

## CHAPTER IV

### 4.1 Fraudulent drawal/misappropriation/embezzlement/losses/overpayments

#### FOREST DEPARTMENT

##### 4.1.1 Suspected fraudulent expenditure on physical verification of depots

##### Doubtful expenditure on labour payments of Rs.24.68 lakh on purported physical verification of depot

It was reported in paragraph 4.1.1 of the C&AG's Audit Report for the year ended 31 March 2005, Government of Chhattisgarh, that without approval of higher authorities and budget provisions for physical verification of saw mills fraudulent payment of Rs.2.29 crore was done through labour payment vouchers prepared by flying squad under Conservator of Forest (CF), Raipur.

Further scrutiny of records (April 2005) of CF, Raipur circle disclosed that physical verification of 130 depots operating under five<sup>1</sup> divisions was conducted by the Sub Divisional Officers (SDOs)/Range Officers during 30 June 2003 to 17 December 2003 as a part of regular divisional activity. Scrutiny of vouchers showed that during the same period, the circle level flying squad also submitted vouchers amounting Rs.24.68 lakh for labour payments (4 April 2003 to 21 February 2004) for purported physical verification of 30 depots under the same five divisions.

Since the flying squad was under the administrative control of CF, Raipur circle the expenditure incurred by it on purported physical verification of depots was to be debited to CF, Raipur circle. However, the expenditure was distributed over three other divisions (Raipur east:Rs.2.82 lakh, Mahasamund: Rs.7.79 lakh Udanti-Gariaband: Rs.7.82 lakh CF, Raipur:Rs.6.25 lakh). Entire expenditure of Rs.7.82 lakh booked under Udanti-Gariaband division was for physical verification of depots in Dhamtari forest division. Scrutiny showed that all the vouchers were admitted and passed for payment by the concerned DFOs and CF, Raipur without requisite verification and certification by the SDOs of the divisions concerned in contravention of the standing instructions. In some cases labour payment was acknowledged by a person other than the person whose name was appearing in the muster roll.

Further cross verification (May 2006) at five depots<sup>2</sup> where physical verification had purportedly been carried out involving Rs.6.63 lakh<sup>3</sup>,

<sup>1</sup> Dhamtari, Mahasamund, Raipur East, Raipur General and Udanti-Gariaband

<sup>2</sup> Simga, Mandirhasod, Kharora, Dhamtari and Kurud

<sup>3</sup> Dhamtari (Rs.6.07 lakh), Kurud (Rs.0.29 lakh), Kharora (Rs.0.10 lakh), Mandirhasaud (Rs.0.08 lakh), Simga (Rs.0.09 lakh)

showed that the receipt, disposal and stock registers had not been verified by the flying squad. It was also stated (May 2006) by the respective depot managers/DFOs that physical verification of stock was not conducted by the flying squad during the period in question. Thus the expenditure of Rs.24.68 lakh incurred on physical verification of depots is doubtful.

The Government accepted (September 2005) the audit observations and stated that the expenditure incurred on all the above activities was totally fraudulent and transpired under organised criminal conspiracy. Action taken by the Government was awaited (December 2006).

**4.1.2 Suspected fraudulent expenditure on construction of stop dams**

Suspected fraudulent expenditure of Rs.7.16 lakh without adequate cash balance by Game Ranger, Pamed (Bijapur) and Rs.7.68 lakh on construction of stop dams

Test check (January 2006) of records of Deputy Director Indrawati Tiger Reserve (DDITR), Bijapur (Dantewada) showed that five cheques worth Rs.7.50 lakh issued in favour of Game Ranger, Pamed as forest advance for making payment of wages and other contingencies were taken as receipts in the range cash book between 16 to 20 December 2004 without actually presenting any of the cheques in the Bank for encashment. Manager, State Bank of India, Bijapur confirmed that the five cheques had been encashed between 21 to 23 December 2004. The cash book entries from 16 to 21 December 2004 and the actual cash balance is shown in the table below:

**TABLE-I**

Date	As per cash book				Actual position			
	RECEIPT		PAYMENT		Daily Balance as per entries of cash book	Actual cash available	Date of cheque encashment as per bank scroll	Remarks
Cheque No.	Amount of cheque	Amount purportedly paid	Vr. No./ Date					
1.	2.	3.	4.	5.	6.	7.	8.	9.
16.12.2004		Opening balance			6,774	6774		
16-12-04	267455	150000	151163	14 to 18 16-12-04	5,611	6774	21-12-04	Payment not possible, inadequate cash
17-12-04	267456	150000	148265	19 to 25 17.12.04	7,346	6774	21-12-04	
18-12-04	267458	150000	135193	26 to 30 18.12.04	22,153	6774	22-12-04	
19-12-04 (Sunday)	267459	150000	127691	31 to 34 19.12.04	44,462	6774	22-12-04	
20-12-04	267460	150000	161434	35 to 39 20.12.04	33,028	6774	23-12-04	
21-12-04	267461	150000	311934	40 to 56 21.12.04	-1,28,906	6774 + 300000 Encashed Cheque no. 267455, 267456	23-12-04	Payment of Rs.306774 possible

It may be seen from the table that total purported payments of Rs.7.23 lakh from 16 to 20 December was not possible as only Rs.6,774 was

available with the game Ranger. If the cash book had been closed daily, it would have shown negative balance on 21.12.2004.

Scrutiny of the vouchers also showed overwriting and changes made with white fluid on the quantity of works executed and period of labour employed in 11 payment vouchers out of 45 vouchers test checked. The signatures on the vouchers were without any date and only "December 2004" was entered in the main date column. These omissions, read with the impossibility of making such large payments with no cash in hand showed that purported payment of Rs.7.16 lakh<sup>4</sup> during 16 to 20 December was doubtful.

DDITR stated (February 2006) that the Game Ranger had encashed the cheques on later dates as he was out of headquarters and made local arrangement for disbursement of wages to laborers in anticipation of encashment of cheques.

Reply of DDITR was self contradictory and not tenable. If the Game Ranger was out of headquarters, the cheques should not have been issued in favour of Game Ranger. It was also inconceivable that he could have made local arrangements for paying such a huge sum of money in his remote range area without even being there. Moreover, the ranger had made entries in the receipt side of the cash book without encashing the cheques which was a misrepresentation.

