

CHAPTER I PERFORMANCE AUDIT

Planning, Economics and Statistics Department

1.1 Madhya Pradesh Assembly Constituency Area Development Scheme

Highlights

The Government of Madhya Pradesh introduced the Madhya Pradesh Assembly Constituency Area Development Scheme (MPACADS) in July 1994 under which developmental works were to be taken up in each Assembly constituency area. A performance audit of the scheme covering the period 2005-10 revealed that a large number of works were lying incomplete; asset registers were not maintained; details of completed works transferred to concerned departments/agencies were not available; inspections of works were not carried out regularly and monitoring was inadequate. Monthly income-expenditure statements and progress reports of works were not submitting regularly by the executing agencies.

Some important findings of the performance review are given below:-

The District Planning Officers (DPOs) did not release ₹ 18.60 crore to the implementing agencies. There were delays in release of funds to the executing agencies ranging from 37 to 980 days.

(Paragraphs 1.1.7.2 and 1.1.7.3)

The DPO Bhind irregularly parked ₹ 1.93 crore in a Personal Deposit Account. A total unspent amount of ₹ 96.29 lakh in respect of 668 completed works was lying with the executing agencies.

(Paragraphs 1.1.7.4 and 1.1.7.5)

Out of 68,728 sanctioned works, 55,953 works were completed while 10,522 works remained incomplete, 2,067 works were not taken up and 186 works were cancelled.

(Paragraph 1.1.8.1)

In seven districts, 814 works costing ₹ 13.91 crore were sanctioned with delays ranging from 25 to 431 days.

(Paragraph 1.1.8.2)

In six districts, 111 works costing ₹ one crore could not be started due to selection of disputed sites and the funds were lying with the executing agencies. Completion certificates in respect of 2,828 works costing ₹ 40.63 crore, were awaited from the agencies.

(Paragraphs 1.1.8.4 and 1.1.8.5)

Records pertaining to transfer of assets to concerned departments/ agencies for use were either incomplete or were not made available. The Commissioner did not maintain complete/updated information of works selected under the scheme. Registers of assets were not found maintained in the test-checked districts.

(Paragraph 1.1.9.2)

The nodal agencies failed to monitor the implementation of the scheme by way of inspection of works.

(Paragraph 1.1.10.1)

1.1.1 Introduction

The Madhya Pradesh Assembly Constituency Area Development Scheme (MPACADS) was launched in July 1994, covering all the 231 Assembly constituencies with the objective of taking up developmental works of capital nature on the recommendations of the Members of Legislative Assembly (MLAs) for creation of community assets based on local needs in their respective constituencies.

According to the scheme guidelines, works like construction of rural fair-weather roads, approach roads, internal bituminous roads, footpaths, footbridges, kharanjas in villages, chabutaras, buildings for government aided/unaided educational institutions, bus stops/sheds, public reading rooms, small irrigation facilities, drinking water facilities, crematoria, tubewells, gardens, sports complexes as well as works connected with social forestry, agricultural development, culture etc were required to be taken up under the scheme. The works were to be meant for public purposes and were to be completed in one or at the most two seasons. Purchase of inventory or equipment, repairs and maintenance of existing works, construction of memorials, works of religious nature and acquisition of land or any compensation for land acquired were specifically disallowed under the scheme.

1.1.2 Organisational Set-up

At the State level, the Commissioner, Economic and Statistics (Commissioner) is responsible for implementation and monitoring of the scheme. The District Planning Officers (DPOs) are the nodal officers of the schemes at the district level. The works under the scheme are executed by various implementing agencies such as the Education, Farmers Welfare and Agriculture Development, Housing and Environment, Public Health & Family Welfare, Public Works, Public Health Engineering and Rural Panchayat and Development departments.

1.1.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the planning process was adequate;

- the funds were being managed economically, effectively and efficiently;
- the works were being sanctioned and executed as per the scheme guidelines and;
- the monitoring mechanism was effective.

1.1.4 Audit Criteria

The main criteria used for the performance audit were:

- Scheme guidelines and instructions issued by the State Government/Commissioner;
- Madhya Pradesh Treasury Code, Madhya Pradesh Financial Code and Madhya Pradesh Store-Purchase Rules; and
- Provisions of agreements governing execution and maintenance of assets.

1.1.5 Scope and Methodology of Audit

The performance audit of the records of the Commissioner, 12 DPO's (**Appendix-1.1**) selected on the basis of Probability Proportionate to Size Sampling method and 94 executing agencies selected randomly was conducted during April to December 2010 for the period 2005-10. An entry conference was held with the Commissioner on 26 March 2010, wherein the audit objectives of performance audit, criteria, scope and methodology were explained. An exit conference was held with the Principal Secretary, Government of Madhya Pradesh, Planning, Economics and Statistics Department on 4 December 2010. Government's views have been incorporated in the review. Results of test check are included in the succeeding paragraphs.

Audit Findings

1.1.6 Planning

As per Para 3 of the guidelines, the District Collectors (DC) were required to obtain written proposals of works proposed by MLAs or hold meetings in the first quarter of the financial year to identify the works to be taken up and listed together with Centrally Sponsored and Central Sector programmes. The works included in the list were required to be entrusted to executing agencies for execution. Lists of accepted works for execution and rejected proposals were to be sent to the MLAs within 45 days of the meetings. However, it was noticed that during 2005-10, no such meeting was arranged in any of the test-checked districts and works were undertaken on the basis of recommendations of the MLAs.

1 *Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.*

1.1.7 Financial Management

1.1.7.1 Funding pattern

The MPACADS is a State funded scheme. The funds for implementation of the scheme are placed at the disposal of the DPOs by the department through the budget. Funds of ₹ 60 lakh during 2005-06, ₹ 80 lakh during 2006-07 and thereafter ₹ 77 lakh, was allocated per year to each MLA for recommending works of capital nature to be executed in his/her Assembly constituency. Funds were released by the DPOs directly to the implementing agencies in instalments. In cases where Gram Panchayats are the implementing agencies, the funds were released through Janpad Panchayats.

1.1.7.2 Allocation of funds and expenditure

Funds amounting to ₹ 151.49 crore were not utilised by agencies.

Out of ₹ 857.01 crore allocated by the Government during 2005-10 for implementation of the scheme, ₹ 838.41 crore was released by the DPOs to the agencies for execution of the works, against which ₹ 686.92 crore were reportedly spent by the agencies as indicated in **Table-1.1**.

Table 1.1: Financial outlay and expenditure incurred under the Scheme

(₹ in crore)

Sl. No	Year	No of MLAs	Funds provided in the budget	Amount provided by DPOs to implementing agencies	Short released of funds by DPOs	Expenditure reported by implementing agencies	Unutilised amount with implementing agencies
1	2	3	4	5	6	7	8 (5-7)
1	2005-06	231	138.60	137.37	1.23	133.34	04.03
2	2006-07	231	184.80	183.89	0.91	173.65	10.24
3	2007-08	231	177.87	176.94	0.93	161.53	15.41
4	2008-09	231	177.87	173.99	3.88	138.65	35.34
5	2009-10	231	177.87	166.22	11.65	79.75	86.47 ²
		Total	857.01	838.41	18.60	686.92	151.49

(Source: - Data furnished by the Commissioner)

Thus, out of ₹ 857.01 crore provided for developmental works during 2005-10, ₹ 18.60 crore was not released by the DPOs to the implementing agencies and ₹ 151.49 crore remained unutilised with these agencies, depriving the beneficiaries of the intended benefit of the scheme. Year-wise and district-wise position of unutilised amounts is shown in **Appendix-1.2**. The Directorate attributed the short release of ₹ 18.60 crore to receipt of proposals from the MLAs at the fag end of the year.

At the exit conference, the Principal Secretary stated that efforts were being made to utilise the balance amount to complete the works.

² Out of 2,749 works sanctioned during 2009-10, 1,676 works were in progress.

Funds were released by Janpad Panchayats with delays ranging from 37 to 980 days.

1.1.7.3 Delay in release of funds

According to instructions (January 2007) of the Commissioner, funds were to be provided to executing agencies within 15 days after the sanction of works.

Scrutiny of records of Janpad Panchayats of seven districts³ revealed that the funds were released to Gram Panchayats with delays ranging from 37 to 980 days as shown in Table-1.2 below.

Table 1. 2: Position of delays in release of funds

(₹ in crore)

Sl. No	Year	No. of works	Period of delay in days	Amount (delayed release)
1	2007-08	115	43 to 980	1.27
2	2008-09	147	44 to 708	1.33
3	2009-10	66	37 to 252	0.64
	Total	328	37 to 980	3.24

(Source: - Data taken from test-checked agencies)

On this being pointed out, the Chief Executive Officers (CEOs) of Janpad Panchayats stated (May to December 2010) that due to non-completion of the formalities by the executing agencies such as submission of agreements, land details, map and technical sanctions of the works, the amounts could not be released in time. During the exit conference, the Principal Secretary stated that the CEOs had been instructed to adhere to the guidelines for timely release of funds in future.

1.1.7.4 Irregular parking of funds in Personal Deposit Account

As per Rule 284 of the Madhya Pradesh Treasury Code (MPTC), funds should not be drawn from the treasury unless required for immediate disbursement. Out of 12 test-checked DPOs, scrutiny of records of the DPO Bhind revealed that there was an opening balance of ₹ 31.58 lakh in the Personal Deposit Account (PDA) as on 1 April 2005. Further, out of ₹ 21.46 crore drawn by the DPO during 2005-10, ₹ 19.85 crore was released to the executing agencies and the remaining ₹ 1.93 crore⁴ was deposited in PDA to avoid lapse of budget grant in contravention of provision of MPTC. Year-wise details are shown in Table-1.3.

Table 1.3: Details of amount deposited in PD Account by DPO

(₹ in lakh)

Sl. No	Year	Total allotment of the Year	Amount drawn from Treasury by DPO	Amount released to agencies as per progress reports of DPO	Balance amount kept in PD Account
1	2	3	4	5	6 (4-5)
1	2005-06	360.00	360.00	347.48	12.52
2	2006-07	480.00	479.47	447.15	32.32
3	2007-08	462.00	462.00	418.37	43.63
4	2008-09	462.00	459.75	387.14	72.61
5	2009-10	385.00	385.00	384.99	0.01
	Total	2149.00	2146.22	1985.13	161.09

(Source: - Data made available by DPO Bhind)

Scheme funds were irregularly parked in Personal Deposit Account.

3 Balaghat, Betul, Burhanpur; Dhar, Jhabua, Khargone and Mandla.

4 ₹ 1.93 crore (Opening Balance ₹ 31.58 lakh + ₹ 161.09 lakh).

On this being pointed out, the DPO Bhind stated (June and October 2010) that the funds were deposited in the PDA to avoid lapse as the demand for subsequent instalments from the executing agencies were not received. The reply of the DPO was not acceptable as the drawal of funds by the DPO, to avoid lapse of budget was contrary to the above mentioned rule.

1.1.7.5 Non-recovery of balance amount of completed works from executive agencies

Balance amount of ₹ 96.29 lakh in respect of 668 completed works was lying with the executing agencies.

As per instructions issued (March 2006) by the Commissioner, balance amounts, if any, lying with executing agencies were required to be refunded and deposited into the Government account so as to make the funds available for utilisation on other works.

Test check of records of selected districts revealed that the balance amount of ₹ 96.29 lakh in respect of 668 works, completed during 2005-10, was lying (December-2010) with the executing agencies which was not refunded into the Government account. **Table-1.4** below indicates year-wise and district-wise position of balances:

Table 1.4: Unspent balances of completed works

(₹ In lakh)

Sl. No.	Districts	2005-06		2006-07		2007-08		2008-09		2009-10		Grand Total	
		No. of works completed	Balance Amount	No. of works completed	Balance Amount	No. of works completed	Balance Amount	No. of works completed	Balance Amount	No. of works completed	Balance Amount	No. of works completed	Balance Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Balaghat	24	1.50	33	2.18	18	1.06	17	0.34	0	0	92	5.08
2	Betul	46	3.36	64	5.90	44	2.29	23	1.09	0	0	177	12.64
3	Bhind	48	2.39	54	2.23	37	1.54	31	0.46	0	0	170	6.62
4	Burhanpur	0	0	0	0	15	7.38	69	44.99	02	0.09	86	52.46
5	Dhar	07	1.77	03	2.26	21	3.78	10	2.74	0	0	41	10.55
6	Khargone	10	0.83	06	0.52	12	1.65	02	0.15	0	0	30	3.15
7	Mandla	1	0.03	0	0	01	0.20	0	0	01	0.53	3	0.76
8	Ratlam	09	1.20	07	0.20	05	0.33	0	0	0	0	21	1.73
9	Tikamgarh	05	0.08	27	1.41	09	0.93	04	0.01	0	0	45	2.43
10	Umaria	01	0.68	0	0	01	0.01	01	0.18	0	0	03	0.87
	Total	151	11.84	194	14.70	163	19.17	157	49.96	03	0.62	668	96.29

(Source:-Data made available by work executing agencies)

On this being pointed out, the DPOs stated (April to December 2010) that the instructions had been issued from time to time to the executing agencies for depositing the unspent balances. Further action was being taken for recovering the balances. Had the funds been refunded in time, these could have been utilised for execution of other works. During the exit conference, the Principal Secretary stated that the DPOs had been instructed to recover the balance amounts.

1.1.7.6 Non-deposit of interest to Government account

Paragraph 3.7 of the guidelines of the scheme provides that the interest earned on deposits of MPACADS funds should be remitted into the Government account.

In selected districts, an amount of ₹ 21.67 lakh earned as interest by 22 Janpad Panchayats/Nagar Palikas during the period 2005-10, was not remitted into the Government account and the amount was lying with the agencies. **Table-1.5** below gives year-wise and district-wise position of interest earned:

Table 1. 5: Non-depositing of interest into the Government account

(₹ In lakh)

Sl. No	Districts	2005-06	2006-07	2007-08	2008-09	2009-10	Grand Total
1	Balaghat	0.06	1.20	1.54	2.84	0.67	6.31
2	Betul	0.20	0.30	0.20	0.18	0	0.88
3	Bhuranpur	0	0	0	0	2.21	2.21
4	Dhar	0.05	0.42	0.15	0.37	0	0.99
5	Jhabua	0.06	0.36	0.49	0.82	0.18	1.91
6	Khargone	0.75	1.40	2.46	3.11	0	7.72
7	Ratlam	0	0	0.20	0.71	0.74	1.65
	Total	1.12	3.68	5.04	8.03	3.80	21.67

(Source: - Data made available by executive agencies)

On this being pointed out, the Principal Secretary stated that the DPOs had been instructed to deposit the interest earned on scheme funds into the Government account.

1.1.8 Execution of Works

1.1.8.1 Position of works under the scheme

The position of works recommended by MLAs, sanctioned by the DPOs and executed by implementing agencies during 2005-10 in the State, was as given in Table – 1.6 below:

Table 1.6: Physical progress of the works at the State level

Sl. No	Year	Physical Progress of works					
		No. of proposals received from MLAs	No of works sanctioned by DPOs	No. of works completed with percentage in bracket	No. of works incomplete	No. of works not started	No. of works cancelled
1	2005-06	13733	12135	11810 (97.32)	275	13	37
2	2006-07	16179	14903	14257 (95.66)	567	58	21
3	2007-08	16164	14807	13207 (89.19)	1373	199	28
4	2008-09	16747	15328	12067 (78.72)	2928	253	80
5	2009-10	12258	11555	4612 (39.91)	5379	1544	20
	Total	75081	68728	55953 (81.41)	10522	2067	186

(Source: -Data made available by Directorate)

Scrutiny of records of 12 selected districts⁵ revealed that out of 16,855 proposals received during 2005-10 from the MLAs, 15,598 works were sanctioned. It was further noticed that out of the sanctioned works, only 12,711 works (81 per cent) could be completed till December 2010 and 2,887 works as discussed in subsequent paragraphs were incomplete/cancelled/not started though funds were available with the executing agencies.

5 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

1.1.8.2 Delay in sanctioning the works

According to the instructions (January 2007) of the Commissioner, administrative sanctions of works recommended by MLAs under the scheme were to be issued within 30 days of the receipt of the proposals.

Issuance of sanctions of 814 works were delayed by 25 to 431 days.

Out of 12 test-checked DPOs, scrutiny of the records in seven districts⁶ revealed that issuance of administrative sanctions for 814 works costing ₹ 13.91 crore were delayed from 25 to 431 days as detailed in **Table-1.7**.

