

CHAPTER IV

Audit of Transactions

4.1 Fraudulent Drawal / Misappropriation/losses

Narmada Valley Development Department

4.1.1 Fraudulent payment and undue aid to contractor

Fraudulent and inflated measurements for running payments led to overpayment of Rs.5.47 crore and non-recovery of debitabe extra cost of Rs.31.09 crore from defaulting contractor. Non-invoking of contract clause for retaining additional security deposit due to unbalanced rates resulted in loss to the Government - Rs.2.52 crore.

Four contracts for the works “Construction of Bargi Right Bank Canal from RD 12 to 16 km, 16 to 20 km, 25 to 33 km and Panagar and Matamar Minor Canal Distribution System in RD 42 to 50 km for Bargi Diversion Project”, estimated to cost Rs 81.37 crore, were awarded (between April and July 2002) to contractor ‘A’ on item rate basis for Rs. 55.27 crore. The contracts were awarded between 22.23 and 39.14 *per cent* below estimated rates. The work orders to complete the work within 12 and 24 months were issued between April and July 2002 by the Executive Engineer (EE), Narmada Development Division No.7, Jabalpur and N.D. Dn No. 1, Panagar.

The working capacity and resources of tenderer were not ascertained at the time of acceptance of tenders, as a result the contractor failed to give proportionate progress as per construction programme. Despite issuance of notices (October 2003 and January 2004), contractor did not accelerate the progress and after executing the work valuing Rs.21.20 crore the contractor stopped the works. Owing to slow progress, the contracts were rescinded between November 2003 and February 2004 at the risk and cost of the defaulting contractor. Scrutiny in audit revealed the following:

- The final measurements taken after rescission of three contracts however revealed that the quantities actually executed and paid as per initial measurements were highly inflated. For instance the quantities of excavation in soft rock / disintegrated rock were initially measured and paid for 13,16,890.615 cum, while the final measurements revealed that the excavation in soft rock / disintegrated rock was only 6,27,517.61 cum. Similarly excavation in hard rock initially measured and paid for 3,25,040.87 cum, while the final measurements revealed excavation for the quantity of 1,15,026.87 cum. On account of excess measurements recorded earlier and paid, the final bills computed for a recoverable amount of Rs. 5.47 crore as detailed in *Appendix XXXVI*. Further scrutiny in audit revealed that this was due to recording of incorrect measurements.

- The Works Department Manual envisaged that running payments to the contractor should be made after recording measurements by the Sub Divisional Officer. Ten *per cent* of such measurements should be test checked by the Divisional Officer. The required checks were not properly exercised. The actual quantity executed for dry and wet excavation in all types of disintegrated rock and soft rock in *RD 25 to 33 km*, was 11,961.395 cum as per measurements recorded in the measurement books (MBs). However, during transcription in abstract MB the above quantity was increased and recorded as 1,19,611.30 cum. thereby, registering an increase of 107649.905 cum quantity for payment. Similarly, in other two groups (RD 12 to 16 km and RD 16 to 20 km) also the quantities were enhanced in the abstract MBs while making payment. This resulted in fraudulent payment of Rs.98 lakh as detailed in **Appendix-XXXVII**.

When overpayment was pointed out (May 2005) in audit, the Executive Engineer, N.D.Division No.7, Jabalpur, stated that recovery will be made from the final bill or will be adjusted from contractor's dues or by issue of Revenue Recovery Certificate. The fact remains that running payments were made on inflated measurements without exercising proper checks; neither action for recovery of overpayment was initiated nor was any responsibility fixed for making overpayment as of June 2005.

- After rescission of the contracts, works left incomplete were awarded at higher rates to other contractors at the risk and cost of contractor 'A' during 2004-05. Thus injudicious award of work to a single contractor beyond his capacity and resources led to termination of contracts midway resulting in debitabe extra cost of Rs.31.09 crore recoverable from contractor 'A' as detailed in **Appendix-XXXVIII**.

An amount of Rs.4.46 crore in shape of security deposit, earnest money and performance security was available with the department as of June 2005. As per the agreements, the deposit of *Rs.4.46 crore* was to be forfeited just after rescission. However, the department failed to adjust the deposits timely. The contractor filed (March 2005) a writ petition in Hon'ble High Court against the forfeiture of deposits and obtained *status quo* with respect to the deposit from High Court.

On being pointed out, the Executive Engineers stated (May 2005) that the finalisation of incomplete work was under progress; hence actual extra cost recoverable was yet to be ascertained. The reply is incorrect as the recoverable extra cost could have been determined with reference to the tendered rates of subsequent tender, as per recommendations (April 2000) of *Public Accounts Committee*. Delay in initiating recovery process was, thus, unwarranted.

- According to the clause 3.26 of the tender documents, in case the approving authority considers that the tenderer has quoted disproportionately high rates for some items or the tender is unbalanced, the payment of such items shall be limited to the estimated rates plus or minus overall percentage and the balance payment of such items shall be retained as additional security deposit, which shall be released after completion of entire work. In case of failure to complete the work, the entire additional security deposit shall be forfeited. The Narmada Valley Development Department (NVDD) also directed (April 1993) that item

rate tenders should be accepted with the above stipulations. However, the clause is defective as it is left to the discretion of approving authority to invoke the same rather than making it mandatory.

Though the contractor had quoted disproportionately high rates for excavation items in all types of soil, hard moorum and hard rock, the approving authority did not invoke the clause for retention of additional security deposit and the contractor was paid at his tendered rates. Thus, by non-invocation of this clause, the Department lost the opportunity to retain additional security deposit, resulting in avoidable loss of Rs.2.52 crore as detailed below

Name of Division/ Agt No.	Items of work	Executed Quantities in cum	Quoted/ Paid rates In Rupees	Payable rates i/c Tender %	Amount of additional S.D .recoverable
N.D Dn.7 JBP Agt.No.1/01-02	2.Excavation in Hard Soil/ Moorum	430150.60 56584.70	70.00 66.14	67.66 67.66	10,06,552 (-) 86,009
	3(a).Excavation in soft rock	7521.78	156.50	121.81	2,60,931
	3(b) Excavation in Hard Rock	127897.80	110.00	103.63	8,14,709
N.D Dn.7 JBP Agt.No.2 /02-03	2.Excavation in Hard Soil / Moorum	330789.26	70.00	65.10	16,20,8 67
	3.Excavation in Hard Rock	182394.82	120.00	110.27	17,74,702
N.D Dn.7 JBP Agt.No.3 /02-03	2.Excavation in Hard Soil/Moorum	499366.05	60.00	43.89	80,44,787
	3.Excavation in Hard Rock	14748.85	180.00	92.32	12,93,179
N.D.Dn.1 Panagar Agt.No.1/01-02	1.Excavation in all sorts of soil	392669.059	30.00	20.01	39,22,764
	3.Excavation in Hard Rock	106153.85	180.00	118.77	64,99,800
TOTAL Rs.					2,51,52,282

On this being pointed out, EE stated (August 2004) that the approving authority did not consider this clause necessary. The reply confirms that the accepting authority's action was not in conformity with the NVDD's instructions to safeguard the Government's interest.

Thus, inflated and fraudulent measurement, non-recovery of debitible extra cost, non-invoking of clause for additional security deposit led to a loss of Rs.39.08 crore.

The matter was reported to the Government in July 2005, reply has not been received (September 2005).

Panchayat and Rural Development Department

4.1.2 Suspected embezzlement

Incorrect entries and non-accountal of drawals in the cash books indicated suspected embezzlement of Rs.35.20 lakh .

4.1.2.1 Government of Madhya Pradesh, Panchayat and Rural Development Department, Bhopal, in October 1995 issued detailed instruction for formation of tri-level Panchayats functions. As per para 2.4.4 of aforesaid instructions it was reiterated that Block Development officer is responsible for drawing and

disbursing the money drawn from the treasury. According to Rule 53 (ii) of Madhya Pradesh Treasury Code Vol.I money drawn from treasury must be entered in cash book in the receipt side and should be shown as expenditure or balance on the opposite side.

