

Chapter-V

Internal Control and internal audit arrangements

Public Works Department

Roads and Buildings Division

Internal control mechanism in a Government Department is meant to ensure that its activities are carried out according to the prescribed rules and regulations and in an economical, efficient and effective manner. An internal control system and strict adherence to statute codes and manuals minimise the risk of errors and irregularities and help to protect resources against loss due to waste, abuse and mismanagement. Audit review of the functioning of the internal control mechanism during 2002-03 to 2005-06 in the Public Works Department (Roads and Buildings), Government of Jammu and Kashmir with regard to development of rural roads and bridges funded from NABARD loan revealed deficient financial control, and poor operational and supervisory control in the Department.

Highlights

- Despite observations of the PAC in their 46th Report, five R&B divisions advanced Rs. 7.16 crore to Procurement Agencies between April 2000 and November 2005 against which supplies for Rs. 2.88 crore were awaited. Material costing Rs. 1.20 crore received for seven Schemes between 1998-99 to 2005-06 was not utilised.
(Paragraph: 5.7.3)
- The overall shortfall in achievement of targets in respect of fair weather and shingled roads during 2002-03 to 2005-06 was 11 and 15 per cent respectively.
(Paragraph: 5.8.1)
- Out of 560 Projects taken up under RIDF-IV to VIII during 1998-99 to 2002-03 only 12 Projects were completed in time, 230 Projects were completed after time over runs of one to five years and 318 were incomplete (March 2006). Departmental failure to ensure timely completion of 15 Projects under RIDF-IV tranche and arrange for the additional funds for their completion, led to non-accrual of full benefits of the investment of Rs. 17.68 crore incurred thereon.
(Paragraph: 5.8.2)
- Delay in land acquisition and environment/forest clearance and non-allotment of funds led to blockade of Rs. 13.89 crore.
(Paragraph: 5.8.4)

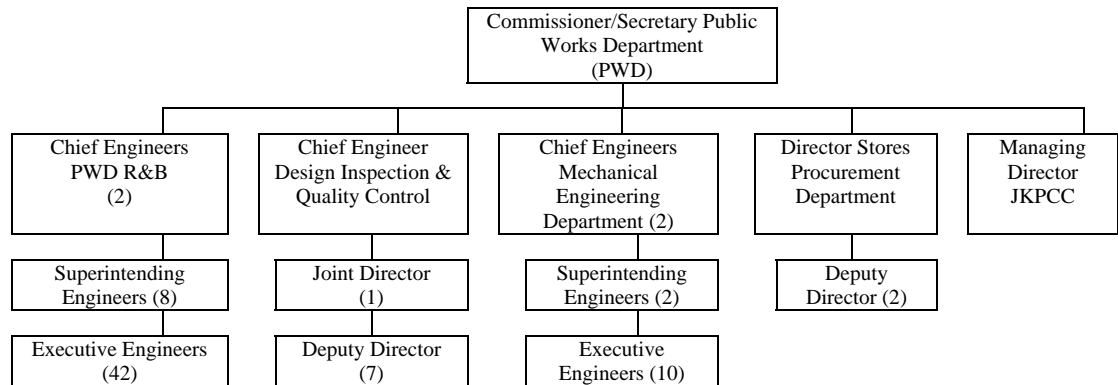
5.1 Introduction

Internal control is a management tool used to provide reasonable assurance that managements objectives viz. reliability of financial reporting, efficiency and effectiveness of operations, compliance with applicable laws and regulations are

being achieved. The Roads and Buildings (R&B) Division is one of the Wings of the Public Works Department (PWD) and is charged with the responsibility of construction and maintenance of buildings and roads. In order to strengthen the rural roads and bridges, the State Government availed of loans from NABARD under the Rural Infrastructure Development Fund (RIDF).

5.2 Organisational Structure

Principal Secretary, Public Works Department (PWD), is the administrative head. Two Chief Engineers, one each at Jammu and Kashmir assist the Secretary in discharging his duties. The organisational structure of the Roads and Buildings divisions is as follows:



5.3 Scope of audit

The internal control system of the Public Works Department relating to the functioning of the Roads and Bridges (R&B) Wing of Jammu and Kashmir for the period 2002-03 to 2005-06 was reviewed in audit between July 2005 and March 2006. The records of 15 utility divisions were test checked and 42 per cent of the total expenditure (Rs. 168.46 crore) was reviewed.