Table 1.7: Delayed released of sanctions

(₹ in crore)				
S.No	Year	No. of works	Cost of works	Period of delay in days
1	2007-08	261	4.01	32 to 431
2	2008-09	152	2.14	30 to 277
3	2009-10	401	7.76	25 to 198
	Total	814	13.91	25 to 431

(Source: - Data taken from test-checked agencies of districts)

On this being pointed out, the DPOs stated (June to December 2010) that due to delayed submission of land details, maps and technical sanctions of works by the executing agencies, the administrative sanctions could not be issued in time. During the exit conference, the Principal Secretary stated that the DPOs had been instructed to avoid such delays in future.

1.1.8.3 Non-completion of sanctioned works within the stipulated period

Despite availability of funds, 717 works costing ₹ 10.62 crore remained incomplete.

The works sanctioned under the scheme were required to be completed within one or at the most two seasons. Test check of records of the selected districts revealed that in 11 districts⁷, the works sanctioned under the scheme as shown in the **Table-1.8** spilled over for years/seasons together as of November 2010, despite availability of funds.

Table 1.8: Position of incomplete works

(₹ In crore)					
Sl. No.	Year	No. of works sanctioned	No. of works incomplete	Amount released in respect of incomplete works	Expenditure on incomplete works
1	2005-06	2899	24	0.38	0.18
2	2006-07	3568	91	0.95	0.52
3	2007-08	3132	209	3.14	1.14
4	2008-09	3250	393	6.15	2.61
	Total	12849	717	10.62	4.45

(Source: - Data furnished by DPOs)

Audit observed that despite availability of funds, 717 works remained incomplete without any plausible reasons. Besides the above, out of 2,749 works sanctioned during 2009-10, 1,676 works were in progress. Details of 381 works sanctioned

6 Burhanpur, Dhar, Jhabua, Khargone, Ratlam, Tikamgarh and Umaria.

7 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Ratlam, Tikamgarh and Umaria.

during 2005-10 were not made available by the DPOs Burhanpur (234 works) and Mandla (147 works). On this being pointed out, the DPOs stated (April to December 2010) that the works remained incomplete due to lack of interest amongst the executing agencies and that instructions had been issued for expediting completion of sanctioned works. During the exit conference, the Principal Secretary stated that the DPOs had been instructed to complete all the works by 31 December 2010.

1.1.8.4 Non-commencement/Cancellation of works

As per the instructions (November 2002) of the Commissioner, Collectors were required to review cases of disputed sites of works and get the works started. Otherwise, the works were required to be cancelled.

In six districts, 111 works could not be started due to land disputes.

In six districts⁸, 111 works costing ₹ one crore as shown below in **Table-1.9** could not be commenced as there were disputes with regard to titles of land. Neither were these works cancelled nor were the amounts paid to agencies for executing these works recovered.

Table 1.9: Position of non-commencement of works

(₹ In lakh)

Sl. No	Year	No. of works not started	No. of works cancelled	Amount released	Reasons
1	2005-06	08	Nil	05.62	Disputed land
2	2006-07	28	01	15.99	Disputed land
3	2007-08	28	01	26.90	Disputed land
4	2008-09	47	Nil	51.60	Disputed land
	Total	111	02	100.11	

(Source: - Data furnished by DPOs)

During the exit conference, the Principal Secretary stated that the DPOs had been instructed to sanction the works after the verifying the title of land.

1.1.8.5 Non-submission of Completion Certificates by the agencies

As per the instructions (July 1996) of the Commissioner, all the DPOs were required to obtain completion certificates (CCs) from the agencies immediately after the completion of the works.

Completion certificates in respect of 2,828 works costing ₹ 40.63 crore were not obtained from executing agencies.

Test check of records of seven selected districts⁹ revealed that out of 6,597 works reported by the DPOs to the Commissioner as completed during 2005-10, CCs in respect of 2,828 works costing ₹ 40.63 crore as shown in **Table-1.10** were not obtained from the executing agencies due to which the assets created could neither be accounted for nor transferred to local bodies/departments for their maintenance.

- 8 Betul 23 works (₹ 17.74 lakh), Bhind 35 works (₹ 43.93 lakh), Burhanpur 02 works (₹ 2.80 lakh), Dhar 05 works (₹ 6.30 lakh), Mandla 14 works (₹ 11.36 lakh) and Tikamgarh 32 works (₹ 17.98 lakh).
- 9 Balaghat, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umari.

Table 1. 10: Non-submission of Completion Certificates by Agencies

(₹ in crore)

Sl. No.	Year	No. of works completed under the schemes	No. of works for which CC not received	Cost of works for which CC not received
1	2005-06	1461	428	5.67
2	2006-07	1731	535	7.49
3	2007-08	1444	571	9.52
4	2008-09	1494	938	12.57
5	2009-10	467	356	5.38
	Total	6597	2828	40.63

(Source: - Progress reports of DPOs)

On this being pointed out, the DPOs stated (April to December 2010) that instructions had been issued to executing agencies to furnish the CCs, emphasising the need to furnish the CCs in due time. During the exit conference, the Principal Secretary stated that instructions had been issued to call for the CCs in respect of complete works.

1.1.8.6 Irregular payment of supervision charges

According to instructions issued (August 1999) by the Commissioner, no supervision/contingent charges were chargeable on the works executed by the agencies under the scheme.

Executing agencies paid supervision charges in contravention of instructions.

Scrutiny of records of three districts revealed that supervision/contingent charges amounting to ₹ 6.56 lakh for 41¹⁰ works were paid to agencies (PWD, MPSEB and Janpad Panchayats) in contravention of standing instructions.

On this being pointed out, the DPOs stated (March to December 2010) that the cases would be reviewed and appropriate action for the recovery would be taken. During the exit conference, the Principal Secretary stated that instructions had been issued to recover the amount paid as supervision charges from executing agencies.

1.1.9 Asset Management

1.1.9.1 Non-maintenance of the information of works

Para 4.3 of the scheme guidelines stipulates that the Commissioner should have up to date information of works completed under the scheme. Further, according to the instructions issued (April 1996) by the Commissioner, a complete data base was required to be prepared in respect of completed works under the schemes in National Informatics Centre (NIC) at the district level.

10 Balaghat 12 works (₹1.92 lakh), Burhanpur 23 works (₹4.46 lakh) and Jhabua 06 works (₹ 0.18 lakh).

Non-maintenance of the information of works.

Scrutiny of records of the Commissioner, for the year 2005-10, revealed non-maintenance of such information by the Commissioner. Further, test check of records of 12 districts¹¹ revealed that the required data base was not prepared even at the district level.

On this being pointed out, the Commissioner stated (March 2010) that it was not possible to have consolidated information for all constituencies at State level. The reply is not acceptable as it was contrary to the guidelines.

The preparation of a data base is a vital requirement in respect of the completed works in districts to apprise the public of the works done in their districts. Due to non-maintenance of the data base, the public was largely unaware of works done under the scheme in their districts.

At the exit conference, the Principal Secretary stated that the DPOs had been instructed to maintain a database at the district level.

1.1.9.2 Assets created under the scheme were neither recorded nor verifiable**Assets registers/records of assets transferred were not maintained.**

As per the circular issued (July 2003) by the Commissioner, the assets created under the scheme, were required to be recorded in a separate asset register and the assets were to be handed over to the concerned department/agency for use.

During test check of records in the 12 selected districts¹², it was noticed that the records of assets transferred were not available with the DPOs. Similarly registers of assets were not maintained by the DPOs in nine districts¹³ and were incomplete in three districts¹⁴.

The Principal Secretary during exit conference stated that the DPOs had been instructed to maintain asset registers and transfer the created assets.

1.1.10 Monitoring**1.1.10.1 Lack of monitoring**

Para 4 of the scheme guidelines provide that the DPO is responsible for overall co-ordination and supervision of the works at the district level and is required to inspect at least 10 per cent of the works executed within his jurisdiction under the scheme.

11 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

12 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

13 Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Ratlam, Tikamgarh, Umaria.

14 Balaghat, Betul and Mandla.

Scrutiny of records of selected districts¹⁵ revealed that no records were maintained in support of the inspections actually conducted and the works visited by the DPOs.

On this being pointed out, the DPOs stated (June to December 2010) that monitoring could not be done as desired in the guidelines due to inadequate staff. At the exit conference, the Principal Secretary stated that efforts were being made to fill up vacant posts and the DPOs had been instructed to ensure proper monitoring in future.

1.1.10.2 Non-holding quarterly meeting at District level

As per the instructions issued (April 1996) by the Commissioner, it was obligatory for the District Collector to hold quarterly meetings with MLAs and executing officers to apprise the MLAs, of progress of the works taken up under the scheme.

During the scrutiny of the records of 12 districts¹⁶, it was revealed that no such meetings were held during 2005-10.

On being pointed out, the DPOs (June to December 2010) assured that they would hold the quarterly meeting regularly in future. At the exit conference, the Principal Secretary stated that instructions had been reiterated to conduct regular meetings.

1.1.10.3 Progress reports submitted by DPOs without obtaining expenditure statements from agencies

As per the instructions (April 1996) of the Commissioner, the monthly income-expenditure statements and progress reports were required to be obtained by the DPOs from the executing agencies for the funds released to them for onward submission to the Commissioner.

Scrutiny of records of 12 selected districts¹⁷ revealed that none of the 94 executing agencies submitted regularly monthly income-expenditure statements and the progress reports to the DPOs.

On this being pointed out, the Principal Secretary stated that the DPOs had been instructed to obtain monthly income and expenditure statements from the executing agencies in future.

15 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

16 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

17 Balaghat, Betul, Bhind, Burhanpur, Dhar, Gwalior, Jhabua, Khargone, Mandla, Ratlam, Tikamgarh and Umaria.

1.1.11 Conclusion

The works were undertaken without any planning for implementation of the scheme. Funds available under the scheme were not fully utilised. There were cases of short/delayed release of funds, parking of funds in personal deposit account and non-recovery of balances from executing agencies. There were delays in sanctioning and completion of works. Completion certificates were wanting in about 43 *per cent* works. Asset registers were not maintained. There was lack of monitoring through inspection of works.

1.1.12 Recommendations

- Periodic evaluations should be conducted to assess the actual utility and public benefits being derived out of the works sanctioned so as to facilitate MLAs in selecting works as per the felt needs of their constituencies.
- Asset registers should be maintained so as to enable the verification of assets created under the scheme. Suitable arrangements should be devised to ensure the transfer of assets to user departments and maintenance of the assets created.
- A system of online tracking and monitoring of execution of works should be devised for timely action against delays in execution and completion of works.

Water Resources Department

1.2 Construction of Bansagar Project Unit-II Canals

Highlights

Construction of Unit-I head work of Bansagar project, taken up (1978) at a cost of ₹ 91.31 crore, was completed (2006) at a cost of ₹ 1,251 crore. Construction of a 1463.27 km network and 3,351 structures of Bansagar Project Unit-II Canal were taken up (1979) at a cost of ₹ 10.06 crore for completion by 1987. After spending ₹ 961.01 crore upto March 2010, only 911.51 km canal network and 1,857 structures were completed. Against a target of 1,23,634 hectares, irrigation potential of only 81,701 hectares was developed. The actual irrigation potential utilised was as low as 4.19 per cent to 15.67 per cent of the proposed irrigation potential.

Some important findings of performance audit of Unit-II canal works are given below:

The estimates and designs of excavation and structures were prepared without proper survey. Variations in quantities led to an extra expenditure of ₹ 13.32 crore. Funds amounting to ₹ 43.82 crore provided for construction of the Bansagar canal network were diverted and utilised for construction of Lift Irrigation Schemes (LISs) and Magardaha canal of Budwa minor tank.

(Paragraphs 1.2.6.2 and 1.2.7.1)

Construction of the Mahidalkalan distributory and the Navbasta distributory was badly delayed. Absence of co-ordination with the Uttar Pradesh Irrigation Department led to an avoidable expenditure of ₹ 6.67 crore and blockage of Government money of ₹ 4.02 crore. A cement manufacturing company was given an undue advantage of ₹ 7.23 crore.

(Paragraphs 1.2.8.3, 1.2.8.4 and 1.2. 8.5)

Mild steel (MS) pipe aqueducts constructed at a cost of ₹ 5.67 crore were not capable of passing the designed discharge. Earthwork costing ₹ 53.17 lakh and a cement concrete toe wall worth ₹ 3.17 crore were below specifications.

(Paragraphs 1.2.8.6, 1.2.8.7 and 1.2. 8.8)

Purchase of MS footbridges and MS signboards through an unauthorised agency led to an extra cost of ₹ 2.47 crore and MS footbridges worth ₹ 19.46 crore were purchased without proper design. There was an excess purchase of 1,317 footbridges, out of which 593 footbridges were not installed.

(Paragraphs 1.2.8.10 and 1.2. 8.11)

Contrary to the codal requirements, the work of design, supply, fabrication and erection of VT pumps, LISs worth ₹ 50.15 crore and MS pipe rising main and aqueducts of ₹ 57.69 crore was entrusted to suppliers through Madhya Pradesh Laghu Udyog Nigam without inviting open tenders. Purchase of MS pipes at a higher rate resulted in extra cost of ₹ 16.21 crore.

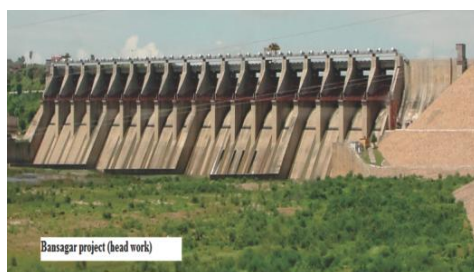
(Paragraph 1.2.8.9)

Performance security of ₹ 2.10 crore and security deposit of ₹ 1.19 crore were released in contravention of the provisions of an agreement. Improper contract management led to an excess payment of ₹ 6.11 crore on account of inadmissible payment for drawing and design and incorrect application of rates for extra quantities.

(Paragraphs 1.2.9.1, 1.2.9.2 and 1.2.9.3)

1.2.1 Introduction

The Bansagar multipurpose project on the river Sone is an inter-State project of Bihar, Madhya Pradesh (MP) and Uttar Pradesh (UP). The project envisaged creation of an irrigation potential of 2.49 lakh hectares (ha) with 125 per cent irrigation intensity in MP, 1.50 lakh ha in UP and stabilizing the irrigation requirements of 94000 ha of the old Sone canal system of Bihar. The project also envisaged hydro-power generation of 425 megawatt for MP. Unit-I of the project comprising construction of the headwork was started in 1978 at a cost of ₹ 91.31 crore and was completed in September 2006 at a cost of ₹ 1,251 crore. Construction of the canal system under Unit-II of the project in each State was the responsibility of that State.



Construction of Bansagar Project Unit-II Canals in MP was taken up in 1979 at a cost of ₹ 10.06 crore and was still in progress as of March 2010, after spending ₹ 961.01 crore. The canal system comprised seven canals including two lift irrigation schemes (LIS). It covered an irrigable command area (ICA) of 1,99,487

ha. The Unit-II canals included construction of 445.52 km long main canal, the distributaries and the minors of each canal. The canal network at a glance is given in Table 1.11.

Table No 1.11 : Network of canals in Banasagar

Sl. No	Name of main canal	Length in km	Offtake point	Irrigation area in hectare		Irrigation potential as proposed in hectare
				Through canal	Through ground water	
	Common Water Carrier (CWC) 30.37 km ^{as}		From head work	-	-	-
1.	Right bank canal	32.20	From right bank of dam	4047	1600	7059
2.	Bhitari canal	13.20	From saddle dam	2184	1500	4605
3.	Sihawal canal	75.27	22 km of CWC	21714	17800	49392
4.	Keoti canal	90.00	28.96 km of CWC	36422	8000	55527
5.	Purwa canal	128.89	37.30 km of CWC	59267	8000	84084
6.	Teonthar LIS	40.96	Right bank of Tons river	11330	4400	19662
7.	Gurh-Mauganj LIS	65.00	4.13 km of Keoti canal	19723	3500	29029
	Total	445.52		154687	44800	249358

Source: Detailed project report

18 CWC was constructed by the MPSEB only for carriage of water and not for irrigation and is at disposal of MPSEB.

1.2.2 Organisational Setup

The Water Resources Department (WRD) of the State is headed by the Principal Secretary. The Engineer-in-Chief (E-in-C) is the apex level field officer. For the Bansagar project, he is assisted by one Chief Engineer (CE), Ganga Basin, Rewa and two Superintending Engineers (SEs), Bansagar Canal Circle and Masonry Dam Circle, who are responsible for overall planning, implementation and supervision of works. At the field level, six Executive Engineers (EEs) are responsible for the execution of works under the direction and control of the CE and the SEs. The organogram of the department is given in **Appendix 1.3**.

