framed for prescribing tenure and service condition of the Chairperson. State Government had not initiated any action to frame the regulations prescribing the procedure of appointment of Chairman, its tenure and service conditions. Further, the procedure followed for appointment of Chairman of the Board (**Appendix 3.1.2**) could not be ascertained from records produced in audit.

Audit further noticed that the Chairman of the Board continued to be recruited under *Vyavsayik Pariksha Mandal Seva Bharti Niyam, 1999*, which provided for appointment of Chairman by the State Government by transfer of the member of Indian Administrative Services of the rank of Principal Secretary or above. Thus, State Government did not make necessary changes in the recruitment rule for appointment of Chairman in congruity with the provision of the Act. This resulted in the appointment of officers of the rank less than Chief Secretary as Chairman of the Board (**Appendix 3.1.2**), which was contrary to the provisions made in the Act for independence of the Board. Moreover, provisions relating to fixed tenure of the Chairperson, fixed pay and allowances, security of tenure, debarment from employment post retirement, were not made which undermined the independence of the Chairperson and therefore, of the Board itself. Besides, the post of Chairman was held as additional charge by Additional Chief Secretary to State Government for last one year undermining the independence of the Board.

On being pointed out, Department replied (August 2016) that MPPEB had been directed to frame the regulations regarding tenure and service condition of the Chairperson.

The absence of the specific conditions regarding the mode of selection of the Chairperson, security of tenure, service conditions etc. in the Act itself leaving it to be framed under further regulations and not even fixing a parity with some other established statutory authorities, was a grave lacunae in the Act.

### **3.1.3.3 Regulations for carrying out activities of the Board**

As per section 24 of the Act, the Board may make regulations not inconsistent with the provisions of the Act or the rules made there under for the purpose of carrying into effect the provisions of the Act. First draft of the regulations would be submitted by the Board to the State Government for approval and the State Government shall, within a period of three months from the date of submission of such draft communicate to the Board either its approval or refusal to the draft, or may suggest such modifications therein, as may be deemed necessary in the draft, and if the State Government fails to take any action within the aforesaid period, the final draft submitted by the Board shall be deemed to have been approved by the State Government, and shall be published in the Gazette accordingly.

Section 24 of the Act further provided a list of such regulations, which were related to crucial aspects of conducting examination by the Board, such as, regulation for conduct of entrance examinations and recruitment examinations; fees for admission to examination of Board; imposition of penalties on

candidates using unfair means or interfering in the examinations conducted by the Board; determination of the standard and expenditure in respect of the examinations and other related activities; and, control, preparation of database in respect of examinations conducted by the Board.

Audit noticed that the Board forwarded 14 regulations to the Department in June 2009. Three more regulations were forwarded in March 2011. However, these regulations were now under the process of amendment at the Board level. We could not ascertain from the records as to whether these regulations were returned to the Board or taken back by it.

Certain significant provisions in these draft regulations, which would have helped in better quality of examination were as follows:

Under provisions of draft Regulation 1 (Madhya Pradesh VYAPAM – Conduct of the examination Regulations, 2011), Confidential Section and Strong Room Section was to be established. The confidential section was responsible for preparing question papers and its printing. Various confidential activities of the examination, such as receipt, storage, packing and checking, despatch, receipt after examination of confidential material was to be conducted in Strong Room. Entry to strong room was to be restricted and could be made only after permission of the officer nominated by the Controller.

Under provisions of draft Regulation 3 (Madhya Pradesh VYAPAM – Publication of the Results of the examinations conducted by the Board Regulations, 2011) prescribed for supervisor to be engaged in computer room/strong room for scanning of OMR answer sheets and other related activities from the data base.

Under provisions of draft Regulation 2 (Madhya Pradesh VYAPAM – Fees for admission to the examination of the Board Regulations, 2011), Fee Fixation Committee was to be constituted under supervision of Chairman to decide the fee of various examinations conducted by the Board.

The draft Regulation 5 (Madhya Pradesh VYAPAM – Imposition of penalties on candidates using unfair means or interfering in the examinations conducted by the Board Regulations, 2011) mentioned about the Unfair Means Committee comprising of Director, Controller and Joint Controller (Examination), which would submit its report to the Chairman of the Board. It also prescribed the penalties to be imposed on the candidates for use of unfair means.

The draft Regulation 17 (Madhya Pradesh VYAPAM – Constitution of Standing Committees of the Board Regulations, 2011) provided for examination committee to make recommendation to the Chairman for appropriate action against persons involved in misconduct during process of examination and mass copying at examination centers, missing of answer sheets, re-examination, complaints against confidentiality of examination etc.

Evidently, these regulations were required to be approved and notified by the State Government to ensure conduct of examination in just, fair and transparent manner. However, the Board continued to conduct examination without approval of these regulations even after enactment of the Act, which

undermined the credibility of the Board. Therefore, the Board continued to function in vacuum in what could be construed as an unregulated fashion.

On being pointed out, Department replied (August 2016) that MPPEB had been directed to submit regulations, which would thereafter be approved and published.

### **3.1.3.4 Rules not made by the State Government**

As per Section 23 of the Act, the State Government may, make rules for carrying out all or any of the purposes of this Act which shall be laid on the table of the Legislative Assembly. However, no such rules were made by the State Government and the Board continued to function without any direction from the State Government.

On being pointed out, Department replied (August 2016) that rules would be framed. It further replied that the Board had not submitted the rules for finalisation.

The reply was not acceptable, as it was the State Government and not the Board which was responsible for making rules for onward submission of these to State Legislature. The Government was obviously avoiding responsibility in the matter.

Thus, the delay in establishment of Board under the Act defeated the purpose to provide greater authority and more credibility to the Professional Examination Board in Madhya Pradesh. Even thereafter, the Board was hampered by the lack of rules and regulations which would define and guide its composition, functioning and supervision. As a result, the duality of status continued to exist even after enactment of the Act and the nebulous nature of the Board had not been codified or settled.

### **3.1.4 Transfer of recruitment function to the Board**

The Board was constituted by State Government in April 1982 for conducting entrance examinations for admission into medical, engineering, agriculture and polytechnic colleges. However, General Administrative Department, Government of Madhya Pradesh directed<sup>3</sup> (April 2003) all appointing authorities (except for posts of Police and Law Departments) to fill those State level posts through the Board, which were not filled by the M.P. Public Service Commission. It was stated that the decision was taken to reduce the financial burden of State Government on recruitment examination.

The reasons due to which State Government did not opt for conducting recruitment examination through Madhya Pradesh Public Service Commission or considered for creating a Subordinate Service Selection Board for recruitment examination or what were the advantages perceived in transferring recruitment examinations to VYAPAM, were not evident from the records made available to audit. The procedures related to conduct of examinations for medical, engineering colleges etc. are tantamount to grading candidates for admission to professional study courses and are in no way similar to an

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<sup>3</sup> General Administrative Department order no C-3-11/2003/3-1 Bhopal dated 23.04.2003.

activity designed for recruitment to Government posts. Recruitment to jobs involve assessment of not only skill and knowledge but also aptitude and physical fitness. Matter such as reservation and quotas have also to be kept in mind. Recruitment procedures include examination of candidates from myriad backgrounds (not only medical and engineering). It involves elimination and selection of a specific number of persons. On the other hand, examination for admission to colleges do not include the objective of grant of livelihoods and only grade the candidates according to performance of a person in a common test. The objective is to standardise the skill levels of persons coming from different educational system who are desirous of acquiring professional knowledge in the State, so that comparisons on a common platform for entrance to professional courses offered in the State are possible. There is no elimination, so competition is less. Therefore, the requirement of the two types of activities i.e. entrance examinations and recruitment methodology are quite different. The skill sets being evaluated are different and, therefore, it is not clear how the two types of examinations can be conducted by the same entity. The provisions of MPPEB Act and Rules made thereunder do not address these difficulties.

Audit scrutiny revealed that out of 20 states<sup>4</sup>, no State except, Chhattisgarh, (which was formed out of Madhya Pradesh) conducts the activities related to entrance examinations for professional courses to be pursued in colleges alongwith the activity related to recruitment to Government posts, under the same authority nor does the Government of India do anything similar.

Apart from Madhya Pradesh and Chhattisgarh, recruitment activity remained with the Government either departmentally or through creation of Subordinate service selection bodies such as Staff Selection Commission which were Government bodies. Similarly entrance to professional entrance examination were conducted by Academic or Regulatory bodies under supervision of the Government such as CBSE/MCI for Engineering/Medical examinations. Therefore, there is no precedent available for merger of the activities of recruitment with that of grading for entrance to professional courses and entrustment of these to a body over which the Government has no control (as stated in April 1982 notification).

#### **3.1.4.1 Data regarding recruitment examination**

On being asked about the details of recruitment examinations conducted by the Board for the State level posts, Department did not provide the information and stated that it pertained to VYAPAM. However, the information available at the website of the Board revealed that it had conducted 90 recruitment examinations in which 86.23 lakh candidates appeared during the years 2005-15 (*Appendix-3.1.3*). It is a reflection of the disregard that the Government has for its core function i.e. recruiting its employees, that the GoMP does not even maintain data regarding the number of examinations conducted for induction to its services. It shows up the utter opacity in the recruitment activity which is also undesirable.

<sup>4</sup> Andhra Pradesh, Telangana, Rajasthan, Tamil Nadu, Karnataka, Uttar Pradesh, Maharashtra, Bihar, Goa, Haryana, Himachal Pradesh, Odisha, Punjab, Tripura, Meghalaya, Gujarat, Kerala, Mizoram, Chhattisgarh and West Bengal.



Audit scrutiny revealed that the adequate strengthening of the Board was not made even after transfer of recruitment function to it, as discussed below:

#### ***3.1.4.2 Development of selection procedure for conduct of recruitment examination***

The Board was conducting entrance examinations for admission to medical, engineering, agriculture and polytechnic colleges prior to its appointment as recruitment agency of State Government. Thus, the Board did not have the expertise to conduct recruitment examinations and was required to develop a fair and just selection procedure and curriculum for these recruitment examinations to achieve impartiality, objectivity and suitability.

Ideally, the Board should have consulted Madhya Pradesh Public Service Commission (MPPSC) or any other recruitment agency for developing the selection system for examination under the direction of State Government. In response to an audit query, MPPSC informed (August 2016) that it was not consulted by General Administration Department/ the Board for development of selection system.

We requested (May 2016) the Department to provide information as to whether any regulations/selection system were framed by Board/vetted by Government. However, the Department did not provide the information and replied (August 2016) that the information pertains to MPPEB.

With reference to audit query as to whether any rule was framed by the State Government for recruitment of candidates, Department informed (August 2016) that selection process was governed by MPPEB Act 2007 and Madhya Pradesh Subordinate Services (Combined Eligibility) Examination Rules, 2013. Evidently, Government did not make any rules for examination process prior to 2013, whereas recruitment examinations were being conducted by the Board since 2004.

Thus, a primary function of the Government to ensure free and fair recruitment to its own services, which was till now being conducted by Public Service Commission/Government Departments, was jettisoned in favour of an institution, which was neither statutory nor independent, nor functioned under well laid out regulation.

#### ***3.1.4.3 Insufficient Manpower***

State Government sanctioned (May 1982) 105 posts for carrying out the business of the Board (*Appendix-3.1.4*), which was increased to 126 posts after approval (September 2000) of *Vyavsayik Pariksha Mandal Seva Bharti Niyam, 1999 (Appendix-3.1.1)*. However, State Government did not assess the requirement of additional manpower in the Board after endowing it with the responsibility of recruitment for State level posts in April 2003, which involved handling of large number of applications of job aspirants.

Audit scrutiny revealed that the Board informed (January 2010, February 2014 and March 2014) the State Government for insufficient manpower at the levels of Joint Controllers, Deputy Controllers and Assistant Controllers and its adverse impact on conducting examinations, besides vacancies against the existing posts. However, State Government sanctioned 44 additional posts to

the Board only in September 2014, i.e., 11 years after making it responsible for recruitment examination.

In reply, Department stated (October 2016) that sanction was given for 44 posts in VYAPAM as per new proposed set up. VYAPAM had started conducting examinations on regular basis since 2008. There was no delay in sanctioning of posts in VYAPAM. As far as possible, officers were posted in VYAPAM on deputation basis time to time.

The reply is not acceptable, VYAPAM was conducting recruitment examinations since 2004 and the strengthening of manpower was made after 11 years of transferring recruitment function to VYAPAM. Further, there was no evidence to conclude that State Government or the Board had ever considered for strengthening the Board with reference to technical expert panel of academicians/question setters/interviewers, etc.

Thus, Government entrusted the recruitment function to the Board without corresponding enhancement of the quality and quantity of its manpower.

#### **3.1.4.4 Recruitment examination for Police Department**

As per General Administration Department (GAD) order (April 2003), the examination for the posts of Police and Law Departments was not to be conducted by the Board. Madhya Pradesh Subordinate Services (Combined Eligibility) Examination Rules, 2013, which also provided a list of various examinations to be conducted by the Board, did not include the posts of Police and Law Departments.

While Technical Education and Skill Development Department did not provide the details of recruitment examinations conducted by the Board for the State level posts, the information available on the website of the Board ([www.vyapam.nic.in](http://www.vyapam.nic.in)) revealed that it had conducted 11 examinations for recruitment in Police Department in which 12.01 lakh job aspirants appeared during years 2005-2015 (*Appendix-3.1.5*), which was in violation of GAD orders. The number of vacancies against which these examinations were held was not available on the website.

The reasons due to which recruitment examination for Police was transferred to the Board and under whose authority, despite GAD orders to the contrary, could not be ascertained as all relevant records were not made available to us.

On being pointed out, Department did not furnish the reply and stated that the matter pertained to VYAPAM.

The reply was not acceptable as the Board should not hold recruitment examination without corresponding requisition from the Departments concerned, and if a set procedures as enshrined in a Government Order was to be set aside, it had to be done so after due deliberation, adequate consideration of the advantages or disadvantages and by a decision of the competent authority in the Government. There appeared to be no such action preceding the handing over of the examination for recruitment to police posts to VYAPAM.



### **3.1.5 Appointments by State Government in the Board**

#### **3.1.5.1 Appointment of Director, VYAPAM in violation of recruitment rules**

As per Schedule 2 under rule 5 of *Vyavsayik Pariksha Mandal Seva Bharti Niyam*, 1999, the post of Director of the Board shall be filled by transfer of Senior Principal of an engineering college or officers of the equivalent rank of other Department, who have sufficient experience of examination related work.

Audit scrutiny revealed that the then Minister, Technical Education and Manpower Planning, GoMP, Shri Raja Pateria ordered for deputation of Dr. Yogesh Uprit to the post of Director, VYAPAM, vide his noting dated 25.10.2002. However, the Deputy Secretary, Technical Education and Manpower Planning Department noted (20.11.2002) that the appointment of Dr. Yogesh Uprit to the post of Director, VYAPAM was not appropriate, as he was a retired officer working on contractual basis in *Mahatma Gandhi Chittrakut Gramodaya University, Satna*.

The matter regarding ineligibility of Dr. Yogesh Uprit was brought to the notice of the then Minister and a proposal was submitted to him for the appointment of Dr. Uprit on contractual basis. After approval of the Minister, the proposal was sent to the Chief Minister for approval. However, the proposal sent to the Chief Minister did not mention the ineligibility of Dr. Yogesh Uprit for the post of Director, VYAPAM. The Chief Minister granted approval for contractual appointment of Dr. Yogesh Uprit in the Board and he was appointed as Director, VYAPAM on contractual basis on 14.02.2003.

Evidently, the appointment of Dr. Yogesh Uprit as Director was irregular, the post was required to be filled by transfer of Senior Principal from the engineering college or officers of the equivalent rank of other department, whereas Dr. Uprit was neither a serving employee in another department of any equivalent rank nor was he a Senior Principal of Engineering College. Dr. Yogesh Uprit was later suspected to be involved in financial and examination related irregularities, as detailed in paragraph 3.1.7.1.

On being pointed out, the Department did not offer (October 2016) its comments on the irregular appointment of Dr. Uprit. It, however, informed that Dr. Uprit was removed from the service after the examination related irregularities came to notice.

#### **3.1.5.2 Appointment of Controllers without following due process**

As per the Recruitment Rules for the Board, the post of Controller was to be filled by transfer of a Professor of Engineering College or Principal of Polytechnic or equivalent to the rank of other Department who have enough experience of examination work. We noticed that appointments were made to the posts of Controller in the Board without following due process, as discussed in succeeding paragraphs.

### **Appointment of Shri Pankaj Trivedi as Controller, VYAPAM**

Scrutiny of records revealed that Secretary, Technical Education and Training Department submitted (April 2011) a panel containing names of three officers for the post of Controller, VYAPAM to the then Minister of Technical Education and Skill Development, Shri Laxmikant Sharma. However, the Minister instructed to appoint Dr. Pankaj Trivedi as Controller of examination on deputation, though the name of Dr. Trivedi was not in the proposed panel. Technical Education & Skill Development Department issued order (April 2011) for appointment of Dr. Pankaj Trivedi as Controller for two years from date of his joining on the post and he joined his duty in May 2011.

The appointment of Dr. Pankaj Trivedi to the post of Controller was in violation of General Administration Department's instruction (February 2008) requiring selection of officers for deputation from a panel of minimum three officers. We further noticed that Dr. Pankaj Trivedi did not possess requisite qualification for appointment on the post of controller as well as he had no experience of examination related work.

Further scrutiny revealed that Dr Pankaj Trivedi held the additional charge of post of Director of the Board for the period 21.06.2011 to 27.07.2012. He was further appointed as Director vide State Government's order dated 28.07.2012 stating 'State Government appoints Shri Pankaj Trivedi as Director, Professional Examination Board, while keeping him posted on his current post of Controller'. Dr. Trivedi remained posted on both posts, i.e. Controller as well as Director in MPPEB from 28.07.2012 to 30.07.2013.

On being pointed out, Department informed (October 2016) that the name of Dr. Pankaj Trivedi was not forwarded in the panel. It further informed that the documents related to his qualification and experience were not available at that time and also not examined at Government level. With reference to his appointment as Director, MPPEB, Department replied that the charge of Director was entrusted to Dr. Trivedi due to vacancy against this post.

Thus, the appointment of Dr. Pankaj Trivedi as Controller, VYAPAM was irregular and his possessing the necessary qualification was never vouched by the Government.

### **Appointment of Shri Sudhir Singh Bhadoria as Controller, VYAPAM**

Scrutiny of records revealed that the then Minister of State (Independent Charge), Technical Education, GoMP Shri Tukojirao Pawar ordered (July 2007) for appointment of Shri Sudhir Singh Bhadoria as Controller in the Board on the ground that he fulfilled the requisite qualification and had examination related experience for the post of Controller and his confidential report was also excellent/very good. We noticed that no panel was prepared for filling the vacancy of Controller, VYAPAM against which Shri Bhadoria was posted.

On being pointed out, Department informed (October 2016) that no advertisement was published for seeking application from other departments.

Thus, Dr. Pankaj Trivedi and Shri Sudhir Singh Bhadoria were appointed on deputation to the post of Controller, VYAPAM by the then Ministers without following due process for such deputation. It is pertinent to mention that Dr. Pankaj Trivedi was suspected to be involved in the alleged irregularities in admission/recruitment examinations, which took place in 2012 and 2013 (*Appendix-3.1.6*). Despite these irregularities, State Government extended his deputation period by two years in March 2013.

### **3.1.5.3 Undue benefit by suo moto upgradation of pay scales**

As per schedule-1(K) under Rule 5 of *Vyavsayik Pariksha Mandal Seva Bharti Niyam*, 1999, the post of Sr. System Analyst and System Analyst were of Group “A” and Group “B” cadre with the scale of ₹ 10000-15200 and 8000-13500 respectively.

Scrutiny of records revealed that existing pay scale of Senior System Analyst and System Analyst of ₹ 10000-15200 and 8000-275-13500 were upgraded (October 2003) to the pay scale of ₹ 12000-375-16500 and 10000-325-15200 respectively with the approval of the Chairman, VYAPAM. Further scrutiny revealed that Shri Nitin Mohindra, Senior System Analyst and Shri Ajay Kumar, System Analyst were the incumbents on these posts, who were suspected to be involved in the alleged irregularities in admission/recruitment examinations, as discussed in paragraph 3.1.7.

Further scrutiny revealed that the approval of the State Government was not taken for the upgradation of the pay scale, which was essential as the pay scale for these posts were approved by the State Government under *Vyavsayik Pariksha Mandal Seva Bharti Niyam*, 1999. The irregularities in upgradation of pay scale of System Analyst and Sr. System Analyst was also confirmed in the report (dated 25.08.2004) of the Secretary, Technical Education & Training Department to the Additional Chief Secretary, GAD, wherein Dr. A.K. Shrivastava, Controller, VYAPAM and Dr. Yogesh Uprit, Director VYAPAM were held responsible for this and the role of the Chairman, VYAPAM in the irregularities was reported to be ascertained separately.

On being pointed, the Department informed (October 2016) that the pay of System Analyst and Senior System Analyst was not amended since notification of *Vyavsayik Pariksha Mandal Seva Bharti Niyam*, 1999. It further informed that the action was taken to file the case in the matter by Economic Offences Wing.

## **3.1.6 Financial Accountability of the Board**

### **3.1.6.1 Fund of the Board kept outside Government Account**

The accounts of the Board were not available for scrutiny during this audit. However, we noticed from the budget estimates submitted by the Board to the Department and information available on the website of the Board that its income was ₹ 478.80 crore during 2007-08 to 2013-14 (*Appendix-3.1.7*), which included income from sale of application forms, examination fees, interest on bank deposits and other miscellaneous receipts and recoveries. The figures related to 2014-15 and 2015-16 were not made available by the Department. As against this, total expenditure of the Board was ₹ 389.34 crore

including transfer to reserves, which resulted in surplus of ₹ 89.46 crore during the period 2007-14.

Since the Board was a Government Department till the notification of statutory Professional Examination Board in March 2016, the entire receipt and expenditure were to form part of the Government Account. However, the fund of Board was kept outside the Government Account. Besides, the receipts and expenditure of the Board remained out of the legislative controls.

### **3.1.6.2 Control over the Board funds**

In the background of a Writ Petition filed at the Jabalpur Bench of Hon'ble High Court (M/s Study Circle Society vs. Secretary to Government, Department of Technical Education and VYAPAM), State Government decided to accord statutory status to VYAPAM. The substance of the petitioner's argument was that the creation of VYAPAM by the State Government invoking the powers under Article 162 was incorrect and VYAPAM should be brought under the purview of Article 266 of the Constitution. In this context, Advocate General advised the Department (May 2006) that VYAPAM should be brought under the discipline of Article 266 of the Constitution. In response to this, State Government decided to frame a draft Act for granting statutory status to VYAPAM, which would be identical to Madhya Pradesh *Madhyamik Shiksha Mandal Adhiniyam* (MPMSM Act), 1965.

The Act provided for constitution of a Board Fund in which all moneys received by or on behalf of the Board shall be deposited. The codal provisions for the Board Fund under the MPPEB Act and MPMSM Act, 1965 were as follows:

*'All moneys at the credit of the Board funds shall be kept in the Government treasury or at any Bank as the Board may with the approval of the Government determine: Provided that nothing in this section shall be deemed to preclude the Board from investing such moneys as are not required for immediate expenditure in any of the Government securities'* (Section 11 of MPMSM Act, 1965).

*'All moneys credited to the Board fund shall be deposited in such Bank as may be determined by the Chairperson: Provided that it shall not be deemed to preclude the Board from investing such moneys as are not required for immediate expenditure in any of the Government Securities'* (Section 13 of the MPPEB Act, 2007).

Evidently, Government had ceded its control over operations of the Board Fund in case of MPPEB, which was not in case of the Board of Secondary Examination, Madhya Pradesh.

Further, maintaining of Board fund outside the Government Account was contrary to the practice of maintaining accounts of the constitutional and independent authorities like Judiciary, Union Public Service Commission, State Public Service Commissions, Comptroller and Auditor General of India and Election Commission as a part of Government accounts.

### 3.1.6.3 Misutilisation of Board Fund

Scrutiny of records revealed that the Board had granted ₹13.75 crore to other organisations for utilisation for purposes other than that for which it was constituted, as detailed in **Table 3.1.1**.

**Table-3.1.1: Transfer of Money to other institutions by the Board**

(₹ in crore)

Sl. No.	Name of the Institute to whom money was provided	Reason for providing the money	Date on which money was provided	Amount
1.	National Law Institute University, Bhopal	Proposed work in project – the transfer of money was sanctioned by the Board in its 52 <sup>th</sup> Meeting (13.12.1999)	Not provided by Department	1.60
2.	Institute for Excellence in Higher Education, Bhopal	Building construction – the transfer of money was sanctioned by the Board in its 54 <sup>th</sup> Meeting	30.03.2002 and 04.09.2000	1.15
3.	Centre for Research and Industrial Staff Performance, Bhopal (CRISP)	To start IT enabled training center in Bhopal – the transfer of money was sanctioned by the Board in its 55 <sup>th</sup> Meeting	02.01.2001 12.04.2001 and 02.05.2001	1.00
4.	Rajiv Gandhi Proudyogiki Vishwavidyalaya, Bhopal	To establish a new engineering college in Shahdol – the transfer of fund was sanctioned (March 2015) by Technical Education and Skill Development Department	12.05.2015	10.00
<b>Total</b>				<b>13.75</b>

(Source: Information provided by the Department)

We further noticed that the transfer of fund by the Board to *Rajiv Gandhi Proudyogiki Vishwavidyalaya*, Bhopal was discussed in a Secretary level meeting on 26.12.2014 in which Chairman of the Board, Secretary of Technical Education and Skill Development Department, Principal Secretary of Finance Department and Additional Secretary of Law Department were present. The Committee was of the opinion that the provision of grant by the Board for construction of Engineering College was not covered under the objective of the MPPEB Act and if State Government desired to transfer the Board Fund for activities other than those relating to conduct of examination in professional courses, the present Act needed to be amended. However, despite these observations of the Committee, the Technical Education and Skill Development Department issued sanction (March 2015) for transfer of ₹41.00 crore by the Board to *Rajiv Gandhi Proudyogiki Vishwavidyalaya*, Bhopal. Out of which, the Board transferred ₹10.00 crore to *Rajiv Gandhi Proudyogiki Vishwavidyalaya*, Bhopal in May 2015.

As evident from above, the board fund of ₹13.75 crore was transferred to other organisations on the order of Department as well as at the level of Board itself. The purpose for which these fund were transferred was not covered either



under Executive Order of 1982 for creation of the Board nor under MPPEB Act, 2007.

On being pointed out, the Department replied (October 2016) that the Board was competent to utilize its accumulated funds. It further informed that the transfer of ₹41.00 crore to *Rajiv Gandhi Proudyogiki Vishwavidyalaya*, Bhopal was made on the basis of approval from the Cabinet.

The fact remains that the Board Fund of ₹13.75 crore was transferred to other organisations for purposes other than that for which the Board was created. Thus, the Board as well as Department misutilised accumulated funds lying with the Board as per their convenience. Besides, it indicated the evident control of Government over the proceeds of the receipts of VYAPAM and its allocation, transfer etc, yet State Government distanced itself from the Board by stating that it was not responsible for its functioning.

#### **3.1.6.4 Examination fee**

As per Section 24(2) (b) of the Madhya Pradesh *Vyavsayik Pariksha Mandal* Act 2007, the Board may make regulation providing for the fees for admission to the examinations of the Board. However, no such regulation was finalised by the Board and approved by the State Government.

We noticed that examination fees for various recruitment and entrance examinations were not determined by the Board in consultation with the Government. In this context, it is pertinent to mention that similarly placed organisation viz. Staff Selection Commission determines the fee structure for examination in consultation with Central Government.

On being pointed out in Audit (October 2016), Department informed that the determination of fees was being done by the Board.

The reply is not tenable, as the regulation of the fees for admission to the examinations of the Board was to be approved by the State Government under Section 24(2)(b) read with Section 24(4) of the Act.

### **3.1.7 Oversight of the Board by State Government**

#### **3.1.7.1 Action taken by the State Government against persons found involved in financial irregularities**

As per general order of GAD (No.F/12/2/85/Pra-Sa.Ka/Ek Bhopal, Dated 15-10-1985), the government/semi-government employees shall be suspended with immediate effect without any exception, if challans against them for legal proceedings in connection with corrupt practices is submitted in the Court by the Madhya Pradesh Lok Ayukt or by the State Bureau of Investigation of Economic Offences.

With reference to above general order, it was directed to all departments vide general order (No. F/13/3/88/49-10/Ek Bhopal, Dated 07-11-1988) of Secretary, Department of Personnel, Administrative Reform and Training GoMP, 'It was brought to the notice that a government officer suspended as per above cited directions against whom case was in progress in the Court, was posted on a sensitive post after revoking his suspension by the department. The Government hereby directs in this regard that relaxation of

rules and regulations in such serious cases of corruption or immoral practices against Government officers, especially when these are under consideration in the Court, should not be deemed appropriate and officers of the suspicious background must not be posted on the sensitive post. It is, therefore, requested that these directives must be followed strictly and no relaxation should be allowed.’

