Chapter 2

Performance Audit

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CHAPTER-II

Performance Audit

Public Works Department

2.1 Construction of Bridges

Executive Summary

Public Works Department Government of Madhya Pradesh, is responsible for planning, designing and construction of Bridges and Railway over Bridges in the State. During the period 2008-13, an expenditure of ₹ 695.50 crore was incurred on construction of 385 bridges. The bridge works were funded from the State Plan Budget, National Bank for Agriculture and Rural Development and Central Road Fund. A performance audit of "Construction of Bridges" showed deficiencies in planning, execution, contract management and monitoring of the works.

We observed lack of planning and investigation for construction of bridges as reflected from selection of unsuitable sites, inappropriate drawings and designs necessitating post-tender changes and consequent time and cost overrun as well as inadequate survey leading to delays in execution of bridges. *Government should ensure that detailed survey and investigation of bridge sites is conducted before preparation of estimates and the designs of bridges are prepared appropriately.*

(Paragraphs 2.1.7.3 to 2.1.7.5)

Execution of bridge works and management of contracts was deficient as reflected from award of works without land acquisition, delay/non-construction of approaches of bridges, delay in approval of drawings/designs, inaction/delay in action on defaulting contractors, which resulted in significant delays in completion of bridge works. Further, inflated estimation in the cases of lump sum contracts due to selection of expensive foundation and provision of unwarranted liners resulted in undue benefit to the contractors and extra cost to the Department. *Government should ensure that construction of approaches is synchronized with construction of bridges.*

(Paragraphs 2.1.8.1 to 2.1.8.6)

Contract management in the construction of bridges was not effective. There were instances of irregular grant of time extension for delays absolved the contractors from the liability of penalty besides payment of escalation. *The Department should initiate penal action against the defaulting contractors.*

(Paragraphs 2.1.9.1 and 2.1.9.2)

2.1.1 Introduction

Public Works Department (PWD), Madhya Pradesh is the primary agency of the Government of Madhya Pradesh (GOMP) engaged in planning, designing and construction of bridges and railway over bridges (ROBs).

Lack of bridges[1] hinders the development of transportation facilities in a State. Bridge divisions of the PWD construct bridges sanctioned by the Government. Other structures are called culverts which are constructed by divisions other than Bridge Divisions of the PWD.

In order to enhance the transport facilities in Madhya Pradesh (MP), the Department spent ₹ 695.50 crore on construction of 385 bridges (231 completed including five railway over bridges and 154 ongoing) between 2008-09 and 2012-13. Out of the completed bridges, 92 were completed with loan assistance from National Bank for Agriculture and Rural Development (NABARD), one from Central Road Fund (CRF) and remaining 138 with State Plan funds.

2.1.2 Organisational set-up

PWD is headed by Principal Secretary at Government level. The overall responsibility of construction of bridges is with the Engineer-in-Chief (E-in-C) who is assisted by a Chief Engineer (CE) Bridge Zone. All bridges are constructed by the Bridge Zone under the control and supervision of CE, Bridge Zone Bhopal. CE is assisted by Superintending Engineers (SEs) in three circles stationed at Bhopal, Jabalpur and Gwalior. The field work is being executed by Executive Engineers (EEs) in eight divisions stationed at Bhopal, Indore, Ujjain, Sagar, Gwalior, Rewa, Jabalpur and Seoni.

2.1.3 Audit objectives

The performance audit (PA) was conducted to assess whether:

- adequate funds were available and were properly utilised;
- planning was appropriate and was in accordance with the Indian Road Congress (IRC) specifications;
- contracts for execution of bridge works were managed as per plan, standard/approved designs and specifications;
- closure of contracts managed effectively and according to the terms and conditions of contracts; and
- monitoring and control system was adequate and effective.

2.1.4 Audit criteria

The audit findings were based on criteria derived from the following:

- Provisions of the Madhya Pradesh Works Department (MPWD) Manual;
- Specifications issued by IRC;

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[1] The term bridge is used where catchment area of water is 15 square km and above and other structures are called culverts constructed by divisions other than Bridge division of PWD.

- Technical instructions and specifications issued by controlling office;
- Terms and conditions of contracts and
- Orders relating to construction of bridges issued by the Government.

2.1.5 Scope and methodology of audit

Construction of bridges in MP is executed by eight bridge divisions of PWD under the control of CE Bridge Zone Bhopal. PA was conducted (October 2012 to March 2013) by test check of records relating to construction of bridges in the offices of CE Bridge Zone Bhopal and all the eight bridge divisions. Out of 231 completed (2008-09 to 2012-13) and 154 ongoing bridges (as of March 2013), we examined 81 completed (State 42, NABARD 38 and CRF one) and 22 ongoing bridge works (State 14 and NABARD eight) selected on random basis.

The audit objectives, criteria and methodologies were discussed with the Principal Secretary, PWD during the entry conference held on 25 September 2012. In the exit conference held on 29 August 2013 with the Principal Secretary, PWD, audit findings were discussed and the views expressed during the conference have been suitably incorporated in the Audit Report.

2.1.6 Allotment and expenditure for bridge works

The sources of fund for construction of bridges are State budgetary allocation, loans from NABARD and grant-in-aid from CRF. NABARD financed[2] projects have State share of 20 *per cent* of total project cost. Expenditure under NABARD assisted projects is incurred first from budgetary allocation of the State. NABARD reimburses in the form of loan on submission of a statement of expenditure incurred by the State Government in execution of the projects.

Funds from CRF as grant-in-aid for projects are sanctioned by the Government of India (GOI), Ministry of Road Transport and Highways (MORT&H), which are routed through State Budget. Funds are released by GOI in instalments on submission of utilisation certificates of earlier released funds.

The year-wise allotment and expenditure during the period 2008-13 out of funds from NABARD, CRF and State are given in **Table 2.1**:

Table 2.1: Statement showing fund-wise allotment and expenditure

(₹ in crore)

Years	NABARD Projects(132)		Central Road Fund Projects (six)		State Projects (247)		Total	
	Allotment*	Expenditure*	Allotment	Expenditure	Allotment	Expenditure	Allotment	Expenditure
2008-09	76.50	52.42	---	---	53.50	48.36	130.00	100.78
2009-10	58.00	52.51	0.40	0.39	72.85	68.48	131.25	121.38
2010-11	104.83	78.86	3.99	3.99	87.01	86.73	195.83	169.58
2011-12	44.46	42.91	5.23	5.23	94.00	89.11	143.69	137.25
2012-13	58.86	54.82	9.23	8.84	105.57	102.85	173.66	166.51
Total	**342.65**	**281.52**	**18.85**	**18.45**	**412.93**	**395.53**	**774.43**	**695.50**

* Include State Share (20 *per cent*)

(Source-: Information provided by the E-in-C and CE Bridge Zone Bhopal)

[2] Eighty *per cent* of project cost is financed by NABARD loan, the rate of interest of NABARD loan was 6.5 *per cent* per annum up to March 2012 and eight *per cent* from April 2012.

During the period 2008-13, the total expenditure for 385 bridges was ₹ 695.50 crore (90 *per cent*) against total allotment of ₹ 774.43 crore. Fund utilisation under NABARD project was comparatively low at 82 *per cent* against State projects (96 *per cent*) and CRF projects (98 *per cent*). Under-utilisation can be attributed to delays in construction/ completion of works. We, however, noticed instances of extra cost, unfruitful and infructuous expenditure as discussed in this review.

2.1.7 Planning and investigation

2.1.7.1 Selection of bridges for construction

Department did not have any norm/criterion for assessing the need of bridges for construction.

For ensuring development in the State, a master plan should be drawn by the Department by identifying the requirement of bridges through surveys and its priority keeping in view the demand of the local people and the limited resources available. We observed that MPWD Manual is silent about any norm/criterion for preparation of such master plan. Also, the Department did not have any mechanism for assessment and identification of the necessity of bridges in a State.

We observed that no master plan was prepared of future years for construction of bridges. For selection of bridge works, EEs forwarded the recommendations of representatives of local people/Administrative Officers of the districts to CE and E-in-C for making budget proposal for a particular bridge. During scrutiny of this issue in two tests checked districts viz. Balaghat and Indore, we observed that selection of bridges for construction was not in accordance with the recommendation made by CE during 2008-09 to 2012-13, as detailed in the **Table 2.2**.

Table 2.2: Statement showing proposals and selection of bridges

Year	Bridges proposed by CE to E-in-C/Government						Bridges selected for construction by Government					
	With justification		Without justification		Total		From CEs proposal		Not proposed by CE		Total	
	Balaghat	Indore	Balaghat	Indore	Balaghat	Indore	Balaghat	Indore	Balaghat	Indore	Balaghat	Indore
2008-09	12	09	03	--	15	09	05	–	02	07	07	07
2009-10	–	--	--	01	–	01	--	–	01	01	01	01
2010-11	04	01	--	01	04	02	--	–	--	01	--	01
2011-12	02	--	--	–	02	--	--	--	01	01	01	01
2012-13	16	04	–	–	16	04	03	02	04	04	07	06
Total	**34**	**14**	**03**	**02**	**37**	**16**	**08**	**02**	**08**	**14**	**16**	**16**

(Source-: Information provided by CE Bridge Zone Bhopal)

It would be seen from the table 2.2 that out of 53 bridges proposed by CE, the Government selected for inclusion in budget only eight bridges of Balaghat District and two bridges of Indore District. Eight bridges of Balaghat and 14 bridges of Indore were selected which were not proposed by CE for inclusion in budget. Thus, there is no uniform procedure for making proposal of construction of bridge for the purpose of its selection and inclusion in budget.

In the exit conference, the Principal Secretary stated that projects were executed after approval of the State Legislature. The reply, however, does not address the need for taking up of bridge works in a planned manner.

2.1.7.2 Preparation of Detailed Project Reports

DPRs for 64 bridges were prepared in haste within 20 days, resulting in deviations from DPRs in 16 cases.

IRC specification (IRC-SP: 54) provides for preparation of pre-feasibility report and feasibility report before preparation of Detailed Project Report (DPR). In the feasibility study, the activities like topographic survey, hydraulic survey, traffic survey, sub-soil investigations, analysis of data and identification of alternative bridge site/alignment are required to be performed for project preparation of the bridge. After finalisation of alignment and bridge site, detailed investigations are carried out with respect to topographic survey, sub soil investigation and environmental impact assessment. All these activities are time taking and it cannot be carried out in short time. CE also opined (October 2012) in a correspondence with E-in-C that preparation of a DPR takes two to three months.

E-in-C, PWD issued instructions (22 December 2012) to CE Bridge Zone Bhopal and the field offices to prepare and submit DPRs of 64 bridge works by 7 January 2013. After the field offices prepared DPRs, CE technically sanctioned DPRs within 15 January 2013 and sent the same to E-in-C for Administrative Approval (AA). Thus, DPRs for 64 bridges were prepared and scrutinised within a short period of 20 days. Further, AAs of 42 other bridges were accorded (April 2013) by the Government, in respect of which the details of preparation of DPRs were not found in records.

Further, according to instructions issued (December 2012) by CE Bridge Zone Bhopal, site selection for construction of bridge was to be done by the concerned SE. The site selection for 64 bridges scattered over the State was to be done by only three SEs. Evidently, it was not feasible to complete site selection work, detailed survey work and preparation of DPRs within a short span of time. We observed that in 16 out of 106 bridges approved works had been stopped due to broad deviations in actual data of site compared to that in DPRs.

CE stated (June 2013) that DPRs were prepared as per instructions of the Government and other formalities was to be done at the time of construction of bridges. In the exit conference (August 2013), the Principal Secretary stated that on the instructions of the Finance Department, DPRs were prepared in short period but proper examination was done. The reply confirms that DPRs were prepared in short time in which proper examination was not feasible resulting in inadequate/ improper preparation of DPRs.

2.1.7.3 Selection of unsuitable sites for bridges led to delay and extra cost

Survey was conducted only at one site instead of two to four sites, resulting in selection of unsuitable sites and extra cost of ₹ 2.11 crore.

According to IRC specifications (IRC-SP: 54), preliminary surveys of two to four sites are to be carried out for construction of bridge. Detailed survey of most feasible and economical site is carried out before preparing General Arrangement Drawing (GAD) for preparing detailed estimates.

We noticed (October 2012 to January 2013) that in cases of three bridges (**Table 2.3**), according to survey report, only one site was considered for preliminary survey and all the investigations were carried out only for those single sites. Survey for no other site was conducted to ascertain most feasible and economical site.

For Malgaon bridge on Pati Bhatki road and Sone bridge on Porhi Rajghat road, the Department surveyed only one site. On both the selected sites,

additional medium bridges had to be constructed in approaches due to presence of a *nala* in the sites. Similarly, at the site for Ajnar bridge, the river had a bend and hence the approach work was damaged by the flow of water. This necessitated construction of cross drainage and extra protection work. Due to selection of unsuitable sites for bridges/approaches, additional medium bridge, cross drainage and extra protection had to be constructed. This resulted in avoidable extra cost of ₹ 2.11 crore as detailed below:

Table 2.3: Extra cost due to selection of unsuitable sites

(₹ in lakh)

Division	Name of Bridge	Period of Construction	Estimated Cost	Extra cost
Indore	Malgaon bridge on Pati Bhatki road	June 2005 to February 2010	75.94	38.97
Rewa	Sone bridge on Porhi Rajghat road	January 2007 to March 2013	525.79	68.18
Ujjain	Ajnar bridge on Biaora-Bahadurpura road	August 2003 to March 2013	49.73	103.91
	Total		**651.46**	**211.06**

(Source-: Information provided by the bridge divisions)

In the exit conference, the Principal Secretary stated that the sites were selected on the existing bullock cart road and if the site would have changed the cost of bridges would have increased due to increase in the length of approaches. He further added that the cost comparison with other sites was done but the reasons for the selection of a site could not be recorded. The reply is not tenable as the investigation for each bridge was carried out for only one site. Besides, the survey report did not contain any comparative study of sites in respect of length of approach, etc. so as to select the most suitable one.

2.1.7.4 Inadequate survey & investigation resulting in time and cost overrun

Improper survey resulted in changes in designs of bridges during execution and consequent time and cost overrun (₹ 9.29 crore).

According to IRC specification (IRC-SP: 54), detailed survey and investigation of the final site is conducted to prepare GAD and estimate for tendering and execution. Proper survey facilitates preparation of correct estimates and reduces possibility of post tender changes in the estimates.

Contrary to above, we noticed that in case of 17 bridges awarded during November 2002 and October 2008, detailed survey for preparation of departmental GADs was not carried out by the Department. GADs and estimates were prepared on the basis of preliminary survey reports[3] only. The works were awarded to contractors on the basis of GADs so prepared. We observed that boring for ascertaining sub soil strata on each location, where foundation was required to be done during survey by the Department was actually undertaken by the contractors after award of the work. We observed that CE made changes in the original GAD, which was necessitated after detailed investigation of strata extracted during execution. Instances of major deviations such as increase in length of bridges, changes in width, length and formation level of approaches, inclusion of cement concrete (CC) road, protection work, toe wall and cross drainage (CD) during execution and

[3] Preliminary survey report contains topographic survey, hydrological survey, traffic survey, subsoil investigation, analysis of data, identification of alternative bridge sites/alignments etc.

change in foundations and type of bridge were also noticed in respect of 17 bridges (out of 103 test checked) as detailed in **Appendix 2.1.** Post tender change in designs and other components of the bridges also resulted in time overrun (one month to eight years) and cost overrun of ₹ 9.29 crore. Three cases of post tender changes in designs are discussed in detail below:

(i) We observed that in construction of submersible[4] bridge across river Newaj on Bamlabe-Chatukheda road (Sl. No.14 of **Appendix 2.1**) provision of CC road for approaches and its protection work was not made in the original estimates (November 2002). After construction of the bridge in March 2006, protection work on approaches was executed only in the slope of the approaches below the embankment height. In the rainy season of 2006, water topped the bridge as well as approach road and cut the berm[5] of the road including pitching work on the slope of the road and finally damaged the already constructed road work[6].

Non-provision of CC road for submersible bridge led to damage of approaches, reconstructed at an extra cost of ₹ 1.02 crore.

After inspection of the damaged work, SE Bridge Circle, Bhopal and CE recommended (June and December 2007) execution of protection work up to embankment height, construction of CC road and a new culvert in the approach. The protection work, CC road and culvert was executed after incurring expenditure of ₹ 1.02 crore (March 2013). Since the bridge was a submersible one, protection work was required to be executed up to embankment height, as recommended later by SE and CE. Non-provision of CC road for approaches and protection work in the original estimates by EE indicated lapse in survey work.

We observed that CE issued instructions to construct CC road instead of Bituminous Top road in approaches of submersible bridges.

On this being pointed out, CE stated (June 2013) that it was a natural calamity and beyond the control of the Department. In the exit conference (August 2013), the Principal Secretary admitted that there were deviation from DPRs during execution.

(ii) In another case, we observed in construction of submersible bridge across Narmada River on Ramnagar-Patpara road (Sl. No. 9 of **Appendix 2.1**) that in the survey report, essential details viz. rain fall data, flood levels of previous years were recorded as 'not known'. CE also pointed out the deficiencies in the survey report in his letter to EE and instructed (September 2001) him to submit revised GAD after boring of the piers located in the main part of the river. Boring work was, however, not carried out in the main stream of the river. During execution, the foundation level of three piers increased by five metre. On the ground of more depth, change of construction of open foundation into pile foundation was permitted by CE two years after the request (December 2006) made by the contractor. Thus, inadequate survey and investigation, delay in acceptance of drawings and designs resulted in delay in execution for more than five years and extra cost of ₹ 86.04 lakh on account of escalation (₹ 40.76 lakh) and change in foundation (₹ 45.28 lakh).

Foundation level increased by five metres, due to award of work without adequate survey. This resulted in delay in execution and extra cost of ₹ 86.04 lakh.

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4 A submersible bridge is a bridge designed to be overtopped by water during floods.

5 A narrow ledge or shelf at the top or bottom of a slope is called berm.

6 Valued at ₹ 18.12 lakh, paid in March 2009 (₹ 4.72 lakh) and March 2010 (₹ 13.40 lakh)

On this being pointed out, CE admitted (June 2013) that boring of each location was not carried out and foundation was changed during execution after actual results of boring work.

Inadequate survey resulted in increase in length of ROB and cost overrun of ₹ 91.20 lakh.

(iii) We observed (October 2012) during scrutiny of estimate of construction of ROB at railway crossing no. 242 of Ratlam-Khandwa section near Banganga (Sl. No. 4 of **Appendix 2.1**), that length of ROB was 645 metre. In the estimates, slope of ROB was envisaged as 1:25. During execution (October 2007 to September 2011) of total length of the bridge, its deck slab was found 2.4 metre above the road level on Indore side and 1.2 metre above the road level on Ujjain side. We also observed that during the construction, slope of the bridge was reduced from 1:25 to 1:30 to maintain suitable slope. Therefore, for joining the bridge from existing road level, length of bridge was increased by 172.21 metre. For this additional work, an expenditure of ₹ 91.20 lakh was incurred (February 2013). This indicates that in the estimate, slope was planned without adequate survey.

In the exit conference (August 2013), the Principal Secretary stated that there were deviations from survey data.

2.1.7.5 Inappropriate drawings and designs leading to avoidable extra cost

Para 104.6 of IRC 5 stipulates that for calculating the effective linear waterway[7], the width of obstruction due to each pier shall be taken as the mean submerged width of the pier and its foundation up to the normal scour level[8]. Para 104.8.1 of IRC 5 describes that presence of dams, barrages, weirs, sluice gates etc. on the river affect their hydraulic characteristics like causing obliquity and concentration of flow, scour, silting in bed, change in flow levels, bed levels etc. and that these affects shall be considered in the design of bridges depending upon whether the proposed site of the bridge is upstream or downstream of a dam.

We noticed that due to reduction in waterway, the bridge works were damaged causing delay in completion and loss to the Government, as discussed below:

Insufficient length of bridge resulted in wash out of the same in flood and consequent loss of ₹ 4.19 crore.

- Submersible bridge across Tawa river (Rajdoh Ghat) on Sarni-Loniya road in Betul District was completed in March 2012 except the protection works, approaches, railings etc. and ₹ 4.19 crore was paid to the contractor in March 2012. As per CE's report (August 2012), the said bridge was damaged badly due to flash flood on 5 August 2012. Two span, one pier, return and approach slab of both sides were washed out. CE in his inspection report stated (August 2012) that flood level and water velocity abnormally increased from 100.375 m to 104 m and 1.71 metre per second (as per survey report) to



View of washed away approach slab of bridge across Tawa river on Sarni Lonia

[7] Effective linear waterway is the total width of the waterway of the bridge at Highest Flood Level minus the effective width of obstruction.

[8] Scour level represents the maximum scour depth during highest flood level.

five metre per second respectively. GAD was prepared on the basis of survey report considering the Highest Flood Level (100.375 m) and the waterway was decided (April 2010) as 90 metre, whereas at the time of according AA (December 2007), the length of the bridge was envisaged at 200 m.

In the survey report, it was stated that a dam was situated two km away in the downstream of submersible bridge. We observed that information about full tank level and maximum discharge of dam in downstream required for calculating the design discharge and waterway of the bridge was not available in the survey report. After heavy rain in the night of 5 August 2012, the velocity increased due to gushing of water when the gates of the dam were opened suddenly.

We further noticed that on the request of the contractor for increasing the length of bridge, SE also directed (January 2011) EE to explore the possibility to increase the length of the bridge, but no action in this regard was taken by the Department. Inadequate survey, non-consideration of dam aspect in calculating the discharge and velocity of water and reduction of waterway led to inappropriate drawing and design and consequent damage of the bridge constructed at a cost of ₹ 4.19 crore. In the exit conference the Principal Secretary stated that a Departmental inquiry was in progress. .

The length of bridge was reduced from 75 metre to 56 metre during execution, which resulted in damage of approaches and consequent extra cost of rectification.

- On the basis of survey report, the Department decided (December 2002) to construct a 75 metre long high level bridge[9] on river Kurel on Simliya-Ringniya road in Ratlam district. On 16 January 2004, EE based on discussion with higher authorities, proposed to reduce the length of the bridge to 56 metre. SE apprehended (24 January 2004) possibility of damage to the approaches, if the bridge was constructed with reduced length. The bridge was completed in July 2006 at a cost of ₹ 69.99 lakh. As per report of EE to SE (November 2006), in September 2006, earthwork near both the abutments and toe walls of the approaches were washed away. SE expressed that this happened due to reduction in linear water way. The rectification of damage and protection work[10] for the approaches was necessitated due to arbitrary reduction in the length of the bridge and was completed (November 2009) at an extra cost of ₹ 35.98 lakh.



View of washed away abutment of Kurel bridge at Simliya-Ringniya road

In the exit conference the Principal Secretary accepted the audit observation.

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9 High level bridge- which carries the roadway above highest flood level of the channel.

10 The rectification of damage and protection work included RCC retaining wall including CC pavement, protection near abutment with pitching and WBM approach.

The length of bridge was injudiciously reduced from original estimate, which necessitated extension of bridge length two times in December 2008 and August 2010; extra cost was ₹ 2.21 crore.

- Sitarewa Bridge on Chichli-Chandankheda road in Narsinghpur District (Jabalpur Division) with 310 m length was proposed by Bridge Division under Setu Nigam[11] in 1993-94. The said bridge with a length of 180 m was awarded to a contractor in January 1998. The bridge with its approaches was completed in October 2001. On 24 July 2003, the approaches on both the sides were washed away.



