CHAPTER IV
Audit of Transactions

4.1 Misappropriation/losses

Agriculture Department

4.1.1 Misutilisation of funds

Rupees 1.35 crore provided to MP Rajya Beej Evam Farm Vikas Nigam for establishing a Revolving Fund for production and supply of assured quality seeds to farmers of drought prone areas were misutilised by it for other purposes

Government sanctioned (January 1998) Rs.1.35 crore under Central sector Seed Production Scheme for Drought- prone Areas for release to Madhya Pradesh Rajya Beej Evam Farm Vikas Nigam (Nigam) for opening a Revolving Fund. The amount received by the Nigam in February 1998 was to be utilised as working capital for production of breeder/ certified/ foundation seeds for supply to farmers of drought-prone areas with the sale proceeds recouping the Revolving Fund. Nigam was also required to prepare and submit a separate balance sheet of the Fund at the close of each year to the Government.

Test-check (July 2000) of the records of Nigam and further information collected in June 2001 and June 2003 revealed that in flagrant violations of the term and conditions of the scheme, the Nigam purchased a quantity of 26273 qtls. seed at a cost of Rs.4.04 crore for kharif 1998 from authorised agencies instead of producing the seeds itself. Of this quantity, only 13693.91 qtls. seed was sold to the farmers at a cost of Rs.1.84 crore. The balance quantity of 12629 qtls. seed, not worth carrying over to the next season, was disposed of at throw-away cost of Rs.84.51 lakh with consequential loss of Rs.1.36 crore to the government. The loss was charged against the funds meant for establishing Revolving Fund.

On this being pointed out, the Nigam stated (June 2001) that since three years period was required for production of certified seeds, the fund money was utilised for purchase of seeds during 1998. However, due to loss in the trade, no funds were available for continued operation of the revolving fund and that a balance sheet showing the loss was sent to Government in January 1999. Nigam however did not clarify as to why they did not take approval of the Government before purchasing the seeds instead of producing them. The Finance Department asked (February 2002) the Agriculture Department to get the matter investigated and deposit the amount of Rs.1.35 crore in Government treasury along with interest.

Agriculture Department stated (June 2003) that the Nigam has been asked to submit utilisation certificates. They further informed that the issue (of mis-utilisation) was under investigation by a committee constituted by it. Thus,

even after a lapse of over 5 years, Government had failed to get the Revolving Fund established. As a result, the farmers of the drought-prone areas of the State were still deprived of the benefits envisaged.

Commerce and Industries Department

4.1.2 Non-recovery of loan and interest from a private mill

Rupees 15.26 crore were overdue for recovery out of a total amount of Rs.27.79 crore as of November 2003 from a private mill of Indore, which owned assets with an estimated value of only Rs.20 crore

Government sanctioned 12 loans amounting to Rs.17.32[*] crore during 1997-98 to 2002-2003 to Indore based Rajkumar Mills, a private mill, closed in July 1998 for reimbursement of loss (Rs.3.76 crore) and for payment of gratuity and compensation to its labourers (Rs.13.56 crore). The loans were repayable in eight equal annual instalments and carried interest @ 19.5 per cent per annum. In addition, any default attracted penal interest of 3 per cent per annum.

Test-check (January 2002) of the records of Commissioner, Industries and further information collected (June and December 2003) revealed that the total over-dues against the Mill amounting to Rs.15.26 crore (over-due instalments : Rs.4.79 crore, interest: Rs.9.07 crore, and penal interest Rs.1.40 crore) were neither deposited by the loanee nor recovered by the Commissioner as of November 2003. It was also observed that the loans were paid even without getting the agreement registered, as required, since the mill was unable to bear even the registration charges (4 per cent of the loan amounts).

Government stated (December 2003) that for running the Mill, the management of the Mill was taken over by the State Government in 1986 and loans were paid to the Mill to meet out the legal dues of its labourers after approval of Council of Ministers. It was further stated that loans would be recovered by disposing the land of the Mill costing about Rs.20 crore for which a high level Committee was formed but in a case filed by the State Bank of Indore, Indore Debt Recovery Tribunal has issued a decree to maintain the status-quo on the assets of Mill.

In view of the fact that the estimated value of the land of the Mill of Rs.20 crore was much less than the dues of Rs.27.79 crore (as of November 2003) of the Government, the possibility of recovery of entire government dues appears remote particularly in view of the fact that there are many other creditors including the banks of the Mill.

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[*] *Rs.2.54 crore in 1997-98, Rs.1.52 crore in 1998-99, Rs.0.81 crore in 1999-2000, Rs.0.50 crore in 2000-01, Rs.7.60 crore in 2001-02, and Rs.4.35 crore in 2002-03*

4.2 Infructuous/wasteful expenditure and overpayment

Narmada Valley Development Department

4.2.1 Excess payment to a contractor due to incorrect rate for extra items

Excavation of hard rock by controlled blasting was paid for at the higher rate applicable for excavation without blasting. This led to excess payment of Rs.29.80 lakh to the contractor

The work of construction of Bargi Right Bank Canal (RBC) from km 16 to km 20, estimated to cost Rs.17.39 crore, was awarded (June 2002) on item rate contract for Rs.11.01 crore (36.67 per cent below estimated cost) to a contractor for completion in 12 months. The work was, however, under progress and only 44.47 per cent could be completed by the contractor as of August 2003. The contractor was paid 9th running account bill for Rs.4.90 crore in August 2003. Scrutiny in Audit revealed the following:-

Schedule of quantities forming part of the agreement provided for excavation of hard rock for 3,65,138.68 cum @ Rs.120 per cum and against the item of excavation with controlled blasting, the quantity was shown as nil. However, during the course of execution, though the entire quantity of 182394.82 cum (upto 9th RA bill of August 2003) was excavated with controlled blasting as recorded in measurements, yet the contractor was paid @ Rs.120 per cum applicable for excavation without blasting.

As per contract, the rates for the extra item should have been determined from the rates provided in Unified Schedule of Rates (USR) in force after adding or substracting the over all tender percentage. Accordingly, the payable rate for excavation with controlled blasting works out to Rs.103.66 per cum only as against Rs.120 per cum paid to the contractor. Incorrect rate thus resulted in an excess payment of Rs.29.80 lakh to the contractor.

On being pointed out, the Executive Engineer stated (June 2003) that total quantity of hard rock was taken under the item of 'excavation with blasting prohibited' due to typographical error while preparing tender document. The reply was not tenable as the rates quoted by contractor were for excavation without blasting, which was not applicable to the item actually executed. Further scrutiny (January 2004) of the case revealed that the contractor had abandoned the work after executing the work amounting to Rs.4.90 crore (August 2003) and his agreement was terminated (November 2003) under clause 4.3.3.3 (debitable clause). No action to recover the excess payment was initiated (January 2004).

The matter was reported to the Government in July 2003; reply had not been received (January 2004).

4.2.2 Non-deduction of shrinkage allowance from earth work led to excess payment to the contractor

Ignoring test results of compaction, shrinkage allowance at prescribed percentage was not deducted from earth work of canal embankment resulting in an excess payment of Rs.1.29 crore to the contractor

The work of construction of Bargi Right Bank Canal (RBC) from RD (-) 43 m to km 12, estimated to cost Rs.64.37 crore was awarded for Rs.42.20 crore (28.09 per cent to 39.49 per cent below) to a contractor under 4 groups during 2001-02 and 2002-03 for completion in 24 months. The works were in progress and running payment of Rs.22.19 crore was made to the contractor till May 2003. Scrutiny in Audit revealed the following:

The specifications for earth work as well as nomenclature of item prescribed in the agreements required that the compaction of earth work was to be done to achieve dry density of not less than 90 per cent of maximum dry density (MDD) at optimum moisture contents (OMC) by sheep foot roller. Further, when earth work is watered and rolled, a percentage addition of 11 per cent was to be made for settlement of earth work. While making payment to the contractor, the quantities of earth work so arrived on the basis of cross sectional measurement, shall be reduced by 10 per cent. The percentage deduction shall be further reduced to 50, 30 and 12.50 per cent, if the measurements are taken after one, two and three rainy seasons respectively.

Notwithstanding the above provisions, deduction of shrinkage allowance at nominal rates (2 to 4 per cent) was done by the department ignoring the test results of compaction showing 90 per cent dry density. Further, the quantity of utilised earth deducted in previous bills was ignored in subsequent running bills, resulting in an excess payment of Rs.1.29 crore to the contractor.

On being pointed out, the Chief Engineer admitted (September 2003) the excess payment. Although a payment of Rs.1.37 crore was made to these contractors after May 2003, no recovery on account of excess payment was made (January 2004).

Matter was brought to the notice of Government in July 2003; reply had not been received (January 2004).

Public Health Engineering Department

4.2.3 Excess payment due to surreptitious and belated reclassification of strata

44107 cum of 'red bole' correctly classified and adjudged as soft rock in arbitration was subsequently re-classified by the successor Executive Engineer as hard rock resulting in extra payment of Rs.37.05 lakh to a contractor

The work of Sagar (Augmentation) Water Supply Scheme was awarded to a contractor (February 1998) for Rs.18.10 crore for completion in 32 months including rainy season. The work was still in progress (April 2003) and 51st running Account bill for Rs.16.27 crore had been paid (April 2003).

In February 1999, the Executive Engineer (EE), at the instance of the contractor and on the directions of the Superintending Engineer (SE), belatedly re-classified 18316.62 cum soft rock[1] (red bole) as hard rock and submitted a proposal to SE for approval. SE declined (February 1999) to accord sanction stating that EE was competent to take decision.

When justification for the belated re-classification was questioned in Audit (June 1999), the EE while cancelling (July 1999) the re-classification, restored the original classification as soft rock and stated (April 2000) that no payment on account of reclassification was made to the contractor. Subsequently, the Superintending Engineer too, in his arbitral decision (October 2001) set aside the contractor's claim and upheld the correct classification of 'red bole' as soft rock as paid to the contractor.