A complaint related to financial irregularities in the Board was received (March 2004) in the Manpower Planning Department, Bhopal through State Bureau of Investigation of Economic Offences (EOW), Bhopal. DIG EOW further informed (September 2004) the Secretary, Technical Education and Training Department, Bhopal that *prima-facie* the irregularities had been found and a case has been lodged on the matter against following officers/employees of the Board for investigation:

1. Shri Arun Gupta, then Chairman, VYAPAM
2. Shri Yogesh Uprit, then Director, VYAPAM
3. Shri A.K. Shrivastav, Controller, VYAPAM
4. Dr. P. Prakash Rao, Joint Controller, VYAPAM
5. Shri A.K. Kalia, Joint Controller, VYAPAM
6. Shri Nitin Mohindra, Sr. System Analyst, VYAPAM
7. Shri Ajay Kumar, System Analyst, VYAPAM
8. Shri Ashok Mishra, Finance Officer, VYAPAM
9. Shri O.P. Tikaria, Joint Controller, VYAPAM
10. Shri Ramesh Dubey, Junior Account Officer, VYAPAM
11. Smt Radha Belani, Financial Advisor, VYAPAM
12. Other related officers and employees of VYAPAM

The Additional Secretary, Government of Madhya Pradesh (Law Department), granted approval (October 2009) for legal proceeding against these accused persons in the court.

Scrutiny of records further revealed that Secretary, Technical Education & Training Department submitted a report (dated 25.08.2004) to the Additional Chief Secretary, GAD on the complaint received through EOW in March 2004. The report revealed that following officers/employees of the Board were involved in irregularities:

**Table-3.1.2: List of officers/officials involved in different irregularities**

Sl. No.	Brief description of irregularities	List of officers/employee <i>prima facie</i> found responsible for irregularities
(1)	(2)	(3)
1.	Purchase of Hi speed scanner, software and printer (₹ 23.12 lakh)	Shri Ajay Kumar, System Analyst, Shri Nitin Mohindra, Sr. System Analyst and Dr. Yogesh Uprit, Director and Dr. A.K. Shrivastava, Controller
2.	Purchase of computer and server (₹ 21.46 lakh)	Shri Ajay Kumar, System Analyst, Dr. A.K. Shrivastava, Controller, and Dr. Yogesh Uprit, Director
3.	Purchase of software (₹ 14.35 lakh)	Shri Nitin Mohindra, Sr. System Analyst, Dr. A.K. Shrivastava, Controller Dr. Yogesh Uprit, Director and Shri Ajay Kumar, System Analyst



(1)	(2)	(3)
4.	Providing of computers and accessories to the Polytechnic and ITI (₹ 60.18 lakh)	Shri Ajay Kumar, System Analyst, Shri Nitin Mohindra, Sr. System Analyst, Shri Ashok Mishra, Finance Officer, Shri O.P. Tikaria, Joint Controller, Shri A.K. Kalia, Joint Controller, Shri P. Prakash Rao, Joint Controller, Dr. Yogesh Uprit, Director and Dr A.K. Shrivastava, Controller.
5.	Providing of medical equipment to the ITI, Indore (₹ 19.97 lakh)	Shri Ajay Kumar, System Analyst, Shri Nitin Mohindra, Sr. System Analyst, Dr A.K. Shrivastava, Controller and Dr. Yogesh Uprit, Director.
6.	Purchase of computerised OMR Application form and answer sheet (₹ 15.00 lakh)	Shri Ajay Kumar, System Analyst, Shri P. Prakash Rao Joint Controller, Shri A.K. Kalia, Joint Controller, Dr. A.K. Shrivastava Controller and Dr. Yogesh Uprit, Director.
7.	Suspicious withdrawal of ₹ 70,000	Dr. Yogesh Uprit, Director
8.	Inclusion of seven ineligible candidates in ITI entrance examinations	Dr. Yogesh Uprit, Director
9.	Acceptance of seven application form for pre B. Ed. exams, 2004 after expiring of last date of submission of form	Dr. Yogesh Uprit, Director

(Source: Information collated from records of the Department)

We further noticed that the then Minister (Technical Education & Training Department, Madhya Pradesh) instructed (November 2004) for suspension of all persons involved in the irregularities till completion of the enquiry which would be completed within 60 days and that they should not occupy the important posts. However, the order of Minister was not complied with and the officers were allowed to continue.

Further scrutiny of information available on the website of the Board ([www.vyapam.nic.in](http://www.vyapam.nic.in)) revealed that the Board reported various malpractices in admission and recruitment examinations conducted by it during the period January 2012 to June 2013 (*Appendix-3.1.6*). In these cases, Shri Nitin Mohindra, Sr. System Analyst, Shri Ajay Kumar, System Analyst and others were reported to be involved.

Thus, neither State Government had kept away Shri Nitin Mohindra, Sr. System Analyst and Shri Ajay Kumar, System Analyst from important posts nor instructed the Board to do so, which was in violation of State Governments instructions (October 1985 and November 1988) and the directions of the then Minister.

On being pointed out, the Department informed (October 2016) that EOW had investigated the case. As the case was registered by EOW and investigation was under process, no other action was taken by the State Government. It further informed that State Government had sanctioned prosecution of accused officers of State Government. The Board had sanctioned prosecution in case of Shri Ashok Mishra, Shri Nitin Mohindra and Shri Ajay Kumar, who were the officers of VYAPAM.

The fact remains that neither Board nor Department complied with the order of the then Minister to suspend accused officers and refrain them from holding important posts. This was a clear neglect of red flags raised at that point of time, which exposed MPPEB to the risk of further irregularities and the same persons were later suspected of irregularities related to admission and recruitment examinations conducted by the Board during the period January 2012 to June 2013. Hence, it was a serious lapse on monitoring and control by the Government over the Board.

### 3.1.7.2 Malpractices in examinations conducted by the Board

During scrutiny of Department's Annual Administrative Report for period of 2011-12, it was noticed that there were 163 candidates reported to have indulged in unfair means and impersonation in the examinations conducted by the Board as detailed in **Table 3.1.3**.

**Table-3.1.3: Number of candidates reported to be indulged in unfair means in examinations conducted by the Board**

Sl. No.	Year	No of cases of unfair means & impersonation	No. of F.I.R	Deliberation	Presented in Court	Court Judgement
1	2000	01	01	--	01	--
2	2002	01	--	--	--	--
3	2003	01	--	--	--	--
4	2004	26	23	--	23	--
5	2005	04	01	--	--	--
6	2006	18	18	07	11	--
7	2007	01	01	--	--	01
8	2008	28	23	08	15	--
9	2009	52	51	13	33	--
10	2010	20	20	20	--	--
11	2011	11	06	01	---	--
<b>Total</b>		<b>163</b>	<b>144</b>	<b>49</b>	<b>83</b>	<b>01</b>

(Source: Annual administrative reports of the Board)

Further scrutiny revealed that the State Government had constituted (December 2009) a committee called 'Chhanbin Samitee' to probe into the matters related to admission of suspected candidates in Government medical colleges. However, the report of 'Chhanbin Samitee' was not made available to audit.

Scrutiny of information from the website of the Board ([www.vyapam.nic.in](http://www.vyapam.nic.in)) revealed various discrepancies in admission and recruitment examinations conducted from the period June 2008 to July 2013. The Board had also cancelled candidature/applications of students found involved in use of unfair

means. State government was informed by the Board regarding this (Appendices-3.1.8 and 3.1.9).

On being pointed out, Department informed (October 2016) that Government had taken necessary action on various irregularities related to the Board from time to time by utilising the power given in Section 11 of the MPPEB Act 2007, through STF, SIT and other agencies of the Government.

On being enquired about the action taken by the State Government to prevent irregularities in examination after receipt of information from the Board, Department replied (October 2016) that the responsibility for conducting examination in transparent manner was of the Board and the requisite action were taken by it.

Thus, the State Government did not take any action to prevent the irregularities despite these were brought to its notice by the Board. Further, State Government did not make rules and the Board did not frame regulations for prevention of such malpractices in examinations for admission and recruitment by the Board. In a recent decision (13.02.2017), Hon'ble Supreme Court had cancelled the admissions of 634 medical students for resorting to unfair means. Thus, inaction of State Government in putting in place adequate regulatory framework for examinations conducted by VYAPAM had jeopardised career of candidates for entrance and recruitment examinations.

### 3.1.7.3 Grievance Redressal Mechanism for candidates



From the information available on the website of the Board (www.vyapam.nic.in), Audit noticed that total 33.68 lakh students appeared for 128 entrance examinations and 86.23 lakh job aspirants appeared for 90 recruitment examinations conducted by the Board during 2005-15 (Appendix-3.1.3). Given the quantum of candidates and nature of examinations, it would be natural to have grievances redressal mechanism against the agency conducting examination. However, Audit did not find any specific arrangement in Government Department to address such grievances.

On being pointed out, Department replied (September 2016) that the action was being taken by concerned divisions (such as, EoW, STF, etc.).

#### **3.1.7.4 Assessment of IT based system**

In whole examination process, the IT based system played a very critical role. It was used at various stages like random allocation of Roll Numbers, evaluation of OMR sheets etc. Nothing has come to the notice of audit, based on which it can be stated that the State Government ensured the integrity of IT based system used in the examination conducted by the Board.

On being pointed out, Department informed (September 2016) that the action was being taken by the Board.

### **3.1.8 Independent evaluation of the Board**

The Board has been assigned an important task of recruitment to government services and admission to professional courses, which in turn has an effect on job opportunities to students and morale of youth in State at large.

During scrutiny of records it was noticed that Principal Secretary, Government of Madhya Pradesh, Manpower Planning Department submitted a note (June 1983) to the Chief Minister regarding annual audit of the Board, “....it is equally necessary that an annual audit of the Board’s activities in regard to earnings and expenditure should be conducted. Since the office of the A.G. is generally overbusy and individual firms of chartered accountants of repute are not available in Madhya Pradesh, it is proposed that the annual audit should be carried out by the office of the Auditor of Local Funds, at least to begin with.” The proposal was approved by the Chief Minister on 25.06.1983.

Thus, Local Fund Audit (LFA) was assigned audit of the Board in 1983 due to perceived busy schedule of office of the Accountant General and absence of Chartered Accountant of repute in the State. However, there was nothing on record to say that the Accountant General was consulted for audit of the Board in 1982-83 and that the A.G. then denied assumption of responsibilities by citing the busy schedule of his office.

When new Act was being formulated during 2006-07, due attention was not given to arrangement for independent evaluation of functioning of the Board and it was left to the Government to appoint an auditor. Section 15 of the Act provides for accounts of the Board to be annually audited by such agency as prescribed by the State Government.

The Government appointed LFA for this purpose (June 2009). However, audited reports of LFA were not being sent by the Board to the Department. Thus, Department had not kept watch over the irregularities pointed out by LFA.

Regarding audit by C&AG, the State Government informed (January 2015) that MPPEB is not covered under sections 13 to 15 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971. It was further stated that the State Government has not come across any information or findings of any financial irregularities on the part of MPPEB as an organization, which would warrant an audit by C&AG. It was further informed that MPPEB does not receive funds from the Government and hence



the present system of conducting an audit through State Local Fund Audit team seems sufficient.

It is pertinent to mention that major financial irregularities were there in 2004 itself, which the then audit arrangement using Local Fund Audit could not detect. The irregularities came to the limelight only after a complaint was received. Some other malpractices related to recruitment examinations were also noticed, which though not in nature of financial irregularities pointed to systemic weakness in the Board, which could have been prevented by periodic independent evaluation of the working of the Board.

### **3.1.9 Conclusion and Recommendations**

#### **Summary of Conclusions**

The Board was constituted in April 1982 with confusion over its status as a Government Department, which continues until now. State Government acknowledged the Board as its department during various inter-departmental deliberations, which was also confirmed by legal opinion of its Law Department and several judicial pronouncements. State Government was also in full control of the appointments to the Board as the posts of Chairman, Director and Controller in the Board were filled up by transfer of State Government officers. However, the State Government distanced itself from the activities of the Board through a notification of 1982 wherein it disowned any responsibility for the actions of the Board.

This distancing was done without putting in place an elaborate regulatory framework which would have not only ensured independence of the Board but also would have subjected it to multilayered accountability and scrutiny. This would have made the process of recruitment and conduct of examination, transparent, ethical and robust.

Without this framework, there were serious doubts about credibility of examinations conducted by the Board, which led to widespread public dissatisfaction as reported in the media and as acknowledged by the Department, through the institution of probes into the affairs of VYAPAM by ED/CBI/EOW.

At several points of time, the courts had proclaimed that '..... VYAPAM is a department of the Government' (Hon'ble High Court, Jabalpur in a Civil Petition 1232 of 2002); '.....we may impress upon the State Government to take expeditious steps for establishment of the Board in terms of the provisions of the MPPEB Act, 2007' (Hon'ble High Court, Jabalpur in April 2014); '.....It has no existence apart from Government' (Hon'ble Supreme Court in Civil Appeal No. 1727 of 2016).

Therefore, it can be reasonably concluded that any activity of VYAPAM is to be conducted in consonance with 'an exercise of the executive powers of the State of Madhya Pradesh.' This implies that it is subject to the same kind of scrutiny, control and regulation as applicable to any executive exercise of the Government, such as, budgetary control, regulation of fees, deposits of revenues into the State treasury, expenditure after sanction of competent authority, review of all activities such as conduct of examinations,

recruitment, etc. by the competent authority. Prescribed procedures are to be followed for selection of members and chairperson of the Board. Transparency and accountability should have been ensured in conduct of all activities of the Board. However none of these procedures were applied to the functioning of VYAPAM affairs and it was allowed to function independent of Government on many matters.

The most serious lapse of State Government was delay in implementation of Madhya Pradesh *Vyavsayik Pariksha Mandal Act 2007*, which provided statutory recognition to the Board and if implemented wholly along with subordinate legislation, would have ended the duality of approach as delineated above. Government established the Board under this Act only in March 2016, i.e., with a delay of more than eight years. However, the Act itself was silent on many issues which would have ensured free and fair functioning of the MPPEB. The regulations envisaged under the Act which might have addressed these lacunae regarding independence of the Board, its Chairman and officers, conduct of examination in a just, fair and reasonable manner and oversight of MPPEB were not yet framed.

The Board was initially constituted by State Government for conducting entrance examinations for admission into medical, engineering, agriculture and polytechnic colleges. The recruitment examinations for State level posts were transferred to the Board in April 2003. This was done without improving the human resources component to deal with this new activities of codification and development. Selection procedure for conduct of recruitment examination to achieve impartiality, objectivity and selection of most suitable candidate for the post, keeping in mind the statutory requirement, were not done. Arrangements for oversight, audit and evaluation of the activities of the Board were also not put in place as applicable to Staff Selection Commission or comparable organisations. There was no evidence that the State Government ensured the integrity of IT based system used in the examination conducted by the Board.

The necessity for entrusting recruitment process to VYAPAM bypassing Staff Selection Commission/ Government Department was not only in violation of the norms of ensuring integrity and transparency in public appointments, but was also done without any stated objectives/advantages to the Government and was a departure from the well-established procedure all around the country. In no State apart from Chhattisgarh (which anyway was part of Madhya Pradesh till October 2000) examinations for recruitment to Government posts were conducted by the very same body which conducts the examination for entrance to professional courses for students such as medical or engineering courses.

The appointments of Director and Controllers in the Board were made by systemic subversion of rules resulting into undue favour to some officers.

The fund of Board was kept outside Government Account and it was not subjected to budgetary control of State Legislature, which led to dilution in its financial accountability.

Lack of oversight and periodic independent evaluation of the Board by government and any other independent agency led to a situation, wherein the general principles of equity and probity in public affairs were overlooked.

State Government did not take remedial actions on red flags raised from time to time by EOW, Minister, Technical Education and Training, GoMP, mentions of doubtful activities in Annual Administrative Reports of the Department and the website of VYAPAM.

### **Recommendations**

*Both the functions currently being entrusted to the Board, i.e., recruitment to government posts and examination for admission to Professional Courses should be entrusted to separate institutions.*

*MPPEB should be brought to the level of a Public Service Commission/Staff Selection Commission. There must be security of tenure of the Chairman and its Members so that they may be independent and could make selections properly.*

*If the State Government persists with the continuance of VYAPAM, then it should implement the 'Madhya Pradesh Vyavsayik Pariksha Mandal Act 2007' after removal of the existing gaps in the Act, by framing and adopting subordinate regulations to ensure independence of the Board and conduct of examinations with impartiality, transparency and accountably. All other regulations prescribed under the Act may be codified at the earliest to end the duality and ambiguity.*

*The mechanism of oversight over the Board may be strengthened and appropriately included in the regulations. The periodic independent evaluation of activities of the Board may also be provided in these regulations. The Government has to make adequate arrangements for Audit of MPPEB, like any other Government Department/ Statutory Authority.*

*The Vyavsayik Pariksha Mandal Bharti Niyam, 1999 may be reviewed and suitably amended in the spirit of provisions of Madhya Pradesh Vyavsayik Pariksha Mandal Act 2007.*

*The cases of irregularities in appointment of officers of the Board and upgradation of pay scales of officers, as brought out in this report, may be investigated and responsibility may be fixed for the irregularities.*

*The fee structure for entrance and recruitment examinations conducted by the Board may be determined in consultation with the State Government.*

*MPPEB collects fees etc. for both recruitment examination to public posts and admission to professional institutions of Government. The receipts should be deposited in the Consolidated Fund of the State and the expenditure should be met out of the same.*

*In conclusion we recommend that the Government might do well to heed the directions of the Hon'ble Supreme Court regarding the status of MPPEB and take all necessary steps to grant and strengthen that status. The pronouncement of Hon'ble Supreme Court made it clear that "it (MPPEB) has no existence apart from Government".*



## LABOUR DEPARTMENT

### 3.2 Audit of "Madhya Pradesh Building and Other Construction Workers' Welfare Board"

#### 3.2.1 Introduction

Government of India (GoI) enacted (August 1996) Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and Building and Other Construction Workers' Welfare Cess Act, 1996 with a view to regulate wages, working conditions, safety and health, welfare measures etc. of workers. Under provisions of the Acts, State Governments have to constitute State Welfare Board to frame and implement various welfare schemes. The Government of Madhya Pradesh (GoMP), in exercise of the powers conferred under the BOCW Act notified (1 January 2003) the Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 (Rules, 2002).

The State Government constituted (10 April 2003) Madhya Pradesh Building and Other Construction Workers' Welfare Board (Board) under Section 18 of the BOCW Act. The major source of fund to the Board is collection of cess at the rate of one *per cent* of the cost of construction incurred by the employers under Building and Other Construction Workers' Welfare Cess Act, 1996. At present, 22 schemes are being operated by the Board for welfare of building and other construction workers.

The Board consists of the Labour Minister as ex-officio Chairman; Welfare Commissioner, Jabalpur nominated as member by the Central Government; ten members nominated by the State Government representing building workers and employers (five each) as members of the Board. Four members i.e. Principal Secretary, Labour Department and Principal Secretary or Deputy Secretary level officer nominated by the Principal Secretaries of the Finance Department, Urban Administration and Development Department and Public Works Department are ex-officio members of the Board.

The Labour Commissioner is Chief Inspector for inspection of building and other construction works. The Deputy Labour Commissioner is Secretary of the Board. At district level, Assistant Labour Commissioners (ALCs) and District Labour Officers (DLOs) are designated as Registering Officers (ROs) for registration of establishments. The officers of Labour Department (LD), Urban Local Bodies (ULBs) and *Panchayati Raj Institutions (PRIs)* are appointed as Cess Collectors for the collection of cess and as Assessment Officers for assessment of cess. The cess collected is remitted to the Board through District Labour Offices. The officers of PRIs and ULBs are appointed for the registration of Building and Other Construction Workers in rural and urban areas respectively. Delegation of powers for sanctioning and providing benefits to the Building and Other Construction Workers under various welfare schemes are provided to the officers of PRIs, ULBs, Health Department and Education Department.

The audit of Madhya Pradesh Building and Other Construction Workers' Welfare Board was conducted to ascertain whether assessment, levy and collection of cess were done efficiently, financial management of Board was efficient and economical, welfare measures were planned and implemented effectively and monitoring mechanisms for cess collection and expenses on welfare schemes were in place.

Audit covered the period of five years from 2011-12 to 2015-16. Six<sup>5</sup> out of 51 districts (ten *per cent*) were selected for audit on the basis of Simple Random Sampling without Replacement (SRSWOR) method. Records of Board office in Bhopal and in each selected district and records related to activities of BOCW Act in the Labour Office (LO), one Urban Local Body (ULB)<sup>6</sup>, one *Panchayati Raj Institution* (PRI)<sup>7</sup>, two construction agencies (Rural Engineering Services and Public Works Department) were test checked. Total 12 construction sites consisting of two construction sites in each district were visited for beneficiary survey of building construction workers.

Entry Conference was held on 15 February 2016 with the Principal Secretary of the Labour Department to discuss the audit objectives, scope and methodology. The audit findings were discussed in Exit Conference held on 27 October 2016 with Principal Secretary. The replies of the Department have been suitably incorporated.

## Audit findings

### 3.2.2 Assessment, Levy and Collection of Cess

#### 3.2.2.1 Registration of establishment and construction worker

The BOCW Act applies to any establishment belonging to, or under the control of, Government, any body corporate or firm, an individual or association or other body of individuals which or who employs building workers in any building or other construction works; and includes an establishment belonging to a contractor. However, it does not include an individual who employs such workers in any building or construction work in relation to his own residence the total cost of such construction not being more than ₹ 10 lakh. The provision of Rule 4 (4) of the Building and Other Construction Workers' Welfare Cess Rules, 1998 provided that every approval of a construction works by a local authority would be accompanied by a cross demand draft in favour of the Board.

Section 3 of the Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act), read with Central Government notification of September 1996, provided for levy and collection of labour welfare cess at the rate of one

<sup>5</sup> Anuppur, Betul, Burhanpur, Dewas, Gwalior and Ujjain.

<sup>6</sup> Nagar Palika Parishad, Anuppur, Nagar Palika Parishad, Betul, Nagar Palik Nigam, Burhanpur, Nagar Palik Nigam, Dewas, Nagar Palik Nigam, Gwalior and Nagar Palik Nigam, Ujjain.

<sup>7</sup> Janpad Panchayat, Jaithari (Anppur), Shahpur (Betul), Burhanpur, Sonkachchh (Dewas), Morar (Gwalior) and Ujjain.

per cent of the cost of construction incurred by an employer. The cess levied would be paid by an employer within thirty days of completion of construction project.

Section 12 of BOCW Act provides that every building worker who has completed eighteen years of age, but has not completed sixty years of age and who has been engaged in any building or other construction works for not less than ninety days during the preceding twelve months shall be eligible for registration as a beneficiary.

• **Building and other construction works not registered**

Section 7 of the BOCW Act, 1996 provided that every employer shall in relation to an establishment to which this Act applies on its commencement would register it with respective Registering Officers (ROs). Further, the State Government in exercise of power conferred under Section 42 (3) of the BOCW Act, 1996 appointed officers of Labour Department as Inspectors for inspections of building and other construction works.

Audit observed that in test checked six ULBs 2,922 buildings construction permissions were issued during 2011-16. Out of these, only 41 building permissions were registered as establishments with respective ROs. Thus, the remaining 2,881 building permissions were not registered with respective ROs as detailed in **Table –3.2.1**:

**Table –3.2.1: Statement showing status of registered establishments with respective ROs, building construction permission cases issued by selected ULBs and building permission registered as establishments**

Sl. No.	Name of the district	Name of the selected ULBs	Number of building construction permission cases issued by selected ULBs	Number of registered establishment with the respective ROs	Number of building permissions registered as establishment
1.	Anuppur	Nagar Palika Parishad, Anuppur	101	161	41
2.	Betul	Nagar Palika Parishad, Betul	258	101	00
3.	Burhanpur	Nagar Palik Nigam, Burhanpur	265	250	00
4.	Dewas	Nagar Palik Nigam, Dewas	354	30	00
5.	Gwalior	Nagar Palik Nigam, Gwalior	1781	53	00
6.	Ujjain	Nagar Palik Nigam, Ujjain	163	25	00
<b>Total</b>			<b>2922</b>	<b>620</b>	<b>41</b>

(Source: Data furnished by selected ULBs and District Labour Offices)

In exit conference (October 2016), Government replied that instructions were issued to the district labour offices to register all establishments within the districts.

Registration of the Establishments was not done.

- **Joint Physical Inspection and Survey of beneficiaries at construction sites**

During physical inspection of 12 construction sites in selected districts, Audit noticed that nine out of 12 inspected establishments were not registered and employers of these unregistered establishments did not send the information of commencement of building and other construction works to the Labour Officer.

During beneficiary survey at these construction sites, 156 construction workers were found engaged by the employers. However, only 25 construction workers were registered under the BOCW Act. Remaining 131 workers were not found registered. They were also not aware about the benefits under the various welfare schemes implemented by the Board. Thus, respective Labour Inspectors failed to inspect these construction sites violating the provisions of BOCW Act.

Due to failure of respective PRIs/ULBs to register these workers, the potential benefits under various schemes, such as, incentive for education scheme, *prasuti sahayta* scheme and funeral and ex-gratia payment in case of death scheme, were not provided to these workers.

During interviews, DLOs stated that the registration of all construction workers could not be done due to construction workers hailing from other states, illiteracy of construction workers and lack of interest from the employers.

It revealed that Board did not establish an effective mechanism to proper campaigning for awareness to register the construction workers and establishments.

In exit conference (October 2016), Government stated that all the District Labour Officers would be instructed to get information of the construction workers engaged at construction sites within their jurisdiction and to register them.

### 3.2.2.2 Cess not deducted

#### 3.2.2.2(a) Cess not deducted from Building and other Construction Works

Section 3 of the Cess Act provided that cess should be collected from every employer, including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority was required. The Labour Commissioner, GoMP issued instruction (May 2004) to collect cess from the cost of construction of individuals own residence of which construction cost was more than ₹ 10 lakh.

Audit observed in *Janpad Panchayat*, Jaithari (Anuppur), Burhanpur, Morar (Gwalior), Ujjain and *Nagar Nigam*, Dewas that cess amounting to ₹ 27.21 lakh was not deducted from 1,190 buildings and other construction works carried out during 2011-16. Out of these cases, 43 cases were related to

Cess amounting to ₹ 27.21 lakh was not deducted from the 1,190 building and other construction works.

individual own residence, where construction cost was more than ₹ 10 lakh. Remaining 1,147 construction works were related to Government works. The details are given in *Appendix 3.2.1*.

In exit conference (October 2016), Government stated that instructions to the concerned institutions were issued for recovery of cess from every construction works.

### **3.2.2.2(b) Deduction of cess not done from MGNREGS works**

Cess amounting to ₹ 1.83 crore was not deducted from the total 35,679 construction MGNREGS works.

Audit observed in selected PRIs that cess amounting to ₹ 1.83 crore was not deducted from 35,679 MGNREGS construction works pertaining to period 2011-16. Total construction cost of these works was ₹ 183.28 crore. The details are shown in *Appendix 3.2.2*.

In exit conference (October 2016), Government agreed with audit observation and assured that necessary correspondence with concerned would be made.

### **3.2.2.3 Collected cess not transferred to Board**

Rule 5 (3) of the Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules) provided that the amount of cess collected shall be transferred to the Board within 30 days of its collection.

Collected Cess amount to ₹ 3.13 crore was not transferred to the Board.

Scrutiny of records in selected districts revealed that cess amounting ₹ 3.13 crore collected during 2011-16 was not transferred (as of March 2016) by ULBs, PRIs and other construction agencies to the Board even after lapse of stipulated period of 30 days. The details are given in *Appendix 3.2.3*.

In exit conference (October 2016), Government stated that necessary instructions were issued to the ULBs, PRIs and other construction agencies in districts for remitting the collected cess to Board within time as per the provision of the BOCW Act.

The reply was not tenable as the collected cess was to be transferred to Board as per the Cess Rules.

### **3.2.2.4 Delayed deposit of cess**

Scrutiny of records in Board and in selected districts revealed that the Cess Collectors deposited cess amounting ₹ 23.31 crore with a delay ranging from 30 days to 96 months, after the stipulated period of 30 days to deposit the collected amount of cess. The details are shown in *Appendix 3.2.4*.

In exit conference (October 2016), Government replied that the Board had issued instructions to the concerned institutions for timely deposit of cess many a times. Further, stated that instructions were again issued to all concerned institutions for timely deposit of cess due to the Board.

The reply of the Board is not acceptable as Rule 264 (e) of Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 provided that the Board shall be responsible for proper and timely recovery of amounts due to the Board.

### 3.2.2.5 Assessment of cess not done

(i) Rule 6 of Cess Rules provided that every employer, within thirty days of commencement of his work or payment of cess, as the case may be, furnish to the Assessing Officer (AO), information in Form-I. Rule 7 of Cess Rules provided that the AO, on receipt of information in Form-I from an employer make a scrutiny of such information furnished and, if he is satisfied about the correctness of the particulars so furnished, he shall make an assessment order within a period not exceeding six months from the date of receipt of such information in Form-I, indicating the amount of cess payable by the employer. The officers of Labour Department, Chief Municipal Officers (CMOs) and Commissioners of ULBs and Chief Executive Officers (CEOs) of PRIs were notified as Assessing Officer.