Washed away approach of Sitarewa bridge

For increasing the length of the bridge by 70 metre (180 m to 250 m) AA was accorded (November 2005) for ₹ 56.82 lakh. The extension of bridge work was completed in December 2008. In January 2009, CE inspected the site and found that bank of the river was eroded towards Chandankheda side. He suggested for further increase of the length of bridge by 50 m. Work of extension of bridge from 250 m to 300 m was completed (August 2010) at a cost of ₹ 1.64 crore.

Thus, increase in the length of bridge twice after execution by the Department indicated arbitrary reduction in the length of the bridge from the original provision at the time of the award of the work. This also resulted in time overrun in execution of the work.

In the exit conference, the Principal Secretary accepted the audit observation.

2.1.8 Deficiencies in execution of work and management of contract

We observed deficiencies in execution of work and management of contract such as delays in construction of work, improper estimation, construction of bridge without approach, non-rectification of damaged bridge, execution of work in deviation from specification, slow progress of works by contractors, inaction against erring contractors, etc. as discussed below:

2.1.8.1 Inordinate delays in completion of works

Out of 231 bridges, 216 bridges were completed with delays of one to 100 months and construction of 74 other incomplete bridges was running behind schedule.

For execution of the works as per the drawings and designs and required specifications within the specified time and to realise the intended benefits from the works, CE Bridge Zone is required to monitor work execution.

We observed that though report on financial and physical status of the works was prepared by CE, year-wise targets[12] were not fixed for effective monitoring of the programmes and timely completion of projects. Status of construction of bridges during 2008-09 to 2012-13 is given in the **table 2.4**. The status of completion of selected bridges is given in **Appendix 2.2**.

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[11] The Government constituted (October 1978) Madhya Pradesh Rajya Setu Nirman Nigam (Setu Nigam) under the control of PWD for construction of bridges costing ₹ 10 lakh or more, which subsequently merged with the Department in 1992.

[12] Yearly targets denote milestones for completion of each stages of bridge.

Table 2.4: Statement showing the status of the bridges constructed by PWD

Sl. No.	Division	Ongoing bridges as on 01.04.08	Taken up between 2008-09 and 2012-13	Total	Bridges completed in time	Bridges completed with delays	Extent of delays (in months)	Ongoing bridges with delays (01.04.13)	Delays in ongoing bridges (in months)
1	Gwalior	18	18	36	01	15	04 to 71	13	4 to 75
2	Indore	22	41	63	-	38	02 to 68	04	01 to 20
3	Ujjain	22	26	48	07	28	02 to 100	05	05 to 96
4	Bhopal	21	43	64	02	32	03 to 61	15	01 to 82
5	Sagar	28	17	45	-	30	11 to 59	09	06 to 109
6	Rewa	25	41	66	04	35	01 to 88	15	03 to 44
7	Jabalpur	10	13	23	-	11	04 to 67	09	01 to 39
8	Seoni	16	24	40	01	27	04 to 41	04	05 to 44
		162	**223**	**385**	**15**	**216**	**01 to 100**	**74**	**01 to 109**

(Source-: Information provided by CE Bridge Zone and bridge divisions)

As on 31 March 2013, out of total 154 ongoing bridge works, 74 were running behind schedule and 80 were not due for completion. Out of 103 bridges (81 completed and 22 ongoing) test-checked, we noticed that 75 bridges were completed with delays (Two to 100 months) as detailed in **Appendix 2.2**. The age-wise analysis of delays in respect of all bridges in the State and in respect of the selected bridges is given in **Table 2.5**.

Table 2.5: Statement showing the age-wise analysis of delay

Range of delay in months	Status of delay of overall bridges		Status of delay of selected bridges	
	Completed during 2008-13	Ongoing as of March 2013	Completed during 2008-13	Ongoing as of March 2013
1-25	119	39	29	3
26-50	69	17	31	9
51 and more	28	18	15	9
Total	**216**	**74**	**75**	**21**

(Source-: Information provided by CE Bridge Zone and bridge divisions)

The delays in completion were due to delays in taking action against defaulting contractors, award of work without land acquisition, non-construction of approaches with bridges, delay in approval of drawings & designs and other reasons[13] etc. as, discussed below:

(i) Award of work without acquisition of required land

Bridge works were awarded without ensuring the availability of land, which resulted in delay of 7 to 88 months.

According to note 3 of para 2.104 of MPWD Manual, notification of land acquisition must be issued before the work is put in hand. Further, Appendix 1.25 (vi) of MPWD Manual stipulates that it is the responsibility of EE to work out the requirement of land for work, quarries and draw up programme for land acquisition/land transfer with a view to ensure transfer of required land before target date set for starting of works.

We noticed that delay in land acquisition was the main reason for delays in completion of work. In 15 completed and five incomplete bridge works, the process of land acquisition was started 2 to 87 months after the award of works. The delays in execution due to delays in acquisition of land, slow progress of work, delayed approval of drawing and design and changes in

[13] Delay in shifting of electric and telephone lines, shortage of fund, slow progress by contractors and change in site of work.

scope of work resulted in overall delays in completion of work by 7 to 88 months (**Appendix 2.3**) depriving the intended benefits to the people.

In the exit conference, the Principal Secretary admitted the delays in land acquisition. The reply was, however, silent on reasons for award of work before acquisition of land.

(ii) Delays in construction/ non-construction of approaches of bridges

Delay/non-construction of approaches simultaneously with bridges resulted in delay in completion of bridges from nine to 51 months.

According to the departmental orders (April 2005), approaches should be completed simultaneously with the bridges for their use without any delay.

We noticed that in respect of nine bridges of five divisions, approaches were not constructed simultaneously with the construction of bridges. As a result, these bridges could not be used by the beneficiaries for a period ranging from nine months to 51 months as detailed in **Table 2.6**:

Table 2.6: Bridges lying idle due to non-construction/delay in construction of approaches

Sl. No.	Division	Name of work	Date of completion	Status of approaches as on 31.3.2013	Delay (in months)
1.	Bhopal	Tawa bridge on Bandrabhan Sangakheda road	21.12.08	Incomplete	51
2.	Indore	Anas bridge on Jhabua Meghnagar road	31.7.04	Completed on May 2008	46
3.	Jabalpur	Budner bridge on Mohgaon Ghugri road	31.1.08	Completed on 15.12.09	22
4.		Banjar bridge on Bamhani Anjaniya road	30.6.09	Only up to WBM level BT not executed	45
5.		Narmada bridge on Ramnagar Patpara road	31.3.10	Completed on 12.3.12	24
6.	Rewa	Sone bridge at Porhi Rajghat on Beohari Manpur road	15.7.12	Incomplete	9
7.	Seoni	Hirri bridge on Tetma Malara road	30.03.10	Completed on 17.03.12	24
8.		Son bridge on Bhanegaon Temni road	December 2009	Completed on 28.02.11	14
9.		Bagh bridge on Ghansa-Nawagaon road	December 2011	Incomplete	15

(Source-: Information provided by CE Bridge Zone and bridge divisions)

In the exit conference the Principal Secretary accepted the delays in construction of approaches.

(iii) Inordinate delay in approval of drawings/designs

Delays resulted in extra cost of ₹ 80.96 lakh in terms of escalation.

The timely decision taken on the approval of drawings/designs submitted by the contractors is important to avoid time and cost over-run of the projects. We noticed in respect of 13 bridge works of six divisions that there were delays of 60 days to 1,035 days (as calculated by CE Bridge) in approval of drawings/designs by CE causing time overrun in projects, mainly due to shortage of technical staff for the work of drawings and designs. The delays also led to avoidable payment of price escalation of ₹ 80.96 lakh to the contractors in five cases, as detailed in the **Appendix 2.4**. No escalation was paid in respect of eight other bridges.

In the exit conference, the Principal Secretary accepted delays in approval of drawings and designs as the reason for the delay in completion of the works.

(iv) Inaction/delayed action against defaulting contractors led to slippage in scheduled completion

Inaction/delay in action on defaulting contractor resulted in works remaining incomplete and delayed completion of works.

As per the conditions of contracts, contractor is required to complete works in time specified therein. According to the clause 1.14 of the agreement, in the case of slow progress of work by contractors, EE shall have the power to take possession of the work and take such part of work as remains unexecuted, out of his hand for giving it to another agency to complete it.

We noticed in respect of eight incomplete and two completed bridge works of seven divisions that contractors did not complete the works within the time schedule. Due to slow progress of works show-cause notices were issued repeatedly by EE to the contractors to accelerate the work. However, the works remained incomplete at the end of scheduled period. Agreements for four works were rescinded after lapse of 34 months to 78 months from the scheduled completion date. In respect of remaining six works, no action was taken by the Department except issuing show-cause notices. Evidently, inaction/delay in taking action against the defaulting contractors resulted in delay in completion of works, as detailed in **Appendix 2.5.**

Two illustrative examples are discussed below:

- The construction of Hathed bridge on Itarsi-Dolaria road was awarded in June 2005 for completion by October 2006. Due to slow progress of work, show-cause notices were issued (December 2005 and June 2006) by EE to the contractor. CE permitted (August 2006) to rescind the work due to slow progress on the recommendation of SE, but EE did not rescind the work. However, EE issued show-cause notices (March 2007 and January 2008) to the contractor. Later on the request of contractor CE granted permission (September 2008) to continue the work. The contractor failed to accelerate the work and EE again issued show-cause notices to the contractor (October 2008 and July 2010). CE granted permission (August 2010) to rescind the work but the same was withdrawn at the request of contractor (September 2010). The contractor could not complete the work and the work was finally rescinded in January 2012. The balance work was awarded (April 2012) to another contractor at the risk and cost of the original contractor for stipulated period of four months but the work was incomplete as of June 2013. The delayed action by the Department to rescind the work resulted in delay of more than six years.
- The construction of Pench bridge on Top-Banskheda road was awarded in January 2008 to a contractor for completion by July 2009. The contractor could not complete the work in stipulated period. Show-cause notices were issued (November 2009, January 2011, December 2011 and May 2012) to the contractor for slow progress of work and the work was rescinded on 13 July 2012 by EE. The rescission was revoked on 25 July 2012 by SE without assigning any justification and instructed the contractor that work must be completed by March 2013 and authorised the EE to take action if the work remained incomplete. The work was completed in June 2013. Thus, the work was delayed by 48 months due to delay in taking action against the defaulting contractor.

In the exit conference, the Principal Secretary accepted the facts and the reasons for the delays. However, nothing was informed about action taken/proposed to be taken for arresting such delays.

2.1.8.2 Inflated estimation due to consideration of well foundation instead of pile foundation

The Department prepared estimate for well foundation, whereas execution of pile foundation indicated inflated estimation by ₹ 1.17 crore.

Technical Sanction for construction of Tamas Bridge on Rajapur-Chilla Road was accorded by including provision of well foundation and accordingly, tenders were invited on lump sum basis for the work. However, the contractor quoted the rate on his own drawing with pile foundation which was accepted by the Department. The work was completed at a cost of ₹ 15.45 crore in May 2012.

We observed that provision of well foundation (departmental drawing) was made without ensuring adequate sub-soil investigations. The estimated cost of the well foundation was ₹ 5.12 crore whereas the contractor executed the pile foundation at a cost of only ₹ 3.95 crore. Thus, estimate prepared was higher by ₹ 1.17 crore due to considering well foundation instead of pile foundation. Had proper estimation and survey been done before acceptance of bid, the Government could have saved ₹ 1.17 crore paid to the contractor on the lump sum contract.

CE stated (June 2013) that the initial estimate prepared by the Department was based on insufficient sub-soil investigation. Later when agency was fixed, boring was carried out at each location and based on these results, the decision of foundation was taken by the competent authority. He further added (August 2013) that the Government had now stopped calling tenders on lump sum basis.

The fact that the Department has since dispensed with the system of inviting tenders on lump sum basis indicates that the estimates were inflated and preparation of inflated estimates without adequate sub soil investigation resulted in undue benefits to contractor.

2.1.8.3 Non-execution of work as per specifications

(a) Mismatch in the width of approach and carriage way

Approaches were not constructed in conformity with the width of bridge and bituminous road constructed in place of cement concrete road.

According to the para 120.1 of IRC-5, the approach roads on either side of a straight bridge shall have a minimum straight length of 15 metre which shall be suitably increased where necessary and width of approaches shall be equal to the width of the bridge.

We noticed in the works of nine bridges that the width of approaches was not kept equal to the width of the bridges. According to the agreement executed with the contractors, in three bridges width of approaches was 3.75 m and in six bridges width of approaches was 7.00 m against width of bridge of 7.5 m in these nine bridges as detailed in **Appendix 2.6**. Thus, the construction of approaches was not in conformity with the specifications and could lead to accidents due to sudden reduction of road width.

In the exit conference, the Principal Secretary stated that such deviations from specifications would be avoided.

(b) Construction of bituminous road instead of Cement Concrete approach road

For submersible bridges, bituminous road is not suitable because bituminous topping would get damaged as and when flood overtops submersible approaches. On the observations of Chief Technical Examiner (CTE), CE reiterated (in July 2010 and in August 2011) of his earlier instructions (June 2008) to construct cement concrete (CC) road instead of bituminous road in approaches of all submersible bridges.

We observed in three submersible bridges[14] out of 39 submersible bridges that bituminous road, which was not suitable for submersible bridge, was designed and constructed on both sides of approach of the bridges instead of cement concrete road.

In the exit conference, the Principal Secretary stated that instructions for construction of CC road in approaches of submersible bridges had again been issued.

2.1.8.4 Unfruitful expenditure on constructed bridge due to absence of approach

Due to non-construction of approach road, expenditure of ₹ 7.01 crore on construction of bridge remained unfruitful.

The Department issued instructions from time to time that approaches should be constructed along with bridges. Rectification work is also required to be completed quickly so that the beneficiaries get benefits of bridges without delay.

We observed that the construction of high level bridge (without approach) on Chhoti Tawa river near Naya Harsood (Chhaneda) was awarded (October 2006) on lump sum basis at a cost of ₹ 6.35 crore to a contractor. The bridge was completed (June 2011) at an expenditure of ₹ 7.01 crore.

We noticed that, the proposal for construction of approach had not been initiated as of March 2013. Even after the completion, bridge remained unused for 21 months (March 2013). Thus, the expenditure of ₹ 7.01 crore remained unfruitful since bridge could not be used by the targeted beneficiaries.

On this being pointed out, CE stated (June 2013) that process for construction of approaches of the bridge was being initiated. In the exit conference (August 2013) the Principal Secretary stated that the approach had since been completed by Madhya Pradesh Road Development Corporation (MPRDC) and the details of completion of approach of the bridge would be provided. CE, MPRDC, however, intimated (November 2013) Audit that the construction of approach road was in progress.

2.1.8.5 Idle expenditure on damaged bridge due to non- rectification

The construction work of high level bridge across river Sonar on Kisanganj-Barkhedi- Jerath road was awarded on lump sum basis to a contractor at ₹ 1.29

[14]

1	Belwah bridge on Bithi Barwadih road	(Rewa division)
2	Bairma bridge on Simariya Koni Kishangarh road	(Sagar division)
3	Pench bridge on Top Banskheda road	(Seoni division)

crore. Work order was issued (February 2002) with the stipulation to complete the work within 24 months including rainy season.

The expenditure of ₹ 1.02 crore incurred on the construction of bridge remained idle for 8 years due to non-rectification of damage to bridge.

We observed that the piers no. 2 and 3 of the bridge and deck slab between the two piers were damaged on 11 May 2005 as centring tower was pushed by an unknown tractor. The contractor agreed (May 2005) to rectify the damage at his cost. After visit of the site, CE directed (June 2005) to execute repair work. But subsequently, CE did not approve drawings and designs of repair work and sought (March 2006, April 2007 and March 2008) guidance from the Government for repair and completion of balance work.



View of damaged Sonar bridge on Kishanganj-Barkheda-Jerath Road

In absence of guidance from the Government, CE recommended (May 2009) to the Government on the basis of request of contractor to foreclose the work on the ground that the rates for the work based on Schedule of Rates (SOR) of 2001 had increased. The Government permitted (May 2009) to close the contract at present status and directed to invite fresh tender for balance work together with rectification of damaged work. EE submitted (July 2012) an estimate of ₹ 1.00 crore to CE. More than three years had already passed away but the balance work could not be awarded as no tenderer participated in the tenders that were invited repeatedly. The final bill of incomplete work amounting to ₹ 1.02 crore was paid in August 2013.

Thus, the decision to refer the matter to the Government when the contractor had already agreed to make good the damage at his own cost, was injudicious and caused delay in completion of work by more than eight years as of August 2013 with idle expenditure of ₹ 1.02 crore.

In the exit conference the Principal Secretary directed his officers to call tenders for repairing the bridge soon. The reply is silent about the reason for referring the case to the Government when the contractor had agreed (May 2005) to make good the damaged work.

2.1.8.6 Unwarranted provision of mild steel liner in estimates

Clause 1107 of MORT&H specification for bored *cast-in-situ* pile foundation provides that steel lining, required due to soil conditions, be withdrawn after concreting unless required to be left in position permanently to avoid the aggressive action of ground water or in-marine condition.

We noticed that in two bridge works, provisions for steel lining was made in the estimates without ascertaining its necessity as discussed below:

- In construction of Chhola Railway Over Bridge (Bhopal town) initially, open foundation was decided (November 2005) based on trial pit. The contractor started (August 2006) the work and bored for open foundation in January 2007. Samples of bore material were sent by contractor to Indian Institute of Technology (IIT) Mumbai for expert reporting. The

IIT Mumbai after analysing the bore data reported (February 2007) that open foundation was not suitable as per the soil condition and suggested that pile foundation would be the only solution. Therefore, the contractor requested the Department to permit pile foundation instead of open foundation. The Department finally agreed (August 2007) to change the foundation from open to pile.

Department made provision and paid ₹ 2.79 crore to contractor for steel liner without conducting the required tests of soil and ground water.

We noticed that IIT, Mumbai also reported that if six mm steel lining was to be removed, ground water quality test need to be carried out for chloride and sulphate ion concentrations. If tests show significant concentrations, sacrificial (to be abandoned) steel lining need to be provided. We observed that the Department did not get the tests conducted as suggested by IIT, Mumbai before making provisions for sacrificial steel lining in the revised estimates. As sub structure and super structure of the bridge had already been constructed, removal of steel lining was not possible. Thus, the provision for sacrificial steel lining at the cost of ₹ 3.32 crore, was not based on recommended result/test. Against this, an amount of ₹ 2.79 crore was already paid to contractor till March 2013.

On this being pointed out, EE PWD Maintenance Division No.2 Bhopal stated (January 2013) that the site was quite adjacent to chemical factory and ground water was contaminated and that as IIT Mumbai had also suggested providing of liner in piles, the work was carried out accordingly. The reply is not acceptable as no test of ground water was carried out for ascertaining chloride and sulphate concentrations in ground water before making provision of sacrificial steel lining as suggested by IIT Mumbai. In the exit conference, the Principal Secretary however stated that the issue would be examined further and reply would be sent.

The estimate provided for the sacrificial steel liner without conducting soil stability test resulted in bulging of estimate by an amount of ₹ 1.53 crore in a lump sum contract.

- Construction of ROB of Ratlam-Khandwa section near Banganga was awarded (October 2007) to a contractor for ₹ 13.17 crore on lump sum basis. The work was completed in September 2011 and final bill was paid (February 2013) for ₹ 14.15 crore.

  We observed in the scrutiny of estimate that for pile foundation, provision of sacrificial steel liner amounting to ₹ 1.53 crore was made in the estimate. The necessity of sacrificial steel liner or omission of steel liner in pile foundation could be ascertained only after sub soil investigation. No report of conduct of soil stability test[15] for ascertaining the nature of soil and necessity of provision of steel liner in the estimates was found available in survey reports. During execution, CE, after conducting soil test, observed (July 2008) that the prepared bore hole for execution of Reinforced Cement Concrete (RCC) *cast-in situ* pile remains stable and did not collapse and permitted casting of pile foundation work without the sacrificial steel liner. The contractor executed the pile foundation of bridge work without sacrificial steel liner. Thus, inflated estimate was

[15] The Soil Stability Test provides information about the integrity of soil aggregates, and erosion resistance. It also reflects soil biotic integrity, because the organic matter that binds soil particles together must constantly be renewed by plant roots and soil organisms.

prepared without sub-soil investigation resulting in unwarranted provision of sacrificial steel liner costing ₹ 1.53 crore.

In the exit conference, the Principal Secretary stated that in the estimate though there was provision of steel liner, the contractor quoted his rate without liner and necessary tests were carried out and found that the liner was not required. The fact remains that the estimate was not prepared after carrying out the necessary tests depriving the Department to compare reasonability of prices offered by the contractor.

2.1.8.7 Less claim of rebate resulted in undue benefit to the contractor

In lump sum contracts, tenders are invited on departmental GAD. Contractors have liberty to execute the work in lump sum cost by submitting their own drawings and designs without change in the basic data given in the tender, viz. type of foundation, length and height of bridge. Drawings and designs submitted by contractor are scrutinised and approved by CE Bridge Zone.

Due to short claim of rebate on account of change in type of foundation, department extended undue financial benefit of ₹ 4.47 crore to contractor.

Construction of three bridge works, was awarded between March 2007 and August 2010 on departmental GAD based on well foundation. CE, on the request of contractors, approved (April 2008 and August 2010) change from well foundation to pile foundation with following conditions:

- If pile foundation is costlier than the well foundation, extra cost, if any, has to be borne by the contractor.
- If pile foundation is found cheaper than well foundation, a rebate of differential amount shall be claimed by the Department as per provisions of the agreement.

Thus, for the purpose of determining difference in the cost of two types of foundations, cost of pile foundation actually executed should be compared with the estimated cost of well foundation based on departmental GAD.

We, however, observed that actual cost of pile foundation was compared with the cost of well foundation based on contractor's drawings and designs instead of that based on departmental GAD. As a result, rebate on these three works were recovered less from the contractors at the time of making final payments to them as detailed in the **Table 2.7**:

Table 2.7: Loss due to less claim of rebate

(₹ in lakh)

Name of work	Division	Cost of the Pile foundation	Cost of Well foundation based on contractors Design calculated by the Department	Actual rebate claimed	Cost of well foundation based on departmental GAD (actually to be adopted)	Rebate to be claimed	Less rebate claimed
1	2	3	4	5 (4-3)	6	7 (6-3)	8 (7-5)
Tawa bridge on Sarani Loniya road	Bhopal	107.78	127.38	20.46*	179.74	71.96	51.50
Narmada bridge on Damhedi-Gorakhpur road	Rewa	51.20	62.26	11.06	151.98	100.78	89.72
Ken bridge on Ajaygarh Chandla road	Sagar	185.03	193.42	8.39	498.95	313.92	305.53
						Total	**446.75**

* The actual difference worked out to be ₹ 19.60 lakh, but the Department claimed rebate for ₹ 20.46 lakh.

(Source-: Information provided by CE Bridge Zone and Bridge divisions)

Thus, due to short claim of rebate, the Department extended undue financial benefit to contractor to the tune of ₹ 4.47 crore in three bridge works.

In the exit conference, the Principal Secretary stated that calculation of claim for rebate was based on contractor's drawings/designs and scrutiny would be done to find cases of less claim of rebate. He further stated that the system of awarding lump sum contract had since been discontinued. The reply regarding claim for rebate is not convincing as claim should have been based on drawings and designs as per GAD being part of the tender document which formed basis for quotation by the contractor.