Test-check of records of Chief Executive Officer, Janpad Panchayat (CEO), Chanderi (May 2005) revealed that an amount of Rs.20.20 lakh was drawn from the treasury through seven bills during May 2000 to July 2001 and shown as transfer to Chief Executive Officers (Janpad) Bank accounts, on the expenditure side in the block cash book. On verification of cash book and bank accounts of respective CEOs (Janpad), amounts shown as transferred were neither accounted for in their cash book nor were appearing in their bank accounts. Thus, amount shown as expenditure in block cash book amounts to suspected embezzlement. Similar nature of embezzlement of Rs.10.93 lakh was reported by Collector, Ashoknagar (August 2004) but no action has been taken by Government.

On being pointed out in audit (May 2005) the CEO replied that relevant records were not handed over by the previous accountant.

4.1.2.2 Test-check of records further revealed that the cash amounting to Rs.4.07 lakh was withdrawn from the CEO's bank account no. 3989 of State Bank of Indore Branch, Chanderi during the period from April 2000 to February 2002, which was not accounted for in the CEO's cash book. As such suspected embezzlement of Rs.4.07 lakh could not be ruled out.

On being pointed out in audit the CEO replied that the relevant record was not handed over by the previous accountant, and F.I.R. has also been lodged (May 2002).

The matter was reported to Government in June 2005; reply is still awaited.

4.2 Infructuous/ wasteful expenditure and overpayment

Narmada Valley Development Department

4.2.1 Overpayment to contractors on account of price escalation

Incorrect adoption of base indices for price escalation resulted in overpayment of Rs. 34.19 lakh to the contractors.

Tenders for construction of main canal of Indira Sagar Project from RD 45.431 to RD 51.506 km alongwith 9 structures, estimated to cost Rs.11.37 crore, were opened on 21 March 2001 and work was awarded (December 2001) for Rs.6.99 crore to a contractor. The contractor was paid for aggregate amount of Rs.7.38 crore in August 2004. Scrutiny of running payments revealed as under:

The agreement provided that the base indices for computation of price escalation would be the average consumer price index on the date of opening of tender. It was noticed that the tenders were opened on 21st March 2001 and

the base indices for labour and material were 455 and 159.1 respectively. However, while computing price escalation the division incorrectly adopted indices as 444 and 155.7 respectively. Besides, the calculation for price adjustment of POL was also incorrect. As against payable amount of Rs. 9.50 lakh the department computed and paid Rs.10.74 lakh. The incorrect indices for labour and material and incorrect computation for POL had, thus resulted in overpayment of Rs.15.02 lakh to the contractor.

On being pointed out the Chief Engineer stated (September 2005) that excess payment of Rs 15.02 lakh as worked out would be recovered as arrears of land revenue.

Similarly, tenders for construction of earth work and cement concrete lining including structures for left bank main canal of Rani Awanti Bai Lodhi Sagar, estimated to cost Rs.18.65 crore in two groups were opened on 4th June 2002 and work was awarded to the lowest contractor for Rs.20.79 crore, by Executive Engineer, LBC Division No.II, Jabalpur in September 2002. The contractor was paid for Rs.20.68 crore including price escalation of Rs.1.37 crore till May 2005. Scrutiny of records revealed that on the date of opening of tender viz 4th June 2002 the price of High Speed Diesel (HSD) was Rs.21.17 per liter, against this the base prices for HSD were adopted Rs.19.55 per litre by the division while calculating price escalation, resulting in excess payment of Rs.19.17 lakh.

On being pointed out the Executive Engineer stated (June 2005) that calculation will be re-examined and excess payment, if any, will be recovered. No recovery has been made as of September 2005.

Incorrect adoption of price indices had, thus, paved the way for overpayment of Rs.34.19 lakh to the contractors.

The matters were reported to the Government in July 2005, replies were awaited as of September 2005.

4.2.2 Defective terms of contract resulted in loss to the Government

Non-invoking of condition for additional security deposit due to unbalanced rates of items of work resulted in avoidable loss of Rs.41.57 lakh to the Government.

The work "Construction of Bargi Right Bank Canal from RD 20 to 25 km", estimated to cost Rs. 17.27 crore, was awarded (June 2002), by the Executive Engineer (EE) to a contractor for Rs. 12.54 crore (evaluated at 27.39 per cent below USR-1998) for completion within 12 months from the date of commencement of work. As the work remained incomplete up-to the stipulated period, extension of time up-to March 2004 was granted in October 2003. Owing to slow progress and failure to resume the work till December 2003, the contract was rescinded (January 2004) at risk and cost of the defaulting contractor. However, the contractor was paid Rs.4.16 crore till March 2004. Scrutiny in audit revealed (August 2004) the following:

According to the terms of the contract, in case the approving authority considers that the tenderer has quoted disproportionately high rates for some

items or the tender is unbalanced, the payment of such items shall be limited to the estimated rates plus or minus overall percentage and the balance payment of such items shall be retained as additional security deposit, which shall be released after completion of entire work. In case of failure to complete the work, the entire additional security deposit shall be forfeited. The Narmada Valley Development Department (NVDD) also directed (April 1993) all the Chief Engineers that item rate tenders should be accepted with the above stipulations. This condition was defective in as much as rather than making binding and mandatory it was left to the discretion of approving authority to invoke the same.

Though the contractor had quoted disproportionately high rates for excavation in hard soil and hard moorum @ Rs.30/- per cum and for providing and fixing LDPE film @ Rs.30 per sqm as against the estimates rates of Rs.24.55 per cum and Rs.12.41 per sqm respectively, the approving authority did not invoke the condition for retention of additional security deposit and the contractor was paid at his tendered rates. Had the condition been invoked by the accepting authority, the payable rates worked out to Rs. 17.83 per cum and Rs.9.01 per sqm, respectively for both the items. The contractor executed the item of excavation in hard soil and hard moorum for 3,28,456 cum as against total estimated quantity of 4,86,675.24 cum and 7,612.00 sqm LDPE film against the total estimated quantity of 3,20,962.10 sqm. Thus, by non-invoking the condition, department foreclosed the opportunity to retain additional security deposit resulting in avoidable loss of Rs.41.57 lakh*.

On this being pointed out in audit (August 2004), EE stated (August 2004) that the approving authority did not consider this clause necessary. The reply was not tenable as the action of approving authority was not judicious in the light of NVDD's instruction to safeguard the Government's interest.

The matter was reported to the Government in September 2004, reply had not been received (September 2005).

Rehabilitation Department

4.2.3 Infertuous expenditure on closed Cement Concrete Fabrication Units

Expenditure of Rs.92.51 lakh was incurred on pay and allowances etc. on idle staff between June 1998 and July 2005 despite closure of CCF Unit Itarsi and Harda in May 1998.

Government decided (May 1998) to close the Cement Concrete Fabrication (CCF) units Itarsi and Harda, which were running in losses since 1988-89. Apart from the disposal of the fixed assets of the units it was decided to

*

Excavation in soil/Moorum- Executed Qty 328456.00 cum x Rate Difference (30-17.83)12.17	Rs.39,97,310
LDPE Film- Executed Quantity 7612.00 sqmx Rate Difference (30-9.01)20.99	Rs.1,59,776
Total	Rs 41,57,086

declare the staff deployed in the units as surplus and to merge them in other departments.

Test-check (August 2004) of the records of Commissioner, Rehabilitation, MP, Bhopal (Commissioner) and further information collected in August 2005 revealed that despite closure (May 1998) of the CCF units, 11 out of 22 surplus employees have not been absorbed in other departments and were retained in the units. During June 1998 to July 2005 expenditure of Rs.90.17 lakh on pay and allowance of the surplus staff and Rs.2.34 lakh on office expenses was incurred.

On being pointed out in audit the Commissioner replied (August 2004) that staff of both units had been declared surplus and efforts were being made to absorb them but no positive results have so far been arrived at. Thus, staff of CCF units remained idle and an infructuous expenditure of Rs.92.51 lakh was incurred on pay and allowances and office expenses of the closed units.