However, during subsequent audit, it was noticed (October 2002) that 44107 cum of 'red bole', which was correctly classified by the former EE as soft rock and paid @ Rs.36 per cum, was again re-classified (August 2002) by the succeeding EE as hard rock without any justification, resulting in extra payment of Rs.37.05 lakh to the contractor.

The matter was reported to Government (May 2003). Government accepted (December 2003) the audit observation and stated that necessary action was being taken separately. Further developments were awaited (January 2004).

[1] The agreement Cl. 5.3.5 defines soft rock as boulders not greater than 0.5 cum in volume, or any rock which may be quarried or split with crow bar with casual blasting

Public Works Department

4.2.4 Lack of proper planning rendered the executed work infructuous

Due to poor planning, the work of hard shoulders executed at a cost of Rs.24.19 lakh proved infructuous as the same had to be excavated for widening work at a cost of Rs.5.66 lakh.

The work "Improvement of riding surface quality in km 67/4 to 94 of National Highway No.12", technically sanctioned (March 2000) by Ministry of Road Transport and Highways (MORT&H) for Rs.3.18 crore, was awarded (June 2000) on percentage rate contract to a contractor at 0.16 per cent below the Schedule of Rate (SOR - August 1999) against the probable amount of contract (PAC) of Rs.2.70 crore. The work was completed on 15th March 2001 at a cost of Rs.2.88 crore. Scrutiny in Audit revealed the following:-

The scope of work, inter-alia, included construction of hard shoulders. While the work was in progress, the Executive Engineer, National Highway Division, Kareli prepared another estimate of Rs.6.68 crore for widening of these kilometers and submitted it (February 2001) to MORT&H for approval. The Ministry intimated (March 2001) that since the estimate for widening was under active consideration, construction of hard shoulders sanctioned in earlier estimate should not be commenced in order to avoid infructuous expenditure.

The Executive Engineer was aware of the situation since 1989 that the road was in single lane and required widening. Thus, the work of improvement of riding surface including construction of hard shoulder should have been planned accordingly. The expenditure of Rs.24.19 lakh incurred on construction of hard shoulders proved infructuous because for widening work the same was re-excavated at a cost of Rs.5.66 lakh by the same contractor through another agreement for the work of widening of single lane road.

Thus the construction of hard shoulder and its re-excavation for widening of the road resulted in wasteful expenditure of Rs.29.85 lakh.

On this being pointed out (July 2002) the CE (NH) stated (January 2003) that by the time the sanction of widening work was received, (May 2002), the work of hard shoulder was already completed and execution of hard shoulder was necessary for frequent flow of traffic on the single lane road. The reply was not tenable because the EE and other authorities should have ensured that the work of improvement of riding surface should have been planned after widening of the road to avoid the extra expenditure on construction of hard shoulders and its re-excavation. This was indicative of lack of proper planning and foresight.

The matter was reported to Government (July 2002); reply had not been received (January 2004).

4.2.5 Inadmissible payment of escalation

Unauthorised and irregular invoking of deleted escalation clause by the Chief Engineer resulted in an inadmissible payment of Rs.27.15 lakh

The work of construction of 100 bedded hospital building at Jhoteshwar (District Narsinghpur) was awarded (August 1998) to contractor 'A' by the Executive Engineer PWD (B/R) Division, Narsinghpur @ 34.27 Per cent above SOR. Estimated cost of this work was Rs.87.50 lakh. Work order for completion of the work within 10 months was issued on 6 August 1998. Since the stipulated period for completion of work was less than 12 months, the escalation clause 11-C was deleted while inviting (December 1997) and accepting (August 1998) the tender.

The work was actually completed in twenty five months (July 2001) at a total cost of Rs.3.36 crore (September 2001). Scrutiny in audit revealed that, the delay in completion of work was due to delayed approval of drawing and design by the CE, RDD, PWD, Bhopal, which could be supplied to contractor only in July 1999, resulting in the grant of extension of time upto 30 July 2001 under clause 5 of the agreement. The CE, PWD (Central Zone) Jabalpur, allowed (14 December 2000) the payment of price escalation by invoking clause-11C of the agreement which was already deleted. Once the clause was deleted, neither the CE nor the Government was competent to invoke it. The action of CE had not only vitiated the sanctity of legal contract but also resulted in an inadmissible payment of price escalation of Rs.27.15 lakh.

When pointed out (April 2002) in Audit, the Executive Engineer stated that the payment of escalation was made as per orders of the CE.

The matter was reported to Government (July 2002); reply had not been received (January 2004).

4.2.6 Inadmissible and excess payment to contractor

Payment of price adjustment of bitumen amounting to Rs.22.45 lakh was inadmissible. Excess payment of Rs.4.85 lakh on tack coat was also noticed

The work of Black Topped (BT) renewal in km 310 to 314 of National Highway (NH) No.12, was awarded (January 2000) to a contractor on percentage rate contract at 4.8 per cent above the Schedule of Rates (SOR - August 1999) by Executive Engineer (EE) NH Division, Obaidullaganj. The order to commence and complete the work by 31st March 2000 was issued on 10 January 2000. The contractor, however, delayed commencement of work by more than 9 months insisting upon the inclusion of an additional clause in the agreement relating to variation in cost of bitumen. The time extension upto 31 March 2001 was granted (February 2001) by Superintending Engineer (SE) NH Circle Bhopal imposing (August 2001) penalty @ Rs.0.20 per cent of contract amount. The work was actually completed on 31 March 2001 at a cost of Rs.1.75 crore. Scrutiny in Audit revealed the following irregularities:-

(a) According to additional special conditions forming part of agreement "any variation in cost of bitumen will be paid or deducted on the theoretical consumption of bitumen. The difference in price was to be worked out on the basis of rates prevailing on the date of tender and any variation during the period stipulated in the agreement". Since the delay in commencing and completing the work was attributable to the contractor, no such variation in cost of bitumen was admissible to him. In contravention to the above the contractor was allowed price variation of Rs.22.45 lakh despite time extension under penal clause, resulting in an inadmissible payment.

(b) MORT&H specifications, while dispensing with use of paving bitumen in tack coat since April 1995, provides that bituminous emulsion should be used in tack coat. Accordingly the schedule of items for renewal work forming part of agreement provided item of tack coat using bituminous emulsion @ 2.5 kg/10 sqm payable at the rate of Rs.3.70 per sqm. The contractor was paid for 78642 sqm at the above rates. However, for the remaining 96455 sqm, extra rates of Rs.8.50 per sqm for tack coat using paving bitumen were sanctioned (February 2001) by the SE.

Tack coat using paving bitumen was not only costlier and unwarranted but also was contrary to the specifications resulting in excess payment of Rs.4.85 lakh to the contractor.

On these being pointed out (June 2003), the EE admitted & assured (June-2003) to recover the excess payment Rs.22.45 lakh from the final bill. No recovery has been made till date (January 2004). Regarding tack coat the EE stated (May 2002) that the SE sanctioned the extra rates for tack coat using paving bitumen in view of site conditions. The reply was not tenable in view of MORT&H specifications.

The matter was reported to the Government in August 2002; reply had not been received (January 2004).

4.2.7 Sanction of exorbitant rate for extra items resulted in excess payment to the contractor

Extra item rates sanctioned in May 1997 and March 1999 were exorbitant as compared to standards prescribed in All India Standard Schedule of Rates (AISSR), resulting in excess payment of Rs.1.04 crore to the contractor.

Balance work for construction of 800 bedded Sanjay Gandhi Memorial Hospital, Rewa estimated to cost Rs.7.24 crore was awarded (November 1994) on item rate contract for Rs.11.85 crore for completion in 30 months (May 1997). The work was, however, completed in May 2001, at a cost of Rs.29.78 crore, which included Rs.10.86 crore (36.46 per cent) towards scheduled items of work, Rs.16.25 crore (54.57 per cent) towards extra/substituted items of work and Rs.2.67 crore (8.97 per cent) towards price escalation.

The agreement inter-alia provided that quantities for items of work exceeding by upto 20 per cent would be payable at the tendered rates, and between 20 to 40 per cent at 10 per cent above the quoted rates. Extra rates for altered/substituted items were to be decided from the rates for similar items of work as specified in the contract, on pro-rata basis. However, for items not available in contract, extra rates were to be derived by adding 20 per cent over the rates provided in current schedule of Rates (CSR) of National Highway Circle, Jabalpur. Scrutiny in audit revealed the following:-

(i) The quantities of some items of work exceeded the estimated quantities abnormally (upto 360 to 635 per cent) indicating that the estimate was defective and unrealistic.

(ii) The agreement was defective since it did not provide any methodology for deciding rates in respect of quantities exceeding beyond 40 per cent. Further, for extra items mention of CSR, National Highway Circle Jabalpur was incorrectly made in the agreement, as National Highway Circle Jabalpur, had no CSR for building works.

(iii) Substituted / altered items of work were invariably those, which were either partially executed or clubbed together with minor changes in nomenclature of items.

(iv) Even where rates could have been derived on pro-rata basis from the contract, the department preferred to sanction rates on fresh analysis.

(v) The analysis were also incorrect *in-as-much as* number of labours required for Cement Concrete1:2:4 flooring including plastering and waterproofing over 25 sqm area were heavily inflated to 139 as against 8.55 labours prescribed in All India Standard Schedule of Rates (AISSR) published by National Building Organisation. Similarly, for Reinforced Cement Concrete 1:2:4 per 15 cum volume, 142 labours were considered in the analysis as against 7.65 labours prescribed in AISSR.

(vi) Even extra rates for items sanctioned (May 1997 and March 1999) exclusive of cost of cement were exorbitantly high as compared to the rates provided in SOR (November 1999) which were inclusive of cost of cement.

