

**CHAPTER IV**  
**AUDIT OF TRANSACTIONS (CIVIL)**

*Fraud/misappropriation/embezzlement/losses*

**FINANCE DEPARTMENT**

**4.1 Fraudulent payment of pensionary benefits**

**Pensionary benefits amounting to Rs.92.31 lakh was fraudulently paid during 2004-07 on fictitious PPO/GPO in the Thoubal Treasury.**

According to Central Treasury Rules (Vol-I), pension, commuted value of pension and gratuity shall not be paid except on an authority issued by the Accountant General. Further, sub-rule (2) of rule 329 *ibid* envisages that the disburser's portion of the pension payment order (PPO) shall be pasted in serial order in separate files, one for each class of pension and these files must be kept in personal custody of the Disbursing Officer (Treasury Officer).

Test check (September 2007) of records<sup>1</sup> of the Thoubal Treasury revealed that Rs.92.31 lakh was drawn during the years 2004 to 2007 on account of payment of pension, family pension and gratuity on PPOs which were not issued by the Office of the Senior Deputy Accountant General (A & E), Manipur. Details are given below:

(Rupees in lakh)

Year	Pension (No. of cases)	Family Pension (No. of cases)	Gratuity (No. of cases)	Total (No. of cases)
2004	--	2.15 (2)	5.11 (2)	7.26 (4)
2005	1.82 (23)	7.42 (28)	10.73 (3)	19.97 (54)
2006	4.56 (32)	31.24 (318)	--	35.80 (350)
2007	7.92 (44)	21.36 (180)	--	29.28 (224)
Total	14.30 (99)	62.17 (528)	15.84 (5)	92.31 (632)

Thus, as a result of failure on the part of the Treasury Officer to discharge the responsibilities as a disbursing officer of pension, Rs.92.31 lakh was drawn fraudulently on account of pension, family pension and gratuity under fictitious PPOs.

The matter was referred (November 2007) to the Government; reply is awaited (December 2007).

<sup>1</sup> First Payment Register for family pension, Bank Advices of pension and family pension, Bank payment scroll

#### 4.2 Fraudulent withdrawals from General Provident Fund Accounts

**Rs.10.45 lakh was withdrawn fraudulently from the accounts of four subscribers from their General Provident Funds Accounts.**

Three selection grade Lecturers<sup>2</sup> of Lilong Haoreibei College, Lilong complained (November 2006) to the office of the Senior Deputy Accountant General (A & E), Manipur that their General Provident Fund (GPF) statements for the year 2005-06 depicted unauthorised withdrawals from their GPF accounts. Scrutiny of records revealed that Rs.10.45 lakh<sup>3</sup> had been fraudulently withdrawn from the accounts of four subscribers on the basis of a sanction order<sup>4</sup>, purportedly issued by the Higher Education Department. The relevant bill<sup>5</sup> for these drawals was passed by the Thoubal Treasury in August 2005 (vide T.V. No.26).

Scrutiny revealed that names of two of the subscribers in the bill were different from those in the sanction order, as given below:

Name of subscriber as per Sanction Order	Name of subscriber as per Bill
Th. Bisendra Kumar	Th Birendra Kumar
Md. Janab Ali	Md. Toorab Ali

The Treasury Officer, however, passed the bill without referring the matter either to the college authority or to the sanctioning authority.

Thus, lack of vigilance and proper scrutiny of bill on the part of the Treasury Officer, Thoubal resulted in fraudulent withdrawal of Rs.10.45 lakh from the accounts of the four subscribers.

The matter was referred (December 2006) to the State Government for further investigation so as to fix responsibility as well as to devise means for strengthening the system of financial control.

The Government admitted (August 2007) the facts and stated that an FIR has been lodged with the Police for investigating into the matter.

<sup>2</sup> N. Shantibala Devi, Md. Toorab Ali and S.S Gupta.

<sup>3</sup> M/Edn/12027 Th.Birendra Kumar Rs.2.75lakh  
M/Edn/12318 N. Shantibala Devi Rs.2.80 lakh  
M/Edn/12332 Md. Toorab Ali Rs.2.30 lakh  
M/Edn/13407 S.S. Gupta Rs.2.60 lakh

<sup>4</sup> No.13/3/2005-HE/GPF dated 23 July 2005

<sup>5</sup> No.17/2005/LHC(G) dated 25 August 2005 (passed by the DDO, Md. Mahjer Ali).

## IRRIGATION AND FLOOD CONTROL DEPARTMENT

### 4.3 Payment on the basis of fictitious measurement

Rupees 32.90 lakh had been paid to a contractor on the basis of fictitious measurements.

Test check of records (February 2007) of EE, Khuga Division No. 1 revealed that the work of improvement of the Right Side Main Canal (RSMC) of Khuga Multipurpose Project from RD 5,740 m to 6,115 m (estimated cost: Rs.27.94 lakh) was awarded (November 2005) to a local contractor<sup>6</sup> at a cost of Rs. 49.74 lakh. The work was stipulated to be completed within six months on the grounds that the already completed portion of the canal had sustained heavy wear and tear due to erosion, settlement of banks, sliding of adjoining hills into the canal, *etc.* Further, as the main dam was to be completed by May 2006, the canal had to be made functional by that time.