5.4 Audit objective

The objectives of audit were to ascertain the adequacy and effectiveness of the following:

- Financial controls;
- Administrative controls;
- Operational controls; and
- Supervisory controls

5.5 Audit criteria

The internal controls were assessed against the following criteria.

- Public Works Account Code provisions
- Provision of the Delegation of financial powers rules
- Targets set in Project plans
- Terms and conditions of NABARD loans
- Monitoring mechanism prescribed

5.6 Audit Methodology

Selection of units was made by adopting random sampling method to cover adequate units executing the road and bridge works funded under NABARD loans. An entry conference was held with the Chief Engineer (R&B) Jammu, wherein audit objectives, scope and criteria were discussed. Audit observations regarding the implementation of various schemes were discussed with the Divisional Officers in the test checked Divisions. The exit conference was held with the Commissioner-cum-Secretary to the Government of Jammu and Kashmir, Public Works Department on 2nd November 2006 to discuss the audit findings. The replies of the department/Government have been incorporated in the review at appropriate places. Important points noticed during the course of audit are discussed in the succeeding paragraphs.

5.7 Financial controls

The expenditure on the projects was to be shared between the NABARD and the State Government in the ratio of 90:10. The position of funds released to the utilities and the expenditure incurred thereagainst during 2002-03 to 2005-06 was as under:

Table 5.1

(Rupees in crore)

Year	Opening balance of loan	Releases		Total funds available	Expenditure			Closing balance of loan [♦]
		Loan	State share		Loan	State share	Total	
2002-03	0.57	137.77	6.39	144.73	136.02	5.89	141.91	2.32
2003-04	2.32	67.91	15.17	85.40	68.56	15.17	83.73	1.67
2004-05	1.67	88.43	4.88	94.98	87.91	4.74	92.65	2.19
2005-06	2.19	82.61	3.57	88.37	82.33	3.50	85.83	2.47
Total		376.72	30.01	413.48	374.82	29.30	404.12	

(Source: Departmental records)

NABARD guidelines provided that the State Government should make adequate budget provision towards these projects. Test check revealed that out of Rs. 406.73 crore released during 2002-03 to 2005-06 to the utilities for implementation of various projects, the NABARD loan component was Rs. 376.72 crore and the State share was Rs. 30.01 crore only, constituting 7 per cent against the 10 per cent share amounting to Rs. 41.86 crore. After this was pointed out in audit, the two Chief Engineers*, stated (October 2006) that the shortfall in the State share would be covered during the year 2006-07.

5.7.1 Delay in release of Funds

NABARD Guidelines provided for immediate release of funds to the executing divisions. It was noticed that loans aggregating Rs. 209.41 crore were released by the administrative department to the two Chief Engineers during 2002-03 to 2004-05 after delays ranging between 8 and 42 days from its release by the Finance Department. The Chief Engineer, Kashmir released Rs. 97.59 crore to the utility divisions during 2002-03 to 2004-05 after delays ranging between 9 and 303 days and the Chief Engineer, Jammu also released loans of Rs. 18.91 crore

♦ State Share not included because it lapses to the Government at the close of the financial year

* Jammu and Kashmir

during 2003-04^φ to the utility divisions after delays ranging between 10 and 235 days from the date of release by the administrative department. On this being pointed out, the two Chief Engineers stated (October 2006) that there was no demand for funds on account of work done and funds were released in a phased manner after periodic review of work done. The reply is not tenable as the financial requirement should have been assessed before borrowing the funds.

5.7.2 Diversion of funds

Funds being work-specific, diversion thereof from one scheme to another was not permissible under NABARD guidelines. The Chief Engineer, Jammu diverted funds from one scheme to another as a result of which, 76 schemes (*Appendix-5.1*) received excess allocation of Rs. 5.41 crore by diversion from 49 schemes (*Appendix-5.2*) which received less allocation of Rs. 5.77 crore (for the period ending March 2005). The Chief Engineer, Jammu stated (September 2006) that some road works were executed by contractors expeditiously and were allocated more funds, but in some areas work got delayed due to militancy. The reply is not tenable, as diversion of funds from one scheme to another was not permissible. The Commissioner/Secretary PWD stated (November 2006) that there would be no such deviation in future.