The matter was referred to the Government in March 2005; reply had not been received (July 2005).

Water Resources Department

4.2.4 Wasteful expenditure on abandonment of scheme due to defective hydrological study

Due to defective/inadequate hydrological study, Kishanpur nalla flood protection scheme had to be abandoned rendering expenditure of Rs.28.64 lakh wasteful.

In order to tackle flood problem in low lying areas of Hoshangabad town, Government accorded (March 2000) administrative approval for Rs.1.24 crore for Kishanpur nalla flood protection scheme. Scheme envisaged construction of earthen dam with 2 sluices. Technical sanction for Rs.1.39 crore was accorded by the Chief Engineer in September 2000. The Earth work of dam commenced through departmental machines and 37,000 cum earth work was executed between May 2001 and February 2002. Scrutiny in audit revealed the following:

The Secretary, Water Resources Department during site inspection in February 2002 directed the Executive Engineer to recheck the hydrology of the scheme. Accordingly, Bureau of Designs and Hydrological Investigation (BODHI) rechecked the hydrology and intimated (June 2002) to the department that the scheme was unfeasible as the flood and rains data collected were defective / incorrect and suggested for recollection of these data. The Chief Engineer resubmitted the case to BODHI in May 2003. BODHI did not clear the scheme and intimated (September 2003) that the scheme was technically unfeasible since flood volume and other hydrological data were defective and provision for discharge of water during flood was not made in the scheme. The Chief Engineer referred (May 2005) the case to Central Water Commission (CWC) for rechecking of hydrology.

It was noticed that Rs.95.36 lakh were lying under Civil Deposit since March 2000. The Divisional Officer, after incurring an expenditure of Rs.28.64 lakh had already abandoned the scheme in June 2002. Thus due to defective/inadequate hydrological data, scheme had to be abandoned despite availability of funds, rendering the entire expenditure of Rs.28.64 lakh wasteful, defeating the main objective.

On being pointed out in audit the Chief Engineer stated (July 2005) that unless hydrology report is received from Central Water Commission (CWC) expenditure incurred on Flood Protection Scheme cannot be termed as wasteful. Reply was not tenable because technical sanction was accorded without adequate study/checking of hydrological data of the scheme. Further with the passage of time period earthwork done for the scheme was wasteful.

The matter was referred to Government in April 2005; reply had not been received (September 2005).

4.2.5 Wasteful expenditure on Survey work

Non-utilisation of earlier survey rendered expenditure of Rs.1.03 crore wasteful.

The work of Sindh Project Phase II was administratively approved for Rs.607.67 crore in November 1991 by the Government of Madhya Pradesh for providing of irrigation to 74650 hectare land in Gwalior and Bhind districts. The work included construction of Harsi High level Canal (HHLC) estimated at Rs.78.13 crore. An expenditure of Rs.1.03 crore was incurred on survey work up to 2000-01 by Harsi High Level Canal Division, Gwalior (Rs.64.99 lakh) and by Sindh Project, RBC Division, Narwar (Rs.38.42 lakh). The work was transferred to newly constituted HHLC division (June 2003) at Shivpuri, which was later shifted to Dabra (June 2004).

Further scrutiny revealed that HHLC division has undertaken the survey work afresh on contract basis due to non-availability of records of the earlier survey. The division submitted a detailed estimate for Rs.1.36 crore in December 2003 for survey, design, preparation of grid and contour plans including preparation of land acquisition cases to Chief Engineer Rajghat Canal Project, Shivpuri, without mentioning that survey had been earlier conducted up-to 2000-01. The total expenditure on fresh survey work up-to May 2005 was Rs.33.35 lakh. Thus, expenditure of Rs.1.03 crore incurred on earlier survey proved wasteful.

On being pointed out in audit the Divisional officer stated (May 2005) that the survey conducted earlier by previous divisions had become ineffective due to changes which have taken place at the work site and non availability of related records. The reply of Divisional Officer was in confirmation of the fact that survey conducted earlier had proved wasteful.

The matter was reported to Government in June 2005 but reply is awaited as of July 2005.

4.2.6 Execution of below specification work of Cohesive Non-Swelling material

Cohesive non-swelling (CNS) material provided at a cost of Rs.53.06 lakh was below specification.

Construction of earth work for canal lining including 33 structures and WBM service road from Km 0 to 16 of Datia Irrigation Canal, estimated to cost Rs. 7.50 crore was awarded (May 2000) to a contractor on item rate contract for Rs.6.89 crore for completion in 18 months. The work scheduled for completion in November 2001 remained incomplete and contractor's 60th running account bill for Rs.7.07 crore was paid in November 2004. Scrutiny in audit revealed as under:

To counteract the swelling pressure and to prevent deformation of rigid lining materials, a cohesive CNS material in required thickness depending upon the swelling pressure of soil is sandwiched between the soil and rigid lining material. Where swelling pressure is less than 0.50 kg/ sq cm, CNS material is not required. Specifications provided that the swelling pressure and free swell index tests shall be conducted on the soil available at the site before deciding the type of treatment.

- The Specifications forming part of the contract stipulated that for canals having discharge of more than 2 cumecs and swelling pressure of soil from 0.5 to 1.5 kg/ sq cm, minimum thickness of CNS material shall be 75 cm. Scrutiny revealed that the discharge of canal was 12.712 cumecs and swelling pressure was between 0.52 and 0.56 kg/sqcm in 5 reaches, hence a minimum of 75 cm thick CNS was required in these reaches in terms of specifications. The measurements, however, disclosed that in total disregard to the above, 21181.87 cum CNS provided was in 60 cm thickness only, resulting in the work of CNS valuing Rs.53.06 lakh below specification.

On this being pointed out the Executive Engineer while admitting less swelling pressure in 11 kms, stated (July 2005) that soil samples between 0 to 16 km were got tested at each km during preparation of estimates. The estimates provided for CNS in 33 per cent reaches only. To substantiate this, tests were again conducted in July 2005. The fact remains that execution of CNS was substandard.

Matter was reported to the Government in July 2005; reply was awaited as of August 2005.

4.3 Violation of contractual obligation

Narmada Valley Development Department

4.3.1 Violation of contractual obligations

Payment for work of stacking of hard rock actually not done- Rs.37.75 lakh.

The work of excavation of main canal of Indira Sagar Project from Km 45.431 to Km 58.856 including 19 concrete structures (estimated to cost Rs.29.86 crore) was awarded to two contractors on item rate contracts for Rs.6.99 crore and Rs.15.57 crore in December 2001 and March 2003 for completion in 36 and 24 months respectively. Contractors 24th and 18th running account bills against these agreements for Rs.7.38 crore and Rs.9.27 crore were paid in August and September 2004 respectively.

Scrutiny in audit (October 2004) revealed as under:

The scope of work under item “Dry and wet excavation in all kinds of hard rock”, inter-alia, included stacking in stock piles. Further, specifications forming part of contracts also provided that contractors were required to stack the excavated hard rock in accordance with their gradation like masonry stones, rubbles, pitching stones, boulders, etc. in such a way that these can be easily removed or transported for other works.

It was, however, observed that the contractors did not stack the excavated hard rock and dumped it in stock yard. Since, the stacking was not carried out, the rates of excavation should have been reduced to the extent of stacking charges by Rs.6.30 per cum plus or minus overall tender percentage. However, the contractors were paid at full rates without any deduction for work actually not done. This had resulted in excess payment of Rs.37.75 lakh¹ for 8,29,494.85 cum.

On being pointed out in audit, the Chief Engineer stated (September 2005) that the language of the item does not include the work of stacking of hard rock in “Chattas” as has generally been conceived. Therefore, payment made to the contractor does not involve any extra payment on this ground. The reply was not tenable in view of Departmental instructions issued (March 2003) to all the Chief Engineers that stacking the material in stacks is a part and parcel of the item of excavation and on completion of the same payment for the item is permissible. The facts remain that rates for work not done were not reduced while making payments.