582 Cases were pending for Assessment of Cess even after lapse of six months.

Audit observed in test checked District Labour Offices (DLOs) that these offices had 1,121 cases for assessment of cess pertaining to the period 2011-16 (excluding the cases of last six months), however, assessment of cess was done only in 539 cases. The details are shown in **Table –3.2.2:**

**Table –3.2.2: Pending cases for assessment of cess during 2011-16**

Sl. No.	Name of the district	Number of cases for assessment of cess (beyond six months)	Number of cases in which assessment of cess was done	Number of Pending cases for assessment of cess
1.	Anuppur	31	31	00
2.	Betul	175	28	147
3.	Burhanpur	273	200	73
4.	Dewas	205	61	144
5.	Gwalior	314	123	191
6.	Ujjain	123	96	27
<b>Total</b>		<b>1121</b>	<b>539</b>	<b>582</b>

(Source: Data furnished by selected District Labour Offices)

Thus, 582 cases were pending for assessment of cess even after the lapse of six months. Therefore, the actual amount of cess due to the Board could not be ascertained.

In exit conference (October 2016), Government stated that instructions were being issued to the district offices for speedy disposal of the pending cases of assessment of cess.

(ii) Audit observed that in selected ULBs 2,922 buildings construction permissions were issued during 2011-16. However, assessment of cess was not done by the assessing officers in these building permission cases, while advance cess amounting ₹ 12.51 crore was received during 2011-16. The number of building permissions of 2011-12 to September 2015 where assessment of cess was not done and amount of cess received in advance are given in the **Table –3.2.3:**

Assessment of Cess was not done by assessing officers in 2,922 building permission cases despite of advance cess received.



**Table –3.2.3: Statement showing details of building permissions where assessment of cess was not done and amount of cess received in advance during the period 2011-16**

(₹ in crore)

Sl. No.	Name of the district	Name of the ULB	Number of building permission cases not assessed	Amount of cess received in advance
1.	Anuppur	Nagar Palika Parishad, Anuppur	101	0.18
2.	Betul	Nagar Palika Parishad, Betul	258	0.93
3.	Burhanpur	Nagar Palik Nigam, Burhanpur	265	0.67
4.	Dewas	Nagar Palik Nigam, Dewas	354	1.69
5.	Gwalior	Nagar Palik Nigam, Gwalior	1781	8.62
6.	Ujjain	Nagar Palik Nigam, Ujjain	163	0.42
<b>Total</b>			<b>2922</b>	<b>12.51</b>

(Source: Data furnished by selected ULBs)

In exit conference (October 2016), Government stated that instructions were being issued to the concerned municipal corporations/municipal councils for ensuring the assessment of cess relating to building permission cases.

The reply is not acceptable as the codal provisions provided that the AOs are required to make an order of assessment within a period not exceeding six months from the date of receipt of information in Form I and where the employer fails to furnish information in Form I, the AO should proceed to make the assessment on the basis of available records and other information incidental thereto.

### 3.2.2.6 Delay in issue of Revenue Recovery Certificate

Section 8 and 10 of Cess Act provided that any amount due under this Act (including any interest or penalty) from a defaulter employer might be recovered with interest at the rate of two *per cent*. Rule 13 of Cess Rules provided that for the purpose of recovery of sums due on account of unpaid cess, interest for overdue payment or, penalty under these rules, the assessing officer shall prepare a certificate signed by him specifying the amount due and send it to the collector of the district concerned who shall proceed to recover from the said employer the amount specifying there under as if it was an arrear of land revenue.

State Government delegated (January 2012) powers of *Tehsildar* to the Assistant Labour Commissioners and Labour Officers for recovery of dues under the Cess Act. Further, as per provisions of Section 147 of Madhya Pradesh Land Revenue Code, 1959, arrears of land revenue payable to the Government would be recovered by attachment and sale of movable and immovable properties of the defaulter.

Audit observed that in the offices of Assistant Labour Commissioners (ALC), Gwalior and Ujjain, Revenue Recovery Certificates (RRCs) against the defaulter private employers were issued in 19 and 12 cases respectively with a delay of five to 40 months. Further, ALC, Gwalior did not take up any

**Total due ₹ 101.19 lakh of Cess and interest amount was not recovered from the defaulter private employers.**



effective action against the defaulter private employers even after lapse of nine to 27 months from issuance of RRCs. This resulted in mounting of arrears of cess amounting ₹ 67.74 lakh and interest amounting ₹ 33.45 lakh calculated for the delayed period. The details are shown in **Appendix 3.2.5**.

In exit conference (October 2016), Government replied that instructions were issued to ALCs concerned to take up effective action against the defaulter private employers immediately.

### 3.2.3 Financial Management

#### 3.2.3.1 Financial Outlays and Expenditure

Section 24(1) and 24(2) of the BOCW Act provides that the Board's fund was to be constituted from the contributions made by the beneficiaries and the amount of cess received by the Board. The fund so constituted was to be utilised for meeting expenses of the Board in discharge of its functions i.e. welfare measures for the benefit of construction workers and salaries, allowances and other remuneration of the members, officers and other employees for the Board. The Board generates awareness among the workers about fund and welfare schemes through publicity by organising seminars, workshops, construction workers' *mela*, labour conferences, distributing the pamphlets, displaying slogans on walls and hoardings etc. Rule 264 (c) of the Rules, 2002 provided that the Board shall be responsible for proper maintenance of accounts and their annual audit. The details of income and expenditure of the Board during 2011-16 are given in **Table-3.2.4**:

**Table-3.2.4: Statement showing the Income and Expenditure of the Board**

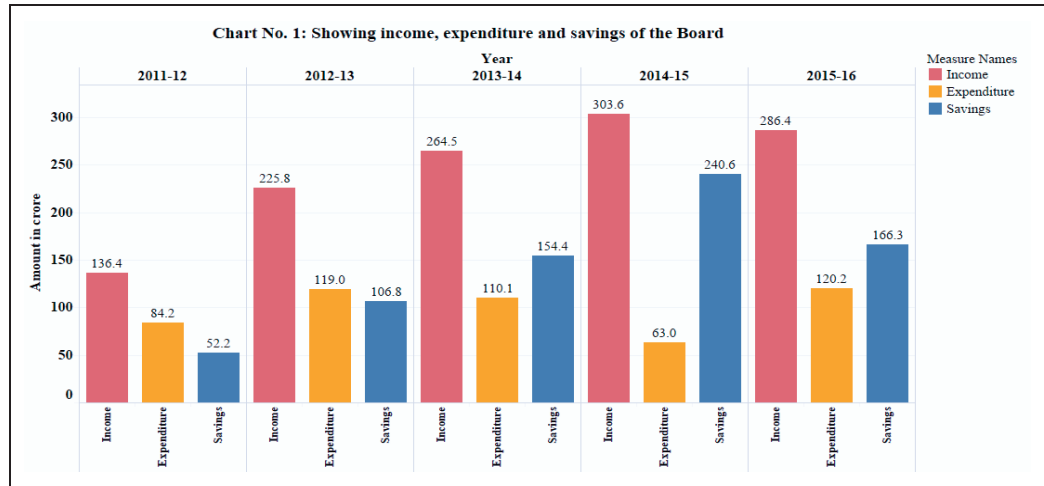
(₹ in crore)

Year	Amount of cess remitted to the Board	Amount of contribution from registered construction workers	Amount of total receipt of the Board	Total expenditure incurred	Savings	Savings in per cent
Up to 31 March 2011	508.45	0.57	509.02	96.69	412.33	81
2011-12	136.39	0.05	136.44	84.21	52.23	38
2012-13	225.76	0.05	225.81	119.00	106.81	47
2013-14	264.49	0.01	264.50	110.07	154.43	58
2014-15	303.58	0.01	303.59	63.00	240.59	79
2015-16	286.44	0.00	286.44	120.19	166.25	58
<b>Total</b>	<b>1725.11</b>	<b>0.69</b>	<b>1725.80</b>	<b>593.16</b>	<b>1132.64</b>	<b>66</b>

(Source-Data furnished by the Board)

There was persisting saving ranging between 38 to 79 per cent during 2011-16.

It is evident from the above table and the chart below that there was persistent saving ranging from 38 to 79 per cent during 2011-16. Despite availability of sufficient funds, general welfare activities were poorly implemented as shown in paragraph 3.2.4.3.



- As per the information provided by the Board, it opened as many as 23 bank accounts and the total savings as on 31 March 2016 amounting to ₹ 1,358.78 crore was kept in these banks in form of fixed deposits and Multi Option Deposit (MOD) cum savings accounts. There was a difference of ₹ 226.14 crore between the figures of total saving at banks (₹ 1,358.78 crore) as provided by the Board and actual difference of receipts and expenditure of the Board (₹ 1,132.64 crore as shown in above table) since inception. The Board did not maintain proper books of accounts i.e. bank statements, cash books, ledger book and annual accounts; hence the validity of the amount kept at banks could not be verified from the records of Board. Therefore, the actual financial position of the Board was not reflected from accounts maintained by Board.
- Form 27 of the Rule 269 of the Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 envisaged the format in which the yearly budget of the Board was to be prepared. During scrutiny of records, it was found that the Board did not account for the amount of interest received on Fixed Deposit Receipts (FDRs) and savings cum MOD accounts during 2011-16 and excluded 'interest' column from the proforma of annual budget. Further, annual bank reconciliation statements were also not prepared during 2011-16. Bank statements for the period 2011-16 were also not produced.

**Interest was not accounted for and bank reconciliation was not prepared.**

In exit conference (October 2016), Government stated that efforts to ensure more expenditure on welfare schemes would be made, the difference of ₹ 226.14 crore was due to not accounting interest since inception. Annual accounts for 2011-12 and afterwards would be prepared by the Chartered Accountants shortly and reconciliation would be done thereafter. 23 bank accounts were opened for easy transaction and interest would be shown in forthcoming annual budget in prescribed format.

The reply of the Government in respect to 23 banks accounts is not acceptable as the Board did not possess the statements of all bank accounts and did not make reconciliation.

### 3.2.3.2 Unrealistic budget estimates

Section 25 of BOCW Act and Rule 269 of the Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 *inter alia* provided that the Board shall prepare and approve, before 10<sup>th</sup> March every year its budget for the next financial year and the same was required to be forwarded to the State and Central Government so as to reach them by 20<sup>th</sup> March. The year-wise budget estimate and actual receipts and expenditure during 2011-16 are shown in **Table-3.2.5**:

**Table-3.2.5: Statement showing the estimated and actual Receipts and Expenditure**

(₹ in crore)

Year	Receipts			Expenditure		
	Estimate	Actual	Excess (+)/ Shortfall (-)	Estimate	Actual	Excess (+)/ Shortfall (-)
2011-12	175.05	136.44	(-) 38.61	110.83	84.21	(-) 26.62
2012-13	175.05	225.81	(+) 50.76	108.81	119.00	(+) 10.19
2013-14	230.04	264.50	(+) 34.46	207.78	110.07	(-) 97.71
2014-15	300.02	303.59	(+) 3.57	231.03	63.00	(-) 168.03
2015-16	320.00	286.44	(-) 33.56	391.12	120.19	(-) 270.93

(Source: Data provided by the Board)

**The budget estimates were quite unrealistic and not forwarded to the State Government and to GoI.**

The significant shortfall/ excess in estimated *vis a vis* actual receipt and expenditure indicates that the budget approved by the Board for the period 2011-12 to 2015-16 were unrealistic. Further, the budget for the period 2011-16 was not forwarded to State Government and GoI.

In exit conference (October 2016), Government stated that the budget estimates would be prepared on realistic and accurate facts in future. Reply in respect of forwarding the budget to State Government and GoI was not furnished.

### 3.2.3.3 Annual accounts not prepared

Section 27 (1) of the BOCW Act, 1996 provided that the Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor General of India. Rule 264 (b) Rules, 2002 provided that the Board shall be responsible for submission of annual budget, annual report and audited accounts to the Government and Rule 264 (c) provided that the Board shall be responsible for proper maintenance of accounts and their annual audit in accordance with the provisions of Section 27 of the Act.

Audit observed that the Balance Sheet and Income and Expenditure Account were drawn up in the format adopted by the Board but not approved by the Finance Department and Labour Department, GoMP in consultation with Comptroller and Auditor General of India. Separate Audit Report on the accounts of Board for the year 2011-12 was issued by Comptroller and Auditor General of India in June 2015. Audited copy of Annual statement of Accounts together with the auditor's report for the period 2011-12 were not

laid before the State Legislature. The Annual statement of Accounts for the financial year 2012-13 to 2015-16 were also not prepared. Audit from Chartered Accountant was also not conducted for 2012-13 to 2015-16.

In exit conference (October 2016), Government stated that the Separate Audit Report on the accounts for the year 2011-12 was under process for laying down in the State Legislature and annual accounts for the years 2012-13 to 2015-16 were being prepared.

### **3.2.3.4 Realisation of cess not done**

Rule 264 (e) of Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 provided that the Board would be responsible for proper and timely recovery of amounts due to the Board.

**Cess amounting to ₹ 12.93 crore was not realised from the employers.**

Scrutiny of records of the Board revealed that the cheques or drafts for depositing the cess amounting to ₹ 12.93 crore<sup>8</sup> (₹ 0.42 crore tappal returns<sup>9</sup> and ₹ 12.51 crore bank returns<sup>10</sup>) were returned to the drawers due to realisation not made since inception to 2015-16. Fresh cheque or drafts for cess were not received from the drawers as of March 2016 resulting in loss of cess due to lack of monitoring by the Board. The details are shown in *Appendix 3.2.6*.

In exit conference (October 2016), Government stated that correspondence would be made with offices concerned and action for issuance of RRCs would be taken in cases, where cess was not deposited.

### **3.2.3.5 Improper expenditure**

Section 24 (2) of the BOCW Act provided that funds collected at Board should be applied to meet expenses of the Board and for purposes authorized by the Act.

**An amount of ₹ 1.58 crore was released to the LC Office for inadmissible purposes not authorised by the Act.**

Audit observed that the Board released ₹ 1.58 crore to Labour Commissioner (LC), Indore during 2012-13 to 2014-15 for renovation, electrification and civil construction works which were not admissible under purposes authorised by the Act. Thus, the fund released to LC office was improper.

In exit conference (October 2016), Government replied that fund was released on demand of LC office and after approval of the Board's meeting, however, no fund was released after 2014-15. Further, the Board replied (January 2016) that the State Government, in exercise of powers conferred by Section 42 of the BOCW Act, appointed LC as Chief Inspector and the activities envisaged by the BOCW Act i.e. assessment and collection of cess and inspection was done under the supervision and control of the Labour Commissioner.

The reply was not acceptable as it was contrary to the norms laid down in the BOCW Act. Further, at ground level, the activities envisaged by the BOCW

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<sup>8</sup> ₹ 12.33 crore (1164 cheques/drafts) of Government departments and ₹ 0.60 crore (58 cheques/drafts) of private parties.

<sup>9</sup> Where the Board identified the defects and returned the cheques or drafts.

<sup>10</sup> Where the bank identified the defects and returned the cheques or drafts to the Board for onward transmission to the drawers.

Act were to be done by the District Labour Offices, ULBs, PRIs and other construction agencies, however, the Board did not release fund to other agencies for such purposes.

### 3.2.3.6 Excess administrative expenditure

Section 24 (3) of the BOCW Act provided that the Board could not incur administrative expenses in excess of five *per cent* of its total expenses in a financial year.

Audit observed during the test check of records at the Board that during the year 2014-15 and 2015-16 the Board incurred administrative expenditure ₹ 4.41 crore (7 *per cent*) and ₹ 7.04 crore (5.86 *per cent*) against the admissible expenditure of ₹ 3.15 crore and ₹ 6.01 crore respectively. Board had not established field offices as envisaged in paragraph 3.2.4.2, even then, excess administrative expenditure of ₹ 2.29 crore was incurred.

In exit conference (October 2016), Government stated that excess administrative expenditure had been incurred due to less expenditure under schemes in 2014-15 and 2015-16. Government, further, ensured that it would keep the administrative expenses within the prescribed limit.

## 3.2.4 Welfare Measures

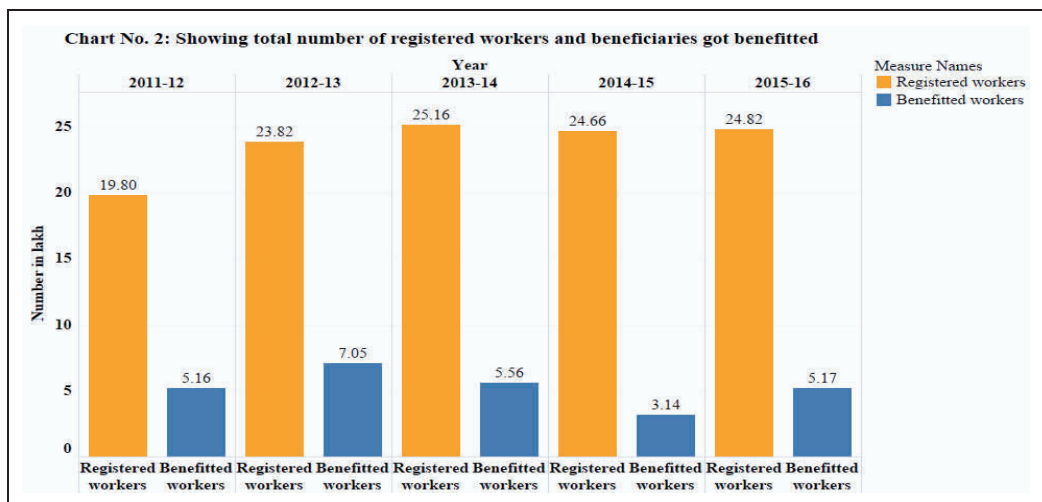
Under section 22 of the BOCW Act, the Board had launched 25 welfare schemes since inception to March 2016 out of which one scheme Insurance Assistance (Group Insurance Scheme) launched in 2004-05 was closed in 2007-08 and two schemes House Loan Assistance Scheme and Pension Assistance Scheme were also closed in 2013-14. At present, 22 welfare schemes are being operated by the Board for providing the benefits to the registered workers. For implementation of welfare schemes, the Board provides the fund to Labour offices (LOs) and thereafter the fund is provided from LOs to respective implementing offices.

Section 11 and 12 of the BOCW Act *inter alia* provide that every building worker who had completed eighteen years of age, but not completed sixty years of age would be registered as a beneficiary and entitled to the benefits provided from its fund.

Powers to sanction and providing the benefits to the Building and Other Construction Workers under various welfare schemes were delegated to the officers of PRIs, ULBs, Health Department and Education Department.

The Board registered 24.82 lakh building workers up to March 2016. For the augmentation in the number of registered workers, all district officers were directed to organise special campaign from time to time and conduct publicity campaign through workshop and labour conference etc. Board did not conduct any survey for identification of building and construction workers and, therefore, the Board was not aware about the actual number of building and other construction workers in the State. The chart below represents total number of beneficiaries and number of beneficiaries benefited during 2011-12 to 2015-16:





The shortcomings in implementation of the welfare schemes are discussed in the succeeding paragraphs:-

### 3.2.4.1 Delay in implementation of the provisions of the Act

The State Government notified (1 January 2003) the Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 after a gap of six years of the constitution of the Act, 1996 and constituted the Board in April 2003 i.e., after a gap of seven years of the constitution of the Act, 1996. Appointments/nominations of all the members of the Board were cancelled in January 2014 and further appointment/nomination was not made till June 2016. However, the transactions and implementation of the schemes were being approved by the labour minister as ex-officio Chairperson of the Board. Hence, in the absence of representatives of the construction workers and the employers, welfare measures for the construction workers could not be monitored.

In exit conference (October 2016), Government stated that constitution and re-constitution of the Board was done at Madhya Pradesh Government level and at present, the process of re-constitution of the Board was under consideration at Government level.

### 3.2.4.2 Field offices not established by the Board

Rule 263 of the Rules, 2002 provided that the Board may establish field offices for effective discharge of its functions. GoMP sanctioned (January 2011) 310 posts<sup>11</sup> for field offices for the Board.

Audit observed that the Board had neither established field offices as required under Rule 263 of Rule, 2002 nor recruited staffs against the sanctioned 310 field posts for efficient discharge of Board's functions resulting in poor implementation of the Schemes as discussed in paragraph 3.2.4.3.

During interviews, DLOs stated that there is shortage of staffs in the office. More staffs are required for the implementation of the schemes operated by the Board.

Delay of six and seven years in notification of Rules, 2002 and constitution of the Board respectively.

The Board had neither established field offices nor recruited field staff.

<sup>11</sup> 160 posts to be filled on deputation from Labour Department, 50 posts to be filled on deputation from Labour Department/ contract basis and 100 posts to be filled on contract basis.

In exit conference (October 2016), Government stated that action would be taken for the commencement of the field offices shortly.

### 3.2.4.3 Implementations of Welfare Schemes

There was shortfall in the implementation of various welfare schemes ranging between 16 to 100 per cent.

During scrutiny of records relating to implementation of schemes, Audit observed that the Board fixed financial targets for 22 schemes and there was shortfall in the implementation of schemes ranging from 16 to 100 per cent during 2011-16. However, in five schemes<sup>12</sup>, there was an excess expenditure ranging between 6 to 254 per cent against the target set during 2011-12 to 2015-16. There were financial targets of ₹ 812.30 crore, against which amount of ₹ 462.83 crore could only be spent under various schemes during 2011-16. However, the physical targets for providing benefits under various schemes were not fixed by the Board. The details are shown in *Appendix 3.2.7*.

In exit conference (October 2016), Government stated that the shortfall in schemes was due to shortage of staff and the expenditure under the scheme would be boosted to meet budget estimates.

### 3.2.4.4 Misutilisation of ambulance

Not a single construction worker was benefitted with the Ambulance services.

To provide immediate medical facility to construction workers and their families in the unorganized sector, 48 ambulances (Maruti Omni) were purchased during the year 2005 to 2007 at the cost of ₹ 1.13 crore by the Board. These ambulances were distributed among 48 district labour offices. Audit observed that in the test checked districts an amount of ₹ 33.37 lakh<sup>13</sup> was spent on the salary of driver, maintenance, petrol, oil and lubricants (POL) during 2011-16, however, none of the construction workers or their family members were provided medical assistance by using Ambulance services.



<sup>12</sup> Medical Assistance Scheme, 2004 (during 2013-14 : 18 per cent), Funeral assistance in the case of death and Ex-gratia payment Scheme, 2004 (during 2012-13 and 2015-16 : 6 to 9 per cent), Incentive for Education Scheme, 2004 (during 2011-12 and 2012-13 : 77 to 147 per cent), Prashuti Sahayta Yojna, 2004 (during 2011-12 and 2012-13 : 178 to 254 per cent) and Vivah Sahayta Scheme, 2004 (during 2013-14 : 55 per cent).

<sup>13</sup> Anuppur (₹ 5.72 lakh), Betul (₹ 5.45 lakh), Burhanpur (₹ 5.08 lakh), Dewas (₹ 5.88 lakh), Gwalior (₹ 4.96 lakh) and Ujjain (₹ 6.27 lakh).

In exit conference (October 2016), Government replied that the ambulances were used for publicity and office work and it was under consideration to transfer the ambulances to the health department.

The reply is not acceptable as due to lack of publicity, workers were not aware of ambulance services. Therefore, purpose for which ambulances were purchased could not be fulfilled. It is therefore, suggested to provide a toll free number to workers for availing facility of ambulances.

### **3.2.4.5 Training under Madhya Pradesh Building and Other Construction Workers' Skill Training Scheme not delivered**

The Board introduced (October 2012) the Madhya Pradesh Building and Other Construction Workers' Skill Training Scheme, 2012 for providing employment by imparting skill training to the building and other construction workers' and their dependents. The training was to be provided by training providers, selected on the basis of technical and financial bid, who were designated as Authorised Training Providers (ATPs) by the National Skill Development Council and Vocational Training Providers by the Technical Education and Skill Development Department. The main objective of the scheme was to provide training to the beneficiaries in a variety of services, business and manufacturing activities as well as in local skills and local crafts, for example, computer fundamental, sales person (retail) and repair and maintenance of cellular phone etc. so that they can set up self-employment ventures or secure salaried employment with enhanced remuneration. The key stakeholders in the scheme were the Board and Labour Department. Activities like identification of potential trainees and their orientation, monitoring and oversight of progress of training etc. were to be carried out by Government department and their agencies and other selected ATPs with the assistance of the Board. Labour Department was responsible for monitoring of training programmes etc. ATPs were expected to carry out different tasks i.e. market survey and assessment, selection of trainees and training etc. As per Scheme guidelines and agreement with training providers, the Board through the local officer of Labour Department was required to make payment of training and other prescribed fees in three stages i.e. 30 per cent of the total payable fee after one month of the admission of the beneficiary, 30 per cent of the total payable fee and certification fee after the successful completion of training by the beneficiary and the balance 40 per cent of the total payable fee was to be paid after the placement of at least 70 per cent of the total admitted beneficiaries for the continuous period of three months.

**Vocational training was not provided to 8,745 trainees.**

Audit observed that the Board made agreement with ATPs known as All India Society for Electronics and Computer Technology (AISECT), Skill Ventures Private Limited etc. for providing training to beneficiaries under the scheme. The Board issued work order as targeted to the training providers for 10,200 trainees in selected districts during 2013-16. However, only 1,455 trainees under this period were imparted training and the concerned DLOs paid an amount of ₹ 21.82 lakh<sup>14</sup> (60 per cent of total payable fee and certification fee) for the successful completion of training to the training providers. Further,

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<sup>14</sup> Anuppur (₹ 8.23 lakh), Betul (₹ 2.35 lakh), Burhanpur (₹ 2.48 lakh), Dewas (₹ 1.77 lakh), Gwalior (₹ 2.32 lakh) and Ujjain (₹ 4.67 lakh).

the balance 40 *per cent* of the total payable fee was not paid to ATPs as the condition of placement of at least 70 *per cent* of the total admitted beneficiaries for the continuous period of three months could not be fulfilled by the ATPs. Thus, the entire paid amount was unfruitful, as placement for the trainees were not made. Further, 8,745 beneficiaries were not provided training because various functions assigned to the ATPs, were not done by them. The details are shown in **Appendix 3.2.8**.

In exit conference (October 2016), Government stated that training could not be provided as the recognition of the institutions were revoked by Technical Education and Skill Development Department due to change in trades by Director General of Education and Training. Further, Government stated that officers concerned would be directed to avoid repetition of such incidence.

The reply is not acceptable as it was in notice of the Board that the recognition of the institutions was revoked and the trained beneficiaries could not get employment in the trained trade, still, the Board did not take up effective measures to provide training to the remaining beneficiaries and to provide employment/ self-employment to the trained beneficiaries.

#### **3.2.4.6 Excess payment under Incentive for Education Scheme**

Education Assistance (Scholarship) Scheme, 2004 was notified in December 2004 was later renamed as 'Incentive for Education Scheme' as per gazette notification (July 2008). Under the scheme, it was provided that the children or wife, maximum two at a time, of the registered building and other construction worker would apply for incentive, as the student reaches from one class to another, to the principal of the school/college concerned, who would ascertain the amount of incentive to be paid on the basis of prevailing rates<sup>15</sup> and prepare list of eligible students after approving the application and send the list to the designated officers of concerned ULBs/PRI. Further, the designated officers of ULBs/PRI would re-check the proposal and issue cheques for amount of incentive to the Principal who disburse the amount to the students.

Scrutiny of records of Incentive for Education Scheme revealed that an amount of ₹ 8.49 lakh was paid to 2,090 students in excess of prevailing rates as notified under the Scheme. It was further noticed that excess payment was made as the amount of incentive was paid at the prevailing rate applied for the class in which the applicant was studying; however, it was to be paid at the rate applied for last passed class.

In exit conference (October 2016), Government accepted that excess amount was paid to the students due to lack of clear instructions with regard to rates. Government, further, replied that district labour officers were instructed to

<sup>15</sup> Class 1 to 5 (Boys: ₹ 500, Girls: ₹ 750), Class 6 to 8 (Boys: ₹ 750, Girls ₹ 1000), Class 9 to 12 (Boys: ₹ 1000, Girls: ₹ 1500), Graduation (Boys: ₹ 1500, Girls: ₹ 2000), Post Graduation (Boys: ₹ 2500, Girls: ₹ 3000), Graduation level Vocational Courses: (Boys: ₹ 3000, Girls: ₹ 4000) and Post Graduation level Vocational Courses or PHD or Research Work after Post Graduation (Boys: ₹ 4000, Girls: ₹ 5000) w.e.f. 11.08.2006. However, rates were revised vide Gazette notification dated 13.09.2013 and 01.08.2014.

issue instructions to the officers/principals concerned for preventing the same in future.

### **3.2.4.7 Improper sanction of benefits under Funeral assistance and Ex-gratia payment in case of death scheme, 2004**

The Funeral and Ex-gratia payment in case of death Scheme, 2004, was notified (December 2004) with a view to provide funeral and ex-gratia assistance to the successor of the deceased registered building and construction worker. An amount of ₹ 3,000/- (w.e.f. July 2014)<sup>16</sup> as funeral assistance and amount of ex-gratia was to be paid, on the basis of age of the deceased worker i.e. up to 45 years, ₹ 75,000/- and from 45 and up to 60 years, ₹ 25,000/- under the Scheme.