Audit scrutiny in eight test checked divisions also revealed that Rs. 1.21 crore meant for execution of NABARD schemes were unauthorisedly diverted for works not covered under NABARD assistance. Further, an expenditure of Rs. 39.03 lakh was incurred for meeting the administrative and miscellaneous charges out of the funds allotted for execution of eight NABARD schemes in violation of the guidelines.

5.7.3 Advancing of funds to Suppliers

Public Accounts Committee in its 46th Report (April 2005) expressed serious concern about the poor financial management in the Public Works Department for advancing the borrowed funds to various agencies which resulted in locking up of funds. Audit scrutiny in 5[#] R&B Divisions revealed that despite these observations, Rs. 7.16 crore were advanced to the Government procurement agencies between April 2000 and November 2005 mostly at the close of the financial years, as was also admitted (September 2006) by the Chief Engineer, R&B, Jammu. However, supplies against advance of Rs. 2.88 crore were awaited[€]. In seven cases, material received for the schemes between April 1998 and March 2005 valued at Rs. 1.20 crore had not been utilised which indicated that the material procured was not immediately required and advances were made only to avoid lapsing of funds. The Chief Engineer, Jammu stated (October 2006) that advance payments had to be made to procurement agencies due to belated release of funds and in order to take advance action for procurement of material. It was further stated that the material procured in some divisions could not be utilised due to militancy and that the work on these roads was now being taken

^φ Only 2003-04 test checked in audit

[#] Jammu-III and IV, Kathua, Kupwara, Udhampur

[€] August 2005: Rs. 196.54 lakh, November 2005: Rs. 91.28 lakh

up. This argument is not tenable, as financial propriety demands that funds are released in time and utilised efficiently within the financial year.

5.7.4 Irregular credit to Deposit head

Financial Rules forbid drawal of money from the treasury and placing it under Deposit Head. The Executive Engineer, R&B Division, Kishtwar withdrew Rs. 26.07 lakh from Treasury in March 2004 and March 2005 and credited the amount to Deposit account merely to avoid the lapsing of funds.

Audit scrutiny of the records of R&B Divisions, Sopore and Chadoora revealed that material worth Rs. 4.52 crore was issued unauthorisedly to the works not related with RIDF schemes. On its recoupment the amount was irregularly credited to deposit account. Executive Engineers, R&B, Division Kishtwar and Sopore stated (January/March 2006) that action was taken to make payment to contractors in subsequent years as the funds for execution of works were being released late. Chief Engineers, Jammu and Kashmir in their reply stated (September/October 2006) that as it was not possible for the Executive Engineers to inspect the works executed in far flung areas, it necessitated keeping the funds under the deposit head. This argument is not tenable as inspection of works to exercise supervisory control is a concurrent process and keeping of funds in deposit is violative of Financial Rules.

5.8 Operational Controls

5.8.1 Programme Implementation

684 projects (627 roads and 57 bridges) had been sanctioned under various tranches of RIDF-IV to RIDF-X from 1998-99 to 2004-05. However, the details of schemes sanctioned under RIDF-XI during 2005-06 were not furnished to Audit.

The targets fixed and the achievements thereagainst under various categories of roads viz. black top, metalled, shingled and fair weather under RIDF projects during 2002-03 to 2005-06 was as under.