1.2.3 Audit objectives

The performance audit was conducted to assess whether:

- the project was planned appropriately;
- the financial management and the utilisation of funds were proper and effective;
- the execution of the project was carried out economically and efficiently;
- the project works were executed as per plan, standard design and specifications and were completed within the stipulated time frame and
- the monitoring system was adequate and effective.

1.2.4 Audit criteria

The audit findings were based on the following criteria:

- Provisions of the Works Department Manual and orders/ instructions issued by the Government and the Central Water Commission.
- Approved designs and irrigation specifications issued by the Government for construction of canals.
- Standard codes of Bureau of Indian Standards.

1.2.5 Scope of audit and methodology

The scope of the performance audit was restricted to the construction of Unit-II canals of the Bansagar project. The period of audit coverage was from 2005-06 to 2009-10. Records of the offices of the E-in-C, CE, SE and all the divisions were reviewed between July and October 2010 to the extent the records made available by the department. Some records like supply orders and vouchers for purchases, measurement books, cash books etc for the period 2005-06 to 2007-08 had been seized by the Economic Offences Wing (EOW) and the Lokayukt, Government of Madhya Pradesh.

An entry conference was held (April 2010) with the Principal Secretary and other officials of the WRD and the exit conference was held (December 2010) with the

Additional Secretary and other officials of the WRD. The views of the department have been incorporated in the review at appropriate places.

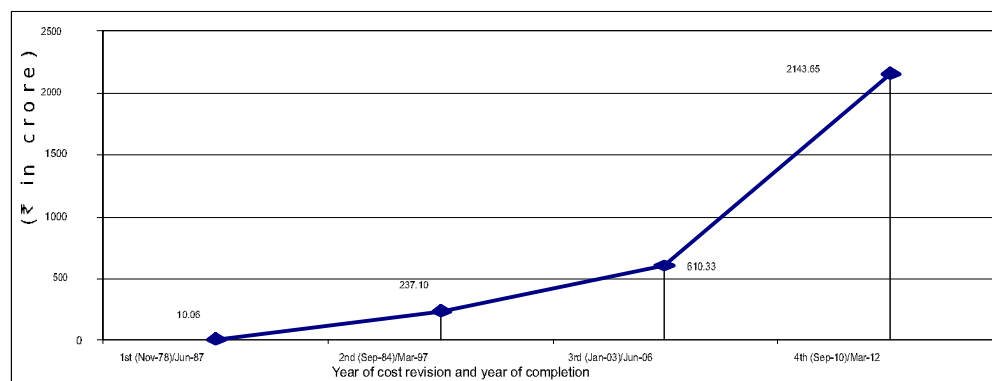
Audit acknowledges the co-operation given by WRD during the course of performance audit.

1.2.6 Audit findings

1.2.6.1 Planning

The scope of the Bansagar canal (Unit-II) was limited to providing water to the agricultural fields (2.49 lakh ha) through main canals, distributory canals and minor canals. The project approved (1978) at ₹ 10.06 crore by the Government was to be completed by June 1987. However, it got clearance from the Planning Commission in November 2001 for ₹ 344.66 crore at the 1991 price level. Revision in cost from time to time and shifting of target dates of completion are shown in graph below:

Graph showing revision of cost and target for completion of the Bansagar project Unit-II canal



(Source: Detailed project reports and para 1.1 of Civil Audit Report No 1 for the year ended 31 March 1989.)

1.2.6.2 Deficiency in the planning process

According to paragraphs 2.025 and 2.017 of the Works Department (WD) Manual, estimates for works were required to be prepared on the basis of detailed surveys and trial pits to determine, as accurately as possible, the quantities of various items of work to be executed. Para 2.028 of the WD Manual further provided that the officer according the technical sanction to an estimate was responsible for ensuring the soundness of design, by incorporating all the items.

During the course of audit, instances of defective estimates, estimation of disproportionate inputs, execution of works beyond the scope of Administrative Approval (AA) etc were noticed which are discussed in the succeeding paragraphs:

Improper estimation led to extra expenditure of ₹ 6.77 crore.

- In the work of construction of packages KCP-3, PCP-6, PCP-10 and PCP 11-A, the estimates for excavation in canals were prepared without proper survey and as a result, the quantities of various types of strata vis-à-vis the estimated quantities abnormally varied as detailed in **Appendix 1.4**. Consequently, the department had to incur (August 2007 to June 2010) extra expenditure of ₹ 6.77 crore in four cases for execution of the excess quantities.

Defective estimation resulted in extra expenditure of ₹ 6.55 crore.

- Construction of the distributaries and the minors between km 32.95 to km 41.41 and 238 structures¹⁹ (package KCP-9) of Keoti Main Canal was taken up (December 2006) at a cost of ₹ 6.92 crore. The detailed estimates were prepared on the basis of sample design of the structures. Due to defective estimation of cement concrete likely to be consumed in the works, the entire quantity of 22318.48 cu m cement concrete (CC) 1:3:6 was consumed (March 2009) for the construction of 84 structures only. To complete the work, the additional quantities of 34,277.603 cu m CC involving ₹ 6.55 crore were re-estimated. The revised quantities, however, had not been approved by the Government as of July 2010.

The EE stated (August 2010), that the matter would be investigated and reported to Audit. The reply was awaited as of December 2010.

Overlapping of ICA of 800 ha led to construction of Magardaha canal, leading to diversion of ₹ 5.09 crore.

- Budwa tank, an old minor irrigation tank (outside the scope of Bansagar Project) in Shahdol district was designed for irrigable command area (ICA) of 800 ha. In April 2005, the department noticed that the Right Bank Canal (RBC) system of the Bansagar canals was overlapping²⁰ the ICA of 600 ha of the Budwa tank. In order to rectify it, the E-in-C, WRD transferred (April 2005) the Budwa tank to the Bansagar project. The CE, Bansagar provided (2009) ₹ 10.50 crore in the revised administrative approval of the Bansagar canal for construction of the eight km Magardaha canal at Budwa tank to restore ICA of 600 ha and expenditure of ₹ 5.09 crore was incurred up to 2009 for the construction of Magardaha canal. This resulted in diversion of ₹ 5.09 crore in the construction of Magardaha canal from the funds earmarked for the Bansagar canal.

The EE, Rockfill Dam Division, Deolond stated (September 2010) that the decision for construction of the Magardaha canal system of Budwa tank was taken by the higher authorities.

1.2.7 Financial management

1.2.7.1 Deficient financial planning

The work on Unit-II of the project, though administratively approved in 1978, started in 1979. However, due to shortage of funds, the project could not make much

¹⁹ Structures like canal head regulators, village roads bridges aqueducts, siphons etc.

²⁰ Overlapping of irrigable command area means irrigable command area of one irrigation project also irrigated by another irrigation project.

progress. During 1996-97, the project, including the head works, was included under the Accelerated Irrigation Benefit Programme (AIBP). In 2003-04, Unit-II canal excluding LIS was proposed as a separate component under AIBP.

The Central assistance under the scheme was to be given in the form of loan and grant. As per guidelines modified by Government of India (GOI) from time to time, the ratio of share between GOI and the Government during 2005-06 was 2:1, (70 *per cent* was loan and 30 *per cent* was treated as Central assistance (CA)). From 2006-07 onwards, 25 *per cent* of the project cost was provided as CA. The project was approved (2007) by the National Bank for Agriculture and Rural Development (NABARD), for loan under RIDF-XIII at an updated cost of ₹1898.65 crore as on July 2007, excluding the cost of both the LIS. After deducting expenditure already incurred upto March 2007, the remaining cost was ₹ 1324.33 crore. NABARD was to provide loans of ₹ 943.58 crore during the year 2007-08 to 2009-10 and the remaining cost of ₹ 331.08 crore (25 *per cent*) was to be met from AIBP funds and the Government (₹ 49.67 crore: five *per cent*).

Expenditure on the project up to 2004-05 was ₹ 353.98 crore. The financial status of the project during the period 2005-10 was as given below:

Table no 1.12: Budget allotment and expenditure

(₹ in crore)

Year	Budget provision	Budget allotment			Expenditure
		Central Share	State Share	Total	
2005-06	82.38	58.73	36.14	94.87	91.32
2006-07	148.98	87.55	50.91	138.46	134.31
2007-08	175.54	42.60	136.69	179.29	177.26
2008-09	178.81	33.49	110.64	144.13	143.48
2009-10	57.04	12.05	48.71	60.76	60.66
Total (2005-2010)	642.75	234.42	383.09	617.51	607.03

Source: Information provided by E-in-C

Few instances of deficient financial management and diversion of funds are discussed in the succeeding paragraphs:

During 2005-10, the funds allotted were not fully utilised.

➤ It was observed that an expenditure of ₹ 607.03 crore was incurred against the budget allotment of ₹ 617.51 crore during 2005-10. This indicated that the grants were not fully utilised due to slow progress of works.

Funds provided for construction of canals were utilised for LISs.

➤ In the AA accorded for the Bansagar canals, the Government directed (2003) that the construction of the Gurh-Mauganj and the Teonthar LIS, (estimated cost of ₹ 155.85 crore) be taken up only after the prior approval of the Government and after ensuring the availability of funds for maintenance of the LISs and electricity. Construction of these LISs was excluded from the scope of works under AIBP (2003-04) and NABARD loan 2007-08.

However, contrary to these requirements, the Government permitted (November 2007) the department to take up the work for both the LISs

without ensuring the availability of funds for their maintenance. Consequently, an amount of ₹ 38.73 crore²¹ was utilised for the construction of the LISs (2008 to 2010) from CA and the NABARD loan as no specific allotment of funds were available for these LISs.

The CE stated (September 2010) that the expenditure was incurred after obtaining approval of the Government. The reply is not acceptable because the work was taken up from the funds provided for construction of canals.

1.2.8 Project execution

For efficient and cost-effective execution of works relating to the project, specific targets and milestones were prescribed for execution and creation of the specified irrigation potential to avoid delay and ensure timely accrual of the intended benefits. The works were to be executed as per the provisions of the Madhya Pradesh Works Department Manual and the specifications issued by the E-in-C.

Instances of deficiencies and departure from the provision of the Manual and specifications are discussed below:

1.2.8.1 Non-achievement of targets

In order to complete the works of the main canals and the distribution system excluding the Gurh-Mauganj and the Teonthar LIS by June 2009, the Unit II canal project was divided into three phases (Phase –I by June 2005, Phase II-A by June 2008 and Phase II-B by June 2009). While including the project for the NABARD loan, the date of completion was revised from June 2009 to March 2010. The lengthwise target of each phase was recorded by the department every year. However, it did not record data on the phase-wise targets and achievements. When inquired by Audit, the department provided data on final achievement only (lengthwise) as of March 2010. The lengthwise targets and achievements are given below:

Table No 1.13: Targets and Achievements

Name of canal system	Targeted length of canal system in km	Actual completion by March 2010 (in km)	Percentage of completion
Right Bank Canal	82.74	82.54	99.75
Bhitari Canal	50.00	50.00	100
Sihawal Canal	443.74	355.70	80.16
Keoti Canal	390.91	205.25	52.50
Purwa Canal	495.88	218.47	44.06
Total	1463.27	911.51	
Nos of structures	3351	1857	55.42

Source: Information provided by CE, Ganga basin, Rewa

21	Gurh-Mauganj LIS	₹ 5.10 crore
	Teonthar LIS	₹ 33.63 crore
	Total	₹ 38.73 crore

Scrutiny in audit revealed that the progress of the three canal systems, namely Sihawal, Keoti and Purwa canals ranged between 44 to 80 *per cent* and the construction of structures remained as 55.42 *per cent* as on 31 March 2010. The slow progress was mainly due to the following reasons:

- In 20 out of 44 cases test checked, the works were awarded as late as 2008-09.
- There were delays in completion of works by the contractors from one year to four and half years with respect to the stipulated dates of completion in 25 out of 44 cases test-checked.
- The works of Purwa and Keoti main canals were taken up in the years 2001 and 2003 respectively. The distributory division assigned with the works of construction of distributories for these canals was established in 2003 but it started the work in 2006.

The CE stated (September 2010) that yearwise targets and achievements were maintained with respect to the quantities of works and not as per the length of canal. He further stated that the work would be completed by June 2012. The reply is not acceptable as the quantities of earthwork already exceeded the estimated quantities. As against the estimated quantities of excavation of 31787.601 thousand cu m, 31966.81 thousand cu m excavation was already executed up to March 2010, while the length of the canal completed upto March 2010 ranged from 44.06 *per cent* (Purwa canal) to 80.16 *per cent* (Sihawal canal). The progress with respect to executed quantities, therefore, did not convey the actual status of completion.

After the entry conference held in April 2010 with the Principal Secretary, WRD, the Government constituted (July 2010) a Review Committee headed by the Additional Secretary, WRD to review the physical status of the project. A gist of some of the important observations of the Review Committee (submitted to the Government in September 2010) relating to sub-standard execution of canal works and works not conforming to the specification and designs are given in **Appendix 1.5**.

1.2.8.2 Non-creation of irrigation potential

As against the targeted irrigation potential of 1,23,634 ha, the potential created up to 2004-05 was 22,432 ha only. Targets and achievements for development of irrigation potential from the various canals during the period of 2005-2010 were as per **Table 1.14**.

**Table no. 1.14: Irrigation potential developed and utilised
(Irrigable Command Area in ha)**

There was shortfall of 33.92 per cent in development of irrigation potential. The actual irrigation ranged from 4.19 per cent to 15.67 per cent.

Name of canal	Designed irrigation potential (Ha)	Developed irrigation potential up to 2004-05	2005-06 Target Achievement	2006-07 Target Achievement	2007-08 Target Achievement	2008-09 Target Achievement	2009-10 Target Achievement	Total achievement up to March 2010
Right Bank Canal	4047	-	NA	NA	NA	NA	NA	-
Bhitri Canal	2184	-	NA	NA	NA	NA	NA	-
Sihawal Canal	21714	-	11648	10164	7524	4724	3974	21714
		9566	1484	2640	2800	750	200	17440
Keoti Canal	36422	-	23338	20038	7343	5880	4980	36422
		2536	3500	12695	1463	900	7500	28594
Purwa Canal	59267	-	42276	40777	24027	19187	17987	59267
		4099	1499	16750	4840	1200	1049	29437
Total Target Achievement	123634	-	77262	70979	38894	29791	26941	123634
			6483	32085	9103	2850	8749	81702
Percentage achievement		18.14	15.33	45.20	23.40	9.60	32.47	66.08
Cumulative created irrigation potential		22432	28915	61000	70103	72953	81701	
Annual irrigation			6482	9300	24221	24208	18064	
Percentage of actual irrigation to proposed irrigation²²			4.19	6.02	15.67	15.66	11.69	

Source: Information provided by CE, Ganga basin, Rewa

Thus against the target of 1,23,634 ha, the irrigation potential created upto March, 2010 was of 81701 ha (66.08 per cent) only, resulting in a shortfall of 41,933 ha (33.92 per cent). Similarly, the actual irrigation vis-à-vis the proposed irrigation during the above period remained as low as 4.19 per cent in 2005-06 and 11.69 per cent in 2009-10. The shortfall in extending irrigation to the farmers ranged from 95.81 per cent to 84.33 per cent. Scrutiny in audit revealed that the shortfall in irrigation was due to (i) construction of the canal in part reaches leaving unconstructed stretches in-between reaches (ii) non-construction of 105 head regulators against a target of 175 and (iii) non-construction of 472.33 km of distributaries and minor canals against a target of 1036.98 km length.

The CE stated (September 2010) that the reply would be submitted after receiving inputs from the division offices. The reply was still awaited (December 2010).

1.2.8.3 Delay due to change of alignment

Construction of Mahidalkalan distributory and Navbasta distributory was delayed and a cement company got undue advantage of ₹ 7.23 crore.

Construction of the Mahidalkalan distributory and the Navbasta distributory was awarded (June 2005 and December 2006) to two different contractors for ₹ 6.76 crore and ₹ 8.92 crore respectively. The contractors were paid (June 2010 and September 2009) ₹ 2.95 crore and ₹ 2.07 crore respectively. An amount of ₹ 1.36 crore and ₹ 2.76 crore was incurred on land acquisition. During construction, it was noticed that a portion of four km (from km 2.40 to km 6.40) of the Mahidalkalan distributory and the Navbasta distributory was aligned on leased land of a lime stone mine of a cement manufacturing company. On the request (March 2007) of the company, the Government decided (August 2008) to divert the alignment of the canals with the condition that the company would bear the total expenditure of the construction on the new alignment as well as the expenditure already incurred by the

²² Proposed irrigation 123634 ha at 125 per cent irrigation intensity = 154543 ha.

department on land acquisition and the construction of the canals on the old alignment.