2.1.9 Deficiencies in completed works and closure of contracts

Closing of contract is a process of completing and settling the contract including rescission of contract as per the contract clause. Instances of irregular rescission of contracts as well as the irregularities settling the contract clauses closed contracts resulting in excess and irregular payments to contractors were noticed, as discussed in succeeding paragraphs:

2.1.9.1 Irregular rescission of contract resulted in extra expenditure

Initial rejection of request for change in foundation from open to pile and accepting the same after retendering resulted in extra cost of ₹ 1.28 crore.

The construction of high level bridge across Sukni River on Harda-Chhipaner road (estimated cost ₹ 71.55 lakh) was awarded to a contractor 'A' at 19 *per cent* above SOR (April 2005). Work order was issued (January 2007) to complete the work within 12 months including rainy season. The contractor 'A', requested (April 2007) to change the open foundation of the bridge along with the opinion of Maulana Azad National Institute of Technology (MANIT) Bhopal that there was a risk of pit collapse in open foundation. But CE Bridge Zone, Bhopal did not agree (July 2007) with the contractor's request and directed the contractor to continue with the drawing supplied. As the contractor 'A' did not execute any work, the work was rescinded (December 2007) under risk and cost clause. The balance work was re-tendered and awarded (July 2008) to another contractor 'B' at 131.96 *per cent* above the estimated cost (₹ 71.55 lakh). After the agreement, the contractor 'B' also requested (April 2009) to change the foundation from open to pile. CE Bridge Zone (successor CE) then agreed and permitted to change the foundation from open to pile on 20 May 2009. Work was completed in December 2010 and the final bill for ₹ 2.64 crore was paid to the contractor in March 2012.

Had the decision of change in foundation been taken earlier when requested by the original contractor 'A', the Department could have saved ₹ 1.28 crore[16].

In the exit conference, the Principal Secretary accepted the audit observation.

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[16] Work actually executed without tender *per cent* ₹ 11,37,285
(a) Contract price of original contractor (including 19 *per cent* above) ₹ 1,35,33,702
(b) Contract price of Second contractor (including 131.96 *per cent* above) ₹ 26,38,048
Difference of cost ₹ 1,28,46,782 say **₹ 1.28 crore**

2.1.9.2 Excess payment in violation of contractual clause

Cost of casting liner worth ₹ 26.37 lakh was borne by the Department instead of the contractor.

According to the clause 4.7.2 of the lump sum agreements, any modifications required in the design of the piles to conform to the prevailing sound engineering practice shall be carried out by the contractors within the lump sum cost quoted by them for the work. *Cast-in-situ* concrete piles shall be in general cast in metal shells which remain permanently in place.

During scrutiny of two bridge works[17] executing by Bridge Divisions Rewa and Sagar, we noticed that contractors modified the type of foundation of the abutments from open to pile. This was approved by CE. The contractors casted the piles with the help of liner, which remained permanently in place after casting of piles. The Divisions paid ₹ 26.37 lakh extra to contractors on account of steel liner, though the cost was to be borne by them.

EE Bridge Division, Rewa stated (January 2013) that due to collapsible strata, steel liner was provided as per approval of CE and payment was made accordingly. EE Bridge Division, Sagar stated (December 2012) that the matter would be reviewed and action would be taken as per terms and condition of agreement and extra payment, if any, would be recovered. The replies are not acceptable as contractors were liable to execute work with steel liner within the lump sum price quoted by them in terms of the contracts. In the exit conference, the Principal Secretary stated that detailed reply would be furnished. Further reply was awaited (February 2014).

2.1.9.3 Irregular grant of time extension

Injudicious grant of time extension resulted in non-levy of penalty amounting to ₹ 1.08 crore and irregular payment of price escalation of ₹ 1.11 crore.

Clause 1.13 of the lump sum agreement and Clause-2 of the percentage rate agreement stipulate that if the contractor fails to complete the work within stipulated period of contract, he will be liable to pay compensation/penalty as per the provisions of the agreement. Further, he will also be not entitled for price escalation for the extended period. Clause 2.3.3 of the agreement stipulates that tenderer should carefully examine the drawings and specifications and visit the site of works to his satisfaction about nature, location of the work, the surface condition, etc. which may affect the work or its cost. Clause 1.13 of the agreement stipulates that the contractor shall not be entitled to any extension of time in respect of the extra work.

In respect of 15 works in six test checked divisions, we observed that time extensions without imposition of penalty were granted by CE/SE[18] citing reasons such as, rainy season, rock in foundation, encroachments, standing crop in field, dacoit affected area, standing water at site, hard strata, extra work/depth and increase in the depth of foundation which were attributable to contractors, as detailed in **Appendix 2.7**. Grant of time extension on these grounds without penalty, was not justified since completion schedule of the works was inclusive of rainy season and contractor was supposed to submit tender only after visit of site to his satisfaction.

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[17] (i) Beehar bridge on Varanasi-Nagpur road (Rewa Dn.) ₹ 6.57 lakh
(ii) Bairma bridge at Kotaghat on Kundalpur-Kota- Mahendragarh road district Damoh (Sagar Dn.) ₹ 19.80 lakh
Total **₹ 26.37 lakh**

[18] 10 by **CE** and five by **SE**

Grant of time extension also relieved the contractors from liability of payment of penalty for the delays and entitled them for price escalation for the extended period. As a result, penalty of ₹ 1.08 crore could not be levied on the contractors for delays (54 to 760 days) as detailed in **Appendix 2.7**. Besides, there was avoidable payment of price escalation of ₹ 1.11 crore in respect of seven works out of the 15 works discussed above, as detailed in the **Table 2.8**.

Table 2.8: Avoidable payment of price escalation **(₹ in lakh)**

Sl. No.	Name of division	Name of bridge	Irregular time extension (in days)	Excess escalation paid
1.	Gwalior	Parvati bridge on Barsat Patodi road	244	14.41
2.	Sagar	Ken bridge on Ajaygarh Chandla road	168	22.22
3.	Ujjain	Chambal bridge on Sitamau Choumala road	760	25.33
4.	Rewa	Sone bridge at Porhi Rajghat on Beohari Manpur road	725	33.69
5.	Seoni	Chandan bridge on Rampaily Mohgaon Kathurna road	353	8.29
6.		Nehra bridge on Balaghat Lamta Padriganj road	190	4.06
7.		Wainganga bridge on Nebargaon Jam Chhindlai road	103	2.92
		Total	**2,543**	**110.92**

(Source-: Information provided by CE Bridge Zone and bridge divisions)

In the exit conference, the Principal Secretary stated that the cases would be scrutinised and necessary action would be taken.

2.1.9.4 Excess payment on account of escalation

Clause 2.33 of the agreement provides for adjustment in tender price by way of payment(s)/refunds arising out of variations in the cost of material, Petrol Oil and Lubricant (POL), labour, steel and cement for the period from the date of issue of work order and the date of completion/date of valid time extension.

(i) Excess expenditure due to change in escalation clause of the agreement

Simultaneous application of two supplementary clauses of price escalation resulted in an extra out go of ₹ 42.99 lakh.

Clause 2.33 of the general agreement provides for payment of escalation when the period of the contract is more than 18 months. As per the clause, escalation for all the five components, i.e. labour, material, POL, cement and steel was payable to contractor. Clause-2 of additional special condition of general agreement provides for payment of price variation. As per this clause, only difference in prices for bitumen, cement, POL and steel was payable.

In three bridge construction works[19], with completion schedule of more than 18 months, the Department while approving the Notice Inviting Tender (NIT), scored out escalation component as per clause 2.33 namely, high speed diesel, cement and steel and allowed adjustment for fuel and lubricants, cement and steel under modified additional special conditions forming part of agreement.

We observed that in the case of works with completion schedule of more than 18 months, applicability of clause 2.33 or clause 2 of additional special condition of the agreement had not been clarified in the agreements. This situation gave a liberty to the approving authority of NIT to score out any of

[19] Maihar ROB, Rewa; Salamatpur ROB, Bhopal; Shivna Bridge, Ujjain.

the two clauses or accept both the clauses partially. Since all clauses including clause 2.33 of the agreement were as per the MPWD Manual, insertion of a new clause-2 of the special conditions of the agreement required prior approval of the Finance and Law Department. This was not obtained.

The Department paid escalation for labour and material as per clause 2.33 of the agreement and other components i.e. POL, steel and cement as per clause 2 of additional special condition of the agreement. Had the Department applied only Clause 2.33 for payment of escalation, it could have saved ₹ 42.99 lakh[20] as detailed in **Appendix 2.8.**

In the exit conference, the Principal Secretary stated that the contractors quoted their rates keeping in view the provisions of the agreement and the price indices were taken as per agreement. He also stated that uniformity in escalation clause would be ensured in future. The fact thus remains that adoption of different clauses for payment of escalation for different component of work without obtaining prior approval of the Finance and Law Departments resulted in extra expenditure on price escalation.

(ii) Non-consideration of appropriate labour index

Use of base price index of Jabalpur, which is nearer place to work instead of Nagpur, for payment of labour component, could have saved ₹ 96.34 lakh.

Clause 2.33 of the agreement stipulates that while calculating variation in the consumer price index for Industrial workers, index should be taken at the town nearest to the site of the work; the source for such indices being publications of Labour Bulletin Bureau, Government of India (GOI) published in the Reserve Bank of India (RBI) Bulletin.

We observed that in the RBI bulletin, labour indices for only selected cities were published, which included the index of only Bhopal city in the State of Madhya Pradesh. Further, the Labour Bureau, Ministry of Labour and Employment, GOI published indices of all important cities of the States, in which labour indices of Bhopal, Jabalpur, Indore and Chhindwara were published. The source of the RBI bulletin is the indices published by Labour Bureau, Ministry of Labour and Employment, GOI.

Scrutiny of six bridge works[21] of two divisions (Rewa and Jabalpur bridge divisions) indicated that escalation had been paid on labour component by taking into account the base price indices of Nagpur instead of Jabalpur, which was nearer to work places at Rewa and Jabalpur. The Department took the labour index of farther place as per the RBI bulletin, since it did not mention the indices of the locations where work was undertaken. The selection of

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[20]

1.	Ujjain Divn	Shivna bridge on Mandsour Pratapgarh road	13.69 lakh
2.	Rewa Divn	Maihar ROB at Varanasi Nagpur road	13.28 lakh
3.	Bhopal	Salamatpur ROB at Bhopal Vidisha road	16.02 lakh

[21]

Rewa	(i) Tamas bridge on Rajapur-Chilla road (ii) Beehar bridge on Varanasi-Nagpur road (iii) Narmada bridge on Damhedi-Gorakhpur road (iv) Sone bridge on Beohari- Manpur road
Jabalpur	(i) Narmada bridge on Mandla Purwa road (ii) Hiran bridge on Sihora – Majhgawan road

labour index published by Labour Bureau, Ministry of Labour and Employment, GOI for Jabalpur could have saved an amount of ₹ 96.34 lakh[22].

In the exit conference, the Department agreed that the rates nearer to work place would be adopted.

2.1.10 Internal Control and Monitoring

Internal control is a process affected by an organisation's structure, work and authority flows, people and management information systems designed to help the organisation in achieving specific goals or objectives, preventing and detecting fraud and protecting the organisation's resources.

We noticed following weaknesses in internal controls in the Department:

SE inspection of subordinate offices was not found.

(i) The divisional offices, sub-divisional offices and the works executed by these offices are required to be inspected by CE, SE and EE as per schedule laid down in MPWD Manual. CE and EEs conducted the inspections regularly as per prescribed schedule. As per the Manual, SE was required to inspect every divisional office at least once in a year, sub division office once in four years and supervise and inspect the work under his jurisdiction and forward his report to CE. However, during scrutiny of records in CE's office no abstract of inspection reports of particular work/sub-ordinate offices relating to any inspection by SEs was found, indicating non-conduct of inspection by SEs.

The works were awarded without availability of land and pursuance for acquisition of land at higher level was lacking.

(ii) According to the MPWD manual, EE was to ensure that the required land was available before awarding the bridge works. Instances were noticed that works were awarded without availability of land {paragraph 2.18.1 (i)}. Further, pursuance for acquisition of land was done only at EE level and in the case of delay in acquisition of land, there was no record to show that efforts were made at SE/CE level by taking up the matter at higher level, which indicated weak monitoring and control over the functions of land acquisition.

On this being pointed out, CE stated (June 2013) that SEs are being directed to submit their inspection report to CE office. The reply indicated that inspection of works as well as subordinate offices by SEs was not ensured by CE. In the exit conference, the Principal Secretary stated that officers would follow the Manual in this regard.

Non-fixation of yearly targets of construction of bridges resulted in deficiency in monitoring and delay.

(iii) Monitoring, in relation to construction works of bridges, includes supervision of progress of works as per the milestones fixed for timely completion of any project. We, however, noticed that no targets/milestones for completion of various stages[23] of bridge construction works were fixed for individual bridges to ascertain delay if any and take remedial action.

In the exit conference, the Principal Secretary stated that yearly targets had since been set and records in this regard would be maintained.

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[22] Rewa Division (Bridge-wise amount 37.07+15.29+6.70+5.99) = ₹ 65.05 lakh
Jabalpur Division (Bridge-wise amount 20.67+10.62) = ₹ 31.29 lakh
Total = ₹ 96.34 lakh

[23] The stages may be: a) foundation level, b) substructure level, c) super structure level and d) completion of bridge in all respect including approach road.

2.1.11 Conclusion

Availability and utilisation of funds for bridge works (2008-13) under NABARD projects, CRF projects and State projects was reasonably adequate.

Planning and investigation for bridge works was inadequate as reflected from absence of a master plan for construction of bridges and any uniform procedure for selection of bridges, selection of unsuitable sites for bridges and inappropriate designs of bridges necessitating subsequent modifications and consequent time and cost overrun.

Execution of works and management of contract was deficient. Completion of bridge works was delayed due to delay in land acquisition, approaches not taken up simultaneously with bridges, inaction against the defaulting contractors and delay in approving drawings and designs of the bridges. The benefit of bridges could not be utilised in the absence of approaches.

There were instances of irregularities in closure of contracts in bridge works, such as irregular rescission of contracts, injudicious grant of time extensions absolving of the contractors from liability of penalty and entitled them for receiving escalation and incorrect adoption of price indices in payment of escalation. Besides, inflated estimation in cases of lump sum contracts resulted in undue benefits to the contractors and extra cost to the works.

Monitoring of work execution by the Department was deficient as reflected from non conduct of inspections of works by SEs and lack of pursuance at the higher level for acquisition of land required for the works.

2.1.12 Recommendation

The Government should ensure the following:

- Preliminary survey of alternate sites and detailed survey and investigations of selected sites should be conducted before preparation of estimates. Also, preparation of appropriate drawing and design of bridge may be ensured to avoid post tender changes and consequent extra cost.
- Construction of approaches should be synchronised with the construction of bridge works to avoid delay in use of the bridges.
- Penal action should be initiated against defaulting contractors to avoid delay in completion of bridges.
- Strict adherence to the provisions of the agreement should be ensured to avoid excess payment and undue benefit to contractors.

The draft Performance Audit Report was issued to the Department (September 2013), the reply has not been received so far (February 2014).

Co-operative Department

2.2 Working of Co-operative Department

Executive Summary

The Co-operative Department is responsible for ensuring constitution, operation, audit and inspection of Co-operative Societies under the provisions of the Madhya Pradesh Co-operative Societies Act, 1960 and Madhya Pradesh Co-operative Societies Rules, 1962 as well as implementation of policies of the Government. The Department implements various schemes aimed at development through Co-operative Societies, particularly for the weaker sections and women. As on 31 March 2013, there were 36,062 working Co-operative Societies registered with the Co-operative Department, of which nine were apex societies.

Financial management in the Department was deficient. There were savings under both Plan and Non-Plan allotments. The State was deprived of Central Assistance for revival of Co-operative Societies and banks since the Department failed to ensure greater autonomy of Co-operative sector. There was pendency in recovery of share capital and loans provided to the Co-operative Societies and banks.

(Paragraphs 2.2.6.1 & 2.2.6.2)

The Department's performance in discharging regulatory functions was not satisfactory. It failed to ensure registration of only such societies that fulfilled the criteria laid down in the Act. There was significant pendency in audit of the Co-operative Societies. The *Government should ensure that the societies not fulfilling the eligibility criteria are not registered. An annual plan should be prepared for conducting audit of the Co-operative Societies.*

(Paragraphs 2.2.7.1 & 2.2.7.3)

The Department did not take action against the societies for non-maintenance of records, also against the Board of Directors of Co-operative Banks for failing in recovery of loans and against the societies for not holding Annual General Meetings (AGM). This indicated ineffective management and controls by the Department. *Government should initiate action against the societies for non-maintenance of records, not holding elections and AGM, as per provisions of the relevant Act.*

(Paragraphs 2.2.7.5 to 2.2.7.7)

There were deficiencies in implementation of the programmes for achieving the Department's objectives. Integrated Co-operative Development Project Schemes were not completed within the stipulated period. Share capital and loans due from societies were not recovered. The Department admitted the claim of interest subsidy on the basis of utilisation certificates, without obtaining audited accounts.

(Paragraphs 2.2.8.1 & 2.2.8.2)

Internal control system in the Department was weak as inspection of records was not conducted by the Controlling Officers as required in Madhya Pradesh Treasury Code (MPTC). *Government should strengthen monitoring by regular inspection of records of societies as prescribed under the Act.*

(Paragraph 2.2.10.1)

2.2.1 Introduction

The Co-operative Department (the Department) has the administrative responsibility of ensuring constitution, operation, audit and inspection of Co-operative Societies under the provisions of the Madhya Pradesh Co-operative Societies Act, 1960 (MPCSA) and Madhya Pradesh Co-operative Societies Rules, 1962 (MPCSR) as well as implementation of various schemes aimed at developing different classes of the society in the State, particularly weaker sections and women. The Department assists in strengthening the Co-operative sector by providing financial assistance to Co-operative Societies and regulating, controlling and guiding the Co-operative movement. The main activities of the Department are registration, regulation under the Act and Rules, audit and inspection, election, disposal of disputes/ appeal, liquidation and cancellation of registration of Co-operative Societies.

Primary Co-operative Societies consisting of farmers/members are registered to provide assistance to its members. Assistance could be in the form of financial assistance through loans or in providing fertilizer, seed, assistance in commodities business, collection, trading of forest produce, consumer goods, milk collection/distribution, housing, oilseed production, education/training, etc. Primary Societies are members of Central Societies and Central Societies are members of Apex Society. As on 31 March 2013, there were 36,062 working Co-operative Societies registered with the Co-operative Department, of which nine were Apex Societies[24].

2.2.2 Organisational set up

The Co-operative Department in the State is headed by Principal Secretary. He is assisted by a Commissioner-cum-Registrar of Co-operative Societies (RCS), who is heading Directorate office. RCS is assisted by 10 Joint Registrars, 39 Deputy Registrars, 11 Assistant Registrars (Administration) and 50 Assistant Registrars (Audit).

The Joint Registrars function at division level and supervise the work of District Officers (Deputy Registrars and Assistant Registrars). The Deputy Registrars and Assistant Registrars (Administration) are responsible for implementing the schemes for Co-operative Societies, recovery of Government dues, registering and holding election in the societies, hearing judicial cases relating to societies. The Assistance Registrars (Audit) are entrusted with the duty of conduct of audit of societies.

2.2.3 Audit objectives

The working of the Department was reviewed to assess whether:

- the financial management was effective and efficient;

[24] (i) M P State Co-operative Bank, Limited, Bhopal (ii) M P State Co-operative Agriculture and Rural Development Bank (iii) M P State Co-operative Federation (iv) M P State Housing Corporation (v) M P State Co-operative Consumer Federation (vi) M P State Co-operative Federation Bhopal, (vii) M P State Co-operative Oil Federation Bhopal, (viii) M P State Seed production and Marketing Federation Bhopal and (ix) M P State Co-operative Printing Press, Bhopal.

- the Department discharged its functions according to the applicable Act and Rules;
- management of the programmes was efficient and effective;
- human resource management was adequate; and
- an effective internal control system was in place;

2.2.4 Audit criteria

Audit findings are based on the criteria derived from the following sources:

- Madhya Pradesh Co-operative Act, 1960
- Madhya Pradesh Co-operative Societies Rules, 1962
- Madhya Pradesh Financial Code and Madhya Pradesh Treasury Code
- Memorandum of Understanding (MOU) (November 2006) among the Central and State Governments and National Bank for Agriculture and Rural Development (NABARD) for revival of credit structure
- Orders, circulars and guidelines issued by the Department/Government.

2.2.5 Scope and methodology of audit

The working of the Department was examined by test check (April to August 2013) of records and information obtained (April to December 2013) from audited entities for the period 2010-11 to 2012-13. There are 112 units in the Department including the Department Headquarters and office of RCS. Of these, 37 units (in 30 districts) including the Department Headquarters and RCS office were selected for review, based on random sampling method. An entry conference was held on 6 June 2013 with the Additional Registrar, for appraising the audit objectives, criteria and scope of audit. An exit conference was held on 23 October 2013 with the Head of Department and other senior officers and their views have been suitably incorporated.

Audit findings

2.2.6 Financial Management

The Central and the State Governments provided financial assistance for various schemes under the Department such as training for officers, management grant for Scheduled Tribe Service Societies, Integrated Co-operative Development Project (ICDP), contribution to share capital of primary land development banks, natural calamities etc.

Table 2.9 gives details of budget allotment and expenditure (Plan and Non-Plan) during the period 2010-13 for implementation of various schemes:

Table 2.9: Position of allotment of funds and expenditure **(₹ in crore)**

Year	Allotment		Expenditure	
	Plan	Non-plan	Plan	Non-plan
2010-11	209.47	88.14	197.86	76.41
2011-12	802.69	204.00	672.95	168.85
2012-13	648.81	137.55	617.43	106.11
Total	**1660.97**	**429.69**	**1488.24**	**351.37**

(Source: Administrative Report and Data provided by the Department)

The Government attributed (October 2013) savings to excess provision of Plan funds and non-occurrence of natural calamities during the years 2010-11 and 2011-12. In 2012-13, savings were attributed mainly to lower expenditure under Interest Subsidy Scheme (ISS) to farmers, salaries and wages, non-receipt of matching share capital from societies, etc.

Fact remains that budget provision was made to meet natural calamities though such requirements are in the nature of contingencies, which resulted in funds remaining unutilised and the Department did not surrender such allotments before the close of the year.

2.2.6.1 Loss of Central assistance due to non-fulfilment of obligations

The Department was deprived of Central assistance of ₹ 667.21 crore due to not fulfilling obligations on time.

Under a MoU signed (7 November 2006) among the Central Government, the State Government and NABARD for revival of the State Co-operative banks, Central Co-operative Banks and primary agricultural credit societies under "Vaidyanathan Package", the Central Government and the State Government were required to contribute ₹ 1,652.30 crore and ₹ 162.10 crore respectively. As outlined in MoU, the Central Government authorised NABARD to implement the package and released financial assistance, subject to fulfilment of certain obligations by the State Government and the units in the Co-operative credit structures.

We noticed that after providing assistance of ₹ 985.09 crore during December 2007 to June 2009, Central Government stopped further assistance as the Department failed to show substantial progress in fulfilling some of the obligations viz., amendment in MPCSA1960, holding election of Board of Directors in Primary Agriculture Co-operative Society (PACS) and District Central Co-operative Banks (Jabalpur and Sagar), appointment of Chief Executive Officers (CEOs) and professional directors in Co-operative banks, conversion of 25 *per cent* of the State Government share into grants, fulfilment of committed liabilities, determination of further action plan for closure/merger of ineligible PACS, etc. up to the target date of 31 January 2012. As a result, State Co-operative sector was deprived of Central assistance of ₹ 667.21 crore for their revival.