¹ AgtNo.1/2003-04 (15.76%below) 392434.85 cum X Rs.5.31 = 20,83,829

AgtNo.7/2001-02 (38.61% below) 437060.002 cum X Rs.3.87 = 16,91,422

Total Rs.37,75,251

The matter was reported to the Government in June 2005; reply had not been received (September 2005).

Public Works Department

4.3.2 Violation of contractual obligations/undue favour to contractor

Non-adherence to specification led to execution of sub-standard work of Rs.48.93 lakh and non-recovery of extra cost and cost of damaged work-Rs.34.27 lakh was also noticed.

The work “Improvement of Riding Quality Pavement (IRQP) in km.571 to 573 of National Highway No.3”, estimated to cost Rs.1.34 crore was awarded (November 2002) on percentage rate contract at 34.94 *per cent* below the Schedule of Rates (SOR) to contractor “A” for completion in four months. Owing to failure in completion by the scheduled date, extension of time up-to 15th December 2003 was granted (October 2003) by the Chief Engineer. The contractor could execute the work valuing Rs.60.37 lakh but was paid Rs. 48.93 lakh as the 3rd bill was cancelled by the Executive Engineer. Due to non completion of work by the contractor even after granting extension, the contract was rescinded (November 2003) and the balance work was awarded (February 2004) to contractor “B” at 1.81 *per cent* above the SOR by the Executive Engineer (EE), National Highway Division, Indore, at the risk and cost of original contractor “A”.

Scrutiny of records revealed the following irregularities:

- According to the specifications, the Bituminous Macadam (BM) work was to be covered with either next pavement course or wearing course within 48 hours before opening the road for traffic. If there was to be any delay, the surface was to be covered by seal coat as incidental to the work at contractor’s cost. The contractor had laid 3127.64 cum BM between January and June 2003, but neither next pavement course / wearing course nor the seal coat over the surface was laid by the contractor before opening the road to the traffic. Thus the entire work valuing Rs.48.93 lakh was *sub-standard* indicating lack of supervision by the department. This had also resulted in undue financial aid of Rs.4.54 lakh to the contractor for not laying of seal coat.
- The Superintending Engineer (SE), while inspecting (September 2003) the site had found that the work of BM damaged at several places because of non-covering of surface with wearing course or seal coat. The SE ordered to scarify and re-lay BM in km 573, where surface was badly damaged. The EE rejected (October 2003) 834.155 cum of BM laid on 8774.41 sqm area valuing Rs.12.18 lakh. Besides, an expenditure of Rs.1.97 lakh was also incurred on scarification. Thus, an amount of Rs.14.15 lakh was also recoverable from the contractor.

- After rescission of the contract, the contractor 'A' filed an appeal in arbitration before the Chief Engineer (CE) under clause 29 of the agreement. The Chief Engineer, however, upheld (November 2004) the action of the E.E. to rescind the contract. Since the balance work was executed and completed at the risk and cost of defaulting contractor "A", the evaluated extra cost of Rs.28.53 lakh was recoverable from him. An amount of Rs.8.41 lakh (Performance security Rs.7.40 lakh and Earnest Money deposit Rs.1.01 lakh) of the contractor was available with the department; it was adjusted against Government dues. No action to recover the balance extra cost and cost of damaged work was initiated by the department as of August 2005.

On being pointed out (March 2004) in audit, the Chief Engineer stated (July 2005) that the contractor did not respond to seal the BM, therefore, action taken by EE to rescind the contract was correct and was upheld. The matter is still under decision of the State Government to form arbitration Board. Recovery will be made after the decision.

The matter was referred to the Government in March 2005; its reply had not been received (September 2005).

4.3.3 Violation of contractual obligations/undue favour to contractor

Non-adherence to specification led to execution of sub-standard work of Rs.29.41 lakh and non-recovery of extra cost Rs.25.62 lakh.

The work "Improvement of Riding Quality Pavement (IRQP) in km.543 to 546,549,551 and 556 to 561 of National Highway No.3, estimated to cost Rs.2.52 crore was awarded (March 2002) on percentage rate contract at 34.20 *per cent* below the Schedule of Rates (SOR) to Contractor "A" for completion in 4 months. Owing to failure in completion by the scheduled date, time extension up-to March 2003 was granted (February 2003) by the Chief Engineer. The contractor could execute the work valuing Rs.29.41 lakh and was paid for till January 2003. As the work remained incomplete during the extended period also, the contract was rescinded (March 2003) and the balance work was awarded (May 2003) to contractor "B" at 22 *per cent* below SOR by the Executive Engineer (EE), National Highway Division, Indore, at the risk and cost of original contractor "A".

Scrutiny of records revealed the following irregularities:

According to the specifications, the Bituminous Macadam (BM) work was to be covered with either next pavement course or wearing course within 48 hours before opening the road for traffic. In case of any delay, the surface was to be covered by seal coat as incidental to the work at contractor's cost. The contractor had laid BM on 20986 sqm surface area between November and December 2002, but neither next pavement course / wearing course nor the seal coat over the surface was laid by the contractor before opening the road to the traffic. Further, scrutiny of measurements recorded (page 38 to 43 MB No.5852) revealed that the thickness of BM laid in Km 543 to 545 was

between 28 and 40 mm as against the minimum thickness of 50 mm prescribed in specifications. Thus the entire work valuing Rs.29.41 lakh was below specification.

After rescission of the contract, the contractor filed an appeal in arbitration before the Chief Engineer (CE) under clause 29 of the agreement. The Chief Engineer, however, upheld (June 2005) the decision of the E.E. to rescind the contract. Since the balance work was executed and completed at the risk and cost of defaulting contractor "A", the evaluated extra cost of Rs.25.62 lakh was recoverable from him. No action to recover the extra cost was initiated by the department as of June 2005.

On being pointed out, the EE stated (March 2004) that the work was done as per site conditions and also approved by the RO Bhopal. The reply was not tenable as the work of BM was not conforming to the specifications. As regards recovery of extra cost the EE stated that it would be recovered. No recovery was affected as of June 2005.

Matter was reported to the Government in December 2004; reply was awaited as of September 2005.

Water Resources Department

4.3.4 Violation of contractual obligations/undue favour to contractor

Non-adherence to the contractual provisions led to excess and inadmissible payment to the contractor- Rs.1.35 crore

The work "*construction of two aqueducts for Bansagar Right Bank Canal*" at estimated cost Rs 2.68 crore was awarded (July 2002) on lump sum contract for Rs.2.39 crore to a contractor for completion in 21 months including rainy season. The work scheduled for completion by 26 April 2004 remained incomplete despite extension of time granted up-to 26 October 2004. Contractor's 16th Running Account Bill for aggregate amount of Rs.3.74 crore, including Rs. 1.25 crore towards extra work and Rs.0.22 crore towards price escalation, was paid in June 2004. Scrutiny in audit (August 2004 & June 2005) revealed the following:

The contract provided that the contractor may quote according to his own design, based on the site and foundation strata conditions. In such a case the contractor shall have to satisfy the Chief Engineer, regarding the correctness and soundness of design, specification and calculations in respect of offered design. Failing this, the contractor will have to accept such modifications in the details of offered design, as are necessary and the contractor will not be entitled to any extra payment on this account. Further, the agreement provided that extra work arising out of this contract would be payable only due to change in parameters viz. length, formation level, foundation level, broad outline details and design hydraulic data and shall be valued and paid @ 80 per cent above Current Schedule of Rates (C.S.R). Similarly rebate for reduction in scope of work shall be deducted at par with C.S.R.

After award of the work on General Arrangement Drawing (GAD) contractor submitted his alternate design for the aqueducts providing abutments at both the ends instead of piers, which was approved by the Chief Engineer in terms of the above clause of agreement. This proposed change did not affect any of the parameters responsible for payment of extra and covered under the scope of work in terms of agreement. Thus the contractor was not entitled to any extra payment for the works emanated from his own alternate design. It was, however, observed that the Chief Engineer, accorded permission for extra payment for items created due to such changes treating as extra work. This had resulted in excess and inadmissible payment of Rs. 1.35 crore² including escalation Rs.9.28 lakh to the contractor.