4.1.2.2 Government of India (GOI) released Rs.12 lakh for construction of three stop dams during 2003-04 under centrally sponsored "Project Tiger-Eco Development" Scheme. Dy. Director, Indravati Tiger Reserve, Bijapur, accorded technical sanction (March 2004) for construction of two stop dams at Elegandra (Bijapur Range) and Edkapalli (Kutru Range) which were constructed at a total cost of Rs.7.68 lakh. Scrutiny of records (January 2006) of purchase/collection, transportation and consumption of material showed inexplicable discrepancies as detailed below:

**Material consumed before collection/purchase**

Name of item	Name of work	Quantity	Consumption Date	Purchase Date	Collection and Transportation date
Cement	Filling foundation 1:3:6 with 40 mm metal	429 Bags	19.2.04-26.2.04	27.2.04	
		429 bags	1.2.04-15.2.04	27.2.04	
	R.C.C 1:2:4 with 20 mm metal	56 bags	20.2.04-26.2.04	29.2.04	
		56 bags	24.2.04-28.2.04	29.2.04	
	R.C.C 1:3:6 with 40 mm metal	54 bags	19.2.04-28.2.04	28.2.04	
		54 bags	16.2.04-23.2.04	29.2.04	
	C.C 1:6 with Rubble stone	494 bags	16.2.04-26.2.04	28.2.04	
	22mm stone with 1:6	79 bags	20.2.04-29.2.04	29.2.04	
40 mm Metal	Foundation filling 1:3:6	89.6Cum	19.2.04-26.2.04		17.2.04-5.3.04
	R.C.C 1:3:6	11.34Cum	19.2.04-28.2.04		17.2.04-5.3.04

<sup>4</sup> Total purported payment Rs.7,23,246 minus available cash Rs.6,774 = Rs.7.16 lakh

The tabulation showed that all the cement used in the works was consumed before purchase and the entire metal had been utilized before it was transported to work site both of which were impossible.

Further discrepancies noticed are as under:

- ❑ Pitching stone (22mm size; 88cum quantity) was purportedly consumed without being transported from the point of collection.
- ❑ Rubble stone (92.66 cum) was purportedly transported (17.2.2004 to 5.3.2004) before collection of material (20.2.2004 to 10.3.2004).
- ❑ MS rods (756 kg) were purchased (28.2.2004) after most of the RCC work was over and consumption of MS Rods was not shown in both the two works. It was not possible to execute the RCC works without MS Rods.
- ❑ All the cement for both the works were purchased from same supplier. Serial numbers of cash receipts<sup>5</sup> indicated in payment vouchers for Rs.3.42 lakh (44 per cent of total expenditure) for purchase of cement for construction of stop dams were not in appropriate chronological order and therefore authenticity cannot be vouchsafed.

In view of above the entire expenditure of Rs.7.68 lakh appears to be doubtful and needs detailed investigation.

On this being pointed out, Dy. Director stated (January 2006) that matter would be examined under intimation to audit. The matter was referred to Government (April 2006), the reply is awaited (December 2006).

## 4.2 Excess payment/infructuous/wasteful expenditure

### Panchayat and Rural Development Department

#### 4.2.1 Loss to Government due to non recovery

#### Non recovery from contractor resulted in loss of Rs.1.29 crore to Government

Construction of 25 rural roads under *Pradhan Mantri Gramin Sadak Yojana* (PMGSY) were awarded to contractor 'A' at a cost of Rs.20.22 crore under four different agreements on tender appreciation ranging from 12.95 to 14.75 per cent. Work orders were issued (January-March 2002) with stipulated completion period of six months.

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<sup>5</sup> Cash memos numbers 162,163,170,172,173 prepared on 4.3.2004  
Cash memos numbers 160,161,164,165,166,168 prepared on 11 & 12.3.2004

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The agreements provided for payment of mobilization advance against bank guarantee for equivalent amount and Plant and Machinery advance against hypothecation of plant & machinery, which were not to be transferred from the site without written permission of Executive Engineer (EE). Contractor had to pay simple interest at 12 and 10 *per cent* per annum on mobilization and machinery advance for first and second phase of PMGSY respectively. The recovery of above advances was to be effected in either five equal monthly installments from the running bills or fully recovered when 85 *per cent* work was complete, whichever was earlier. Due to failure of the contractor to complete the works, all the four agreements were rescinded (July-December 2003) under debitable<sup>6</sup> clause of agreement after total payment of Rs.8.99<sup>7</sup> crore.

Test-check (February and March 2006) of records of Executive Engineers (EEs), Project Implementation Units (PIUs), PMGYSY, Kanker and Dhamatari showed that against Rs.1.71 crore paid (February, March & June 2002) as mobilization and plant & machinery advances, only Rs.1.03 crore was adjusted in the running bills as on the date of invalidation the contracts. This left an unrecovered amount of Rs.68 lakh and additional interest of Rs.42 lakh upto September 2006 as per details given in **Appendix 4.1**. The contractor had submitted bank guarantee of Rs. 0.78<sup>8</sup> crore against the mobilization advances of Rs. 0.77 crore, but the same was neither revalidated nor encashed within the validity period. The plant and machinery which were supposed to have been hypothecated were not kept under the possession of the Department. Due to this negligence, the Department was not in a position to recover the outstanding amount of Rs.1.10 crore.

In addition to above, recovery of Rs.1.19<sup>9</sup> crore on account of royalty, penalty for delay, excess payment and extra cost under debitable clause of agreement was outstanding against the contractor, bringing the total recoverable amount to Rs.2.29 crore.

An amount of rupees one crore on account of Performance Security and Security Deposit was available for adjustment but had not been recovered for three years. Legal action for recovery of dues from contractor as required under terms of contract had also not been started. Thus, even after the available rupees one crore was adjusted, there will be a loss of Rs.1.29 crore on account of non recovery from the contractor. The detail amount of Dhamtari and Kanker Division are shown in **Appendix 4.2**.