The Government stated (October 2013) that the obligations had been fulfilled.

We however noticed that the obligations were fulfilled only by June 2013 against the target date of 31 January 2012 and as a result, the assistance from Central Government had to be foregone.

2.2.6.2 Non-recovery of share capital, loan and interest from societies

Share capital of ₹ 38.13 crore and loans plus interest of ₹ 23.61 crore were over due for recovery from the societies.

The Department provided financial assistance in the form of loans and share capital to Co-operative Societies under various schemes[25], which were recoverable from the Co-operative Societies in eight equal annual installments after one year from the date of disbursement of loans.

We noticed that share capital amounting to ₹ 38.13 crore out of the total share capital of ₹ 42.81 crore provided to the societies under 22 units and loans

[25] Schemes of assistance of share capital in Primary Land Development Bank, new Co-operative Societies, share capital assistance to Seed Federation, short term agricultural loans, etc.

amounting to ₹ 23.61 crore out of the total loans of ₹ 23.89 crore paid to the societies under 16 units were pending for recovery from the societies. We further noticed that out of 24 defaulting units, both loans and share capital were pending (March 2013) in 14 units, as detailed in **Appendix 2.9**.

On this being pointed out, the district officers stated (May to August 2013) that the financial condition of the Co-operative Societies was not sound and efforts were being made for recovery of outstanding amounts. The Government stated (October 2013) that outstanding share capital of ₹ 8.34 lakh and loans plus interest of ₹ 1.79 lakh was recovered. Also, instructions for recovery of the balance had been issued to the District Officers.

The fact remains that the Department did not ensure issue of revenue recovery certificates for effecting recovery of overdue amounts.

2.2.6.3 Delayed recovery of interest from the Co-operative Societies

In terms of the MoU (2006), the Government provided (March 2012) loans of ₹ 38.16 crore to five district co-operative banks under committed liability on account of the Government guarantee given on behalf of four defaulting Co-operative Societies[26] (two working and two under liquidation) for the loans taken by them. The recovery schedule and the rate of interest on the loans, to be recovered from the working societies were to be decided after consultation with the Finance Department.

We noticed that even after lapse of more than one year, no decision was taken in this regard by the Department as of October 2013.

The Government stated (October 2013) that action for recovery in respect of two working societies (Madhya Pradesh State Co-operative Consumers Federation and Jawaharlal Nehru Co-operative Agriculture Produce Processing Societies) was under process in consultation with Finance Department and other two societies were under liquidation.

No correspondence was, however, shown to Audit in support of the action being taken in this regard by the Department.

2.2.6.4 Improper maintenance of cash book

Codal provisions for maintenance of cash book were not complied with.

As per Rule 53 of MPTC, cash book should be closed at regular intervals and completely checked. The officer-in-charge of the cash book should verify the totalling of the cash book or have this done by some responsible subordinate other than writer of the cash book and initial it as correct. At the end of each month, the officer-in-charge of the cash book should personally verify the cash balance in the cash book and record a signed and dated certificate to that effect.

We observed deficiencies in 16 units out of 37 test checked units, which are summarised below. Details are given in **Appendix 2.10**.

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[26] (i) MP State Consumer Co-operative Federation, Bhopal: ₹ 19.54 crore, (ii) MP State Co-operative Handloom Federation, Jabalpur: ₹ 7.40 crore (under liquidation), (iii) Co-operative Cotton Mill, Burhanpur: ₹ 0.72 crore (under liquidation) and (iv) Jawaharlal Nehru Agriculture Producer and Processing Society, Khargone: ₹ 10.49 crore.

- In eight units[27], details of cash books were not regularly checked by persons other than the writers of cash books during April to August 2013.
- Physical verification of cash balances in the cash books at the end of each month was not carried out regularly in 10 units[28].
- Fortnightly verifications of drawals with reference to treasury records were not carried out in nine units[29].

The Drawing and Disbursing Officers (DDOs) concerned accepted the facts and stated that necessary action will be taken in future. The Government stated (October 2013) that instruction had been issued to DDOs for ensuring compliance of the provisions.

2.2.6.5 Improper maintenance of Bill Registers

We noticed in seven units[30] out of test checked 37 units that no monthly abstracts were prepared and the Bill Registers were not reviewed by Gazetted Officer. Thus, the financial controls in order to minimise chances of mistakes and misappropriations of the Government money were not adhered to.

DDOs accepted the facts and stated that necessary action would be taken in future. The Government stated (October 2013) that instructions had been issued to DDOs for ensuring compliance with Codal provisions.

2.2.6.6 Outstanding Audit fees

Audit fees amounting to ₹ 14.60 crore was outstanding for recovery from Co-operative Societies.

Audit fees of 54.41 *per cent* to 68.22 *per cent* was outstanding at the end of the years 2010-11 to 2012-13, as detailed in the table below:

Table 2.10: Outstanding Audit fees

(₹ in crore)

Year	Audit Fees due	Audit fees recovered	Outstanding audit fees	Shortfall percentage
2010-11	19.81	9.01	10.80	54.41
2011-12	18.23	7.30	10.93	59.96
2012-13	21.40	6.80	14.60	68.22

The Government stated (October 2013) that Revenue Recovery Certificates (RRCs) were issued for recovery of audit fees but due to difficult financial condition of the societies, audit fees could not be recovered.

The reply is not acceptable as documents regarding issuance of recovery certificates, recovery from the property of societies/members/past members or estate of the deceased members were not produced to Audit.

2.2.7 Discharging of regulatory functions

The main functions of the Department, as envisaged under the provisions of MPCSA 1960, are as under:

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27 JRCS Jabalpur, DRCS Narsinghpur, ARCS Dindori, DRCS Shahdol, ARCS Bhopal, DRCS Mandsour, DRCS Singrauli and ARCS Neemuch.

28 JRCS Sagar, ARCS Neemuch, DRCS Narsinghpur, ARCS Dindori, ARCS Sagar, DRCS Shahdol, ARCS Bhopal, DRCS Mandsaur, DRCS Singrauli and JRCS Jabalpur.

29 JRCS Jabalpur, JRCS Sagar, DRCS Narsinghpur, ARCS Dindori, ARCS Sagar, DRCS Shahdol, ARCS Bhopal, DRCS Singrauli and DRCS Mandsaur.

30 DRCS Khandwa, JRCS Indore, DRCS Dewas, JRCS Sagar, ARCS Dindori, DRCS Shahdol and DRCS Singrauli.

(i) Registration of Co-operative Societies

(ii) Election in Co-operative Societies

(iii) Audit and inspection of Co-operative Societies

(iv) Disposal of disputes and appeals of Co-operative Societies

(v) Regulation of the societies as per provisions of the Act and Rules

(vi) Liquidation and deregistration of non-working Co-operative Societies.

The shortcomings noticed in review in respect of these activities have been discussed in detail in the succeeding paragraphs.

2.2.7.1 Registration of Co-operative Societies

(i) Registration of ineligible Co-operative Societies

Seven societies were registered during 2012-13 which were having two or more members in close relations.

As per the provisions of Section 6 of MPCSA 1960, for registration of a society, at least 20 persons competent to contract under the Indian Contract Act and belonging to different families not being in near relations, are required. As on 01 January 2010, there were 36,391 registered societies, which rose to 44,267 as on 01 January 2013. Of these, 36,930 were functional and 7,337 were under liquidation.

We noticed in five test checked units that out of total 193 societies registered during 2012-13 in these units, seven societies were having two or more members in close relations as declared by the Members (**Appendix 2.11**).

The Government stated (October 2013) that the registration of seven societies would be cancelled and corrective measure would be taken in this regard.

(ii) Declining trend in existence of women's Co-operative Societies

The objective of the Department was to encourage co-operative activities among the different classes of the society in the State, particularly the weaker sections and the women.

We observed that there were 5,510 women societies registered at the beginning of 2010-11. The number of women societies decreased to 5,205 during 2011-12 and further decreased to 5,184 during 2012-13. However, the Department did not have any plan to encourage constitution of women's societies or to revive non-working women's societies.

On this being pointed out, the Government stated (October 2013) that the Co-operative Societies are democratic institutions formed voluntarily by its members, it is mandatory that at least one-third members are female in a society and as such, there were adequate representations of female members.

The fact remains that the Department did not have any plan to achieve its stated objective of encouraging constitution of women's societies or their revival even though the number of women societies were consistently declining.

2.2.7.2 Election in the Co-operative Societies

According to Sub section 8(i) of Section 49 of the Act, it shall be obligatory on the part of the outgoing committee of the society to hold election prior to the expiration of the term of five years or the extended term. If the society

fails to hold election, the Registrar shall assume charge and hold election as early as possible. As of August 2013, elections in 7,452 societies were due out of 36,062 Co-operative Societies.

We noticed that the Registrar assumed charge of 1,900 Co-operative Societies as of August 2013 under the different Sections of the Act but election in respect of only 75 societies was conducted during the period October 2013.

On this being pointed out, the Government stated (October 2013) that due to amendment in the Rules consequent to amendment in the Act and delay in appointment of Election Authority, election in certain societies could not be conducted in time and the State Government appointed (June 2013) Madhya Pradesh State Co-operative Election Authority for conducting election in the societies.

The fact remains that there were delays in holding elections in most of the societies administration of which was taken over by the Registrar.

2.2.7.3 Audit of Co-operative Societies

There was shortfall in audit of Co-operative Societies during the period 2009-13.

As per Section 58 of MPCSA 1960, the Registrar shall audit or cause to be audited by a person authorised by him the accounts of every society at least once every year and shall recover from such society such fees, as may be prescribed. We noticed the following:

- There was shortfall of 15.14 *per cent* to 20.53 *per cent* in audit of Co-operative Societies as detailed in the table below:

Table 2.11: Shortfall in audit of Co-operative Societies

Year	Number of societies due for audit	Total number of societies audited during the year	Number of societies where audit was not conducted	Percentage shortfall
2009-10	34,539	29,173	5366	15.54
2010-11	35,235	29,901	5334	15.14
2011-12	33,776	26,843	6933	20.53
2012-13	33,935	27,734	6201	18.27

(Source: Administrative Reports of the Department)

The Department/Government attributed (April 2013/October 2013) reasons for the shortfall in audit to shortage of auditors, non-working condition/closure of the societies and non-availability of records of such societies in time. The Government further stated (October 2013) that instructions had been issued to District Officers to get accounts of the pending societies audited.

The reply confirms the fact that audit of all the societies could not be undertaken or caused to be audited on time, as required under the Act.

- Section 61 of the Act provides for rectification of defects pointed out in audit notes by Co-operative Societies within 60 days of the issue of audit notes. The Department, however, did not maintain the age-wise details of pendency in issuance of audit notes. In 13 units, out of test checked 37 units, 24,403[31] Co-operative Societies were audited during 2010-13, of which 22,612 audit notes were issued. Of these, compliance report in respect of only 660 audit notes were received in report of two units. Thus, in respect of remaining 21,952 audit notes in respect of 13 units,

[31] 2010-11: 8,657; 2011-12: 7,947 and 2012-13: 7,799

compliance reports were not received, as detailed in **Appendix 2.12.** The Department, however, neither declared the defaulting officers/ employees of the Co-operative Societies ineligible for becoming members of the Board of Directors of Society nor imposed penalty as provided in the Act.

The Government stated (October 2013) that instructions had been issued for issuing remaining audit notes and for regular holding of meetings after constitution of Accounts Committee for disposal of outstanding audit notes, to the Assistant Registrar (Audit) of the concerned districts to obtain compliance report within two months and take statutory action under the Act on non-submission of compliance reports.

2.2.7.4 Disposal of pending judicial cases

There was no action plan for speedy disposal of 1,70,376 cases pending for judgement as on 31 December 2012.

Disputes arising among the members of societies and disputes relating to employment of officials in societies are disposed off in Co-operative Courts under the provisions of MPCSA 1960.

We noticed that as on 31 December of the years 2010, 2011 and 2012 number of pending cases were 2.80 lakh, 3.35 lakh and 3.16 lakh[32] respectively relating to the varying periods from less than one year to more than 10 years. During the three calendar years, 94,597, 73,271 and 63,127 cases respectively were disposed off. Thus, percentage of disposal of the cases was only 25, 18 and 27 respectively during the three year period. Out of the pending cases as on 31 December 2012, 5,795 cases were of serious nature such as, disputes regarding terms and conditions of employment, disciplinary action taken by a society, disputes on constitution, management or business and liquidation of societies. The cases also included those which were pending for more than 10 years. In the monthly meetings, the Additional Registrar, Co-operative Societies observed unsatisfactory progress in the matter of disposal of disputes pending in the Courts.

The Government stated (October 2013) that the number of cases disposed off during the year 2012-13 was more than the number of cases registered in that year, it took time in delivering notices to members of societies. It was further stated that instructions had been issued for quick disposal of the cases.

2.2.7.5 Maintenance of records in societies

Section 56 of the Act provides that every society shall maintain such records, registers and books of accounts and shall furnish to the Registrar such information and such returns as may be required by him from time to time. If any officer or an employee of the society fails to maintain the records, registers, books of accounts and to furnish to the Registrar such information and such returns within the specified time, the Registrar may declare such officer to be disqualified for being a member of the committee for period not exceeding three years. If the officer is an employee of the society, the Registrar may impose on him a penalty not exceeding ₹ 5,000.

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[32] Department showed a closing balance of 1,70,376 by reducing the opening balance without recording any reason for the same. Thus, there is difference of 1,45,783 cases for which reply/reconciliation from the Department is awaited (January 2014).

Out of the 37 selected units, we scrutinised the Audit Reports for the years 2010-11 and 2011-12 in respect of 78 societies (out of 288) under four[33] units. We found that the required records viz., members' register, members' list, agenda for general meeting, receipt/despatch register, pass book for members, immovable property/dead stock registers etc. were not maintained/not produced by these societies. However, the Department did not take action according to the aforesaid provisions. Thus, management and internal control in these societies were weak due to non-maintenance of the requisite records.

The Government stated (October 2013) that penalties had been imposed on the defaulting societies and its officers/employees and instruction had been issued to take action under the provision of the Act on the defaulting officers.

The reply is not acceptable as action for disqualification for being a member of the committee was not taken. Besides, penalties imposed on the defaulting societies and its officers/employees were not recovered as of October 2013.

2.2.7.6 Action against short recovery of loans by the Co-operative banks

The Department did not take action on failure of societies to hold annual general meeting.

Section 53(11) of the Act provides that the Registrar shall pass an order for removal of the Committee or the Managing Committee of the Co-operative Bank and appoint an administrator for such period or periods not exceeding one year in the aggregate as may be specified by the Registrar, if the recovery of loans during three consecutive Co-operative years is less than 60 *per cent* of the annual demand of the banks or if the overdue exceeds 40 *per cent*.

We noticed in eight units[34] out of 37 test checked units that although the Co-operative Banks failed to recover a significant part (more than 60 *per cent*) of the recoverable amounts during the years 2009-10 to 2011-12 (**Appendix 2.13**). The Department did not take any action as provided in the Act.

The Government stated (October 2013) that as per Section 53 (10) of MPCSA 1960 the Board of Directors of the societies could not be removed without prior consultation with Reserve Bank of India (RBI) and RBI had not given any permission for removal of the Board of Directors. However, no records were shown to Audit to establish that the RBI was consulted for the removal of the Board of Directors.

2.2.7.7 Holding of Annual General Meetings by the Co-operative Societies.

Section 49 of the Act stipulates that if defaulted in calling general meeting of society within three months before close of financial year, the Registrar may declare the responsible officer disqualified for being elected or being in office for a period not exceeding three years.

We noticed in six units[35] that although 686 primary agricultural credit Co-operative Societies failed to conduct the annual general meetings during the period 2009-12, the Department did not take action as provided in the Act.

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[33] DRCS, Rajgarh; DRCS, Ashoknagar; DRCS, Guna and DRCS, Chhattarpur.

[34] DRCS Hoshangabad, DRCS Morena, DRCS Shivpuri, DRCS Rajgarh, DRCS Raisen, DRCS Indore, DRCS Mandsaur and DRCS Dewas.

[35] DRCS, Guna, DRCS, Morena, DRCS, Shivpuri, ARCS, Raisen, ARCS, Rajgarh and ARCS, Ujjain.

The Government stated (October 2013) that instructions had been issued to the concerned Joint Registrars to take action as per provision of the Act.

2.2.8 Programme Management

With a view to achieve implementation of various schemes aimed at developing different classes of the society in the State, Co-operative Department implemented 15 schemes through the Co-operative Societies. Irregularities in Custom Hiring Centre have been discussed separately under the Performance Audit of Rashtriya Krishi Vikas Yojna (Paragraph 2.4). Besides, irregularities in implementation of ICDP and ISS for member farmers of Co-operative Societies are discussed in the succeeding paragraphs.

2.2.8.1 Integrated Co-operative Development Project (ICDP) Scheme

ICDP, a Centrally Sponsored Scheme, was in operation in the State since 1985. The Scheme aims at overall development of economic activities on co-operative basis in selected districts in the area of agriculture, agro-allied and co-operative banking etc. Under the Scheme, financial assistance to Co-operative Societies is provided in the form of loan, share capital and subsidy for development of infrastructure, business and human resources.

The State Government is to implement ICDP through the Project Implementing Agency[36] (PIA) which is responsible for overall implementation of the project. PIA and Project Implementation Team (PIT) appointed by PIA are required to submit monthly progress report and annual monitoring report to National Co-operative Development Co-operation (NCDC). Implementation of the Scheme is monitored by a State monitoring cell.

Funding pattern by NCDC to the State Government and by the State Government to Co-operative Societies for the schemes/activities[37] under ICDP is given in **Appendix 2.14**. Release of assistance from NCDC is progress based and on reimbursement basis. Thus, the State Government has to first provide funds to PIA and then seek reimbursement from NCDC.

In the 11th Five Year Plan (2007-12), 15 districts were selected in the State. NCDC sanctioned ₹ 188.52 crore for implementation of five activities under ICDP. Against the sanctioned amount, ₹ 183 crore was allotted by the State Government to PIA, which could spend ₹ 175.05 crore (up to 31 March 2013) for the Scheme, as detailed in **Appendix 2.15**. We noticed shortcomings in implementation of the Scheme as discussed below:

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[36] The State Government appoint/nominate PIA in each District which is generally District Central Co-operative Bank (DCCB) or branch of the State Co-operative Bank or State Co-operative Marketing Federation or any other similar organisation, nominated by the Government in consultation with NCDC.

[37] (i) Civil works, plant and machinery, infrastructure, facilities (ii) Margin money to societies, (iii) Share capital to DCCBs/PIA, (iv) Man power development and training (v) Managerial assistance to PIA and Monitoring Cell.

(i) Delay in completion of ICDP schemes

The projects under ICDP could not be completed in scheduled time.

NCDC sanctioned (March to November 2007) 15 ICDP schemes, one each for the 15 districts selected for implementation within five years. As per the terms and conditions of ICDP, the project period of ICDP varied between four years and five years depending upon the outlay, activities and volume of infrastructure to be created under ICDP.

During scrutiny of records of RCS and the Department Headquarters, we noticed that in 15 districts, despite spending ₹ 175.05 crore, none of the projects could be completed within the stipulated period (completion schedule between March 2012 and November 2012). While ICPD schemes in three districts (Vidisha, Jhabua and Mandsaur) were completed with delays ranging from 6 to 12 months, the projects in 12 districts were not completed as of November 2013. The Deputy Director (Project) attributed (July 2013) the delay to the fact that from the year 2008-09, funds received from NCDC were kept in the departmental plan by the State Planning Commission. Since the Commission did not enhance the Plan limit, provision was not made in the State budget according to the target set. Since, expenditure on main activities of ICDP was to be financed by NCDC on reimbursement basis, initial induction of funds by State Government would have facilitated timely completion of the Scheme.

The Government stated (October 2013) that provisions in State Budgets were not according to the targets for ICDP scheme for the years 2008-09 to 2010-11. Therefore, it was imperative to increase the completion period to achieve remaining targets of the schemes.

The reply confirms the fact that there was delay in release of funds, which contributed to delay in completion of the projects under the scheme.

(ii) Non recovery of share capital, loans and interest under ICDP schemes

Share Capital of ₹ 8.54 crore and loans of ₹ 3.65 crore provided under ICDP were not recovered.

ICDP scheme provided for interest free share capital and interest bearing loan to Co-operative Societies, which are to be refunded to the State Government in eight equal annual instalments after one year and three years respectively from the date of disbursement of share capital and loans. Interest on loans is charged at the effective rate indicated in sanctioned orders applicable at the time of disbursement of loan. In case of failure to pay the instalments of loan on or before the due date, interest rate is increased by one *per cent* and penal interest of 2.5 *per cent* is also charged.

The following observations were made in audit:

- In 13 districts, share capital of ₹ 47.62 crore was provided to Co-operative Societies during 1996-97 to 2006-07. As on 31 March 2013, an amount of ₹ 32.69 crore was to be recovered from the societies, of which ₹ 24.15 crore was recovered, as detailed in **Appendix 2.16**.
- In eight districts, loans of ₹ 6.05 crore was provided to Co-operative Societies during 1995-96 to 2006-07. The outstanding amount of loans and interest (including penal interest) was not recovered from the Co-operative Societies was ₹ 3.65 crore, as detailed in **Appendix 2.17**.

The Department did not ensure issuance of RRCs under Section 81 of the Act and monitoring of implementation of RRCs issued for effecting recovery of the overdue amounts.

On this being pointed out, the Government stated (October 2013) that monitoring for recovery of amount was being done by recovery cell constituted at district level and instructions had been issued to monitor recovery of the amount. The fact remains that the efforts of the Government was not adequate to recover the overdue amounts.

2.2.8.2 Interest subsidy scheme for member farmers of Co-operative Societies

Against the provision for reimbursement of interest subsidy, Government paid ₹ 760.69 crore to the Apex Bank prior to the due date.

The State Government introduced (2006-07) Centrally Sponsored Scheme of Interest Subsidy in respect of short term production credit (crop loan) to farmers. Under the Scheme, member farmers of Co-operative Societies are provided short term crop loan on concessional interest rate (zero *per cent* to three *per cent*) by State Co-operative Banks through PACS. The difference[38] of base interest (11 *per cent* during the three years) and interest payable by farmers is paid to banks by Central Government and State Government as interest subsidy[39]. The claims of interest subsidy were to be submitted by PACS and the District Central Co-operative Banks through Madhya Pradesh State Co-operative Banks.

Under the above scheme, the State Government paid interest subsidy of ₹ 150.46 crore, ₹ 282.11 crore and ₹ 328.12 crore to 25 lakh, 29 lakh and 30 lakh farmers respectively during the years 2010-11, 2011-12 and 2012-13.

The following observations were made:

- The Department admitted the claim of interest subsidy on the basis of utilisation certificates given by Apex bank. In terms of Government order (10 January 2012), interest subsidy was to be reimbursed on the basis of audited accounts of PACs and only in respect of eligible farmers. The Department, however, did not obtain audited accounts of claims for interest subsidy to examine the correctness of the claims and did not ensure that interest subsidy was not paid in respect of ineligible farmers.
- For the amount of interest subsidy due between 15 March 2011 and 15 June 2013, the State Government paid ₹ 760.69 crore[40] between July 2010 and March 2013 to Apex Bank for disbursement to PACs in the State. Thus, the amount was paid to Apex Bank 7 days to 258 days before the due date instead of reimbursing the interest subsidy after the due date. Total interest on loans (₹ 760.69 crore) for these periods (7 to 258 days) works out to ₹ 10.45 crore at average interest paid on borrowed funds[41].