On this being pointed out the Engineer-in-Chief, conveyed (May 2005) that the claim of extra payment had been rejected by the Government in October 2004; hence Rs.1.35 crore would be recovered from the contractor. However, an amount of Rs.0.34 crore was only recovered (May 2005).

Matter was referred to Government in July 2005; reply had not been received (September 2005).

4.3.5 Violation of contractual obligations/undue favour to contractor

Non-regulation of rates for unbalanced items resulted in violation of contractual obligations/ undue favour to contractor resulting in excess payment of Rs.30.02 lakh.

Control Board for Major Projects, Water Resources Department, Government of Madhya Pradesh, accepted (March 2001) item rate tender for construction of Mahi Subsidiary Dam at a cost of Rs.6.79 crore against the estimated cost of Rs.7.59 crore, evaluated as overall 10.45 *per cent* below the estimated rates. The work order to commence and complete the work within 24 months was issued in April 2001. However, work remained incomplete during the extended period up-to December 2004. Owing to failure in completion after execution of work valuing Rs.4.64 crore, contract was rescinded in December 2004. Scrutiny revealed the following:

The acceptance letter forming part of the contract inter-alia stipulated that items[⊗], for which contractor had quoted higher rate than estimated rates, be paid at estimated rates plus or minus overall tender percentage till completion of the work. Thus, unbalanced rates for items were to be regulated by the department. Notwithstanding the above contractual provision, payment to the contractor was made at his tendered rates instead of estimated rates plus or

² Extra work Rs.1,38,57,833 (-)Rebate Rs.13,27,721=Rs.1,25,30,112 + Escalation on extra Rs.9,27,924= Rs.1,34,58,036.

[⊗] Item No.28, 33, 34 and 40

minus overall tender percentage. This had not only resulted in undue favour to contractor but also entailed excess payment of Rs.30.02 lakh*.

On this being pointed out in audit (February 2005) the Chief Engineer stated (July 2005) that payment of bills made by the Executive Engineers was in order. The reply is not acceptable in view of specific mention in the acceptance letter for regulation of unbalanced rates till completion of work.

The matter was reported to Government in June 2005; reply had not been received (September 2005).

4.4 Avoidable/Excess/Unfruitful expenditure

Agriculture Department

4.4.1 Avoidable expenditure on electricity charges

Loss of Rs.1.01 crore due to payment of electricity charges at higher rates for the domestic consumption to the allottees of quarters of Jawaharlal Nehru Krishi Vishwa Vidyalaya (JNKVV) Jabalpur, campus.

Jawaharlal Nehru Krishi Vishwa Vidyalaya (JNKVV) had High Tension (HT) connection with MP State Electricity Board (MPSEB) for electricity supply to its premises as well as staff quarters hence recovery from the staff was to be made at the HT tariff unless a separate LT – Domestic connection for staff quarters had been taken.

Test-check (March 2001 and further September 2003) of the records of JNKVV, Jabalpur revealed that the electric connections from main HT connection were provided to the allottees of the quarters at JNKVV Jabalpur campus by the University. The electricity charges were being recovered by the University from the employees as per their consumption (being recovered by submetres) at domestic rates for which lower rates per unit are applicable.

During the period from 1999-2004 an amount of Rs.1 crore was recovered from the employees as electricity charges at domestic rates against which the payment of Rs.2.01 crore was made to the Electricity Board for the same consumption at HT consumer rate. which resulted in excess payment / loss of Rs.1.01 crore.

*

Sl. No.	Item/No.	Quantity executed	Estimated rates (Rs.)	Overall tender %	Payable rates (Rs.)	Paid rates (Rs.)	Excess payment (Rs.in lakhs)
1.	M-20 controlled concrete	7611.40 M ³	1472.35	10.45 % below	1318.48	1700	29.04
2.	300 mm stove ware pipe	128 Mtr	326.40	10.45 % below	292.29	1000	0.91
3.	Excavation in HR for outlet	63.80 M ³	108.26	10.45 % below	96.95	200	0.07
							30.02

On being pointed out in audit (September 2003) the JNKVV replied (January 2005) that the matter was reported to Government to sort out this discrepancy with MPSEB and initiate action to recover the excess amount paid to the Board. Further, MPSEB, Jabalpur was also requested (August 2001) to supply electricity to its residential quarters at domestic rate and provide individual connections to each quarter early.

The matter was referred to Government (December 2004). Government replied (July 2005) that the matter has been resolved as the MP Poorv Skhetra Vidyut Vitran Co. Ltd. Jabalpur a new company formed by Government in place of MPSEB for this region, has agreed (April 2005) to provide a separate 11 KV line exclusively for residential quarters. Thus, due to failure on the part of JNKVV to initiate timely action resulted in avoidable payment of Rs.1.01 crore.

4.4.2 Excess payment of subsidy under Macro Management Schemes

Excess payment of subsidy of Rs.1.59 crore during 2002-03 under Macro Management Scheme.

Government of India, Ministry of Agriculture, Department of Agriculture and Cooperation, Policy and Plan Division (GOI) approved (July 2002) continuation of Centrally Sponsored Schemes, namely Integrated development of fruits, commercial floriculture, production and supply of vegetable seeds, development of medicinal plants farming of states efforts through Work Plans (Macro Management) during tenth five year plan period as per approved guidelines with the condition that subsidy per farmer or per activity (*Appendix-XXXIX*) should not exceed 25 per cent of the cost or the present subsidy level, whichever is less.

Test-check of records of Director Horticulture, Bhopal (Director) (February 2005) and further information collected (May 2005) revealed that the subsidy was paid in excess of prescribed limits to the extent of Rs.1.59 crore during 2002-03 (*Appendix-XXXIX*).

The Director, stated (May 2005) that the orders were received in November 2002 from Government of Madhya Pradesh while the procedure for payment of subsidy was taken up as per norms of previous year.

The reply was not tenable as the GOI orders were received in July 2002 and payment of subsidy was made thereafter up to March 2003. Thus, non observance of GOI orders resulted in excess payment of subsidy.

The matter was referred to Government (February 2005); reply was awaited (December 2005).

Housing and Environment Department

4.4.3 Avoidable payment of interest

Delayed repayment of unutilised loan resulted in payment of interest of Rs.57.49 lakh on excess drawal of loan from National Housing Bank without requirement.

Financing for construction of 495 residential units of Katara hills housing scheme was agreed upon (14 June 2001) between National Housing Bank (NHB) and MP Housing Board. As per clause 3.12 of the loan agreement (June 2001), the borrower was to refund within six months unutilised amount of loan component; failing which had to pay penal interest to bank at the rate of two per cent over and above the prevailing rate of interest or at such higher rate as may be fixed by the Bank from the date of release of loan to the date of refund.

Test-check (January 2005) of records of Commissioner, M.P. Housing Board, Bhopal revealed that out of a loan component of Rs.15.64 crore, Rs.14.31 crore were drawn in two instalments in March 2002 and September 2002 for construction of 495 housing units. Out of which 354 housing units could be completed (October 2003) at a cost of Rs.11.51 crore and the remaining loan amount of Rs.2.80 crore (Rs.14.31 crore – Rs.11.51 crore) remained unutilised which was refunded on 31 December 2003. As such the delay in refund of unutilised loan amount resulted in avoidable payment of interest of Rs.48.95 lakh and penal interest of Rs.8.54 lakh.

On being pointed out in audit (January 2005) the Commissioner stated that due to insufficient registration (demand) under the scheme, curtailment proposal was made (September 2003) to NHB.

The reply of the department is not tenable as the excess loan amount was refunded with undue delay (ranged from 461 days to 644 days) which resulted in avoidable payment of interest of Rs.57.49 lakh.

The matter was reported to Government in April 2005; reply has not been received (June 2005).

Finance Department

4.4.4 Unfruitful expenditure on computerisation of the treasuries

Expenditure of Rs.1.30 crore incurred on procurement of 203 P-III computers between December 1999 to January 2000 and January 2001 to March 2001 remained largely unfruitful, as the objective of connecting the treasuries with the Directorate and the Finance Department was not achieved.