EEs admitted (February-March 2006) that bank guarantee was not revalidated before expiry and Government stated (December 2006) that efforts were being made to recover the outstanding amount from the contractors and Revenue

<sup>6</sup> *Debitable-Work left incomplete by the contractor could be entrusted to another contractor at the risk and cost of the defaulting contractor.*

<sup>7</sup> *Rs.124.36 lakh, Rs.211.79 lakh, Rs.284.30 lakh and Rs.279.25 lakh respectively made under four different agreements.*

<sup>8</sup> *Kanker Rs.0.43 crore & Dhamtari Rs.0.35 crore.*

<sup>9</sup> *Royalty-Rs.7.12 lakh, Penalty for delay-Rs.44.22 lakh, Excess payment-Rs.47.49 lakh, Extra cost under debitable clause Rs.20.20 lakh=Rs.1.19 crore.*

Recovery Certificate date has been issued by Collector, Dhamtari and Kanker for recovery from the concerned contractors.

#### 4.2.2 Unfruitful expenditure under "Indira Hareli Saheli Scheme"

<b>Plantation without ensuring assured source of irrigation and improper monitoring led to unfruitful expenditure of Rs.15.41 lakh</b>
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The Government launched (May 2001) "Indira Hareli Saheli" scheme to improve financial condition of landless and below poverty line Scheduled Castes (SC), Scheduled tribes (ST) and Other Backward Classes (OBC). Under the scheme unproductive land of the Government was to be leased to targeted beneficiaries for planting trees bearing fruits, which could be sold by them but they would have no right on the land. District Collectors and the Chief Executive Officers, Zila Panchayat were to ensure availability of irrigation facilities and to personally monitor the irrigation facility so that no damage was caused to plants due to shortage of water. The plants were to be obtained from nurseries of the Forest, Agriculture/Horticulture Department and the beneficiaries had to plant and protect the plantations.

Test check (October 2004) of records of the Chief Executive Officer (CEO), Zila Panchayat, Jagdalpur showed that Rs. 23.71 lakh were incurred for planting 8,69,085 cashew plants by 5778 beneficiaries on 4969.62 hectares during 2002-03. The survival rate was 14 *per cent*. Virtually the entire plantation was wiped out and the expenditure of Rs.15.41<sup>10</sup> lakh (86 *per cent*) was rendered unfruitful and the objective of income generation by beneficiaries was largely defeated.

CEO, Z.P., Bastar stated (October 2004) that plantation was carried out under the instruction of the Government and the higher mortality of plants was due to seasonal high temperature.

The reply of Department was not tenable as ZP Bastar intimated (March 2003) the Collector that irrigation facilities were not available in eight blocks out of 14 blocks and only partial irrigation was done through ponds in six blocks and tube wells were required to be installed. Thus due to negligence in ensuring irrigation facilities before undertaking the work the expenditure of Rs.15.41 lakh incurred on plantation proved unfruitful.

The matter was reported to the Government (January 2005); reply had not been received (December 2006).

<b>Public Works Department</b>
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<sup>10</sup> Calculated by taking 40 per cent survival as 100 per cent 23.71 lakh=40 per cent 23.71/40 per cent x(40-14) per cent=15.41 lakh.

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### 4.2.3 Excess payment due to application of higher rates

**Excess payment of Rs.25.41 lakh was made to contractor due to application of higher rates in execution of Cement Concrete road works**

Government of Chhattisgarh (GOCG), Public Works Department (PWD) approved (November 2002) construction of three Cement Concrete Pavement roads of total length 5.337<sup>11</sup> km under the jurisdiction of Municipal Corporation of Raipur estimated to cost Rs.7.50 crore. Work order was issued (April 2003) to Contractor 'A' at 18.18 *per cent* below Schedule of Rates (SOR) of November 2002 amended upto 17 February 2003 for completion within four months including rainy season. Work was completed (November 2004) and final bill paid to the contractor for Rs.6.79 crore.

Test-check of records (February 2004) of Executive Engineer, PWD (B&R) Division No.1, Raipur showed that while the detailed estimate provided for Reinforced Cement Concrete (RCC) M-35 at the rate of Rs.3092 per cum, the contract was finalized for Plain Cement Concrete (PCC) M-35 indicated in the G-Schedule of the contract. However, for the entire work of PCC M-35 (14675.645 cum) the payment was made at the rate of Rs.3092 per cum which was applicable for RCC M-35.

Government stated (December 2006) that the rate for PCC was derived as per MORT&H Micro analysis rate data book. The rate arrived at was Rs.3107 per cum and the payment was made at lower rate of Rs.3092 per cum.

Reply was not acceptable. Scrutiny of the rate analysis prepared by the division showed that in addition to items prescribed in micro analysis rate book, additional items for formwork and staging expenditure, cost of material/labour, water/electricity charges and provision of sundry/contingency expenditure were included thereby artificially enhancing the total rate to Rs.3107. Secondly, PCC cannot have a price equal/higher than RCC which is prepared by adding iron/steel rods or mesh to PCC and would always be more costly.

To ascertain reasonable rate for PCC, the SOR (April 2003) issued by Chief Engineer (CE), *Pradhan Mantri Gramin Sadak Yojana* (PMGSY) was compared (**Appendix 4.3**) to SOR (November 2002) of PWD and it was verified that (a) PCC always has lower cost than RCC (b) For four items common to both SORs (PCC M20, M25, M30 and RCC M25) the rates were identical in both.

It was thus established that payment for PCC M35 was made at much higher rate applicable for RCC 35 resulting in excess payment of Rs.25.41<sup>12</sup> lakh taking SOR of PMGSY as the base rate.

<sup>11</sup> Amapara to Ring Road (2.640 km); Amapara to Telghani Naka (1.340km) and Telghani Naka to Kota (1.357km)

<sup>12</sup> Paid (14425.645 M<sup>3</sup> @Rs 3092+250M<sup>3</sup> @ Rs 2782.80) less tender rate 18.18 per cent= 37064292

#### 4.2.4 Excess payment to contractor

**Less bitumen content of 102.57 MT resulted in excess payment of Rs.18.71 lakh to contractor.**

General Note-9 of Schedule of Rates (SOR) for road works issued (November 2002) by Engineer-in-Chief (E-in-C), Government of Chhattisgarh (GOCG), Raipur stipulated that before making payment to the contractor all necessary tests should be carried out at prescribed frequencies according to specifications. Ministry of Road Transport & Highways (MORT&H) specification for Road and Bridges Works (4<sup>th</sup> Revision) provided that bitumen content in the laid mix of Bituminous Macadam (BM), Built-up Spray Grout (BUSG) and Mix Seal Surface (MSS), should be 3.4 per cent by weight (68 kg/cum), 2 per cent (30 kg/10 Sqm)<sup>13</sup> and 4.75 per cent (19 kg/10 Sqm)<sup>14</sup> respectively.