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[38] The Central Government pays 3.5 *per cent* to 5 *per cent* and the State Governments pays 4.5 *per cent* to 6.5 *per cent* as interest subsidy on account of difference of normal interest and interest payable by farmers.

[39] During the year 2011-12, total interest payable to Co-operative Banks by Central/State Government was 11.5 *per cent* against the base rate of 11 *per cent* as per the Government letter dated 10 January 2012 and information provided by the Department

[40] 2010-11: ₹ 150.46 crore, 2011-12: ₹ 282.11 crore and 2012-13: ₹ 328.12 crore.

[41] 7.04 *per cent* during 2010-11 and 6.74 *per cent* during 2011-13 source CAG's Report on Finances of State Government.

- We observed that in Vidisha and Raisen Districts, ₹ 30.77 crore[42] was paid (July 2011 to March 2012) in advance by the Government towards interest subsidy, was in excess of ₹ 7.71 crore than claims, as the claim of interest subsidy by the Banks was for only ₹ 23.06 crore[43] for the year 2011-12, resulting in unutilised amount of ₹ 7.71 crore which was still unadjusted (August 2013).

On this being pointed out, Government admitted (October 2013) that interest subsidy was paid in advance in lump sum on the basis of estimated interest.

2.2.9 Human Resource Management

Fixation of norms for assessment of present and future manpower requirements, posting of staff, proper utilisation of manpower and capacity building are the main components of human resource management that would assist in achieving the objectives of project.

The men in position vis-a-vis sanctioned strength in different cadres in the Department is given in the table below:

Table 2.12: Sanctioned strength and men in position (Position as on December 2013)

Sl. No.	Designation	Sanctioned Strength	Working Strength	Vacancy	Percentage of shortfall
1.	Administrative Officer	01	00	01	100
2.	Accounts Officer	01	00	01	100
3.	Audit Officers	131	94	37	28.24
4.	Assistant Engineer	01	00	01	100
5.	Sr. Co-operative Inspectors/Inspectors	1229	829	400	32.54
6.	Sub Auditors	472	212	260	55
7.	Assistant Grade employees	488	362	126	25.81

Source: Information provided by the Department

It would be seen from the above that there was no Administrative Officer, Accounts Officer, and Assistant Engineer in the Department. Huge shortfall in the cadres of Sr. Co-operative Inspectors/Inspectors, Sub Auditors and Assistant Grade employees also affected functioning of the Department in discharging its responsibilities as regards non-conduct of election in Co-operative Societies, shortfall in audit of Co-operative Societies, short recovery of audit fees, non-issue of Audit Report to Co-operative Societies, non-disposal of pending judicial cases as discussed in paragraphs 2.2.7.2 to 2.2.7.4.

2.2.10 Internal Control

An internal control system and strict adherence to statute codes and manuals minimise the risk of errors and mismanagement.

[42] Vidisha: ₹ 23.63 crore, Raisen: ₹ 7.14 crore.
[43] Vidisha: ₹ 19.54 crore, Raisen: ₹ 3.52 crore.

2.2.10.1 Internal Audit

Department was not having any set up for internal audit. Finance Department also did not conduct audit of Co-operative Department.

Internal audit is an important tool for the Management to ascertain the accuracy and effectiveness of the internal control mechanism. The Department, however, did not have any set up for internal audit. Besides, as provided in the Process Manual of Finance Department, annual audit roaster is required to be prepared by the Directorate of Treasuries and Accounts for conduct of audit of Head of Department Offices. We also noticed that audit of the Head of the office of Co-operative Department was not conducted by the Audit team of the Finance Department during the period of review.

2.2.10.2 Inspection by Controlling Officer

The Controlling Officer did not conduct audit of the subordinate offices.

Rule 293 of MPTC provides that the Controlling Officer should conduct annual inspection of the records to be maintained by his subordinate DDOs.

We noticed in 35 units that inspection was not conducted by the Controlling Officers (Joint Registrar and Registrar) during the period of audit.

The Government stated (October 2013) that instructions had been issued for carrying out inspection.

2.2.10.3 Non-verification of challans received on account of receipts of audit fees from the societies

According to Rule 30 of MPFC (Vol.I), all the receipts regarding payment of Government dues during a month should be verified from the records of the treasury concerned.

We observed (July and August 2013.) in offices of Assistant Registrar (Audit) at Sagar and Bhopal that the Co-operative Societies sent copies of challans to district offices as proof of remittance of audit fees (Sagar: ₹ 84.86 lakh during April 2009 to March 2013 and Bhopal: ₹ 60.89 lakh during April 2011 to June 2013). However, verification of actual receipt of audit fees in the government account was not carried out from the records of treasuries. In the absence of prescribed verification, possibility of non-payment/short-payment of audit fees cannot be ruled out.

On this being pointed out, the Government stated (October 2013) that verification in respect of Sagar unit had been done and in respect of Bhopal unit it was being done. It was further stated that standing instructions were issued and was reiterated.

The fact remains that since delay in verification of remittance in treasury would result in non-deduction/delayed detection of misappropriation of the Government money.

2.2.11 Conclusion

The Co-operative Department entrusted with the responsibility of ensuring constitution, operation, audit and inspection of Co-operative Societies under the provisions of Madhya Pradesh Co-operative Societies Act, failed to ensure registration of only such societies that fulfilled the criteria laid down in the Act. Provisions regarding conduct of election of societies, timely audit of societies, compliance to issues raised in audit, record maintenance and conduct of AGMs by societies were also not monitored and enforced by the Department.

There was shortage of manpower in many cadres of the Department adversely affecting its functioning.

Internal control system in the Department was weak as it was not having any set up for internal audit and inspection of records was not conducted by DDOs as required in MPTC.

2.2.12 Recommendations

The Government should consider the following:

- Ensure that societies not fulfilling the eligibility criteria are not allowed to be registered and put in place a monitoring mechanism to review the continued fulfillment of eligibility criteria of existing societies;
- Prepare an annual plan for conducting audit of Co-operative Societies, as and when due;
- Initiate necessary action against societies for non-maintenance of records, not holding elections/AGMs in terms of the provisions of the Act; and
- Strengthen monitoring by regular inspection of records of societies as prescribed under the Act.

Forest Department

2.3 Management of forest offences in Madhya Pradesh

Executive Summary

Management of forest offences is one of the primary responsibilities of the Forest Department. The management and protection of forests is regulated mainly by the Indian Forests Act, 1927. A review of management of forest offences and protection of forest in the State was conducted to assess adequacy and efficacy in prevention, detection, registration, investigation, disposal and monitoring of forest offences by the Department.

Number of encroachment cases doubled during 2008-12 and 51 *per cent* wireless sets were not in working condition, affecting the prevention of forest offences. There was significant shortfall of staff in the working strength for management of forest offences. The Department did not ascertain whether the vehicles hired for patrolling of sensitive area were used for the intended purpose. *Government should review off the trend of various offences and frame offence-specific plan for effective protection of forest offences.*

(Paragraphs 2.3.7.1 to 2.3.7.4)

Detection and registration of forest offence was deficient. Use of satellite data for detection of offences was not adequate. There was significant shortfall in beat inspections by the departmental officers. Registration of forest offence cases was not monitored due to non-submission of counterfoils of preliminary offence reports to the Division. There were significant delays in registration of cases. *Government should ensure optimum use of available infrastructure of Information Technology for timely detection of forest offences and strengthening the system of registration of cases.*

(Paragraphs 2.3.8 and 2.3.9)

Investigation of forest offences for assessing the loss of forest product was deficient. There was no uniform procedure to ascertain quantum of actual loss of timbers. The quantity of minerals extracted through illegal mining was not reported in large number of cases. *This also resulted in short recovery of losses. Government should ensure formulation of uniform procedure for valuation of loss of timber and the loss due to illegal mining.*

(Paragraphs 2.3.10.4 and 2.3.10.5)

There were deficiencies in disposal of offence cases and seized material. Department could not formulate reasonable basis for classification of cases on basis of gravity of offences for compounding or prosecution of offence cases. We observed that large number of forest offence cases were time barred due to delayed investigations and submission to Courts. *Government should streamline the system of disposal of forest offence cases within the time limit.*

(Paragraph 2.3.10.3)

Monitoring of forest offence cases was deficient as the inspection reports for controlling illegal mining were not submitted to the Government. Forms for reporting of offences did not provide important information. Besides, timber accounts were not prepared for long period. *Government should strengthen the system of reporting by using suitable forms and Forest Offence Management System (FOMS).*

(Paragraph 2.3.12)

2.3.1 Introduction

Madhya Pradesh has a forest area of 94,689 sq. km. More than 41 *per cent* villages (21,797) in the State are located within 5 km of forest areas and around one crore people are dependent on forests for their livelihood. As per the Annual report on forest offences prepared by the Principal Chief Conservator of Forests (PCCF), 16.37 lakh trees were felled. 13,845 hectares (ha) of forest land was encroached, 13,970 ha of area was illegally mined while 1.57 lakh ha area was affected by forest fire during the calendar years 2008-12.

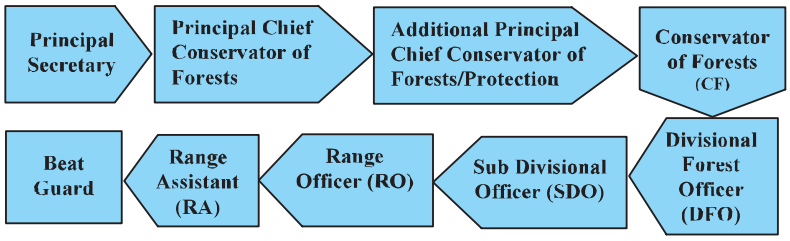
According to Indian Forests Act, 1927 (IFA), any action causing any damage by negligence or deliberately in felling any tree or dragging any timber, grazing of cattle, grass cutting, quarrying of stones, making encroachments etc. in forest area is an offence. Illegal possession and transport of forest produces, encroachments on forest land for any purpose, and setting forests to fire are also offences under IFA. Forest Officers are vested with powers to enquire into offence cases, compel the witness to attend the court, arrest without warrant, seize forest produce suspected to be illegally obtained. confiscate vehicles and other property used in the commission of forest offences, eviction of forest encroachers, and also to dispose off cases under these laws. Madhya Pradesh Forest Policy (MPFP), 2005 envisages strengthening of infrastructure for protection of forest and stern action against person indulging in forest offence and their abettors.

During the period 2008-13, an expenditure of ₹ 94.64 crore was incurred for protection of forest and detection of forest offences, under the schemes Intensification of Forest Management (IFM) (₹ 44.87 crore) and Strengthening of Administration (₹ 49.77 crore).

2.3.2 Organisational set-up

The Department functions under the overall control of the Principal Secretary at Government level. The Principal Chief Conservator of Forest (PCCF) is responsible for overall administration of the Department. He is assisted by Additional Principal Chief Conservator of Forests/Protection (APCCF) who is entrusted with responsibility of giving direction and control of forest offences. An organogram reflecting the organisational structure for management of forest offences up to the beat level is given below:

Organogram reflecting the organisational structure of Forest Department



2.3.3 Audit objectives

The objective of the Performance Review was to assess whether:

- adequate preventive measures were available and applied for controlling the offences;
- system to detect and register offence cases was appropriate;
- investigation was done to assess actual loss of forest wealth;
- cases and seized material were disposed off according to provisions of relevant Acts/Rules and instructions; and
- prevailing system for monitoring was effectively applied.

2.3.4 Audit criteria

Audit findings are based on the criteria derived from the following sources:

- Indian Forests Act, 1927,
- Forest (Conservation) Act, 1980
- Madhya Pradesh Forest Manual,
- Madhya Pradesh Forest Policy, 2005
- Instructions and guidelines issued by the Government and Department.

2.3.5 Scope and methodology of audit

In Forest Department, 63 General Divisions[44] are engaged in management of forest protection and forest offences. The Performance Audit was conducted (October 2012 to June 2013) by collection of data and scrutiny of records at the secretariat, office of PCCF, 21 General Divisions[45] and other subordinate offices on forest offences for the calendar years 2008 to 2012 and on implementation of forest protection schemes for the years 2008-09 to 2012-13.

An entry conference was held on 7 January 2013 for appraising the Department of the audit objectives, scope, methodology and audit criteria. The exit conference was held with the secretary of the Department and PCCF on 29 August 2013 and their views incorporated in the review.

Audit findings

2.3.6 Position of forest offences

According to the information furnished by the Department, position of forest offence cases registered during the calendar years 2008 to 2012 was as under:

[44] Responsible for overall management including forest offences and development of forests (other than divisions).

[45] Excluding Wild Life Divisions

Table 2.13: Position of offence cases registered during 2008 to 2012

Year	Illicit felling	Poaching	Encro-achment	Illegal Transportation	Illegal mining	Forest fire	Illegal grazing	Other	Total
1	2	3	4	5	6	7	8	9	10
2008	50,054	628	772	2036	1402	4859	1084	502	61,337
2009	58,025	740	1017	2784	1144	5590	1409	331	71,040
2010	52,927	652	1774	2525	1141	3298	994	486	63,797
2011	55,699	657	1479	2307	1014	3632	1341	385	66,514
2012	54,707	612	2419	2123	758	3181	1119	305	65,224
Tota	**2,71,412**	**3289**	**7461**	**11775**	**5459**	**20,560**	**5947**	**2009**	**3,27,912**

(Source: Annual report on position of forest offences)

There was large number of illicit felling of trees and instances of forest encroachment increased significantly.

It would be seen from above table that illicit felling constituted 83 *per cent* of total forest offences. Substantial increase noticed in encroachment (by 213 *per cent*) though there was decrease in poaching, illegal mining and forest fire during the last five year period ending December 2012. We observed that the trend of various forest offences was not reviewed and reasons thereof analysed by the Department for improvement in management and prevention of forest offence cases except once in 2008. The Department did not however prepare any offence specific action plan to deal with the increase in forest offences.

APCCF stated (July 2013) that subordinate offices had been instructed from time to time for control of offences. The reply is, however, silent about any plan of action for better management of forest offence cases.

2.3.7 Prevention of forest offences

Prevention of offence is a prime component of forest protection. For prevention of offences, the Department procured wireless sets, deployed manpower for patrolling and hired vehicles for patrolling. Inadequacies observed in prevention of offences are discussed in succeeding paragraphs:

2.3.7.1 Use of wireless sets in forest protection

862 out of 1694 wireless sets in 21 divisions were not in working condition and an amount of ₹ 31.98 crore was due to GOI on account of license fee and royalty.

According to MPFP, 2005, use of wireless network and other communication facilities would be extended to strengthen the forest protection system. Further, PCCF directed (April 2009) the Divisions to prepare communication plan to maintain connectivity between officers and staff. It was also decided optimise the use of mobile phones while maintaining minimum use of wireless, as mobile connectivity may not be available at interior forest areas.

We observed (between October 2012 and June 2013) in 21 test checked divisions that 1,694 wireless sets (hand set, fix set and mobile sets) were available, of which 862 sets were not in working condition. Besides, license fee and royalty due according to Indian Telegraphy Act (ITA) was not paid regularly to the Government of India (GOI). We further observed that GOI had issued (October 2013) notices to the Department for payment of accumulated dues amounting to ₹ 31.98 crore. The licenses were liable for cancellation if dues were not paid immediately. Department has so far not paid the dues and cancellation of licenses by GOI would adversely impact the management of forest offences.

PCCF stated (September 2013) that due to non-payment of license fee and royalty, renewal of license and repair of old wireless sets was not possible and efforts were being made to restore wireless system. In view of the fact that

communication is a vital instrument in controlling forest offences, the Government should take necessary steps to repair/restore the wireless system.

2.3.7.2 *Shortfall in manpower engaged in protection of forest*

There was shortfall of 3,870 personnel engaged in forest protection, while 100 such employees were engaged in office works.

Deployment of adequate man power is vital for protection related activities such as regular patrolling, registration and investigation of cases. The deficiencies noticed in management of manpower are discussed below:

- As of June 2013, there was shortfall of 3,870 personnel in working strength[46] of the posts of RO (382), Deputy Ranger (185), Forester (450) and Forest Guard (2,853) as detailed in **Appendix 2.18**. Shortage of manpower resulted in shortfall in beat inspection and non- processing of the satellite data and getting it verified through field staff as discussed in Paragraphs 2.3.8.1 and 2.3.8.2.
- In 12 Divisional offices[47], 73 Forest Guards (maximum 25 in Seoni South Division), 24 Foresters and three Deputy Rangers were engaged for office work as seen from the attendance registers maintained in the divisions. Diversion of manpower even when the divisions were facing shortage in working strength of field staff would adversely affect protection of forest.

During the exit meeting, it was stated that 6,000 Forest Guards had been recruited since 2008. It was also stated that offences increased due to increasing biotic pressure. The fact remains that shortage of field staff at the end of June 2013 was 3,870 and diversion of field staff for office work would adversely affect beat inspection, processing satellite data for detection of offences, etc.

2.3.7.3 *Intensification of Forest Management (IFM) Scheme*

Under the Centrally Sponsored Scheme IFM, against total available funds of ₹ 44.87 crore (Central share: ₹ 33.65 crore and State share: ₹ 11.22 crore), expenditure incurred during the period 2008-13 was ₹ 44.87 crore. The major activities under the Programme are fire line maintenance under the component 'Forest Fire Control and Management', development and management of computer based forest network and demarcation (Pillars) under the component 'Working Plan preparation/Survey and Demarcation' and construction of forest stations and line quarters under the component 'Strengthening of Infrastructure for Forest Protection'.

We noticed from the utilisation certificates (UCs) submitted by the Department to GOI that the physical and financial achievement under various activities of IFM Scheme were almost 100 *per cent* of the targets approved by GOI. Activities carried out were mainly fire line maintenance, training, awareness, development and management of computer based forest network, survey and enumeration, Geographical Information System (GIS) workstations including software, demarcation, connectivity at Forest Stations, construction of forest stations, line quarters, barriers/check posts and purchase of vehicles

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[46] Information provided by APCCF/Admin-II (Head of administrative wing of non-gazetted forest officers).

[47] Balaghat North, Balaghat South, Damoh, Dewas, Khandwa, Mandla East, Mandla West, Sagar South, Seoni South, Singroli, Tikamgarh and Umaria.

for Forest Stations. The targets and achievement during the period 2010-11, 2011-12 and 2012-13 are given in **Appendix 2.19.**

2.3.7.4 Use of hired vehicle for patrolling of forests

Benefits of hired vehicles in forest protection could not be ascertained since the required certificates were not submitted by SDOs/DFOs.

In the State budget for 2012-13, provision was made for hiring of vehicle for patrolling in sensitive beats as envisaged in IFM Scheme[48]. APCCF/Protection instructed (December 2012) the regional CF that SDO concerned should submit a certificate to DFO every month mentioning the benefit to forest protection due to use of hired vehicle. DFO was to submit a quarterly report to the regional CF regarding benefits accrued from use of hired vehicle.

We observed (between October 2012 and June 2013) that in seven[49] out of 21 test checked divisions, 57 vehicles were hired for patrolling of sensitive beats, for which an expenditure of ₹ 53.35 lakh was incurred. The required certificates/reports were, however, not submitted by the respective SDOs/DFOs.

PCCF stated (September 2013) that due to hiring of vehicles, mobility of forest officials had increased in remote forests with positive impact in protection of forest and wild life. He further stated that instructions were being issued for recording effectiveness of hired vehicles.

The Department did not provide any documentary evidence to show that hiring of vehicles had resulted in positive impact in protection of forest and wild life. We noticed that the total cases of forest offences in these divisions (except Chhindwara West and Sagar South) had increased from 10,795 in 2011 to 11,866 in 2012.

2.3.8 Detection of forest offences

Detection of forest offences is done through beat inspection of forest area, searching of vehicles and houses etc. by forest officials. Deficiencies observed in detection of offence are discussed below:

2.3.8.1 Use of Information Technology in detection of forest offence

Use of satellite data was not optimised for detection of offences due to lack of manpower for analysing the data.

The Department has developed Information Technology (IT) applications such as Fire Alert Messaging System and Plantation Monitoring System using satellite data. Forest Department completed the work of digitisation of forest boundaries in 2007-08. It purchased satellite imageries of the State for the calendar years 2005, 2007, 2008, 2010 and 2011 at a cost of ₹ 1.41 crore during the period 2007-10. PCCF stated (May 2012) that status of mines had been updated from information provided by the divisions and it was to be used as baseline data of mines. PCCF further stated that online information would be sent by APCCF/Protection to all circles/divisions every quarter regarding action not taken in cases after analysis of satellite imagery and offence cases registered under FOMS[50].

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[48] Component: Strengthening of Infrastructure for Forest Protection.

[49] Chhindwara West, Damoh, Guna, Hoshangabad, Sagar South, Seoni South and Sheopur.

[50] On line system for monitoring of registered offence cases

Scrutiny of files relating to monitoring system of illegal mining (July 2013) of APCCF/Protection indicated the following:

- Satellite data of pits were verified after sending polygons[51] to 10 divisions of nine districts[52] but verification of pits was not done in rest of the 41 districts for preparing baseline data of mines for future use in detection of illegal mining.
- There was nothing on record to indicate that quarterly review was conducted by APCCF/Protection using baseline data to ascertain that all the cases of offence of illegal mining detected through IT, were registered.

During the exit conference, it was stated that IT was an evolving technology and could detect changes in forest cover but not the cause. The Department further stated that there was paucity of adequate manpower to process data and detecting changes for getting it verified through field staff.

The fact remains that the objective of purchasing satellite imageries was not fully achieved and necessary steps need to be taken to overcome the constraints.

2.3.8.2 Shortfall in beat inspection

There was shortfall in beat inspection in six divisions.

According to the instructions issued by the APCCF/Protection (June 2004 and January 2009), forest officers of the level of RA to DFO were to conduct beat inspections periodically[53], as prescribed in beat roaster, with the objective of controlling various forest offences.

We observed (between October 2012 and June 2013) in scrutiny of reports on beat inspections in six[54] out of 21 divisions that during the period between 2008 and 2012, there was shortfall in beat inspection ranging from 11 *per cent* to 40 *per cent* in four divisions by SDO, two to 22 *per cent* in six divisions by RO, four to 22 *per cent* in five divisions by RA while it was 30 *per cent* and 41 *per cent* in two divisions by DFO, as shown in **Appendix 2.20**.

PCCF stated (September 2013) that shortfall in beat inspection was due to utilisation of field staff by District administration in elections and managing law and order. The reply is not convincing as the deficiency persisted during the period 2008-12, despite being pointed out in previous Audit Report (2003).

2.3.9 Registration of offences

After discovering commission of an offence, a Preliminary Offence Report (POR) is prepared in prescribed format along with site *Panchnama*. PORs are sent to the concerned Range offices for registering it in Forest Offence Case Register(FOCR), which are handed over for investigation toRAs.

In the 21 divisions test checked, 1,58,859 forest offence cases were registered during 2008-12 as shown in **Appendix 2.21**. Deficiencies observed in registration of cases are discussed below:

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[51] Polygone represent location of the pits.
[52] Chhatarpur, Damoh, Gwalior, Katni, Morena, Panna, Satna, Shivpuri, and Vidisha.
[53] Two inspections each for DFO,RO and RA and three for SDO.
[54] Betul west, Guna, Khandwa, Sheopur, Singrauli and Umaria.