One of the items in the work order relating to earth work constituted 99 *per cent* of the value of the work order. Work of the value of Rs.41.90 lakh had been recorded as executed up to the 3<sup>rd</sup> RA bill<sup>7</sup> (Details are given in *Appendix 4.1*) and payment of Rs. 32.90 lakh had been made to the contractor up to October 2006. Detailed scrutiny of the measurement records revealed the following inconsistencies in the execution of the work, which point to fictitious recording of various items of work and undue favour to the contractor:

- As per the terms of the work order, power roller of minimum eight tonnes was to be used for compaction. However, in most of the cases, compaction with an eight tonne road roller, which is normally of 1.68 m width,<sup>8</sup> was not possible, as banking of earth is less than 1.68 m wide. Details are given in *Appendix 4.2*.
- At two RDs of the Left Side Bank (LSB), the base width in the 3<sup>rd</sup> RA bill was shown reduced from the measurement records of the 1<sup>st</sup> RA bill *viz.*, from 14.85 m to 12.80 m (RD 5920 m) and from 14.70 m to 13.00 m (RD 5950 m).
- At twelve RDs, the height of the banking achieved in the 1<sup>st</sup> RA had been shown reduced from 7.80 m to 5.50 m (LSB RD 5770 m), from 11.80 m to 5.60 m (LSB RD 5800 m) *etc.* in the 3<sup>rd</sup> RA. (Details are shown in *Appendix 4.2*).
- Test check of the executed works was not carried out by AE or higher authorities.

<sup>6</sup> Shri T Lala

<sup>7</sup> 3<sup>rd</sup> RA bill relates to 2<sup>nd</sup> measurement record.

<sup>8</sup> Jessop Road Roller is 1.68 m wide, while Marshall Road Roller is 1.85 m wide.

- **The Department could not provide names of quarries along with lead chart for the earth stated to have been excavated and utilized in the banking.**

**Thus, the entire measurement records were fictitious and aimed at providing the contractor with undue benefit of Rs.32.90 lakh.**

**The matter was referred (June 2007) to the Government; reply is awaited (November 2007).**

## PUBLIC WORKS DEPARTMENT

### 4.4 Suspected fraudulent billing on transportation

Allowing a lead of 17 kms for earth quarry, while the earth was actually transported from a distance of 1-2 kms, led to undue benefit to the contractor by Rs. 1.93 crore.

The State Government decided to construct an integrated complex at Chingmeirong, Imphal for the Legislative Assembly, Civil Secretariat, High Court Peoples' Forum and other allied infrastructure. The entire area selected for the purpose was low-lying marshy land sparsed over with a number of ponds and hence needed improvement by earth filling.

As the land development was required to be executed expeditiously so as to be completed in time before the foundation laying ceremony by the Prime Minister (foundation stone was laid on 20 November 2004), the Department floated a limited tender on 22 October 2004 by splitting the work<sup>9</sup> into ten portions (total estimated cost: Rs.4.39 crore). The tenders were opened on 4 November 2004. However, the Chief Engineer accepted the tenders only on 18 August 2005 by allowing 29.70 per cent above the estimated cost and issued the ten work orders to seven contractors on 19 August 2005.

As envisaged, the Department extracted (November/December 2004) two lakh cubic metres (cum) of earth from the Langol Reserved Forest in the vicinity of the complex site, without the approval of the forest authorities before the formal work orders were issued. The Forest Department stated that the extracted earth had been used in filling up the low-lying areas of the complex and demanded (January 2005) royalty thereof.

Scrutiny of the records of the Building Division No.I (August 2006) revealed that the contractors had executed works of the value of Rs.5.73 crore upto September 2005 and had received payments of Rs.5.66 crore (October 2005) and the EE belatedly prepared the estimate (after the foundation stone was laid by the Prime Minister on 20 November 2004) and submitted the same to the competent authority for obtaining technical sanction by backdating it to 5 November 2004.

Examination of the relevant Measurement Books further revealed that out of two lakh cum of earth, the EE had billed only 73,187.50 cum of the earth as brought from the nearby area (1 KM: 34,549.16 cum; 2 KM: 38,638.34 cum). The remaining quantity had been billed as brought from Hiyangthang - a quarry 17 kilometres away, obviously to allow an undue benefit of Rs.1.93 crore<sup>10</sup> to the contractors.

<sup>9</sup> Construction of Capital Complex at Chingmeirong, (Phase-I) – Land development

<sup>10</sup> Estimated cost of transportation from 17km = Rs.199.52/cum; 2km = Rs. 82.31/cum

Estimated cost for 15 km transportation = Rs.(199.52 - 82.31)/cum= Rs.117.21/cum

Estimated cost of transportation for the remaining quantity = (2,00,000.00- 73,187.50) cum X Rs.117.21 = Rs.1,48,63,693.12

The EE did not respond to audit query (September 2006) regarding where the two lakh cum of earth extracted from the Langol Reserved Forest had been utilised. The fraudulent billing by increasing the lead subjected the Government to a loss of Rs.1.93 crore.

The matter was referred to the Government (April 2007); reply had not been received (November 2007).

#### 4.5 Suspected fraudulent billing on road construction

Inflating the quantum of work done over the capacity of the machinery used, the Department had billed Rs.23.07 lakh in excess of the quantity of work possible.