Scrutiny of the records of the Scheme in selected districts revealed that selected offices disbursed ₹ 3.57 crore during 2011-16 in 1201 claims. Audit test-checked 354 claims of ₹ 1.15 crore and found irregularities in 61 cases of ₹ 26.10 lakh. The irregularities found are illustrated below:-

- In 16 cases of *Nagar Palika Parishad* Sarni (Betul), Labour Office Burhanpur and *Nagar Palik Nigam* Ujjain, an amount of ₹ 5.86 lakh were disbursed, however, the death certificates attached with the application were found to be fake on being verified with the issuing authority i.e. *Nagar Palika Parishad* Sarni (Betul), *Nagar Palik Nigam* Burhanpur and *Nagar Palik Nigam* Ujjain. The details are shown in **Appendix 3.2.9**.
- In 12 cases of *Nagar Palik Nigam* Ujjain, records of registration were manipulated to provide undue benefit to the beneficiaries amounting to ₹ 4.86 lakh.
- In five cases of *Nagar Palik Nigam* Ujjain, double payment of ₹ 3.90 lakh was made.
- In 10 cases of *Nagar Palik Nigam* Ujjain and *Janpad Panchayat* Burhanpur, an amount of ₹ 4.49 lakh<sup>17</sup> was disbursed to the deceased who were not registered as building and construction worker with the Board, thus, not entitled to get benefit from the Board's fund.
- In six cases of *Nagar Palik Nigam* Dewas, *Janpad Panchayat* Sonkacch (Dewas) and *Nagar Palik Nigam* Gwalior, an excess of ₹ 3.00 lakh<sup>18</sup> was disbursed, as the deceased, who were entitled to get ₹ 25,000, were paid ₹ 75,000.
- In two cases of Labour Office Burhanpur and *Nagar Palik Nigam*, Gwalior, an amount of ₹ 0.53 lakh were disbursed, however, in these cases the deceased were above 60 years of age, therefore, not entitled for benefit.

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<sup>16</sup> Funeral assistance - ₹2,000/- and ex-gratia - ₹25,000/- (18 to 60 years) w.e.f July 2008.

<sup>17</sup> Janpad Panchayat, Burhanpur (5 Cases-₹2.09 lakh) and Nagar Palik Nigam, Ujjain (5 Cases-₹2.40 lakh).

<sup>18</sup> Nagar Palik Nigam, Dewas (1 case-₹ 0.50 lakh), Janpad Panchayat, Sonkacch, Dewas (3 Cases-₹ 1.50 lakh) and Nagar Palik Nigam, Gwalior (2 Cases-₹ 1.00 lakh).



- In three cases of *Janpad Panchayat* Jaithari, an amount of ₹ 0.84 lakh was disbursed in cases where the successor of the beneficiary did not submit the application for claim within the stipulated period of three months after the death as envisaged in the Scheme.
- In seven cases of *Janpad Panchayat* Shahpur (Betul), Labour Office Dewas and Assistant Labour Commissioner Gwalior, an amount of ₹ 2.62 lakh<sup>19</sup> were disbursed to the applicants who did not submit proper documents.

In exit conference (October 2016), Government stated that all DLOs would be instructed not to repeat such errors in future and action as per rule would be initiated.

The reply is not acceptable as the documents produced by the applicant were to be checked by the respective authorities before sanctioning the benefit.

#### **3.2.4.8 Advance not adjusted under Madhya Pradesh Building and Other Construction Workers' Medical Assistance Scheme**

The Madhya Pradesh Building and Other Construction Workers' Medical Assistance Scheme, 2004 was notified in September 2005 to provide medical subsidy for indoor treatment in case of major/critical ailments to the husband/wife and minor children of the registered building and other construction workers. The designated officers for sanctioning of advance may sanction medical advance up to their financial limit<sup>20</sup>, after obtaining estimated medical expenditure from the hospital and will issue account payee cheque to the respective hospital, while informing this to the registered worker also.

**Medical Advance of ₹ 27.69 lakh in 35 cases was not adjusted even after lapse of three to 56 months.**

Scrutiny of records of the Scheme in Chief Medical and Health Officer Anuppur and Assistant Labour Commissioner Gwalior revealed that medical advance amounting to ₹ 32.59 lakh in 41 cases was sanctioned by the appropriate authorities and released to the respective hospitals, however, in 35 cases<sup>21</sup> an amount of ₹ 27.69 lakh was not adjusted even after lapse of three to 56 months. Further, as the offices did not obtain the expenditure vouchers, the utilisation of the amount of advance for the intended purposes could not be ascertained which indicated lack of oversight by the sanctioning authorities. The details are shown in *Appendix 3.2.10*.

In exit conference (October 2016), Government stated that the concerned officers would be instructed to adjust/recover the unadjusted amount of advance released under the Scheme.

#### **3.2.4.9 Improper Sanction of Marriage Assistance**

The Madhya Pradesh Building and Other Construction Workers' (Assistance for Marriage of Daughter of the Beneficiary/ Self Marriage of the Female

<sup>19</sup> Janpad Panchayat Shahpur, Betul (3 Cases-₹ 0.57 lakh), Labour Office, Dewas (2 Cases-₹ 1.03 lakh) and Labour Office, Gwalior (2 Cases-₹ 1.02 lakh)

<sup>20</sup> Assistant Labour Commissioner/District Labour Officer up to ₹ 30,000/-, District Collector up to ₹ one lakh, Divisional Commissioner up to ₹ two lakh and the Secretary of the Board up to ₹ three lakh.

<sup>21</sup> CMHO, Anuppur- 29 cases (₹ 24.04 lakh), Labour Office, Gwalior – 6 cases (₹ 3.65 lakh).

Beneficiary) Scheme, 2004 were notified (September 2005) with a view to provide assistance<sup>22</sup> for marriage of two daughters of the beneficiary, who had attained 18 years of age at the time of marriage / self-marriage/re-marriage of the female beneficiary. Further, Section 2 (a) of the Prohibition of Child Marriage Act, 2006 provided that child means a person who, if male and female, has not completed 21 and 18 years of age respectively.

**The Child marriages were sanctioned under Marriage Assistance Scheme.**

During scrutiny of application forms and documents attached having date of birth of bride and bridegroom of sanctioned cases under the Scheme revealed that marriage assistance was paid in 12 cases wherein bride or bridegroom was below the age of 18 or 21 years respectively. Thus, marriage assistance of ₹ 1.95 lakh was irregularly paid for child marriages as detailed in *Appendix 3.2.11*.

In exit conference (October 2016), Government stated that all designated offices would be instructed to ensure that the bride and bridegroom must attain 18 and 21 years at the time of marriage.

#### **3.2.4.10 Implementation of Online Portal without standardization**

Para 1.5 of Guidelines for Indian Government Websites provides that the Website Quality Certification from Standardization Testing Quality Certification<sup>23</sup> (STQC) should be obtained for all the government websites in order to conformity to usable, user-centric and universally accessible websites. The Board issued instructions (September 2013) to all the designated officers that distribution of benefits must be done through the portal of the Board.

**The Board launched the portal system for implementation of welfare schemes without necessary validation checks.**

During test-check of records, it was observed that portal was hosted in September 2013 without taking the assurance of transparency in operations. The discrepancies as discussed below indicated that the online portal was started without ensuring conformity with enforcement of provisions of schemes/rules and checks to control frauds. The discrepancies found are detailed below:-

- During scrutiny of sanctions issued by the portal under Funeral Assistance in case of Death and Ex-gratia Payment Scheme, 2004, it was found that in three cases, the portal issued sanction of funeral assistance of ₹ 5,000/- instead of payable amount of ₹ 3000 under the scheme and in one case the portal issued sanction of ex-gratia ₹ 75,000, where the deceased was above the age of 45 years and hence entitled for ₹ 25,000 as per the provisions of the scheme. Thus, the portal was not enabled to check the entitlement of amount to be paid to the beneficiary.
- Test check of records at Nagar Palik Nigam, Gwalior revealed that the portal showed sanction of ₹ 23,000/- under the Marriage Assistance Scheme while the beneficiary was to be paid ₹ 25,000.
- Progress report for the month of March 2016 reported the number of registered beneficiaries as 24,81,926 while as per portal number of valid beneficiaries was only 3,62,197 (15 per cent) as the Board had

<sup>22</sup> ₹ 10,000 (w.e.f. May 2011), ₹15,000 (w.e.f. June 2012) and ₹25,000 (w.e.f. July 2014).

<sup>23</sup> An organization of Department of Information Technology, Government of India.

not prepared online database of all beneficiaries. Therefore, the remaining beneficiaries were not registered in the portal.

- During scrutiny of online sanction it was observed at *Janpad Panchayat*, Burhanpur that an online sanction for payment of marriage assistance was issued for 17 years old bride, which indicated absence of validation checks for under aged bride and bride groom.
- Payment in 13 cases of Marriage Assistance in *Nagar Palik Nigam*, Dewas was pending for three to 14 months because the portal did not release sanction order.
- Due to lack of age validation, registration of a person with 63 years of age, was issued through portal in *Janpad Panchayat*, Ujjain while as per Section 14 of the Act, 1996 registration of a worker was to be done between 18-60 years. Similarly, in one case, renewal of a registered worker was done for beyond the age of 60 years in *Nagar Palik Nigam*, Gwalior.

In exit conference (October 2016), Government stated that certificate for online operation of the portal from STQC would shortly be obtained and National Informatics Centre would be informed about the shortcomings and the same would be corrected.

#### 3.2.4.11 Delay in settlement of claims

GoMP Gazette notification (April 2013) provided that benefits under various Schemes i.e. Marriage Assistance, Funeral and Ex-gratia payment in case of death Scheme and Incentive for Education Scheme of the Board was to be provided within the 30 days from the date of application.

Audit observed in *Nagar Nigam*, Ujjain that 4,064 applications received during 2014-15 and 2015-16 for benefit under Marriage Assistance Scheme, Funeral and Ex-gratia payment in case of Death Scheme, Incentive for Education Scheme and Cash Awards to Meritorious Students Scheme, were pending even after a lapse of two to 16 months. The details are shown in the

#### Table -3.2.6:

Table – 3.2.6: Statement showing the details of pending cases under various schemes

Sl. No.	Name of the Scheme	Period	Number of Pending Cases	Delay in months (As of June 2016)
1	Incentive for Education Scheme and Cash Awards to Meritorious Students	2014-15	3657 cases of 16 schools	7 to 15
2	Marriage Assistance	2014-15, 2015-16	376	2 to 16
3	Funeral Assistance	2015-16	31	9 to 12
	<b>Total</b>		<b>4064</b>	<b>2 to 16</b>

In exit conference (October 2016), Government stated that instructions to *Nagar Nigam*, Ujjain had been issued to settle all cases under the different schemes immediately.

4,064 applications of various welfare schemes were pending.

### 3.2.5 Monitoring and evaluation

The State Government in exercise of power conferred under Section 42 (3) of the BOCW Act, 1996 appointed officers of Labour Department as Inspectors for inspection of building and other construction works. Section 46 of BOCW Act provides that an employer shall, at least thirty days before the commencement of any building and other construction works send the written notice to the inspector having jurisdiction in the area. Section 48 of BOCW Act provides for penalty in cases, where an employer fails to give notice of the commencement of building or other construction works. Following shortcomings were observed:

- There were huge shortfall in inspections between 59 to 94 *per cent* during 2011-12, 2013-14 and 2014-15 at State level and between 52 to 97 *per cent* in test checked districts.

In exit conference (October 2016), Government stated that there was shortfall in inspection due to shortage of staff. Inspections would be ensured after preparation of district wise-roster for inspection.

- Labour Commissioner, GoMP issued instructions (August 2013) for collecting information, on monthly basis, of building and construction works from ULBs, PRIs, semi government institutions, government departments, government undertakings and building and other construction works against which the cess was deposited at districts. However, it was found that information on construction works were not collected and, further, the Board had not monitored the instructions of LC to prepare database of construction works. Thus the Board was not aware about the actual number of construction works carried out.

In the exit conference (October 2016), Government stated that the database of construction works would be prepared immediately.

- The amount of cess received by the Board was assessed, collected and remitted to the Board by the Cess Collectors and Assessing Officers of different departments i.e. officers of Labour Department, ULBs, PRIs and construction agencies. Similarly, the welfare schemes for construction workers were implemented through the Labour Department, ULBs and PRIs. It was observed that the Board had no administrative control over these departments, which resulted in short receipt/ realisation of cess and shortcomings or shortfall in implementation of the welfare schemes.

The Secretary of the Board replied (October 2016) that as the Board did not have field offices, therefore, collection of cess/schemes was implemented through offices of different departments. The Board had no administrative control over these offices.

- The Board issued instructions that all cheques/drafts from employers/ Cess Collectors were to be deposited in the District Labour Offices. However, it was observed that Cheques/Drafts were received both at the Board and at the DLOs which leads to lack of monitoring over employers and amount of cess payable and deposited by them.

No mechanism was evolved for monitoring and evaluation under the Board's function and its activities.

In exit conference (October 2016), Government stated that effective system for receipt of cheques/drafts would be established.

- Rule 20 and 256 of Madhya Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002 provided that the Board should meet once in three months and the State Advisory Committee (SAC) should meet at least once in six months. However, there were shortfall in meetings as only 10 out of 20 meetings of the Board and one out of 10 meetings of SAC took place during 2011-16.

In exit conference (October 2016), Government stated that the Government dissolved all the Boards at the time of election. The Board and State Advisory Committee were still not re-constituted. The meetings would immediately be organized.

- Internal Audit acts as an effective tool in exercising check on expenditure. Internal control systems help in exercising checks on various activities. Thus these are important mechanisms for ensuring smooth working of an organization. Audit scrutiny revealed that the Board had not established internal audit and internal control wing in order to ensure effective control in exercising checks on various activities including finances and monitoring the activities of designated officers for the purpose of collection of cess and expenditure on welfare schemes.

**Internal audit wing was not established.**

In exit conference (October 2016), Government stated that Internal Audit Wing could not be established due to shortage of staff and action for establishing the same would be taken immediately.

The reply is not acceptable as the inspection work of Madhya Pradesh Buildings and other Construction Works is a mandatory item and for this purpose, the Government should recruit the sufficient staff.

### 3.2.6 Conclusion and Recommendations

- The Board did not establish mechanism to ensure proper campaign to register the construction workers and establishments.

*The Board may consider to liaison with ULBs for registration of establishment and to have access of their database of building permissions to the respective DLOs and to facilitate their registration as establishment triggered by grant of permission. The Board should also prepare an effective mechanism to liaison with all construction agencies for registration of all establishments to the respective DLOs and to register the construction workers engaged at the construction sites.*

- The Board did not receive the proceeds of cess. Further, collected cess were delayed transfer to the Board.

*The Board should maintain a database of all construction works to watch proper and timely collection of cess. Cess collectors should be made accountable for the timely deposit of the cess to the Board.*



- The Cheques/Drafts of cess received from the employers was not realized due to lapse of time validity and bank returns.

*The Board should adopt the Electronic Clearing Service (ECS) for proper and timely collection of cess.*

- The Board had operated as many as 23 bank accounts and did not keep statement of transactions. The maintenance of books of accounts and reconciliation was not done.

*The Board should keep least number of bank accounts and adopt a proper accounting and recording system and to ensure that the books of accounts are reconciled in regular intervals.*

- The Board had neither established field offices nor recruited field staff, which resulted in poor implementation of the schemes.

*The Board should establish field offices and recruit field staff.*

- Payment against the applications for obtaining benefits under Funeral and Ex-gratia Payment in the case of death scheme having fake documents was made.

*The applications and enclosures should be verified with the base records and issuing authorities.*

- There was no internal audit wing or mechanism to ensure collection of cess from all the employers.

*The Board may establish an internal audit wing to monitor the transactions of the Board and prescribe returns for cess collectors to ensure collection of cess from all the employers.*

## PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.3 Audit on '108 Ambulance Services'

#### 3.3.1 Introduction

Emergency Medical Service (EMS) is an essential part of the overall healthcare system as it saves lives by providing emergency care immediately.



To develop and operationalise comprehensive emergency services in the State, 'expression of interest' was invited in June 2007. Against the advertisement published in newspaper, only Emergency Management and Research Institute (EMRI),

Secunderabad submitted its proposal for establishing 'Emergency Response System' in the State. The proposal was sanctioned by the Cabinet and a Memorandum of Understanding (MoU) for '108 Ambulance Services' was

signed between the State Government and EMRI<sup>24</sup> in November 2007 which was valid for 10 years. The objectives of this ‘Public Private Partnership’ (PPP) project were:

- (i) to develop an integrated emergency management setup to cater all kinds of emergencies in the State and coordinate responses with multiple agencies like Police, Fire and Medical in order to ensure timely, reliable, qualitative and comprehensive emergency management services across the State; and
- (ii) to develop the appropriate institutional and infrastructure setup to support these emergency management service initiatives and/or coordinate with the existing setups to effectively ensure the delivery of the services.

The audit objectives were to assess whether the project plans prepared by the Department were executed properly, fund distribution and utilisation of funds were adequate and effective, project was implemented in accordance with the prescribed MoU/guidelines and in an effective manner, process of management of ambulances and performance was effective and internal control was adequate and working effectively.

Eight districts<sup>25</sup> (15 *per cent* of total fifty one districts in the State) were selected by using the ‘Probability Proportional to Size without Replacement Method’ for coverage in audit on ‘108 Ambulance services’. Records of the Mission Director, National Health Mission (NHM) and ‘108 Ambulances’ of eight selected districts were examined and information was collected from ‘108 Ambulances’ (Advance Life Support). The Real Time Data<sup>26</sup> received from the GVK EMRI was analysed in order to assess extent of achievement of performance parameters against the norms mentioned in the MoU. The audit was conducted covering the period from inception of the project to 2015-16.

The Entry Conference was held with the Commissioner, Health (Public Health and Family Welfare Department) on 11 March 2016. The Exit Conference was held with the Principal Secretary, Public Health and Family Welfare Department on 14 October 2016. The replies of the Department have been suitably incorporated in the report.

### Audit Findings

Under the MoU, State Government’s obligations were:

- to provide ambulances duly insured and equipped as mutually agreed upon;
- to provide funds in advance for capital expenditure (Capex) and operational expenditure (Opex); and
- to allocate land for setting up the Emergency Response Service Centre etc.

<sup>24</sup> The name of EMRI was changed to GVK EMRI in May 2009.

<sup>25</sup> Ashoknagar, Burhanpur, Dhar, Jabalpur, Morena, Rewa, Sehore and Singrauli.

<sup>26</sup> Real Time Data indicating the number of vehicles on road/off road, number of emergencies attended/transported to hospitals etc. was to be maintained by the GVK EMRI.

Whereas GVK EMRI's obligations were:

- to operate the Emergency Response Services (ERS) and provide emergency response service on a 24 hours per day and 365 days a year basis;
- to maintain all the account books and records for the funds received by it from the State Government under ERS;
- to adhere to the agreed service parameters for providing pre hospital care; and
- to recruit, position and train required human resources to support the ERS and provide the emergency response services etc.

The Government of Madhya Pradesh administers and monitors the '108 Ambulance' project through Mission Director, NHM. A special officer has also been appointed for monitoring '108 Ambulance Services' who works under the overall supervision of Mission Director, NHM. To review the performance/implementation reports of '108 Ambulance Services', an Advisory Council under the chairmanship of the Chief Secretary and to govern all aspects of '108 Ambulance Services', an Executive Committee under the chairmanship of the Principal Secretary, Public Health & Family Welfare has been constituted. Health Services are managed and controlled by Chief Medical & Health Officer at district level and Civil Surgeon (CS) cum Chief Hospital Superintendent at district hospital.

GVK EMRI monitors the programme through Head of Operations appointed for the State. All functional heads of GVK EMRI in the State report to him and work under his overall supervision. Overall control of '108 Ambulance Services' is managed through Call Centre established at Bhopal, which is managed by GVK EMRI. Under the project, two kinds of ambulances 'Advance Life Support (ALS) Ambulances' and 'Basic Life Support (BLS) Ambulances' were deployed. ALS ambulances were deployed at district headquarters and equipped with medical equipments viz. ventilator, multipara monitor, laryngoscope etc.

### 3.3.2 Project Planning

Under MoU for the project, State Government agreed to recognise EMRI as the State Level Nodal Agency to provide emergency response services across the State and expand it across the whole State within a period of three years. Audit noticed that '108 Ambulance Services' started in July 2009 with 36 ambulances. Against the planned 700 ambulances, only 55 ambulances could be made operational in four districts<sup>27</sup> by the end of March 2010.

Due to failure to adhere to timeline prescribed for expansion of project and delay in procurement process, project could not be expanded across the entire State within the prescribed period, i.e. by the year 2010. '108 Ambulance Services' could cover the entire State only by 2013-14. However, against the

**Project could not be expanded across the entire State within the prescribed period.**

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<sup>27</sup> Bhopal, Gwalior, Indore and Jabalpur.

planned 700 ambulances, only a fleet of 606 ambulances were running across 51 districts in the State.

While accepting the facts during the Exit Conference (October 2016), Department stated that the process was delayed due to delay in tendering for procurement of ambulances.

### 3.3.2.1 Deficiencies in MoU

The Project was sanctioned by Cabinet and MoU was signed between the State Government and EMRI in November 2007. The MoU was revised in December 2012. Following deficiencies were noticed in the MoU:

Penalty clause was not included for failure in achieving operational/performance parameters.

- MoU did not provide for obtaining 'Earnest Money Deposit' and 'Performance Security' from the service provider, which was in violation of the norms of General Financial Rules. Further, penalty clause was not included for failure in achieving operational/performance parameters. As a result, there was no deduction from Opex in cases of under achievement of performance indicators, as mentioned in paragraphs 3.3.5.3 and 3.3.5.4.
- As per letter of invitation issued by the Department, the proposal was to be valid for a period of five year from the date of signing of MoU. However, the MoU was signed for 10 years.
- State Government did not allocate 15-20 acres of land for setting up the emergency response services as required under MoU. Therefore, emergency response services (Call Centre) were being provided from rental building, which resulted in intended objective 'to develop the appropriate institutional and infrastructure setup to support these emergency management services' not being fulfilled.

Department stated (October 2016) that penalty clause was not included in the MoU for not achieving performance parameters. However, for the coming period, the Department had decided to issue a fresh tender in which several penalty provisions had been added for not achieving performance parameters.

The reply is not acceptable, as failure of Department to include the provisions of earnest money deposit, performance security and penalty clause in the MoU was in violation of Financial Rules.

## 3.3.3 Funding Pattern and Financial Management

### 3.3.3.1 Release of fund and expenditure

As per MoU, all directly identifiable Capex relating to Operations would be borne by the State Government. The Capex would be mainly for the purpose of procurement of ambulance, fabrication, medical equipment, computer hardware, licenses, training equipment and ambulance related expenditure. The State Government also agreed to pay Opex, which comprises salaries, fuel, repairs & maintenance, vehicle refurbishments, medical consumables, communication, administration expenses, training expenses etc. Opex released by State Government was to be deposited into the bank account maintained exclusively for the purpose and expenditure was to be made from there. Besides, MoU provided that all account books and records for funds received

from State Government under Emergency Response Services (ERS) were to be maintained by the GVK EMRI and monthly/quarterly/annual statement of receipt and expenditure and Utilisation Certificates (UCs) were also to be submitted by the GVK EMRI.

Audit scrutiny revealed that UCs and statement of expenditure were not submitted timely and the funds were released on ad-hoc basis without assessing the actual requirement. The Department released further funds to operating agency despite availability of funds<sup>28</sup> at the close of each year during 2007-08 to 2015-16. The details of year-wise fund distribution, expenditure and unspent balance are given in **Appendix 3.3.1**.

Despite availability of one bank account (in Axis Bank), GVK EMRI opened another bank account (State Bank of India) in 2009-10. The opening of another bank account was in violation of MoU provision. Further scrutiny revealed that an amount of ₹ 16.85 lakh (Axis Bank - ₹ 13.81 lakh and SBI bank - ₹ 3.04 lakh) was lying unspent in these bank accounts at the end of March 2016.

Department stated (October 2016) that funds were always issued after assessing actual requirement. The Department further stated that unutilised grants were there only in some periods. Moreover, unutilised grant of previous period was carried forward and accounted for in subsequent period.

The reply is not acceptable, as releases to EMRI were not based on quarterly UCs and significant balances upto ₹ 3.58 crore was available with the operating agency.

### **3.3.3.2 Irregularities in utilisation of capital and operational funds**

As per MoU, the funds in respect of Opex shall be released quarterly in advance. The quantum of release of funds for the next quarter shall depend on the expenditure incurred in the previous to the ongoing quarter and estimates for next quarters (release shall be based on actual and subject to the ceiling mentioned in the MoU) and submission of certified copies of Statement of Expenditure (SOEs) and UCs.

Scrutiny of records revealed that in total ₹ 16.60 crore (including Capex of ₹ 6.32 crore) was released during 2007-09, out of which expenditure of ₹ 11.32 crore was incurred by EMRI. The '108 Ambulance Services' were started from July 2009. Due to delay in starting of ambulance services, operational cost released was used on capital activities viz. computer hardware, software, furniture, fixtures, office equipments, medical equipment, electrical and electronic assets etc.

In first MoU (2007), no norm for operational expenditure per ambulance per month was fixed, which resulted in higher average monthly per ambulance operational expenditure of ₹ 1.32 lakh and ₹ 1.23 lakh in the year 2009-10 and 2010-11 respectively. In the revised/modified MoU (2012), maximum operational expenditure per ambulance per month was fixed as ₹ 0.98 lakh.

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<sup>28</sup> 2007-08 ₹ 52.47 lakh, 2008-09 ₹ 1.50 lakh, 2009-10 ₹ 2.32 crore, 2010-11 ₹ 74.15 lakh, 2011-12 ₹ 95.48 lakh, 2012-13 ₹ 2.02 crore, 2013-14 ₹ 3.58 crore and 2014-15 ₹ 1.51 crore.



**Excess payment of ₹ 5.02 crore was made to the operating agency as the operational expenditure during 2012-15.**

Against the prescribed limit ₹ 0.98 lakh, excess expenditure of ₹ 0.06 lakh to ₹ 0.18 lakh (monthly) was incurred during 2012-13 (January to March) to 2014-15. Thus, excess payment of ₹ 5.02 crore was made to the operating agency as the operational expenditure during 2012-13 to 2014-15. Approval of this excess payment from the executive committee was not found on records. The details are shown in *Appendix 3.3.2*. The deficiencies found in utilisation of capital and operational funds are discussed below:

- During scrutiny of records, it was noticed that against the total release of ₹ 16.60 crore (₹ 4.00 crore in 2007-08 and ₹ 12.60 crore in 2008-09), operational expenditure of ₹ 4.65 crore<sup>29</sup> was incurred during 2007-09 (June 2009) whereas the firm started its services with 36 ambulances only from July 2009.

On this being pointed out, GVK EMRI replied (April 2015) that tendering process for purchase of ambulances was completed by September 2008 and thereafter recruitment and 52 days training for ambulance staff was imparted. The agency was ready for launch by 6 January 2009 and letter was sent to Government for seeking permission for launch. However, the date was finally decided by the Government as 16 July 2009.

The reasons due to which Government took six months in deciding the date of launch for ambulance services was not available in the records produced to audit. Thus, the expenses of ₹ 1.23 crore made during the pre-launch period (January 2009 to June 2009) on operational activities was unfruitful.

- In the Schedule-A of the revised/modified MoU (December 2012), maximum operational expenditure per ambulance per month was fixed as ₹ 0.98 lakh including ₹ 0.57 lakh on salary (Human Resource Expenses), ₹ 0.227 lakh on fuel cost and ₹ 0.026 lakh on repair and maintenance of ambulances. Justification for fixing maximum operational expenditure per ambulance including expenses on human resource was not found on record. Audit observed that against the prescribed expenditure of ₹ 0.57 lakh per ambulance per month on human resources, actual expenditure ranged from ₹ 0.44 lakh to ₹ 0.54 lakh during 2012 to 2015 as there was shortfall in availability of staff against required posts as mentioned in paragraph 3.3.5.5. The savings on salary amounting to ₹ 23.42 crore was utilised on meeting excess expenditure on other activities/components viz. fuel cost, repair and maintenance etc. during 2013-14 to 2015-16. The details are shown in *Appendix 3.3.3*.

Department stated (October 2016) that during 2012-13, higher operational expenditure per ambulance incurred mainly due to lower number of ambulances operated during the year, higher fuel prices etc. During 2014-15, actual expenditure exceeded the limit prescribed for that permission of Executive Committee was taken. The Department further stated that till March 2009, some staff was recruited and hence salaries and other initial operational expenditure were incurred during these two years. Also, funds to the tune of ₹ 3.11 crore were utilised towards Capex.

<sup>29</sup> 2007-08: ₹ 1.01 crore, 2008-09: ₹ 3.13 crore and 2009-10: ₹ 0.51 crore.

The reply is not acceptable, as there was no evidence that approval of excess expenditure was obtained from the Executive Committee. Further, the payment for operational expenditure was not restricted to the prescribed limit mentioned in the MoU.

### 3.3.4 Procurement and Establishment of Ambulances

#### 3.3.4.1 Purchase of ambulances

As per MoU (2007), ambulances were to be procured by Government of Madhya Pradesh (GoMP) in consultation with EMRI at GoMP's cost as per the specifications of EMRI to suit public safety, patient care and patient relative/attendant care. Fabrication, equipment etc. in the ambulances was also to be undertaken by GoMP in consultation with EMRI.

