

Executive Summary

I General

This Report contains four Compliance Audits paragraphs relating to audit of “Fund Management and Construction & Upgradation of Major District Roads through New Development Bank Loan in Madhya Pradesh”, “Implementation of State Rural Drinking Water Programme in Madhya Pradesh”, “Construction, Operation & Maintenance of Power House-II of Shree Singaji Thermal Power Station, Khandwa of Madhya Pradesh Power Generating Company Limited” and “Diversion of Forest Land and Management of Compensatory Afforestation Funds in Madhya Pradesh”. The aggregate value of the audit observations of the Report is ₹ 2,855.69 crore.

• Expenditure of Departments

It was observed that as of 31 March 2021, the expenditure of Departments covered in this Report stood at ₹ 47,490.09 crore. Of this amount, ₹ 15,010.41 crore relating to Finance Department and ₹ 10,818.55 crore relating to Energy Department together accounts for more than 50 *per cent* of the total outlay of all the 18 Departments put together.

(Paragraph 1.3)

• Response of Departments to Audit findings

Heads of Offices and their reporting authorities are required to respond to the observations contained in Inspection Reports and take appropriate corrective action. As of 31 March 2022, a total of 2,972 Departmental IRs and 18,186 paragraphs as well as a total of 344 IRs and 2,316 paragraphs of the PSUs (other than Revenue Departments) pertaining to previous years were pending settlement.

(Paragraphs 1.6.1 and 1.6.5)

• Response of the Government to recommendations of the Public Accounts Committee (PAC)

Administrative Departments are required to submit Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) within six months from the date of receipt of the recommendations. As of 31 March 2022, 35 ATNs in respect of various Departments (other than Revenue Departments) of the Government of Madhya Pradesh were yet to be received.

(Paragraph 1.6.4)

• Response of the Government to recommendations of the Committee on Public Sector Undertakings (CoPU)

Thirty-three ATNs on the Recommendation Reports of the CoPU, in respect of 17 of the Audit Reports for the period 1973-74 to 2015-16 pertaining to five departments were not received till 31 March 2022.

(Paragraph 1.6.5)

II Public Works Department

“Fund Management and Construction & Upgradation of Major District Roads through New Development Bank Loan in Madhya Pradesh”

- **Creation of financial liability**

As per Clause 14.8 of General Conditions of Contract, if the contractor does not receive payment in accordance with Sub-clause 14.7 of the contract data, the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay. Audit observed that as against the total value of work done amounting to ₹ 607.38 crore by contractors, an amount of ₹ 226.79 crore ranging from four *per cent* to 100 *per cent* was withheld from the Running Account Bills. This resulted in creation of financial liability of ₹ 3.31 crore.

(Paragraph 2.5.1)

- **Execution of below specification work**

As per Clause 6.5 of IRC:94, the Dense Bituminous Macadam surface can be opened for traffic after being covered by a suitable wearing course and when it has cooled down to the surrounding temperature. Audit observed that contrary to the specification, the Dense Bituminous Macadam surface was covered by the next course, Bituminous Concrete after a lapse ranging between one month and 15 months, without laying any other course in between to protect the Dense Bituminous surface. This resulted in below specification work worth ₹ 54.15 crore.

(Paragraph 2.7.2)

- **Short deduction of royalty from contractors**

As per Rule 68(1) of Madhya Pradesh Minor Mineral Rules, 1996 and orders of the Government (February 2003), the final bill of the contractors shall be paid for the work only upon production of No Dues Certificate of royalty issued by the Mining Department, failing which, the royalty will be deducted from the bills and deposited in the Mining Head. Audit observed that royalty of ₹ 31.74 crore was to be recovered from the contractors for the minor minerals used in the works, but ₹ 15.22 crore only were recovered. This resulted in short deduction of royalty amounting to ₹ 16.52 crore.

(Paragraph 2.7.3)

III Public Health Engineering Department

“Implementation of State Rural Drinking Water Programme in Madhya Pradesh”

- **Non-ensuring sustainability of water source by Nigam**

As per Para 9.1 of Manual, it shall be ensured that selected water sources shall be capable of meeting 100 *per cent* water requirement of the system for the entire design period of 30 years. Audit observed in eight Schemes that the sustainability of water sources was not ensured by the Nigam throughout the year, as it was observed that for 72 days to 171 days, no water was available in the respective water source for 111 days to 297 days the available water was less than the immediate requirement of the Schemes.

(Paragraph 3.4.4.1)

- **Delays in execution of work**

As per Clause 13 of the “Conditions of Contract” of the executed Agreements for implementation of Schemes, the whole work was to be completed in all respect within 18 to 24 months from the date of issue of the order for commencement of work. Audit observed that out of 147 works only eight works were completed in time whereas the median delay in completed works was of 257 days, while in on-going works, it was 851 days. Out of 18 Schemes, 12 Schemes were completed with a median delay of 586 days and in six ongoing Schemes, the median delay was 756 days.

(Paragraph 3.6.3)

- **Irregular release of Bank Guarantee**

As per Clause 3.5 of Part-III of the Agreement, the security to be taken for due performance of the contract will be equal to 10 *per cent* of the amount of the contract in the form of Bank Guarantee of a Nationalised/ Scheduled bank valid up to one year after the date of completion of the work. Audit observed that Bank Guarantee of ₹ 14.53 crore was released to the contractors even before completion of the works. In 50 works of four Divisions, Bank Guarantee worth ₹ 2.44 crore was released either before completion of operation & maintenance period or before completion of the works.