Manipur Schedule of Rates (SOR) states that one hot-mix plant working in association with other machinery<sup>11</sup> can produce only 120 MT of mix in one day and that one MT of mix can cover 17.39 square metres (sqm) of road surface.

Test check of records of the EE, Imphal West Division, PWD (September 2006) revealed that the Department had awarded (March 2005) the work "Improvement of Thangmeiband Road" (estimated cost: 40.81 lakh) through tender to a local contractor<sup>12</sup> at Rs.44.43 lakh (8.89 per cent above the estimated cost). It was observed that the contractor was allowed to execute an item: "Providing 25 mm thick semi-dense carpeting coarse aggregate etc conforming to Table 500.11 of IRC, mixing the quantity in hot-mix plant conforming to IS 3066 and laying the mixture uniformly to specified grade line etc." -(Item 1(A)) as a substituted item. To execute this item of work, the Department issued to the contractor one hot-mix plant along with the other associated machinery<sup>11</sup> for five days. In five days the hot-mix plant can produce only 600 MT of mix and this quantity can cover only 10,434 square metres of road surface. As against this, the EE concerned had billed (I<sup>st</sup> running account bill paid on March 2005) for 27,746.21 square metres of the road surface requiring 1596 MT of mix – which was much in excess of the quantity of mix that one hot-mix plant could produce in five days.

This has resulted in excess billing for a road surface area of 17,312.21 sqm (27,746.21-10,434) and subjected the Government to a loss of Rs.23.07 lakh (17,312.21 sqm X Rs.133.26<sup>13</sup>).

The matter was referred to the Government (April 2007); reply had not been received (November 2007).

---

Excess billed = Rs.1,48,63,693.12+29.696 per cent of Rs. 1,48,63,693.12 as per tender  
= Rs. 1,92,77,615.44

<sup>11</sup> Paver finisher, JCB, Road Roller and Tipper Truck.

<sup>12</sup> Apam Shimray

<sup>13</sup> The cost of surfacing one square metre of road surface is Rs.133.26.

#### 4.6 Suspected fraudulent payment

**Rupees 27.06 lakh was paid to two contractors before execution of work by the Executive Engineer, Ukhrul Division.**

Test check (January 2007) of Ukhrul Division revealed that the EE awarded (27 December 2005) the work “Improvement of Tolloi Chingmei Khullen Road” (estimated cost: Rs.86.78 lakh) to a contractor<sup>14</sup> and after three days paid<sup>15</sup> an amount of Rs.10.40 lakh to the contractor. Examination of records revealed that the connected voucher for payment of the amount was for work executed during March 2006. Measurements of the work were taken during March 2006 (3 March 2006 – 31 March 2006)<sup>16</sup> and the bill was submitted to the Divisional Officer on 31 March 2006. This clearly indicated that the work was executed during March 2006 and therefore the payment (December 2005) of Rs.10.40 lakh was a clear case of fraudulent billing without execution of work.

Scrutiny further revealed that the EE made another payment of Rs.16.66 lakh in similar manner to another contractor<sup>17</sup> for the work “Improvement of DC Office/Mini Secretariat, Ukhrul” (estimated cost: Rs.27.70 lakh). The payment was made on 30 December 2005 while the work was also found to be executed during January and February 2006<sup>18</sup>.

Thus, the EE paid Rs.27.06 lakh to the two contractors in December 2005 without execution of works.

The matter was referred to the Government (May 2007); reply had not been received (November 2007).

---

<sup>14</sup> H. Sanot

<sup>15</sup> Cheque No.C 766026 dt.30.12.2005

<sup>16</sup> M.B. No.188, pages 1 to 49

<sup>17</sup> A. Shimary

<sup>18</sup> M.B. No.200, pages 1 to 31

**DEPARTMENT OF WELFARE OF MINORITIES AND  
OTHER BACKWARD CLASSES**

**4.7 Payment made without receiving goods**

**Payment for Rs.19.94 lakh had been made to a supplier without receiving the goods.**

As per Rule 379 of the Central Treasury Rules, payment for supplies is not permissible unless the stores have been received and surveyed, except in exceptional cases, provided adequate safeguards exist to secure the Government against all losses in the event material being found short or defective.

Audit of the accounts of the Directorate of Minorities and Other Backward Classes revealed that the Government accorded administrative approval and expenditure sanction (March 2006) for purchase of 590 bundles of galvanised corrugated iron (GCI) sheets @ Rs.3,380 per bundle at a total cost of Rs.19.94 lakh for distribution to 71 minorities and 47 other backward classes (OBC) beneficiaries (@ 5 bundles per beneficiary) under Housing scheme.

Scrutiny revealed that the Directorate issued (24 March 2006) the supply orders to East India Trading Company, Kolkata. The supplier presented the bills for Rs.19.94 lakh on the same day without supplying the goods, which was passed and paid by the Directorate on the same day, in contravention of the Rule *ibid*. The GCI sheets were not received as of February 2007. The Directorate confirmed (February 2007) the fact of non-receipt of CGI sheets.

The violation of prudent financial norms, thus, led to irregular drawal of Rs.19.94 lakh from the Government accounts. Besides, legitimate assistance to the minorities and OBC beneficiaries of the State were deferred.