These short comings, thus paved the way for the arbitrary sanction of the extra rates, resulting in excess payment of Rs.1.04 crore.

On being pointed out (July 2002), EE stated (July 2002) that extra rates were sanctioned by Superintending Engineer on the basis of analysis submitted by contractor. The reply was not tenable as the rates were abnormally high as compared to the standard analysis prescribed in AISSR.

The matter was reported to the Government in August 2002; reply had not been received (January 2004).

Water Resources Department

4.2.8 Infructuous expenditure on procurement of sub-standard/defective material

Digital Water Level Recorder (DWLR) and Data Retrieval System (DRS) procured at a cost of Rs.58.06 lakh by the department from a foreign firm were defective and non-functional

With an objective to have a scientific and accurate study of ground water levels, the work of supply, installation and commissioning of 350 Nos. Digital Water Level Recorders (DWLRs) and 40 Nos. Data Retrieval Systems (DRS), estimated to cost Rs.1.23 crore was awarded (October 1999) to a foreign firm having its representative in the country, for Rs.1.37 crore. The agreement was drawn (December 1999) and letter of credit was opened (February 2000) in a Bank in favour of the above firm. The work of supply, installation and commissioning was to be completed within 12 weeks (3 months) from the date of opening of letter of credit.

The agency supplied 350 Nos. DWLRs in May 2000, but could not install even a single DWLR within the stipulated period of 12 weeks. Despite this an agreement for supply of yet another 160 Nos. DWLRs was signed with the same supplier in July 2000. Audit scrutiny revealed the following:

(i) Out of 510 DWLRs only 408 DWLRs could be installed as of September 2003. Out of this, 62 DWLRs costing Rs.21.95 lakh installed at site were not functional.

(ii) 102 uninstalled DWLRs costing Rs.36.11 lakh were lying in stores for more than two to three years. The department failed to conduct the test while accepting the material for installation. As a result 73 DWLRs were found defective and the remaining 29 DWLRs could not be installed as the department could not provide the site to the supplier for installation the DWLRs.

(iii) Despite several requests, the Indian representative of the foreign firm failed to replace the defective and nonfunctional DWLRs. Though the guarantee period (18 months from the date of shipment or 12 months from the date of receipt by the department which ever was earlier) of supply had already expired, the department failed to invoke the guarantee clause of the agreement.

(iv) Liquidated damages (LD) of Rs 13.70 lakh for abnormal delay in installation and commissioning @ 10 per cent of contract amount was recoverable in terms of agreement. The Senior Geohydrologist, GWS Unit, Ujjain replied (July 2003) that the department had made 70 per cent payment, the LD will be imposed at the time of final settlement of the contract. However, no action for recovery was initiated so far.

Thus, due to nonfunctional (62 Nos) and uninstalled (73 defective + 29 for want of site) DWLRs, the objective of the project could not be achieved, besides blockage of funds to the tune of Rs. 58.06 lakh.

The matter was reported to the Government in April 2003, reply had not been received as of (January 2004).

4.3 Violation of contractual obligation/undue favour to contractor

Public Works Department

4.3.1 Award of work without tenders and written agreement-irregular and unauthorised expenditure

In contravention to the Manual and Act, award of work without invitation of tender and written agreement led to irregular payment of Rs.1.08 crore

Madhya Pradesh Works Department Manual provides that tenders must be invited for all contractual works above the value of Rs.15,000 and a written agreement must be executed on standard forms. Further, as per Section-10 of Indian Contract Act 1872, only those agreements are enforceable by law, which are made in writing and attested by witnesses.

In disregard to the provisions of Manual and Act, Executive Engineer, PWD Division-I, Indore, without invitation of tenders, awarded (February 2001) the work of "Construction of Chest Centre at Manorama Raje TB Hospital," Indore, to a contractor for Rs.2.50 crore with whom an agreement for another work 'construction of TB Sanatorium at Rau', District, Indore, was executed (April 2000) which could not commence due to the stay order (June 2000) of the High Court, Indore Bench. Though the work of Chest Centre, had a different magnitude and work site, as compared to the originally agreed work, neither a fresh agreement was drawn nor a supplementary schedule to the original agreement was approved by the competent authority. The contractor, after executing the work valuing Rs.1.08 crore abandoned it (February 2002).

In the absence of a valid and legal written agreement, the Department could not take any action against the defaulting contractor. Thus the entire expenditure of Rs.1.08 crore, was irregular and unauthorised.

The matter was reported to the Government in April 2002, reply had not been received (January 2004).

4.3.2 Irregular payment against lump sum contract

A supervising consultant engaged on a lump-sum contract of Rs.47.87 lakh was unauthorisedly paid an additional amount of Rs.79.99 lakh

The construction of 800 bedded Sanjay Gandhi Memorial Hospital building at Rewa was taken up in October 1994.

A separate tender for supervision consultancy for the above work was finalised (December 1997) by the Medical Education Department. A lump-sum agreement for Rs.47.87 lakh with the supervision consultant was executed (February 1998) by the Executive Engineer, Public Works Division II Rewa with a stipulated completion period of 16 months. The contract, stipulated the following payment ceilings of the summary lump-sum price.

(Rupees in lakh)

Remuneration for basic services	35.00
Out of pocket expenses	9.05
Computer software costs	0.75
Misc. expenditure	3.08
Total	47.87[2]

Any extra payments over the prescribed ceilings were only admissible on execution of separate written agreements for works beyond the specified scope of services. Further, the contract specified the consultant to be liable for all taxes, duties, fees and other impositions as may be levied under applicable laws.

However, as the main building work and installation of medical equipments etc., could not be completed within 16 months, the Medical Education Department unilaterally extended (November & May 2001) the contract period of the supervision consultant (upto June 2001) without entering into any fresh agreement for extended scope of work.

Against the lump-sum contract amount of Rs.47.87 lakh, total running payment of Rs.1.28 crore was irregularly made (August 2001) to the consultant on pro-rata basis, without drawing fresh contract as stipulated in the contract. The extra unauthorized payments of Rs.79.99 lakh also included Rs.6.09 lakh towards service tax liabilities of the contractor inspite of specific stipulation in the agreement.

On this being pointed out in audit the EE stated (July 2002) that as the work could not be completed within 16 months, payment beyond 16 months was made on pro-rata basis in view of the time extension sanctioned by Medical Education Department.

[2] *the total of the break up shown as Rs.47.87 lakh (instead of Rs.47.88 lakh) in the agreement has been adopted.*

The reply was not tenable because while granting extension of time beyond 16 months, no additional payment to consultant was sanctioned by Government. The nature of the contract of the Consultant were not repeatable on a proportionate basis.

The matter was reported to Government (June 2003); reply had not been received (January 2004).

4.4 Avoidable /excess /unfruitful expenditure

Cooperation Department

4.4.1 Avoidable interest liability on unutilised loan

Non-utilisation of a loan of Rs.7.67 crore resulted in avoidable extra interest liability of Rs.3.79 crore.

The National Cooperative Development Corporation (NCDC) sanctioned and released (February-March 1999) a margin money loan of Rs.7.67 crore to State Government for utilisation by Markfed[⊗], Bhopal, for development of marketing activities of agricultural products. The loan was to repayable in 5 years with interest at 16.75 per cent per annum. Any default attracted a penal interest of 2.50 per cent.

Test-check (July 2002) of records of Registrar, Cooperative Societies (RCS), revealed that though the loan amount was received in March 1999, the State Government sanctioned it further to Markfed one year later, in March 2000. Even then, the loan was kept under Civil Deposits.

The amount when finally released to Markfed in August 2000, was not accepted by Markfed mainly because in the meantime the NCDC interest rate had come down to 14 per cent, from 16 August 2000. Markfed requested (November 2000) the RCS also to reduce the rate of interest to 14 per cent. The request was not acceded to and the amount was lying unutilised under Civil Deposits even as of June 2003.

As a result of the refusal of Markfed to accept loan due to delayed release, the State Government had also become liable to pay interest of Rs.6.15 crore @ 19.25 per cent per annum (interest plus penal interest) as of May 2003 besides delay in developing its marketing activities for which the loan was obtained. The Government replied (November 2003) that the amount remained in Civil Deposit with State Government and if the Government had to borrow the equal amount from market it would have had paid more amount as interest. The contention of the Government is not tenable as Government would have saved interest burden of Rs.2.36 crore if it would have availed the ways and means advances of Rs.7.67 crore from Reserve Bank of India.

⊗ *Madhya Pradesh State Marketing Federation*

General Administration Department

4.4.2 Sanction of discretionary grants by Chief Minister

Discretionary grants of Rs.8.09 crore were sanctioned in 2969 cases without adhering to prescribed scales and objectives. Rs.5.52 crore were sanctioned in excess of prescribed monetary ceiling and utilisation certificates were not obtained for expenditure of Rs.14.48 crore out of total grants of Rs.14.52 crore sanctioned.

The Government notification issued under Book of Financial Powers in May 1982 regulated the objects, purposes and quantum of financial powers for sanction of discretionary grants to be paid to the institutions/individuals by the Chief Minister (CM), which inter-alia, provided that total amount of grant in a year will be restricted to Rs.2 crore (Rs.1 crore for the financial year 1998-99) and in a single case the grant should not exceed Rs.2 lakh. The grants may be sanctioned as per his discretion for public purposes and in public interest: to individual for medical treatment, education, as reward for honesty and bravery, incentive to meritorious and poor students, financial assistance for marriage of daughter of widow and released bonded labourers and to orphans/handicapped personnel and to institutions excluding institutions of political and religious nature.