The work of widening and strengthening of Jagdalpur- Geedam Dantewara-Bailadila Road under North-South Corridor (KM.112 to 123/2-4) with Probable Amount of Contract (PAC) Rs.2.07 crore was awarded (April 2003) to contractors 'A' and 'B' at 12.5 and 12.45 per cent above SOR respectively.

Test-check of records (November 2005) of Executive Engineer (EE), Public Works Department (PWD), South Bastar Division, Dantewada, showed that as per test-results, the contractor laid BM, BUSG and MSS with bitumen content at an average of 3.12 and 3.23 per cent, 1.4 and 1.53 per cent and 2.8 and 3.4 per cent respectively for the two roads which were less than the prescribed norms of MORT&H. This implied that although the amount of bitumen utilised in the road construction was 102.57 MT less than the prescribed minimum, full payment was made (March and May 2005) without taking cognizance of test-results. This resulted in excess payment of Rs.18.71 lakh as detailed in **Appendix 4.4**. The tolerance limit of acceptability criteria for bituminous work was  $\pm 0.3$  from the standard percentage of bitumen content as mentioned in the specification. It was further observed that in some test results bitumen content of the mix was far below the acceptability criteria of 3.1 per cent (Agreement No.3DL/2003-04: BM 2.66 per cent); (Agreement No.4DL/2003-04, BM 2.94 per cent) which should have been rejected by the Department, where as neither the works were rejected nor any follow up action had been taken by the divisional officer.

Government stated (December, 2006) that consumption of bitumen was as per actual requirement as recorded in Measurement Book, hence there was no

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Payable (14425.645M<sup>3</sup> @ 2880/- + 250M<sup>3</sup> @ Rs2592/-) less tender rate 18.18 per cent=  
34523015

For 250M<sup>3</sup> uneven surface , payment was reduced by 10 per cent

Excess payment = Rs. 2541278 (say Rs 25.41 lakh)

<sup>13</sup> Converts to two per cent by weight on the basis of thickness of 75 mm for BUSG as provided in MORTH &H

<sup>14</sup> Converts to 4.75 per cent by weight on the basis of thickness of 20 mm for MSS as provided in MORTH &H



excess payment. In support of this claim revised test reports of bitumen consumption were also furnished.

Reply was not acceptable. The specified MORT&H norms of bitumen content had been exactly reproduced in the measurement books and used to make full payment whereas the test results collected by audit from the same division showed that the actual bitumen content was less. Many of the revised test results were undated and showed uniform content of 3.4 for BM (prescribed norm 3.4) and MSS (prescribed norm 4.75) which was not practically possible as there was bound to be minor variations from the prescribed norm in actual execution.

## Water Resources Department

### 4.2.5 Excess payment on inadmissible item of work

#### Inadmissible payment of Rs.18.80 lakh to contractor on inadmissible item of work

The work of construction of Somnath Stop Dam (Anicut) on Shivnath river near Bhumiya village with estimated cost of Rs. 1.60 crore was awarded (November 2002) to contractor 'A' on items rate tender (Form-B) at a cost of Rs.215.84 lakh, i.e. 34.60 *per cent* above Unified Current Schedule of Rates (UCSR). Final bill for Rs.228.09 lakh was paid (November 2005) to the contractor.

Clause 3.9 of the agreement provided that until delivery of the completed work, the contractor shall at his own cost take all precautions reasonably to keep all the aforesaid works, material machinery etc. free from any loss or damage and in the event of the same or any part thereof being lost or damaged, he shall forthwith reinstate and make good such loss or damage at his own cost.

Scrutiny of records (October 2005) of Executive Engineer (EE) Mahanadi Reservoir Project (MRP), Disnet Division No. 3, Tilda showed that in excavation work for construction of apron from 60 meter to 217 meter concreting of 1081.55 cum was done for refilling of over breakage. The breakage and consequent refilling was the responsibility of the contractor. This resulted in excess payment of Rs.18.80<sup>15</sup> lakh.

Government stated (December 2006) that the clause 3.9 of the agreement was not related to over breakage. The average over breakage in the whole work was within permissible limit of 150 mm given in clause 3.1.1 (ii) General of Government of M.P. Irrigation Department Specification, December 1980.

<sup>15</sup> Excavation of hard rock 1081.55 cum @ Rs. 238per cum + Refilling with PCC 1:3:6 - 1081.55 cum @ Rs. 1500 per cum = Rs. 18,79,734

Reply was not acceptable. In aforementioned specifications of 1980, over breakage was guided by clause 3.1.8. which provided for Concrete filling at expense of contractor. Moreover, the MP Irrigation Department had revised the 1980 specifications in 1995 and the said clause 3.1.1 (ii) or equivalent was not incorporated therein or in the contract terms.

### **4.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure**

#### **Water Resources Department**

##### **4.3.1 Excess payment to contractor due to faulty agreement**

##### **Payment of Rs. 3.48 crore to contractor for Cohesive Non Swelling (CNS) work not done**

According to provisions of Madhya Pradesh and Chhattisgarh Finance code, contracts should be executed only in prescribed formats. As per works Department manual, lump sum contracts were to conform to form 'F'<sup>16</sup>.

The work of remodeling and cement concrete lining by paver machine and other related works of Mahanadi Main canal (MMC) between KM 87 to 116.43 was awarded to a contractor (February 2004) on lump sum contract for Rs. 42.12 crore at 70.80 *per cent* above estimated rates with scheduled completion by November 2005. The execution of work from Km 87 to 99 and Km 100 to 116 was done by Executive Engineer (EE), Water management (WM) Division No.1 Raipur and Division No.II Baloda Bazar respectively. Running bills for Rs.42.12 crore (Raipur Division Rs. 24.56 crore and Baloda Bazar Division Rs.17.56 crore) were paid upto July 2005 and the final bill was pending.