Scrutiny of records revealed that the Department floated tender for procurement of ambulances in February 2008. The rate of ambulances quoted in the tender was higher than the rate of ambulances in other States. Hence, the tender was cancelled. Due to delay in process of purchase of ambulances and rate quoted in the tender being higher than the rate of ambulances purchased by GVK EMRI in other States, Government decided that ambulances would be procured through GVK EMRI. Initially, 100 ambulances with equipment were procured (23 ambulances @ ₹ 9.40 lakh, 32 ambulances @ ₹ 9.24 lakh and 45 ambulances @ ₹ 10.46 lakh ) by GVK EMRI. The ambulances were procured through GVK EMRI against the provisions of MoU (2007).

- 55 ambulances were procured in March 2015 for replacing the existing old ambulances. However, out of 55 old ambulances, 37 were lying idle in the



Ambulances parked in campus of Call Centre, Bhopal

districts and 18 ambulances were being utilised as backup in case of any accident or breakdown of any vehicle which requires long repair time. Action on disposal of old ambulances was awaited. Further, 38 more ambulances were procured in September 2015. However, registration of these ambulances was delayed due to payment of entry tax on these

ambulances as mentioned in paragraph 3.3.4.2. These ambulances were not deployed even after lapse of seven months and were parked in campus of Call Centre in custody of GVK EMRI.

Department stated (October 2016) that Government authorised the GVK EMRI to procure the ambulances considering delay in process of purchase of ambulances and rates quoted in the tender being higher than the rates of ambulances purchased by GVK EMRI in other States.

The reply is not acceptable as ambulances were to be procured by the Government in consultation with EMRI as per norms of MoU.

The ambulances were procured through GVK EMRI against the provisions of MoU.

38 ambulances which were procured in September 2015 could not be deployed even after lapse of seven months.

### 3.3.4.2 Entry tax on ambulances

As per rule 1976-Sec. 3-A (Sec.3-A inserted by Entry Tax (Amendment) Act, 1999 w.e.f 1.5.99) of Entry Tax on Motor Vehicles, an entry tax was payable on motor vehicle purchased outside the State but was being registered in the State of Madhya Pradesh under the Motor Vehicles Act, 1988.

Scrutiny of records revealed that 150 Tata Winger ambulances were procured in 2013 costing ₹ 9.61 crore from Tata Motors Limited, Pune by the Department. On the instruction of the Department, GVK EMRI deposited 10 *per cent* entry tax amounting to ₹ 96.47 lakh on these vehicles in June 2013 from available fund and booked it as capital expenditure.

Similarly, 38 ambulances were procured from Tata Motors through Directorate General of Supplies & Disposals (DGS&D) in 2015-16. Due to billing from out of State, 10 *per cent* entry tax was levied. A letter was sent to the Commissioner, Commercial Tax Department (December 2015) for getting exemption from payment of entry tax. However, exemption was denied by the Commercial Tax Department (December 2015). Further, a letter was issued (January 2015) to the supplying agency for providing bills from its office located in Madhya Pradesh. However, the agency denied the request. Afterwards, approval for payment of entry tax was taken and finally entry tax of ₹ 28.12 lakh was paid in February 2016.

However, prior to this, no entry tax was levied on 55 ambulances which were procured and billed from Tata Motors, Indore in March 2015. Hence, avoidable expenditure of ₹ 1.25 crore was incurred on purchase of ambulances. Had the ambulances been procured and billed from within the State of Madhya Pradesh, no entry tax would have been leviable.

Department stated (October 2016) that in March 2015, for Purchase of 55 Tata Winger ambulances, order was issued to DGS&D and payment was made to them. DGS&D further endorsed the order to supplier agency and billing was done by the agency from Indore located office of Tata Motors, whereas for purchase of 38 Tata Winger vehicles, same process was adopted by the Department, but billing was done by the supplier agency from Pune. Due to which entry tax of ₹ 28.12 lakh was paid in February 2016.

The reply is not acceptable, as supply of ambulances could have been taken from agency of Tata Motors in Madhya Pradesh as was done earlier in order to avoid the payment of entry tax.

### 3.3.4.3 Deployment of Ambulances

As per MoU of 2007, 700 ambulances were planned to be deployed across the State in phased manner but no norms were fixed in the MoU for deployment of ambulances. However, the Department assessed the requirement of ambulances taking into consideration the norm of deploying one ambulance per lakh population. Accordingly, 726 ambulances were required to cover the entire State population (7.26 crore as per census 2011) against which 606 ambulances were deployed by 2014-15. As per population criteria for deploying ambulances, 17 *per cent* State population was yet to be covered.

Fewer ambulances were deployed in 16 districts as required against the population norm.

Audit observed that fewer ambulances were deployed in 16 districts as required against the population norm and despite excessive response time in these districts, additional ambulances were not put into service. The details are shown in **Appendix 3.3.4**. However, in eight districts<sup>30</sup>, the number of ambulances functioning were above the prescribed norms. Despite ambulances being deployed over and above population norms, response time was less than optimal in five<sup>31</sup> out of these eight districts. Details of response time of ambulances and attending average emergencies per ambulance per day are mentioned in paragraphs 3.3.5.2 and 3.3.5.4 respectively.

Department stated (October 2016) that population norm was not the only indicator for deployment of ambulances. Demand for ambulances by people in that particular area, geographical condition, distance between ambulances, availability of medical facilities and other patient transportation facility etc. were also indicators for deployment of ambulances. In regard to districts having fewer ambulances despite having excessive response time, the Department stated that some districts had hilly terrain, forest areas and poor road conditions which increased response time. Besides, the Department also stated that the response time in these districts was only slightly higher than the permissible limit. In respect of districts having excessive response time despite having excess ambulances, the Department did not submit any specific reply.

The reply does not specify as how response time is going to be brought down to acceptable level in various districts especially in those districts having more ambulances than required against population norms. No analysis appears to have been undertaken to identify the gaps because of which ambulances were not reaching within time. Besides, no document produced in support of reply that deployment of ambulances were done taking into consideration not only population norm but also other factors viz. demand for ambulances by people in that particular area, geographical condition, distance between ambulances, availability of medical facilities etc.

As regards districts having fewer ambulances despite having excessive response time, the reply of the Department is not acceptable as required number of ambulances as per population norm was not deployed in these districts resulting in response time being much more.

### **3.3.5 Ambulance Service Management**

#### **3.3.5.1 Performance of Ambulances**

EMRI agreed to operate the ambulances and ensure that ambulance services would be available on a 24 hours per day and 365 days a year basis to all the people of State for providing the emergency health transportation services free of any charges.

During scrutiny of data of total emergencies since launching of the project, audit observed that only 32 *per cent* services were provided since launching of the project to March 2013 and 68 *per cent* ambulance services were provided

<sup>30</sup> Alirajpur-1, Anuppur-3, Datia-2, Dindori-1, Harda-1, Rewa-9, Sehore-2 and Umariya-3.

<sup>31</sup> Anuppur, Datia, Dindori, Rewa and Umariya.



Ambulances were mostly deployed in attending pregnancy related work i.e. up to 49 per cent of total medical emergencies during 2013-16.

during 2013-14 to 2015-16. Evidently, primary progress of the project was slow. The ambulances were mostly deployed in attending pregnancy related cases which was up to 49 per cent of total medical emergencies during 2013-16. Hence, intended purpose of '108 Ambulance Services' for providing emergency services within golden hours (within the first hour of injury) was diverted. The details of emergency services provided by the '108 Ambulances' are given in **Appendix 3.3.5**.

Department stated (October 2016) that '108 Ambulance' service was provided to pregnancy related cases in compliance of objectives mentioned in the MoU.

The reply is not acceptable as 'Janani Express'<sup>32</sup> vehicles are deployed in the districts for carrying pregnant mothers and '108 Ambulances' are to be mainly used for carrying emergency cases. There was no convergence between these two ambulance services provided in the State.

### 3.3.5.2 Response time of ambulances

The MoU (December 2012) provides average time taken to reach the scene after the call in rural areas (20-30 minutes) and urban areas (15-20 minutes). '108 Ambulances' should respond to call and reach at the required spot within the prescribed time.

Response time of ambulances was excess on a regular basis in many districts.

During scrutiny of Management Information System (MIS) report, the actual response time was found more than the prescribed time in 33, 21 and 27 districts in the years 2013-14, 2014-15 and 2015-16 respectively. The details are given in **Appendix 3.3.6**. In district Singrauli, actual response time was up to 40 minutes during 2013-14 and 2014-15 which was much more than the prescribed time while in other districts viz. Ashoknagar, Dindori, Mandsaur, Rewa, Satna, Shivpuri and Sidhi, response time was excess on a regular basis.

As regards average time taken to reach the scene after the call in rural areas and urban areas, real time data (From 'call received time' to 'back to base time' of ambulances) was provided by the operating agency to audit only for January 2016 to March 2016. During scrutiny of this data, it was found that response time was more than 30 minutes in almost 56 per cent cases<sup>33</sup> during this period. In January, February and March 2016, the mean response time was 41:08 minutes, 42:11 minutes and 47:00 minutes respectively. In absence of real time data, patient wise response time could not be ascertained. Excessive response time of test-checked districts are shown in the **Appendix 3.3.7**.

In reply to excessive response time, EME/EMT/Pilots in sampled districts stated that response time was more than prescribed norms due to poor road conditions, areas being rural and some vehicles being engaged in carrying referred cases.

Department stated (October 2016) that average response time was determined for all ambulances operational in whole State and not for each district. In some

<sup>32</sup> 940 Janani Express vehicles are being operated in total 313 blocks of the State.

<sup>33</sup> January 2016: response time was more than 30 minutes in 46251 cases out of total 83063 cases, February 2016: response time was more than 30 minutes in 44309 cases out of total 78968 cases, March 2016: response time was more than 30 minutes in 48506 cases out of total 85748 cases.



districts, response time was within the prescribed limit and in some districts, it was higher due to hilly terrain, forest cover, non-availability of tertiary level care in the districts.

The reply is not acceptable, as Department was required to periodically review excessive response time of ambulances in districts. Further, the District Level Committee that could have addressed this problem was not constituted in any of the districts, as discussed in paragraph 3.3.6.2.

### 3.3.5.3 Achievement of performance indicators

As per revised MoU (2012), prescribed performance indicators were to be achieved by the operating agency. Audit observed following deficiencies in achieving service parameters for providing emergency response services:

- As per performance indicator, average percentage of on-road vehicles per day should not be less than 95 *per cent*. During 2012-16, overall two to six *per cent* ambulances were off-road. Further, Audit observed that large number of ambulances were off-road in seven months during 2014-15 to 2015-16. However, an amount of ₹ 63.42 lakh which was to be deducted from the UCs of operational expenditure produced by GVK EMRI during 2012-16 for off-road ambulances in excess of prescribed norms of '95 *per cent* on road ambulances' was not deducted, as no penalty clause was provided in the MoU for not achieving performance standards.
- The positions of total emergency calls received, total effective calls, no. of cases where ambulances were despatched and no. of patients attended are given in **Table-3.3.1** :

**Table 3.3.1: Position of emergency calls received and attended**

*(Figures in lakh)*

Year	Total calls received	Total effective calls ( <i>per cent</i> of column no. 2)	No. of cases where ambulances despatched ( <i>per cent</i> of column no. 3)	No. of patients attended ( <i>per cent</i> of column no. 3)
(1)	(2)	(3)	(4)	(5)
2011-12	93.31	4.42 (5)	1.48 (33)	1.41 (32)
2012-13	98.67	4.89 (5)	1.64 (34)	1.54 (31)
2013-14	93.1	16.18 (17)	7.21 (45)	7.00 (43)
2014-15	78.94	20.77 (26)	9.75 (47)	9.52 (46)
2015-16	75.48	23.57 (31)	9.98 (42)	9.72 (41)
<b>Total</b>	<b>439.5</b>	<b>69.83</b>	<b>30.06</b>	<b>29.19</b>

(Source: Data provided by the Mission Director, NHM and GVK EMRI)

It is evident from the table that against the total effective calls, ambulances were despatched in 33 to 47 *per cent* cases and 31 to 46 *per cent* victims got the benefits of emergency services. As per the MoU, ineffective (Hoax) calls were to be reduced by 15 *per cent* of the total calls. However, percentage of ineffective calls was ranging from 69 to 95 *per cent* during 2012-16. Efforts to reduce hoax calls were not found on record.

An amount of ₹ 63.42 lakh was not deducted from the operational expenditure for off-road ambulances in excess of prescribed norms during 2012-16.

Percentage of ineffective calls was ranging from 69 to 95 *per cent* during 2012-16.

Before 2013-14, no Automatic Vehicle Location Tracking (AVLT) was installed in ambulances. Out of total 606 ambulances in which AVLT was installed in 2014-15, it was functional in 344 ambulances. Besides, 107 AVLTs were physically damaged, 148 were faulty and seven were stolen. Due to absence of AVLT device, tracking of such ambulances could not be done. Thus, the objective of establishing AVLT was not fulfilled.

Department stated (October 2016) that some ambulances were more than five years old due to which they were off-road for maintenance & repair in seven months during 2014-15 to 2015-16. The Department further stated that ineffective calls were dependent on the callers. However, district level and State level awareness was being created for calling '108 Ambulances'. The Department further stated that effective calls included inquiry calls, testing calls, complaints and follow-up calls etc. by beneficiaries that is why the 'ambulance despatch' is less in comparison to total effective calls.

The reply is not acceptable as funds should be released on actual running of vehicles. In case of off- road vehicles, more than five *per cent* vehicles were off road and penalty should have been imposed in those cases. Besides, reply in regard to less 'ambulance despatch' was not supported by the figures of inquiry calls, testing calls, complaints and follow-up calls out of total effective calls.

### 3.3.5.4 Penalty on operating agency

In the revised MoU (2012), a maximum operational expenditure of ₹ 0.98 lakh was fixed per ambulance per month which was revised as ₹ 1.03 lakh from the year 2015-16. The penalty clause was not included in the MoU in case of non-achievement of operational/performance parameters.

The details of not achieving performance parameters of attending average number of emergencies per ambulance per day are given in **Table 3.3.2**.

**Table 3.3.2: Emergencies attended per ambulance per day**

(₹ in crore)

Year	Average no. of ambulances running (per month)	Operational cost (As per EMRI)	Targeted no. of emergencies to be attended per ambulance per day	Achievement	Short fall	Penalty ( in proportion of shortfall)
2012-13	124	17.35	4.2	3.8	0.4	1.65
2013-14	531	56.87	4.2	3.8	0.4	5.42
<b>Total</b>						<b>7.07</b>

(Source: MoU and Performance Indicators)

Audit observed that during the year 2007-08 to 2011-12, no performance indicator was decided. In the revised MoU (2012), benchmarks of performance indicators were included. Against the prescribed parameter of 4.2 'average number of emergencies to be attended per ambulance per day', achievement was found short over the years. In proportion of this shortfall in achievement of parameter, deduction of ₹ 7.07 crore was not made from UCs of the operating agency before making adjustment.

Against the shortfall in attending emergencies, deduction of ₹ 58.14 lakh was not made from UCs of the operating agency.

During test-check of data of availed cases of September to November 2015, it was found that ambulances in 27 districts could not achieve the prescribed norm of attending 4.2 emergencies per ambulance per day. However, proportionate deduction of ₹ 58.14 lakh against this shortfall was not made from UCs of the operating agency before making adjustment.

Department stated (October 2016) that performance parameter was set on average emergency cases handled by all ambulances and not for each ambulance or each district.

The reply is not acceptable as norms prescribed in the MoU for attending 'average number of emergencies per ambulance per day' was not achieved at State level as a whole.

### **3.3.5.5 Inadequate manpower**

MoU provides that operating agency may avail/recruit the staff and provide emergency response services through well trained personnel and ensure that at least one pilot and one Emergency Medical Technician (EMT) is available 24X7 and 365 days in every ambulance to provide pre-hospital care during the emergency transportation.

Audit observed that against the required 1455 posts each in the cadre of EMT and Pilot, 1381 EMTs and 1397 Pilots were deployed in '108 Ambulances' in the State. Against the required posts (field operation and support staff), vacancies were ranging from four to 11 *per cent* as on July 2015. Updated status of staff was not provided. At call centre, 50 *per cent* shortage was seen in Emergency Response Centre Physician (ERCP)-care. Due to this, line of ERCP was found mostly busy and beneficiaries were deprived of getting ERCP advices as pre hospital care during the emergency transportation. Audit did not see any documentary efforts to increase ERCP lines.

Department stated (October 2016) that per ambulance available staff<sup>34</sup> was 2.28 for EMTs and 2.30 for Pilots. The Department further stated that minimum requirement of per ambulance staff is two each for EMTs and Pilots. Additional 0.3 staff per ambulance is required for weekly off and leave management of each ambulance.

The reply is not acceptable, as staff were not deployed as required.

### **3.3.5.6 Discrepancies in implementation of ambulance services**

In the test checked districts, audit observed the following discrepancies in the implementation of '108 Ambulance Services':

- Some life saver kits, medical equipment, medical supplies and equipment attachments viz. Malleable Splints, Glucometer, Diclofenac Sodium (Injection), Thermometer Attachment etc. were not available/not working in the test-checked ambulances.
- EMTs were posted in ambulances to provide en route pre-hospital care. For the better use of machinery/equipment, refresher training was required to

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<sup>34</sup> The manpower ratio means total number of Pilots and EMTs posted on the ambulances divided by the total number of ambulances deployed in the State.

Against the required posts, vacancies were ranging from four to 11 *per cent* as on July 2015.

be provided to EMTs. It was found that en route pre hospital care was not provided on the advice of ERCP in most of the cases in test-checked ambulances. Thus, EMTs worked as only load and go.

- Different types of patients are transported by the ambulance. For the cleanliness of ambulances, only Clean & Sept tablets were used and patients were transported. The deployed staff cleaned the ambulances themselves. For the cleanliness of ambulances, neither the Department nor the firm took any appropriate action. For proper and regular cleaning of ambulances, separate arrangement was not made by ambulance operating agency.
- During test-check of performance reports of '108 Ambulance Services' provided by the Mission Directorate, it was found that 7152 cases were transported by the '108 Ambulances' in eight test-checked districts hospitals in the month of September and October 2015. However, as per district hospital records, only 4643 cases (65 per cent) were registered/found in district hospitals as patients brought by the '108 Ambulances'. The differences in these two figures were found to be 12 to 70 per cent which shows that the system of registration of patients in the Government hospitals is poor and also indicated lack of monitoring mechanism. The district-wise figures are shown in **Appendix 3.3.8**.

Department stated (October 2016) that discrepancies in implementation of ambulance services were discussed with GVK EMRI for further action and necessary improvements. Instructions have been issued for taking corrective measures.

### 3.3.6 Monitoring and Evaluation

#### 3.3.6.1 Evaluation by External Agency

The revised MoU provided that performance and cost audit of '108 Ambulance Services' was to be done by any expert authorised by the Mission Director, NHM periodically.

During scrutiny of record, Audit found that the firm 'Deloitte' was nominated for the performance assessment of '108 Ambulance Services'. The Deloitte team assessed the work of GVK EMRI and submitted (September 2013) the report. The report recommended for enhancing IEC activities, clarity on objectives of '108 Ambulances', strengthening of EMT training, improvement in work with hospitals, improvement in inventory management and strengthening monitoring of procurement by EMRI etc. However, follow up of these recommendations was not found on record. Thus, the Department failed to improve the services of '108 Ambulances' even after availability of a third party evaluation report.

Further, in the executive committee meeting (August 2015), it was instructed that quality assessment should be carried out by the outsourced agency to assess the services provided by the firm. However, no quality assessment was carried out till now.

Department stated (October 2016) that instructions were issued from the Department to GVK EMRI to follow the recommendation of 'Deloitte' report. However, the reply of Department was not supported by any related evidence.

**Follow up of recommendations made by 'Deloitte' team who assessed the work of GVK EMRI was not found on record.**

### 3.3.6.2 Monitoring system

The MoU (2012) provided to constitute an Advisory Council under the chairmanship of the Chief Secretary which would meet at least once in a year and an Executive Committee under the chairmanship of the Principal Secretary, Public Health & Family Welfare. The Executive Committee meeting was to be held at least once in a quarter or earlier as convened by the Chairman. District Committee was to be constituted under the chairmanship of the district collector. The District Committee at the district level was to meet once in a quarter and coordinate the actions required for efficient implementation and operation. The District Committee was also required to conduct review for operation of '108 Ambulance Services' and related activities.

**District Level Committee was not constituted for monitoring the work of '108 Ambulance Services' in any district.**

Audit observed that an Advisory Council was constituted in 2008-09 and only two meetings were organised till date. Similarly, Executive Committee was constituted in 2013-14 and only two meetings were organised during the course of audit period. At the district level, no separate committee was found to be constituted for monitoring the work of '108 Ambulance Services'. However, during the meetings of District Health Society, NHM, the work of '108 Ambulance Services' were reviewed.

Department stated (October 2016) that besides meetings of Advisory Council and Executive Committee, several performance review meetings at State and district level were organised on regular basis. The Department further stated that at State level performance of '108 Ambulances' were being monitored in weekly review meetings organised in chairmanship of Principal Secretary.

The reply is not acceptable as no reports/documents in support of above reply produced to audit. Further, meetings of Advisory Council and Executive Committee were not held as per norms of MoU.

### 3.3.7 Conclusions

- Against the total effective calls, ambulances were despatched in 33 to 47 per cent cases and 31 to 46 per cent victims got the benefits of emergency services.
- Due to delay in procurement process, project could not be rolled out across the entire State within the prescribed period.
- Funds were released to the GVK EMRI on ad-hoc basis without assessing the actual requirement. The savings on salary amounting to ₹ 23.42 crore was utilised on meeting excess expenditure on other activities/components viz. fuel cost, repair and maintenance etc. under Opex.
- Per ambulance Opex was more than the prescribed limit of ₹ 0.98 lakh during 2012-13 to 2014-15 resulting in excess payment of ₹ 5.02 crore to the operating agency.
- Fewer ambulances were deployed in many districts against the prescribed norms despite the response time to attend to critical patients being excessive in these districts. Even where the number of ambulances were more than the norms, response time was not satisfactory.



- Response time of ambulances was found suboptimal in many districts. Ambulances in many districts could not achieve the prescribed norm of attending average number of emergencies per day. However, proportionate deduction of ₹ 58.14 lakh against this shortfall was not made from UCs of the operating agency before making adjustment.
- Against the required posts, vacancies were ranging from 4 to 11 *per cent* as on July 2015. At call centre, 50 *per cent* shortage was seen in ERCP-care. Due to this, line of ERCP was found mostly busy and beneficiaries were deprived of getting ERCP advices as pre hospital care during the emergency transportation.
- Some life saver kits, medical equipment, medical supplies and equipment attachments were not available/not working in the test-checked ambulances. Differences were found in figures of number of patients transported by '108 Ambulances' as per MIS report and those registered in the districts hospitals.
- District Level Committee was not constituted for monitoring the work of '108 Ambulance Services' in any district.

### 3.3.8 Recommendations

- *Operational expenditure was approved by the Government in the MoU showing different components separately. Audit recommends that the Government should ensure that any diversion from one component to other should be in consultation with Government.*
- *Audit recommends that there is need to revisit the criteria for deployment of '108 Ambulances' as districts having excess ambulances were also not able to achieve the response time.*
- *MoU needs to be modified to include penalty clause for not achieving performance standards. As GVK EMRI is a private service provider, general norms of General Financial Rules should be adhered to.*
- *State Government should ensure that GVK EMRI is deploying the man power as required.*
- *State machinery at district level should ensure prompt and accurate recording of data related to patients brought by the '108 Ambulances' and system should be designed at State level to cross verify the performance report of GVK EMRI with data provided by district level machinery.*
- *District Level Committee should be formed and meetings should be held regularly to assess the performance of '108 Ambulances'.*

***The Government accepted the recommendations.***

## PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

### 3.4 Follow up Audit of the Performance Audit on “Mahatma Gandhi National Rural Employment Guarantee Scheme”

#### 3.4.1 Introduction

National Rural Employment Guarantee Act, 2005 (NREGA) guarantees at least 100 days of wage employment in a financial year to every rural household (HH) whose adult members volunteer to do unskilled manual work. The Act provides rural HHs a right to register themselves with the local Gram Panchayats and seek employment. The Act made the Panchayats at each level the principal authorities for planning and implementation of the scheme. The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.

The National Rural Employment Guarantee Act became effective on 2 February 2006 in 18 districts of Madhya Pradesh in the first phase. In the second phase, 13 more districts of the State were included from 1 April 2007 and the remaining 19 districts<sup>35</sup> were included from 1 April 2008 in the third phase.

#### Organisational set-up

Panchayat and Rural Development Department (PRDD) is the nodal Department for execution of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in the State. The scheme is implemented through Madhya Pradesh State Employment Guarantee Council (SEGC), which is a registered society. Principal Secretary, Government of Madhya Pradesh, PRDD is a member secretary of the Council. SEGC is to advise the State Government on implementation, evaluation and monitoring of the scheme.

The scheme at village level is implemented by Gram Panchayats (GPs). The Programme Officers (POs) are responsible for coordinating the works undertaken by the GPs and other implementing agencies at block level while District Programme Coordinator (DPC) is responsible for overall coordination and implementation of the scheme at district level.

#### Audit objectives

The objective of this follow up audit was to ascertain whether remedial actions were taken by the Government to implement the recommendations made in the Audit Report on General and Social (Non- PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013).

#### Audit criteria

The main criteria for the follow up audit were para wise replies of the Department submitted to the State Legislature (December 2014); action plan

<sup>35</sup> A new district Agar Malwa formed from district Shajapur on 16 August 2013.

drawn by Department to implement the accepted recommendations; Mahatma Gandhi National Rural Employment Guarantee Act and Operational Guidelines 2006, 2008 and 2013 issued by the Ministry of Rural Development (MoRD), GoI, regarding MGNREGS and amendments thereto and the circulars issued by MoRD.

### 3.4.2 Previous Audit findings

The implementation of the Scheme in the State was last reviewed covering the period 2007-12 and the findings were included in Para No. 2.2 of the Audit Report on General and Social (Non-PSUs) Sectors for the Year ended 31 March 2012 (Report No 4 of 2013). Some important findings were as under:-

- Planning and monitoring of the scheme was weak as the prescribed numbers of the meeting of General Body of SEGC and its Empowered Committee were not held at regular intervals.
- All rural HHs were registered under the scheme and issued job cards without obtaining request from the beneficiaries. Dated receipts for job applications were not issued to the applicants.
- Payment of wages was made with delays ranging from 30 days to 360 days.
- The generation of additional employment by the convergence of MGNREGS funds with other funds was not ensured and the converged funds were not utilised within the parameters of MGNREGS.
- Essential records were not maintained by the Gram Panchayats.
- The grievance redressal mechanism was not effective as a large number of complaints were pending at the district and state level. Timeliness in the disposal of complaints was not ensured.

In view of results of audit, we recommended:

- Regular meetings of General Body of SEGC and its Empowered Committee should be conducted.
- For the registration and issue of job cards to the beneficiaries, eligibility of the applicant should be duly verified.
- Request for work should be obtained from the beneficiaries and dated receipt should be issued to them to enable them to get unemployment allowance in case of not getting the employment within 15 days.
- Maintenance of essential records of employment generation and asset creation should be ensured. Fortnightly reports and a copy of Muster Roll of the works executed by the line departments should be forwarded to the GPs for maintaining the data of employment generation.
- Convergence of MGNREGS funds with the funds of other schemes should be done for the generation of additional employment and for providing the benefits of other schemes also to the MGNREGS beneficiaries.

- Grievance redressal mechanism should be strengthened for timely disposal of complaints.

The PA was selected for oral evidence/ examination in PAC (June 2014). The Department submitted para wise replies to State Legislature (December 2014) and assured that efforts would be made to implement audit recommendations for proper execution of the scheme. The PA was not discussed in PAC (January 2017).

### 3.4.3 Scope and Methodology of Audit

The follow up of performance audit covered the period from 2012-13 to 2015-16. The previous Performance Audit was conducted in SEGC and 287 sampled GPs of 29 blocks of 13 districts in the State. The Follow up Audit was conducted in SEGC, 13 districts, 29 blocks and in 58 GPs (Two GPs from each selected block) selected from the audit sample for previous review. However, records of 57 GPs could be test checked in follow up audit, as the records of GP Sheelkheda of block Sehore, district Sehore were not made available to audit on the ground of these being seized for enquiry.

An entry conference was held with the Commissioner, SEGC on 30 March 2016 to discuss the audit objectives of follow up audit, criteria, scope and methodology were discussed. The audit findings were discussed in exit conference held with Principal Secretary, PRDD on 9 November 2016. The replies of Government have been suitably incorporated in the report.

### 3.4.4 Implementation status of the scheme

MGNREGS is implemented as Centrally Sponsored Scheme on a cost-sharing basis between the Centre and the State as determined by the Act. The Government of India (GoI) bears the entire cost of wages of unskilled manual workers, 75 per cent of the cost of material and wages for skilled and semi-skilled workers along with administrative expenses as determined by GoI. The State Government bears 25 per cent of cost of material and wages for skilled and semi-skilled workers. The position of funds received and expenditure incurred in the State during the period 2012-16 is given in **Table 3.4.1 below:**

**Table 3.4.1: Allocation of fund and Expenditure on MGNREGS during 2012-16**

(₹ in crore)

Year	Opening Balance	Receipt during the year	Total available fund	Expenditure	Closing Balance
2012-13	1669.03	1908.69	3577.72	3243.81	333.91
2013-14	364.53	2330.97	2695.50	2656.73	38.77
2014-15	38.77	2948.75	2987.52	2901.43	86.09
2015-16	86.09	2513.51	2599.60	2496.16	103.44
<b>Total</b>			<b>11860.34</b>	<b>11298.13</b>	

(Source: Data provided by SEGC)

During 2012-13 to 2015-16 an amount of ₹ 11298.13 crore was spent in implementation of the Scheme in the State against allocation of ₹ 11860.34 crore. There were differences in opening and closing balances in the year 2012-13 and 2013-14, which were not corrected in software.