Under the scheme 'Government of Madhya Pradesh Public Finance Reform and Institutional Strengthening' an assistance of \$ 1,30,000 was provided by the Asian Development Bank (Bank) for computerisation of treasuries to have

effective expenditure control. The software and hardware for networking of all treasuries with the Director and Finance Department were to be purchased through the Bank.

Test-check (September 2004) of the records of the Director, Treasuries and Accounts Bhopal (Director) revealed that the Bank arranged supply (December 1999 to January 2000) of 158 computers (P-III) and accessories worth Rs.one crore through an Indian Agent of Singapore based firm. The above computers were got installed in all treasuries of the State. Further on formation of 15 new districts the Director purchased (January to March 2001) 45 computers (P-III) and accessories for 15 new treasuries through MPLUN from a Bhopal based firm for Rs.29.56 lakh. It was noticed that due to technical difficulties the desired objectives of connecting the treasuries with Directorate and Finance Department, through computers was not achieved, which rendered the expenditure of Rs.1.30 crore largely unfruitful. Thus, after installation of 203 (158+45) computers (P-III) in all the treasuries of the State, the objective of the scheme (transmission of data through e-net working) and providing other information to the Director through computer network was not achieved.

On being pointed out the Director replied (September 2004) that proposal of network arrangements with the Finance Department could not materialise due to technical faults in the system. It was also stated that budget control and entries of bills passed was being ascertained through these computers.

The contention of the department was not acceptable because the objective of the scheme to computerise the treasuries and link them with the Directorate and the Finance Department to have effective expenditure control was not achieved.

Thus, the expenditure of Rs.1.30 crore incurred on purchase of 203 P-III computers proved largely unfruitful.

The matter was referred to the Government in May 2005; reply had not been received.

Public Health and Family Welfare Department

4.4.5 Avoidable excess expenditure on the purchase of medicines at higher rates

Avoidable excess expenditure worth Rs.1.04 crore was incurred by CMHO, Barwani, Bhind, Ratlam, Shahdol and CS Ratlam on account of purchases of medicines from SC/ST firms during 2003-05 at higher rates than the rates prescribed by Madhya Pradesh Laghu Udyog Nigam (MPLUN).

Government amended Rule-14 of Store Purchase Rules and issued instructions (February 2003) that at least 30 per cent purchase of the demand of the reserved items should be ensured from the SC/ST firms through authorized Nigam/ Mandal at MPLUN rates. Government also issued (November 2004

and February 2005) instructions to follow strictly above rule and instructions in purchases.

Test-check (between February 2005 and August 2005) of records of Four* Chief Medical and Health Officers and one Civil Surgeon revealed that during 2003-05 medicines were purchased from different SC/ST firms, registered with Commissioner, Industries Bhopal, whose rates were higher than the rates approved by MPLUN. This resulted in avoidable excess expenditure of Rs.1.04 crore.

On being pointed out in audit, the concerned CMHOs and Civil Surgeon replied (February-August 2005) that the medicines were purchased as per purchase policy from SC/ST firms at their rates.

The reply was not tenable because as per rules supply orders were to be placed to SC/ST firms through MPLUN at its approved rates and not at the rates fixed by SC/ST firms themselves which were higher than the MPLUN rates.

The matter was referred to the Government in July 2005; reply had not been received (August 2005).

Medical Education Department

4.4.6 Unfruitful expenditure on appointment of five Assistant Professors without recognition from MCI

Unfruitful expenditure of Rs.59.95 lakh on pay and allowances due to non-commencement of Post Graduate and Diploma Courses.

Government declared (October 1994) "Gwalior Mansik Arogyashala" as teaching Institute for Post Graduate and Diploma Courses in Psychiatry. For this purpose Gwalior Mansik Arogyashala was attached (May 1997) to Gajararaja Medical College Gwalior and affiliated with Jiwaji University Gwalior and 88 temporary posts in different cadres were created (September 1996). It was essential to get this institution registered with Medical Council of India (MCI) for becoming a bonafide teaching institute.

Test-check (June 2005) of records of the Director, Gwalior Mansik Arogyashala (Director) revealed that in place of professor and reader, 5 Assistant Professors were appointed by the Government between November 1997 and February 2003 for teaching Post Graduate and diploma classes and an amount of Rs.55.95 lakh was paid on their pay and allowances during November 1997 to May 2005. The institute did not advertise the courses for enrollment of student as such no student/scholar could be admitted for these courses. Thus expenditure incurred on pay and allowances remained unfruitful. Further an amount of Rs.4 lakh was remitted to MCI for recognition

* CMHO Barwani (August 05) Rs.34.69 lakh, Bhind (April 2005) : Rs.15.45 lakh, Ratlam (February 2005) : Rs.35.58 lakh and Shahdol (June 2005) : Rs.2.59 lakh and Civil Surgeon Ratlam (April 2005) : Rs.6.70 lakh (+) Commercial Tax @ 9.2 per cent i.e. Rs.8.74 lakh.

of the aforesaid Post Graduate Courses by the institute in July 1998. The MCI did not give recognition (October 2003) because the required infrastructure as per norms of MCI was not created and forfeited the amount of Rs.4 lakh which had also resulted in loss of Rs.4 lakh to the institute.

On this being pointed out in audit (June 2005) the Director stated that all the appointments were made as per orders issued by the Government.

The reply was not acceptable as before appointment of staff the Director should have fulfilled the requisite conditions for registration etc. and got recognition from MCI.

The matter was reported to Government (July 2005); reply is awaited.

Revenue Department

4.4.7 Nugatory expenditure on electricity consumption

Incorrect assessment of power load required and non-maintenance of the power factor to the prescribed level led to avoidable payment of Rs.44.85 lakh on energy consumption by Deputy Controller Government Press Bhopal and Gwalior.

High Tension (HT) connections of 235 KVA and 282 KVA were taken for operating plant and machinery by the Government Regional Press Gwalior and Government Central Press Bhopal (Press). Agreements were executed (April 1988) between presses and Madhya Pradesh Electricity Board (MPEB) for supply of power on high tension line. The contracts inter-alia laid down that the minimum monthly billing demand would be 75 per cent of the contract demand whether energy was consumed or not. Further presses were responsible to maintain 90 per cent power factor and in case of failure additional charges were payable to the Board.

Test-check (March 2005 and December 2004) of the records of Press Gwalior and Bhopal and further information collected in July 2005 revealed that the presses failed to maintain the required power factor of 90 per cent of the contracted demand and paid Rs.32.55 lakh (Gwalior : Rs.11.93 lakh, January 2002 to February 2005 and Bhopal : Rs.20.62 lakh, February 2002 to June 2005) as low PF penalties.

It was also noticed that the actual power consumption by the press at Gwalior which ranged between 40 to 75 KVA (during January 2002 to February 2005) and press at Bhopal had ranged between 102 to 164 KVA (during February 2002 to June 2005) was far below the 75 per cent of the contracted demand of 176 and 212 KVA respectively for which the presses had to pay extra avoidable payment Rs.12.30 lakh (Gwalior : Rs.6.74 lakh and Bhopal : Rs.5.56 lakh during above period) without consuming energy.

On being pointed out Dy. Controller Press Gwalior replied (March 2005) that capacitor already existed in the power supply system and no adverse report was given by the technical experts in their annual report (December 2004). Bhopal press replied that matter of consumption of 50 per cent of the contracted demand has been taken up with MPSEB and PW Department in

July 2005 and Government Press Gwalior had revised its contracted demand from 235 KVA to 180 KVA only in December 2005.

Failure of the press authorities to correctly assess the required power load and thereafter to ensure timely arrangement for maintaining the power factor to the desired level led to unnecessary and avoidable payment of Rs.44.85 lakh.

The matter was referred to the Government in June 2005; reply had not been received.

Water Resource Department

4.4.8 Extra expenditure due to unrealistic estimation

Defective and unrealistic estimation for construction of earth work and concrete structures on distributaries and minors of Rajghat Left Bank Canal led to incorrect evaluation of tender and avoidable extra expenditure of Rs.33.10 lakh.