Scrutiny in audit revealed that though a period of two years had passed, an amount of ₹ 2.40 crore²³ and ₹ 4.83 crore²⁴ incurred on construction and land acquisition had not been demanded from the company and the new alignment of canal was still to be surveyed. Thus not only was the construction of the canal delayed but undue advantage of ₹ 7.23 crore was also extended to the company.

The EEs stated (July and September 2010) that the company had deposited (September 2010) ₹ 8.17 lakh and ₹ 6.58 lakh for the survey work. The survey of Mahidalkalan distributory was pending due to objections by the cultivators and the progress of survey on the new alignment of Navabasta distributory would be intimated. The reply is not acceptable because the expenditure already incurred had not been demanded from the company.

1.2.8.4 Avoidable expenditure due to absence of co-ordination

Absence of co-ordination led to avoidable expenditure of ₹ 6.67 crore.

According to technical circular 70/1 issued by the E-in-C, WRD (June 1980), whenever a contour canal crosses a number of drainages along its course, appropriate drainage crossings have to be provided. It is possible in a few cases, to combine two or more drainages and construct only one crossing. Judicious discretion, based on preliminary technical examination, should be used in deciding whether or not a drainage is to be diverted to the adjoining one.

The Sihawal Main Canal of MP and UP Feeder Canal (UPFC) of UP are contour canals. The UPFC offtakes at km 15.24 of the Sihawal Main Canal and thereafter runs parallel to the Sihawal canal at a distance of 150 m to 200 m at a higher altitude in the Kaimore hills. Construction of the Sihawal canal was partially completed by February 1998 while the work of UPFC was started in 1998. As per the Detailed Project Report, the Government had planned 108 structures like drainage siphon and drainage culverts between km 15.25 to km 75.27 at a cost of ₹ 14.05 crore, out of which ₹ 12.94 crore had already been incurred upto March 2009. The UP Irrigation Department (UPID), constructed only 16 big structures on UPFC but not in the front of the structures of the Sihawal canal. The small structures constructed on the Sihawal canal were not sufficient to pass the heavy discharge of water coming from the big structures of UPFC, without damaging the Sihawal canal. According to the CE Ganga basin, Rewa, (August 2006) the situation required construction of 14 new structures and renovation of four existing structures at an estimated cost of ₹ 5.50 crore. Had the work been planned properly in coordination with UPID keeping in

23 Mahidalkalan distributory: ₹ 1.04 crore on construction + ₹ 1.36 crore on land acquisition = ₹ 2.40 crore..

24 Navbasta distributory: ₹ 2.76 crore on construction + ₹ 2.03 crore on land acquisition = ₹ 4.83 crore.

view that the UPFC was situated at the higher level and the water coming from the structures of the UPFC would have ultimately passed through the structures of the Sihawal canal, the expenditure of ₹ 6.67 crore could have been avoided.

The EE stated (September 2010) that construction of new structures was essential to pass the discharge coming from the structures of the UPFC and the work was done as per the instructions of the higher authorities. The reply is not acceptable because work was not properly planned as per the provisions of technical circulars and the plan of UPFC and the department failed to coordinate with UPID.

1.2.8.5 Blockage of funds due to non-construction of head regulator of a distributory

Construction of Shikarganj distributory, pending decision of outlet, led to blockage of ₹ 4.02 crore.

The Detailed Project Report of 1999 provided for construction of the 4.68 km long Shikarganj distributory at km 0.21 of the Sihawal Main Canal for creating an irrigable command area (ICA) of 2762 ha. The work was awarded (March 2001) to a contractor. At the time of the layout, it was noticed by the department that the ground level in the approved estimates differed from the initial ground levels. Therefore, the efficiency and the utility of the distributory became disputable. It was, therefore, decided (April 2002) to construct another 13.30 km long distributory No. 2 from km 10.80 of common water carrier (CWC) for ICA of 1454 ha by reducing ICA of the earlier distributory to 1170 ha. Pending a decision on the construction of the head regulator of distributory No. 2, the work was awarded (December, 2002) to a contractor who had been paid ₹ 4.02 crore (August, 2008). Permission to construct a head regulator at km 10.80 of the CWC was requested (January 2005) from the MPSEB since the CWC was under their control. Being an inter-State matter, MPSEB required (February 2005) permission from the Bansagar Control Board. No action had been initiated by the CE, Ganga basin from the Control Board as of September 2010 to seek the requisite permission. Thus the expenditure (₹ 4.02 crore) incurred on construction of the Shikarganj distributory No.2, without constructing the head regulator resulted in blockage of Government money.

The EE stated (September 2010) that the construction of Shikarganj distributory No.2 was in progress and water at the head of the canal would be provided by the siphon system. The reply is not acceptable because there was no correspondence with the MPSEB regarding construction of the siphon except the head regulator and permission for the siphon at CWC had not been obtained from MPSEB and the Control Board.

1.2.8.6 Purchase of inappropriate Mild Steel pipes

Purchase of MS pipes not conforming to the requirement rendered expenditure of ₹ 5.67 crore unfruitful.

- (i) The CE, Ganga Basin, Rewa approved (July 2007) an estimate for construction of an MS pipe aqueduct at km 60.06 of the Keoti Main Canal for ₹ 2.32 crore. The estimate provided use of MS pipes of 1,800 mm dia in the thickness of 10 mm in two rows. The canal was having discharge of 5.122 cumecs and bed slope of 1 in 6,000 but while calculating the discharge, the department adopted (July 2007) a steeper slope of 1 in 1500 to match the

design discharge from the two pipes. Payment of ₹ 96.09 lakh was made (February 2007) for the purchase.

Scrutiny in audit revealed that on the basis of the bed slope of the canal 1 in 6000 the MS pipe aqueduct in two rows of 1800 mm dia was capable of passing discharge of 2.75 cumecs only. Thus the purchase of pipe 1800 mm dia at the cost of ₹ 96.09 lakh was unfruitful.

- (ii) The CE approved (January and July 2007) construction of MS pipe aqueducts of 2,000 mm dia, 10 mm thick in two rows, at km 112.50 and km 113.16 km of Purwa Main Canal having discharge of 5.309 cumecs at bed slope of 1 in 5,500. However, the department prepared the design by adopting the steeper slope of 1 in 1,500 to match the design discharge.

Scrutiny in audit revealed that on the basis of bed slope of the canal 1 in 5,500, the MS pipe aqueduct in two rows of 2,000 mm dia was capable of passing discharge of 3.812 cumecs only. Thus the amount of ₹ 4.71 crore incurred (March 2007 to March 2010) on procurement of MS pipes was unfruitful. Further, the Chief Technical Examiner (CTE) observed (April 2010) that the MS pipes supplied for aqueduct at km 113.16 got deformed and were getting rusted because the pipes were not coated with quality paints.

The EE stated (July 2010) that the canal was in the tail area where the supply of water was automatically reduced and the canal bed level (CBL) so reduced would be maintained because reduction in CBL would range upto 30 cm only. The reply is not relevant because the section of canal was approved for discharge of 5.309 cumecs and reduction in the canal bed level would ultimately reduce the Irrigable Command Area (ICA).

1.2.8.7 Non-execution of works as per specification

Earthwork of ₹ 53.17 lakh was done without proper compaction.

According to the irrigation specifications forming part of the agreement, earthwork for canal embankment is required to be executed layer by layer in 15 cm thickness, compacted at optimum moisture content to the maximum dry density. As per the Unified schedule of rates (USR), a deduction of 10 *per cent* should be made from the compacted quantity of earthwork on account of shrinkage allowance before making payment for compacted earthwork. Further, the USR also provides that if the item of earthwork is neither rolled nor watered, a deduction of 20 *per cent* is to be made from the executed quantity of earthwork

As per the item of earthwork mentioned in the agreement for the construction of the package PCP-13A-I, the quantity of earthwork 386704.61 cu m executed and paid (June 2010) was required to be compacted to 90 *per cent*. Scrutiny in audit revealed that the quantity of 106339.64 cu m earthwork was paid after deduction of 20 *per cent* shrinkage allowance instead of 10 *per cent*. Deduction of 20 *per cent* shrinkage allowance indicated that the earthwork was done without rolling and watering, which was an essential part of the complete earthwork. Thus the earthwork done without watering and compaction amounting to ₹ 53.17 lakh at ₹ 50 per cu m was substandard.

The EE, Distributory Division, Rewa stated (August 2010) that deduction of 20 *per cent* was made from the executed quantity to restrict the quantities. The reply is not acceptable because as per the Unified Schedule of Rates, the deduction of 20 *per cent* from contractor's payment was to be made from earthwork 'neither rolled nor watered'. Thus the deduction of 20 *per cent* from the executed quantity signified that the earthwork was neither rolled nor watered.

1.2.8.8 Construction of sub-standard cement concrete toe wall

The UPFC offtakes from km 15.24 in the left side of the Sihawal canal of MP and aligns parallel at a distance of 150 m to 200 m from each other at a higher level in the Kaimore hills. The works of UPFC started in 1998 and were in progress. The excavation of the Sihawal Canal was taken up in 2002. During construction, the executing agency of UPFC placed the excavated material at its right bank which fell into the Sihawal Canal and damaged the canal. As a protection, the UPID constructed a stone masonry toe wall at km 7.60 to km 8.60 of the UPFC (km 22 and km 23 of the Sihawal canal).



View of stone masonry toe wall of UPFC.

As the one km long toe wall constructed by UPID was not sufficiently protecting the Sihawal Canal of MP (being constructed alongside at a lower level), the CE, Bansagar approved (September 2006) an estimate of ₹ 19.58 crore for the construction of a 14.1 km long

and one to five metre high cement concrete (CC) reinforced toe wall (between km 15.24 and km 75.27) at the left bank of the Sihawal Canal to protect it from the slippages of UPFC. The work was awarded (2007-08) to a contractor for ₹ 18.20 crore who completed (June 2010) the work for 8.50 km only and was paid (June 2010) an amount of ₹ 15.04 crore.

Execution of substandard cement concrete toe wall amounting to ₹ 3.17 crore.

Audit scrutiny (July 2010) of the records revealed that for construction of the CC toe wall at km 15.24 to km 75.27 of the Sihawal Main Canal, the contractor was to provide CC 1:2:4 by using 40 mm metal (40 *per cent*), 20 mm metal (35 *per cent*) and 10 mm metal (25 *per cent*). The required compressive strength of the concrete at 28 days was 150 kg per sq cm. Audit scrutiny revealed that as per results of the quality control tests conducted by the Assistant Research Officer, Quality Control unit at km 42.8 to km 43.3, the contractor had used oversized metal up to 80 mm in concrete. The compressive strength of the concrete (at km 20.285 to km 21.5, km 25 and km 42.8 to 43.3) was as low as 107 kg per sq cm to 145 kg per sq cm. The metal used in concrete was absorbing water more than the prescribed limit of one *per cent*. The EE also had observed (April to September 2009) that the metal contained dust. The work of ₹ 3.17 crore executed on above location was therefore, substandard.

The EE stated (August 2010) that for oversize metal, penalty has been imposed on the contractor. The reply is not acceptable because the details of penalty actually recovered were not mentioned in the bill. The EE did not offer any comments for less strength of cement concrete.

1.2.8.9 Award of a composite work at higher rate without inviting tenders

Though MPLUN was an indenting agency for purchases, work of LISS, amounting to ₹ 50.15 crore was awarded through MPLUN without inviting open tenders.

Paragraph 2.077 of the WD Manual required that for each work amounting to ₹ two lakh and above, the department should invite tenders in a transparent manner through publicity in newspapers to get reasonable rates. As per the MP Stores Purchase Rules, the Madhya Pradesh Laghu Udyog Nigam (MPLUN), was an indenting agency, only for supply of the reserved items of stores specified in the MP Stores Purchase Rules. However, in case the department required an item of a particular specification suiting to their requirements, the MPLUN, was to invite tenders accordingly. The respective purchasing department was to nominate their representatives in MPLUN for opening the tenders and finalisation of the rates. Construction works and erection of new mechanical works did not come under the purview of purchases.

Contrary to these codal requirements, the contract for works of design, supply, installation, erection and commissioning of VT pumps and rising main of MS pipes for Gurh-Mauganj LIS and Teonthar LIS and MS pipe aqueduct at various canals was given to the suppliers through MPLUN at higher rates without inviting open tenders in the following cases:

- The CE, Ganga basin, Rewa approved (November 2007) an estimate at ₹ 6.25 crore for supply of VT pumps and motors, including all accessories for Gurh-Mauganj LIS including installation work. Lump sum tenders for planning, design, engineering, manufacturing, supply etc. for VT pumps and motors, including all accessories, were invited (February 2008) and submitted to the Government. The Principal Secretary, WRD directed (September 2008) the CE, to get the work done through some other method instead of lump sum tender and returned the tenders (price bid) unopened. At the instructions of CE, the SE placed (January 2009) an indent to MPLUN to get the work done at their rate contract. MPLUN issued (May 2009) a direct supply order for ₹ 26.22 crore for one job of 'design, supply instalation, erection, commissioning, operation and maintenance, design of VT pumps, motors and associated electrical equipments' to a firm of Indore on lump sum basis. Thus the work was awarded at higher rate of ₹ 19.96 crore in comparison with the estimated rates without inviting tenders by the department and without any justification of rates prevailing as on date or the rates available in the rate list of the original manufacturer.
- The item of VT pumps was not a reserve item²⁵ for purchase through the MPLUN. The SE directed (June, 2009) the EE to execute the supplementary

25 As per MP stores purchase rules some of the items are reserved for purchase through MPLUN only, such items are reserved items.

agreement for lump-sum tender document. The EE did not, however, execute the agreement and intimated (July and August 2009), that the work was of mechanical nature and it could be done by the Electrical and Mechanical Department. He also mentioned that the tender invited by MPLUN was incomplete as it did not contain any prequalification bid, scope of work and mode of payment. The firm supplied only the drawing and design for the LIS. As against the payment of 10 *per cent* (₹ 2.62 crore) for drawing and design, the EE, without executing the agreement, paid (August 2009) ₹ 28 lakh to the firm.

- The CE, Ganga basin, Rewa also approved (April 2008) an estimate of ₹ 7.35 crore for procurement and fixing of seven VT pumps, each of 1050 horse power, for pump house of Teonthar LIS. The Government approved (July 2008) a tender programme without mentioning the type of tenders to be invited for. However, the SE placed (January 2009) an indent to MPLUN for the 'design, supply, installation, erection, commissioning, operation and maintenance of VT pumps and motors and associated electric equipments' work. MPLUN issued (May 2009) a supply order to the same firm of Indore for the work on lump sum basis at ₹ 23.93 crore. As against the admissible payment of 10 *per cent* (₹ 2.39 crore) for drawing and design, payment of ₹ 1.20 crore was made (June to August 2009) on account of drawing and design. Thus, the work was awarded at a higher rate of ₹ 16.58 crore in comparison with the estimated rates without inviting tenders and without justification of rates.

The EE, Keoti canal division, Rewa stated (July, 2010) that the supply of VT pumps through MPLUN was decided by the CE Ganga Basin, Rewa but it was not approved by the Government. MPLUN also, in a hearing (July 2010) before the MP Lokayukt, denied any responsibility regarding the tender. According to the CE, the then CE and EE of the Light Machinery Tube well and Gate division, Rewa had attended (May 2009) the meeting at MPLUN but no records pertaining to evaluation of tender were made available to Audit.

Mild steel pipes for LISs and aqueduct purchased at higher rates without inviting open tenders resulted in an extra cost of ₹ 16.21 crore.

- The SE, Bansagar Canal circle, Rewa placed an indent on MPLUN for supply, drawing, design, fabrication and erection of MS pipes made of MS plate (reserve item) for use in the rising main of the Teonthar LIS, the Gurh-Mauganj LIS, seven super passages and aqueducts at various canals. Accordingly, MPLUN placed (March 2007 to August 2008) supply orders for ₹ 57.69 crore to a supplier of Indore and another supplier of Nagpur for supply of MS pipes of various diametres and MS bolts as shown in **Appendix 1.6**. As per the condition imposed by MPLUN, the supplementary agreements were executed with the supplier by the respective EEs on item rate basis. Payment of ₹ 39.77 crore was made to the supplier between June 2007 and March 2010. Thus the work amounting to ₹ 57.69 crore was awarded without inviting tenders.

The rates of MPLUN for MS pipes included 10 per cent for drawing and design, 15 per cent for erection charges and 75 per cent for the cost of MS plates. Analysis of the rates on the base rates of SAIL²⁶ for MS plates at ₹ 31.50 per kg and adding 74 per cent²⁷ for other charges revealed that the rates per kg of MS pipe worked out to ₹ 55 per kg and the cost of one metre worked out to ₹ 8,246 (750 mm dia) to ₹ 27,200 per metre (2000 mm dia).