Scrutiny of records of EE, Water Management (WM) Division No. I Raipur (October 2005) and EE, WM Division No.II (March 2005) showed that while the sanctioned estimate and contract provided for 519000 cum of CNS backing material @ Rs.236.90 per cum, the contractor had executed only 372227 cum between KM 87 to 116.43, for which an amount of Rs.8.82 crore was payable. However, the entire contracted amount of Rs.12.30 crore was paid resulting in excess payment of Rs.3.48 crore. Though lump-sum agreement was executed as per form 'F', five clauses were excluded. One of the excluded clauses provided that all additions, omissions or variations made in carrying out the works were to be measured and valued and certified by the EE and added to or deducted from the amount of the contract. No other

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<sup>16</sup> *Form 'F' is meant for lump sum contract and should be used where the whole of the work as described in the given drawing and specification is to be entrusted to a single contract for execution for a fixed sum.*

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matching provision was made in the contract to enable the Government deduct from lump sum amount on account of reduction in the executed quantity.

Government stated (December 2006) that the contract format excluding five clauses had been approved by the Executive Committee of Chhattisgarh Irrigation Planning Board (CGIPB) headed by the Chief Minister and consisting of Chief Secretary and Finance Department representative. While the modified contract format was vetted and approved at the highest level, the decision to exclude the five clauses of the standard format (Form 'F') led to the excess payment of Rs.3.48 crore to the contractor.

### **Panchayat and Rural Development Department**

#### **4.3.2 Avoidable extra cost due to irregular execution**

#### **Irregular execution of bituminous macadam work on rural roads resulted in avoidable extra cost of Rs.1.57 crore**

The Indian Road Congress (IRC) Special Publication-20, specially published for construction of Rural Roads under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) provides for Water Bound Macadam (WBM) Grade-II and III as base course and 20 mm thick premix carpet or Mix Seal Surface (MSS) for surfacing. The work of construction of 13 village roads sanctioned under PMGSY under package No.CG-05-07 and CG-05-09 with estimated cost Rs.5.96 crore and Rs.4.37 crore were awarded to contractor 'A' and 'B' at the rate of 9.90 and 11.50 *per cent* respectively above the Schedule of Rates (SOR) enforced from June 2000. Final payments of Rs.7.20 crore and Rs.5.10 crore respectively were made (October-November 2005) to the contractors.

Scrutiny of records (January 2006) of Executive Engineer (EE), Project Implementation Unit (PIU), PMGSY Durg revealed that in six roads surfacing was done using bituminous macadam (BM) in violation of IRC specifications whereas the agreement with contractor had no such provision. Thus, irregular execution of BM work resulted in avoidable extra cost of Rs.1.57<sup>17</sup> crore.

EE stated (January 2006) that BM was actually used as base course and provided as per site condition and it was mentioned as surfacing course by mistake.

The government replied (September 2006) that BM was executed as traffic intensity was heavy.

The reply was not acceptable because the traffic intensity of these roads was quite low as per information attached to original estimates and the BM work,

<sup>17</sup> *Package No.CG-05-07: BM quantity executed (5248.92 Cum) x Rate (Rs.1985) +9.9 per cent=Rs.114.51 lakh*  
*Package No.CG-05-09: BM quantity executed (38238.01 Sqm) x Rate (Rs.99) +11.5 per cent=Rs.42.21 lakh.*

either as base course or surfacing was unwarranted and irregular in view of IRC specifications.

## Public Works Department

### 4.3.3 Extra cost due to adoption of higher specification

#### Adoption of higher specification in execution of hard shoulder led to extra cost of Rs.19.27 lakh

Ministry Of Road Transport and Highway & (MORT&H) specifications and Schedule of Rates (SOR) followed by Public Works Department (PWD) provide that shoulder of road should be earthen or hard or paved.

Chief Engineer (CE), Public Works Department (PWD), Government of Chhattisgarh (GOCG) accorded sanction (July 2002) for strengthening of Saraipali-Gatadih rural road 39.30 Km with estimated cost of Rs.4.75 crore under NABARD assistance. The work was allotted (December 2002) at 31.96 per cent above Schedule of Rates (SOR) of June 2000. The work was to be completed upto June 2004. Payment of Rs.6.38 crore was made to contractor up to 14th and Final Account Bill (June 2006).

Scrutiny of records of Public Works Division Mahasamund (August 2004) showed that as per estimate, the side shoulder was to be raised by 30cm in the width of 1.92mt in both side through earth work followed by 15cm thick hard shoulder and 15cm thick layer of Granular Sub Base (GSB). The top most layer (15 cm) was thus executed with costlier Granular Sub Base (GSB) of 23185.054 cum. This 15 cm layer should also have been made as a hard shoulder as there was no provision in SOR and MORTH norms for using GSB for shoulders construction. This irregular provision and execution of costlier item resulted in extra cost of Rs. 19.27<sup>18</sup> Lakh.

Government stated (December 2006) that being a single lane road and working as a link between National Highway-6 and State Highway (Sheorinarayan-Sarangarh Road), heavy loaded trucks passed through its shoulder. Thus GSB having high California Bearing Ratio (CBR) was used to protect the tarred edge.

Reply was not acceptable. There was no provision anywhere for using GSB for construction of shoulders. Moreover even most of the State highways had hard shoulders and using costlier GSB for the shoulder on a rural road was irregular.

#### 4.4 Diversion/idle investment/idle establishment/blocking of fund

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<sup>18</sup> 23185.054 Cum x Rs. (215-152) Add 31.96 per cent above=19.27 lakh.

## Public Health & Family Welfare Department

### 4.4.1 Idle outlay on equipment

#### Supply of machinery and equipment worth Rs.1.14 crore by Director Health Services (DHS) to various district hospitals without any requisition resulted in idling of equipment and violation of purchase rules

(a) Test check (June 2005) of records of Civil Surgeon (CS), Dhamtari revealed that equipment worth Rs.82.19 lakh<sup>19</sup> was purchased (December 2002 to March 2004) by the Director of Health Services (DHS) Raipur without any requisition and issued to CS Dhamtari during October 2002 to April 2005. The equipment remained unutilised due to non availability of trained operator/specialist (April 2006). The unutilised equipment included an X-ray machine (500 MA) costing Rs.6.88 lakh which was issued by DHS in April 2005 although an X-ray Machine (500 MA) was already in operation in CS Office (Dhamtari) and had very low usage of about 40 X-rays per month. Thus, purchase of the equipment by the DHS without any requirement resulted in idling of equipment worth Rs.82.19 lakh.