During exit conference (November 2016), Government stated that difference in Opening Balance and Closing Balance was due to implementation of electronic fund management system (EFMS) in MGNREGS from April 2013, as the figures available at that time were taken as opening balances.

Thus, the difference in Opening and Closing balances were yet to be corrected by the Department even after lapse of three financial years.

### **3.4.5 Results of follow up Audit**

#### **3.4.5.1 Functioning of SEGC**

As per MPSEGC Rules, there would be a General Body of MPSEGC, under chairmanship of Chief Minister, to advise State Government for effective implementation of MGNREGA in the State. The meetings of the General Body of SEGC were to be held at least twice in a financial year. There would also be an Empowered Committee of MPSEGC under chairmanship of Chief Secretary of the Government to implement the scheme according to guidelines of GoI. The meetings of the Empowered Committee of SEGC were to be held at least once in a quarter.

Mention was made in paragraph 2.2.7.1 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) regarding less number of meetings of General Body of SEGC and its Empowered Committee during 2007-12.

Audit recommended that regular meetings of General Body of SEGC and its Empowered Committee should be conducted. The Department replied to the PAC (December 2014) that decision had been taken in 10<sup>th</sup> meeting of Empowered Committee (22 January 2014) to conduct General Body meetings under the chairmanship of Minister of PRDD as regular meetings of General Body could not be convened on scheduled intervals.

Follow up Audit revealed that the General Body of SEGC and Empowered Committee did not meet as per prescribed schedules even after the assurance of the Department to the PAC (December 2014). Only one meeting of General Body of SEGC was held on 25 March 2015 against the scheduled three meetings and the Empowered Committee met only two times against scheduled five meetings during December 2014 to March 2016.

During exit conference (November 2016), Government assured that meetings would be held at regular interval in future.

Thus, the Department did not implement the audit recommendation and assurance to PAC.

#### **3.4.5.2 Registration and issue of Job Cards to all rural HHs**

As per Schedule-II under Section 5 of the Act, the adult members of every HH who - (i) reside in any rural area, and (ii) are willing to do unskilled manual work, may submit their names, age and the address of the HH to the concerned GP for registration and issue of Job Card (JC). It shall be the duty of the GP to register the HH, after making such enquiry as it deems fit and issue a job card.

Commissioner, SEGC issued instructions (October 2012) to all districts for issue of job cards prescribing formats of application form to be filled by head

**Meetings of general body of SEGC and its empowered committee were not held at scheduled intervals.**



of the family, verification certificate of Gram Panchayat and acknowledgement of application form.

As per Para 3.1.3 of operational guidelines 2013, the eligibility of applicants was to be verified by GPs on following parameters: - (i) Whether the HH is really an entity as stated in the application; (ii) Whether the applicant HH are local residents in the GP concerned; and (iii) Whether applicants are adult members of the HH.

Mention was made in the paragraph 2.2.10.1 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) regarding registration and issue of job cards to 13.35 lakh to 19.74 lakh HHs during 2007-12 who neither submitted application for registration nor were BPL.

Audit recommended that the eligibility of the applicant should be duly verified for the registration and issue of job cards to the beneficiaries. In its reply, the Department informed the PAC (December 2014) that instructions were issued (February 2013) to all districts in this regard.

Audit scrutiny revealed that the Department cancelled 39.39 lakh job cards during 2012-16. As a result, the number of job card holders reduced from 119.41 lakh in 2012-13 to 80.02 lakh in 2015-16. However, Audit scrutiny during follow up audit of test checked 57 GPs revealed that the procedure of obtaining application form for registration of HHs and its certification in the prescribed verification form was not followed. Thus, test-checked GPs issued job cards without following prescribed procedure.

During exit conference Government stated (November 2016) that general instructions regarding renewal of job cards have been issued to the districts.

Thus, the Department implemented this recommendation only partially.

### ***3.4.5.3 Dated receipt of job applications not issued to the beneficiaries***

As per Para 5.4 of the scheme guidelines 2008, a written application for work should be submitted by beneficiary to the GP for obtaining employment. This would be recorded in the prescribed application form and employment register. A dated receipt of the application for work must be issued to the applicant. Under MGNREGA, if an applicant for employment under the scheme is not provided employment within 15 days of receipt of his application seeking employment, he shall be entitled to a daily unemployment allowance.

Mention was made in paragraph 2.2.10.2 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) that dated receipts of job applications were not issued to the applicants and the employment register was also either not maintained or was incomplete. In the absence of dated receipts coupled with incomplete information in the Employment Register would render it difficult to ascertain the actual number of persons seeking employment.

Audit recommended that the request for work should be obtained from the beneficiaries and dated receipts should be issued to them to enable them to get

**GPs did not follow the prescribed procedure for obtaining application form and issue of job cards.**

unemployment allowance in case of not getting the employment within 15 days. The Department informed the PAC (December 2014) that instructions were issued (February 2013) to all districts regarding issue of dated receipts to all beneficiaries who applied for employment.

**Applications for work were not obtained from beneficiaries and dated receipts were not issued to them.**

During follow up audit of 57 test checked GPs, audit scrutiny revealed that only three GPs<sup>36</sup> issued dated receipts and 51 GPs neither obtained applications for work from the beneficiaries nor issued dated receipts to them. Three GPs<sup>37</sup> did not produce records for audit citing absence of staff. Thus, in absence of dated receipts the beneficiaries may not be in position to claim unemployment allowance, in case of not getting employment within 15 days.

During exit conference (November 2016), Government stated that instructions were issued (March 2007) for providing acknowledgement to the beneficiaries.

Thus, the Department had implemented the recommendation by issuing instructions to all districts. However, its compliance was not ensured at GP level.

#### **3.4.5.4 Maintenance of essential records**

As per Para 9.1.1 of the scheme guidelines 2008, proper maintenance of records is one of the critical success factors in the implementation of MGNREGS. Information on critical inputs, processes, outputs and outcomes has to be meticulously recorded in prescribed registers at the levels of DPC, PO, GPs and other Implementing Agencies (IAs). The computer based Management Information System (MIS) will also capture the same information electronically. In order to facilitate collection of information at various levels, essential records are to be maintained.

Mention was made in paragraph 2.2.15.1 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) regarding failure to maintain/incomplete maintenance of essential records by the GPs.

**Essential records of employment generation and asset creation were not maintained by GPs.**

Audit recommended that the maintenance of essential records of employment generation and asset creation should be ensured. Fortnightly reports and a copy of Muster Roll of the works executed by the line departments should be forwarded to the GPs for maintaining the data of employment generation.

The Department assured the PAC (December 2014) that concurrent audit was being conducted from 2013-14 at all levels of executions (*Zila Panchayat, Janpad Panchayat and Gram Panchayat*) by Chartered Accountants, which would ensure maintenance of records in prescribed forms.

During scrutiny of records of 57 test checked GPs in follow up audit, it was noticed that the muster rolls of line departments along with GPs were generated on-line. However, essential records of MGNREGS were not

<sup>36</sup> GP Khairlanji - Block Khairlanji District Balaghat, GP Sirawali and GP Talapar of Block-Kurwai District Vidisha.

<sup>37</sup> Secretaries of GPs were not present with records at GPs: (i) Sarangpur -Block Sohagpur District Shahdol (ii) Raikoba- Block Budhar District Shahdol (iii) Dhumahdol -Block Budhar District Shahdol.

maintained and updated properly by 54 GPs as detailed **Appendix 3.4.1** and summarised in **Table 3.4.2**. Three GPs<sup>38</sup> did not produce records for audit citing absence of staff.

**Table – 3.4.2: Details of registers not maintained/ updated by test checked GPs**

Sl. No.	Name of Register	Registers maintained by GPs	Registers not maintained by GPs	Registers not updated By GPs
1.	Job Card Register	Nil	20	34
2.	Employment Register	03	45	06
3.	Work Register	Nil	37	17
4.	Assets Register	Nil	43	11
5.	Inspection Register	Nil	49	05

(Source: Compilation of data of test checked GPs)

During exit conference (November 2016), Government stated that it was difficult to maintain large number of registers manually. Proposal for maintaining seven registers<sup>39</sup> as directed by GoI (July 2016) was under consideration.

Thus, the Department did not implement this audit recommendation.

### 3.4.5.5 Convergence of MGNREGS funds

As per Para 14.1 of the scheme guidelines 2008, the convergence of MGNREGS with funds from other sources for the creation of durable assets is permissible. However, all initiatives of convergence will be within the parameters of NREGA and it is to be ensured that there is a complete ban on contractors.

As per Para 15.7.2 of operational guidelines of MGNREGA, 2013 the data entry for convergence works are to be made during the entry of new work, details of convergence work with name of scheme is to be filled in software.

Mention was made in paragraph 2.2.14.1 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) regarding irregular convergence of MGNREGS funds with *Mukhya Mantri Sadak Yojana* (MMSY).

Audit recommended that convergence of MGNREGS funds with the funds of other schemes should be done for the generation of additional employment and for providing the benefits of other schemes also to the MGNREGS beneficiaries. Department assured the PAC that efforts would be made to implement audit recommendation for proper execution of the scheme.

**GPs did not maintain the data of additional employment generated through convergence.**

<sup>38</sup> Secretaries of GPs were not present with records at GPs: (i) Sarangpur-Block Sohagpur District Shahdol (ii) Raikoba- Block Budhar District Shahdol (iii) Dhumahdol -Block Budhar District Shahdol.

<sup>39</sup> **Three registers are to be maintained manually** - (i) Gram Shaba Meeting Register (ii) Wages Register (iii) Fixed Assets Register and **four registers are to be maintained part manually** – (i) Job Card and Household Employment Register (ii) Work Register (iii) Complaint Register and (iv) Material Register.

During Follow up Audit of 13 test checked districts, we found that the Department had not sanctioned fresh works in convergence with MMSY during 2012-16. Scrutiny of records of test checked GPs revealed that MGNREGS funds were converged with the works of other rural development schemes. However, the details of additional employment generated through convergence were not maintained by GPs separately.

During exit conference (November 2016), Government stated that instructions would be issued to the districts for maintaining data of additional employment generated through convergence with other schemes.

Thus, the Department implemented the audit recommendation only partially.

### 3.4.5.6 Grievance Redressal Mechanism

As per Para 11.7 of the scheme guidelines 2008, DPC and PO will be the grievance redressal officer at district and block levels respectively. A system of appeal was to be designed to deal with the grievances at each level. Further, Para 9.1.1 (ix) of the guidelines states that a complaint register will be maintained by the PO/DPC/Gram Panchayats /other implementing agencies.

Mention was made in paragraph 2.2.16.1 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) that the complaint registers were not maintained in GPs and a large number of complaints were pending at State and district level.

Audit recommended that grievance redressal mechanism should be strengthened for timely disposal of complaints. The Department informed the PAC (December 2014) that Mahatma Gandhi National Rural Employment Guarantee (Ombudsman appointment, powers and duties) Madhya Pradesh Rules, 2013 had been implemented for transparent and free enquiry of complaints. It further informed that complaint registers were maintained by all GPs.

Follow up Audit revealed that Ombudsmen had been appointed during 2012-16 at divisional level. However, out of 3722 complaints received in SEGC during the period 2007-08 to 2015-16, 1385 complaints were still pending, as detailed in *Appendix 3.4.2*.

Further scrutiny of records of 57 test checked GPs revealed that four GPs maintained complaint registers and 16 GPs maintained but not updated the complaint register, as detailed in *Appendix 3.4.3*. The complaint register was not maintained in 34 GPs. Three GPs did not produce records for audit. Social Audit was not conducted in any of the test checked GPs during 2012-13 to 2015-16.

During exit conference (November 2016), Government stated that 64 per cent of total complaints registered were disposed of since 2006-07 and online disposal of MGNREGS complaints were also made through Chief Minister Help Line. Apart from this, complaints were also disposed of during social audit in GPs.

The reply of the Department regarding disposal of complaints in social audit was not based on facts, as social audit was not conducted in test checked GPs.

**The complaint registers were not maintained in 34 test checked GPs and a large number of complaints were pending for disposal at SEGC level.**

In view of pendency of complaints even for the period 2007-08, disposal of pending complaints was still an issue to be resolved.

Thus, the Department implemented the audit recommendation only partially.

### 3.4.5.7 Delayed payment of wages

Para 7.1.5 of the scheme guidelines 2008 states that the wages of workers should be paid on a weekly basis and in any case within a fortnight of the date on which the work was done. In the event of any delay in wage payment, workers are entitled to compensation as per the provisions of the Payment of Wages Act, 1936. Compensation costs shall be borne by the State Government.

Compensation for delayed payment of wages was not paid to the beneficiaries.

Mention was made in paragraph 2.2.11.2 of Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013) regarding delayed payment of wages. In its reply the Department informed the PAC (December 2014) that Electronic Fund Management System (EFMS) of payment was introduced in the State from 2013-14 to check delayed payment of wages.

Follow up audit revealed that Commissioner, MPSEGC, Bhopal issued detailed guidelines (January 2015) regarding payment of compensation for delayed payment of wages to the beneficiaries. However, as per MIS report<sup>40</sup> at SEGC level, there were 1.75 crore delayed transactions of ₹ 1455.30 crore (84 per cent of total transactions) in 2014-15 and 96.35 lakh delayed transactions of ₹ 785.59 crore (15 per cent of total transactions) in 2015-16. Further, the amount of due compensation ₹ 38.10 crore for the year 2014-15 and ₹ 21.07 crore for the year 2015-16 was not paid to the beneficiaries (August 2016). Further, MIS report<sup>41</sup> revealed that an amount of ₹ 9.18 crore of unskilled and semi-skilled wages was due for payment for the year 2015-16 (January 2017).

During exit conference (November 2016), Government stated that delay in wage payment was due to lack of funds in SEGC accounts, lack of streamlining between NIC, banks and PFMS<sup>42</sup> servers and non-availability of core banking facilities in Regional Rural Banks and Central Co-operative Banks.

Thus, the Department could not ensure timely payment of wages to the beneficiaries.

## 3.4.6 Conclusion and Recommendations

We observed that out of six accepted recommendations made in paragraph 2.2 of the Audit Report on General and Social (Non-PSUs) Sectors for the year ended 31 March 2012 (Report No 4 of 2013). Three recommendations relating to issue of job cards, convergence of MGNREGS funds with other schemes for generation of additional employment and strengthening of grievance redressal mechanism were only partially implemented by the Department,

<sup>40</sup> MIS report as on 04 February 2016, furnished by MP SEGC.

<sup>41</sup> MIS report as on 13 February 2017.

<sup>42</sup> Public Financial Management System.



while following three recommendations were not implemented by the Department regarding:

- Conducting regular meetings of General Body of SEGC and its Empowered Committee.
- Obtaining application for work and issue of dated receipt to beneficiaries to enable them to get unemployment allowance in case of not getting the employment within 15 days.
- Ensuring maintenance of essential records of employment generation and asset creation.

*Department may ensure effective compliance of all accepted recommendations while implementation of MGNREGS.*

## Audit Paragraphs

### GENERAL SECTOR

#### HOME DEPARTMENT

#### 3.5 Short levy of composition amount due to application of pre revised rates

**Levy of composition amount at pre revised rates resulted into short recovery of composition amount to the tune of ₹ 83.91 lakh in nine districts.**

Rule 29 of MP Financial Code provided that subject to any special arrangement that may be authorised by competent authority with respect to any particular class of receipts, it was the duty of the departmental Controlling Officers to see that all sums due to Government were regularly and promptly assessed, realized and duly credited in the Consolidated Fund or the Public Account.

Under section 200 of the Motor Vehicles Act 1988 (Act), any offence committed, which is punishable under different sections of the Act, can be compounded for such amount as the State Government may specify by notification in official gazette. In exercise of the powers, conferred by sub-section (1) of Section 200 of the Motor Vehicles Act, 1988 (No. 59 of 1988) and in supersession of Transport Department's Notification No. F 22-3-2000-VIII, dated 23<sup>rd</sup> August 2005, the Madhya Pradesh Government (GoMP) vide official gazette No. 110 dated 16<sup>th</sup> March 2012, fixed the rate of composition amount for different types of offences punishable under different sections of the Act. The rates of composition amount were further revised vide official gazette No. 29 dated 21<sup>st</sup> January 2013 and No. 101 dated 2<sup>nd</sup> March 2015.

Para 3.1.12 of the Comptroller and Auditor General of India's Report No. 1 of 2016 had highlighted short levy and short recovery of Composition amount revised vide Gazette No. 110 dated 16 March 2012 due to absence of a suitable mechanism for ensuring immediate communication of such orders/notifications to implementing wings.

During test check of records of office of Superintendents of Police (SP) of three Districts<sup>43</sup> Audit have seen further lapse in compliance of Gazette notification of March 2012. In these districts, in 19,545 cases of violation of provisions of the Act, composition amount was levied at pre revised rates resulting in short recovery of composition amount of ₹70.68 lakh. Audit further noticed that regarding Gazette notification of January 2013, in two districts<sup>44</sup>, in 1,124 cases amount of ₹4.99 lakh was short levied and similarly in respect of Gazette notification of March 2015, in six<sup>45</sup> districts, in 5,442 cases amount of ₹8.24 lakh was short levied. Thus in respect of 26,111 cases registered for violation of Act, in spite of revision of rates of composition by GoMP official Gazette (March 2012, January 2013 and March 2015), composition amount of ₹ 83.91 lakh was short recovered. The details of notification-wise and district-wise short levy and recovery of composition amount are shown in the **Appendix-3.5.1**.

On this being pointed out, SP, Dewas (August 2016) and SP, Bhopal (August 2016) stated that it was not possible to raise the demand for short recovered composition amount.

Matter was reported to the Government (May 2016). In the exit conference (November 2016), the Department verified facts and figures and stated that as per present arrangement government gazette notifications were provided on website for compliance by field units. In respect of orders notified in gazette, additional instructions regarding compliance of orders by police units were issued by Police Headquarter. The Government accepted there were procedural delay of short time in receiving and compliance of levy of rates of composition revised by Government/ Transport department from time to time. This fees was levied as a correctional measure and making general public aware for complying traffic rules. As its purpose was not to earn revenue, it was not justified to treat delay in implementation of revised rates as loss of revenue.

The reply is not acceptable, as Government had not devised a suitable mechanism for ensuring compliance of revised rates without any procedural delay to avoid loss of revenue.

### **3.6 Cost of police guard not recovered from borrowing organisations**

**Due to laxity of Superintendents of Police, Bhopal and Dewas in collection of cost of police guard and bank guarantee in advance, cost of police guards supplied to borrowing public sector banks/ undertaking amounting to ₹1.87 crore could not be recovered.**

Rule 29 of MP Financial Code provides that subject to any special arrangement that may be authorised by competent authority with respect to

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<sup>43</sup> Chhindwara (May 2015), Dhar (July 2015) and Panna (July 2016).

<sup>44</sup> Dewas (August 2015) and Sheopur (October 2015).

<sup>45</sup> Bhopal (July 2015), Dewas (August 2015) Gwalior (April 2015), Khargone (August 2015), Sheopur (October 2015) and Ujjain (May 2015).

any particular class of receipts, it is the duty of the departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Consolidated Fund or the Public Account.

As per Rule 495 Madhya Pradesh Police Regulations, the cost of guards to Government Departments, Railway or individuals shall be recovered from the borrowing authority on bills made out by the Superintendent of Police. Home Department, Government of Madhya Pradesh prescribed (January 2010, further revised in June 2010 and March 2011) the rates of police guards provided on permanent and temporary basis to the Banks/other commercial organizations and individuals which included all the expenses/ emoluments of police guard. The cost of police guard was to be collected in advance on six monthly basis along with one year charges in the form of bank guarantee. The payment was to be received by cheque/draft and deposited in the receipt head of the police department through challan.

Test check of records of the Superintendent of Police (SP), Bhopal(July 2015) and SP, Dewas (August 2015 and August 2016) revealed that police guards were provided to Public Sector Banks, Bharat Heavy Electricals Limited (a Public Sector Undertaking) and Doordarshan on their request. The Government sanctioned the post of policemen for their deployment in these establishments with instructions to collect the expenses incurred on them in advance, from these establishments.

Audit noticed that, the respective SPs did not collect the cost of police guards in advance and also did not follow up for recovery on regular intervals. This resulted in accumulation of charges amounting to ₹ 1.87 crore (₹1.27 crore for SP, Bhopal and ₹0.60 crore for SP, Dewas) for the period 2010-11 to 2015-16 as detailed in **Appendix-3.6.1**. Out of ₹ 1.87 crore, ₹ 1.38 crore pertain to the period 2011-12 to 2013-14. Bank guarantees equivalent to one year charges were also not taken from the borrowing organisations.

Matter was reported to the Government (May 2016). In the exit conference (November 2016), the Department verified the facts and stated that cost of police guards amounting to ₹ 1.62 crore (₹ 1.02 crore for SP, Bhopal and ₹ 0.60 crore for SP, Dewas) were still outstanding. Action for recovering the outstanding dues were in progress and meetings would be held with borrowing organisations.

The reply of the Department was not acceptable because the cost of police guards was not collected in advance and bank guarantee was also not taken from the borrowing organisations as per Government orders. Reasons regarding laxity in collection of cost of police guard and bank guarantee in advance were not furnished. Had bank guarantee been taken from the defaulting organisations, it could have been encased for realisation of charges of police guards.

## SOCIAL SECTOR

### FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

#### 3.7 Corpus fund for Consumer Welfare not credited with interest

**Due to failure to comply with the rules for depositing the State Corpus Fund for Consumer Welfare, the fund was deprived of the interest amounting to ₹ 1.34 crore.**

The Consumer Welfare Fund was established (1992) by the Government of India (GoI) for providing financial assistance to registered agencies/organisations and state governments for undertaking consumer welfare activities. In order to decentralise the sanctioning of consumer awareness programmes/projects, Ministry of Consumer Affairs, Food and Public Distribution, GoI decided (June 2004) to provide seed money as one time grant for setting up of State Consumer Welfare Fund (CWF) in ratio of 50:50 (Centre: State) and for States having more than 25 districts seed money was ₹ 50 lakh. For further strengthening the State CWF, it was decided (February 2010) that the State which are willing to establish a corpus of ₹ 10 crore, will be supported by the Central Government by contributing 75 per cent of that amount as Central share from the Central CWF.

The corpus was to be credited in separate account that can generate interest which could be utilised for providing financial assistance to Voluntary Consumer Organisations for activities such as production and distribution of literature and audio-visual material for spreading consumer literacy and awareness building programmes for consumer education; setting up facilities for training and research in Consumer education and related matters and building up infrastructural facilities for organising consumer education activities on a permanent basis at the District/Sub-Division level.

Government of Madhya Pradesh (GoMP), Department of Food, Civil Supplies and Consumer Protection, framed (August 2009) Madhya Pradesh State Consumer Welfare Fund Rules, 2009 (Rules) as per Para 4 (1) of these Rules, the State Consumer Welfare Fund would be established as a non-lapsable fund under the Public Account of the State which would be held in the Government Treasury as an interest bearing Personal Deposit (PD) Account as may be decided by the State Government.

Test check of the records of the Commissioner, Food, Civil Supplies and Consumer Protection (CFCS) (October 2014 and December 2015) revealed that GoMP made a budget provision of ₹ 22.50 lakh for the State CWF in 2005-06. Subsequently an amount of ₹ 24.75 lakh was received from GoI in 2006-07 and total amount was deposited in an interest not bearing Personal Deposit (PD) account (A/c No. 41). After receiving GoI's proposal for setting up of Corpus Fund, another PD account (A/c No. 50) was opened (September

2010) by CFCS under major head '8448-Deposits of Local Fund- 120 Other Deposits' and total amount of ₹ 10.47 crore<sup>46</sup> was deposited in this account.

Audit observed that the new PD account was opened under major head which was categorised as "Deposits not bearing Interest" under "K-Deposits and Advances" as per List of Major and Minor heads of Accounts issued by Controller General of Accounts. As such, treasury did not credit interest in this account later on, Finance department GoMP issued orders (December 2012) to pay interest on the amount deposited in this account at the rates allowed by the State Government from time to time. Subsequently interest ₹ 1.70 crore was credited in this account only on 01.10.2015 for the period of 07.12.2012 to 31.03.2015. However, from the date of opening of account to issue of orders for paying interest by Finance department (from 28.9.2010 to 6.12.2012) amounting to ₹ 1.34 crore<sup>47</sup> was not credited to the Corpus Fund.

Further scrutiny revealed that no activity was carried out by Department out of fund during 2011-14. The Consumer Welfare Fund Guidelines for Management and Administration, 2015 was finalised only after credit of interest. Thus, due to failure to comply with the rules for depositing the State Corpus Fund for Consumer Welfare in an interest bearing account, the fund was deprived of the interest amounting to ₹ 1.34 crore, delayed the implementation of activities to be carried out of Consumer Welfare Fund. Interest amounting to ₹ 1.34 crore was yet to be credited.

The matter was reported to the Government (May 2016). In the exit conference (November 2016), the Government verified facts and figures and stated that in view of the observation of audit, a proposal for sanction of payment of interest had been sent by department to the Finance department and sanction was awaited.

## MEDICAL EDUCATION DEPARTMENT

### 3.8 Irregular payments to private printers by using fake documents

**M.Y. Hospital Indore and J. A. Group of Hospitals, Gwalior made irregular payment of ₹ 79.50 lakh to private printers by using fake bill verification letters, certification seal and signature of Government printing press.**

Revenue Department, Government of Madhya Pradesh, Bhopal issued (June 2009) memorandum that all types of departmental printing works should be sent to the Government Printing Press for printing by all the Government Departments. The Controller, Government Printing and Stationery, Madhya Pradesh, Bhopal issued detailed instructions (August 2010) regarding procedure for departmental printing works which provided that demand letter for printing must be sent through speed post/registered post directly to

<sup>46</sup> Central share ₹ 7.50 crore, state share ₹ 2.50 crore and amount transferred from PD A/c.No.41 ₹ 47.25 lakh.

<sup>47</sup> Interest due from 28.9.10 to 31.3.11 ₹ 10.57 lakh; 1.4.11 to 31.3.12 ₹ 73.31 lakh; 1.4.12 to 6.12.12 ₹ 50.08 lakh .



Government printing press by the indenting office. In case, the printing work was to be outsourced by the Government printing press to any registered private printing press then endorsement copy of work order would be sent to indenting office. After receiving printed material from registered private printers, bills of private printers along with the sample of printed material would be sent to Government press for verification by indenting officer. Before making payment to the concerned private printer, the indenter would verify confidentially each verification note of Government press from Controller's office. Heads of Departments of the indenting offices were responsible for the compliance of these procedure to prevent any fraudulent payments to private printers on the basis of fraudulent verification note.

Further, Controller, Government Printing and Stationery (the Controller), Madhya Pradesh, Bhopal issued orders (September 2012) that printing orders for any type of printing work should be issued well in advance by all the Government departments and its sub-ordinate offices to the Government regional printing press concerned (Indore, Gwalior, Rewa) or Government printing press, Bhopal in terms of geographical demarcation. It was also mentioned that previous system of affixing the certification seal of examination committee on invoices/bills and use of earlier format for issuance of covering letter of bill had been dispensed with vide order dated May 2010.

During test check of records of offices of the Joint Director and Superintendent, Maharaja Yashwantrao Hospital (JD&S, M.Y.H.), Indore (October 2015) and the Joint Director and Superintendent, J.A. Group of Hospitals (JD&S, J.A.H.), Gwalior (February 2016), audit noticed that:

- M.Y. Hospital, Indore paid 195 bills of private printers amounting to ₹ 56.91 lakh for printing of various forms, booklets, discharge cards and envelopes etc. during March 2014 to March 2015. Audit scrutiny revealed that demand letters for printing of material were dispatched and then taken back by stationery clerk from dispatch clerk. Bills of printed material were given by stationery clerk to inward clerk for inward and thereafter taken back. Fake verification notes of Government printing press were certified by the Medical officer in charge of stationery branch and these bills of private printers were passed and paid.
- Similarly, eight bills of private printers amounting to ₹ 22.59 lakh were paid by J. A. Group of Hospitals during 2014-15 (details are given in *Appendix-3.8.1*). Audit observed that demand letters dated 24.09.2014 for printing of material were shown to be dispatched on 17.09.2014 in dispatch and expenditure register. Medical officer in charge of store had certified fake verification notes of Government printing press without actually receiving the printed material and bills of private printers were passed and paid. Stock registers with regards to purchases made by J.A. Group of Hospitals, Gwalior through 07 supply orders dated 24.09.2014 were not made available due to which it could not be ensured that printed material was actually received in the hospital.

Audit noticed that indents for above mentioned 203 printing orders were shown to be issued directly to the Controller, whereas these orders should have been issued to concerned Government printing press of Indore and Gwalior. Any evidence of dispatch of these indents to the Controller, was not

provided by both the Hospitals at the time of audit. Endorsement copies of work orders issued by Government printing press to registered private printers were also not available in the concerned Hospitals. None of 203 bills of private printers had any reference of orders issued from the Government printing press. Audit also observed that payment was made to private printers on the basis of certification seal and signature of examination committee on invoices/bills and covering letter from the office of the Controller whereas this procedure has already been dispensed with since May 2010.