In reply (July 2007), the Department furnished copies of supply order, actual payee receipts etc. of another scheme i.e. Handloom scheme and not that to purchase of CGI sheets relating to Housing scheme. As such, Department's reply is not tenable.



#### 4.8 Suspected fraudulent payment

Rupees 1.51 crore were spent on procuring 503 cows meant for distribution to selected beneficiaries of Minorities and Other Backward Classes. In the absence of any record pertaining to the receipt and distribution of these cows, the expenditure could not be vouchsafed in Audit.

Administrative approval and expenditure sanction for Rs.1.51 crore was accorded (2004-05 and 2005-06) for purchase of cows under dairy farming scheme for distribution to the beneficiaries of the Other Backward Classes and Minorities communities. The details are shown below:

Year	Date of sanction (number of sanctions)	Number of cows	Rate per cow (in Rs)	Amount (in Rs.)
2004-05	20.3.04 (two)	277	30,000	83,10,000
2005-06	26.10.05 (two)	226	30,000	67,80,000
Total		503		1,50,90,000

(Source: Departmental records)

Test check (February 2007) of the records of the Directorate, Minorities and Other Backward Classes revealed that 100 per cent advance was paid<sup>19</sup> between March and November 2005 to Manipur Livestock Development Board (MLDB) for purchase of 503 cows. Payment was made on the strength of proforma bills obtained from the Board. The supply of cows was to be completed within three months.

There was no evidence of any cow having been received by the Directorate. The Directorate, however, stated (February 2007) that all the 277 cows pertaining to the year 2004-05 had been received and been given to VIPs instead of the intended beneficiaries. The Department also stated (February 2007) that against 226 cows for which order was placed in 2005-06, 43 cows had not been received. As for the remaining 183 cows, no proof of receipt could be made available to Audit. Thus, procurement of 503 cows at a cost of Rs.1.51 crore intended for legitimate beneficiaries appears to be fraudulent.

The Department in a subsequent reply stated (May 2007) that the cows have been received and distributed to the intended beneficiaries. Further scrutiny of records, however, revealed that actual payee receipts furnished by the Directorate did not contain types of livestock and number received by the beneficiaries. Further the distribution list of the beneficiaries was collected by the Directorate from the supplier indicating that the Directorate never received the cows.

<sup>19</sup> Rs.83.10 lakh on March 2005 and Rs.67.80 lakh on November 2005.

## MINOR IRRIGATION DEPARTMENT

### 4.9 Suspected fraudulent billing

Bill on construction of a pick-up weir was prepared and payment made on the same day of issue of work order, leading to suspected fraudulent payment of Rs.7.39 lakh.

Test-check of the records (January 2007) of the Minor Irrigation Division I revealed that the EE issued (1 March 2006) a tender notice for the work “Construction of Pick-up Weir across Amukhong stream at Ukhongsang mamang Maibam Budhi mapa” (estimated cost Rs.11.38 lakh) with date of opening of tenders as 21 March 2006. The tender forms were sold up to 20 March 2006. The administrative approval (Rs.14.50 lakh) and the expenditure sanction (Rs.1.50 lakh for the year 2005-06) were accorded on 18 March 2006. The technical sanction of the estimate was also accorded on the same day. The Surveyor of works communicated acceptance of the competent authority for the lowest tender<sup>20</sup> on 31 March 2006; and the EE concerned issued the work order at the tendered amount of Rs.11.95 lakh on 31 March 2006 with the stipulation to complete the work within one year.

The work also involved construction of a coffer dam for diversion of water in the stream for construction of the pick-up weir. The pick-up weir itself was a cement concrete/reinforced cement concrete work which would require 2,559 bags of cement as per the estimate and other allied material such as stone chips, sand and steel rods *etc.* Altogether the work comprised 12 items. However, on the day of issue (31 March 2006) of work order itself, the EE prepared a bill for Rs.12.13 lakh by recording fictitious measurements in the MB No.156 at pages 001 to 014 and paid a sum of Rs.7.39 lakh<sup>21</sup> to the contractor by limiting the bill value to this amount. Since completion of the work would require one year in the normal course as per departmental estimation, it clearly transpires that the bill had been prepared fraudulently. This has subjected the Government to a loss of Rs.7.39 lakh.

In reply (September 2007), the Department stated that the concerned EE had been placed under suspension.

---

<sup>20</sup> M/s United Brothers’ Labour Contract Co-operative Society, Rs.11.95 lakh.

<sup>21</sup> Voucher nos. 52 and 54 of March 2006.

*Excess payments/wasteful/infructuous expenditure*

**IRRIGATION AND FLOOD CONTROL DEPARTMENT**

**4.10 Non-recovery of amount paid as cost escalation**

**Rupees 1.80 crore was paid to a construction agency as cost escalation at pre-revised rate resulting in excess payment.**

The construction of spillway, intake and water conductor system of the Thoubal Multipurpose Project was awarded to Ansal Properties and Infrastructure, New Delhi at an initial cost of Rs.24.67 crore. The construction was delayed due to various reasons like fund constraints and law and order problems. The cost of the work was revised (April 2005) to Rs.78.89 crore with the stipulation to be completed by March 2008.

Test-check (April 2007) of records of the EE, Thoubal Project Division No.II revealed that the contractor was paid (March 2006) Rs.25.93 crore up to 77<sup>th</sup> RA bill. The contractor was also paid (July 2005 to March 2006) an amount of Rs.1.80 crore as cost escalation for the value of the work executed from April 2005 (*i.e.* 68<sup>th</sup> RA bill to the payment of 77<sup>th</sup> RA bill).