Thus the pipes were purchased at abnormally high rates, resulting in extra cost of ₹ 16.21 crore as shown in Table 1.15 below:

Table no 1.15- Statement of higher rates of MS pipes

Sl. No.	Name of work	Internal diameter of pipe in mm	Weight per metre	Quantity supplied metre	MPLUN rate per metre	Rates per metre at ₹ 55 per kg	Extra cost (₹ in lakh) {(6)-(7)}*(5)
1.	Teonthar LIS	1000	198.77	1060	20599	10932	102.47
		1600	396.82	5460	41196	21825	1057.65
2.	Gurh Mauganj LIS	1200	237.85	1178.13	24719	13082	137.09
3.	seven super passages at Keoti Main Canal	1700	421.54	230.79	42089	23185	43.62
4.	MS pipe aqueduct at km 113.16 Purwa Main Canal	2000	494.55	514.45	49516	27200	114.80
5.	MS pipe aqueduct at km 112.35 Purwa Main Canal	2000	494.55	278.68	51497	27200	67.71
6.	MS pipe aqueduct at km 112.50 Purwa Main Canal	2000	494.55	278.60	49516	27200	62.17
7	Shikarganj Distributory	750	149.93	392.525	14854	8246	25.93
8	Tail minor of Shikarganj Distributory	900	178.98	121.11	17826	9844	9.66
						Total	1621.10

During the exit conference, the E-in-C stated (December 2010) that the rate analysis were being examined and some departmental action was being taken on the irregularities noticed in the purchases.

1.2.8.10 Irregular purchase of MS footbridges and MS signboards

MS footbridge for Teonthar LIS and MS signboards were purchased through MPCCF at higher rates resulting in extra cost of ₹ 2.47 crore.

➤ According to Rule 14 of the MP Stores Purchase Rules, the MP State Co-operative Consumer Federation (MPCCF) is an indenting agency for supply of small items of office use only like stationery articles.

Contrary to the above provisions, the CE approved (April 2008) an estimate of ₹ 2.38 crore for providing an MS footbridge at ₹ 11,336 per metre for accessibility of jackwell point of the Teonthar LIS during rains as well as for the inspection of the rising main. The SE, while in camp at Bhopal, issued (January 2009), a supply order to MPCCF for supply of MS footbridge without inviting tenders. MPCCF placed (February 2009) a supply order

26 Steel Authority of India Limited.

27 Excise duty- 16 per cent, Drawing and design (as per agreement) -10 per cent, Fabrication (adopted by the department) - 15 per cent, erection (as per agreement) - 15 per cent, transportation (as per rates of supplier) - 5 per cent and profit and sundries (as per USR) -13 per cent = 74 per cent.

with an Indore based firm for supply and erection of the 1.25 m wide MS footbridge at ₹ 24,450 per metre and five *per cent* of cost of material for transportation. The firm supplied 1,998 metre long footbridge for which payment of 75 *per cent* (excluding erection and fabrication) amounting to ₹ 3.66 crore was made (March 2009).

It was observed that at the same time, MPLUN supplied (2008-09) 1.33 m wide footbridges at ₹ 15,800 per metre. Adding erection charges of 15 *per cent* as per the supplier's rate, the rate of one metre footbridge worked out ₹ 18,170. Thus the purchase was made at much higher rates, even higher than the MPLUN rates, involving an extra cost of ₹ 1.25 crore²⁸.

The EE, Purwa Canal Division, Rewa stated (July 2010) that the payment to the firm was made as per orders issued by the SE. The reply is not acceptable because MPCCF was not the authorised agency for purchase of footbridges. Also, the purchases were made without inviting tenders.

- The CE permitted (January and June 2009) purchase of 'high intensity encapsulated lens type sheeting cantilever signboards'. At the same time, the SE placed supply orders to MPCCF for supply of the 109²⁹ signboards, each measuring three sq m at the rate of ₹ 1.45 lakh at a cost of ₹ 1.58 crore. Scrutiny in audit revealed that as per the Schedule of Rates (SOR) of NH effective from April 2009, the rates of these signboards were included at ₹ 12,923 per sq m. After deducting 13.87 *per cent* of the prevailing market rates as per the accepted tender, the rate of one signboard worked out to ₹ 33,392. Thus the purchase was made at higher rates, involving extra cost of ₹ 1.22 crore.

The EE, Bansagar Distributory Division, Rewa stated (August 2010) that the purchase was sanctioned by the SE and the payment was made accordingly.

The reply is not acceptable because MPCCF is not the authorised agency for purchase of footbridges. Also, the purchases were made without inviting tenders.

1.2.8.11 Unwarranted purchase of MS footbridges

Instead of constructing RCC footbridges over canals, MS footbridges were purchased at ₹ 19.46 crore.



A mild steel footbridge installed over Sihawal canal

Technical circular 70/1 issued (June 1980) by E-in-C, WRD prescribes construction of footbridges in reinforced cement concrete (RCC). It further provides that there should be a minimum distance of three km between two footbridges. The WRD specification also prescribes that the footbridges for canal crossing should be constructed in

28 1998 (24450-18170)= ₹ 1.25 crore.

29 Distributory canal division Rewa- 50, Lower Sihawal canal division Churhat- 24, Purwa division 2 Satna- 20 and Upper Purwa canal division Rewa- 15 = 109 nos.

RCC with width of 1.50 m and the design load for footbridge should be for a live load of 500 kg per sqm but the estimates were approved without any design.

In violation of the technical circular, the SE issued supply orders to the MPLUN during 2005-06 to 2007-08 for supply of MS footbridges through various firms of Gwalior and Chhattarpur of 10 metre, eight metre and six metre lengths at the rate of ₹ 1,42,000, ₹ 99,756 and ₹ 65,870 respectively, although 'footbridge' did not constitute a reserved item of MPLUN. The firms supplied 1,648 MS footbridges costing ₹ 19.46 crore, as shown in **Appendix 1.7**.

The width of the above 1,648 footbridges was only 1.33 m (against 1.50 m width prescribed in the specification). The MS footbridges were placed on the canal banks with a single support of vertical MS column without any abutment on both the sides. Thus the footbridges purchased by the department were not conforming to the canal specifications and became vulnerable to collapse or accident. The RCC footbridges prescribed by the E-in-C had several advantages and were also cost-effective *vis-a-vis* MS footbridges as shown below:

Sl no.	RCC footbridges	MS footbridges
1	More durable	Less durable
2	Resistant to rust	Not resistant to rust and requires regular painting and maintenance
3.	More resistant to damage and cannot be pilfered	Prone to damage and pilferage
4.	Cost effective, (₹ 6011 per metre with width 1.33 m)	Expensive, (cost ranged from ₹ 10,978 to ₹ 14,200 per metre with width 1.33 m)
5.	Strongly built and safe	Loosely laid on the canal and highly unsafe.

There was excess purchase of 1,317 footbridges, out of which 593 footbridges were not installed.

Audit also noticed that out of 1,463 km length of canal works taken up for execution, only 991.51 km of canals was partially completed. As per the norms fixed by the E-in-C (vide TC 70/1 of 1980), only 331 footbridges were required to be installed at a distance of three km from each other. However 1,317 MS footbridges were purchased in excess of requirement. Further, out of 1,648 mild steel footbridges procured, 593 footbridges³⁰ were still to be installed.

The EE, Distributory Division, Rewa stated (July 2010) that the footbridges were purchased as per the sanction of the competent authority and the remaining footbridges would be installed after completion of the civil work. The reply is not acceptable because the proposals were prepared by the EEs themselves in violation of the technical circular and norms and without rate analysis which were subsequently approved by the SE and CE.

30 Distributory canal division Rewa- 484, Keoti canal division Rewa- 24, Upper Purwa canal division Rewa- 27 and Purwa division 2 Satna- 58 = 593 nos.

1.2.8.12 Purchase of MS railings at higher rates

Purchase of MS railings of different specification led to extra expenditure of ₹ 28.20 lakh.



View of MS Railings

The Unified Schedule of Rates (USR) 2007 of WRD provided for fixing in position one metre high pipe railing with three rows of 40 mm dia GI pipe at ₹ 777 per metre. Contrary to these requirements, the Lower Sihawal division, Churhat purchased (January 2008) MS angle iron railings through MPLUN at the rate of ₹ 3,280 per metre. Adding 15.97 *per cent* above the prevailing rates, the rate of one metre railing worked out to ₹ 901.10.³¹ Thus the purchase of 1,185 metre angle iron railing resulted in extra cost of ₹ 28.20 lakh {1185*(3280-901.10)}.

The EE Lower Sihawal division, Churhat stated (August 2010) that the purchase was made as per the orders of the CE. The reply is not acceptable as the purchase was made at higher rates.

1.2.9 Contract management

For construction and other works awarded to contractors, execution and payments were to be governed by the provisions in the agreements, provisions of the MP Works Department Manual as well as related instructions issued from time to time by the higher authorities. Security deposit and performance security deposit were required to be obtained from the contractors in the manner prescribed in the agreement or rules.

Instances of violation of agreement provisions and provisions of the Manual leading to inadmissible payments are discussed in the succeeding paragraph.

1.2.9.1 Undue benefit to the contractor

Release of performance security amounting to ₹ 2.10 crore and security deposit worth ₹ 1.19 crore resulted in loss of ₹ 1.60 crore.

- According to clauses 2.8, 4.2.1 and 4.3 of the agreement, the contractor whose tender was to be accepted was required, within 30 days of receiving the letter of acceptance or before entering the agreement, to furnish an initial performance security deposit equal to five *per cent* of the contract value. In addition, deduction for security deposit was to be made from the running bills equal to five *per cent* of each bill. However, the contractor was authorised to get the security deposit converted into interest-bearing securities. The validity of the performance security was up to 30 months beyond the due date of completion of works. The security deposit was to be refunded after the expiry of 12 months of issue of the final completion certificate. During the construction, the contractors demanded (2005) the release of performance security on the grounds that as per Government orders (May 2003) the provision for five *per cent* performance security was applicable on percentage rate tenders only. The E-in-C decided (January 2006) to release the performance security and accordingly, an amount of ₹ 2.10 crore (shown

31 ₹ 777 + 15.97 *per cent* = ₹ 901.10 *per metre*.

in **Appendix 1.8**) was released between January and November 2006. Similarly, an amount of ₹ 1.19 crore (as shown in **Appendix 1.9**) deducted on account of the security deposits and converted into fixed deposit receipts (FDRs)/ term deposit receipts (TDRs) of various banks was also released by the EE to the contractors.

The action of the E-in-C was incorrect because the Government, in its orders of May 2003, had made only a clarification in the percentage rate tender according to which the security deposit of five *per cent* was revised to 10 *per cent* (performance security five *per cent* and security deposit to be deducted from bills five *per cent*). As regards the item rate tenders, the provision for total deduction of 10 *per cent* already existed.

It was further seen that the contract of one package (KCP-3) was rescinded (June 2010) at the risk and cost of the contractor, forfeiting his performance security and security deposit as per agreement. However, both the deposits had already been released. Thus premature release of performance security and security deposit resulted in loss of ₹ 1.60 crore to the Government as shown in item one of **Appendices 1.8 and 1.9**.

The EE, Keoti Canal division, Rewa stated (July 2010) that the concerned contractors would be asked to return the security deposits which were irregularly released to them. The CE Ganga Basin stated (December 2010) that a show cause notice was being served to the EE and DAO and SAC.

Performance security of ₹ 5.74 crore was not obtained.



Contrary to the provisions of the agreement in 31 cases of construction of the Sihawal Canal, Keoti Canal, Purwa Canal and their distributories amounting to ₹ 133.40 crore, performance security amounting to ₹ 5.74 crore was not obtained from the contractor before signing (2006-07 to 2009-10) the agreement. The contractors failed to achieve the work within the stipulated date (December 2007 to June 2010) and thus the performance of the agreements was not secured.

The EE Lower Sihawal division, Churhat stated (September 2010) that as per the E-in-C's orders, no performance security was required on item rate contracts. The reply is not acceptable in view of the condition existing in the agreement.

Non-reduction of rates for mechanical works and inadmissible payment for drawing and design of civil work led to excess payment of ₹ 4.35 crore.

1.2.9.2 Excess payment to the contractor for drawing and design

Providing laying of the rising main of MS pipe of the Teonthar LIS was given (July 2008) to a supplier of Indore. The contract included mechanical works of ₹ 27.44 crore on item rate basis and ₹ nine crore for civil works on lump sum basis. As per the agreement, the rates of mechanical works were inclusive of 10 *per cent* for drawing and design of mechanical work only, payable on submission and approval of drawing and design. The department, however, paid (August 2008 to March 2009) an amount of ₹ 3.64 crore (₹ 2.74 crore for mechanical works and ₹ 90 lakh for civil works) for drawing and design.

Scrutiny in audit revealed that as per the agreement, no payment for drawing and design was payable on civil work. Therefore, payment of drawing and design of civil work resulted in excess payment of ₹ 90 lakh to the supplier.

Further, the rates of pipes also included 10 *per cent* for drawing and designs which were already paid (August 2008 and March 2009) to the supplier separately. Therefore, the rates had to be reduced by 10 *per cent*, which was not done. Thus non-reduction of the rates of pipes by 10 *per cent* resulted in excess payment to the supplier of ₹ 2.74 crore.

The EE stated (August 2010) that the agency had submitted drawings and designs for which payment of 10 *per cent* was made. The reply was not acceptable because as per the agreement, the payment for drawings and designs was not admissible for civil works.

- Against the indent of SE, Bansagar Canal Circle, Rewa, MPLUN issued (March 2007 to April 2008) supply orders to a supplier of Nagpur for design, supply and erection of MS pipes in seven super passages of Keoti and Purwa canals and two MS pipe aqueducts on minors on the Shikarganj distributory. As per the supply order, the firm was responsible for preparation of drawings and designs and their approval from the department. The rates in the supply order included 10 *per cent* for drawings and designs.

Scrutiny in audit revealed that the drawings and designs for the work were prepared by the department. Therefore, the rates were required to be reduced by 10 *per cent*. However, payment of ₹ 7.13 crore was made to the supplier between June 2007 and March 2010, without reducing the rates by 10 *per cent*. Non-reduction of rates thus resulted in excess payment of ₹ 71.32 lakh for work not done.

The EE, Distributory Division, Rewa stated (August 2010) that after verification of the facts, the amount would be recovered from the supplier. Audit, however, found (July 2010) that no amount against the firm was payable with the division to recover the excess payment.

1.2.9.3 Excess payment to the contractor due to incorrect application of rates

Incorrect application of rates for extra quantities resulted in excess payment of ₹ 1.76 crore.

Construction of the Purwa Main Canal from km 46.17 to km 68.22 (package PCP-10), estimated to cost ₹ 12.79 crore and km 68.22 to km 84 (package PCP-11A) estimated to cost ₹ 21.08 crore was given (2004-05 and 2006-07) to two different contractors. Their running bills for ₹ 16.49 crore and ₹ 20.67 crore were paid in March 2009 and June 2010 respectively. During execution, the estimated quantity of excavation in hard rock in the first case and soft rock and disintegrated rock in the second case were exceeded by 50190.63 *per cent* and 202.32 *per cent* respectively. As per the agreement, the rates for quantities in excess of 10 *per cent* were payable at the estimated rates of the accepted tenders based on USR 2003, plus or minus the percentage of the accepted tender. Accordingly, the admissible rates for the above items worked out to ₹ 155.97 per cu m and ₹ 69.48 per cu m respectively.

Contrary to the agreement, the CE proposed (December 2007 and March 2009) for the approval of E-in-C, the rates of ₹ 200 and ₹ 107.64 per cu m based on USR 2007, and directed (January 2009 and March 2009) the EE to make 75 per cent payment at the rates admissible as per agreement. The CE also permitted (March 2009) the payment of 75 per cent quantities of hard rock only in the case of package PCP-10. The E-in-C did not approve the rates as he was not satisfied with the reasons for variation and accordingly, returned (April 2010) the cases undecided.

The EE however, paid (March 2009 and June 2010) ₹ 3.93³² crore at full recommended rates. The payable amount at 75 per cent of the admissible rates worked out to ₹ 2.17 crore³³. Thus incorrect application of rates resulted in excess payment of ₹ 1.76 crore.

The EE, Purwa Canal Division, Satna stated (September 2010) that payment for only 75 per cent of excess quantities had been made. The reply was not acceptable because the CE had permitted (January 2009 and March 2009) payment at the rate of only 75 per cent of the admissible rates in respect of excess quantities and not at full rates. Further, in the case of package PCP-10 the CE had restricted the payment of 75 per cent of quantities only to be paid at 75 per cent of the admissible rates.