Table 5.2

(Length in KMs)

Year	Targets					Achievements (per cent)				
	Black topped	Metal led topped	Shingled	Fair weather	Total	Black topped	Metal led topped	Shingled	Fair weather	Total
2002-03	453.40	558.10	478.67	255.76	1745.93	428.63	470.10	498.00	263.93	1660.66
2003-04	543.55	599.18	373.43	132.33	1648.49	554.63	922.41	389.03	128.44	1994.51
2004-05	495.90	248.06	545.63	391.60	1681.19	475.32	250.33	321.22	298.43	1345.30
2005-06 ^ψ	181.81	186.34	174.28	53.71	596.14	169.18	174.40	133.81	54.51	531.90
Total	1674.66	1591.68	1572.01	833.40	5671.75	1627.76 (97)	1817.24 (114)	1342.06 (85)	745.31 (89)	5532.37

(Source: Departmental records)

As can be seen from the above table, except for metalled roads, there was shortfall in achievement of targets fixed in respect of various categories of roads. The overall shortfall in achievement of targets in respect of fair weather and shingled roads was 11 and 15 *per cent* respectively. The two provincial Chief Engineers attributed (October 2006) the shortfall to belated/non-release of adequate funds by NABARD. It was also stated that due to limited working

^ψ Does not include the figures of Chief Engineer, R&B, Kashmir

seasons in Doda, parts of Kathua, Poonch, Rajouri and Udhampur districts and land disputes, the targets could not be achieved. Information regarding the number of villages/beneficiaries targeted to be covered for providing the road connectivity and those connected, though called for (July 2005 and March 2006), was not furnished.

5.8.2 Delay in execution of works

Out of 560 projects taken up under RIDF IV to VIII (1998-99 to 2002-03) for completion upto 2004-05, only 12 projects were completed in time, 230 projects were completed after a time over-run of one to five years and 318 were incomplete (March 2006).

Test check in audit revealed that 15 projects sanctioned at an estimated cost of Rs. 19.71 crore under RIDF-IV tranche to be completed upto March 2001 were not completed (March 2005) even after incurring of expenditure of Rs. 17.68 crore. The funds (Rs. 4.03 crore) required for completion of these schemes had not been released (August 2005) as the projects sanctioned under RIDF-IV were closed by NABARD on 31 May 2005. Thus failure to ensure timely completion of these schemes resulted in non-accrual of full benefits of the investments of Rs. 17.68 crore. Chief Engineer, R&B, Jammu stated (September 2006) that a provision of Rs. 3.55 crore has been made under the State Plan to cater to cost over-run of schemes of RIDF-IV during 2006-07 and attributed (October 2006) the delay to belated/inadequate release of funds by NABARD.

5.8.3 Unrealistic Estimates

As per NABARD guidelines, projects were to be formulated after proper survey and executed according to their geometric and pavement designs to serve the designed life period. In twenty schemes test-checked, Rs. 3.06 crore had been spent on excess quantity and extra items of work than those projected in the sanctioned estimates. The Chief Engineer (R&B), Jammu stated (September 2006) that although the projects were formulated after proper survey and executed according to geometric pavement designs, the excess quantities and extra items of work were necessitated as per the site conditions, change in design/technical parameters/alignment, land dispute for short periods while executing the works. The argument is not acceptable as it was indicative of inadequate survey and defective estimates.

Out of 69 schemes of RIDF-IV to RIDF-VI, which necessitated revisions, the estimated cost of 64 schemes escalated by 25 *per cent* from Rs. 63.22 crore to Rs. 79.21 crore, while the estimated cost of 5 schemes reduced by 10 *per cent* from Rs. 20.33 crore to Rs. 18.32 crore. Scheme-wise escalation in the cost of the 64 schemes ranged between 3 to 127 *per cent*. Chief Engineer, Jammu attributed (September 2006) the cost revision to escalation in material and labour cost and reiterated that uniform rates were approved for the State as a whole, without giving any allowance for remote, hilly and plain areas.

5.8.4 Blocking of funds

Special terms and conditions of NABARD provided that the formalities regarding land acquisition and environment/forest clearance should be completed as early as possible to ensure timely completion of these projects.

Audit scrutiny in nine Divisions, revealed that 19 schemes (*Appendix-5.3*) on which Rs. 13.89 crore was spent could not be completed due to land dispute, unstable strata, non-payment of forest/house/land compensation, backing out by contractors and non-allotment of funds and revision of schemes, etc. This resulted in blocking of investment and deprived the people of the envisaged benefits, thus also defeating the objective of raising loans for these schemes. Chief Engineer, Jammu while admitting the audit contention stated (September 2006) that funds for compensation are being arranged for early completion of these works.