As the rate of the work executed from April 2005 onwards had been revised, the Division prepared a bill<sup>22</sup> (April 2006) amounting to Rs.30.55 crore at the revised rates and made arrear payment of Rs.4.62 crore (Rs.30.55 crore – Rs.25.93 crore) in April and May 2006. In addition, the contractor was also paid Rs.0.14 crore as cost escalation in October and November 2006 on the cost of works executed from 68<sup>th</sup> to 77<sup>th</sup> RA bill on revised rates.

Therefore, Rs.1.80 crore which was already paid to the contractor as cost escalation at earlier rate should have been recovered. However, the Division did not recover the amount resulting in undue benefit of Rs.1.80 crore to the contractor. The Department while admitting (September 2007) the case stated that the excess amount would be recovered during the year 2007-08. The Department, however, should have taken steps to recover such huge amount without any delay.

The matter was referred to the Government (June 2007); reply had not been received (November 2007).

<sup>22</sup> 78<sup>th</sup> RA bill

**4.11 Payment made against inadmissible cost escalation**

**Cost escalation amounting to Rs.14.54 lakh was paid injudiciously for execution of work beyond the mutually agreed date of completion.**

Test check of records (January 2007) of the EE, Khuga Head Works Division, Mata, Churachandpur District, revealed that the construction of earth dam (balance and additional works) of Khuga Irrigation Project was awarded (January 1992) to National Project Construction Company Ltd., Kolkata for Rs.52.81 crore. The work was to commence from 6 February 1992 and be completed within two and half working seasons from its commencement.

Scrutiny, however, revealed that extensions were given from time to time for completion and finally up to 31 May 2006 on the ground that the work could not be continued smoothly due to financial constraints, law and order situation, ethnic clashes at the project site *etc.* Accordingly, a Memorandum of Agreement (MoA) was signed (July 2005) between the contractor and the Government stipulating the date of completion of the balance work in all respects latest by 31 May 2006 without any claim for cost escalation for the work done beyond 31 May 2006.

Audit scrutiny revealed that the contractor did not complete the balance work by the mutually agreed date of completion *i.e.* 31 May 2006. Measurement for the 39<sup>th</sup> Running Account (RA) bill and the 40<sup>th</sup> RA bill were taken on 19 July 2006 and 27 September 2006 respectively and their bills were prepared on 20 July 2006 and 29 September 2006 respectively. Between these two measurements, the contractor had executed work of the value of Rs.11.44 lakh as detailed below:

**Table 1**

(Rupees in lakh)			
Item no. as per work order	Upto-date value of work done in the 39 <sup>th</sup> RA bill (measurement taken on 19.7.06)	Upto-date value of work done in the 40 <sup>th</sup> RA bill (measurement taken on 27.9.06)	Value of work done of 40 <sup>th</sup> RA bill
(1)	(2)	(3)	(4)=(3)-(2)
4	106.21	107.43	1.22
21(c)	21.31	25.11	3.80
Extra item No.3	6.18	6.45	0.27
12	—	0.29	0.29
13(a)	—	2.84	2.84
13(b)	—	2.12	2.12
14	—	0.18	0.18
15	—	0.39	0.39
16	—	0.33	0.33
<b>TOTAL</b>	<b>133.70</b>	<b>145.14</b>	<b>11.44</b>

(Source: Departmental records)

It, therefore, transpires that for the works executed between July 2006 and September 2006 *i.e.* beyond the mutually agreed stipulated date for completion of the work, the contractor was not entitled to any cost escalation. In violation of the MoA, the Department paid cost escalation (20<sup>th</sup> escalation bill) amounting to Rs. 14.54 lakh for the work executed during this period.

The Department stated that the work in question was executed before 31 May 2006. The reply is not tenable because for the purpose of reckoning the work done during any period, the date of preparation of bills as entered in the M.B. shall be the guiding factor to decide the period relevant to any bills (*Para 32.8.4 of the CPWD Works Manual*).

Thus, for execution of work beyond the mutually agreed date of completion, the contractor was paid an excess amount of Rs.14.54 lakh as cost escalation in violation of the provisions of MoA, resulting in undue benefit to the contractor.

The matter was referred (June 2007) to the Government; reply is awaited (November 2007).

## PUBLIC WORKS DEPARTMENT

### 4.12 Loss to the Government

#### **Adoption of inadmissible higher rate in framing estimates resulted in loss of Rs.14.15 lakh.**

Test check (September 2006) of the accounts of Chandel Division, PWD revealed that the work of “Improvement of Khunutabi Sansak Road (SH: formation cutting, base course Water Bound Macadam (WBM) from 9.45 Kilometre to 15.95 Kilometre)” was awarded (January 2006) to a local contractor<sup>23</sup> for Rs.83.30 lakh (estimated cost: Rs.77.08 lakh) for completion within 12 months. Administrative approval and expenditure sanction of the work was accorded in December 2005.