In order to prepare a proper estimate for irrigation projects, specifications provide that sub-surface exploration is to be done either by exploratory bores or by digging pits at every 150 metre to a depth equal to full supply depth of the canal or 2 metres below the designed level, whichever is less.

In contravention to the above, tenders for construction of earthwork and concrete structures on distributaries and minors of Rajghat Left Bank Canal (RLBC), estimated to cost Rs.4.28 crore were invited (September 2000) by the Superintending Engineer, Rajghat Canal Circle, Chanderi on the basis of estimates prepared on preliminary survey of canal and structures. The lowest offer of Contractor 'A' received at Rs. 4.21 crore (evaluated as 1.62 *per cent* below USR-1998) was accepted in April 2001 by the Government. The work order to commence and complete the work within 15 months was issued (June 2001) by the Executive Engineer, RLBC Disnet Division, Khaniyadhana. The contractor was paid for Rs.5.10 crore as of September 2004.

Scrutiny in audit revealed that quantities of various items of work increased/decreased abnormally. The increase in quantity of excavation in all types of soil, disintegrated rock and soft rock in canal and concrete in structures was ranging between 31 and 76 *per cent*, while decrease in excavation of canal in hard rock and excavation of structures ranged between 59 and 95 per cent as detailed in *Appendix-XL*. This abnormal variation was indicative of inadequate survey and investigations for preparation of estimates.

Based on the executed quantities as of September 2004, the work would have cost Rs.4.59 crore at 2nd lowest tenderer's rates evaluated as 1.14 *per cent* above USR-1998, whereas the present 1st lowest contractor was paid Rs.4.92 crore. The defective and unrealistic estimation had, thus, resulted in incorrect evaluation and avoidable extra expenditure of Rs. 33.10 lakh also.

On this being pointed out the EE admitted the fact that variations in quantities were due to unrealistic estimates based on preliminary survey of canal and sample estimates of structures. The matter was reported to the Government in February 2005; reply was awaited as of July 2005.

4.5 Regulatory issues and other points

Commerce and Industry Department

4.5.1 Non-recovery of capital investment subsidy and interest thereon

Non recovery of Capital Investment subsidy and interest thereon from units which had gone out of production within five years from the date of commencement of commercial production resulted in undue benefit of Rs.38.82 lakh alongwith interest of Rs.72.71 lakh.

In term of clause 11.1 (b) of State Investment subsidy Sanction Rule 1989, if a unit having availed of investment subsidy, goes out of production within 5 years from the date of commencement of commercial production, the entire amount of subsidy paid together with interest shall be recovered as arrears of land revenue. The disbursing agency was responsible for recovery. Further, Rule 11.2 stipulates that the industrial unit receiving the subsidy shall furnish to the disbursing agency, the annual audited accounts and balance sheet within nine months from the close of the year. Mention was made in Para 3.4 and 3.10 of Audit Reports for the year ending 31 March 1996 and 31 March 1999 on similar subject. Public Accounts Committee had commented that the issuance of RRC was not the final action and recommended to take action in a planned way for recovery within stipulated time; to fix responsibility against the related persons for non recovery or leniency in recovery and to consider for making the provision to pledge the moveable/immoveable assets of Industrial units to avoid such condition.

Test-check (June 2003 and August 2004) of records in the office of the General Manager, District Industry Centre (DIC), Malanpur district Bhind (GM) and further information collected in July 2005 revealed that a sum of Rs.38.82 lakh was paid to 9 units as State Capital Investment Subsidy during the period October 1991 to October 2000 as detailed in *Appendix XLI*. As these units had gone out of production within 5 years from the date of commencement of production, the subsidy paid was recoverable alongwith interest thereon amounting to Rs.1.12 crore upto March 2005. No recovery had, however been made even after 3 to 8 years of their closure. Revenue Recovery certificates were issued (January 2003: 1 case, June 2003: 1 case and November 2004: 4 cases) in 6 cases. The department had not taken any action to recover the dues after issuing the RRC.

It was also noticed that certified annual statement of accounts, balance sheets and progress reports were not obtained from the units in time as required under the rules.

On this being pointed out in audit, the General Manager, DIC, Malanpur stated (July 2005) that action for recovery was under process. The reply was not tenable in view of inordinate delay in the action required to be taken in these cases.

The matter was referred to Government in November 2004; reply had not been received (December 2005).

Planning Economic and Statistics Department

4.5.2 Irregular expenditure on execution of non-permissible works

Works of temporary nature not permissible under Vidhan Sabha Election Area Development Scheme worth Rs.2.58 crore were executed by District Planning & Statistical Officer Datia, Dewas, Gwalior, Umaria and Rajgarh.

According to the guidelines of Vidhan Sabha Election Area Development Scheme (1994) (Scheme), execution of works of permanent nature are permissible. Government further reiterated (September 2003) that execution of Earth work/murmikaran/ Water Bound Macadam (WBM) for road works be not carried out.

Test-check (August 2004 to April 2005) of the records of District Planning and Statistical Officer (DPSO) Datia, Dewas, Gwalior, Rajgarh and Umaria revealed that 325 works^ψ of temporary nature like earth work, murmikaran and WBM involving expenditure of Rs.2.58 crore were executed which were not permissible to be executed under the guide lines of the scheme as these works were of temporary nature which often gets washed out during rainy season.

On being pointed out the DPSOs stated (August 2004 to April 2005) that the works were executed prior to the issue of aforementioned instructions regarding prohibition of construction of such roads.

The replies were not tenable because the instructions for non execution of such works already existed in the scheme since its inception. Thus, the expenditure was incurred on those works which were not permissible under the scheme.

^ψ

Sl. NO.	Name of Distt.	Year	No. of works	Amount (Rs. in Lakh)
1	Datia	2000-01 to 2002-03	26	31.20
2	Dewas	2000-01 to 2003-04	184	127.17
3	Rajgarh	2001-02 to 2003-04	85	69.66
4	Umaria	2000-01 to 2002-03	4	10.47
5	Gwalior	2003-04	26	19.50
			325	258.00 or Rs.2.58 crore

The matter was referred to the Government in June 2005; reply had not been received.

Public Works Department

4.5.3 Sub-standard work of widening and strengthening of rural road

Non-adherence to specifications led to sub-standard execution of widening and strengthening work resulting in premature failure—Rs.1.19 crore

Widening and strengthening of Sanwer-Kshipra, a rural road from Km 1 to 20, estimated to cost Rs.3.49 crore, was awarded (September 2001) to a contractor on percentage rate contract at 7.77 per cent below the Schedule of Rates (June 2000). The work scheduled for completion by August 2002 was actually completed in March 2003 at a cost of Rs.3 crore. It was noticed that both the crust of the existing pavement and the widened portion were badly damaged within 6 months of the completion of work. The contractor did not rectify the defects within the liability period. Scrutiny in Audit (May 2005) revealed that the following inconsistencies were responsible for the premature damage of the road:

- The Rural Roads Manual published by Indian Road Congress (*IRC-SP: 20-2002*) provides that “the thickness of pavement is designed on the basis of projected number of commercial vehicles for the design life using the current commercial vehicle per day (CVD) and its growth rate”. Further, it requires the sub-grade strength in terms of California Bearing Ratio (CBR). Once the design traffic and CBR of sub-grade are known, the total thickness of pavement can be obtained directly using the design curve given in *IRC: 37*.

The crust thickness of existing pavement was 250 mm with traffic intensity of 156 CVD and the CBR of sub-grade was 2 per cent only. Accordingly, considering the growth rate (7.5 per cent per annum), Vehicle Damage Factor (2.5), and design life (15 years), the total pavement thickness (as per design curve of *IRC-37*) worked out to 760 mm as detailed in *Appendix-XLII*. Against this, the department provided 600 mm thickness in widened portion of 2.25 meter width and only 50 mm on existing crust of 3.0 m width. The deficiency in the crust on widened portion was, therefore, 160 mm and that on existing portion was 460 mm. Thus, deficient and uneven crust thickness in existing and widened portion contributed to premature crust failure rendering the work of strengthening in widened portion as *sub-standard*.