5.8.5 Irregular execution of works

Para 200 of the J&K Public Works Account Code, provides that payment of daily labour through a contractor instead of by a muster roll is objectionable in principle, except in great emergency, where the payments may be made to the contractor at suitable rates on the basis of work done and the quantity or number of labour actually employed every day. Audit scrutiny revealed that the executing divisions irregularly resorted to execution of works through labour *mates*^Σ and made cash payments on hand receipts through temporary advances placed at the disposal of Sub-Divisional Officers. In six Divisions, such payments totalled Rs. one crore in the months of March 2004 and March 2005 alone. In 11 other schemes analysed in audit, the payment totalled Rs. 1.16 crore. Executive Engineer, Division No. I Jammu and the provincial Chief Engineers stated (September 2005 and October 2006) that the works were minor and of emergent nature, and that the necessity for executing these works departmentally arose because of land disputes at various locations. It was further stated that the land disputes were sorted out by engaging local people through mates as the outside contractors would not have been able to execute the works within the stipulated time frame. The reply is not acceptable, because the project works were to be executed in a time bound manner after following the prescribed procedures. Taking recourse to execution of works through labour mates and payments thereof on hand receipts was irregular, and is also susceptible to misuse.

5.9 Administrative Controls

Audit noticed inadequate administrative control over execution of works in the following cases:

- Executive Engineers, R&B Division, Kishtwar and Mahore took up the construction of link road to Dool (via Sheikhpura) and Mahore-Sildhar road without acquisition of land and payment of land/forest/house compensation. An expenditure of Rs. 1.02 crore and Rs. 31.70 lakh was incurred on both the projects (February 2006) respectively. The contractors backed out after executing works in some stretches. The

Σ Labour contractors

Executive Engineer, Kishtwar stated (March 2006) that Rs. 10 lakh required for payment of land compensation was not allotted by the State Government in time, leading to cost escalation to Rs. 37 lakh. The Chief Engineer Jammu replied (October 2006) that forest clearance in case of Mahore-Sildhar road had been received and payment would be made to the Forest Department shortly.

- Executive Engineer, R&B, Division, Kupwara took up (2002-03) the construction of 1.5 KM road from Malik *Mohalla*, Kharbagh to Gaarhati at an estimated cost of Rs. 29.71 lakh. After incurring Rs. 11.69 lakh on execution of earthwork (3700 Cum) it was decided (September 2003) to construct a Bye-pass road from Kupwara Bridge to Zangli via Gaarhati instead of the road under execution. Further work had not been taken up (March 2006) rendering the expenditure of Rs. 11.69 lakh wasteful.
- Construction of a 5 kms long Chandal Roulka road and a 15 meter span steel girder motorable bridge over *nallah* Androon at second Km of the road were technically approved (1999-2000) under NABARD loan assistance scheme at an estimated cost of Rs. 1.43 crore[♥] and Rs. 30 lakh^ψ respectively. The entire work was scheduled to be completed by 2004-05. Audit scrutiny (February 2006) of the records of Executive Engineer, R&B, Basohli revealed that before actual acquisition of land, construction work on the scattered^φ sections of the road was executed and Rs. 1.57 crore were spent upto February 2006. Construction work on the remaining sections of the road could not be executed, as the land owners had stopped the execution due to non-payment (February 2006) of land compensation to them for want of funds. Audit scrutiny also revealed that the construction work of 15-meter span steel girder motorable bridge was allotted (June 2000) to a contractor at a negotiated amount of Rs. 28.97 lakh, for completion within eight months. The work was taken up belatedly (December 2002) as its approved designs had not been provided to the contractor in time, apart from the site being militancy prone. After incurring an expenditure of Rs. 27.23 lakh on two abutments of the bridge, the contractor stopped (December 2005) further execution on the plea that cost of construction material had increased and execution up to the allotted amount had already been done. The Executive Engineer stated (February 2006) that the scheme had been revised at an estimated cost of Rs. 2.37 crore and submitted (October 2005) to the Government for approval. Thus, injudicious planning by the Executive Engineer, Public Works Division, Basohli in taking up the construction work on the scattered sections of the road before actual acquisition of land and delay in supply of approved designs of bridge to the contractor, resulted in an unfruitful expenditure of Rs. 1.84 crore. This also resulted in non-