Scrutiny of relevant records revealed that while framing the estimates based on the Manipur Schedule of Rates (MSR), 2004, the item - “*Earth work in the excavation in hill cutting in ordinary rock*” - was taken as Rs.213.40 per cubic metre (cum). This rate was erroneously printed and accordingly the rate was modified to Rs.116.20 per cum by issuing an errata in November 2005. The Department, however, did not correct the rate in the work order that was issued in January 2006 and erroneously awarded the item at Rs.225 per cum by allowing 5.43 per cent over the estimated rate of Rs.213.40 per cum.

As per 1<sup>st</sup> Running Bill Account, the contractor had executed 13,816 cum of the earth work (estimated quantity: 14,010 cum) and was paid Rs.31.08 lakh (March 2006) at the rate quoted by him. Had the Department adopted the corrected rate of MSR 2004, the amount should have been Rs.16.93 lakh<sup>24</sup>.

Thus, adoption of inadmissible higher rate at the time of framing the estimates resulted in loss to the Government to the tune of Rs. 14.15 lakh (Rs.31.08 lakh-Rs.16.93 lakh).

The Department admitted the facts and stated (June 2007) that steps would be taken to recover the amount from the contractor.

---

<sup>23</sup> Kh. Anghun.

<sup>24</sup> Rs.16.93 lakh = Rs.(116.20+5.43 per cent of 116.20) X 13,816 cum.

***Violation of contractual obligations/undue favour to contractor/  
avoidable expenditure***

**HOME DEPARTMENT**

**4.13 Avoidable expenditure**

**Because of non-payment of treatment charges of under-trial prisoners in time, the Department was compelled to bear an avoidable expenditure of Rs.22.54 lakh**

Mentally ill patients are treated in Ranchi Institute of Neuro Psychiatry and Allied Sciences (RINPAS) on payment of Rs.500 per patient per day (operational charges: Rs.400, development charges: Rs.100) as no such facility was available in the State. The bills are to be cleared within 30 days of their receipt, failing which, interest @ 15 *per cent* is chargeable on the amount of the bill.

Test-check of records (April 2007) of Superintendent, Manipur Central Jail revealed that 26 mentally ill under-trial prisoners were sent to RINPAS on 6 March 2001 for treatment. They received treatment up to 20 May 2002. The first bill for an amount of Rs.3.38 lakh was received in May 2001; but the payment thereof was made only in February 2002. The second<sup>25</sup> and third<sup>26</sup> bills received in May 2002 and August 2004 respectively were not cleared. The RINPAS sent the fourth bill for an amount of Rs.74.65 lakh being treatment charges (Rs.52.11 lakh) for the period 1 April 2001 to 20 May 2002 and interest charges (Rs.22.54 lakh) for the period 6 March 2001 to 31 October 2004, which the Department paid only in April 2005 (treatment charges) and January 2006 (interest charges) respectively.

Thus due to non-payment of the bills within the stipulated timeframe, the Department was compelled to incur an avoidable expenditure of Rs.22.54 lakh.

The matter was referred (May 2007) to the Government; reply had not been received (November 2007).

<sup>25</sup> Rs.47.21 lakh.

<sup>26</sup> Rs.70.07 lakh.

## IRRIGATION AND FLOOD CONTROL DEPARTMENT

### 4.14 Extra expenditure

**Due to purchase of cement at higher rate, an extra expenditure of Rs.9.38 lakh was incurred.**

As per CPWD Works Manual, for purchase of cement open tenders/quotations shall be called from the manufacturer of cement through press notice (Para 37.30). The Project Stores Division purchased (September 2005 to June 2006) 7,649.35 MT of 33 grade cement from a local dealer of Imphal for Rs.3.32 crore (@ Rs.4,338.56 per MT) without following tendering procedures in violation of the Rule *ibid*. As tenders were not invited, the justifiability of the rate allowed could not be ascertained in Audit.

Test check of the records of the Division (April 2007), however, revealed that during April 2006 the Division purchased 33 grade cement from Cement Corporation of India (CCI), Bokajan at the rate of Rs.4,216 per MT (*Ex-factory price Rs.3016 plus transportation charges Rs.1200*). This establishes that the rate allowed to the Imphal dealer on the earlier occasion was on the higher side. Had the 7,649.35 MT of cement been purchased from CCI, Bokajan the extra expenditure of Rs.9.38<sup>27</sup> lakh could have been avoided. The Division may have also obtained a more competitive rate had it followed proper tendering procedures.

The matter was referred (August 2007) to the Government; reply is awaited (November 2007).

---

<sup>27</sup> Rs.(4,338.56-4,216)x7,649.35=Rs.9.38 lakh



**PUBLIC HEALTH ENGINEERING DEPARTMENT**

**4.15 Avoidable expenditure**

**Failure to take delivery of consignment of goods from Dimapur Railway Yard in time resulted in avoidable expenditure of Rs.11.13 lakh on demurrage and wharfage charges.**

Test check of records (December 2006) of the EE, Store Division, Public Health Engineering Department, Imphal, revealed that Electro Steel Casting, Kolkata, had despatched (July 2003 and August 2004) consignments of Ductile Iron (D.I.) special pipes of different sizes from Kolkata to Dimapur. These pipes were meant for use in projects funded from NLCPR and supply orders were placed by the CE, PHED (April 2002 and January 2004).