2.3.9.1 Non-submission of Preliminary Offence Report to Divisions

Registration of all PORs could not be ascertained by DFOs due to non-submission of Counterfoils of PORs to Divisions.

The Department instructed (October 2004) that Forest Guards should send a counterfoil of Preliminary Offence Reports (PORs) to DFO to enable him to monitor the cases on a day-to-day basis and conduct enquiry under his supervision in cases of serious nature of offences.

There was nothing on record to show that the counterfoils of PORs were being sent to DFOs except in Sheopur Division. In absence of counterfoils of PORs at division level, it could not be ascertained by DFOs whether all PORs have been registered in Range Offices while checking the monthly report on registered forest offence cases of the Ranges.

PCCF stated (September 2013) that adequate transparency was adopted for registration of cases through computerised system, FOMS. All cases were registered in computers which were available for monitoring by DFO. Hence, there was no need to send the counterfoils to DFO. During exit conference, it was stated that a mechanism would be evolved for ensuring timely delivery of POR counterfoils. The fact remains that due to non-submission of counterfoil of PORs to DFO in 20 divisions, registration of each case was not ensured through cross checking of counterfoils with entries in FOMS.

2.3.9.2 Lack of uniformity in formats used for Forest Offence Case Register

Information in FOCRs was inadequate due to non-use of standard forms of FOCR.

The Forest Offence Case Register (FOCR) is a basic record maintained by the Range Offices which provides status of cases at a glance. Format for FOCR has not been provided in MPFM. The Department, however, prescribed a 35 column format for FOCR in May 2003 containing information such as date of registration of the case, brief about the case, name of co-operating Joint Forest Management Committees (JFMCs), type of offence, seized material, date of handing over the case to Investigating Officer, date of return of case after investigation, further action taken for disposal through compounding or submission to court.

We observed (October 2012 to June 2013) in 21 test checked divisions that different formats consisting of 7 to 57 columns were used in 15 divisions. In 12[55] divisions, FOCRs contained 7 to 30 columns only. Thus, there was no uniformity in practice in maintenance of FOCR in the Ranges and possibility of omission of important information such as, valuation of seized material, recovery of loss, remittances of loss recovered in banks/treasury etc. in the 12 divisions using formats having less than 35 columns, cannot be ruled out. Absence of various information prescribed in standard formats would cause hindrance in effective monitoring of disposal of the registered offence cases.

PCCF stated (September 2013) that instruction was issued to all the Divisions for use of standard formats of FOCR. The fact remains that prescribed format was not being used by all the divisions.

[55] Balaghat North, Chhindwara West, Damoh, Dewas, Guna, Hoshangabad, Indore, Raisen, Sagar South, Sehore, Sheopur and Singrauli.

2.3.9.3 *Delay in registration of the cases*

In one range reporting of forest offence delayed up to five months.

According to Para 77 (3) of MPFM, a forest guard discovering the commission of an offence must, within 48 hours of such discovery, report it to RA or to RO.

Scrutiny of FOCRs in 21 audited divisions indicated (between October 2012 and June 2013) that except in Indore division, the cases were reported within 10 days. FOCRs for 2008 and 2009 of Mahu Range in Indore Division however, revealed that reporting of 40 out of 564 cases registered was delayed by 16 days to five months resulting in delay in initiating enquiry of the cases.

PCCF stated (September 2013) that instruction was issued for timely reporting of discovered cases. The reply is not convincing as the deficiency persisted despite being pointed out in previous Audit Report (2003).

2.3.9.4 *Non-registration of offence cases of girdling*

According to Section 26 (f) of IFA, girdling[56] of tree is a forest offence, punishable up to one year, or fine or both.

Scrutiny of files/ records relating to special permission of removal of felled trees and FOCR of various Ranges in Dewas division indicated (January 2013) that girdling of 218 sound[57] Teak trees was noticed (between October 2010 and June 2012) during patrolling of Kannod and Wagli Ranges and Khiwni Sanctuary. We, however, observed that offence cases of girdling of 20 trees in Khiwni Sanctuary were not registered. DFO also did not take cognizance of the fact after receipt of request (June 2012) from range office regarding felling of girdled trees. Non-registering of the offences resulted in non- investigation of the same.

PCCF stated (September 2013) that the matter was being enquired into with concerned CF, Ujjain and instructions for registering all cases of girdling of trees would be issued

2.3.10 Investigation and disposal of offence cases

During the years 2008 to 2012, 91 *per cent* cases were investigated 73 *per cent* cases were compounded and 5,592 were time barred.

Various level of Forest Officers have been delegated powers to register, investigate, search on doubt, take statement and prosecute offenders of forest offence under IFA.

In its explanatory notes (May 2005) on the CAG's Audit Report (Revenue Receipt) Government of Madhya Pradesh, 2002-03, also incorporated in the recommendation report (November 2006) of the State Public Accounts Committee, Government submitted that forest offences registered under IFA and Rules made thereunder by the State were disposed off through general provisions of Indian Penal Code (IPC) and special provisions of related Rules/Acts. Under Section 468 of Criminal Procedure Code (CrPC), time limit had been fixed for taking cognizance of offences by the courts. GOMP issued (April 2003) instructions for mandatory prosecution of forest offences within the time limit. For successful prosecution of cases, an Assistant

[56] A band made around the trunk of a tree by removal of a strip of bark, causing it to die.
[57] Tree from which 75 *per cent* timber and 25 *per cent* fuel is obtainable.

Conservator of Forests (ACF) was posted in each division and facility of hiring services of private lawyer was also provided.

IFA empowers the Forest Department and defines procedures for investigation and compounding of cases of forest offences. During the period[58] 2009 to 2012, total 2,66,575 forest offence cases were registered. During this period, 2,67,862 (91 *per cent*) cases were investigated and 2,14,461 cases (73 *per cent*) were compounded including 28,188 pending cases as on 31 December 2008 as shown in detail in **Appendix 2.22.** Though the Department has been able to arrest increase in the pendency for investigation of forest offence cases, we noticed that 5,592 cases became time barred as discussed in para 2.3.10.3 below.

Deficiencies noticed in investigation and disposal of forest offence cases are discussed in succeeding paragraphs:

2.3.10.1 Revocation of forest offence cases

Government revoked 66,253 cases, though no such provision in IFA existed. Classification of the cases as minor and major offences was not done.

Sections 26 and 33 of IFA provides for penalty or imprisonment or both. The Act, however, does not provide for revocation of the cases in any circumstances.

We noticed that the Department neither classified the cases as minor offences or major offences nor formulated any reasonable basis for identifying the cases to be compounded by the Forest Officer or to be prosecuted in the court of law under IPC or IFA on the basis of the classifications so that perpetrators of major offences are given exemplary punishment.

We observed that as per the Government order (August 2008), 66,253 forest offence cases were revoked. Out of these, 21,296 cases of encroachments registered up to 13 December 2005 were regularised under the Scheduled Tribes and Other Traditional Forest dwellers (Registration of Forest Rights) Act, 2006. The basis/justification for revoking these cases and not submitting the cases to the courts for prosecution could not be ascertained in audit.

PCCF stated (September 2013) that petty cases of forest offences were revoked to establish coordination between forest officials and people living in the area nearby the forest. The fact, however, remained that there was no provision in the Act for revocation of cases under any circumstances without any penalty and compensation even for petty cases of forest offences.

2.3.10.2 Delay in disposal of forest offence through judicial process

3,165 cases were pending in courts from varying period between May 1979 and June 2012. Special Courts were not set up for disposal of pending cases.

MPFP, 2005, envisages constitution of Special Court for speedy disposal of forest offences. In addition, summary trial of forest offence cases is also provided in IFA, 1927.

We did not notice setting up of Special Courts and adoption of summary trial procedure for disposal of forest offence cases in any of the audited divisions. The Department did not also constitute any Body/Cell/Wing and posted ACFs at Division level for facilitating prosecution of forest offences or hired services of lawyer.

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[58] Details of cases investigated and compounded during 2008 were not given by the Department.

We further noticed, (between October 2012 and June 2013) in 20 (except Tikamgarh division) out of 21 divisions that, during the years 2008 to 2012, process of disposal through Court of law was started in 4,076 cases[59]. Only 911 cases were settled during the period and 3,165 cases were pending in courts (December 2012). Setting up of Special Courts or adoption of summary trial procedure could speed up the disposal of pending cases of forest offences.

During the exit conference, it was stated that setting up of Special Courts was an old demand of the Department and ACF were posted in divisions. But, due to excessive regular work, it was difficult to monitor the court cases related to forest offences. The reply, however, does not explain the measures proposed by the department for speedy disposal of forest offence cases and reduce number of pending cases.

2.3.10.3 Time barred forest offence cases

5,592 cases became time barred in State due to non-completion of investigation, compounding and submission of the cases to Courts within the stipulated period.

For offences registered under IFA, 1927, maximum punishment is up to one year. Therefore, the cases registered under the said Acts will become time barred[60] within one year. The Government directed (April 2003) that offence cases should be disposed off within the prescribed period by way of compounding or should be brought to Court of law for prosecution.

We noticed (July 2013) from the status of disposal of the cases provided by the APCCF/Protection that 5,592 cases became time barred in the Department between 2009 and 2012[61] due to non-completion of investigation, compounding and non-submission of the cases to courts within the stipulated period prescribed in CrPC.

PCCF agreed (September 2013) that some cases became time barred due to engagement of staff in other works and stated that investigation and disposal of cases within time limit was necessary. The reply confirms that the deficiency is persisting despite assurances given by the Government to PAC that the Department would fully endeavour to dispose of cases under IPC within the time limit.

2.3.10.4 Inappropriate procedure in calculation of loss in cases of illicit felling

For calculation of commercial rates of timber in case of illicit felling of trees, the Circles used 6 to 12 girth classes

According to GOMP, Forest Department order (February 2004) regarding fixing of responsibilities for illicit felling, loss is to be calculated after deducting commercial value of seized forest produce from the *vriksha mulya*[62] of the girth[63] class of the felled tree, fixed by CFs, while the girth classes were not prescribed. We observed the following:

- According to the system prevalent in the Department for calculation of loss, the divisions reduce girth class by one level after taking actual measurement of the stump of felled tree. We noticed from the schedules

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59 Pertaining to period May 1979 to December 2012.

60 As per section 468 of CrPC, the case becomes time barred after the maximum period of punishment of that offence is over after the date of registration.

61 Information for the year 2008 was not provided.

62 Estimated value of illegally felled trees, calculated for each girth class and species on the basis of average obtainable yield of 20 trees and commercial rates of girth class.

63 Circumference of tree in centimetre.

of commercial rates for forest produce that the test checked Circles used 6 to 12 classifications of girth classes with varying intervals of 10 cm, 15 cm and 30 cm within same girth class, as detailed in **Appendix 2.23**. Thus, there was no uniformity in using girth classes and intervals within a class. Due to adoption of different systems of girth classes, correctness of loss calculated in divisions in cases of illicit felling could not be ascertained.

PCCF stated (September 2013) that instructions would be issued to field officers to prescribe the rates of trees with girth interval of 10 cm for calculating the loss in cases of illicit felling.

2.3.10.5 Measuring seized material in standard unit.

In cases of illegal mining involving 2,224 ha of mined area, quantity extracted in volume was not reported. The Department could not ascertain quantum of loss of forest produce.

According to Sec. 2(4) (iv) of IFA, forest produce include peat, surface soil, rock and minerals (including lime-stone, laterite, mineral oils and all products of mines or queries). Illegal mining also affect adversely the soil and moisture conservation, ecology and environment. In cases of forest offence, the forest produce recovered, if any, is seized and confiscated after investigation and transported to depots for disposal. Annual physical verification of various forest produces lying in depots is also required to be conducted by SDOs.

We observed that the Department did not prescribe standard unit for measuring seized material and calculation of loss in cases of illegal mining. In 21 divisions, 1,264 cases of illegal mining involving 2,224.277 ha mined area[64] were reported during 2008-2012. The quantity of minerals extracted and loss thereagainst was, however, not reported in these cases. In the absence of extracted quantity of illegal mines, quantum of loss of forest produce to State caused by illegal mining could not be estimated. We observed the following:

- According to FOCR in Raisen Division, 86 cases of illegal mining/transportation of forest produce were registered between 2008 and 2011. The Division seized 2,916 stone slabs, 11 tractors trolley *moorum*, two tractors trolley boulders and 2,10,000 bricks.

  Seized forest produce was transported to various depots but the material was not measured in standard units (cu m or cu ft). Periodic physical verification of the produce was also not done at depots between 2008 and 2011. In the absence of physical verification of seized material, actual quantity available could not be verified. Records relating to transportation and disposal of seized material were also not produced to Audit.

On this being pointed out, DFO stated (March 2013) that the seized material was measured in numbers and transported to Raisen depot and physical verification would be conducted measuring in cubic feet/metre. He also stated that the cases were disposed off based on material at site and that manipulation of forest produce had not come to notice. The reply is not acceptable as without measurement of illegally mined area; it would not be possible to know the actual loss of forest produce.

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[64] Mining activities were involved in all the 21 test checked Divisions.

- In 36 cases of illegal mining in Khandwa Division (seven cases[65]) and in Budhera range of Sheopur Division (29 cases[66]), loss of forest produce was calculated on the basis of volume of seized material instead of on the basis of measurement of area illegally mined. As a result, adequacy of amount of compensation recovered in these cases could not be verified.
- Out of total 29 illegal mining cases registered between 2008 and 2010 in Budhera range of Sheopur Division, in 12 cases actual quantity of extracted soil/moorum/metal was measured as 6,193.542 cu m and in four cases 10,538 sq m area was reported as affected while in remaining 13 cases actual volume and affected area was not shown. The cases were disposed off on the basis of volume of seized material. Periodic physical verification of seized material in depot was also not conducted by SDO.

  Further, four[67] out of aforesaid 29 offence cases were not taken to courts as prescribed under Section 26 and 33 of IFA for disposal through judicial process and were disposed off under Section 68 of IFA by compounding of cases, leading to lack of exemplary punishment to the offenders.

PCCF stated (September 2013) that instructions would be issued to ensure measurement of seized material in standard units and periodic physical verification. He further stated that as illegal mining was done repeatedly in same area, measurement of actual extracted material was not possible and measurement in each case would also result in excessive estimation of extracted material. The reply is not acceptable as actual measurement is possible (by deducting volume of previous measurement) if mines are measured in each case of occurrence of illegal mining and recorded.

2.3.10.6 Non-reclamation of mines

Lack of mechanism for reclamation of illegally mined area resulted in non-reclamation of the affected area.

According to standard conditions prescribed for according clearance of diversion of forest land for mining purposes under the Forest (Conservation) Act, 1980, phased reclamation of mined area is to be done to minimise impact of mining in soil and moisture conservation, ecology and environment. However, there is no specific provision in IFA, for compensatory afforestation in case of illegal mining.

We observed that there was no mechanism in the Department for ensuring reclamation of illegally mined area. As per information furnished by the 21 test checked divisions, 2,224.277 ha area was affected in illegal mining during 2008-2012, but no reclamation in the areas was done, except in compartment number 392 in Raisen Division. Absence of reclamation would have adverse impact on soil/moisture conservation, ecology and environment in these areas.

PCCF stated (September 2013) that reclamation in some areas was done according to availability of funds. The reply confirms that there was no provision to recover the cost of compensatory afforestation from the offenders involved in illegal mining and reclamation of land was thus dependent on the funds available with the department for compensatory afforestation.

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[65] One case each of December 2010 and November 2011, two cases of January 2012 and three of June 2012.

[66] Period between 2008 and 2010.

[67] 3074/18 dated 30.5.2008, 3136/01 dated 6.2.2009 and 3136/09 dated 20.6.2009.

2.3.11 Disposal of confiscated material

Delay in disposal of material confiscated from the offenders would involve cost for protection of seized material. Besides, such delay could result in decrease in realisable value of material due to deterioration in quality of material confiscated. Instances of delay in disposal of confiscated material are discussed below:

2.3.11.1 Deficiencies in disposal of cases of illicit felling

Illicit felling is the offence with highest occurrence among forest offences. We observed in 21 divisions that total 1,58,859 cases of forest offences were registered during January 2008 to December 2012. Out of this, 1,39,355 cases (88 *per cent*) of illicit felling of 7,92,092 trees were registered. Following deficiencies were noticed in these divisions in follow up of registered offence cases of illicit felling:

(i) Lack of deterrent action in the cases of organised offence

5,167 trees were felled by a group of villagers for encroachment; the organised offence was treated as simple forest offence.

Targets of beat inspection were fixed by PCCF/ Protection (June 2004) for various level of Forest Officers, who directed that DFO shall inspect any beat on his discretion but special attention on sensitive beats should be given.

In Piprani North and Deopura Beats in Budera Range of Sheopur Division, illicit felling of total 5,167 trees were noticed between 18 and 21 March 2010. Period of occurrence of illicit felling was estimated between one month and two years and offenders were identified as a group of villagers of *Kurrai,* who cut the trees for encroachment in forest land. Deopura Beat was marked as sensitive one and was to be included in the roster of beat inspection by DFO, but it was not included in the roster. According to the roster the RA and ROs inspected the beat during the period of the illicit felling. Despite this, the offences remained undetected.

These cases were submitted (March 2010) in Court of law under IFA, 1927 in which maximum provision of one year imprisonment was provided. The Department also had option to lodge complaint of theft of forest produce with police under IPC in which punishment of up to three years is provided. The Department had, however, not formulated any policy/guidelines for deciding to invoke provisions of either of the two Acts.

PCCF stated (September 2013) that many forest areas in the State were highly sensitive for illicit felling, offences increased due to organised group or in provocation by self help groups, attacks on forest officials had also increased and illicit felling had increased despite efforts by the Department. He further stated that action was taken in cases of illicit felling according to prescribed rules.

The reply, however, is silent about the observation made in audit.

(ii) Short assessment and recovery of compensation in forest offences

Compensation of ₹ 30.33 lakh were short assessed and recovered from the offenders.

According to Section 68 (as amended vide GOMP notification, dated 27 March 2010) of IFA, for compounding a forest offence, compensation leviable should not be less than double the value of the forest produce. The Act further empowers that property seized in forest offence may be released on payment of the value thereof as estimated by Forest Officer.

We observed (between October 2012 and June 2013) from scrutiny of 301 disposed of cases in 11[68] (out of 21) test checked divisions that the value of stolen forest produce was estimated at ₹ 19.25 lakh. The offence cases against offenders, however, were compounded (between April 2010 and December 2012) after recovery of compensation of ₹ 8.16 lakh instead of ₹ 38.50 lakh, resulting in short assessment and recovery of ₹ 30.33 lakh as compensation.

We further observed (February 2013) that in 32 cases compounded (2011-12) by SDOs and DFO, Khandwa, the value of forest produce was estimated to ₹ 4.70 lakh. In 11 out of the 32 cases, vehicles valued ₹ 3.87 lakh (approximate) were also seized. As per provisions of IFA, an amount of ₹ 13.27 lakh[69] was recoverable for compounding these cases. The cases were, however, compounded and vehicles released after recovering ₹ 2.68 lakh only. DFO stated (March 2013) that compensation amount was recovered considering the financial status of the offenders.

PCCF stated (September 2013) that all the regional CFs were being instructed to assure disposal of the cases according to amendment in Section 68 of IFA.

(iii) Under valuation of illicitly felled trees

There was loss due to under-valuation of 5,000 trees felled illicitly in Budhera Range.

According to GOMP, Forest Department order (February 2004), *Vriksha mulya* should be fixed according to commercial rates (CR) of timber for the year.

The Committee, constituted by CF, Gwalior for fixing of CR for the year 2009 observed that average rate of various forest produces was increased by 20 *per cent* of that in previous years and stated that the rates for the year 2009 were proposed accordingly. The proposed CRs were approved by CF, Gwalior (January 2009).

We observed that the CRs of the timber for girth classes of 60 to 90 cm and of 91 to 120 cm were fixed in 2009 at ₹ 100 and ₹ 120 respectively against the rate of ₹ 102 and ₹ 330 fixed in 2008. Besides, rate of girth of 120 cm and above was fixed as ₹ 400 in 2009 against the previous year's rate of ₹ 525 (121 to 150 cm) and ₹ 1,100 (151 to 180 cm). Thus, compared to the CR of 2008, the rates for 2009 were reduced instead of 20 *per cent* increase proposed.

We observed that in Budhera Range of Sheopur Division, cost of 5000 number of trees illegally fell were evaluated at the CR fixed for 2009, resulting short valuation of loss of forest produce.

PCCF stated (September 2013) that loss was calculated according to CRs approved by CF, Gwalior and there is no undervaluation of loss. The reply is not acceptable as *Vriksha mulya* approved by CF, Gwalior were not in accordance with the orders of GOMP.

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[68] Balaghat North, Balaghat South, Betul South, Betul West, Damoh, Dewas, Hoshangabad, Indore, Sagar South, Sehore and Singrauli.

[69] Twice of ₹ 4.70 lakh *plus* value of seized vehicle/instruments (₹ 3.87 lakh)= ₹ 13.27 lakh

(iv) Shortfall of confiscated material in re-measurement

The Forest Department, GOMP, directed (February 2004) that Forest Officers shall be held accountable for any loss due to illicit felling according to duties discharged by them for protection of area under their control. As per directions issued by the Department (July 2003), loss on account of illegally fell trees is worked out by deducting the value of confiscated timber measured at sale depot from the value of illicitly felled trees, based on rates of timber fixed by the Department. In January 2005, PCCF observed that there were shortfalls in volume of confiscated timber at sale depots compared to the volume measured at place of offence due to measuring the logs without removing the bark. He, therefore, ordered that action for recovery of loss due to such shortfall should be reconciled with the records of the measurement recorded at sale depots and recovery of the loss due to such shortfall should be initiated.

Value of timber short-assessed (₹ 1.09 crore) due to different systems of measurement at place of offence and in depots.

We observed (between October 2012 and June 2013) from the records relating to confiscated timber in 11[70] out of 21 test checked Divisions that between 2008 and 2012, total 3,000.898 cu m of seized timber, as measured at the place of offence was transported to sale depots of the concerned divisions. In the re-measurement of the seized timber at sale depots, quantity was found 2,467.767 cu m, i.e. a shortfall of 533.131 cum. We observed that loss of the timber was calculated taking into account the measurement done at place of offence instead of measurement done at sale depots, in violation of the directions of the Department, which resulted in short assessment of ₹ 1.09 crore (**Appendix 2.24**) and consequent short recovery.

(v) Failure in dressing of stumps of illicitly felled trees

Stump of illicitly felled trees were not dressed.

APCCF (Protection) issued (January 2011) instructions that stumps of illicitly felled trees should be dressed[71] and that the offence cases be compounded only after completion of stump dressing. A certificate to this effect was to be recorded by RO.

The scrutiny of records of 21 divisions indicated (between October 2012 and June 2013) that in 109 forest offence cases of seven[72] divisions, 1,265 trees were reported as illicitly felled between October 2008 and November 2012 and disposed of between March 2011 and February 2013. There was no record to show that stumps of these trees were dressed before disposal of the cases as per the instruction of APCCF (Protection). This adversely affected regeneration process of the illicitly felled trees.

PCCF stated (September 2013) that due to lack of budget, stumps could not be dressed. The reply, however, silent about the reasons for non-provision of funds and does not address the issue of adverse impact on regeneration of illicitly felled trees due to failure in stump dressing.