Discretionary grants of Rs.14.52 crore were sanctioned by the Chief Minister during 1998-2003 covering 22931 beneficiaries as detailed below:

(Rupees in lakh)

Year	Prescribed annual ceiling	Allotment	Expenditure	No. of sanctions	No. of beneficiaries	Excess over ceiling (percentage within brackets)
1998-99	100.000	310.00	306.795	14	917	206.795 (207)
1999-00	200.000	200.00	199.990	13	640	--
2000-01	200.000	225.00	225.00	24	1072	25.000 (12)
2001-02	200.000	200.00	188.817	129	7581	--
2002-03	200.000	530.983	530.983	131	12721	330.983 (165)
Total	**900.000**	**1465.983**	**1451.585**	**311**	**22931**	**562.778 (113)**

The excess grant of Rs.5.52 crore was sanctioned in violation of the prescribed ceiling.

Scrutiny of individual sanctions released during 1998-2003 revealed following irregularities:

(a) Notification provided that grants may be sanctioned for public purpose alone for which expenditure could be incurred out of State revenues and does not specifically provide for release of grants to individuals/institutions located outside State. However, it was noticed that in 22 cases grants aggregating to Rs.46.34 lakh were sanctioned during 1998-2003 to individuals/ institutions outside the State of Madhya Pradesh as detailed in **Appendix XLV**. In these cases it was anticipated that the financial assistance outside the State would be

provided for purpose of larger public interest like overcoming natural calamities or earthquake, floods or damage to properties etc. However it was observed that the assistance was provided to individual and institutions having very limited public cause.

(b) Notification also provided that amount sanctioned by the Chief Minister in any single case would not exceed Rs.2 lakh in a year. It was, however, noticed that in 10 cases mentioned in **Appendix XLVI**, grants of Rs.48.90 lakh were sanctioned. The excess amount sanctioned worked out to Rs.28.90 lakh.

(c) Notification specifically prohibited sanction of grants to institutions of religious or political nature. However, grants aggregating to Rs.7.15 crore were sanctioned in 2891 cases for religious purposes e.g. construction/renovation of temples or mosques, caste-based community halls and Dharmashalas, etc. as detailed in **Appendix XLVII**.

(d) Notification further provided that the grants may be sanctioned only for a specific 'public purpose'. However, in 45 cases, grants aggregating Rs.17.10 lakh were sanctioned as financial assistance (1998-99: Rs.13.35 lakh and 1999-2000: Rs.3.75 lakh) without recording the purpose for which the grants were sanctioned.

On the above irregularities being pointed out, the General Administration Department(GAD) replied (April 2003) that the rules empowered the CM to sanction grants by relaxing the rules and the grants were sanctioned under the enabling provisions of the notification by the CM at his discretion.

The reply of the Department was not acceptable as there was clear cut violation due to non-adherence of objects and prescribed scales. Further the provisions of notification were relaxed in a routine manner and not as an exception in release of Rs.8.09 crore out of total release of Rs.14.52 crore which cannot be termed as an exception.

Further as per the procedure prescribed, grants were to be disbursed to payees through Collectors of the districts concerned who were required to furnish utilisation certificates (UCs) alongwith the payees' stamped receipts (PSRs) to the Chief Accounts Officer.

The position of receipt of PSRs and UCs vis-à-vis the grants sanctioned during 1998-2003 was as follows:

(Rupees in lakh)

Year	**Amount of grants sanctioned**	**PSRs received for**	**UCs received (including amounts refunded)**	
			Ucs received	**Amount refunded**
1998-99	306.795	11.80	2.14	0.86
1999-2000	199.990	2.95	0.50	--
2000-01	225.00	5.50	--	0.05
2001-02	188.817	15.525	--	0.25
2002-03	530.983	3.07	--	0.13
Total	**1451.585**	**38.845**	**2.64**	**1.29**

Thus PSRs and UCs for Rs.14.11 crore and Rs.14.48 crore respectively were awaited. The Accounts Officer, Vallabh Bhawan, stated (January 2003 and December 2003) that the Collectors were reminded for submission of the wanting PSRs and UCs. In absence of PSRs and UCs, it could not be ensured that the amounts were actually disbursed to the intended payees and also utilised for the intended purpose(s).

On the irregularity being pointed out, the GAD replied (April 2003) that wherever sanctions exceeded prescribed annual ceilings additional funds were augmented through supplimentary estimates to meet the additional requirement and that no excess expenditure was incurred. The fact, however, remained that expenditure incurred in excess of prescribed ceilings was not only irregular but in most cases, did not serve the purposes for which the scheme had been sanctioned.

Housing and Environment Department

4.4.3 Delayed completion of bridge work resulted in avoidable expenditure besides unauthorised payment

The purpose of non consideration of low cost tender for construction of Retghat-Lalghati high level bridge and re-award of the work at abnormally high cost on grounds of urgency was defeated due to delay of 34 months. In addition there was irregular payment of escalation of Rs.47.07 lakh.

The work "Construction of High level bridge at Retghat-Lalghati Road was awarded (November 1996) on lump-sum contract for Rs. 9.20 crore to a contractor for completion in 18 months (April 1998) including rainy season. The contractor, however, could actually complete the work in November 1999 after 34 months and final bill for Rs. 10.22 crore was paid in February 2002.

A mention was made in paragraph 5.2 of the Report of the Comptroller and Auditor General of India- No.3 (Civil) for the year ended 31st March 1998 that the lowest offer of a contractor for Rs.5.99 crore, accepted in August 1995, was later rejected (September 1995) by Government on the grounds of urgency. Subsequently (November 1996), an abnormally higher rate tender for Rs.9.20 crore was accepted by reducing the period of completion to 18 months (against the original 30 months), resulting in cost escalation by Rs.3.21 crore. Thus, while reduction in completion period by 12 months on grounds of urgency was rendered meaningless due to delay of 15 months in awarding the work to another contractor, the very purpose of abnormally high rate tender was also defeated due to further delay of 19 months even by the second contractor.

Scrutiny in audit (January2002) revealed further the following inconsistencies:

(a) In terms of clause 1.13 of the contract the Executive Engineer is competent to grant time extension without involving price escalation.

However, for the purpose of payment of price escalation under clause 2.33, only the Superintending Engineer (SE) was competent to extend the operative period beyond the specified 18 months.

It was, however, noticed that the first time extension for 452 days (5 April 1998 to 30 June 1999) was sanctioned by the SE referring to 'clause 5' of the agreement which did not exist. The second time extension for 148 days (1 July 1999 to 25 November 1999) was belatedly granted (February 2002) by the EE under clause 1.13 of the agreement on grounds of deeper foundation depths of a few piers which was incidental to the work as per agreement clause. Neither the grounds nor the competence of EE qualified the extended period for payment of price escalation, as the belated time extension was granted for the purpose of completion and had no relation with the payment of price escalation. In spite of these inconsistencies, the contractor was irregularly paid price escalation of Rs.47.07[3] lakh during extended period.

On being pointed out (January 2002) the Controller of Buildings justified payment of escalation and stated (January2002) that delay was attributable to the department on the counts like shifting of HT line, death of a labour during execution, depth of piers etc. for which contractor was not responsible, hence payment of escalation was justified. Reply was not tenable because the department had accepted a high rate tender on the plea of urgency of work which had not served the purpose as the department themselves were responsible for the delays for which they had to pay additional amounts to the contractor.

The matter was reported to the Government in June 2003; reply had not been received (January 2004).

Medical Education Department and Bhopal Gas Tragedy and Rehabilitation Department

4.4.4 Avoidable expenditure on electricity charges

Incorrect estimation of contract demand resulted in avoidable expenditure of Rs.2.31 crore on electricity charges.

Kamla Nehru Hospital of Gas Rahat Department, Bhopal (KNH) started providing medical care to Bhopal Gas Tragedy victims from January 2000, which was earlier being done by the Hamidia Hospital (HH) under Medical Education Department. Superintendent, HH, had entered (August 1995) into an agreement with Madhya Pradesh Electricity Board (MPEB) for supply of

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[3] *Rs.74.28 (-) (13.95/462.73 x 920) = Rs.47.07 lakh*

Value of work done upto April 1998 Rs. 462.73 lakh.

Escalation paid upto April 1998 Rs.13.95 lakh.

Admissible escalation entire value of work = 920 x 13.95/462.73 =Rs.27.71 lakh.

Escalation Actually paid Rs.74.28 lakh

556 KVA per month and the bills were payable on the basis of consumer's actual demand or 75 per cent of the contract demand, whichever would be higher during the month.

Test-check (February 2002) of the records of Superintendent, KNH, and further information collected in June 2002 and August 2003 revealed that Superintendent, HH, had entered (March 1999) into a revised agreement for 2223 KVA from January 2000, inclusive of the requirement of KNH without assessing the actual requirement. The actual power consumption, however, during January 2000 to August 2003 ranged between 216 KVA and 744 KVA only. MPEB raised, an additional demand of Rs.2.31 crore on the basis of 1667 KVA for the period and the payment was made by HH (Rs.1.31 crore) and KNH (Rs.1 crore) in the ratio of 55:45 as per a decision taken by the Government in November 2001.

On this being pointed out, Superintendent, KNH, stated in February-June 2002 that agreement for HT connection was executed by HH prior to commissioning of KNH and action to revise the agreement would be taken after assessing the actual requirement and obtaining guidance from higher authorities. Government of Madhya Pradesh (Bhopal Gas Tragedy and Rehabilitation Department) replied in October 2003 that matter was taken up (May 2003) with Medical Education Department to initiate action against Superintendent, Hamidia Hospital Bhopal for the lapse. However no action was taken to revise the demand or to obtain separate connections so far (October 2003).

The extra payment of Rs.2.31 crore till July 2003 could have been avoided had the actual power consumption been properly assessed before entering into the agreement for revision of contract demand to 2223 KVA or a separate connection taken by KNH after assessing its own requirement. The extra liability will continue to arise till no corrective action is taken.

The matter was referred to Medical Education Department in September 2003; reply had not been received (December 2003).