CS Dhamtari accepted (June 2005) that no demand was placed with DHS for supply of equipment but stated that they were issued for upgrading facilities in district hospital. The machines would be utilised for treatment of patients as and when required. Regarding supply of X-ray machine CS admitted that there was no immediate use for this machine and only one radiographer was posted who was attached to the X-ray machine supplied earlier.

The replies confirmed that the equipment was purchased and issued unilaterally by the DHS without ascertaining actual requirement which resulted in idling of equipment.

(b) Similarly during scrutiny of records of CS Baikunthpur (June 2005), it was observed that machinery/equipment worth Rs.32.13 lakh as detailed in **Appendix 4.5** was purchased by DHS and issued to CS Baikunthpur during 2003-04 without any requisition by CS and was lying idle.

CS Baikunthpur stated (June 2005) that new civil hospital was under construction and machinery/equipment would be issued to new hospital on completion of construction. The reply reaffirmed that the machinery/equipment was purchased by the DHS without ascertaining requirement and was purchased and issued to CS Baikunthpur much in advance of actual need. The hospital building had not been completed upto April 2006.

<sup>19</sup> *Eight Multi Para Monitors (Rs.9.92 lakh), Five Cardio Scopes (Rs.14.74 lakh), Four Apnea Monitor (Rs.3.08 lakh), One Arthro Scope with accessories (Rs.18.09 lakh), One Biochemistry Analyser (Rs.21.59 lakh), One X-Ray Machine (Rs.6.88 lakh) and One Blood Gas Analyser (Rs.7.89 lakh)*

The matter was referred to the Government (December 2005), reply is awaited (December 2006).

#### **4.4.2 Diversion and idle outlay on purchase of ventilators**

**Rupees 1.34 crore were diverted from PMGY funds for strengthening of District Hospitals out of which equipment worth Rs.58.80 lakh were lying idle for want of infrastructure and specialists**

*Pradhan Mantri Gramodaya Yojna* (PMGY), a cent *per cent* Centrally sponsored scheme (CSS) aimed at providing basic minimum services in rural areas. Guidelines on the health component of the scheme issued (July 2000) by the Ministry of Health and Family Welfare (Rural Health Division), stipulated that funds were to be utilised for upgrading primary health care by utilising (a) fifty *per cent* of funds on procurement of drugs, consumables and other contingencies like travel cost of ANMS<sup>20</sup>, repair of essential equipment, repairs/replacement of furniture and (b) fifty *per cent* on repair and maintenance of infrastructure in Sub Health Centers (SHCs), Primary Health Centers (PHCs) and in Community Health Centers (CHCs).

In contravention to the above guidelines, Director Health Services (DHS) Raipur diverted the PMGY funds for purchase (June 2002) of 16 micro processed controlled time cycled volume constant ventilators worth Rs.1.34 crore for strengthening health care facilities in district hospitals rather than utilising the funds for upgrading primary health care at SHC, PHC and CHC level. These ventilators were purchased without any requisition from the district hospitals.

Test check of records of Civil Surgeon (CS) Durg, Kanker, Raigarh, Rajnandgaon and Jagdalpur and information collected from DHS, Raipur between April 2004-August 2004 and January 2006 showed that seven ventilators costing Rs.58.80 lakh reported to have been installed (December 2002) in the district hospitals<sup>21</sup> were actually lying idle for want of trained post graduate doctors.

Civil Surgeons of four test checked districts stated (January 2006) that ventilators were not put to use for want of specialists in district hospitals and in CS Jagdalpur ventilator was used for treatment of only two patients between December 2002 and December 2005.

The replies confirmed that the ventilators were purchased unilaterally by the DHS without assessing the requirement and ensuring trained staff and supplied to district hospitals which were not in a position to utilise them. Thus the diversion of Rs.1.34 crore not only deprived the target beneficiaries served by PHCs and CHCs but also Rs. 58.80 lakh out of the diverted amount did not

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<sup>20</sup> *Assistant Non Medical Supervisors are deployed for door to door survey of leprosy cases in Leprosy Control Units.*

<sup>21</sup> *District Hospital-Durg (2), Kanker (1), Raigarh (2), Rajnandgaon (2).*

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benefit anyone as the ventilators purchased were held unused in stock from October 2002 (40 months).

The matter was reported (August 2004 and April 2006) to Government reply is awaited(December 2006).

#### **4.5 Regularity issues and other points**

### **Public Health & Family Welfare Department**

#### **4.5.1 Irregular expenditure in Chhattisgarh Health Society**

#### **Incorrect procurement procedure, expenditure without budget provision and non accountal of publicity material led to extra and irregular expenditure of Rs.3.59 crore**

A test check (December 2005 to June 2006) of records of seven<sup>22</sup> constituent societies of Chhattisgarh Health Society (CHS) covering the period from April 2001 to March 2006 showed lack of financial control and incorrect procurement procedures. This resulted in instances of extra expenditure, irregularities in procurement, diversion and misutilisation of funds as brought out in the succeeding paragraphs.

#### **(1) Irregularities in work orders of Rs.11.28 crore including extra expenditure of Rs.1.52 crore on publicity activities**

Under the National Shopping Procedure (NSP) followed by sub societies, procurement should be made after calling at least three quotations. Government of Chhattisgarh, General Administration Department (GAD) had instructed (August 2001 and reiterated in November 2003, December 2005) that all printing and publicity works should be done through Chhattisgarh SAMVAD<sup>23</sup> (SAMVAD).

Scrutiny of records of six sub-societies and DANIDA showed that work orders of Rs.11.28 crore were given to private agencies without obtaining quotation from SAMVAD during 2002-06 under Information Education and Communication (IEC) activity. Of this amount, Rs.3.44 crore was paid (December 2002 to March 2006) to various private agencies for display of hoarding, wall paintings and printing of posters whereas SAMVAD would have done identical work at a cost of Rs.1.92 crore. This resulted in extra expenditure of Rs.1.52 crore as detailed in **Appendices 4.6, 4.7 and 4.8.**

<sup>22</sup> Reproductive Child Health Sub-society (RCH) AIDS Control Sub-society, Malaria Control Sub-society, Leprosy Control Sub-society, TB Control Sub-society and Blindness Control Sub-society and DANIDA

<sup>23</sup> Samvad- An assisting agency of Public relation department of Chhattisgarh Government for printing and publishing

Government stated (September and December 2006) that the orders for printing and publicity works through SAMVAD related only to programmes funded by the State Government whereas the societies were autonomous and bound by NSP prescribed by donor agencies and GOI. Moreover on occasions SAMVAD had not been able (2005-06) to deliver material in time. The reply was not acceptable. The Government orders read with the National Shopping Procedure required that quotes from SAMVAD should have been invited for award of work orders. The position taken on SAMVAD was also contradictory as the societies had got many works executed through SAMVAD even on single quotes on many occasions.