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70 Balaghat North, Balaghat South, Damoh, Dewas, Hoshangabad, Khandwa (P), Mandla East, Raisen, Sagar South, Sehore and Umaria

71 Cutting of stump of illicitly felled trees for obtaining new coppice (an area of densely growing small tress, especially one in which the trees are regularly cut back to encourage more growth).

72 Balaghat North, Balaghat South, Chhindwara West, Damoh, Hoshangabad, Sagar South and Singrauli

2.3.11.2 *Deficiency in fixation of commercial rates*

Forest Department, GOMP directed (September 1985) that commercial rates for valuation of trees should be fixed before commencement of each forestry year (July to June) by CF.

Commercial rates of forest produce were fixed with a delay of one to seven months by three CFs.

During scrutiny of records of 21 divisions, we noticed that in Betul West, Guna and Indore Divisions, commercial rates of forest produce for the forestry years 2008 to 2013[73] were fixed with a delay of one to seven months by the respective CF. CF Shivpuri did not fix the commercial rates for the years 2008-09 and 2010-11. Therefore, the loss calculated in the cases of illicit felling in these Divisions was not according to revised rates.

We further observed in Guna Division that commercial rates for other forest produces (stone, sand and soil etc.) were fixed by CF, Shivpuri on per truck, per trolley, per bullock cart and animal load basis instead of standard units. The unit adopted for measurement of such other forest produce would not exhibit correct quantity.

PCCF stated (September 2013) that all CFs were being instructed to fix the commercial rates in prescribed time in each forestry year. The reply is, however, silent about the units of measurement for other forest produce.

2.3.11.3 *Lack of appropriate action in cases of encroachment*

According to Section 80A of IFA, any person, who illegally possesses or continues to possess forest land, may be ejected by orders of DFO from such land without any adverse effect to the other actions such as imposing penalty/prosecution under the Act. The deficiencies/shortcomings noticed in the matter of dealing with the cases of encroachment were reported in the CAG's Report (Revenue Receipt), GOMP 2002-03. However, the deficiencies still persisted during the period 2008-13.

We noticed (between October 2012 and June 2013) that in the 21 test checked Divisions, 10,710.220 ha of forest land was reported as encroached in 3,490 cases during the period 2008-2012.

As per FOCR of Sawligarh Range and court case files of DFO, West Betul, 42 cases of encroachment of 21 ha of forest land (involving 119 offenders) in Compartment No 1392 were registered during 2008-10. Though, the forest land was vacated, no legal action under IFA was taken against the offenders. In the same compartment, 15 ha of forest land was again encroached in 2011 and 2012 by 84 offenders. Six cases were registered and the division submitted five cases before the court of law against 83 offenders. Action such as notice under Section 80(A) of IFA for ejection of encroachers was not found on record.

DFO stated (April 2013) that Sawligarh was a sensitive range and some organisations were enticing the local communities to encroach the forest land, 68 cases[74] were submitted in Court of law during 2010-11. In some cases.

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[73] Betul West (2010-11, 2011-12 and 2012-13), Indore (2008-09 to 2012-13) and Guna (2011-12 and 2012-13)

[74] Including two cases of Sawligarh range

offenders made false complaints against the Departmental employees and JFMC members. District Authorities/higher Departmental Officers had been requested to take prohibitive action against the leaders of these organisations.

2.3.11.4 Non-disposal of perishable property seized in forest offences

248.332 cu m seized timber was lying undisposed for long period.

According to the section 58 of IFA, the Magistrate may direct sale of any property seized under Section 52 of IFA which is subject to speedy and material decay. The deficiency noticed in the issue of disposal of seized timber was pointed out in the CAG's report (Revenue Receipt) GOMP 2002-03.

We noticed (between October 2012 and June 2013) that in the depots of 11[75] test checked divisions, 6,077 logs of teak/other species timber[76] (248.332 cu m) valued ₹ 37.36 lakh seized in forest offences (September 1986 to May 2012) were lying undisposed as the Department did not apply to the Court for order of disposal of the seized timber. Obviously, the delay in disposal of timber would result in reduction in its value.

PCCF stated (September 2013) that seized forest produce under litigation can be disposed off after obtaining permission of the Courts.

The fact remains that prompt action is required for disposal as the material was perishable in nature, hence the Department needed to take expeditious permission from the Court.

2.3.11.5 Non- disposal of vehicles confiscated in forest offences

456 vehicles confiscated in forest offences were not disposed off.

Government of MP, Forest Department, directed (January 1992) that an upset price in respect of vehicles confiscated in forest offence should be fixed through an officer-in-charge/PWD (O&M) and vehicles be disposed off through public auction within four months from the date of confiscation.

We observed (between October 2012 and June 2013) in 18[77] out of 21 divisions that 456 vehicles[78] were confiscated in forest offences during August 1993 to November 2012 **(Appendix 2.25)** but not disposed off within four months from the date of confiscation and which were lying undisposed (March 2013). We observed that in seven[79] out of these 18 divisions, upset price of 171 confiscated vehicles had also not been fixed.

PCCF stated (September 2013) that in some cases vehicles could not be disposed off due to non-receipt of bids and in other cases due to pendency of cases in courts. The reply is not acceptable as cases pointed out in audit were not pending in courts and confiscated material could have been disposed by the department to avoid deterioration in value.

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75 Betul South, Betul West, Chhindwara West, Damoh, Guna, Hoshangabad, Indore, Sagar South, Sehore, Singrauli and Tikamgarh

76 According to Para 114 (A) of Madhya Pradesh, Disposal of timber and Forest Produce Rules, 1974, useful life of cut timber in forest is five years.

77 Balaghat South, Betul South, Betul West, Chhindwara West, Damoh, Dewas, Guna, Hoshangabad, Khandwa, Mandla West, Raisen, Sagar South, Sehore, Seoni South, Sheopur, Singrauli, Tikamgarh and Umaria

78 1993-98: 02; 1998-2002: 05; 2003-2007: 31; 2008-2012: 418 = 456 vehicles

79 Balaghat South, Damoh, Dewas, Hoshangabad, Sagar South, Sehore and Umaria

2.3.12 Monitoring and internal control

Effective control on forest offences depends upon regular monitoring of day-to-day events of field. The monitoring mechanism of registration and disposal of forest offence cases has been provided in the Acts. Accordingly, instructions were issued for submission of copies of counterfoils of preliminary offence reports; on line registration in online software FOMS, maintenance of FOCR, beat books, range books, keeping timber account of seized material, beat inspection etc.

The outcome of scrutiny of these mechanisms is discussed below

2.3.12.1 Inadequate monitoring of illegal mining

Forest, Mining and Revenue Departments in GOMP jointly directed (January 2000 and July 2004) to carry out joint inspection by the Mining Officer or officers nominated by District Collectors and DFOs for controlling illegal mining in forest areas and to submit report to the Principal Secretary, Forest Department (GOMP) every month through APCCF/Protection.

Requisite joint inspection reports for controlling the illegal mining were sent only by one Division indicating poor control of the Department over illegal mining.

- We observed (July 2013) from the records of Forest Department relating to monitoring of illegal mining that aforesaid inspection reports were not sent for the entire period of 2008 to 2012 except by DFO, Indore in March 2013 after being pointed out by us. This indicated poor monitoring of the Department over illegal mining.

In the exit conference the Department accepted the observation and stated that fresh orders would be issued to divisions.

- It was further observed that Ministry of Environment and Forest (MoEF), sanctioned (August 2002) land diversion of 100 ha for Northern Coalfields Limited (NCL) Singrauli, Jayant Project for 10 years commencing from March 2002. However, as of February 2013, the land was not handed over by NCL to the Forest Department after expiry of lease period in March 2012. The Singrauli Division did not conduct physical verification to ascertain that mining operations were closed in the area after completion of lease period.

PCCF stated (September 2013) that information regarding the mining lease case of Singrauli Division was being obtained from CF, Rewa.

The facts remain that monitoring was not adequate to ensure that mining was stopped after expiry of lease period.

2.3.12.2 Deficiencies in submission of returns for monitoring

Forms for monitoring of offences at HOD level did not provide information on gravity of cases, loss of forest wealth and position of follow up action for disposal of cases and material.

The APCCF/ Protection, after review of the existing forms for monitoring of offences, revised (May 2003) the formats for sending status of forest offences by DFOs to CF and by CFs to APCCF and accordingly issued instructions (May 2003 and April 2005) to the regional CFs.

The forms provide for information such as, general and beat inspection cases. trees felled and timber seized with respect to illicit felling, number of cases and area affected with respect to encroachment and illegal mining, submission of cases to courts with respect to status of pending court cases and pendency in release/confiscation with respect to cases of seized vehicles.

The revised forms, however, do not provide the following information required in terms of IFA, 1927, recommendations of PAC (November 2006) and instructions (April 2003 and December 2008) of Government/PCCF.

- Segregation of minor and major cases with respect to illicit felling on the basis of gravity of offence for effective management of such cases.
- Notices issued for eviction and area evicted with respect to encroachments.
- Volume of mined area with respect to illegal mining so as to ascertain the actual stolen quantity of forest wealth by the Department.
- Appointment of private lawyer, presence of witnesses in courts and judgments with respect to status of pending court cases.
- Cases pending with appellate authority and disposal of confiscated vehicles with respect to seized vehicles.

Lack of information hampers initiating necessary corrective action.

On this being pointed out, APCCF (Protection) stated (July 2013) that information was being compiled on the basis of prescribed forms, which was adequate for comprehensive and broad review of offences at headquarters level and detailed and micro review was being done at Division and Circle level; information provided through existing forms were useful. He, however, agreed to improve the format after examining the suggestions made by Audit.

2.3.12.3 Deficiencies in Forest Offence Monitoring Systems (FOMS)

Number of registered cases reported in manual FOCR and as per FOMS was different. FOMS did not provide information beyond handing over the cases for investigation.

The Department developed (2007) an internet based FOMS and directed the field units to make data entries of forest offence cases in the system. It was envisaged that, manual entry in FOCR would be discontinued three months after obtaining study results.

We observed (between October 2012 and June 2013) in 19 Divisions (except Sehore and Tikamgarh) out of 21 test-checked that forest offences registered in FOCRs were 1,48,630, whereas as per FOMS it was only 1,37,283 as of December 2012. FOCR generated through system did not provide information after handing over the cases for investigation, i.e. estimation of loss, status of investigation of case and penalty/compensation imposed and recovered were not available in reports generated through the system even after expiry of six years of its inception. This indicated that the monitoring of offences through online system was not effective, which resulted in duplication of the work in manual and computer system.

PCCF stated (September 2013) that the issues commented upon by Audit, was noted.

2.3.12.4 Deficiencies in preparation of timber account

According to Rule 217 of Madhya Pradesh Forest Financial Rules, timber account at Division is to be maintained by DFO in the Form 20A and submitted to CF by 25th of the ensuing month, containing place wise quantity of timber confiscated in various forest offences, disposed of during the month and balance quantity.

Timber accounts were not prepared from varying period from 1975 to April 2013 and did not contain information of confiscated material lying in various places.

We observed (between October 2012 and June 2013) in 14[80] out of 21 test checked divisions that timber accounts were either not prepared (2 divisions) at all or were in arrears for 6 months to 60 months during 2008-2012 (12 divisions). The timber accounts in these divisions did not contain information of confiscated material lying in various places in the division. Indore and Damoh Divisions did not prepare timber account since formation of divisions. In the absence of such information, monitoring over disposable quantity of confiscated timber was not possible.

PCCF stated (September 2013) that all CFs were being instructed to complete the preparation of timber account.

2.3.13 Conclusion

Prevention of forest offences in the State was not adequate during 2008-12. Number of encroachment cases doubled during the period and 51 *per cent* of the wireless sets were not in working condition, affecting the prevention of forest offences. The Department did not ensure use of the hired vehicles for patrolling work.

Detection of forest offence was also deficient as satellite image obtained were not analysed to undertake inspections for prompt registration of forest offence cases. There was also shortfall in beat inspections.

There were also instances of delays in investigation for assessing loss of forest produce and disposal of offence cases resulting in large number of cases becoming time barred.

Monitoring of forest offence cases was inadequate and inspection reports for controlling illegal mining were not being submitted to the Government.

2.3.14 Recommendations

The State Government may consider implementation of the following:

- Periodical review of the trend of various offences and framing of policy for effective management and protection of forest.
- Optimisation of use of available infrastructure of Information Technology for timely detection of forest offences and strengthening the system of registration of cases of forest offences.
- Streamlining the system of valuation of loss and measurement of confiscated timber and disposal of cases within time limit.
- Monitoring mechanism of control systems related to forest offences be strengthened.

[80] Balaghat North, Balaghat South, Betul West, Damoh, Hoshangabad, Indore, Khandwa, Mandla West, Sagar South, Sehore, Seoni South, Sheopur, Singrauli and Umaria

Farmer Welfare and Agriculture Development Department

2.4 Rashtriya Krishi Vikas Yojna

Executive summary

Rashtriya Krishi Vikas Yojana (RKVY), a Centrally Sponsored Scheme aims at achieving four *per cent* annual growth in the agricultural sector during the eleventh plan period, by ensuring holistic development of agriculture and allied sectors. In the State , the projects under RKVY are being implemented by Farmer Welfare & Agriculture Development Department (FW&AD), the nodal department, and other departments such as, Veterinary, Horticulture. Fisheries, Co-operative etc. In the State, 402 RKVY projects were executed during the period 2007-13, of which, 297 projects had been completed.

The planning process for implementation of RKVY was deficient. The work of preparation of District Agricultural Plans (DAPs) was awarded belatedly in June 2009. The plans prepared for the years 2007-08 to 2010-11 were of no use due to delayed preparation of State Plans. The State Level Sanctioning Committee (SLSC) did not hold meetings as per the required frequency and accorded *post-facto* approvals to the projects valued at ₹ 213.42 crore. *SLSC should hold meeting regularly for sanction and monitoring of the progress of approved projects. DAP should be prepared in time by actively involving gram sabhas.*

(Paragraphs 2.4.6.1, 2.4.6.2 & 2.4.6.3)

Financial management was not effective. FW&AD and Jawahar Lal Nehru Krishi Vishwa Vidhyalaya (JNKVV) utilised ₹ 8.75 crore for purposes other than those for the Scheme. Animal Husbandry Department (AHD) parked unspent balance of ₹ 13.94 crore for 2007-10 which remained unspent till the end of year 2010-11 and ₹ 1.45 crore till 2012-13 in Personal Deposit Account, instead of remitting to FW&AD. *Utilisation Certificates (UCs) should be sent in the prescribed format giving all the requisite information.*

(Paragraph 2.4.8.8, 2.4.7.2 & 2.4.7.4)

In JNKVV, Jabalpur three research projects were abandoned thereby defeating the purpose of the projects.

(Paragraph 2.4.8.1)

Programme management under RKVY was not satisfactory. In Custom Hiring Centers (CHCs), tractors and implements were underutilised up to the extent of 56 *per cent* of targets set. Four cattle breeding farms did not function due to incomplete civil works. Cold chain for the purpose of preserving potency of vaccines and for artificial insemination was not established in the manner as planned. *The scheme of CHCs should be adequately propagated to ensure optimal utilisation of tractors.*

(Paragraphs 2.4.8.2 & 2.4.8.3)

No separate project-wise accounts/ledgers were maintained for accounting of expenditure on projects under RKVY. FW&AD has not formed any dedicated monitoring cell for evaluation and monitoring of performance of projects. *Project-wise accounts/ledgers should be maintained for accounting of receipts and expenditure on project. The State Level Monitoring Cell (SLMC) should be formed to ensure effective coordination and monitoring of project.*

(Paragraphs 2.4.9 & 2.4.10)

2.4.1 Introduction

With the aim of achieving four *per cent* annual growth in the agricultural sector during the eleventh plan period by ensuring holistic development of agriculture and allied sectors, the centrally Sponsored Scheme, RKVY, also known as National Agriculture Development Programme (NADP) was launched in May 2007. The main objectives of the scheme are to:

- incentivise States so as to increase public investment in agriculture and allied sectors;
- provide flexibility and autonomy to States by the Central Government, in the process of planning and executing agriculture and allied sector schemes in the State and districts based on agro-climatic conditions, availability of technology and natural resources; and
- ensure that local needs/crops/priorities are better reflected in agricultural plans of States;

During the period 2007-08 to 2012-13, Government of India (GOI) released ₹ 1,900.79 crore for the Scheme, of which ₹ 1,774.80 crore was spent. Out of 402 projects taken up under the scheme during 2007-13, 297 were completed, 81 were in progress and 24 were not implemented as of March 2013.

The average growth rate of Gross State Domestic Product under Agriculture and allied Sector in the State, as per the Planning Commission (GOI), during the period between 2008-09 and 2012-13 had been 9.83 *per cent*[81] against the national average of 2.88 *per cent*[82] at 2004-05 prices. High growth was helped by large allocation by the State Government over and above RKVY. State Government increased[83] the Plan outlay under Agriculture and allied sector from ₹ 581.46 crore during 2007-08 to ₹ 2,127.71 crore during 2012-13. Under Agriculture and allied sector, State Government implements several schemes, such as Surajdhara, Annapurna, Haldhar Yojna, etc. through State budget. Besides, Central schemes, such as National Food Security Mission, National Horticulture Mission, etc. are also undertaken under the sector.

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[81] 2008-09: 8.85 *per cent*, 2009-10: 9.78 *per cent*, 2010-11: (-) 0.14 *per cent*, 2011-12: 17.31 *per cent* and 2012-13: 13.36 *per cent*.

[82] 2008-09: 0.09 *per cent*, 2009-10: 0.81 *per cent*, 2010-11: 7.94 *per cent*, 2011-12: 3.65 *per cent* and 2012-13: 1.91 *per cent*.

[83] (Excluding RKVY) 2007-08: 4.87 *per cent*, 2008-09: 8 *per cent*, 2009-10: 7.04 *per cent*, 2010-11: 8.83 *per cent*, 2011-12: 9.29 *per cent* and 2012-13: 9.49 *per cent*.

2.4.2 Organisational set up

The State Agriculture Department (SAD) i.e., FW&AD is the nodal Department for execution of projects under RKVY. Apart from the nodal Department the projects under the RKVY are also being implemented by other departments such as, Horticulture and Food Processing (H&FP), Veterinary & Animal Husbandry (AHD), Fisheries, Co-operative and two[84] Agricultural Universities. A SLSC constituted (November 2007) headed by the Chief Secretary was to sanction, monitor the progress and review implementation of projects under RKVY. The Government also constituted (July 2010) a Committee, headed by the Agriculture Production Commissioner for monthly review of implementation of RKVY projects.

The organogram depicting the organisational set up of the implementing departments are given in **Appendix 2.26**.

2.4.3 Audit objectives

The performance audit (PA) was conducted with a view to assess whether:

- Planning process for the implementation of RKVY was time bound. effective and according to the Scheme guidelines;
- Financial management ensured adequate and timely availability of funds and their effective and economic utilisation;
- Projects were implemented according to the regulatory structure in place and the intended objectives of the projects were achieved; and
- Monitoring mechanism was adequate to ensure efficient and effective implementation of the Scheme.

2.4.4 Audit criteria

The audit observations are based on the criteria derived from the following sources:

- Guidelines/instructions for implementation of RKVY issued by Ministry of Agriculture (GOI) and the State Government
- Comprehensive State Agricultural Plan
- Guidelines for project implementation
- Manual for preparation of Comprehensive District Agriculture Plan (DAP) issued by Central Planning Commission
- MP Treasury Code, MP Stores Purchase Rules and MP Financial Code
- MP Works Department Manual and technical circulars issued by Bureau of Design and Hydro Irrigation (BODHI), Water Resources Department (WRD)

[84] Jawaharlal Nehru Krishi Vishwavidyalaya (JNKVV), Jabalpur and Rajamata Vijayaraje Scindia Krishi Vishwavidyalaya (RVSKVV), Gwalior.

2.4.5 Scope and methodology of audit

Audit scrutinised transactions for the period from 2007-08 to 2012-13 relating to schemes under RKVY being implemented by the concerned Departments. Audit scrutiny was carried out between June 2013 and October 2013.

Under the PA, we selected 24 projects (including one incomplete) out of 297 completed and 81 ongoing projects. The selection method of the projects and the offices selected for test check are detailed in **Appendix 2.27.**

An entry conference with the heads of concerned departments was held in May 2013 to apprise of the audit objectives, scope and criteria. The exit conference was held in January 2014 to discuss audit findings. Views expressed during the conference have been suitably incorporated in the report.

2.4.6 Planning

As per the guidelines, planning under the RKVY commences with the preparation of DAP. The nodal Department prepares and finalises a comprehensive State Agricultural Plan (SAP) by integrating DAPs. The finalised SAP is submitted to the Department of Agriculture, GOI and Planning Commission for approval. RKVY funds cannot be accessed without approval of detailed project report (DPR) by SLSC.

2.4.6.1 Preparation of Comprehensive DAP/SAP

Para 4.1 of the guidelines provides that the components/activities which would be admissible for project based assistance shall be adequately reflected in the SAP and DAP. Further, as per the Manual for preparation of DAP, planning process includes agriculture development plan from Gram Panchayat level to district level. Thus, the effectiveness of the projects under RKVY depend on the accuracy of DAP prepared by the District Agricultural Planning Unit (DAPU) with the help of District Planning Team[85], stake holders, experts, scientists, Non-Government Organisations, Self-Help Groups etc. We observed that FW&AD awarded (June 2009) the work of preparation of DAP for the years 2007-08 to 2011-12 to third parties (five agencies[86]).

The shortcomings noticed in preparation of DAP are discussed below:

Delayed preparation of DAP

The Ministry of Agriculture, GOI released (January 2008) one-time grant of ₹ 4.50 crore to GOMP during 2007-08 for preparation of DAP and SAP. The Department, however, took more than one year to invite (January 2009) Expression of Interest (EoI) for preparation of DAP. The work for 48 districts[87] for the Eleventh Plan period (2007-08 to 2011-12) was awarded (June 2009) to five agencies, for completion during June-September 2009.

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85 Team includes Chairman, Chief Executive Officer, Chief Planning Officer of Zila Panchayat, Joint Director/Deputy Director of Agriculture, Horticulture, Sericulture, AHD, Fisheries and Industry and Commerce Departments and Dy. Conservator of Forest, Forest Department.

86 M/s CARD, M/s Global, M/s MPCON, M/s Manthan, M/s Gramin Vikas Trust (GVT).

87 The work of two districts (Dhar and Dewas) was awarded by the Department of Agriculture, GOI to M/s MANAGE.

Department took over one year to invite EoI for preparation of DAP. DAPs from 2007-08 to 2010-11 became irrelevant due to delayed preparation of SAP of these years.

We observed that DAP from 2007-08 to 2010-11 procured at a cost of ₹ 1.94 crore[88] became irrelevant as SAPs of these years were submitted to FW&AD by the agency only in May 2011 as against the scheduled completion period of September 2009.

The Director, FW&AD stated that DAP of 2007-08 and 2008-09 were included in the scope of work on the basis of GOI instructions. In the exit conference, the Principal Secretary stated that the delay was due to delayed issue of guidelines for the Five Year Plan by the Central Planning Commission (CPC).

The reply is not acceptable since, DAP manual, containing the guidelines, was issued by the Planning Commission in March 2008. Besides, the Department failed to ensure completion of the work within the stipulated period, due to which even DAPs for 2009-10 and 2010-11 did not serve the purpose.

Non-involvement of Panchayats

The DAP for 2007-2011 was prepared without involving all Gram Panchayats.