1.2.10 Monitoring and Quality Control

The CE, Bansagar Project and E-in-C, WRD were responsible for monitoring the progress of the project. They were not only responsible to ensure that the various works of the project were executed as per the specified time schedule and sanctioned cost but also to ensure the quality of execution by conducting the prescribed quality tests at prescribed frequencies.

Instances of deficient monitoring and quality control were noticed in audit as discussed below:

- Records pertaining to monitoring of quantities (for length of canal) and quality of work during the period of 2005-10 were not maintained. Although there were instances of large variations in the quantities of excavations and cement concrete works, the required length of canal was not achieved. The quality of work done in various cases was also found substandard and canal specifications were not followed in the execution of works. As instructed by the Principal Secretary, WRD, the Additional Secretary, WRD started monitoring the progress of work from July 2010 onwards.

32 *Package PCP-10-110397.39 cu m X ₹ 200 = ₹ 220.79 lakh*
Package PCP-11A- 122502.12 cu m X ₹ 100.4 = ₹ 122.99 lakh
45828.84 cu m X ₹ 107.64 = ₹ 49.33 lakh
Total 168330.96 cu m = ₹ 393.11 lakh (say ₹ 3.93 crore)

33 *Package PCP-10- 110397.39 cu m X ₹ 155.97 X 75 per cent = ₹ 129.14 lakh*
Package PCP-11A- 168330.96 cu m X ₹ 69.48 X 75 per cent = ₹ 87.72 lakh
Total = ₹ 216.86 lakh (say ₹ 2.17 crore)

- The USR of the WR department required that compressive strength of cement concrete should be tested at the frequency of four tests per 50 cu m of concrete and thereafter, one test per 50 cu m of concrete. Accordingly, for 8908.75 cu m of CC 1:3:6 and 6749.679 cu m of CC 1:2:4 executed under the packages KCP-4 and PCP-2 of the Keoti canal division, Rewa and Purwa canal division, Rewa respectively, against the requirement of 323 nos. of tests, only 98 tests were conducted. Thus the quality control tests were not done at the required frequencies to ensure the quality of works.

The EE stated (July 2010) that the quality control unit would be requested to carry out frequent tests.

1.2.11 Conclusion

During the construction of Bansagar Project (Unit-II) for the period of 2005-06 to 2009-10, inadequate survey led to large variations in quantities put to tender. Though the Water Resources Department had no financial constraints, the canal construction work was not completed within the stipulated date due to slow progress. Funds were diverted for works which were outside the scope of the project. Irrigation potential actually utilised was far beyond the irrigation potential created. Project execution lacked synchronised execution of different project components like construction of canals without head regulators and construction in patches with substantial gaps. During the last three years, the department gave more emphasis on purchases than on actual execution. Contract management at the field level was defective and as a result, the specified progress was not achieved. Excess payments to contractors were noticed. For construction of civil works, lump-sum contracts were used instead of item rates, leading to payments at inflated rates. Performance securities /security deposits were frequently released before completion of the works. The quality of work was not monitored properly. Technical specifications for construction of the canals were also not followed.

1.2.12 Recommendations

- Government should make effective rules regarding proper surveys and estimates so as to avoid discrepancies between estimated quantities and actual quantities.
- Funds should be utilised as per the Plans.
- The works should be strictly executed according to the Water Resources Department's specifications and purchases should also be regulated accordingly.
- Rules governing contract management should be followed strictly so as to avoid excess payments/ undue benefit to the contractors.
- Monitoring and quality control system should be strengthened.

Water Resources Department

1.3 Madhya Pradesh Water Sector Restructuring Project

Highlights

The Madhya Pradesh Water Sector Restructuring Project (MPWSRP) was proposed (May 2004) by the Water Resources Department (WRD), Government of Madhya Pradesh with an integrated vision for water sector development and its management, associating line departments viz. Agriculture, Horticulture, Livestock and Fisheries departments and various institutions. WRD received a loan of ₹ 1,919 crore from the World Bank towards MPWSRP. The progress of project implementation, physical as well as financial, was very slow. There were cases of delayed engagement of consultants, deficient implementation of the IT system, poor financial management, non-achievement of targeted irrigation potential, non-recovery of liquidated damages and advances, time and cost overruns and undue benefits to contractors.

Some important findings of the performance audit of MPWSRP are given below:

Delays in engagement of consultants ranging from 13 to 44 months and delays in delivery of services ranging from 15 to 35 months were the prime reasons for delays in implementation of the entire project.

(Paragraph 1.3.6.1)

The progress during the years 2005-06, 2006-07 and 2007-08 was very slow. Out of the project cost of ₹ 1,919 crore, only ₹ 688.25 crore (38 per cent) was utilised in five years against the project period of six years. Non-utilisation of funds led to avoidable liability of commitment charges of ₹ 8.26 crore.

(Paragraphs 1.3.7.2 and 1.3.7.3)

Against the targeted irrigation potential of 6.20 lakh hectares, only 0.69 lakh hectares was created.

(Paragraph 1.3.8.2)

Non-conducting of core tests of cement concrete lining rendered payment of ₹ 26.65 crore, in four schemes, irregular.

(Paragraph 1.3.9.2)

Irregular award of work costing ₹ 23.73 crore without invitation of open tenders resulted in extra cost of ₹ one crore.

(Paragraph 1.3.9.3)

Additional security deposit of ₹ 57.51 crore against 15 unbalanced bids was not obtained and liquidated damages of ₹ 20.93 crore were also not recovered.

(Paragraphs 1.3.10.1 and 1.3.10.3)

Irregular rejection of tenders in the first call resulted not only in non-procurement of World Bank loan of ₹ 28 crore but also in cost overrun by ₹ 4.61 crore.

(Paragraph 1.3.10.8)

1.3.1 Introduction

The Madhya Pradesh Water Sector Restructuring Project (MPWSRP) was taken up by the Water Resources Department (WRD), Government of Madhya Pradesh (Government) with assistance from the World Bank (WB) in 2004 and with a target of completion of March 2011.

WRD received (2004) a loan of ₹ 1,919 crore from the WB towards MPWSRP with an integrated vision for water sector development and its management, associating line departments³⁴ and various institutions³⁵ in the modernisation plan.

Five river basins³⁶ of Madhya Pradesh were selected for MPWSRP due to their contiguity, high incidence of poverty, varied water management challenges and presence of ageing irrigation schemes. The project was aimed at modernising the existing irrigation and drainage assets in these basins covering about 6.20 lakh hectares spread area. It included 654 (revised as 505 in 2009) schemes consisting of five major, 33 medium and 616 minor schemes. A map showing the Project Basins in which MPWSRP is being executed is given in **Appendix 1.10**.

1.3.2 Organisational set up

The Principal Secretary and the Secretary WRD are the administrative heads of the department at the Government level. The overall planning, coordination, procurement, implementation, financial control, monitoring and evaluation of MPWSRP are done by the Project Director (PD), World Bank Project (WBP). Chief Engineers (CEs), Superintending Engineers (SEs) and Executive Engineers (EEs) of the concerned divisions of WRD assist him to implement the project. Apart from that, the EEs are assisted by the line departments and other institutions. An Empowered Committee (EC) headed by the Chief Secretary was formed in March 2005, to review the progress of the MPWSRP at the apex level. The organogram of the department is given in **Appendix 1.11**.

³⁴ Line departments include Agriculture, Horticulture, Livestock and Fisheries departments.

³⁵ Jawahar Lal Nehru Krishi Vishwa Vidyalaya (JNKVV), Water User Associations (WUAs), Academy of Administration Bhopal, Water and Land Management Institute (WALMI), Universities and other training institutions.

³⁶ Chambal Betwa (CB), Narmada Tapti (NT), Dhasan Ken (DK), Yamuna Sindh, Tons and Wainganga Basin. The last was added with effect from March 2008.

1.3.3 Audit Objectives

The performance audit was conducted with a view to ascertain whether:

- the planning was appropriate and in accordance with the World Bank guidelines;
- adequate funds were available on time and were properly utilised;
- the execution of the project was carried out economically and efficiently;
- the project was completed within the stipulated time and improved water resource management and irrigation service delivery; and
- an effective monitoring mechanism as well as a proper internal control system were in place.

1.3.4 Audit criteria

The audit findings were based on the following criteria:

- Terms and conditions of the loan agreement with the WB.
- Madhya Pradesh Works Department Manual and irrigation specifications issued by the Government.
- Contract documents, rules and orders issued by the Government.
- Indian Standard (IS) codes of practice, issued by Bureau of Indian Standards.

1.3.5 Scope and Methodology of Audit

The performance audit of the records of the project for the period from 2005-06 to 2009-10 was conducted during May to September 2010 and covered samples of three major, four medium and six minor schemes being executed in 12 WRD divisions³⁷ (out of 43 divisions) under two controlling offices³⁸. The schemes were selected using the stratified random sampling method. Details of sample selection are indicated in **Appendix- 1.12**.

An entry conference was held in April 2010 with the Principal Secretary, WRD and Project Director (PD), WBP followed by an exit conference with the Additional Secretary, WRD and the PD, WBP in December 2010.

Audit acknowledges the co-operation given by WRD during the course of performance audit.

37 *SAS Vidisha, WRD Sheopur, WRD Dabra, WRD Jaura, WRD Morena, WRD Sabalgarh, Dam safety Gwalior, WRD Bhopal, WRD Ganjbasoda, WRD Nasrullaganj, WRD Sehore,, BVPP Bhopal.*

38 *CE, Yamuna Basin, Gwalior and CE, Chambal Betwa Basin, Bhopal.*

Audit Findings

1.3.6 Planning

MPWSRP was aimed at restructuring and modernising the existing irrigation schemes, assets and integration of line departments in the modernisation plan. Special thrust was given to institutional strengthening of WRD to equip the project with modern appropriate tools (through computerisations and communication infrastructure i.e. LAN/WAN, decision support system etc.) and to have an effective institutional coordination mechanism. As per the conditions of loan of the WB, WRD prepared a Project Implementation Plan (PIP) and Project Appraisal Document (PAD) in 2004, which enshrined different strategies and milestones for appointment of consultants and formation of key covenants for implementation of the MPWSRP.

Instances of non-adherence to the PIP leading to serious delays in engagement of consultancy services and non-formation of two important key covenants noticed in audit are discussed in the succeeding paragraphs:

1.3.6.1 Delay in engaging consultants

Delay in engagement of the consultants followed by consequential delay in deliverables by the consultants delayed the implementation of the project.

One of the vital components of the PIP was to engage consultants for implementation of the entire project. The PIP envisaged engagement of 15 key consultants, who would have a direct bearing on the successful implementation of the project. Consultants were required to be engaged at the initial stage of the project as the work of the consultants would ultimately support reforms in the WRD. Details regarding the engagement of the consultants and their present status are shown in **Appendix 1.13**.

Audit found (August 2010) that:

- some of the works like topographic and cadastral survey, preparation of the detailed project report {termed as Scheme Modernisation Plan, (SMP)} etc which were required to be done at the very beginning of the project actually started after delays of about 20 to 34 months;
- 10 consultants were engaged after delays ranging from 13 to 44 months with reference to the milestones specified in the PIP;
- four consultants delayed delivery of the services for periods ranging from 15 to 35 months *vis-à-vis* the milestones specified in the PIP. One consultant was terminated by WBP.

Delays in deliverables (like survey and preparation of SMPs) and under-performance by the consultants affected the overall performance of the project. Delay in one deliverable induced delay in other activities as these were interrelated and resulted in the overall delays in the implementation of the project.

During the exit conference, the PD, WBP stated (December 2010) that due to multi-stage evaluation by the WB, the entire process took a long time. He also stated that WRD had no experience in implementing WBP. Therefore, the delay was beyond control due to adherence to the WB procurement process and its conditions.

- three important consultants for 'Technical Examination of Works', 'Internal Audit' and 'Monitoring and Learning activity', required to be engaged during the first 18 months (December 2005) from implementation of the project had still not been engaged (December 2010). Engagement of two consultants for 'Research Programmes on Reservoir Fish Production Enhancement' and 'Improved Supplementary Feeds and Feedings' was deferred by the WB.

Due to non-engagement of consultants for 'Technical Examination of Works' and 'Monitoring and Learning Activity', the quality issues remained unassured and continuous assessment of the efficiency and impact of the project in achieving the desired objectives was not done.

The PD, WBP stated (December 2010) during the exit conference that the engagement of consultants for 'Technical Examination of works' and 'Monitoring and Learning activity' were in the final stage. The WB process took a long time in deciding terms of references which culminated in the overall delay.

The reply is not acceptable as the engagement of consultants at the end of the project period would not serve the purpose.

- the agreements did not provide penalty for delay in delivery of services and under-performance by consultants to ensure strict adherence of the prescribed time schedule.

The department stated (December 2010) that it was binding on WRD to adhere to the WB approved documents, where there was no such penalty clause.

The reply is not acceptable as due to non-inclusion of the penalty clause for under-performance, strict adherence of the prescribed time schedule could not be ensured. This also contributed to time over-runs and cost over-runs of the project.

1.3.6.2 Non-formation of key covenants

As per the conditions of the Project Appraisal Document (PAD), WRD had to establish 14 key covenants³⁹ by December 2005. Audit found (August 2010) that the department has formed (December 2005) 12 key covenants while the two key covenants given below had not yet been formed.

- the State Water Tariff Regulatory Commission (SWTRC),
- the installation and testing of computer systems and communication infrastructure (WAN/LAN) for both data and voice

³⁹ Key covenants refer to formation of the 14 formal arrangements with specific milestone for execution of the projects.

The department stated (December 2010) that SWTRC was to be formed by a legislation of the State Assembly and Wide Area Network (WAN) was suspended to avoid duplication as the State was developing the State Wide Area Network (SWAN).

1.3.7 Financial Management

As per the PIP, the objective of the financial management system was to enhance the accountability of the project management system, provide reliable and timely financial information, timely preparation and submission of Statements of Expenditure (SOEs) and Financial Monitoring Reports (FMRs). Proper allotment and expenditure by WRD and other departments was necessary to avoid under-utilisation of funds and payment of interest on unspent amounts.

1.3.7.1 Fund flow

The flow of funds through the WB loan is based on eligible expenditure that qualifies for reimbursement. The project receives the funds from the WB through Government of India (GOI) which is subsequently disbursed to various implementing agencies (IAs). The basis of reimbursement from the WB is the SOEs that are prepared and submitted on a monthly basis by the WBP. The loan of ₹ 1919 crore for the project was approved by the WB in 2004 which was to be repaid in 20 years. The loan agreement included penalty (termed as commitment charge) for under-utilisation of the loan.

A few instances of deficiencies in management of funds are discussed below:

1.3.7.2 Short utilisation of funds

Only 38.45 per cent of the project cost was utilised in five years against the project period of six years.

Allotment of funds and expenditure on the project for the last five years ending March 2010 revealed that as against the committed distribution of funds of ₹ 1789.98 crore, the department incurred an expenditure of only ₹ 688.25 crore as shown in Table No.1.16.

Table No. 1.16: Year-wise allotment and expenditure

(₹ in crore)

Financial Year	Committed distribution of funds	Original allotment	Revised allotment	Expenditure	Under utilisation of fund against revised allotment	Short utilisation of commitment charges	Percentage of utilisation of funds against the committed distribution of funds	Commitment charge leviable as per section 2.05 of the Loan Agreement (3/4 th of one per cent per annum)
1	2	3	4	5	6 (4 minus 5)	7 (2 minus 5)	8 (5/2*100)	9 (0.75 per cent of 7)
2005-06	154.76	125.00	60.96	15.67	45.29	139.09	10.12	1.04
2006-07	306.61	147.49	50.85	50.38	0.47	256.23	16.43	1.92
2007-08	366.93	300.93	130.93	120.39	10.54	246.54	32.81	1.85
2008-09	484.76	350.05	269.05	239.81	29.24	244.95	49.47	1.84
2009-10	476.92	350.00	347.42	262.00	85.42	214.92	54.94	1.61
	1789.98	1273.47	859.21	688.25	170.96	1101.73	38.45	8.26
2010-11	128.60							
Grand Total	1918.58							

(Source: - Information provided by PD, WBP)

Audit found that:

- the expenditure incurred against the committed distribution of funds for the last five year was only 38.45 *per cent*;
- the original allotments were reduced in all the five years due to non-finalisation of various schemes. Even the revised allotments were not utilised (2005-06 to 2009-10), resulting in an under-utilisation of ₹ 170.96 crore; and
- non-engagement of key consultants and non-implementation of the management information system were the main reasons for slow spending in the first two years. In the succeeding three years, it was due to slow processing of SMPs, delays in tendering and awarding of civil works and non-execution/delayed execution of rehabilitation works.