Further, scrutiny of payment of Rs.4.02 crore (out of orders of Rs.11.28 crore) made to six firms for painting, printing and publicity works showed that large number of bills submitted were not printed in proper forms, not machine numbered and did not contain Central/State Sales tax registration numbers which were of high values (greater than Rs.1 lakh). This was a gross violation of financial rules and the said bills should not have been passed for payment. Scrutiny also revealed that six<sup>24</sup> District Leprosy control sub-societies paid Rs.17.06 lakh for printing of posters, pamphlets and banners etc., which were not entered in stock register.

Government stated (December 2006) that sales tax registration number has been obtained and in future, bills from the registered firms will only be accepted. Reply is not acceptable as evidence confirming the registration was not shown to audit.

## **2. *Faulty procurement***

(a) Scrutiny of Reproductive and Child Health Care (RCH) records revealed that Project Director, RCH directly purchased (February and October 2003) 4,36,000 disposal delivery (DD) kits @ Rs.6 per kit from a firm for Rs.26.16 lakh without inviting quotations.

In reply the government stated (September 2006) that procurement was made as per GOI guidelines and rates were fixed by GOI. Moreover DD kits were technical and there are only limited manufacturers/suppliers in the country. Reply was not acceptable as GOI had provided funds at the rate of Rs.6 per kit but that did not imply that quotations were to be by passed.

(b) Laboratory consumable items (Immersion Oil, Aqueous Methyline Blue and Sulphuric Acid) were procured (March 2004) by the State TB control Sub-society from Firm A and Firm B, Raipur at rates ranging from Rs.105 to Rs.325 whereas the same items were procured (August and October 2004) from Firm C, Bhopal and Firm D, Jabalpur at much lower rates (Rs.39.75 to Rs.190) resulting in extra expenditure of Rs.9.08 lakh (**Appendix 4.9**).

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<sup>24</sup> *Dantewada Rs.6.47 lakh, Jashpur Rs.2.93lakh, Bilaspur Rs.3.18 lakh, Korba Rs.0.79 lakh, Durg Rs.2.00 lakh, JagdalpurRs.1.69 lakh.*

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In reply government stated (September 2006) that purchases were of different financial years and rates could vary due to differences in quality. Reply was not acceptable. Purchases were only few months apart and differences in quality were not on record.

(c) Scrutiny of records of Project Director, DANIDA revealed that supply order for 300 kits of *Dai* training material was placed (Feb 2003) with firm 'E', Raipur. Out of 300 kits supplied, one hundred kits were not suitable for demonstration and were of very poor quality as reported (April 2003) by Regional Health and Family Welfare Training Centre (RHFWTC), Bilaspur. Thus the expenditure of Rs.2.72 lakh on 100 kits proved unfruitful.

In reply government stated (September 2006) that 100 substandard kits were replaced. Reply was not acceptable as no records were shown to corroborate the fact of replacement.

### 3. *Diversion*

(a) Rupees 16.05 lakh was diverted (2002-03 and 2004-05) and spent for interior decoration in offices and in the State Training Centre by RCH Sub Society and DANIDA. Government stated (September 2006) that being a new state and due to shortage of infrastructure in offices, the funds were utilized from contingency heads. The reply was not acceptable as the expenditure was not as per programme guidelines and there was no budget provision under contingency head under DANIDA.

(b) Rupees 4.86 lakh was diverted (2002-04) from RCH and DANIDA funds and spent on accessories and air conditioners in vehicles allotted to Minister of Health, Secretary Health, and Project Director of DANIDA and for air conditioner in the office of Health Minister.

In reply government stated (September 2006) that no such funds were available from the regular budget but on the advise of Finance Department the purchase of these items were made from programme funds after obtaining permission of governing body. Reply was not acceptable as expenditure was not made as per programme guidelines.

### 4. *Non-accountal of Publicity materials in district sub-societies*

Publicity material i.e. Calendar, Poster, Brochures, Booklets, Pamphlet worth Rs.1.31 crore were printed by State Malaria Control Society during 2002-05 under IEC activity and were shown as distributed to District Malaria Control Sub-societies. However, this publicity material was neither found in stock registers of 10<sup>25</sup> test checked district sub societies nor found in any of the issue vouchers issued to Block Medical Officers.

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<sup>25</sup> Ambikapur, Bilaspur, Dantewada, Durg, Jashpur, Kanker, Kondagaon, Raipur, Raigarh, Rajnandgaon

Government stated (September 2006) that DHS has started the process of verification of stocks for the indicated ten districts. Government again stated (December 2006) that distribution of publicity material to various districts have been verified from the stock registers. Reply is not acceptable as no stock entry was available during audit and matter needs investigation.

## Forest Department

### 4.5.2 Irregular expenditure by flying squad

**Rupees 34.93 lakh were irregularly spent by the flying squad of Conservator of Forest Raipur circle on execution of different works and purchase of computer and photocopy machine**

Scrutiny of records (April 2005) in the office of the Conservator of Forest, Raipur circle (CF), for the period 2003-04 showed that Rs. 25.42<sup>26</sup> lakh were incurred on repair of fencing, purchase of timber for repair of furniture in the office, cleaning of premises of office of CF and staff quarters and purchase of computer, photocopy machine and stationery by a circle level Flying squad. The items of expenditure were not related to the nature of work of the Flying squad and sanction of competent authority was not obtained for execution. The expenditure was booked in the accounts of the five Forest Divisions (Udanti-Gariaband, Mahasamund, Dhamtari, Raipur East and Raipur General) without obtaining any sanction from competent authority. All the vouchers had been admitted and passed for payment by the five DFOs and CF, Raipur without due verification and certification by the Sub Divisional Officer (SDOs) of the divisions concerned. This was in violation of Departmental instructions (June 1990).