Narmada Valley Development Department

4.4.5 Avoidable cost due to incorrect provision of levelling course

Unwarranted execution of PCC over newly widened granular portion of two roads resulted in avoidable extra cost of Rs.64.61 lakh

The work of widening and strengthening of two roads (Anjad-Thikri road and Kukshi-Shinghana road) was awarded to contractor A & B at the total cost of Rs.7.59 crore.

According to clause 501 of MORT&H specification " a Profile Corrective Course (PCC) is essentially a pavement base material course for correcting the existing pavement profile which has either lost its shape or has to be given a

new shape. Further PCC should be provided of the same specification as the layer over which it is to be laid.

Audit scrutiny revealed that the agreement provided for 15260 cu.m. PCC of specified thickness of 50 mm over the entire carriageway. Out of this 8720 cu.m. PCC with bituminous material over newly widened granular portion of road covering 180480 (86400 + 94080) sqm area was un-necessarily provided in the widened portion of 2 meter. This was not required as per MORT&H specification which resulted in extra cost of Rs.64.61 lakh on the work executed and paid up to last bill to the contractors.

On being pointed out in audit (April 2003), CE, NVDA replied (May 2003) that PCC was provided as levelling course as per sanctioned estimate and applied to make the profile correction on full width of carriageway.

Government, to whom the matter was reported (April 2003 and June 2003) endorsed the reply of CE. The reply was not tenable as it was not in conformity with MORT&H specification, according to which PCC is essentially for correcting existing profile which has gone out of shape or has to be given a new shape. It is not meant to strengthen a newly constructed road. The newly constructed WBM in the widened portion should have been levelled to synchronize with the lines and grades of PCC in the existing carriageway. Thus provision of PCC on the newly constructed WBM in the estimate itself was incorrect.

Panchayat and Rural Development Department

4.4.6 Excess distribution of food grains under Mid-day Meals Scheme

Excess distribution of 7279 quintals of food grains costing Rs.60.41 lakh under Mid-day Meal scheme 2001-02 was noticed

The scheme of Nutritional Support to the students of Primary schools, popularly known as Mid-day Meal Scheme, was launched by Government of India (GOI) in August 1995.

The Scheme covered students of Class I to V of schools run by government/government aided institutions and local bodies. According to the scheme the schools not providing hot cooked food, were required to provide food grains @ 3 kg per student per month subject to attendance above 80 per cent for 200 school days. The entitlement was for 10 months (July to April) during an academic year.

Test-check (June 2003) of records of Chief Executive Officer (CEO), Zila Panchayat, Rajgarh revealed that during August 2001 to March 2002, against the admissible required quantity of 24844 quintals of food grain for schools functioning under Community Development Blocks (CDBs), the quantity reported in monthly progress reports as distributed by CDBs was 32,123

quintals to 828134 students as detailed in **Appendix XLVIII**. This resulted in excess distribution of 7279 quintals costing Rs.60.41 lakh.

The CEO stated (June 2003) that the grains were distributed as per State Government orders of January 1998. The reply was not relevant and tenable as these orders provided for distribution @ only 3 kg per student per month, as envisaged in the original scheme.

Public Health Engineering Department

4.4.7 Avoidable extra expenditure on providing richer cement concrete mix

Richer cement mix grade M-15 in laying of pipe line resulted in avoidable expenditure of Rs.27.13 lakh.

The Civil works for laying, jointing and commissioning of pipeline of various diameter, estimated to cost Rs.1.35 crore, were awarded (1999-2000-01) under 13 percentage rate contracts at 94.4 to 97 per cent above PWD, SOR (April 1993) in 2 contracts and 59 to 75 per cent above SOR (January 2000) in remaining 11 contracts. The agreements, inter-alia, included an item of cement concrete Mix M-15 using 20 mm aggregate for 2826.662 cum in plinth and foundation.

Scrutiny in audit revealed that the quantity of cement concrete M-15, abnormally exceeded to 9368.90 cum. Out of this total quantity, 5854.80 cum was used in nalla/river portion , 1353.60 cum in road crossings and 2159.18 cum for pipe encasing. Where the R.C.C. saddle supports or anchorage could have been provided with a leaner mix of M-10 grade concrete, the Executive Engineer , Fluorosis Control Project Division, Alirajpur, even without approval of competent authority, indiscriminately used richer mix of M-15 grade cement concrete, resulting in avoidable extra expenditure of Rs.27.13 lakh.

On being pointed out, the Chief Engineer PHED, Indore Zone, Indore, admitted (July 2003) that leaner concrete could have served the purpose and agreed with Audit that prior assessment and approval from competent authority should have been obtained before execution.

The matter was reported to the Government in May 2002; Government accepted (September 2003) the audit observation and stated that responsibility for the extra cost was being fixed.

Public Relations Department

4.4.8 Undue financial assistance to news agencies and periodicals

Payment of bills for advertisements without ensuring that the newspapers had implemented the recommendations of the Wage Boards as required, resulted in excess payment of Rs.1.53 crore to 32 newspapers.

As per a gazette notification issued in March 1997 by State Government in Public Relation Department, a deduction of 15 per cent was to be made from advertisement dues of newspapers, which had not implemented the recommendations of the Wage Boards appointed by Government of India for determining the wages of the journalists and other non-journalist newspaper employees.

Test-check (September 2001) of the records of the Commissioner, Public Relations (Commissioner) and further information collected in October 2002 and April 2003 revealed that payments of Rs.10.22 crore were made to 32 newspapers as advertisement charges during 2000-01 to 2002-03 without effecting the said recovery of Rs.1.53 crore even though the newspapers had not implemented the recommendations of the Manisana Wage Board. This led to an excess payment of Rs.1.53 crore to these newspapers.

The Commissioner Public Relation Department attributed (September 2001 and June 2002) the non-deduction to non-receipt of the details of newspapers which had not implemented the recommendations of the Wage Board from the Labour department. He further stated (September 2003) that the matter of amending the provision stipulating 15 per cent deduction was under consideration of the Government. However, no document was furnished in support of the reply. The Labour Commissioner, MP, Indore, on the other hand claimed (September 2003) that no responsibility lay on him requiring him to intimate the position of implementation or otherwise of the recommendations of the Wage Boards to the Public Relations Department.

The reply was not tenable as the Commissioner could have approached the Government in Labour Department through his own Administrative (Public Relations) Department, or asked the newspaper concerned to provide the proof of having implemented the recommendations.

The matter was referred to Government in December 2001; reply had not been received (September 2003).

Public Works Department

4.4.9 Avoidable extra expenditure on substitution, incorrect specification and excess payment to contractor

Unwarranted substitution of item of work and adoption of incorrect specification led to avoidable extra expenditure of Rs.37.26 lakh. Non-regulation of rate for additional quantities also resulted in excess payment of Rs.7.89 lakh.

The work of "widening of existing single lane to two lane carriageway from km 48 to 67 on National Highway No.12, approved (March 1996) for Rs.2.80 crore by MORT&H was put to tender (December 1996) on item rate for Rs.2.98 crore by the SE, PWD (NH) Circle, Indore. Lowest offer of Rs.1.93 crore (35.165 per cent below) was accepted (July 1997). The work was completed in December 2000 and the final bill of the contractor for Rs.2.76 crore was paid in February 2001. Scrutiny in Audit revealed the following inconsistencies:-

(i) The sanctioned estimates provided for a single coat surface dressing over an area of 67975 sqm. During the course of execution and on contractor's own volition, the item was substituted by 20 mm thick open graded premix carpet (OGPC) which was provided as a leveling course. The SE on the recommendation of Resident Officer (RO) of the Ministry, sanctioned (January 1999) a supplementary schedule for Rs.12.58 lakh. While recommending substitution, the RO mentioned that financial implication arising out of substitution must be got approved from the Ministry. Approval was not obtained and thus this expenditure of Rs.12.58 lakh was improper.

(ii) The estimate provided that item of OGPC was meant for Profile Corrective Course (PCC) on an average thickness of 35 mm. MORT&H specifications stipulate that where the maximum thickness of PCC was not more than 40 mm, the PCC shall be constructed as an integral part of the overlay course. However, in case of thickness of more than 40 mm, the same shall be constructed as a separate layer of leveling course. Accordingly, the thickness of PCC being 40 mm, it should have been constructed as an integral part of overlay (wearing) course by sealing it without any further course. It was, however, observed that OGPC was followed by Mix Seal Surfacing (MSS) which was another wearing course. Execution of superfluous MSS wearing course was not only contrary to the specifications but also resulted in avoidable extra expenditure of Rs.24.68 lakh (Rs.29.92 lakh incurred on MSS (-) Rs.5.24 lakh required for seal coat).

(iii) The schedule of quantities forming part of agreement provided for 982.62 cum OGPC. However, due to substitution of the originally envisaged work of surface dressing by OGPC, the quantity of OGPC during execution exceeded 2366.31 cum (139.11 per cent). The agreement provided for

regulation of rate for additional quantities beyond 30 per cent on the basis of rates provided in SOR plus/minus over all tender percentage.

It was, however, observed that the contractor was paid for the entire quantity at his quoted rate of Rs.1600 per cum as against Rs.875.27[4] per cum payable in terms of agreement. Non-regulation of rate had, thus, resulted in excess payment of Rs.7.89 lakh.

On these being pointed out (October 2001), Executive Engineer, NH Division Biora stated (October 2001) that item of surface dressing was substituted by competent authority and SE was competent to fix and sanction rate for any item. Further, 20 mm thick OGPC was provided without seal coat, hence MSS was done to seal the OGPC due to heavy traffic.

The reply was not tenable because approval of substitution involving extra expenditure of Rs.12.58 lakh was not obtained from Ministry. Further, application of two wearing courses (OGPC and MSS) did not conform to the MORT&H specifications. The work of sealing of OGPC by MSS was not specified in MORT&H specification. Thickness of PCC being 40 mm, was to be done as an integral part of OGPC overlay course without any further wearing course (MSS) over it.