♥ NABARD share: Rs. 128.73 lakh, State share: Rs. 14.31 lakh

ψ NABARD share: Rs. 27 lakh, State share: Rs. 3 lakh

φ Km.1: RD 275 to 300, Km. 2: RD 550 to 650, Km. 3: RD 850 to 1000, Km. 4: RD 0-140,325,1000, Km. 5: RD 0 to 375 and 450 to 850

provision of road connectivity to the people of the area and non-achievement of the desired result of funding.

- Rules and guidelines, under the Jammu and Kashmir Forest Conservation Act (1997) provide that the works on projects involving use of forest land should not be started till the State Government has accorded its approval to release such land. The guidelines further provide that proposals for seeking *ex post facto* sanction of the Government to clearance of the land would not be entertained.

Audit scrutiny (February 2006) of the records^ψ of Executive Engineer PWD (R&B) Division, Basohli relating to the period from November 2003 to January 2006, revealed that administrative approval sought (June 1998) for construction of Katli-Deragalla road (16 Kms) at a cost of Rs. 5.00 crore was not accorded (August 1998) by the Chief Engineer as the proposal was framed without any regard to time of completion, availability of funds and contained certain deficiencies in its specifications, classification and drawings. A revised proposal (December 1998) for construction of only first three Kms of the road in Phase-I within a period of three years, at a cost of Rs. 74.70 lakh was also not approved. However, Superintending Engineer, PWD (R&B) Jammu-Kathua authorised construction work on scattered sections of the road involving 1.27 hectares of forest land which was taken up by Executive Engineer, PWD (R&B) Division, Basohli in 1997-98 without obtaining administrative approval and prior forest clearance from the Government. Despite lapse of about eight years, the work had not been completed, although Rs. 26.41 lakh[▲] had been spent (January 2006) on it. The Project Report framed (May 2002) by Executive Engineer, PWD (R&B) Division, Basohli for funding the construction of next 13 Kms of the road at an estimated cost of Rs. 6.41 crore under NABARD loan assistance was also not approved (March 2006).

On this being pointed out (February 2006) in audit, the Executive Engineer stated (February 2006) that the work in some stretches of the road could not be taken up for want of forest clearance. The reply is not tenable as prior approval of the Government for clearance of forest land was mandatory.

The execution of the work by the R&B Division, Basohli without the administrative approval and prior clearance of the Forest Department indicated absence of administrative control and resulted in unfruitful expenditure of Rs. 26.41 lakh.

5.9.1 Administrative Inspection

In order to exercise checks over resources and functioning of the Department, administrative inspection of each sub-ordinate office was required to be conducted annually by the next superior authority. Annual administrative

^ψ Progress Reports, Monthly accounts, Project Proposals, Works Programmes, Adjustment Book and Advance Payment Register, etc.

[▲] 1997-98: Rs. 2,91,000; 1998-99: Rs. 2,00,427; 1999-2000: Rs. 59,690; 2000-01: 98,423; 2001-02: Rs. 4,99,629; 2002-03: 2,92,899; 2003-04: Rs. 6,99,659; 2004-05: 3,00,000; 2005-06: Rs. 1,99,485

inspection of 36 units was not conducted by the next higher authority indicating laxity in enforcing necessary controls.

5.9.2 Physical verification of stores

Financial Rules provide that physical verification of stores is to be conducted at least once a year and discrepancies, if any, noticed are to be adjusted in accordance with Financial Rules. Physical verification of stores for the period ending March 2005 had not been conducted in 27 offices. This was fraught with the risk of shortages/leakages escaping the notice of higher authorities.