1.3.7.3 Avoidable liabilities towards commitment charges

As per Section 2.05 of Article-II of the loan agreement with the WB, the borrower was to pay a commitment charge at three fourth of one *per cent* per annum on the principal amount of the loan not withdrawn as per the agreed schedule.

Avoidable liability for payment of commitment charges of ₹ 8.26 crore was created due to non-utilisation of loan.

Scrutiny of allotments and expenditure for the last five years revealed that the total expenditure was as low as 38.45 *per cent* of the committed distribution of funds. This demonstrated poor financial management on the part of the WBP, leading to accumulation of avoidable liability of payment of commitment charges of ₹ 8.26 crore as shown in **Table No. 1.16**.

The department stated (December 2010) that delay in clearance of SMPs by the WB was the biggest bottleneck in ensuring timely utilisation of funds.

1.3.7.4 Under-utilisation of funds by the line departments

In five years, only 50 *per cent* expenditure was incurred by the line departments.

Scrutiny of allotment and expenditure for the last five years revealed under-utilisation of funds (approximately 50 *per cent*) by the line departments which defeated the process of integration of the line departments into the modernisation plan. The expenditure incurred against the committed distribution of funds for the last five years was as low as 7.3 *per cent* in the year 2005-06 to 74.95 *per cent* in the year 2008-09.

The Deputy Director (Agriculture) stated in May 2010 that due to non-fixation of targets for the year 2009-10 and non-receipt of allotments in time, the funds could not be utilised. The Deputy Director(s), Veterinary and Fisheries stated (May 2010) that the allotted funds remained unutilised due to shortage of staff and non-receipt of sanctions from the higher authorities.

The department further stated (December 2010) that the line departments had requested WBP for a revised financial disbursement system for better utilisation of funds.

1.3.8 Project implementation

Under MPWSRP, 654 irrigation schemes were taken up for modernisation and rehabilitation. The project envisaged asset modernisation, improving service delivery and drainage assets, creation and utilisation of irrigation potential, integration of line departments into the modernisation plan and institutional strengthening of selected river basins.

1.3.8.1 Shortfall in achieving the targets

As per the PIP, WRD identified (2004) 654 schemes (five major, 33 medium and 616 minor schemes) for the modernisation work. During 2009 it was revised to 505 (five major, 27 medium and 473 minor) schemes. The year-wise target and schemes actually taken up, are shown in **Table No 1.17**.

Table No. 1.17:-Year-wise break up of Targets and Schemes taken up

Name of basin	Year 1 (2005-06)		Year 2 (2006-07)		Year 3 (2007-08)		Year 4 (2008-09)		Year 5 (2009-10)		Year 6 (2010-11)		Total	
	T	TU	T	TU	T	TU	T	TU	T	TU	T	TU	T	TU
Betwa	150	-	51	-	33	14	12	36	02	08	02	-	250	58
Chambal	93	-	24	03	12	08	08	06	-	01	01	-	138	18
Sindh	23	-	13	-	13	02	03	01	-	01	01	-	53	04
Ken	62	-	32	-	22	01	-	-	01	04	01	-	118	05
Tons	44	-	26	02	18	01	06	-	01	12	-	-	95	15
	372	-	146	05	98	26	29	43	04	26	05	-	654	100

Targets (T); Taken up (TU)

(Source: Project Implementation Plan and Information provided by PD, WBP)

Audit found that:

Only 100 schemes (15 per cent) were taken up in five years against the project period of six years.

- only four *per cent* of the total schemes were initiated in the first three years and overall 15 *per cent* was taken up in five years (2005-2010);
- one hundred and forty nine schemes were dropped by WRD in 2009, being found unfeasible;
- till March 2010, WRD could prepare and submit SMPs of 213 schemes to the WB, out of which only 179 schemes were cleared;
- out of the 179 schemes cleared by the WB, the department had taken up only 100 schemes (three major, 13 medium and 84 minor) as on March 2010;
- eighteen schemes⁴⁰ (two medium and 16 minor) were terminated after incurring an expenditure of ₹ 4.60 crore; and.

Only nine schemes were completed in five years against the project period of six years.

- physical achievement (March 2010) was less than the target, as only nine schemes (one major and eight minors) were completed (March 2010).

40) Medium schemes:- Sakarra and Kerwan
Minor schemes:- Devendra Nagar, Brijpur, Amkhera, Nandgaon, Bhirata, Matagaon, Jeron, Jhinjhan, Dhubela, Gakariya, Panwari, Bandha, Phutwari, Kamodpura, Sidha Sagar and Tigoda

Out of three major schemes covered under sample selection, only the Harsi project covering CCA of 68392 ha in Gwalior district was completed (March 2009).

The status of the remaining two is discussed below:



Harsi Main canal

- Chambal Right Main Canal (CRMC), having length of 169 km, covering CCA of 1,86,000 ha in Sheopur, Morena and Bhind districts remained incomplete (53 *per cent*) as on March 2010 due to slow progress of the contractors and non-adherence to the milestones by the department,



Chambal Right Main Canal

- the restructuring of Samrat Ashok Sagar, covering CCA of 27,924 ha in Vidisha and Bhopal districts was taken up (February 2010) and only 13 *per cent* work was completed (March 2010),
- the work of distribution network of the major (except Harsi project) and medium schemes was not taken up (March 2010),
- against the targeted 27 medium schemes, only 13 schemes covering CCA of 46,076 ha were taken up (March 2010). Out of 13 schemes, 11 schemes remained incomplete (March 2010), and
- against the 473 minor schemes targeted, only 84 schemes were taken up (March 2010). Out of these, only eight schemes were completed.

The department stated (December 2010) that the delay was unavoidable due to involvement of many departments and interdependence of different consultants in the formulation of a single contract. The department also stated that though the number of schemes initiated in the first three years at six *per cent* appeared to have low value, the area covered by these schemes was more than 50 *per cent* of the target area of the project.

The reply is not acceptable as the schemes taken up covering more than 50 *per cent* of the area were still not completed (December 2010).

Against the targeted irrigation potential of 6.20 lakh ha, only 0.69 lakh ha (11 *per cent*) was created in five years.

1.3.8.2 Non-creation of irrigation potential

Prior to taking up the MPWSRP in 2004, there was a substantial gap between the irrigation potential created and utilised (70 *per cent* in minor, 50 *per cent* in medium and 40 *per cent* in major) due to several factors viz. degraded condition of dams and canals, poor irrigation management and water service delivery, low water use efficiency due to wastage at the field level and re-allocation of stored water for drinking purposes. The project was taken up to correct this situation and improve the performance of the irrigation system in the state.

Audit, however, found that (March 2010) as against the targeted irrigation potential (IP) of 6.20 lakh ha, IP of 69,286 ha (major 68,392 ha, minor 894 ha) i.e. 11.17 *per cent* had only been created. Thus, after incurring 38 *per cent* expenditure, the ultimate objective of the project remained unachieved.

The department stated (December 2010) that the irrigation potential remained unutilised due to low rainfall and non-completion of the projects.

1.3.8.3 Non-integration of line department

One of the objectives of the project was to integrate the line departments into the modernisation plan. Line departments were required to be strengthened for optimal productivity in the concerned areas viz cropping, fisheries development, livestock management, horticulture development, training and development of the user and user participation in the modernisation plan.

The WB reported (May 2010) on poor integration of the line departments into the modernisation plan. Audit also found that the management of the line departments was not fully aware of the component and scope of the project.

The department stated (December 2010) that it was known to the WB and the respective line departments that their capacity of handling such a major project was inadequate.

1.3.8.4 Deficient implementation of Information Technology System

The Project Appraisal Document (PAD) envisaged that during the first 18 months of the project (i.e. within December 2005) contracts for procurement of the computer peripherals should be finalised under the International Competitive Bidding (ICB) procedure. It also emphasised that the department should complete installation and testing of a computer system and communication infrastructure (LAN/WAN) conforming to the technical specifications approved by the WB.

Audit observed that procurement was done in the year 2007-08 after a delay of two years and LAN was installed in the year 2010 after a delay of five years.

The department stated (December 2010) that the delay was unavoidable as the first call agreement could not be drawn due to internal problems which were beyond its control.

(i) Non-computerisation of Financial Management System

The work of development of a Computerised Financial Management System was required to be completed by October 2007. However, the consultant for the computerisation was engaged as late as in March 2006. Consequently, the work of development of the computerised Financial Management System remained incomplete as on September 2010. The achievement was 60 *per cent* only, after incurring an expenditure of ₹ 57.04 lakh.

The department stated (December 2010) that due to the complex nature of the financial management system in the department and other reasons like changes and modification in the budgeting and payment procedure, the completion of the work got delayed.

(ii) Non-implementation of basic training in computer use

Non-synchronisation of different tasks affected the implementation of the Management Information System.

A consultant for basic training in computer use was engaged in December 2008, after a delay of 30 months. However as of September 2010, only 2000 employees were trained against the target of 5000 employees. The achievement was 40 *per cent* only after incurring an expenditure of ₹ 96.40 lakh. This resulted in idle outlay and delayed one of the important components of the project.

The department stated (December 2010) that 3300 training courses had been completed and a revised schedule was given by the consultant as the assignment was to be completed by May 2011.

The reply is not acceptable because implementation of IT system is one of the key components of the project. As per the PAD, several tasks like procurement of hardware/software, implementation of CFMS and basic training in computer were required to be synchronised by December 2005, which could not be achieved due to the backlog in basic computer training. Therefore, the implementation of the IT system at the end of the project period would not serve the purpose.

1.3.9 Project execution

As MPWSRP was executed with the help of the WB loan, utmost care was required to be taken for the preparation of estimates to avoid any financial burden on the project. Audit observed that the same was not taken care of, as enumerated in the succeeding paragraphs:

1.3.9.1 Extra cost due to unwarranted execution of Cohesive Non Swelling Soil (CNS)

According to a technical circular (No. 17/DS of BODHI)⁴¹ and specifications appended with the agreement, if swelling pressure of the sub grade (soil) was found

41 Bureau of Design for Hydel Irrigation Projects, WRD.

Extra cost was incurred due to unwarranted execution of Cohesive Non Swelling Soil.

below 50 kN/M² (0.5 kg/cm²), reinforcement of the sub grade by “Cohesive Non Swelling Soil (CNS)⁴²” was not required.

During test check of the three major projects, audit found that, swelling pressure in the reaches 0 to 21 km of the Chambal Right Main Canal (CRMC) was upto 40 kN/M² (maximum) but the contractor laid 2.45 lakh cu m of CNS between the reaches of 11.81 to 18 km and was paid at the rate ₹ 200 per cu m although this work was unwarranted and nothing was payable as the swelling pressure was within the permissible limit. This resulted in an extra cost of ₹ 4.90 crore (244966.7 cu m at the rate of ₹ 200 per cu m).

During the exit conference, the PD, WBP stated (December 2010) that the second test of the samples taken before execution of the work had confirmed the necessity of CNS in selected reaches.

The reply is not acceptable as the department failed to produce the subsequent test reports (December 2010) confirming the necessity of CNS in the selected reaches where swelling pressure of sub-grade was below 50 kN/M².

1.3.9.2 Irregular payments for non-conducting core test

Quality aspects of the work remained unassured due to non-conducting of core tests.

As per the agreement (clause 14, of chapter III, specification for canal lining,) conducting core tests⁴³ was mandatory to evaluate the quality, density, thickness of the concrete lining laid in the respective reaches. It was also stipulated in the clause 16 that the running payments were required to be made at 80 per cent of the accepted unit rate and the final payment at 100 per cent rate to be made after receipt of test results of the core.

During test check of two major, one medium and one minor scheme, Audit found that full rates for cement concrete lining were paid without conducting core tests. Thus the quality of the work remained unassured and the payment of ₹ 26.65 crore (as detailed in the **Appendix 1.14**), therefore, became irregular. The WB had also observed (January 2010) that the contractors failed to conduct the mandatory core tests and payments at the full rate had created a liability for the Government. Audit also observed that quality aspects of the rehabilitation work (of the identified old projects) remained unassured due to non-engagement (December 2010) of the consultant for 'Technical Examination of the Works'.

The department stated (December 2010) that the contractors were advised to perform core tests failing which, the requisite cost adjustments would be done from the running bills or securities with the department.

42 CNS (Cohesive Non Swelling Soil) material is like moorum to prevent the swelling property of the sub grade.

43 Term core tests used for sample testing of cement concrete lining by taking piece from lining work after 28 days for checking thickness, density, strength and quality of the lining.

Irregular award of work without invitation of tender.**1.3.9.3 Deviation from the original plan resulted in irregular award of work**

As per the instructions of the MPWD Manual, proper planning and correct estimation are the prerequisites of any project before floating of the NIT. It also stipulates (para 2.075 b) that the tender must be invited for any work proposed to be given on contract. The work of cement concrete lining in additional 11 km of the Chambal Lower Main Canal (CLMC) was not in the original scope of the work. Audit found that:

- the additional work of lining in other reaches (of 11 km) of CLMC, km 0 to 50, costing ₹ 23.73 crore, was additionally sanctioned and awarded to the existing agency by WRD in January 2010,
- payment for additional work of lining in 11 km of CLMC was sanctioned at higher rates, resulting in an extra cost of ₹ one crore to the work as shown in the **Appendix 1.15**.

The department stated (December 2010) that as per the requirement of the site, the additional work was included in the original work and was subsequently awarded to the same contractor, anticipating higher rates in the tender process. The reply is not acceptable as awarding of the work to the same contractor with such a large magnitude (71 *per cent*) was against the provisions of the MPWD manual and for which fresh tenders should have been invited.

1.3.9.4 Non-revision of contract cost resulted in extra cost

A contract for preparation of SMPs at a cost of ₹ 13.50 crore was awarded (January 2008) to a consultant after a delay of 34 months. It was found that out of the total 654 SMPs, 167 SMPs had already been prepared by the WRD and 149 schemes (LIS and other minor) were dropped by WRD prior to the awarding of the work. Therefore, the consultant was to prepare only 338 SMPs i.e. 52 *per cent* of the total SMPs. The consultant had actually delivered only 33 *per cent* of the services and was paid ₹ 6.01 crore, as of June 2010. Thus due to non-revision of the contract cost, the department had to pay an extra cost of ₹ 3.07 crore (i.e. cost of 149 schemes) to the consultancy service.

The department stated (December 2010) that 149 schemes were dropped as they were found unfeasible due to hydrological and catchments issues. The preparation of SMPs was planned to be done by the consultant. The process of appointment of consultants in accordance with the WB procurement method was a lengthy process. Therefore, WRD prepared 167 SMPs with its limited capacity. All these SMPs were however, approved by the WB subject to review by the consultant.

The reply is not acceptable because the SMPs prepared by the department were routed through the consultant for getting NOC from the WB. The requisite cost adjustment of 149 SMPs of the dropped schemes was not done by the department.

1.3.9.5 Non-conducting training programme and technology transfer

Agreement (clause 13 of The Appendix A) between the consultant and WRD provided training and technology transfer as a routine activity throughout the duration of the consultancy period to enable the MPWRD and other staff members involved in the project to learn and replicate the result for future projects. Audit found that though the cost of providing training ₹ 2.70 crore was included in the contracts, the training had not been conducted (August 2010) by three consultants⁴⁴ even after the lapse of more than five years. Due to the non-responsive attitude of these consultants and lack of control and monitoring by the WBP, the desired benefits (training for 2289 slots) of the schemes were foregone.

The department stated (December 2010) that training within the State and the country was conducted but the same could not be conducted abroad. Cost adjustment would be done in case of non-conducting the training requisites.

The reply is not acceptable because merely adjusting cost for training and technology transfer at the end of the project period would not serve the purpose as the intended benefits of the training and technology transfer to the MPWRD and other staff was not taken into account.

1.3.10 Contract Management

As per the lending policy of the WB, the contracts were executed as per the terms and conditions laid down in respect of the National Competitive Bidding (NCB) and International Competitive Bidding (ICB) approved by the WB. The NCB and ICB were introduced for this project with some special conditions viz. insurance coverage, depositing bank guarantee (BG) in advance towards security for unbalanced bids, imposing penalty for not achieving the specified milestones, payment of machinery advance and retention of all security deposits of the project till completion.

During the course of audit, several inconsistencies, lapses and breach of contract conditions were noticed by Audit. Some of these cases are enumerated in the subsequent paragraphs:

Department
accepted short
additional
security deposit
for unbalanced
bids.