The matter was reported to Government in April 2003; reply had not been received (January 2004).

4.4.10 Extra expenditure on item of works executed contrary to the specifications

Execution of tack coat using paving bitumen instead of bituminous emulsion was contrary to the specifications besides an extra cost of Rs.26.48 lakh on four works

MORT&H specifications, while dispensing with use of paving bitumen in tack coat since 1995, provides use of bituminous emulsion @ 2.5 kg per 10 sqm to 4 kg/10 sqm on Black Topped (BT) and Granular road surfaces respectively. Despite this, in the schedule of rates (SOR-2000) issued by Engineer-in-Chief, the item of tack coat using paving bitumen @ 5 kg to 10 kg per 10 sqm was reintroduced.

Scrutiny of four percentage rate contracts awarded during 2001-02 for strengthening/widening of 87.06 km roads of Raisen District at 4.01 to 7.20 per cent below the SOR by EE, PWD, Division Raisen, disclosed that work of tack coat using paving bitumen was executed and contractors were paid @ Rs.6.20 to Rs.14.80 per sqm as against Rs.4 to Rs.7 per sqm payable for emulsion.

[4] 875.27 = Rs.1350/- SOR rates minus 35.165 per cent being tender percentage

Re-introduction of item of tack coat using paving bitumen was not only costlier but was also contrary to the MORT&H specifications, and resulted in extra cost of Rs.26.48 lakh on 4 works.

On being pointed out (November 2002), EE stated that work was executed as per agreement. The reply was not tenable because provisions made in the agreement did not conform to the specifications.

The matter was reported to Government in February 2003; reply had not been received (January 2004).

4.4.11 Avoidable expenditure on re-execution of damaged work

Re-execution of damaged work owing to default of a contractor resulted in avoidable expenditure of Rs.76.38 lakh besides non recovery of Rs.15.65 lakh.

The work "Improvement of riding quality of pavement" (IRQP) in km 161 to 174 of NH 12 with PAC of Rs.2.73 crore was awarded (November 2000) to a contractor "A" at 6.6 per cent below SOR- August 1999 stipulating completion in four months.

The agreement provided for execution of: (i) 75 mm thick Built-up spray Grout (BUSG), to be followed by (ii) 50 mm thick Bituminous Macadam (BM), and finally sealed by (iii) 25 mm thick Semi-dense Bituminous concrete (SDBC). However, the contractor executed BUSG in the entire 14 kilometer stretch, BM in only 6 kilometers and SDBC in merely one kilometer as of June 2001. The remaining kilometers were neither covered with SDBC nor with provisional seal coat at contractor's cost of Rs.15.65 lakh'. Eight Running Bill for Rs.1.56 crore was paid to the contractor (June 2001). Despite extension (October 2001) of time upto 31 December 2001 (reserving the right to impose penalty for delay), the contractor failed to resume the work after June 2001. After issue of show cause notice (January 2002), the contract was terminated (February 2002) by the Executive Engineer NH Division, Obaidullagunj at the risk and cost of the contractor.

According to MORT&H specification (forming part of the agreement), the layers of BUSG and BM should be immediately paved with final layer of SDBC before opening the road to traffic. If immediate laying of SDBC is not possible, at least a 6 mm seal coat should be provided as a process incidental to the work, at contractor's cost, before allowing traffic.

Audit scrutiny (September 2002) revealed that the newly laid BUSG and BM surface was allowed to traffic by the department for two rainy seasons without execution of SDBC or seal coat, and as a result, the entire stretch of road (14 kilometers) sunk and was damaged. Though the contractor was asked (August 2001 and January 2002) to repair the damaged work, he refused. The balance work evaluated at Rs.1.21 crore was awarded (April 2002) to another contractor "B" at 0.12 per cent below SOR involving extra cost Rs.11.96 lakh. Simultaneously, the work of repair of damaged road and execution of one

additional course of BUSG in the entire stretch from Km 161 to 174 costing Rs.79.51 lakh was awarded (January 2002) to yet another contractor "C" at 13.1 per cent below SOR. Final Bill for Rs.76.38 lakh was paid to him (March 2002).

The additional layer of BUSG, in violation of MORT&H specification, was apparently necessitated to restore the sunken crust. Thus, re-execution of work abandoned by contractor "A" resulted in avoidable expenditure of Rs.76.38 lakh, besides non–recovery of Rs.15.65 lakh towards seal coat which he failed to execute at his own cost as per terms of agreement and Rs.11.96 lakh as extra cost on balance work.

On being pointed out, SE, NH Circle Bhopal stated (September 2002) that second layer of BUSG was executed as the road was widened to two lanes for which a provision was made in the revised estimate. The reply was not tenable and also misleading because BUSG was found recorded in the entire length and width of the road and not at widened portion only. Moreover, had the work been completed by the original contractor "A" as per work awarded to him, the question of re-execution of BUSG subsequently by another contractor on finished BT Surface would not have arisen.

The matter was reported to Government (July 2003); reply had not been received (January 2004).

Water Resources Department

4.4.12 Extra cost on the work of lining of canals

Execution of costlier precast cement concrete lining work instead of more economical cast-in-situ lining resulted in extra cost of Rs.1.03 crore.

Technical circular issued (January 1984) by the E-in-C, Water Resources Department, stipulated that the bed and inside slopes of canals, carrying more than 3 cumecs discharge, should be lined with cement concrete cast-in-situ (M-10 grade). Contrary to these specifications, the Chief Engineer, Upper Wainganga Basin, Seoni approved (1998 to 2000) estimates for lining of canals of Sanjay Sarovar, with inferior but costlier canal lining of precast cement concrete (PCC) tiles in the inside slopes of the canals.

The work of PCC lining of Bhimgarh Right Bank canal and Tilwara Feeder canal, was executed on 14 item rate contracts during August 2001 and March 2002 and contractors were paid at the rates ranging from Rs.171 to Rs.370 per sqm as against Rs.139 to Rs.209 per sqm payable for cast-in-situ cement concrete lining. Adoption of costlier specification in contravention to the technical circular resulted in avoidable extra cost of Rs.1.03 crore.

On being pointed out by Audit (April 2003), the Engineer-In-Chief stated (October 2003) that pre-cast lining in side slopes was got executed as per the sanctioned estimates as cast-in-situ lining required more time for curing. The

reply was not tenable in as-much-as, the execution of lining by pre-cast cement concrete violated the Engineer-In-Chief's own Technical circular No. 1/84 dated 3 March 1984 and his specific directive (July 2001) to the Chief Engineer directing him to execute the lining work in canal bed and side slopes by 75 mm cast-in-situ cement concrete.

The matter was reported to Government in April 2003; reply had not been received (January 2004).

4.5 Idle investment/idle establishment/blockage of funds

Agriculture Department

4.5.1 Non-recovery of unutilised subsidy from banks

Subsidy of Rs.78.44 lakh was lying with banks even after discontinuance of the scheme for construction of wells and pump sets in April 1999.

Under the State-sponsored Minor Irrigation Scheme, subsidy payable to farmers for construction of wells and establishment of pump sets was to be adjusted against loans taken by them from banks. For this purpose, Agriculture Department deposited every year a lump sum with the banks which adjusted the amount of subsidy after sanction of loans. Since funds were remaining unutilised with banks for long periods, Government instructed (April 1995) that the unutilised amounts of subsidy be withdrawn from the banks and kept under Civil Deposits with State treasuries. The scheme for grant of subsidy was, however, discontinued by Government from April 1999, with instructions that incomplete wells as on 31 March 1999 may be completed during 1999-2000.

Test-check of records of the Director, Agriculture (May 2000 and April 2003) and further information collected (December 2003) revealed that an unutilised amount of subsidy Rs.78.44 lakh was lying as of November 2003 with various banks[*] in six districts[(z)] despite Government instructions (April 1995) and discontinuance of the scheme (April 1999).

On being pointed out, Government replied (April 2003) that adjustment of recovery of Rs.70.57 lakh was delayed due to unsound financial position of Land Development Bank and that the amounts lying with other banks were insignificant. However, efforts were being made to recover the amounts within the next six months.

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[*] Land Development Bank (Rajya Sahakari Krishi Evam Gramin Vikas Bank): Rs.70.57 lakh, Allahabad Bank:2 lakh, Baroda Bank: 0.15 lakh, Bank of India: Rs.0.16 lakh, Central Bank: Rs.0.58 lakh, Punjab National Bank:Rs.0.10 lakh, State Bank of India: Rs.0.84 lakh, District Central Co-operative Bank: Rs.2.87 lakh, Regional Rural Bank:Rs.1.17 lakh.

[(z)] Narsinghpur, Sagar, Shahdol, Sehore, Raisen and Rewa.

Had the Government ensured adjustment of advances by extended date of March 2000, for completion of incomplete wells, they could have saved an amount of Rs.22.75 lakh paid on Government borrowings to the extent of funds blocked in this case.

Fisheries Department

4.5.2 Non-recovery of royalty on fish extraction

Recommendations of the Public Accounts Committee were not implemented and royalty recoverable from Matsya Mahasangh had swelled to Rs.5.30 crore as of March 2003.

The erstwhile M.P. State Fish Development Corporation (Corporation) was required to pay royalty on fish extracted by it to the Fisheries Department. The Corporation was dissolved with effect from 1 August 1999 when its assets and liabilities were transferred to the newly created Matsya Mahasangh (Co-operative) Limited, a federation of fisheries co-operatives (registered cooperative society). Thereafter, the Federation became liable to pay royalty including the arrears at rates fixed by Government from time to time.

Mention was made in paragraph 3.15 of the Report for the year ended March 1997 (No.4 Civil) of arrears of royalty amounting to Rs.3.06 crore as of March 1997. The Public Accounts Committee (PAC) in its 198th Report (April 2002) recommended framing of a policy for extraction of fish in the interest of the state and to take disciplinary action against the officials responsible for non-recovery of royalty.