5.9.3 Outstanding inspection reports

The position of outstanding Audit Inspection Reports (AIRs) and paragraphs as on 31 March 2006 is indicated below:

Table 5.3

Department	Outstanding at the beginning of the year		Issued during the year		Settled during the year		Outstanding at the close of the year	
	AIRs	Paras	AIRs	Paras	AIRs	Paras	AIRs	Paras
R&B	133	637	46	362	23	382	156	617

As a result of the departmental replies 23 AIRs and 382 outstanding paras were settled during the year. However, 156 AIRs and 617 paras were outstanding as on March 2006 against the department.

5.10 Quality control

For effective quality control, NABARD guidelines provided that the State Government should ensure that adequate technical personnel and a well-equipped laboratory system are available. Periodical tests on material, concrete and finished works were to be conducted as per the requirements of the Indian Road Congress (IRC), Ministry of Surface Transport (MOST) and Bureau of Indian Standards (BIS). It was also decided that for setting up of new laboratories at district/divisional level, a provision of 1.5 *per cent* of the project cost should be kept in the estimates. Audit scrutiny in fifteen Divisions revealed that quality control tests were not conducted during the period covered under review, as testing laboratories had not been established. Chief Engineer Jammu, while admitting (September 2006/October 2006) the audit contention stated that the requisite tests were got conducted through established laboratories of Government College of Engineering and Technology (GCET), Government Polytechnic College and Hydraulic Laboratory at Jammu. However, Principals of the two colleges, to whom the matter was referred for confirmation, stated (October 2006) that no sample was received by them from the R&B Department for testing. With regard to tests if any conducted in Hydraulic Laboratory, Jammu the samples in respect of NABARD works were not discernable. Chief Engineer (R&B), Kashmir stated (October 2006) that efforts were on to establish quality control laboratories at all District Headquarters.

Test check of records revealed that Rs. one lakh allotted to the Executive Engineer, R&B Division, Doda for construction of the laboratory was utilized for purchase of material.

Departmental failure to establish the laboratories at district/divisional level and carry out the requisite tests, led to non-assessment of the standard of works executed.

5.11 Monitoring and Evaluation

To review the implementation of Road/Bridge Projects, a High Powered Committee headed by the Chief Secretary was to be set up which was to meet at quarterly intervals to review the progress of the projects. NABARD authorities also suggested (May 2001) that a Quality Control cum Monitoring Cell be set up under each Chief Engineer.

It was seen during audit that implementation of these projects was not monitored properly. The Chief Engineers stated (September/October 2006) that monitoring and evaluation of the progress was being conducted by the Superintending Engineers and the Monitoring Committees set up by the Administrative Department and NABARD authorities, apart from discussions and the directions at the Commissioner Secretary level. Scrutiny of records, however, revealed that monitoring had proved ineffective. The Financial Advisor and Chief Accounts Officer, Finance Department admitted (July 2006) that the High Powered Committee meetings had not been held till March 2006.

5.12 Conclusion

The Audit review revealed that internal controls in all areas viz. financial, operational, administrative and supervisory were inadequate. There were delays in release of funds, inadequate budgetary support and irregular credits.

Many schemes could not be completed due to diversion of funds from one scheme to another, land disputes, backing out by contractors and non-allotment of funds required to complete them. Funds for procurement of material had not been utilized efficiently as the material ordered/procured was either not required or had not been received against advances made.

On the implementation side, there was inadequate planning, leading to unrealistic and tentative estimates, blocking of funds, irregular execution and consequent delay and cost overruns. Laxity in administrative control was evident in non-payment of land compensation in time, taking up of construction works without accord of administrative approval, non-conducting of physical verification of stocks and inadequate inspection of subordinate offices, etc.

Despite provision of 1.5 *per cent* of the project cost for quality control, the quality of works could not be ensured. Quality control tests were not conducted and material testing laboratories were not established. Implementation of projects was not monitored and evaluated effectively.

5.13 Recommendations

- Project Reports be formulated after proper survey and administrative approvals/technical sanctions accorded in time to prevent cost and time overrun.

- Acquisition of land and forest/environmental clearance, etc. should be ensured before taking up the project works to prevent disputes/delays in future.
- Financial Rules and NABARD guidelines should be followed strictly to prevent diversion and irregular parking of funds.
- Administrative Control over management of funds needs to be strengthened.
- Prescribed quality control checks should be carried out and monitoring should be strengthened.