The Division, however, failed to take delivery of the two consignments (September 2003 and September 2004) from the Dimapur Railway yard in time, despite being aware of its arrival, reportedly due to late release of funds for freight charges by the Government. As a result, the Division incurred (March 2005) an avoidable payment of Rs.11.13 lakh (demurrage charges of Rs.9.35 lakh and wharfage charges of Rs.1.78 lakh) due to delay<sup>28</sup> in taking custody of the material. Thus there were avoidable expenditure of Rs.11.13 lakh due to failure to take delivery of the consignment on time.

In reply, the Government stated (October 2007) that the Department had to incur demurrage and wharfage charges as the State Government could not release the required Cheque Drawal Authority in time. The fact, however, remains that the State was burdened with avoidable expenditure of Rs.11.13 lakh due to the inability of the Division in ensuring availability of funds before procuring the pipes.

---

<sup>28</sup> 239 to 291 hours in September 2003 and 210 hours in September 2004.

## POWER DEPARTMENT

### 4.16 Avoidable expenditure

#### **Finalisation of tender without considering manufacturers' prices led to avoidable expenditure of Rs. 1.59 crore.**

Test check of records (January 2007), of the EE, Sub-Station Construction Division No.II, Imphal revealed that the work:

- “Construction of 2 X 3.15 MVA, 33/11 KV Sub- station at Maram”. (estimated cost: Rs.2.81 crore) was awarded (September 2003) to M/s Shyama Power (India), Haryana at its tendered amount of Rs.3.85 crore.
- “Augmentation of 20 MVA, 132/33 KV Sub-Station at Kakching” (estimated cost: Rs.2.46 crore) was awarded (August 2005) to M/s PSC Engineers, Kolkata at its tendered amount of Rs.2.61 crore; and

Both the works were awarded on turnkey basis through limited tenders. There was nothing on record to establish that the Department made efforts to ascertain the rates of manufacturers to establish reasonability of the rates of various items of equipment included in the tenders and also no negotiations were held with the firm to reduce the rates of these equipments to bring down the tendered amount.

As per terms and conditions of the agreements, the firms had to supply the following items:

Work	Items of equipment
At Kakching	(i) 20 MVA, 132/33 KV Transformer; (ii) 145 KV, 12.5 KA Circuit breaker; and (iii) 36 KV, 630 A Circuit breaker.
At Maram	(i) 3.15 MVA, 33/11 KV transformers (2 nos.), (ii) 36 KV isolated with earth blade (10 sets), (iii) 36 KV isolated without earth blade (5 sets), (iv) 33/36 KV SF <sub>6</sub> circuit breakers (5 nos.) and (v) 30/33 KV lightning arresters (18 nos.).

(Source: Departmental records)

Scrutiny revealed that the above mentioned items were procured by the firms from different manufacturing companies. It was observed that the prices which the firms had paid to the manufacturing companies for the above equipment were much less than what they quoted and were paid for by the Department. The difference in manufacturers' rates and rates paid to the firms by the Department amounted to Rs.1.77 crore. Details in this regard are given in **Appendix 4.3**.

Had the Department finalised the tender after ascertaining the manufacturers' price of these equipment, an extra expenditure of Rs.1.59 crore<sup>29</sup> could have been avoided.

The matter was referred to the Government (April-May 2007); reply had not been received (November 2007)

---

<sup>29</sup> Rs.1.77 crore minus 10 *per cent* commission as contractor's profit=Rs.1.59 crore.

*Idle investment/idle establishment/blocking of funds; delays in commissioning equipment/diversion/misutilisation of funds etc.*

**IRRIGATION AND FLOOD CONTROL DEPARTMENT**

**4.17 Blocking of funds**

**Steel worth Rs.12.34 lakh purchased in May-June 2002 still remained unissued, blocking the amount for five years.**

CPWD Works Manual lays down that care should be taken not to purchase stores much in advance of the actual requirement, if such purchases are likely to prove unprofitable to the Government (Para 37.8).

Test check of the records of the EE, Project Stores Division (April 2007) revealed that the Division purchased<sup>30</sup> (May-June 2002) 68.15 MT<sup>31</sup> of steel rods of 25 mm diameter at a total cost of Rs.12.34 lakh from a dealer at Guwahati for use in Dolaithabi Barrage Project. The rods were, however, not issued to the project since there was no indent from the project authorities. The entire quantity thus remained in stock<sup>32</sup> as of April 2007.

No efforts were made to issue the rods to other divisions which need these. Purchase of stores, not required for immediate use, due to lack of foresight on the part of the EE led to blocking of Rs.12.34 lakh for five years, apart from degradation of steel rods due to rusting as well as loss of interest amounting to Rs.3.40 lakh (@ 5.5 per cent per annum).

The matter was referred (August 2007) to the Government; reply is awaited (November 2007).

---

<sup>30</sup> Supply order No. EE/PSD/AC-4(1)/SAIL/01-02/03 dated 27.03.02.

<sup>31</sup> GRS No. 00118 dated 13.05.2002 – 23.900 MT  
00119 dated 25.05.2002 – 38.300 MT  
00120 dated 03.06.2002 - 5.950 MT

<sup>32</sup> Priced Stores Ledger, page 6638.