Test-check (August 2002) of the records of Director of Fisheries and further information collected (August and December 2003) revealed that besides the aforementioned amount of Rs.3.06 crore, a further amount of Rs.3.32 crore had become due for recovery from Corporation/ Fish Federation for the period from April 1997 to March 2003, against which only Rs.1.08 crore were recovered (1997-98: Rs.32.50 lakh; 1999-2000: Rs.50 lakh and 2002-03: Rs.25 lakh) from Corporation/ Fish Federation. The arrears of royalty had thus swelled to Rs.5.30 crore at the end of March 2003 despite the recommendations of the PAC.

On being pointed out the department stated that a Committee has been formed to restructure the rates of royalty and that the Government decision is still awaited. The Government however stated that the matter relates to policy decision and was still under consideration.

The reply of Government is not relevant as restructured rates will only be applicable from prospective date and thus the Government had failed to initiate corrective action in past cases as contemplated in the recommendations of the PAC even though a period of 21 months had since elapsed.

Higher Education Department

4.5.3 Non-recovery of national loan scholarships

Out of Rs.4.60 crore paid to 28691 students as national loan scholarship during 1963-94, Rs.3.21 crore were not recovered even as of September 2003.

National loan scholarship were provided to students under a Government of India (GOI) scheme of providing interest-free loans to poor students for continuation of their study in classes XI onwards up to the level of Ph.D.

The loan was required to be refunded by the loanee in easy monthly instalments after three years of completion of study, or after one year of getting employment, whichever being earlier. Default attracted interest at 6 per cent (10 per cent from January 1976) per annum and the loan also became recoverable as arrears of land revenue. The scheme was closed by GOI in the year 1991-92.

Test-check (June 2002) of the records of Commissioner, Higher Education, and further information collected in June 2003 and January 2004 revealed that out of Rs.4.60 crore sanctioned and paid to 28691 students under the scheme during 1963-64 to 1993-94, only Rs.1.12 crore were recovered and the recovery of Rs.0.27 crore was transferred to the new State of Chhattisgarh, the amount being recoverable in that State. Thus, an amount of Rs.3.21 crore still remained un-recovered as of September 2003.

On being pointed out in audit, the Commissioner stated (January 2004) that notices for recovery of loan were issued to the students and the district Collectors were also requested for effecting recoveries but due to changes in address of students notices could not be served to them. However, as per rule, students were themselves responsible to repay loan in time.

The reply was not tenable as due to failure on the part of the Government to put in place an effective system for recovery of the loan amount, the dues have not been recovered even after a decade. The chances of its recovery appears to be bleak and remote.

The matter was referred to Government in July 2003; reply had not been received (December 2003).

4.6 Regulatory issues and other points

Narmada Valley Development Department

4.6.1 Construction of head office building for Narmada Valley Development Authority (NVDA) at Bhopal

Work costing Rs.7.24 crore was entrusted to existing contractor without fresh tenders and extra/substituted items valuing Rs.5.57 crore were executed and paid without competent sanction. In addition, excess payments of Rs.42.08 lakh were also noticed.

The work of "Construction of head office building at Bhopal, originally approved (March 1990) for Rs.6.44 crore was technically sanctioned for Rs.6.79 crore in May 1994 by the Chief Engineer, NVDA. The work of architectural consultancy was awarded (November 1990) to Environmental Planning and Co-ordination Organization (EPCO) Bhopal, an autonomous body registered under Societies Registration Act. Initially the building was to be constructed over the built-up area of 14382 sqm as per concept plan prepared (1993) by EPCO. As EPCO was not equipped enough to prepare and submit architectural and structural designs in time, the work was entrusted to a private architect in October 1998 by EPCO with the concurrence of NVDA.

The work, estimated to cost Rs.6.44 crore, was awarded (October 1998) to a contractor on item rate contract for Rs.6.22 crore (0.43 per cent below) for completion within 36 months. After award of the work, the architect revised the concept plan in December 1998 by increasing built-up area besides including new provisions. Post tender changes led to increase in cost by Rs.9.63 crore (142 per cent).

(i) The rules provided that additional work exceeding 25 per cent of original cost, as well as, work beyond the scope of agreement be awarded after invitation of fresh tenders. Contrary to these, additional work estimated at Rs.7.24 crore (116.40 per cent of tendered cost) was entrusted to the existing contractor, without exploring possibilities of obtaining competitive and reasonable rates through fresh tenders.

On being pointed out in audit it was stated (June 2003) that work was awarded in October 1998 and change in scope of work took place in December 1998 and had the fresh tender been invited, the offered rates would have been much higher. The reply was not acceptable because escalation clause of the existing agreement provided for payment at base index of August 1994 (the date of invitation of tender) and as against the estimated payment of Rs.1.66 crore, an amount of Rs.2.58 crore was already paid on escalation alone.

(ii) The agreement provided that the contractor will have to carry out all additional quantities/extra items of work ordered during execution. The quantum of such work shall not exceed 10 per cent of amount of contract unless acceptable to the contractor as well as the Department. Powers to

decide rates for additional quantities/extra items exceeding Rs.15 lakh rests with NVDA in terms of contract.

The SE permitted (February 2000) for execution and payment of Rs.5.57 crore even without approval of rates from the competent authority. Thus execution of such items without approval and payment of Rs.5.57 crore was irregular and unauthorised.

When pointed out, the EE stated that the matter is under consideration of NVDA. The reply was not tenable as execution and payment of such quantities/items should have been made after approval of the competent authority in terms of the agreement.

(iii) Following cases of excess payment were also noticed:-

(a) According to the agreement, the rates tendered by the contractor were for execution of complete item of work and no extra payment for any part of work was admissible. Contrary to this, the contractor was allowed payment for propping, removal of form work, lift for reinforcement bars, erecting centering at different heights, mechanical mixing of concrete etc. treating these items as extra, which were part of the completed items of centering and shuttering and concreting, was thus incorrect resulting in excess payment of Rs.15.52 lakh.

On being pointed out, it was stated that the matter is under consideration of higher authorities. The reply was not acceptable as extra rates were inadmissible in terms of the contract.

(b) In item rate contracts no lead and lift for carriage of materials is payable separately. Contrary to this for RCC and brick masonry items, payment of lift from 1st floor level was allowed and for subsequent floors rates were increased proportionately. Incorrect regulation of rates, thus, resulted in excess payment of Rs.5.76 lakh.

On being pointed out, it was stated that action would be taken on receipt of decision from NVDA. The reply was not tenable as payment was irregular and needs recovery.

(c) According to SE's order (February 2000) payment of extra items available in SOR (1992) should have been regulated at the rates of SOR minus 0.43 per cent plus escalation. Scrutiny, however, disclosed that payment for item of centering and shuttering including propping and removal of form work etc. was made at the rate of Rs.85.63 per sqm instead of payable rate of 53.76 per sqm. This resulted in excess payment of Rs.20.80 lakh to the contractor.

The EE assured regularization of excess payment on receipt of sanction from NVDA.

To sum-up, though post tender changes in concept plan led to increase in cost by Rs.9.63 crore, possibilities for obtaining competitive and reasonable rates were not explored while awarding additional work of Rs.7.24 crore, besides excess payment of Rs.42.08 lakh were also noticed.

The matter was referred to Government in June 2003; reply had not been received (January 2004).

Public Health Engineering Department

4.6.2 Gwalior sewerage and sewage disposal project

Rs.6.49 crore was not recovered from the contractor.

Government of Madhya Pradesh approved (February 1988) Rs.33.55 crore for Gwalior sewerage and sewage disposal project to be completed by 1993-94. The project was to be executed with 70 per cent loan and 30 per cent grant-in-aid from the State Government. An expenditure of Rs.40.21 crore was incurred on project upto March 2003.

The work of laying, jointing and commissioning of RCC sewer pipe line in 2 groups was awarded (September 1993) to contractor 'A' by the EE, PHE Project Division, Gwalior at a cost of Rs.4.39 crore for completion within 18 months. Despite grant of time extension upto September 1998, the contractor could complete only 34 per cent of work. Owing to slow progress, the contracts were rescinded (August 1999) at the risk and cost of the contractor. The balance works in 2 groups were awarded (June-July 2001) to another contractor 'B' for Rs.8.40 crore and was paid Rs.7.37 crore upto June 2003. The extra cost recoverable on this account worked out to Rs.5.35 crore.

The contractor executing the work had offered 10 per cent rebate on the contract value. Thus, the base price indices for the month of opening of price bids (October 1990), and the value of work done after deducting 10 per cent rebate were to be adopted for calculation of price escalation. Similarly, for material and labour components, value of work done was to be 60 and 40 per cent. The Division, however, incorrectly reckoned the value of work done without reducing the rebate and using incorrect percentages of material and labour components for calculation of price escalation. The month of base index was also incorrectly reckoned as August 1990 (month of opening of tender) instead of October 1990 (month of opening of price bids) as specified in the agreement. These resulted in excess payment of Rs.38.22 lakh to 'A'.

Besides no pipes were laid in the trenches excavated for 26091 cum by 'A' and the trenches were filled up with the passage of time and Contractor 'B' had to excavate 16218 cum again, resulting in avoidable expenditure of Rs.15.81 lakh. In addition an amount of Rs.60 lakh on account of machinery advance, mobilisation advance, cost of material and interest on advances etc was also recoverable from the contractor.

When pointed out (July 2002) in Audit, against Rs.6.49 crore recoverable from 'A' on the above issues, the EE initiated (December 2002) action for recovery of Rs.6.10 crore only. No recovery has been made so far.

The matter was reported to the Government in August 2002; reply had not been received (January 2004).