1.3.10.1 Undue financial benefit to the contractor

As per clause 29.5 of the agreements, in the case of unbalanced bids⁴⁵, the contractor was required to deposit additional security sufficient to protect the employer against

44	Name of consultants	No. of Slots	Amount
	M/s CES New Delhi	2175	₹ 206 lakh
	M/s Theovel Bangalore	30	₹ 30 lakh
	M/s DHV BV	84	₹ 34.50 lakh
		2289	₹ 270.50 lakh

45 Unbalanced bids are bids where itemwise rates quoted by contractors are very high as compared to estimated rates.

financial loss in the event of default. This amount of deposit was required to be over and above the normal performance security of five *per cent* of total contract value.

During test check of three major, three medium and five minor schemes, Audit observed that while evaluating 15 qualified bids, the EC had determined the bids as unbalanced to the tune of ₹ 57.51 crore. Accordingly, additional security deposit of ₹ 57.51 crore was required to be submitted by the bidders. The contractors had, however, submitted additional security of only ₹ 2.72 crore, resulting in short receipt of security of ₹ 54.79 crore for the unbalanced bids as shown in the **Appendix- 1.16**.

The department stated (December 2010) that bank guarantee for five *per cent* of the total unbalanced amount was obtained from the contractors as per standard practice. If the department attempted to secure 100 *per cent* of the unbalanced bid amount from the contractors, they would eventually start quoting higher rates, thus escalating the contract cost.

The reply is not acceptable as bank guarantees for the total amounts of the unbalanced bids were required to be obtained to secure the risk of the employer as per the agreement.

1.3.10.2 Short/non-coverage of insurance

The works were not insured as required under clause 13 of the agreements.

According to clause 13 of the conditions of the contract, the contractor was required to provide an insurance cover, from the date of commencement of the contract to the end of defect liability period⁴⁶ for the amounts specified in the contract for covering various hazards.

During test check of three major, three medium and five minor schemes, Audit found that in 14 agreements, despite contractual requirement of payment of insurance premium to the extent of ₹ 3.75 crore, insurance premium of only ₹ 0.07 crore was paid by three contractors and 11 contractors failed to submit any insurance coverage. This resulted in undue benefit of ₹ 3.68 crore to the contractors as shown in the **Appendix- 1.17**.

The department stated (December 2010) that the contractors were asked to submit the insurance cover else recoveries were to be made. The reply did not explain the reasons why contractors were given undue financial benefit and the recoveries were not effected *suo-motto*. Neither the insurance coverage for ₹ 3.68 crore was furnished by the contractor nor was the amount recovered.

1.3.10.3 Non-recovery of liquidated damages

Liquidated damages of ₹ 20.93 crore for non-achievement of targets.

Clause 49.1 of the agreement provided that in the event of failure to achieve the specified progress, the contractor was liable to pay liquidated damages to the employer at a daily rate specified in the contract data. Each contract specified different rates.

⁴⁶ Defect liability period is a period of one year from the date of completion of the work during which the contractor shall rectify at his cost all defects noticed by the employer during this period.

During test check of two major, two medium and one unclassified⁴⁷ schemes audit found that in nine agreements, the contractors failed to achieve the desired targets. Liquidated damages of ₹ 27.41 crore were recoverable from those contractors but only ₹ 6.48 crore was withheld from their bills. This resulted in non-recovery of liquidated damages of ₹ 20.93 crore as detailed in the **Appendix – 1.18**.

The department stated (December 2010) that liquidated damages would be recovered from the contractors who failed to achieve the desired targets.

1.3.10.4 Excess payment due to use of PPC cement

Excess payment of ₹ 3.01 crore due to use of PPC instead of OPC in the lining work against the specification.

Irrigation specifications appended to the agreement, forms part of the agreement. Clause 9 of Chapter III of the specifications provided that 'Ordinary Portland Cement' (OPC) 43 grade should be used in the canal lining work.

During test check of three major schemes, audit found that in six agreements, mixed design for cement concrete lining were prepared by using 'Pozzolona Portland Cement' (PPC) instead of OPC 43 grade. PPC was cheaper by ₹ 200 per metric tonne as compared to OPC 43 grade. While making the payments for work done, the rate difference recoverable from the contractors was not recovered. This resulted in excess payment of ₹ 3.01 crore to the contractors as detailed in the **Appendix- 1.19**.

The department stated (December 2010) that cement of any grade could be used in canal lining as per chapter II A of the specifications for canal lining. The reply is not acceptable because chapter II A of the specifications was a general provision for concrete mix ingredients, while chapter IV of the specifications for canal lining clearly specified use of OPC-43 grade cement in lining work.

1.3.10.5 Irregular sanction of additional work

Additional work was sanctioned by CE in contravention of the provisions of the agreement.

According to the agreement, the employer (i.e the Chief Engineer) was empowered to allow variations upto one *per cent* of the contract price at a time, subject to a maximum of 10 *per cent* in the aggregate. Variations in excess of these quantities were required to be sanctioned by the PD (WBP).

Audit found that in the restructuring work of Harsi main canal, Dabra, (probable cost of ₹ 57.42 crore), additional quantities for the extra reaches beyond the purview of agreement costing ₹ 11.90 crore (20.72 *per cent*) was sanctioned by the Chief Engineer, Yamuna Basin, Gwalior (July 2009 and March 2010) without the approval of the WB. This resulted in an irregular payment of ₹ 11.90 crore.

The department stated (December 2010) that the amount was sanctioned by the CE, Yamuna Basin, Gwalior. The reply is not acceptable as the sanction of the CE was beyond the provisions of the agreement and the sanction of the entire amount of ₹ 11.90 crore came within the purview of the Government. Moreover, the copy of the sanction order was not produced to Audit.

⁴⁷ Water quality enhancement of Swarna Rekha river (Dam safety Division Gwalior).

1.3.10.6 Irregular refund and conversion of retention money

Premature refund/ conversion of retention money before completion of work.

Clause 48 of the agreement provided that retention money⁴⁸ (security deposit), was to be deducted and retained till completion of the whole work. On completion of the whole work, only half of the total amount retained, qualified for the refund to the contractor and the balance amount was payable after the expiry of the defect liability period of one year, subject to the condition that the engineer certified that all defects notified to the contractor had been corrected. The contractor had an option to substitute the retention money with a bank guarantee on completion of the whole work but before completion of the defect liability period.

Test check of three major schemes revealed that in violation of the agreed terms and conditions of the agreement the retention money of ₹ 60.86 lakh was irregularly refunded to the contractor⁴⁹ after completion of merely 43 *per cent* of the work.

Similarly in two cases⁵⁰ of WR Harsi division, Dabra, the retention money of ₹1.97 crore, which was to be retained in cash deposit, was substituted by fixed deposit receipts (FDR), though there was no provision in the agreement for such substitution. This action not only contravened the explicit provision of the agreement but also was against the financial interest of the Government.

The department stated (December 2010) that ₹ 30 lakh had been recovered and the balance amount would be recovered from the running bills.

1.3.10.7 Irregular payment of escalation for the bitumen component

Irregular payment of escalation for the bitumen component beyond the scope of work.

Out of the total 14 works test-checked, Audit found that though bituminous work was not in the scope of work of the two agreements⁵¹, an amount of ₹ 25.84 lakh was paid to the contractor towards price adjustment for the bitumen component.

The department reportedly recovered the amount of ₹ 4.42 lakh related to the work of Swarna Rekha River and assured (December 2010) that the bitumen component for the Ambah Branch Canal work would be adjusted from the next escalation bills.

1.3.10.8 Irregular rejection of tenders in the first call

Rejection of tenders in first call led to Mis-procurement of World Bank loan and cost over run.

Bids for the 'Work of Resectioning and strengthening of Chambal Lower Main Canal (CLMC) from km. 0.00 to 50.00-Slice No.3', were invited (December 2006) by the CE, Yamuna Basin, Gwalior with an estimated cost of ₹ 28.14 crore. Bids were opened on 22 August 2007 and the four bidders submitted their offers as detailed in **Table No.1.18.**

48	<i>At the rate of six per cent of the gross amount of each running account bill, subject to a maximum of the five per cent of the contract amount</i>	
49	<i>Agreement No.25/07-08 vide voucher no. 4 dated 04 september.2009, CRMC 60-93, EE WRD Sheopur:</i>	
50	<i>Agreement No</i>	<i>Amount of Retention Money converted into FDR</i>
	01/2007-08	₹ 55,74,800
	04/2007-08	₹ 1,40,80,000
	Total	₹ 1,96,54,800
51	<i>Ambah branch canal</i>	₹ 21,41,415
	<i>Swarna Rekha river</i>	₹ 4,42,667
	Total	₹ 25,84,082

Table No. 1.18: Details of bidding

(₹ in crore)

Sl. No	Name of the Bidder	Estimated cost	Rates offered by the bidder	Percentage above to the USR (1 July 2007)	Remark
1	A	28.14	29.89	6.22	Bidder A participated in both the bids i.e. slice 3 and 4 ⁵² as a lowest bidder. Therefore, the offer of Bidder A for slice 3 was not considered.
2	B	28.14	32.42	15.24	
3	C	28.14	32.71	16.63	
4	D	28.14	35.94	27.73	

The lowest tender of 'A', which was 6.22 per cent above the estimated cost was rejected as per the tendering criteria because 'A' had already been awarded the work of slice No. 4. The offer of the second lowest bidder 'B' was 15.24 per cent above the estimated cost. When the WB was apprised (18 October 2007) of the high rates, it had intimated (5 November 2007) that the rates of the 'B' were reasonable and instructed the project authorities to resolve the issue. The WB also stated (19 May 2008) that if the bid of the lowest eligible bidder could not be sanctioned, this would be declared as 'mis-procurement' of loan and it would consequently entail cancellation or reduction of the loan of US \$ seven million (Approx ₹ 28 crore).

However, the bid of 'B' was finally rejected (10 July 2008) by the CE on the plea that the rates were on the higher side as compared to the prevailing rates (i.e. 9.16 per cent above). WRD decided that the work of Chambal Lower Main Canal would be executed from the State share of MPWSRP. Therefore, tenders were re-invited (11 July 2008) by the CE, Gwalior and the lowest offer of contractor 'E' (17.73 per cent above Unified Schedule of Rates) was accepted by the Empowered Committee (8 October 2008).

Thus the reason of 'high rates', given by the EC for rejection of the lowest bid of 'B' was incorrect. The irregular rejection of the tender in the first call and the acceptance of the costlier tender in the subsequent call not only deprived the project of the WB loan of ₹ 28 crore but also resulted in extra cost of ₹ 0.70 crore⁵³.

The department stated (December 2010) that work could not be allotted to the successful bidder because the bidder refused to extend the validity of offer. Therefore, the work was got executed from the State share of MPWSRP. The reply is not acceptable as the WB had clearly instructed to resolve the issue (accept the eligible tender) even though the department rejected the tender.

Similarly, in the case of the composite work of 'Restructuring and Modernisation work of Intkhedi Tank, Chanchad Barrage, Parwalia Tank and Kadampur Tank', the bid of the lowest eligible bidder at a cost of ₹ 1.75 crore was rejected by the E-in-C, WRD (March 2007) being on the higher side. Subsequently, after re-tendering, the bid of another contractor at the cost of ₹ 5.65 crore was sanctioned (February 2010) by the PD, WBP. Thus due to delay in award of work for three years, the cost

⁵² Morena Branch canal, WRD Jaura.

⁵³ (17.73 per cent minus 15.24 per cent of ₹ 28.14 crore).

increased from ₹1.75 crore to ₹ 5.66 crore, resulting in time overrun by three years and cost overrun by ₹ 3.91 crore.

The EE, WRD, Bhopal stated (August 2010) that the cost had increased due to revision of the USR. The reply was not tenable as the increase in the cost was mainly due to delay of three years in the awarding of the work.

1.3.10.9 Irregular award of work in contravention of contractual provisions

Breach of contract due to delayed submission of performance security.

Clause 29.5 and 34.1 of the agreement for the work of 'Modernisation of Swarna Rekha River, Gwalior' provided that the successful bidder should deliver a performance security in any of the forms for an amount equivalent to five *per cent* of the contract price plus the additional security for the unbalanced bids to the employer within 21 days of the receipt of the letter of acceptance. Failure of the successful bidder to comply with the requirements of sub-clause 34.1 would constitute a breach of contract, which might be a cause for annulment of the letter of acceptance and forfeiture of the bid security. The employer would award the contract to the next bidder.

Audit observed that the bid of the lowest contractor for 'Modernisation of Swarnarekha river, Gwalior' was accepted on 25 February 2008 by the EC and was communicated to the contractor on 27 February 2008. However the agreement was executed on 31 March 2008 by the contractor after a lapse of 33 days. After entering into the contract, the contractor had submitted a fixed deposit receipt of ₹ 1.26 crore which was short by ₹ 0.73 crore. After several reminders, the contractor finally submitted a bank guarantee of ₹ 1.99 crore towards the performance security on 28 April 2008. Delayed submission of performance security constituted a breach of contract. This resulted in non-forfeiture of bid security of ₹ 63.10 lakh and irregular award of work amounting to ₹ 37.84 crore.

The department accepted (December 2010) the delay in submission of the performance security by the contractor, which constituted the breach of contract.

1.3.10.10 Loss due to non-recovery from the defaulting contractor

Loss due to non-recovery from the defaulting contractors.

The work of 'Restructuring and modernisation of main canal of Kerwan medium irrigation project under WRD, Bhopal' was awarded (November 2008) to a contractor, with an estimated cost of ₹ 2.65 crore and with a stipulation to complete the work within 18 months (May 2010). The progress of the work was very slow and therefore, it was terminated (April 2009) by the EE, WRD, Bhopal.

Recovery of ₹ 81.62 lakh from the defaulting contractor on account of liquidated damages (₹ 26.5 lakh), mobilisation advance (₹ 16.43 lakh) and other recoveries (₹ 38.69 lakh) as per the terms of contract (clause 59.1 and 60.1) was not made by the CE (July 2010). Performance security of ₹ 37.10 lakh was only forfeited. This resulted in short recovery of an amount of ₹ 44.52 lakh from the contractor.

The department stated (December 2010) that as per the instructions of the Government, the E-in-C, WRD assured (April 2010) to recover the remaining amount from the ongoing work of the same contractor under his jurisdiction. Action on recovery was awaited (December 2010).

1.3.11 Monitoring and Internal Control

As per the PIP, an effective monitoring and learning system containing indicators and benchmarks for achievement of project objectives should be implemented during the early stage of the project. The following deficiencies were noticed in monitoring and the evaluation system:

- As per Project Approval Document, the consultant for undertaking the work of 'Monitoring and Learning activity' was to be engaged by December 2005. However, it had not been engaged as of December 2010.
- As per the orders (July 2010), of the PD, WBP counterpart teams consisting of departmental officials were formed (September 2010) to monitor different tasks performed by the consultants on a weekly basis. Formation of the teams for monitoring and evaluation at end of the project period would not serve the purpose.
- Implementation of the IT system was delayed by five years which substantially impeded the monitoring mechanism,
- The WB Mission conducted (November 2009) a comprehensive study including site inspection of the ongoing works under the project. The initiatives taken by the project authorities were assessed by the WB as 'moderately unsatisfactory'. The gist of key findings of WB Mission against different components of execution is shown in **Appendix 1.20**.
- The department stated (December 2010) that monthly review meetings on physical and financial progress were being regularly organised by the PD, WBP through video-conferencing.

1.3.12 Conclusion

About 83 *per cent* of the project time was over but the department failed to implement the project in a timebound manner. Irrigation potential of only 69,286 ha (11.17 *per cent*) had been created (March 2010) as against the targeted irrigation potential of 6.20 lakh ha due to non-completion of the schemes. After incurring expenditure of only ₹ 688.25 crore (38 *per cent*) against the project cost of ₹ 1919 crore, only nine schemes (one major and eight minor) out of 654 schemes were completed. Delay in the engagement of consultants and deliverables adversely affected the completion of the project. Contract documents were not prepared with due care and faulty clauses entailed risk of financial loss and contractual/legal complications. There were cases of non-recovery of liquidated damages and additional security deposits providing undue benefits to the contractors etc.

Deficient internal control, inadequate monitoring and unsatisfactory performance of the line departments in the modernisation plan further aggravated the issue.

1.3.13 Recommendations

- A penal clause should be included in the agreement for under-performance or delayed performance by the consultants to ensure that the consultants adhere to the guidelines and policy directives.
- Steps should be taken to ensure strict adherence to the prescribed schedule to avoid time and cost overruns, and payment of commitment charges.
- Conditions of the agreements should be adhered to and steps should be taken to avoid legal complications.
- Proper steps for internal control and monitoring of the project should be taken up.