Scrutiny of records also revealed that out of Rs.6.62 lakh booked (September 2003) in the accounts of DFO, Mahasamund, Rs.4.32 lakh was shown as paid to a firm for purchase of Bija wood to be used for furniture works of CF office Raipur and Rs.1.20 lakh on repair of furniture which was reported to have been fictitious. The cash memos issued by the firm did not have commercial tax registration number and machine numbered serial number. Neither the requisite certificate on cash memos regarding entry made in the stock register was recorded nor the actual entry was made in the stock register of DFO, Mahasamund.

Similarly, expenditure of Rs. 9.51 lakh on fencing work and laying of moorum at various depots and in the premises of CF was incurred by the flying squad and the expenditure was exhibited in the accounts of three<sup>27</sup> forest divisions and CF, Raipur.

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<sup>26</sup> Building repair and purchase of timber-Rs11.43 lakh, Purchase of computer, lazer printer and photocopier-Rs.7.14 lakh, Printing charges-Rs.2.92 lakh, Hiring and repair of vehicles-Rs.2.42 lakh, Payment of wages-Rs. 1.51 lakh

<sup>27</sup> Udanti, Mahasamund and Raipur East

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After this was pointed out, the Government admitted the facts. Department also confirmed (September 2005) that wood worth Rs.4.32 lakh for furniture was purportedly purchased from a fictitious firm.

#### ***4.5.3 Irregular expenditure on afforestation under National afforestation Programme***

**Irregular expenditure of Rs.34.77 lakh incurred on area development, plantation and pasture development works in improvement working circle.**

Government of India (GOI) Ministry of Environment and Forests, National Afforestation and Eco-Development Board (MEF&NAEB), New Delhi sanctioned (December 2002) Rehabilitation of Degraded Forest (RDF) Project under the National Afforestation Programme Scheme. The project was to be implemented in Forest divisions by Forest Development Agencies with Conservator of forest as Chairperson and Divisional Forest officer as Member Secretary through Village Forest Committees (VFCs), through intensive plantation works such as bamboo, medicinal plants and pasture development. Principal Chief Conservator of Forests (PCCF) had issued instructions (December 1999) that the funds were to be utilised in RDF working circles identified in the approved working plans of divisions. Any project work could be carried out in areas outside RDF circles only after changing the classification of the outside areas to degraded forest with prior sanction of Chief Conservator of forests (CCF working plan) and GOI as this would entail a deviation in the approved working plans.

Test-check (March 2006) of records of DFO Rajnandgaon revealed that expenditure of Rs.2.29 crore was incurred on RDF area. Of this Rs.34.77 lakh was incurred on area development, plantation and pasture development in 421 hectare area<sup>28</sup> in improvement working circles outside RDF areas. The above work was carried out without prior approval of CCF and GOI. Moreover, out of 2500 ha. of RDF area identified in working plan, 1011 hectare had not been treated. Thus, the expenditure of Rs.34.77 lakh on plantation and pasture development works out side the RDF working circle was irregular as it was incurred on unauthorised areas.

On this being pointed out the Government stated (October 2006) that the work was executed in Rajnandgaon by the Forest Development authority as per directions issued by GOI, MEF & NAEB and also stated that the work in those areas was carried out in degraded forest areas under Manpur range but they come under improvement working circle as per working plan. It was mentioned in the working plan that this area was highly affected by biological pressure.

<sup>28</sup> *In plot No. 605, 608, 619, 650, 653 (Baghnadi Range) and 1089 (North Manpur Range)*

Reply was not acceptable as works could be carried out in improvement circles only after prior approval of CCF and GOI which was not obtained. If density of forest in some areas was low it should have been first classified as degraded with approval of GOI before taking up works. Moreover, Chief Conservator of Forest( Land Management) also issued (December 2005) instructions that selection of site for plantation in improvement circle is objectionable. Therefore, the entire expenditure of Rs.34.77 lakh was irregular.

## **Public Works Department**

### **4.5.4 Irregular expenditure on road works**

#### **Unauthorised substitution of specifications resulted in irregular expenditure of Rs.35.29 lakh**

The work of Black Topped renewal and construction of hard shoulders of Mowa Daldal Seoni Urkura Road km 1 to 3/6 was awarded to M/s Quality Construction on probable amount of contract Rs.5.97 lakh at 19 *per cent* above schedule of rates with stipulated period of completion of four months i.e. upto 04.12.2002. The NIT schedule for work included the item of open graded premixed carpet (OGPC) with seal coat including profile corrective course as an integral part. The work was completed (December 2003) and final bill of contractor for Rs.42.37 lakh was paid in April 2004.

Scrutiny of records of Executive Engineer (EE) PWD Vidhan Sabha Division Raipur (July 2005) showed that the item of OGPC with seal coat was changed at the time of execution of work to 50 mm thick Bituminous Macadam (BM) and Mix Seal Surfacing (MSS). A supplementary schedule for Rs.37.41 lakh was submitted by EE to Chief Engineer (September 2003) stating that as per verbal instructions of PWD Minister and keeping in view the traffic intensity of road it was proposed to strengthen the road with 50 mm thick BM and MSS against original provision of OGPC and seal coat. Since the scope of work was entirely changed resulting in six fold increase in the cost of work from Rs.7.10 lakh (including tender percentage) to Rs.42.37 lakh, fresh tenders should have been called after obtaining approval of competent authorities for the changed scope. The irregular execution of BM and MSS works in place of OGPC with seal coat resulted in unauthorised expenditure of Rs.35.27 lakh (Rs.42.37 lakh (-) Rs.7.10 lakh).

Government stated (December 2006) that work was executed as per direction of higher authorities and IRC specifications-37 keeping in view traffic intensity of road, 50 mm BM in place of 20 mm OGPC was executed. The revised estimates were already submitted to CE in September 2003 and the case was pending with Finance Department for revised Administrative Approval. The reply was not acceptable. The scope of work had been changed at the level of SDO. While the supplementary schedule had been purportedly submitted in September 2003 by EE, he had called for an explanation in

January 2004 from SDO, PWD Sub division No-2, Raipur for executing 50 mm BM works instead of 20 mm OGPC. It was evident that the SDO had initially executed the changed item of work without the knowledge and approval of EE and subsequently a back dated supplementary schedule with over written date was submitted for approval. The administrative approval and sanction of competent authority was not accorded (September 2006) even after a lapse of three years.