Public Works Department

4.6.3 Non-recovery of extra cost from the defaulting contractors

The Department failed to initiate action for recovery of extra cost of Rs.1.33 crore from the defaulting contractors

Executive Engineer (EE) PWD (NH) Division Kareli awarded (November 1992) the work of widening (without strengthening) of road in kilometer 108 to 130/2 of NH 12 to contractor 'A' for completion within 36 months including rainy season (November 1995) at a cost of Rs.2.73 crore against the probable amount of contract Rs.2 crore. The contractor failed to complete the work within the stipulated period and due to very slow progress, his contract was rescinded (March 1997) under clause 3 of the agreement. The incomplete final bill for Rs.22.58 lakh was paid in July 1998.

The balance work, estimated to cost Rs.1.94 crore was awarded to another contractor 'B' for Rs.2.07 crore (February 1998) to be completed within 34 months including rainy season (December 2000). Again owing to slow progress and failure to complete the work, this contract was also rescinded (6 June 2000) at the risk and cost of the contractor. The incomplete final bill for Rs.20.79 lakh was paid in December 2001.

The remaining balance work (estimated to cost of Rs.1.78 crore) was now awarded to contractor 'C' for Rs.3.22 crore (January 2001) with completion period of 32 months (September 2003) including rainy season. The work was in progress and contractor "C' had executed the work for value of Rs.1.64 crore (September 2002).

Thus, the repeated failure of the contractual agencies resulted in an extra cost of Rs.1.33 crore which was recoverable from 'B', under clause 3 of contract agreement.

On being pointed out (June 2001) SE accepted the Audit observation and stated (February 2003) that action for recovery would be taken after assessing the work done by the contractor "C'. Only Rs.10.37 lakh had been recovered (March 2002) from the security deposit of the contractor.

The reply was not acceptable as the recommendations[5] of Public Accounts Committee provide that once the agency to complete the balance work is fixed (2001), the extra cost should be recovered from the defaulting contractor, without delay. Although the work awarded to contractor 'C' was also finalised (September 2002), the Executive Engineer has placed Rs.56.78 lakh under

[5] *96th Report of PAC on C&AG Report for the year 1993-94 presented in the Vidhan Sabha on 29.3.2000.*

Miscellaneous Public Works Advance recoverable from the contractor, but no recovery was effected (January 2004).

The matter was reported to Government in June 2002. Reply had not been received (January 2004).

Water Resources Department

4.6.4 Non-recovery of extra cost from defaulting contractors

Extra cost of Rs.9.28 crore was not recovered from seven defaulting contractors who abandoned the works mid way

Contract agreements for various works stipulate that in case a contractor abandons work, the Divisional Officer is empowered to entrust the unexecuted work to another contractor or get it completed departmentally at the risk and cost of the defaulting contractor.

Audit scrutiny in 5 Divisions (Water Resources 3 and NVDA 2) revealed that 10 works (WR 5, NVDA 5) abandoned during March 1990 to May 1999 by the contractors were got executed from other agencies. The extra expenditure of Rs.8.27 crore[6] was recoverable from the original contractors in accordance with the provisions of the agreements. Against this, only Rs.4.75 lakh has been recovered so far and the value of security deposits of the contractors available with the Department was for Rs.0.99 lakh only (WR Rs.0.99 lakh), thus the net amount recoverable worked out to Rs.8.22 crore. Apart from this, Rs.1.06 crore (WR Rs.24.07 lakh and NVDA:Rs.82.19 lakh) on account of balance amount of advances and cost of material issued to contractors were also recoverable from the contractors.

Thus, even after adjustment of the available security deposit, an amount of Rs.9.28 crore (WR Rs.222.67 lakh and NVDA Rs.705.38 lakh) stands to be recovered. Details given in **Appendix XLIX**.

Although the agencies to complete the balance work were fixed between 1996-97 to 2001-2002 and the department was aware of the extra cost recoverable from the original contractor, the revenue authorities were requested between 2000-01 and 2002-03, in five cases and for the other two

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W.R.D		*NVDA*	
1. Bariyarpur Left Canal Division No.I, Rajnagar	*Rs.88.84 lakh*	*1. RABC LBC Dn No.II , Jabalpur*	*Rs. 290.65 lakh*
2. Banjar River Project Dn Baihar	*(i) Rs.18.59 lakh* *(ii) Rs.29.59 lakh*	*2. P.W.D. NVDA (ISP) Dn, Barwaha*	*Rs. 332.54 lakh*
			Rs.623.19 lakh
3.Gandhi Sagar Dam Dn. Gandhi Sagar	*(i) Rs.29.82 lakh* *(ii) Rs.31.76 lakh* *Rs.198.6 lakh*		

cases it was replied that the recovery will be made. However no recovery has been made till date (January 2004).

The matter was reported to Government during January 2000 to June 2002 and in May 2003, reply had not been received (January 2004).

General

4.6.5 Failure of senior officials to enforce accountability and protect the interests of Government

Accountant General[*] arranges to conduct periodical inspection of the Government departments to test check, inter alia, the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities etc. detected during inspection are not settled on the spot, Inspection Reports (IRs) are issued by the Accountant General to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions pointed out promptly and report their compliance to the Accountant General. The Accountant General also brings serious irregularities to the notice of Heads of the Departments. A half-yearly report of pending IRs is sent to the Principal Secretary/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued upto December 2002 pertaining to 510 divisions/offices of Forest, Water Resources, Public Works, Public Health Engineering and other Works[$] Departments under Government of Madhya Pradesh disclosed that 13475 paragraphs relating to 3598 IRs remained outstanding since 1990-91 to the end of June 2003. Department wise position of the outstanding IRs and paragraphs were as follows:

Sl. No.	Department	Number of Inspection Reports	Number of Paragraph	Number of Auditee Units	Amount (Rupees in crore)
1.	Forest	681	2080	51	386.00
2	Water Resources	1323	4459	173	2192.01
3	Public Works	778	3688	104	1408.89
4.	Public Health Engineering	526	2311	88	1645.86
5	Narmada Valley Development *(i) Irrigation* *(ii) Building /roads*	 138 44	 365 98	 69 13	 303.33 61.72
6	Housing and Environment *(Capital Project Construction units)*	44	188	5	120.35
7	Bhopal Gas Rahat *(Works units)*	10	49	1	12.07
	Total	3544	13238	504	6130.23

[*] *Accountant General (Audit II), Madhya Pradesh.*

[$] *Other Works Departments include Narmada Valley Development, Housing and Environment and Bhopal Gas Rahat (Relief and Rehabilitation) Departments.*

Of these, 766 IRs containing 2720 paragraphs had not been settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of the Offices within six weeks from the date of issue were not received in respect of 214 divisions/offices for 214 IRs and 1060 paragraphs issued between January and December 2002.

A review of the IRs which were pending due to non-receipt of replies, revealed that the Heads of the Offices (whose records were inspected by the Accountant General) and the Heads of the Departments did not send any reply to large number of IRs / paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out by Accountant General in the IRs. The Principal Secretaries/ Secretaries of the Departments, who were informed of the position through half yearly reports, also did not ensure that the concerned offices of the Department take prompt and timely action.

Inaction against the defaulting officers facilitated the continuance of serious financial irregularities and loss to the Government, though these were pointed out in Audit. It is recommended that Government should re-look into the procedure for action against the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule and take action to recover loss/outstanding advances/over payments in a time bound manner and revamp the system to ensure proper response to the audit observations in the Department.

4.6.6 Transfer of funds to Personal Deposit Account

Five hundred and thirty one Personal Deposit Accounts (PDAs) of Government and semi Government institutions as on 31 March 2003 were found opened in the treasuries. Following irregularities were noticed in maintenance of PDAs:

(a) Non-closing of PDAs

As per provisions of Rule 543 of Madhya Pradesh Treasury code 531 PDAs with balance of Rs.1142.38 crore were required to be closed at the end of financial year by minus debit to the relevant service head. Of these 128 PDAs with balances of Rs.94.64 crore remained un-operative during 2002-03, and none of the above accounts were found closed.

(b) Funds remaining unutilised in PDAs

P.D. Accounts are generally opened by debit to the consolidated fund and the amount debited is shown as expenditure in the respective heads.

Financial rules provide that no money shall be drawn from Treasury unless it is required for immediate disbursement. It was, however, noticed that 115 new P.D. Accounts with balances of Rs.419.66 crore as on 31 March 2003 were opened during 2002-03. This was obviously done with a view to avoid lapse of grants. The expenditure to this extent was inflated and did not depict the factual position of accounts of the State. Non-utilisation of funds by keeping

in PDAs not only delayed the implementation of schemes for which funds were released but also defeated the purpose for which budget were provided in financial year.

(c) A test check of 59 PDAs (Rs.650.28 crore) conducted (August/ September 2003) further revealed the following irregularities:

(i) According to instructions issued by Finance Department (January 1998) all amounts pertaining to land acquisition and development schemes excluding funds received from Government of India deposited in Commercial bank accounts were required to be withdrawn and deposited in PDA. Records of Land Acquisition Offices Shahdol and Joint Director Panchayat and Social Welfare Rewa revealed that an amount Rs.0.85 crore (Shahdol: Rs.0.56 crore and Rewa: Rs.0.29 crore) was lying in bank accounts in contravention of aforesaid instructions issued by the Finance Department.

The concerned officers (August 2003) confirmed the position. Report on further action taken by them was awaited in audit (November 2003).

(ii) In another case LAO Sehore had credited receipt of Rs.0.13 crore meant for land acquisition in post office Sehore instead in PDA to achieve the targets under small saving scheme.

(iii) It was noticed that departments did not reconcile the balances in PDAs with treasuries. Resultantly, in 19 PDAs the balance shown by department was less by Rs.18.48 crore while in other 9 cases it was more by Rs.20.92 crore as shown in **Appendix L**.

The matter was referred to Government in November 2003; reply had not been received (December 2003).