All these facts indicated that both Hospitals had shown apparent compliance with the prescribed procedure for printing of stationary through the Government press, but the relevant documents produced in audit were contradictory.

During cross verification of invoices/bills, verification note on bills and covering letters relating to these 203 bills from office of the Controller, Government Printing and Stationery, M.P., Bhopal, Dy. Controller and Controller stated (January and March 2016) that indents for printing in these cases were not received from JD&S, M.Y.H., Indore and JD&S, J.A.H., Gwalior. As such, there was no question of following the process of issuing printing orders to private printers and verification of their bills in any of these cases. With reference to 195 cases of M.Y.H., Indore, Dy. Controller further stated that all the bill verification letters, certification seal and signature of Government printing press at the back of bills were entirely fake and these bills were not verified by members of the examination committee.

On this being pointed out by audit and after perusal of reply of the Dy. Controller, Government Printing and Stationery, M.P. Bhopal, JD&S, M.Y. Hospital, Indore stated (October 2015 and September 2016) that audit would be intimated after scrutiny. Further, after perusal of the reply of the Controller, Government Printing & Stationery, M.P. Bhopal, JD&S, J.A. Group of Hospitals, Gwalior stated (September 2016) that audit would be intimated after investigation.

Meanwhile, taking the cognizance of objection raised by audit, the Commissioner, Medical Education, MP, Bhopal has constituted (July 2016) an enquiry committee to investigate the matter.

The matter was reported to the Government (June 2016); their reply has not been received (January 2017).

## **PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT**

### **3.9 Short imposition of compensation**

#### **Six Divisions of Rural Engineering Services short levied compensation of ₹ 1.26 crore on contractors for delays in construction of rural road works under *Mukhya Mantri Gram Sadak Yojana*.**

*Mukhya Mantri Gram Sadak Yojana* (MMGSY) was introduced by the Government of Madhya Pradesh in 2010-11 for providing connectivity by way of all-weather roads to such unconnected villages which were not to be covered under the *Pradhan Mantri Gram Sadak Yojana*. Madhya Pradesh Rural Engineering Service (RES), an agency under the Panchayat and Rural

Development Department (PRDD) was responsible for construction of roads under the Scheme.

As per Clause 2 under Appendix 2.13 of Madhya Pradesh Works Department Manual and conditions of the contract, time allowed for carrying out the work would be strictly observed by the Contractor and would be reckoned from the day<sup>48</sup> on which the order to commence the work is issued to contractor. In the event of the failure of the contractor to execute works according to the timelines mentioned in the contract, the Executive Engineer (EE) had to levy compensation on the contractor at the rates specified in the contract (as detailed in *Appendix 3.9.1*).

PRDD directed (December 2004) that the sanction for time extension up to one month would be accorded by Executive Engineer and Chief Engineer would be fully competent to accord time extension for more than one month.

PRDD further instructed (April 2005) that detailed speaking orders, mentioning the delayed period and separately showing that period for which contractor was not responsible, should be issued by the Departmental officers in time extension cases and reasonable compensation should be levied as per provisions of the agreement after determining the period of delays for which contractor was responsible.

Scrutiny of records related to works under *Mukhya Mantri Gram Sadak Yojana* (MMGSY) in Six<sup>49</sup> Divisions of RES revealed that in 33 works<sup>50</sup>, completion time was extended ranging from three to 28 months for which penalty, amounting to ₹ 1.32 crore at prescribed rate was to be imposed on contractors as compensation amount whereas only ₹ 6.46 lakh was imposed resulting in short imposition of penalty amounting to ₹ 1.26 crore as detailed in *Appendix 3.9.2*.

Audit noticed that the cases for time extension with reasons (only in some cases) of delay were forwarded by respective EE to Superintending Engineer (SE), without levying any compensation on the contractors, with the recommendation to impose penalty for time extension period. SEs found that contractors were also responsible for time extension period but penalty, at prescribed rates, was not imposed by the SE towards time extension for delay in completion of works. Further, Audit observed that directions of PRDD issued in December 2004 were not incorporated in the conditions of the contract and SEs, though not competent, sanctioned time extension by imposing short penalty for compensation for delayed completion of works by violating the directions of the Department that time extension was to be sanctioned by the Chief Engineer. On audit enquiry the SEs Ujjain and Jabalpur replied (December 2016) that contractor alone was not responsible

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<sup>48</sup> Fifteenth day for those works where completion period is six months and thirtieth day where completion period is beyond six months.

<sup>49</sup> Executive Engineer RES, Dewas (November 2015), Harda (July 2015), Division No. 1 (October 2015) and Division No. 2 of Jabalpur (October 2015), Balaghat (February 2016) and Division No. 2 Chhindwara (March 2016).

<sup>50</sup> EE, Dewas (08 works); EE Harda (03 works); EE Division No. 1 Jabalpur (07 works), EE Division No. 2 Jabalpur (05 works), EE, Balaghat (02 works) and EE, Division No.2, Chhindwara (08 works).

for delayed completion of works. On the basis of departmental delay, reasons given by the contractors for delayed completion of work (**Appendix-3.9.3**) and consent of EE concerned thereon, appropriate compensation was levied. But, the period for which contractor was not responsible, was not found to be mentioned in the orders issued by SEs for imposition of compensation.

In the exit conference (November 2016), the Department replied that the procedure for imposing penalty for delayed completion of works is prescribed in Clause 2 under Appendix 2.13 of Works Department Manual 1983 and as per this clause the decision of the SE shall be final. SEs have exercised their powers keeping in mind the land related difficulties, not completion of earth work in MNREGS and unavailability of site at time etc.

Reply was not acceptable since SEs were not competent to grant time extensions. Short penalties were imposed by the SEs by ignoring provisions and conditions of the contract, to give undue benefit to the contractors. Further, speaking orders stating the period for which contractor was not responsible were not issued by SEs. Moreover, the reasons given by the contractors for time extension of work were not found to be satisfactory as contractors failed to give proportional progress of works as per Clause 2 of conditions of contract which attracts penalty as per prescribed rates.

Thus in violation of the directions of the Department, SEs un-authorisedly and arbitrarily favoured certain contractors in sanctioning time extension by imposing short penalties as compensation to give undue benefit to the contractors. Short levied amounts were recoverable and suitable action may also be initiated against SEs for their illegal action.

### **3.10 Extra expenditure**

**Amount of ₹ 82.79 lakh excess incurred on execution of works abandoned by contractors was not recovered by invoking risk and cost procedures by Executive Engineers, Rural Engineering Services, Panna and Jabalpur.**

The Clause 3 of Appendix 2.13 of Madhya Pradesh Works Department Manual provided for rescinding the contract and forfeiture of security deposit of the contract thereupon in case of work is left incomplete, abandoned or delayed beyond the permitted limit. Clause 3 (c) *ibid* further provided that "to measure up the work of the contractor and to take unexecuted works out of his hands, and to give it to another contractor to complete them. Any expenses which may be incurred in excess of the sum which would have been paid to the original contractor, if the whole work had been executed by him (of the amount of which excess certificate in writing of the Divisional Officer shall be final and conclusive) shall be borne and paid by the original contractor and may be deducted from any money due to him by Government under the contract or otherwise or from his security deposit or the proceeds of sale thereof or a sufficient part thereof." Further, Clause 2.075 (b) of the Works Department Manual stipulated that, "Work can be ordered to be taken up for execution departmentally and on piece work system upto ₹ five lakh by Superintending Engineer (SE) and above it by Chief Engineer (CE)".

Public Works Department, Government of Madhya Pradesh issued directions (May 2013) that excess cost of remaining works should be determined on the basis of tender rate after execution of contract for acceptance of tender invited for remaining work on risk and cost basis and excess cost should first be recovered, as per provisions of agreement, from the Government amount due to contractor who leave incomplete work then action for recovery through Revenue Recovery Certificate (RRC) should be taken to recover remaining amount.

(A). During test check of records (December 2015) of O/o the Executive Engineer (EE), Rural Engineering Services (RES), Panna it was noticed that work orders were issued (November 2010) to M/s Torus Software Infrastructure Private Ltd., Satna (original contractor) to complete construction work of roads and culverts within 12 months under Package Nos. 0902 and 0908 respectively at 16.11 *per cent* below SOR for tender cost ₹ 189.75 lakh and 05.11 *per cent* below SOR for tender cost ₹ 179.14 lakh. Original contractor was paid ₹ 43.08 lakh and ₹ 54.07 lakh respectively under Package No. 0902 and 0908. The works were not completed even after lapse of two years from due date and works were left uncompleted. The EE, RES, Panna rescinded the contract under Clause 3 and its sub clauses of the agreement under Package Nos. 0902 and 0908 in February 2014 and December 2013 respectively. Superintending Engineer (SE) gave approval (May 2014) for execution of remaining works on piece work system, whereas SE was not competent to give approval in these cases as it required the approval of the CE. Audit further noticed that due to execution of remaining works through piece work system on district SOR in these two packages, an extra cost of ₹ 53.92 lakh was incurred as compared to the rates of contract to the original contractor as detailed in **Appendix-3.10.1** which was recoverable from the original contractor.

(B). Scrutiny of records (October 2015) of O/o the Executive Engineer, Rural Engineering Services, Division No. 2, Jabalpur and further information collected (March 2016) revealed that work orders were issued (December 2010) to M/s R.K. Constructions, Tehsil Panagar, Jabalpur (original contractor) under Package Nos. 3302 and 3310 respectively at 13 *per cent* below SOR for tender cost ₹ 126.18 lakh and 0.10 *per cent* below SOR for tender cost ₹ 113.31 lakh to complete construction work of roads and culverts within 12 months. The original contractor had not started construction work under Package No. 3302 up to January 2012 and construction work of only two roads were started up to January 2012 under Package No. 3310 whereas nine roads were to be completed and the works were left incomplete. The EE, RES, Division No. 2, Jabalpur rescinded (January 2012) the contracts under the Clause 3 (c). The remaining works of Package No. 3302 were awarded (April 2012) to M/s Rajendra Prasad, Jabalpur on 19.26 *per cent* above SOR rates and the remaining works of Package No. 3310 were awarded (April 2012) to M/s Maa Rewa Shree Constructions, Jabalpur on 19.50 *per cent* above SOR rates. The excess amount of ₹ 37.03 lakh incurred on execution of remaining works was recoverable as risk and cost of the first contractor as detailed in **Appendix-3.10.2**.

The matter was reported to the Government (June 2016). In the exit conference (November 2016), the Government verified facts and figures of the



audit observation and stated that in RES, Panna an amount of ₹ 5.26 lakh deposited by original contractor at the time of contract had been forfeited and an amount of ₹ 13.30 lakh deducted from contractor's bill as security deposit, performance security and time extension amount has been retained in Deposit head and action for recovering this amount was in process. The balance amount ₹ 35.36 lakh would be recovered through RRC. In RES, Jabalpur an amount of ₹ 2.90 lakh deposited by first contractor as EMD has been recovered and remaining amount ₹ 34.13 lakh would be recovered through RRC. It has also been stated that as action for recovery through RRC would be taken by Collectors, it might take time. Reply for according approval for execution of remaining works in piece work by SE, Panna was not furnished.

The fact remains that the conditions of contract for recovery of excess cost from the amount due to the first contractor were not adhered to, due to which amount of ₹ 82.79 lakh towards risk and cost was not recovered from the original contractors. Progress of the works were not monitored by the concerned divisions. After rescinding the works, security deposits, performance security and other amount retained in Deposit head were not forfeited and effective and timely action for recovering the remaining amount through RRC was not ensured. Moreover, approval for execution of remaining works in piece works accorded by SE, Panna was also not in order.

## **PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT**

### **3.11 Fraudulent excess payment**

**J.P. Hospital, Bhopal made fraudulent excess payment of ₹ 48.67 lakh to laundry services for washing of linen clothes without actually verifying the details of linen clothes issued for washing by the concerned wards.**

Rule 193 of Madhya Pradesh Treasury Code (MPTC) provided that the Drawing and Disbursing Officer (DDO) would be responsible for drawing the admissible amount of claim from the treasury and its disbursement. Rule 198 of MPTC provided that the responsibility for an overcharge shall rest primarily with the drawer of the bill, in the event of culpable negligence on his part, recovery may be considered. Further, Rule 121 of Madhya Pradesh Financial Code (MPFC) provided that all material received should be examined, counted, measured or weighed as the case may be; when delivery is taken. The Government servant receiving the stores would also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

During test check of records (January 2016) and further information collected (May 2016) from office of the Civil Surgeon-cum-Hospital Superintendent (CS), J.P. Hospital, Bhopal related with the washing of linen clothes, audit noticed that linen clothes were given to M/s Mittal Laundry Services, Bhopal (Laundry Service) for washing. The firm submitted bills for the services rendered on monthly basis along with ward wise details of linen clothes washed during the month. The bills submitted by laundry service for washing of linen clothes were passed on the basis of verification letter of Secretary, *Rogi Kalyan Samiti* (RKS) and paid without actually verifying from concerned

wards whether number of linen clothes issued for washing tallied as that of ward wise details enclosed/claimed with the bills.

Audit scrutiny of ward wise details of linen clothes issued for washing (made available by 16 wards) and the ward wise details enclosed with the monthly bills (May 2014 to September 2015) of laundry service revealed that the firm submitted inflated bills for washing of 9,01,382 linen clothes as against the actual number of 2,21,523 linen clothes issued from various wards for washing. Thus, the firm submitted inflated bills for washing of 6,79,859 fictitious number of linen clothes which resulted in fraudulent payment of ₹ 48.67 lakh to the firm, as detailed in *Appendix-3.11.1*. The reason due to which DDO relied on verification statement of RKS without verification from concerned ward, was not evident from records. This indicated negligence on the part of the DDO and thus control mechanism as envisaged in the rules was not adhered to, which led to fraudulent payment.

On this being pointed out, the CS, J.P. Hospital, Bhopal stated that (January 2016) after investigation, audit would be intimated. He further stated (October 2016) that an investigating committee had been constituted (May 2016) and investigation report was still awaited.

The matter was reported (June 2016) to the Government. In the exit conference (October 2016), Principal Secretary, Public Health and Family Welfare, GoMP, Bhopal stated that after receipt of the investigation report, reply would be submitted to audit within 15 days and necessary action would be taken.

Thus, the CS, J.P. Hospital, Bhopal failed to exercise internal control and release payments to laundry services without ensuring verification of washed items from wards, which resulted in the fraudulent excess payment of ₹ 48.67 lakh.

### **3.12 Suspected embezzlement/fraudulent payment**

**Codal provisions for preparation of bills, receipt, verification and issue of stock were not followed/ensured by Civil Surgeon-cum-Hospital Superintendent, Betul which facilitated payment of ₹ 7.69 lakh on fake/fraudulently fabricated bills for supply of LPG cylinders.**

Rule 121 of Madhya Pradesh Financial Code (MPFC) provided that all material received should be examined, counted, measured or weighted as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government servant who should see that the quantities are correct and their quality good, and record a certificate to that effect. The Government servant receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register. Further Rule 397 of Madhya Pradesh Treasury Code (MPTC) provided that a reference to the page number of the stock register, in which such supplies or stores have been entered, should be given by the drawing officers on the bills of the suppliers, invoices, etc. It should also be certified that the rates paid are not in excess of accepted or market rates.

Rule 10 of MPFC envisaged that each Head of the Department is responsible for enforcing financial orders and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers. Rule 306 of MPTC provides that disbursing officer must obtain valid quittances for all payments.

Civil Surgeon-cum-Hospital Superintendent (CS), Betul has two domestic gas connections with consumer Nos. 704529 and 600631 from Shivalaya Sona H.P. Gas Service (Gas Agency), Betul to provide cooked food to indoor patients.

During scrutiny (August 2015) of vouchers for the period 08/2013 to 07/2015 of office of the CS, Betul, audit noticed that LPG cylinders were booked telephonically without prior approval of CS. Out of 624 LPG cylinders, 540 LPG cylinders were shown to be purchased by submitting hand written bills of the gas agency. The payment of ₹ 7.29 lakh for purchase of LPG cylinders was made in bank account of three employees as detailed in **Appendix-3.12.1**. On cross verification of these supplies with the Gas Agency, Director Gas Agency stated (August 2015) that these hand written bills were not issued by them and payment of supplies made on computerised bills only were received. It was also noticed that 97 out of 540 LPG cylinders which were shown to be purchased on hand written bills costing ₹ 1.18 lakh were not entered in the stock register, which indicated that cylinders shown to be purchased were not actually received. In the stock register there was no entry regarding release of cylinders. These purchases were fraudulently shown on paper only and payments were made in Bank Account of the employees as detailed in **Appendix-3.12.2**.

Audit further noticed that during the period 12/2012 to 07/2015 only 84 LPG cylinders were supplied by the Gas Agency for above two connections. On comparing the rate of gas cylinders for these 84 cylinders intimated by the Gas Agency, it was observed that in seven cases higher rates were claimed and number of supplied gas cylinders were manipulated through fraudulently prepared hand written bills and an excess amount of ₹ 40,369 was fraudulently paid to employees for purchase of 45 LPG cylinders as detailed in **Appendix -3.12.3**.

Thus, LPG cylinders were purchased and payment was made on the basis of hand written bills without verifying invoices presented for payment and stock entries with the certificate mentioned on the bills. As Gas Agency had denied to supply gas cylinders through hand written bills, the expenditure amounting to ₹ 7.69 lakh comes under the category of suspected embezzlement.

In the exit conference (October 2016), the Government stated that during investigation it was found that domestic gas bills were tempered and converted into commercial gas bills and excess payment was drawn. An amount of ₹ 40,369 excess drawn for purchase of LPG cylinders has been deposited through challan. Presently all gas agencies issue computerised bills and issue of handwritten bills by the Gas Agency for supply of LPG cylinder was doubtful, therefore, information regarding verification of handwritten suspected bills has been called for from Gas Agency and amount of fraudulent gas bills would be recovered from the officials after receiving the verification

of suspected handwritten bills by the concerned Gas Agency. Disciplinary action was being taken against the erring officials.

It was further stated that letters have been issued to District Food and Civil Supplies officers to streamline the system of supply of gas cylinders to Government hospitals and making payment to Gas Agency through electronic medium.

### **3.13 Stamp duty short/not levied and registration not done**

#### **Government was deprived of revenue of ₹ 93.76 lakh due to short/non levy of stamp duty and failure to register lease deeds.**

Section 33 (c) of Schedule 1-A of Indian Stamp Act (IS Act), 1899, provides for levy of stamp duty at 8 *per cent*<sup>51</sup> on conveyance on a lease deed where the lease is granted for a premium in addition to rent fixed at the rates prescribed from time to time therein. Further, as per Article II of Table of Registration fees annexed to the Registration Act, 1908, Registration fee is leviable at three fourth of the stamp duty. Section 17(d) of the Registration Act, 1908 provides that the registration of documents of leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent is compulsory. Besides, Section 33 of the IS Act provides that it would be obligatory on every person in charge of a public office to impound cases which are unduly stamped and initiate action to get it duly stamped.

Para 3.1.3 of the Comptroller and Auditor General of India's Report No. 3 of 2015 and Para 3.1.6 of C&AG of India's Report No. 1 of 2016 have highlighted short levy of stamp duty and non-registration of lease deeds by *Rogi Kalyan Samitis*.

Directorate, Health Services Madhya Pradesh issued direction (August 2014) to all Chief Medical and Health Officer (CMHOs) and Civil Surgeon-cum-Hospital Superintendents (CSs) to estimate the loss incurred and issue notices to all the concerned to deposit the remaining stamp duty. CMHOs and CSs were directed to deposit the balance amount and to submit the compliance report within 15 days.

During scrutiny of records of CMHO Ashok Nagar (July 2015), Civil Hospital Garoth and Community Health Centre Shamgarh under CMHO Mandsaur (March 2015 and July 2016) relating to the allotment of shops, audit noticed that the *Rogi Kalyan Samities* (RKSs) of these health institutions had rented out shops to private individuals at the highest premium. These RKSs had rented out total 109 shops<sup>52</sup> on 35/36-months basis with provisions for further extension of period and revision of rent by 10 to 25 *per cent* after every three years and as per conditions of auction agreement/ lease deeds were to be executed. In these cases, the allotment was done on premium/offset price in addition to rent fixed for three/ten years, which was revisable from time to time. According to Section 33 (c) *ibid*, an aggregate stamp duty of ₹ 53.61 lakh was payable on the basis of premium/offset price on the executable

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<sup>51</sup> Revised to 7.5 *per cent* w.e.f. 1 July 1997, 8 *per cent* w.e.f. 1 July 2002, 7.5 *per cent* w.e.f. 1 April 2008 and 5.0 *per cent* w.e.f. 1 April 2011.

<sup>52</sup> CMHOs Mandsaur (103 Shops) and Ashok Nagar (06 Shops).

instruments as detailed in **Appendix-3.13.1**. Audit noticed that for 50 shops of Civil Hospital, Garoth and five shops of Community Health Centre, Shamgarh under CMHO, Mandsaur no agreement was executed by RKS and for remaining shops the instruments were executed on stamp papers of ₹ 50 to ₹ 150 only and stamp duty of ₹ 5,300 was levied on these instruments resulting in short/non levy of stamp duty of ₹ 53.56 lakh. Audit further observed that these executable/executed instruments were also required to be registered and Registration fees amounting to ₹ 40.20 lakh was leviable, which could not be realised. Thus, the Government was deprived of revenue of ₹ 93.76 lakh. This indicated failure of the CM&HOs and CS in discharging their duties for the purpose of the IS Act inspite of instructions of Directorate, Health Services. The short/non levy was not noticed by the Registration Department because the deeds were not registered by the Public Health and Family Welfare Department.

The matter was reported to the Government (April 2016). In the exit conference (October 2016), the Government verified the fact and figures of audit observation and intimated that as per business rules the recoveries had been handed over to Registration Department and Inspector General Registration has also been intimated accordingly.

Thus due to failure of CMHOs in implementing provisions of IS Act and Registration Act, the Government was deprived of revenue of ₹ 93.76 lakh due to short/non levy of stamp duty and non-registration of lease deeds.

### **3.14 Unauthorised expenditure**

**Unauthorised expenditure of ₹ 1.39 crore was incurred by Civil Surgeon-cum-Hospital Superintendents Barwani and Sagar and Civil Surgeon, Jai Prakash Hospital, Bhopal on outsourcing of excess cleaning staff in violation of prescribed norms.**

The State Government started *Kayakalp Abhiyan* with main objective to provide tidy arrangements and cleanliness in all the hospitals. The Director, Health Services (DHS), Madhya Pradesh, Bhopal issued directions (April 2013) to strengthen the cleaning arrangements in the Government hospitals which provided that house-keeping facilities would be arranged through outsourcing by open tenders in the Government hospitals of the State. Strength of cleaning staff was prescribed on the basis of number of beds in the hospitals. The number of cleaning staff was to be calculated by deducting the number of cleaning staff already posted in the health institutions by the Department or through any other source. Cleaning staff in excess of the prescribed norms would be deployed only in cases of urgency and under special circumstances by obtaining the prior approval of the next higher authority i.e. Joint Director, Health Services.

During test check of records of the Civil Surgeon cum Hospital Superintendent (CS), Barwani (June 2015) and, Sagar (December 2015) and CS, Jai Prakash Hospital, Bhopal (January 2016), audit noticed that total number of cleaning staff prescribed as per strength of beds in the hospitals was outsourced and number of staff already deployed in these hospitals was not deducted. Thus number of cleaning staff outsourced was in excess of the



prescribed norms, as detailed in **Appendix-3.14.1 and 3.14.2**. Moreover, the approval for deployment of excess cleaning staff was also not taken from the higher authority. Thus, these hospitals incurred unauthorised expenditure of ₹ 1.39 crore on outsourcing of excess cleaning staff in violation of prescribed norms.

On this being pointed out, the CS, Barwani stated (September 2016) that letter was written (January 2015) to Directorate, Health Services, Bhopal to outsource more employees than prescribed number but approval was still awaited. The CS, Sagar stated (September 2016) that sanction for excess deployment of staff was not obtained. The CS, (J.P. Hospital) Bhopal stated (September 2016) that 90 cleaning staff were working in place of 66 as per verbal instructions of the Principal Secretary, Health. Further, stated that Director Health Services, Bhopal was requested to accord post-facto approval, which was still awaited.

The matter was reported to the Government (June 2016). In the exit conference (October 2016), the Government replied that in district hospital, Barwani as per 400 bedded hospital three cleaning staff were found in excess with ₹ 3.64 lakh excess expenditure; in district hospital, Bhopal as per 300 bedded hospital, 36 cleaning staff were found in excess with ₹ 33.91 lakh excess expenditure and in district hospital, Sagar, as per 400 bedded hospital, 12 cleaning staff were in excess with ₹ 14.98 lakh excess expenditure. Other necessary data were being collected and complete reply would be furnished shortly. However, any order in respect of upgradation of number of beds in district hospitals Barwani and Sagar was not provided.

Reply furnished by the Government was not acceptable as the approval of higher authority for outsourcing of excess cleaning staff was not accorded and in respect of district hospitals Barwani and Sagar deployment of excess cleaning staff by assuming 400 bedded hospital was not justified.

## **PUBLIC HEALTH ENGINEERING DEPARTMENT**

### **3.15 Undue favour to contractor**

**The minimum time limit prescribed for submission of tenders through e-tenders was not adhered to by office of Executive Engineer, Public Health Engineering, Shivpuri, in awarding departmental works of estimated cost of ₹ 2.61 crore which led to undue favour to participating contractors.**

According to order issued (February 1992) by the Engineer-in-Chief, Public Works Department, Madhya Pradesh, Bhopal for construction works costing more than ₹ two lakh and up to ₹ 25 lakh it was mandatory to place advertisements in one Hindi and one English news paper of State level besides two local news papers (one Hindi and one English). Engineer-in-chief, Public Health Engineering Department (PHE), Madhya Pradesh, Bhopal re-iterated (June 2005) the directions of the Government that the time limit for receipt of tenders from the date of tender notice should be 15 days in case of first tender call and 10 days in case of second and subsequent tender calls. It was also

directed that strict compliance of these instructions should be ensured otherwise disciplinary action may be initiated.

Public Works Department, Government of Madhya Pradesh decided (May 2012) that all the tenders should be invited through e-tendering. However, Public Health Engineering Department, exempted (February 2014) departmental construction works (except drilling of tube wells) up to ₹ two lakh from the process of e-tendering.

During scrutiny of records (March 2015 and June 2016) of office of the Executive Engineer (EE), Public Health Engineering, Shivpuri relating to tendering process it was noticed that during May 2014 to November 2014, e-tenders for 32 departmental construction works of total estimated cost of ₹ 2.61 crore were invited. Under e-tendering system, bidders were required to download the required documents/tender schedule from the Portal and to prepare and upload the required bid documents to submit their bids online on the Portal along with the scanned copy of Demand Draft of Earnest Money Deposit (EMD) and has to sign digitally. Audit observed that for online submission of these e-tenders, in 28 cases time ranging from only 20 minutes to an hour was allowed, in three cases 14 hours 43 minutes to one day and in one case 10 days' time was allowed, whereas minimum 15 days' time was to be allowed for submission of tenders (Details are given in *Appendix-3.15.1*).

Audit further noticed that e-tendering in most of the cases was processed in late hours around midnight due to which only one to two tenderers could participate in e-tendering of these works and works were awarded to the contractors in the first call. Tender notices were published only in local Hindi news papers and not in the State level news papers. Moreover, very short span of time was allowed for submission through e-tendering (in most of the cases in the midnights) due to which only limited number of tenderers could participate and benefit of competition was not ensured. Thus, prescribed minimum time limit for submission of e-tenders was not adhered to, which led to undue favour to the participating tenderers.

On this being pointed out the EE, Shivpuri stated (March 2015) that several tenders of this type were submitted to higher office and sanctions were accorded without any objection regarding the time limit. He further stated that due to excessive work, dongle and password were handed over to the tender in-charge. Compliance of on-line process would be ensured in the future.

The Department stated (August 2016) that two member's committee enquired the highlighted irregularities and found that proper purchase time was not allowed. The Executive Engineer unofficially gave his user ID and Password to then Divisional Accounts Officer and Assistant Draftsman. These officials were doing the work of tender on behalf of EE. The EE was also guilty for authorising Divisional Accounts officer to handle the tender in place of an Assistant Engineer. Report has been submitted to the Government for conducting detailed Departmental Enquiry against the concerned officials.

Fact remains that the instructions for allowing minimum time limit for receipt of tenders and thus ensuring wide dissemination was not adhered to, which led to undue favour to the contractors in awarding departmental works through e-tenders in the first call.

The matter was reported to the Government (June 2016); their reply has not been received (January 2017).

## SCHOOL EDUCATION DEPARTMENT

### 3.16 Irregular retention of *Sarva Shiksha Abhiyan* fund

**District Project Co-ordinator, *Zila Shiksha Kendra*, Vidisha released subsequent instalments for construction works in schools under *Sarva Shiksha Abhiyan*, without ensuring evaluation of work done by previous instalment which led to irregular retention of ₹ 1.59 crore by construction agencies.**

According to directions issued (September 2005) by Rajya Shiksha Kendra, Madhya Pradesh, Bhopal for construction works in Schools under *Sarva Shiksha Abhiyan* (SSA), *Zila Shiksha Kendra* would release the fund directly to construction agency. Gram Panchayats were made the construction agency for all the village level construction works sanctioned under SSA.