- Ministry of Road Transport and Highways (MORT&H) specifications, forming part of contract provided that thickness of Built-Up-Spray Grout (BUSG) shall be 75mm and **shall be used in a single course** in a pavement structure. Notwithstanding the above, measurements recorded in the Measurement Books (MBs) disclosed that 2 courses of 75mm each (150mm thick) over 7141.51 sqm area and single course of 112.50 mm thick over 4976.41 sqm area on existing pavement were carried out with BUSG and payment of Rs.19 lakh towards 1631.08 cum was made. Thus,

execution of BUSG in two courses and excess thickness in single course was contrary to the specifications.

Non-adherence to the technical specifications, thus led to sub-standard execution of widening and strengthening work costing Rs.1.19 crore.

The EE stated (May 2005) that all the work was done as per approved estimates. Further, repair would be carried out of deposits of the contractor available with the department. Reply was not tenable as repair estimate costing Rs.51.30 lakh provided for patch repair only and not strengthening, which was also not sanctioned as of August 2005. The fact remains that incorrect and deficient crust design, resulted in premature failure.

Matter was reported to the Government in July 2005; reply was awaited as of September 2005.

Scheduled Tribes and Scheduled Castes Welfare Department

4.5.4 Irregular purchases of store articles

During 1994-02 Assistant Commissioner Tribal Development Sidhi purchased store articles worth Rs.1.03 crore without any budget provision. Contrary to the codal provisions payment of Rs.92.94 lakh was kept pending even after a lapse of four to 10 years.

Financial Rules provide that expenditure from public funds should not be incurred unless (a) it is sanctioned by competent authority (b) sufficient funds are available in the authorised grants. Rule 283 of MP Treasury Code Volume-I requires that all charges actually incurred must be paid and drawn at once, and under no circumstances may be allowed to stand over to be paid from the grant of another year. Further, Store Purchase Rules provide that assessment of the actual requirement of store articles should be obtained from the subordinate units and store articles should be purchased observing prescribed procedure by inviting quotations as per the recommendations of Departmental Purchase Committee.

Test-check (February 2005) of the records of Assistant Commissioner, Tribal Development, Sidhi (ACTD) revealed that purchases of Rs.1.03 crore for departmental hostels/ashrams and educational institutions were made during 1994-95 to 2001-02. It was noticed that these purchases were made by the Assistant Commissioner without any budget provision, approval of the competent authority, demand from the concerned units and without observing the prescribed procedure such as inviting open tenders/quotations and forming purchase committee. The records regarding receipt, distribution to various units and accountal thereof were also not made available to audit. The payment for purchases of Rs.92.94 lakh could not be made as of February 2005 due to non availability of funds. It was also noticed that on the demand for allotment of budget by ACTD Sidhi, Commissioner, Tribal Development

had directed (August 2005) the Collector, Sidhi to investigate the matter regarding purchase procedure and accountal of stores.

On being pointed out ACTD Sidhi confirmed the facts. Thus, irregular purchases of Rs.1.03 crore in violation of codal provisions by the ACTD, Sidhi a liability of Rs.92.94 lakh on the Government is pending even after a lapse of 4 to 10 years period.

The matter was referred to the Government in April 2005; reply had not been received.

4.5.5 Irregular release of grant to ineligible non-Government educational institutions

Assistant Commissioner, Tribal Development, Chhindwara and Jabalpur irregularly released grant of Rs.1.37 crore to five non-Government educational institutions between 2001-02 and 2004-05, without enrolling the required 85 per cent ST students in each session.

According to Grant-in-Aid (GIA) Rules 1985, GIA may be paid to the non-Government educational institutions for educational activities which enrolls at least 50 per cent tribal students in each session. This limit was enhanced to 85 per cent by the Government with effect from November 1999 for welfare of tribals.

Test-check (November 2004 and May 2005) of the records of the Assistant Commissioner Tribal Development (ACTD), Jabalpur and Chhindwara revealed that grants amounting to Rs.1.37 crore were released to Five* non-Government educational institutions between 2000-01 and 2004-05 which could maintain 41 to 73 per cent of the total enrolment of the Scheduled Tribes students in each session *Appendix XLIII* which defeated the very purpose of enhancement of limit for the welfare of tribals.

On being pointed out ACTD, Jabalpur replied (November 2004 and August 2005) that the grants were released as per grant-in-aid rules 1985 under which grant to private educational institutions functioning in Tribal areas were admissible subject to 50 per cent of the enrolled students belonged to Scheduled Tribes. ACTD Chhindwara replied (May 2005) that grants was released in view of Government orders (August 2000) with the provision of enrollment of 70 per cent Scheduled Tribes students.

The reply was not tenable because the limit of 50 per cent was revised to 85 per cent in November 1999. Besides, Government orders (August 2000) provides not to make 20 per cent annual deduction from grant if the enrollment of S.T students remains 70 per cent during the academic session.

-
- *Chhindwara: Gram Kalyan Sewa Samiti Sonpur, Jai Gramothan Shiksha Samiti Rambag Jabalpur: New Amar Jyoti Satna, Aadivasi Mahasangh Jabalpur, Ganga Maiya Shiksha Samiti Jabalpur,*

Thus the GIA released to those institutions which did not maintain the enrolment of the Scheduled Tribes students to the prescribed 85 per cent from 2000-01 onwards was irregular.

The matter was referred to the Government in June 2005; reply had not been received.

4.5.6 Release of grant to ineligible non-Government organisation

Contrary to the GIA Rules 1985 grant worth Rs.76.79 lakh was released to a unregistered NGO and Rs.3.44 crore were paid during 2001-2004 to six NGOs without obtaining income and expenditure statement from them.

Grant-in-aid Rules, 1985 (Rules) provide that except in case of relaxation granted under special or ordinary sanction/permission, the Non-Government Organisation (NGO) registered under MP Society Registration Act 1973, could be eligible to receive the grant for the specified purposes. Rules, further provide that organisations intended for the grant were required to submit applications to the respective sanctioning authority supported with the required documents alongwith income and expenditure statement pertaining to the preceding year, duly certified by the registered Chartered Accountant.

Test-check (August 2004) of the records of Assistant Commissioner Tribal Development (ACTD), Jhabua revealed that grant worth Rs.76.79 lakh was released during 2001-04 to NGO* which was not even registered under MP Society Registration Act 1973. It was also noticed that six NGOs at Jhabua did not render the required income and expenditure statement, for the grant of Rs.3.44 crore^ψ pertaining to the years 2001-04 and the yearly grants were released without verification of utilisation of grants.

On being pointed out ACTD, Jhabua replied (August 2004) that grant was released to the organisation with registration authorities at Delhi. It was added that grant was released after due approval of Jila Yojna Samiti and District Collector.

♣ *Dayanand Sevashram Sangh Thandla Hqrs (Jhabua)*

^ψ

(Rupees in lakh)

	2001-02	2002-03	2003-04	Total
(1) Rajendra Ashram Katthiwada	27.94	27.55	24.03	79.52
(2) Gramin Sewa Kendra/ Gram swaraj Ashram, Mandlinall	23.61	22.15	22.05	67.81
(3) Adimjati Gramin Kalyan Kendra, Vagaivadi	15.34	18.25	16.22	49.81
(4) Adivasi Siksha, Sanskriti Evam Paryavaran Kendra Dhamnichamma	7.94	10.82	8.12	26.88
(5) Bheel Sewa Sangh Jhabua	40.44	41.68	30.80	112.92
(6) Vanvasi Kalyan Parishad Bhopal	1.91	2.98	2.24	7.13
	117.18	123.43	103.46	344.07

The reply was not tenable because grant was released irregularly to the NGO which was not registered under MP Society Registration Act, 1973. No special/ general permission was produced by the department to release the grant to the concerned NGO as required under the GIA Rules 1985.

The matter was referred to the Government in June 2005; reply had not been received (December 2005).