(Paragraphs 3.6.7 and 3.6.8)

IV Energy Department

“Construction, Operation & Maintenance of Power House-II of Shree Singaji Thermal Power Station, Khandwa of Madhya Pradesh Power Generating Company Limited”

- **Delay in various stages of Project led to foregoing of Return on Equity benefit**

The Company failed to schedule the Project approval and execution schedule in conformity with the MPERC regulations so as to gain additional RoE. The procedural delay in achieving Commercial Operation Date (CoD) from the stipulated time period deprived the Company of the benefit of additional RoE to the extent of ₹ 120.75 crore during the life (25 years) of the power plant.

(Paragraph 4.8.1)

- **Avoidable payment of water charges ₹ 67.80 crore**

Company obtained (August 2013) the allocation of water from Water Resource Department (WRD) for supply of water to both PH I and II. However, the Unit 3 was commissioned in November 2018, and the Company had to pay ₹ 67.80 crore towards water charges without consuming any water.

(Paragraph 4.8.2)

- **Forgone Interest During Construction (IDC)/ Incidental Expenditure During Construction (IEDC) claims due to delay in payment of advance to Contractor**

The Company issued LOA on 04 September 2014 and paid the initial advance of ₹ 375.07 crore to contractor during December 2014 to June 2015. As the Company delayed the payment of advance for more than 60 days, MPERC disallowed (May 2021) the IDC of ₹ 185.47 crore and IEDC of ₹ 29.56 crore for a period of 118 days.

(Paragraph 4.9.1)

- **Reduction in GCV between Loading ends at mines and Unloading end at TPS**

GCV of coal decreased from the 'as billed' stage to the 'as received' stage, though as per CEA, the GCV values, i.e., GCV 'as billed', 'as received' should be approximately same. During 2018-19 to 2021-22 (August 2021), there was drop in GCV up to 2,913 kcal/kg valuing ₹ 71.54 crore.

(Paragraph 4.12.1)

- **Shortage of coal led to loss of Generation and reduction in claim of fixed cost**

The Company failed to arrange continuous and sufficient supply of coal leading to shortage of coal and operation of plant at partial load causing loss of generation during December 2018, April 2019 to June 2019 and again in April and May 2021 resulting in generation loss to the extent of 724.59 MUs and consequential fixed cost to the extent of ₹ 90.92 crore.

(Paragraph 4.12.2)

- **Failure of Turbines installed in PH- Losses led to non-recovery of fixed cost**

The start of the operation of units without the adequate facilities required for monitoring of water and steam chemistry led to failure of turbine and outages of units for a long period leading to loss of ₹ 1,044.38 crore in the form of non-recovery of fixed cost during the period of shut down.

(Paragraph 4.13.1)

V Forest Department

“Diversion of Forest Land and Management of Compensatory afforestation funds in Madhya Pradesh”

- **Transfer and use of diverted forest land**

As per Part-II of Form ‘A’ prescribed under Rule 6 of Forest Conservation Rules, 2003, while seeking diversion of forest land for non-forestry purposes, it is the responsibility of DFO to verify the requirement of forest land and certify that it is unavoidable and barest minimum for the project. The Department diverted 2,731 Ha of forest land in favour of Narmada Valley Development Corporation for Sardar Sarovar Project in September 1987. However, 2,809.943 Ha forest land was submerged under the Project. Despite lapse of several years, revised sanction of MoEFCC was not obtained.

(Paragraph 5.7.2)

- **Short recovery of Compensatory Afforestation costs**

Chief Conservator of Forests (Land Survey) issued (February 2002) instructions for preparation of DPR and stated that Divisions would prepare DPR as per site specific requirements and in accordance with that monies would be demanded from User Agency. Audit observed that the Department incorporated incorrect rates in the DPR and failed to recover Compensatory Afforestation costs amounting to ₹ 4.05 crore from the User Agencies.

(Paragraph 5.7.7.2)

- **Expenditure on ineligible activities under CAMPA**

As per proceedings of the 5th Meeting of the National CAMPA Advisory Council (January 2015), normal forest activity in a State should be undertaken from the State's own plan funds and there should be no attempt to shift the obligation in respect of such items of works to the CAMPA. Expenditure on purchase of vehicle, construction of buildings, *etc.*, were not permitted from CAMPA funds. The Department irregularly incurred expenditure of ₹ 53.29 crore on ineligible activities which could not be linked to any of the activities envisaged for Compensatory Afforestation.

(Paragraph 5.10.2)

- **Irregular expenditure on plantations using CAMPA fund**

National CAMPA while approving (June 2019) the Annual Plan of Operation reiterated that if the forest under the management control of Madhya Pradesh State Forest Development Corporation Limited has to be regenerated from the NPV component of CAMPA fund, then it should be managed for ecological restoration and not for commercial exploitation of the forest. Audit observed that an expenditure of ₹ 29.58 crore was irregularly incurred on plantation of teak which was a commercial activity not permissible under Compensatory Afforestation.

(Paragraph 5.10.3)

- **Non-receipt of Self-monitoring Reports**

According to Guidelines issued (January 2014) by the MoEFCC, every User Agency in whose favour forest land has been diverted for non-forest purpose, shall prepare an annual Self-monitoring Report on compliance with conditions stipulated in each approval accorded under the FCA, 1980 in January of the next calendar year. Audit observed in 678 land diversion cases that Self-monitoring Reports had not been obtained by the Department from the User Agencies. This indicated inefficient monitoring and indifference towards restoration of damages to the ecology and environment on account of diversion of forest land.

(Paragraph 5.11.4.3)