Administrative sanctions for the construction of new schools and improvement of infrastructure of existing school buildings were issued by *Zila Shiksha Kendra* according to annual work plans of *Sarva Shiksha Abhiyan* with the conditions that 50 per cent of construction cost as first installment would be provided in bank account of concerned *Gram Panchayats* opened for construction work under SSA. The second instalment of 35 per cent was to be released after utilisation of first instalment and evaluation of work by Sub Engineer. Third installment of the remaining 15 per cent was to be released after utilisation of second installment and evaluation by Sub Engineer. Concerned *Gram Panchayat* was responsible to start the work and complete it within the stipulated time of three/four months.

Test check of records (September 2015) relating to construction of new schools and improvement of infrastructure of existing school buildings in the office of District Project Co-ordinator (DPC), *Zila Shiksha Kendra*, Vidisha and further information collected (December 2016) in respect of incomplete works, Audit noticed that in seven blocks of the district, for 151 works funds amounting to ₹ 486.99 lakh were sanctioned during 2007-08 to 2013-14. Total amount of ₹ 381.19 lakh was provided in three installments<sup>53</sup> to *Gram Panchayats* for these construction works. The total valuation amount of work done for these incomplete works was ₹ 196.30 lakh whereas concerned construction agencies i.e. *Gram Panchayats* withdrew an amount of ₹ 355.14 lakh from their respective earmarked bank accounts out of total funds of ₹ 381.19 lakh provided to *Gram Panchayats*. This indicated that without ensuring the evaluation of constructed work, subsequent instalments were released to construction agencies resulting in irregular withdrawal in excess of evaluation amount by the construction agencies as detailed in **Appendix 3.16.1**. Excess drawn amount was not recovered from the construction agencies. During joint physical verification it was noticed that out of 151 works, 24 works were not started, for 100 works construction work was

<sup>53</sup> ₹ 250.75 lakh, ₹ 125.33 lakh and ₹ 5.11 lakh as first, second and third installment respectively.

stopped for three to four years, 22 works were in progress and 05 works were completed for which amount drawn in excess of valuation amount was recoverable (details are given in *Appendix 3.16.2*). Further, audit noticed that in 13 cases of Block Lateri, the Court had passed orders (June-July 2015) to recover the excess drawn amount from the then office bearers of *Gram Panchayat* as arrears of land revenue but the recovery was not made (*Appendix 3.16.1*). These works were lying incomplete for two to eight years whereas these were to be completed during the same year (year wise detail of incomplete works given in *Appendix 3.16.3*).

Thus, due to non-observance of instructions of *Rajya Shiksha Kendra* and lack of supervision and monitoring, subsequent installments were released without ensuring evaluation of work done by the previous installment which led to irregular excess withdrawal of ₹ 158.84 lakh by the concerned *Gram Panchyats*. The excess drawn amount remained un-recovered besides the students were also deprived of the intended benefit of construction of school building/additional rooms.

In the exit conference (November 2016), the Government verified the facts and figures of audit observation and stated that process of recovery by submitting cases to the Hon'ble Court of Sub Divisional Magistrate was under process. Show cause notices have been issued to Assistant Engineers and Sub Engineers concerned for works not started and incomplete works.

As the subsequent instalments were to be released after utilisation of previous installment and evaluation of work done by concerned Sub Engineer and the works were to be completed within a stipulated period of three to four months, laxity on the part of DPC, *Zila Shiksha Kendra*, Vidisha was obvious. Had DPC, *Zila Shiksha Kendra* been vigilant about utilisation of funds and monitored the progress of works, irregular retention of ₹ 158.84 lakh (44.73 per cent of withdrawn amount) by the construction agencies could have been avoided.

## TECHNICAL EDUCATION AND SKILL DEVELOPMENT DEPARTMENT

### 3.17 Fraudulent payment

**Fraudulent double payment amounting to ₹ 2.25 lakh was made to Vocational Training Providers for the same training courses by the Chief Executive Officer, Madhya Pradesh Council for Vocational Education and Training, Bhopal.**

In order to provide vocational training to early school leavers and existing workers, Skill Development Initiative Scheme (SDIS) was launched (May 2007) by Ministry of Labour and Employment, Government of India (GoI). Training under SDIS was provided by various Vocational Training Providers (VTPs) registered under Central Government, State Governments, Public and Private Sector and Industrial Establishments/Institutes etc. Training cost was reimbursed to VTPs as per rate fixed by the Director General of Employment & Training (DGE&T), Ministry of Labour and Employment, GoI from time to

time. Para 7.11 of Operations Manual for SDIS issued by DGE&T, provided that after training and assessment, VTPs shall submit bills for payment/reimbursement of training costs to the concerned Directorate of the State.

Rule-193 of MPTC provided that the Drawing and Disbursing Officer (DDO) would be responsible for drawing the admissible amount of claim from the treasury and its disbursement. Further Rule-198 of MPTC provided that the responsibility for an overcharge shall rest primarily with the drawer of the bill, in the event of culpable negligence on his part, recovery may be considered.

During test check of records (December 2015) related with the training imparted under SDIS in office of the Chief Executive Officer (CEO), Madhya Pradesh Council for Vocational Education and Training (MPCVET), Bhopal audit noticed that for each batch of training an unique Training Batch Number (TBN) was being generated on-line through portal. However no record was found to be maintained in respect of details of participants of training and batch wise attendance sheet of the trainees. Scrutiny of vouchers revealed that double claims towards reimbursement of training cost amounting to ₹ 2.25 lakh for the same batch of training with same TBN, pertaining to same period and same course were passed and paid to two VTPs<sup>54</sup> registered under MPCVET, Bhopal as detailed in the *Appendix 3.17.1*. In both cases audit observed that claim No. 00388551 amounting to ₹ 90,000 of Goodwill Advance Academy, Chhindwara was fraudulently manipulated by overwriting on tens digit to make it claim No. 00388531 and was passed and paid. Similarly claim No. 00494591 amounting to ₹ 1,35,000 of *Mousam Gramin Utthan Samaj Seva Samiti*, Sehore was also fraudulently manipulated by overwriting on tens digit to make it claim No. 00494581 and was passed and paid. Thus, DDO could not trace the manipulated bills and amount of ₹ 2,25,000 (₹ 90,000 + ₹ 1,35,000) for double bills were passed and paid to two VTPs for the same training courses which resulted into fraudulent double payment to the tune of ₹ 2.25 lakh.

On this being pointed out, Additional Director, MPCVET, Bhopal stated (July 2016) that Goodwill Advance Academy, Chhindwara had accepted to receive excess payment for wrong claim and excess paid amount of ₹ 90,000 has been recovered. Further stated (October 2016) that *Mousam Gramin Uthan Samaj Seva Samiti*, Sehore was directed to produce records but the relevant record were not submitted by them due to which investigation could not be done. On receiving the records from the VTP concerned, investigation process would be completed and audit would be intimated accordingly. The Government also endorsed (September 2016) the reply furnished by Additional Director, MPCVET, Bhopal.

Thus, the claim passing authority failed to verify claims with reference to Claim No., Training Batch No., name of the course and course code and the period of training before passing bills which resulted to fraudulent double payment amounting to ₹ 2.25 lakh to VTPs for the same batches and same course of training conducted during same period.

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<sup>54</sup> Goodwill Advance Academy, Chhindwara and Mousam Gramin Utthan Samaj Seva Samiti, Sehore.



### 3.18 Avoidable Expenditure

**Government Polytechnic College, Hoshangabad incurred unwarranted expenditure of ₹ 92.42 lakh on construction of a new girls' hostel building though the existing 50-seated girls' hostel was vacant since the completion of its construction at a cost of ₹ 91.74 lakh in April 2008.**

Rule 9 (i) of the Madhya Pradesh Financial Code (MPFC) provides that every Government Servant is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Rule 10 of the MPFC also provides that allotted funds should be utilised economically at every step. Head of the department is responsible for observance of all relevant financial rules and regulations both by his own office and subordinate disbursing officers.

During test check of records (September 2015) of Principal, Government Polytechnic College, Hoshangabad (Principal) it was noticed that Government of Madhya Pradesh, Technical Education and Skill Development Department accorded administrative sanction (March 2006) of ₹ 75 lakh for construction of 50 seated girls' hostel at Government Polytechnic College, Hoshangabad which was revised (January 2008) for ₹ 83.82 lakh. The construction work of hostel was executed by M P Housing Board, Sub Division, Hoshangabad with a cost of ₹ 91.74 lakh and possession of hostel building was taken by the Principal in April 2008. However, furniture or beds for the hostel was not purchased and staff for running of hostel was also not sanctioned/appointed. Audit noticed that 14 hostel rooms<sup>55</sup> out of 31 rooms of girls' hostel were being used (up to November 2015) for office and classes of the college and the remaining rooms were lying vacant. Though one course, Modern Office Management was being conducted in college with 60 sanctioned seats and number of girls in this course, enrolled during 2008-09 to 2015-16 ranged from 36 to 69, no girl student was allotted accommodation in the hostel since its construction. College administration made no efforts for allotting hostel accommodation to girl students since construction of hostel building.



Old Hostel Building



New Hostel Building

Further, scrutiny of records and information collected (January 2016 and August 2016) revealed that Principal submitted information (July 2010) to the

<sup>55</sup> For Principal:01; for Library:01; for classes:03; for office:03; Store room:01; Computer room:01; for computer lab:03 and for education branch:01 room.

Director, Technical Education, Bhopal indicating requirement of another 50 seated girls' hostel. There was nothing on record to ascertain the justification for projection of new girls' hostel, as the existing girls' hostel was not utilised since its construction. Technical Education and Skill Development Department, Government of MP accorded administrative approval (January 2012) of ₹ one crore for construction of 50 bed new Girls' Hostel under Centrally sponsored scheme "Women's Hostels in Polytechnics" and M.P. Public Works Department was nominated as construction agency. Construction work has already been completed and the building was taken over (January 2016). The utilisation certificate of ₹ 92.42 lakh was submitted (December 2015) by construction agency.

Thus, the Department sanctioned construction of a new 50-seated girls' hostel for the College on the basis of erroneously projected requirement for additional 50-seated girls' hostel, despite the fact that existing 50-seated hostel was without any occupancy since completion of its construction in April 2008. The unwarranted construction of new hostel led to avoidable expenditure of ₹ 92.42 lakh.

On this being pointed out, the Government replied (June 2016) that girls' hostel building could not be utilised as only one course was running in the college and admission was taken by only local girl students. It was also stated that the process for starting four new courses was under progress and new girls' hostel could be used after starting of five courses in the college.

Reply was not acceptable because proper assessment of requirement of hostel was not done before taking decision of construction of new hostel by responsible authorities and an avoidable expenditure of ₹ 92.42 lakh was incurred on its construction and there was nothing on record regarding justification for construction of new girls' hostel. Moreover, already existing 50-seated girls' hostel was not utilised for intended purpose even after more than seven years of its construction, thereby rendering an expenditure of ₹ 91.74 lakh unfruitful.

## **TRIBAL WELFARE DEPARTMENT**

### **3.19 Loss of interest**

**The instructions of the Assistant Commissioner, Tribal Development, Barwani to the bank to not provide any interest on the amount deposited in the bank led to loss of ₹ 1.78 crore to the Public Account.**

The Finance Department, Government of Madhya Pradesh (May 2011) issued instructions that it was responsibility of the Drawing and Disbursing Officer to deposit the interest earned on the money withdrawn from the Consolidated Fund and deposited in bank account(s), under the "0049 receipt head", till 15<sup>th</sup> April of each financial year unless there were instructions for utilisation of interest for specific scheme.

During test check (April 2016) of records of the Office of Assistant Commissioner, Tribal Development (ACTD), Barwani, and information further collected (October 2016) audit noticed that a saving bank account

number 023910200011461 in Narmada Jhabua Grameen Bank, Barwani was being operated in name of ACTD. Funds pertaining to various schemes like electrification, Basti Vikas, etc. were deposited in this bank account and as this was a saving bank account, interest was being credited by the bank to this account. Audit observed that while ACTD was in the charge of the office, a letter was issued (July 2012) to the bank by Shri K.B.S. Chauhan, Area Organiser (AO) with the seal of ACTD, to not provide any interest on the amounts deposited in the bank account from 2010-11. The letter was issued without obtaining approval of ACTD. As the account was operated by ACTD and AO was not authorized to operate the account, the bank authorities should have verified the authenticity of the letter by verification of signature on the letter or through obtaining re-confirmation from ACTD before taking any action. But the bank authorities did not verify authenticity of the letter and stopped credit of interest. Bank also made a reverse entry and debited previously accrued and credited interest upto September 2012 amounting to ₹ 30.89 lakh. Audit found that if the bank would not have reversed the credit entry and stopped further credit of interest, interest amounting to ₹ 1.78 crore would have been credited to the account till 25.05.2016. Thus in gross violation of instructions of Finance Department, letter was unauthorisedly issued by A.O. with designation and seal of the ACTD to the bank to stop credit of interest which resulted into loss of ₹ 1.78 crore to the Public Account.

On this being pointed out by the audit, the ACTD accepted (April 2016 and May 2016) the facts and stated that correspondence would be made with the bank for obtaining the interest on the saving account. The bank has intimated (October 2016) that action for credit of interest would be taken after receiving directions from higher office.

The fact remains that the highly irregular action of the Shri K.B.S. Chauhan, Area Organiser in violation of instructions issued by Finance Department, the Government lost interest amounting to ₹ 1.78 crore on the funds deposited in the bank account and Public Account was deprived of the receipts of ₹ 1.78 crore. Possibility of collusion between bank authorities and the then Area Organiser also could not be ruled out. No disciplinary action was taken by department against the erring officers for causing this obvious loss to the Government and favouring the Bank.

The matter was reported to the Government (June 2016); their reply has not been received (January 2017).

### 3.20 Unfruitful Expenditure

**Expenditure amounting to ₹ 3.59 crore incurred on establishment of 2,846 village grain banks in five districts was rendered unfruitful besides loss of ₹ 15.75 crore on account of cost of food grains due to not functioning of these village grain banks.**

Ministry of Consumer Affair, Food and Public Distribution, Government of India (GoI) revised (February 2006) the Village Grain Bank scheme. The revised scheme envisaged inclusion of all willing Below Poverty Line and *Antyodaya Anna Yojana* families in the villages identified by the State Governments as chronically food deficit areas. The main objective of the

scheme was to provide safeguard against starvation during the period of natural calamity or during the lean season when the marginalized food insecure households did not have sufficient resources to purchase the rations. Such people in need of food grains would be able to borrow food grains from Village Grain Banks set up within the village. The estimated cost of each grain bank was ₹ 0.60 lakh<sup>56</sup>. In Madhya Pradesh, the scheme was implemented by Mission Director, Rajeev Gandhi *Khadyan Surksha* Mission which was functioning under the administrative control of the Commissioner, Tribal Development Department (CTD). The scheme provided for establishment of one grain bank for every 40 families in tribal areas. The food grains borrowed from the grain banks was to be returned by the beneficiaries (a) in the form of food grains, or (b) in the form of food grains or wages receivables for work, or (c) in cash for maintaining rotation of food grains. Grain Bank Committees were made responsible (February 2006) for implementation of the scheme at village level. Each group of 30-40 families would establish a Grain Bank Committee out of which an Executive Committee consisting of 3 to 5 persons including at least a women was to be formed for effective participation and management of grain bank. Assistant Commissioners, Tribal Development (ACTD)/District Organisor Tribal Welfare (DOTW) and the Chief Executive Officer, *Janpad Panchayat* would be responsible (November 2006) for implementing the scheme. The monthly progress report was to be sent by the AC to the CTD on the 10<sup>th</sup> of the subsequent month. Quarterly progress report in respect of operation of grain banks was required to be sent to GoI. The state government was responsible for evaluating the functioning of the grain banks as per the guidelines issued by the GoI.

During scrutiny of records (October 2014 and May 2015) of Mission Director, *Rajeev Gandhi Khadyan Surksha Mission*, Bhopal, (Director), and further follow up scrutiny (July 2016) audit noticed that the GoI sanctioned 4240 grain banks in 21 districts in the State during 2006-07 to 2010-2011. Since 2011-12, the GoI did not sanction any new grain bank. Scrutiny regarding operational position of grain banks in five<sup>57</sup> districts revealed that out of sanctioned 2,972 grain banks, 2,846 grain banks were established by incurring an expenditure of ₹ 3.59 crore and ₹ 15.75 crore<sup>58</sup> were provided for cost of food grains as detailed in **Appendix-3.20.1**. Audit found that all 2,846 grain banks of these five districts were not functioning. Audit observed that after distribution of food grains to intended beneficiaries it was not returned by them and there was no record regarding entry in the ration cards at the time of distribution. Functioning of the Scheme was not monitored as monthly progress reports and any information regarding operation of grain banks were

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<sup>56</sup> Out of ₹ 0.60 lakh, ₹ 0.14 lakh for establishment expenses out of which ₹ 12,200 was central share for cost of storage, training, monitoring and transportation charges; ₹ 1,800 was to be provided by State govt. on account of transportation charges and rest amount (₹ 0.46 lakh) for 40 quintals food grain.

<sup>57</sup> Mandla (August 2015), Dindori (July 2015), Sehore (May 2015), Jhabua (May 2016), Barwani (May 2016) and Mission Director, *Rajeev Gandhi Khadyan Surksha Mission*, Bhopal (July 2016).

<sup>58</sup> Cost of food grain has been worked out on the basis of UCs furnished by district authorities regarding quantity of food grain utilised for establishment of grain bank sand GoI is economic cost of food grain.

not available in ACTD/DOTW offices. Monthly progress reports were also not sent to the CTD by ACTDs/ DOTWs. The Directorate has no information regarding the present status of operation of the grain banks in the State. Thus the expenditure amounting to ₹ 3.59 crore incurred on establishment of 2,846 grain banks was rendered unfruitful besides loss of ₹ 15.75 crore on account of cost of food grains.

On this being pointed out in the audit the Director stated (October 2014) that there was lack of interest of villagers in Grain Bank operation and the scheme has also become ineffective due to implementation of the Food Security Act. It was further stated (May 2015 and July 2016) that instructions for regular operation and supervision of grain banks were issued at the time of establishment of grain banks. Operational position of the grain banks was not clear as monthly progress reports and information regarding operation of grain banks were not being received from the districts. Letters were being regularly issued to district Collectors regarding grain bank and action was being taken against those district officers who were not furnishing information.

The replies of the Director were not acceptable because functioning of the grain banks was not monitored and evaluated at ACTDs/DOTWs and CTD levels. The village grain banks were established during 2006-07 to 2010-11, i.e. prior to introduction of National Food Security Act (NFSA), which was implemented with effect from September 2013. NFSA had also provided for reforms in targeted public distribution system, which included support to local public distribution models and grain banks.

The matter was reported to the Government (May 2016); their reply has not been received (January 2017).

## URBAN DEVELOPMENT AND ENVIRONMENT DEPARTMENT

### 3.21 Blockade of funds

**Due to abnormal delay in execution of works of core components, the project “Abatement of Pollution and Environmental Improvement of Sagar lake”, had been abandoned and an amount of ₹ 7.70 crore remained blocked for more than nine years.**

National Lake Conservation Plan (NLCP) was being implemented by the Ministry of Environment and Forests, GoI, New Delhi since 2001 for conservation and management of polluted and degraded lakes with the main objective to encourage and assist the State Governments for sustainable management and conservation of lakes.

During test check of records (January 2016) and further information collected (June 2016) from office of the Executive Director, Environmental Planning and Coordination Organisation (EPCO), Bhopal relating to the project Abatement of Pollution and Environmental Improvement of Sagar Lake (Project) under NLCP, audit noticed that National River Conservation Directorate, Ministry of Environment & Forests (NRCDD, MoEF), GoI, New Delhi issued (March 2007) Administrative approval and Expenditure Sanction amounting to ₹ 21.33 crore for the project and released Grant-in-aid of ₹ 4.00



crore towards mobilisation advance. The Scheme was to be shared on 70:30 basis between the Government of India (GoI) and the Government of Madhya Pradesh (GoMP) and scheduled to be completed within 36 months from the date of sanction. The works of project were divided into core components and non-core components. Total 15 works were to be completed under the Scheme. For the project EPCO was nodal agency and implementing agency was Municipal Corporation, Sagar. GoMP released its matching share of ₹ 426.65 lakh<sup>59</sup> to EPCO. EPCO released an amount of ₹ 5.50 crore<sup>60</sup> to the implementing agency, Municipal Corporation, Sagar towards execution of works under the project.

Audit observed that State level Empowered Committee was constituted (August 2007) by GoMP in the Chairmanship of the Principal Secretary, Housing and Environment Department to ensure uninterrupted operation of the project and to ensure timely and qualitative sound execution of works. The committee was required to meet at least once in three months to review and monitor the performance of project. A Steering committee was also constituted (September 2007) by GoMP in the Chairmanship of the Commissioner to co-ordinate execution of the project at field level. The Committee was required to meet at least once in three months and report the progress of work to the Nodal agency EPCO and State level Empowered Committee.

Audit noticed that the works could not be started as the identified land in Wamankhedi for Sewage Treatment Plant (STP) could not be acquired due to substantial rise in the land cost. To setup STP based on advanced Cyclic Activated Sludge Technology another site at Sanjay Drive was selected (September 2008), but this land could not be made available to Municipal Corporation due to land disputes. After three years, Empowered Committee in its meeting dated 24 July 2010 decided that works of core components (sewerage system) would be executed through Public Health Engineering Department as Municipal Corporation was technically not competent to execute the works of core component. Empowered Committee in its meeting dated 23 January 2012 further decided that NLCP sewerage and STP should be integrated with the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and a single STP be set up at the proposed site at village Bhensa, Sagar and Collector Sagar was directed to ensure the availability/acquisition of land for STP at village Bhensa by March 2012. However, the land could not be acquired due to stay order of Hon'ble High Court and the work of sewerage system could not be started. Further, an alternative Government land at village Patharia Hat was reserved by Collector, Sagar for development of STP but the work was not started (October 2016). The status of project was reviewed in a meeting held (May 2014) in NRCD, MoEF, New Delhi and it was decided that as the sewerage works for the Sagar lake project have not started for the last six years, and there was no likelihood of their implementation in the near future, the State Government/Local Body needs to consider taking up these works under the UIDSSMT scheme for the

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<sup>59</sup> ₹ 142.23 lakh in 2007-08, ₹ 142.21 lakh in 2008-09 and ₹ 142.21 lakh in 2009-10.

<sup>60</sup> First Installment: ₹ 1.00 crore (September 2007); Second Installment: ₹ 2.00 crore (January 2008) and third Installment: ₹ 2.50 crore (February 2009).

town in an integrated manner and deleted them from the scope of the NLCP project. In that eventuality, the funds released by MoEF for the works would need to be refunded back to the Ministry along with the interest accrued and the project brought to a close.

During scrutiny of utilisation certificate submitted to NRCD, MoEF, New Delhi by EPCO for the year ended March 2015 Audit noticed that an amount of ₹ 1.77 crore was shown as incurred on execution of five non-core components<sup>61</sup> by adding centages of ₹ 79.86 lakh (81.79 *per cent*) whereas only eight *per cent* centages were admissible and works of three non-core components were not executed as detailed in **Appendix 3.21.1**. Moreover the works of core components were even not started which resulted in blockade of money to the tune of ₹ 7.70 crore for more than nine years. Municipal Corporation, Sagar has refunded (July 2015) the un-utilised fund along with the interest accrued amounting to ₹ 5.43 crore to EPCO.

Thus, without ascertaining the availability of land, various sites were identified for development of STP which could not be acquired. Due to lackadaisical approach of the department in proper identification and acquisition of land for STP and lack of effective monitoring, works of core components of the project could not be started even after lapse of nine years resulting that the project had been abandoned/closed. Funds amounting to ₹ 7.70 crore earmarked for execution of core components remained blocked with EPCO and the project could not be operationalised.

On this being pointed out, ED, EPCO stated (July 2016) that core works of interception and diversion of Sewer Pumping Station and STP could not be taken up due to reasons that land for STP could not be acquired, stay order from court and cost escalation.

Reply was not acceptable because due to abnormal delay in acquisition of land works of core component of the project could not be started and the project had been abandoned. Thus the department had lost an opportunity for restoration and conservation of Sagarlake and pollution abatement and environmental improvement of Sagar lake could not be ensured due to lackadaisical approach of the department to acquire the land for such an important issue of pollution abatement of water bodies.

The matter was reported to the Government (June 2016); their reply has not been received (January 2017).

## WOMEN AND CHILD DEVELOPMENT DEPARTMENT

### 3.22 Suspected embezzlement

#### Suspected embezzlement amounting to ₹ 1.88 lakh in organisation of workshops/seminars under *Usha Kiran* and *Ladli Lakshmi* Scheme.

Note under Rule 192 of Madhya Pradesh Treasury Code Vol-I provided that cash memo without containing an acknowledgment of the receipt of money from persons named therein would not be treated as receipts within the

<sup>61</sup> Lake front development, Catchment Area Treatment, Low Cost Sanitation/Toilet blocks, Floating fountain and monitoring of lake water quality.

meaning of Section 2(23) of the Indian Stamp Act (II of 1899). Further, the mere writing of the purchaser's name and address on a cash memo for delivery purpose would not transform it into an acknowledgment to the purchaser that the money has been paid. Cash memo would not, therefore, be regarded as sub-vouchers in audit unless it contain an acknowledgment of the receipt of money from the person named therein (with stamps affixed when the amount exceeds ₹ 20 which subsequently revised to ₹ 5000), or in cases where this is not practicable, they are stamped "paid" and initialed by the Drawing and Disbursing Officer.

Rule 284 of Madhya Pradesh treasury code Vol-I provided that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is serious irregularity to draw advances from the treasury in anticipation of demands or to prevent lapse of budget grants, and persons at fault render themselves liable to disciplinary action for such drawal.

According to instructions issued (March 2008) by Women and Child Development Department, for implementation of *Usha Kiran Yojna*, ceiling of expenditure was ₹ 1000 per project for wall painting, ₹ 3000 per project for hoardings and ₹ 5000 per block for organising of workshop. The Project Officer, Integrated Child Development Services (POICDS) was designated as Protection Officer and block level workshops were to be organised by Protection Officer.

Test check of the records of the Office of the Women Empowerment Officer (WEO) Chhatarpur (August 2015) and further information collected (October 2015) revealed that the allotment of ₹ 1.88 lakh<sup>62</sup> was made by the Directorate, Women Empowerment, to District Women Empowerment Officer (DWEO) for workshops/seminars and other charges during 2013-14. On the basis of allotment, DWEO prepared sanction order for advance drawal and said amount was withdrawn (October 2013 and December 2013) from the treasury Chhatarpur through four bills and amounts were deposited in personal saving bank account (Account no. 10797167151, State Bank of India, Branch Rajnagar, Chhatarpur) of Shri Pramod Shrivastava, the then DWEO and Drawing and Disbursing Officer (DDO). The amount was entered (October 2013 and December 2013) in cash book as temporary advance, which was shown as adjusted (28 March 2014) in cashbook.

Audit observed that entire amount of temporary advances was adjusted by three cash memos bearing the same date i.e. dated 3.3.2014 relating to lunch packets, wall painting, flex banners and rent of tent, chairs and carpets. However, shop registration number and tax index number were not mentioned in the cash memo. On the cash memos certificate indicating 'paid by me' was not recorded. The bills were verified and 'passed for payment order' and stamped 'Paid and cancelled' by DWEO (DDO).

On enquiry by audit, DWEO intimated (October 2015) that any record relating to organisation of workshops/seminars was not available. Further all concerned 13 POs, ICDS intimated (August 2016) that no workshop was


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<sup>62</sup> Information Education Communication (IEC) head under Ladli Lakshmi Yojna ₹ 0.36 lakh (September 2013) and Gharelu Hinsa under Usha Kiran Yojna ₹ 1.52 lakh (December, 2013).

organised in their project and no record was available regarding the organisation of workshops/seminars. Audit also noticed that though the entire amount of advance was deposited in personal bank account of the then DWEO, bank statement obtained from the bank revealed that only total amount of ₹ 37,002 was withdrawn during October 2013 to March 2014. Thus unauthorised deposit of Government money in personal saving account, defective cash memos and unavailability of any record relating to organisation of workshops/seminars either in DWEO's office or in the offices of concerned POs, indicated that Government money may have been embezzled.

The matter was reported to the Government (May 2016). In the exit conference (October 2016), the Commissioner, Women Empowerment Department verified the facts and figures and stated that the matter had been investigated and financial irregularity, involving irregular payment of ₹ 52,000 for wall paintings was noticed. For this and other financial irregularities charge sheet against Shri Pramod Shrivastava, the then DWEO had been issued and disciplinary action was in progress. However, any clarification regarding organisation of workshops/seminars in 13 blocks was not furnished by the Department.

**Gwalior**  
**The 14 March 2017**

  
**(SAURABH K MALLICK)**  
**Accountant General**  
**(General and Social Sector Audit)**  
**Madhya Pradesh**

**Countersigned**

**New Delhi**  
**The 15 March 2017**

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