**MUNICIPAL ADMINISTRATION, HOUSING AND URBAN DEVELOPMENT DEPARTMENT**

**4.18 Parking of funds**

**Rupees 60 lakh meant for acquisition of land for Solid Waste Management scheme was kept idle.**

The capital city of Imphal does not have a viable Solid Waste Management System (SWMS). To alleviate this problem, the Government constituted a Committee (November 2005) to identify a suitable site for SWMS. The Committee identified a site in Lamdeng village in the foothills of Langol Hills in Imphal West District. Accordingly, administrative approval and expenditure sanction of Rs.60 lakh for acquisition of 60 acres of land at the site was accorded (December 2005) by the Government with the condition that the amount would be deposited with Deputy Commissioner, Imphal West (DC(IW)) only when the rate for acquisition of land is finalised and all the formalities for acquisition of land are completed.

Test-check of the accounts (November 2006) of the Director, Municipal Administration, Housing and Urban Development Department (MAHUD) revealed that value of land at the site was assessed (December 2005) by the office of the DC(IW) @ Rs.one lakh per acre. The Department drew the amount and parked (December 2005) it in “8449-Other Deposits”. Scrutiny of records revealed that even after the lapse of a year, land acquisition could not be finalised since there was no agreement with the land owners with regard to the cost of the land.

When pointed out by Audit, the Director, MAHUD stated (November 2006) that the matter would be taken up with the Government. Thus, inaction of the Department in settling the price of the land led to parking of funds of Rs.60 lakh in Other Deposits. Had timely action been taken, the amount could have been fruitfully utilised for the purpose of SWM which, in turn, could have helped in arresting environment degradation and pollution in the city.

The matter was referred to the Government (May 2007); reply had not been received (November 2007).

## RURAL DEVELOPMENT DEPARTMENT

### 4.19 Misuse of funds

**DRDA, Thoubal had sanctioned Rs.10 lakh of Government subsidy to ineligible and defunct Self-Help Groups and the Bank had irregularly disbursed the same.**

The objective of Swarnajayanti Gramin Swarozgar Yojana (SGSY) was to bring the poor Swarozgaris above the poverty line by organising the rural poor into Self-Help Groups (SHG) through a process of training and provision of income generating assets.

The SHG were to be allowed to take up selected key economic activities on approved projects with loan assistance from the financial institutions. The Government on its part was to provide 50 *per cent* of the project cost as subsidy subject to a maximum of Rs.1.25 lakh. After sanctioning the loan amount to the selected SHG by the financial institution, the District Rural Development Agency (DRDA) was to deposit the subsidy in the reserve fund of the financial institutions. Thereafter, the financial institution was to disburse the loan to the selected SHG for purchase or creation of assets adjusting the Government subsidy towards the last few instalments of recovery of the loan.

Scrutiny of records of DRDA, Thoubal, however, revealed that the DRDA had sanctioned and released (January and February 2002) a subsidy of Rs.12 lakh to the Manipur State Co-operative Bank Limited (MSCBL), Thoubal branch in favour of 12 SHG<sup>33</sup> which had not passed through the second stage of grading test. The MSCBL instead of keeping the subsidy as reserve fund, disbursed Rs.5 lakh to five SHG of Kakching block and transferred the balance amount of Rs.7 lakh to United Bank of India (UBI) Thoubal. The latter had also disbursed the transferred amount to seven SHG of the Thoubal block in contravention of SGSY guidelines. The banks did not sanction any loan along with subsidy to 12 SHG mentioned above. The DRDA later discovered (April 2006) that out of 12 SHG, 10 SHG to which subsidy had been disbursed were defunct since inception of SGSY.

The matter was discussed in the District Coordination Committee twice (January 2004 and April 2004) and the DRDA asked (April 2005) MSCBL, Thoubal branch to refund the entire subsidy of Rs.12 lakh to the DRDA. The amount was not recovered till August 2007.

Thus, the DRDA had misused the Government subsidy amounting to Rs.10 lakh through sanction to defunct SHG. The amount is unlikely to be recovered.

The matter was referred (September 2007) to the Government; reply is awaited (November 2007).

---

<sup>33</sup> Seven of Thoubal block and five of Kakching block.

**Regularity issues and others**

**DEPARTMENT OF WELFARE OF MINORITIES AND  
OTHER BACKWARD CLASSES**

**4.20 Diversion of funds**

**Rupees 15 lakh meant for OBC boys' and girls' hostel were diverted for other purposes.**

Rule 132 (1) of the General Financial Rules, 1963 (GFR) states that the authority granted by a sanction to an estimate shall on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide.

Scrutiny of the records of the Directorate of Minorities and Other Backward Classes revealed that the Government accorded administrative approval and expenditure sanction (March 2006) for an amount of Rs.15 lakh for construction of OBC Boys' Hostel at the D.M College of Commerce, Imphal and OBC Girls' Hostel at the Ideal College, Imphal under Centrally Sponsored Scheme (CSS). An amount of Rs. 14.97 lakh was drawn by the Directorate (March 2006) and was disbursed (July 2006) to the District Council Engineering Cell, Wing-II, Imphal for execution of some other works viz. pucca drainage at the D.M College and pucca fencing at the Ideal College. Hence, there was diversion of funds of Rs.15 lakh.

The Department admitted (May 2005) the diversion of funds and stated that it was done with the approval of the Administrative Department and therefore was not irregular. The reply is not tenable as the Administrative Department is not competent to divert funds provided for a particular purpose under a CSS to another activity.