As per para 3.3 of DAP manual issued by the Planning Commission in March 2008, the Gram Panchayat Plan was to be approved by the elected body of the Gram Panchayat. The plans approved by Zila Panchyat were to be forwarded to the State Government. We observed that out of 48 districts, in 39 districts[89], clearance of the Plan from Zila Panchayat was not found on record indicating that grass root level agencies were not involved. Further, test check of DAP for Dhar District[90] indicated that the agency took sample of only one village each under 13 blocks for preparation of DAP instead of considering all the villages, thus diluting the very purpose of preparation of DAP.

The Director, FW&AD stated (October 2013) that the Collectors, as Member Secretary of District Planning Commission approved DAPs. The reply, however, is silent about involving Gram Sabhas/Zila Panchayats in the planning process of DAPs.

2.4.6.2 Use of DAP in planning

The process of preparation of DAP for Twelfth Plan (2012–2017) has not been initiated

As per the guidelines, projects contained in DAP and SAP are only to be implemented. We noticed following shortcomings:

- The works under RKVY for the financial years 2007-08 to 2008-09 were executed without DAP.
- DAP for 2009-10 was prepared as late as in September 2009 resulting in non-utilisation of DAP for planning under the Scheme.
- The process of preparation of DAP for Twelfth Plan (2012–2017) had not been initiated (August 2013), but an expenditure of ₹ 343.16 crore had been incurred on the Scheme during 2012-13. Incidentally, guidelines for preparation of DAP/SAP for Twelfth Plan were received from the CPC only in January 2014.

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88 Total cost = (₹ 0.0675 crore/5 years) X 48 districts X 3 years= ₹ 1.94 crore.

89 Concerned approval from DAPU was only available for the work done by MPCON for the 9 districts viz, Anuppur, Dindori, Harda, Indore, Rewa, Satna, Shahdol, Sidhi and Singrauli.

90 Primary documents related to planning were available only Dhar district

Thus, the execution of the projects valued at ₹ 495.11 crore[91] during the Eleventh Plan and ₹ 343.16 crore during the year 2012-13 under Twelfth Plan was not based on complete/comprehensive plans prepared for the Scheme.

2.4.6.3 Ex-Post-facto approval of projects

₹ 213.42 crore was sanctioned by the Chairman, SLSC (Chief Secretary) without holding SLSC meetings.

The para 7.1.2 of guidelines for RKVY provide that no fund can be accessed without approval of DPR by SLSC headed by the Chief Secretary.

We noticed that eight projects were approved (2008-12) by SLSC at a cost of ₹ 105.62 crore. Due to excess expenditure of ₹ 96.30 crore on these projects, the revised cost of ₹ 201.91 crore was sanctioned by the Chairman, SLSC without holding meeting of SLSC.

Similarly, 23 new cases[92] **(Appendix 2.28)** were approved (2008-12) for ₹ 117.12 crore by the Chairman, SLSC in anticipation of the sanction by SLSC, though the guidelines did not confer such authority to the Chairman, SLSC. SLSC accorded ex post facto sanction of total amount of ₹ 213.42 crore (₹ 96.30 crore + ₹ 117.12 crore) in June 2012.

In the exit conference, the Director, FW&AD stated that all the cases where *ex-post-facto* approval was given, expenditure was incurred with prior approval of the Chairman, SLSC so as to utilise the funds which might be held up due to not holding of SLSC meetings. The reply is not tenable as guidelines provide for prior approval of SLSC and incurring expenditure with the approval of Chairman, SLSC was not in line with the Scheme guidelines.

2.4.6.4 Functioning of State Level Sanctioning Committee (SLSC)

Against stipulated 20 meetings, only nine meetings of SLSC were held.

SLSC was constituted by the Government in October 2007. Para 6.4 of the guidelines stipulates that SLSC should meet at least once in a quarter. As per para 6.3, SLSC is entrusted with the responsibility of sanctioning, monitoring and reviewing projects under RKVY.

We, however, observed that during the period 2007-08 to 2011-12, against stipulated 20 meetings, only nine meetings of SLSC were held which included one meeting each during 2007-08 and 2008-09. Thus, sanctioning, monitoring and reviewing process of projects done under RKVY stipulated in the guidelines was deficient.

In the exit conference, the Principal Secretary agreed to the necessity for increasing the number of meetings.

2.4.6.5 Establishment of State Level Monitoring Cell

Para 5.1 of the guidelines stipulate that SAD shall be the nodal department for implementation of the Scheme. For administrative convenience and ease of implementation, the State Government may identify or create an exclusive agency for implementing the Scheme on fast track.

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[91] 2007-08: ₹101.62 crore, 2008-09: ₹146.05 crore and 2009-10: ₹ 247.44 crore; total: ₹495.11 crore.

[92] DOA- 10 projects, Animal Husbandry Department – 12 projects and Directorate of Horticulture – 1 project.

SLMC for implementation of RKVY projects was not formed.

We observed that the Government did not create any exclusive agency for implementation of the Scheme. FW&AD also observed that projects were being reviewed and monitored by a number of sections (of FW&AD) and therefore considered that a SLMC under the nodal Department (FW&AD) for monitoring and implementation of projects under RKVY was desirable. Though an expenditure of ₹ 3.37 crore was incurred on the work of renovation and interior decoration (including purchase of office furniture) of office of Directorate of FW&AD, the modality for formation of such a cell was still under process (September 2013).

In the exit conference, the Principal Secretary stated that setting up of a Monitoring Cell would be expedited.

Thus, FW&AD had so far not provided an institutional set up for effective implementation and monitoring of the works under RKVY.

2.4.7 Financial Management

RKVY Scheme is fully funded by the GOI. Up to March 2010, funds released by the GOI for the Scheme were remitted through the State Institute of Agriculture Extension and Training (SIAET), Bhopal, which was designated by the State Government as custodian of the funds. Thereafter, funds received from the Central Government for the Scheme were routed through the State budget.

The details of funds released by the GOI under RKVY, expenditure incurred and the amount of utilisation certificates accepted by GOI during the period from 2007-08 to 2012-13 are given in the table 2.14 below:

Table 2.14: Statement of fund received, expenditure incurred and utilisation of fund

(₹ in crore)

Year	No of projects	Total release by GOI	Expenditure	Utilisation Certificate accepted by GOI (July 2013)	Utilisation certificate pending
1	2	3	4	5	6 = (4-5)
2007-08	46	101.62	101.62	101.62	Nil
2008-09	63	146.05	146.05	146.05	Nil
2009-10	72	247.44	247.44	247.44	Nil
2010-11	86	559.18	559.18	559.18	Nil
2011-12	46	398.37	377.35	377.35	Nil
2012-13	89	448.13	343.16	335.41	7.75
Total	**402**	**1900.79**	**1774.80**	**1767.05**	**7.75**

(Source: Information given by nodal Department)

Note: UC pending = Expenditure – UC accepted.

Shortcomings noticed in management of funds are discussed below:

2.4.7.1 Diversion of RKVY funds to State Schemes

Unutilised fund of RKVY was not remitted and utilised for other schemes of the State.

In JNKVV, Jabalpur, during the period from 2007-08 to 2011-12 there was unspent balances of ₹ 5.26 crore (March 2013) out of the funds provided for various projects under RKVY. JNKVV had to remit the unspent amount to FW&AD. However, the same was not remitted (March 2013) by JNKVV but were utilised for the purposes other than RKVY projects. FW&AD adjusted (July 2013) the unspent amount against the subsequent allotments

under other heads[93] of budget for schemes of the State. Thus, the funds meant for implementation of RKVY was diverted for other schemes of the State though utilisation certificate for funds received under RKVY was furnished by the nodal department to the GOI.

In the exit conference, the Principal Secretary informed that JNKVV was under financial crisis due to restructuring, hence the fund could not be recovered immediately. The reply however does not explain the diversion of RKVY funds for other schemes of the State.

2.4.7.2 Utilisation of funds under RKVY

₹ 13.94 crore for years 2007-10 remained in PD account till 2010-11; ₹ 1.45 crore was still lying in PD account.

AHD keeps the funds received under RKVY in Personal Deposit (PD) account and incur expenditure from that account. AHD parked the unspent balances of ₹ 13.94 crore[94] pertaining to years 2007-08 to 2009-10 which remained unspent till the end of year 2010-11. We observed that an amount of ₹ 1.45 crore was lying in PD account at the end of the year 2012-13, which was not surrendered to the nodal department. Thus, the funds for RKVY remained idle during these periods.

The Department stated (September 2013) that funds for the years 2007-08 and 2008-09 were received late, due to which the entire fund could not be utilised and had to be surrendered in October 2011 as per the decision taken by review meeting headed by Assistant Agriculture Production Commissioner. PD Account was being operated with the permission of the Finance Department. The Department further stated (January 2014) that balance amount of ₹ 1.45 crore would be utilised before March 2014 in purchasing and installation of X-ray and Sonography machines.

The fact remains that the amounts remained idle with AHD and the balance amount of 2012-13 was yet to be used.

2.4.7.3 Non-completion of work due to insufficient allocation of fund

Work of 10 percolation tanks could not be completed in time due to insufficient allocation .

In two[95] offices of the Assistant Soil Conservation Officer (ASCO), construction work (cost ₹ 50 lakh) of 10 percolation tanks[96] taken up during 2009-10 could not be completed due to paucity of funds (₹ 10.78 lakh) during 2010-11. The work was completed only in 2011-12, resulting in deferment of benefits to 93 farmers[97] though there was unutilised fund during these periods as discussed in above paragraphs.

2.4.7.4 Submission of utilisation certificate

UCs were not submitted in the prescribed format.

The Departments implementing projects under RKVY are required to submit UCs of funds spent for the projects. Scrutiny of records in the nodal department revealed the following:

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93 Grant 64-2415 (SC sub scheme) and Grant 42-002 (SC –salary and allowances)

94 Unspent amount ₹ 0.10 crore (2007-08), ₹ 0.18 crore (2008-09) and ₹ 13.66 crore (2009-10)

95 ASCO-Sehore-II (cost ₹ 0.30 crore, paucity of fund ₹ 6 lakh) and ASCO- Khargone (cost ₹ 0.20 crore, paucity of fund ₹ 4.78 lakh).

96 ASCO-Sehore-II 1) Satpipliya –I 2)Atraliya 3) Chayan khurd 4) Raipur nayakheda 5) Amla manju-I 6) Bisukhedi -2 and ASCO- Khargone 1) Jagannathpura 2)Gawalipadalya 3) Arwala 4) Dasoda.

97 ASCO -Sehore-II (69 farmers) and ASCO- Khargone (24 farmers)= total 93 farmers.

- During 2007-08 to 2012-13, FW&AD submitted UCs amounting to ₹ 1,767.05 crore to the GOI. Against this, UCs of ₹ 1,485.19 crore were produced to Audit. We noticed that UCs did not depict the opening and closing balances though required in the format prescribed by the GOI. In addition, FW&AD, being the nodal department for implementation of RKVY in the State, did not maintain consolidated subsidiary accounts showing project wise, department wise expenditure in relevant years. Therefore, the veracity of expenditure as shown in UCs could not be verified in audit. Instances of issuance of UCs without quantitative and qualitative targets and achievements and issuance of UCs for an amount in excess of actual expenditure have been discussed in this paragraph and paragraph 2.4.8.3(i).
- Provisional UCs[98] for the financial years 2007-08 to 2009-10 were submitted as late as in September 2011. UCs did not contain information on the quantitative and qualitative targets and achievements along with reasons for non-achievement as required under the guidelines.
- In JNKVV, during the years 2007-08, 2009-10 and 2011-12, a total amount of ₹ 4.64 crore was allotted for civil works against which an expenditure of ₹ 3.97 crore was incurred on the works up to 2011-12. However, UCs for the total amount of ₹ 4.64 crore was sent instead of ₹ 3.97 crore.

We observed in six out of nine test checked offices of Deputy Director Agriculture (DDA) that the funds provided to the implementing units could not be utilised fully. This resulted in surrender of RKVY funds of ₹ 4.46 crore (ranging from 2.93 to 80.53 *per cent*) to FW&AD out of the total allotment of ₹ 26.23 crore as detailed in the **Appendix 2.29.**

2.4.8 Project Execution

The main area of focus under RKVY included integrated development of major food crops, promoting farm mechanisation, development of rain-fed farming systems, integrated management of pest, enhancement of horticulture production, popularisation of micro irrigation system, activities for development of animal husbandry and fisheries etc.

During the period 2007-13, the sector-wise fund received, expenditure incurred and the status of sanctioned projects is given in the **Table 2.15** below:

Table 2.15: Status of fund received, expenditure incurred and completion of projects

(₹ in crore)

Name of sector/department	Fund received	Expenditure incurred	Status of projects			
			Number of projects sanctioned	Completed	Under progress	Dropped/not yet implemented/ abandoned
Agriculture	1,322.92	1,232.23	178	133	36	9
Animal Husbandry	337.20	329.58	93	52	29	12
Horticulture	150.01	125.07	64	55	9	nil
Fisheries	50.75	48.14	54	46	5	3
Agriculture Engineering	39.91	39.78	13	11	2	nil
Total	**1,900.79**	**1,774.80**	**402**	**297**	**81**	**24**

(Source: Information provided by the nodal Department)

[98] As per Rule 212 of General Financial Rules, UC should be submitted within 12 months from the closure of the financial year.

Major shortcomings noticed during the test check of records pertaining to the selected 24 projects, are discussed in the succeeding paragraphs.

2.4.8.1 Agriculture Research sector

Three research projects were not implemented despite spending ₹ 35.55 lakh

The major objectives of the projects under Agriculture Research Sector were to carry out research and extension activities for enhancing production, productivity and profitability of agriculture and allied systems in a sustainable manner.

In JNKVV, 17 projects were sanctioned at a cost of ₹ 16.67 crore during the period 2007-13, of which an amount of ₹ 16.17 crore was released.

We observed the following:

- "A Cell on regular monitoring of agro economic system" was proposed by JNKVV at a cost of ₹ 21.88 lakh for two years (2010-11 and 2011-12) for executing nine components relating to collection, compilation and analysis of data[99]. The project was to be commenced from 1 January 2011. JNKVV executed only two components[100] out of the nine and in lieu of the remaining components, JNKVV executed other works, which were neither proposed nor sanctioned by SLSC. The project was closed by JNKVV as on 31 March 2012. Thus, the objective of creation of a cell for monitoring the agro economic system remained largely unachieved.
- A project for "Strengthening and Development of Regional Agriculture Station, Dindori for improvement of small millets technology and varieties" was sanctioned by SLSC at a cost of ₹ 48 lakh for the two years 2010-11 and 2011-12. While ₹ 24 lakh was received and utilised on the project during 2010-11, no fund was released by FW&AD in 2011-12. As a result, the proposed works e.g. construction of poly house, purchase of machinery, equipment, lab chemicals and training of farmers remained incomplete.

The Director Farms agreed (September 2013) that the project could not be implemented due to non-receipt of funds in subsequent years.

- To promote the activity of bee-keeping in agriculture sector for production of honey on commercial basis, JNKVV received ₹ 35 lakh (2008-09 and 2009-10) for a research project on "Bee-Keeping". JNKVV incurred an expenditure of ₹ 5.51 lakh on purchase of formation for bee colonies (boxes) and other material in 2009-10. The project was not continued further in view of the reasons identified by the Project in-charge of JNKVV such as, climatic extremities, chemical hazards, low availability of bee flora etc. in the locality, low survival of bees and economical non-viability. This indicated that feasibility of the projects was not examined before taking up as all the reported constraints could be foreseen.

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[99] Data relating to social, economic and technical development/changes of each district of the State in a phased manner by using necessary statistical, econometrical and socio metrical model to derive necessary guiding index and indicators for assessing overall development of the State.

[100] (i) Collection and analysis of periodical data/norms relating to social economic and technical development (ii) Agricultural marketing (Inward price study, agricultural marketing surplus and sale surplus)

The GOMP replied (January 2014) that the expenditure was incurred on purchase of bee colonies and related material and major amount was spent on providing training and dissemination of information regarding bee keeping amongst stake holders.

The reply does not address the issue of undertaking projects without examining the feasibility of the project. We also did not find any evidence of providing training to the stake holders.

2.4.8.2 *Agriculture Mechanisation Sector*

As per the guidelines, assistance from RKVY funds was to be provided for promoting farm mechanisation especially for improved and gender friendly tools, implements and machinery. Out of the two projects[101] test checked in audit, we noticed inadequacies in the project undertaken for establishment of CHC. The project was to enable farmers to increase their productivity by ensuring availability of agriculture implements at locations nearer to farmers and to nurture potential in agriculture through increase in level of mechanisation.

FW&AD issued (February 2011) instructions to Director Agriculture Engineering (DAE) for setting up of CHCs in pulse and oilseed growing villages in the rain-fed areas of the State under RKVY. Each CHC was to have one tractor and a set of seven agricultural equipments[102] and make them available to the farmers of approximately 10 villages on the basis of hire charges to be fixed by the State Government. The project estimated at the cost of ₹ 106.92 crore[103] envisaged procurement of 1175 tractors for setting up CHCs so as to popularise mechanisation. Out of the approved cost, an amount of ₹ 75.77 crore[104] was provided to DAE and expenditure of ₹ 43.87 crore was incurred (October 2011) therefrom on procurement of 850 tractors and ₹ 30.73 crore on other implements.

DAE purchased and distributed tractors and associated implements to Cooperative Department (132 tractors), M P Beej Nigam[105] (44 tractors), PACS[106] under the control of Apex Bank (415 tractors), MP State Co-operative Marketing Federation Limited (MARKFED) (47 tractors) and Farms of FW&AD (48 tractors). DAE retained 164 tractors for CHCs under its control. The shortcomings noticed in working of CHCs have been discussed in following paragraphs:

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101 "Establishment of CHCs (2010-11)" and "Providing Spiral Grader and Seed Treatment drum to farmers (2011-12)".

102 Reversible plough, rotavator, cultivator, disc harrow, seed cum fertilizer drill, raised bed planter and thresher.

103 1st proposal for ₹ 72 crore and second proposal for ₹ 34.92 crore

104 Normal RKVY- stream -I ₹ 34.92 crore, RKVY sub scheme ₹ 36.00 crore and K-Deposit ₹ 4.85 crore, Total ₹ 75.77 crore

105 Madhya Pradesh Rajya Beej Evam Farm Vikas Nigam

106 Primary Agriculture Co-operative Society

(i) Performance of CHCs

There was under-utilisation of tractors and implements during 2011-12 and 2012-13.

- DAE specified a target of 1000 hours of operation[107] per tractor for tractors used by CHCs under the control of DAE for the year 2011-12. Against this, the average utilisation by CHCs was 292 hours per tractor. For the year 2012-13, DAE, reduced the targets to 700 hours per tractor. However, achievement during 2012-13 was only 526 hours per tractor. Even considering the reduced targets, there was shortfall in use of tractors, in respect of CHCs. Thus, the objective of promoting farm mechanisation was not fully achieved.
- In five Department/organisations[108] working hours achieved with reference to targeted hours in respect of 774 tractors (2011-12) and 564 tractors (2012-13)[109] indicated that there were shortfalls ranging from 20 *per cent* to 50 *per cent* during 2011-12 and 21 *per cent* to 56 *per cent* during 2012-13 when compared with the actual achievement of CHCs controlled by DAE as detailed in **Appendix 2.30.** The shortfall in utilisation was highest in CHCs run by MARKFED (50 *per cent*) and Co-operative department (55.65 *per cent*) during the year 2011-12 and 2012-13, respectively.

  In reply, DAE stated that Scheme is demand driven, based on socio-economic and agro-climatic conditions instead of target-achievement based. Usage of assets was subject to conditions such as awareness among farmers, economic feasibility and availability of other alternate methods. Further, the targets were fixed on higher side to put pressure for maximising the use of tractors.

  The reply confirms that the requirement of establishment of CHCs and fixing of target was determined without assessing the actual demand.

Tractors were mainly used in Beej Nigam's farms instead of providing to farmers on hire.

- During the period 2011-2013, the MP Beej Nigam was provided 44 tractors (valued at ₹ 3.90 crore) for use of the same by the farmers of CHCs adjacent to farms of the Nigam. We observed that the tractors were used by the farmers of CHCs as well as in the farms of the Nigam. As per the information on working hours of tractors provided by the Beej Nigam for 44 tractors, 11 tractors were not at all used. For remaining 33 tractors, the average use (for farmers of CHCs) was only 112 hours during this period against 218 hours for its own farm. Therefore, while the tractors were for use of farmers they were largely unutilised or were for used by the Beej Nigam itself, thus, defeating the purpose of the project.

  In the exit conference, the Principal Secretary stated that the main reason for under performance was lack of drivers. The performance of CHCs indicates that the Scheme was not well conceived and planned in advance to overcome the bottlenecks in implementation of the Scheme to provide tractors on hire to the needy farmers at an affordable price.

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107 Tractor hours of operation means usage of implements as attachment with the tractors.

108 Director Agriculture Engineering (DAE), Farms of Agriculture Department, Apex Bank(PACS), Beej Nigam, Co-operative and MARKFED -vipnan sangh.

109 As per information made available

Insurance cover for tractors and equipment was not renewed.

(ii) Renewal of insurance

As per the Memorandum of Understanding (MoU) signed with the CHCs by DAE, the agency controlling the CHC was required to renew insurance cover for tractors and equipment being provided to them. There was, however, no record with DAE to show that the insurance cover for 442 tractors and associated implements, valued at ₹ 31.04 crore, was renewed by CHCs run by PACS, M P Beej Nigam, Cooperative Department and MARKFED, which was also substantiated in the examination of records of divisional offices at Indore and Satna. This exposed the tractors/implements to the risks of loss.

(iii) Monitoring of CHCs by Jila Mechanisation Committee

As per the guidelines for establishing of CHCs issued (24 February 2011) by the Government, monitoring of CHCs at district level was to be done by the Jila Mechanisation Committee (JMC) headed by the District Collector. The Agriculture Engineer/Assistant Agriculture Engineer of DAE was designated as the member Secretary of JMC. Test check of records and information relating to JMCs meetings of 18 districts[110] revealed the following:

- The meeting of JMC for the purpose of monitoring was to be held twice in a year in October and April. We observed that meetings of JMC were either not held or held only once during the year 2011-12 and 2012-13 indicating lack of consistent monitoring of implementation of project in the districts[111].
- The rate for hiring charges for all CHCs under Shajapur, Indore, Mandsaur and Dhar Districts under Indore Division was increased during 2011-12 without any analysis of actual cost.
- A review of minutes of meetings of JMCs revealed that Member-Secretary did not monitor the overall performance/working of CHCs so as to analyse reasons for shortfall in performance and take remedial action. The guidelines issued for CHCs do not specify the duties/ responsibilities of Member-Secretary of JMCs.

The Government (January 2014) stated that directives had been issued (December 2013) to JMCs for detailed discussion on change of hiring charges, holding of meetings at least twice in a year and powers and duties of the Member-Secretary had been further elaborated.

2.4.8.3 Animal Husbandry sector

The AHD is responsible for all round development of livestock wealth in the State. During the period 2007-08 to 2012-13, 89 projects costing ₹ 423.08 crore was sanctioned by SLSC. Against the sanctioned amount, ₹ 337.20 crore was released by the nodal department. AHD incurred an expenditure of ₹ 329.58 crore during this period.

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110 Alirajpur, Badwani, Burhanpur, Dewas, Dhar, Indore, Jhabua, Khandwa, Khargone, Mandsaur, Neemuch, Panna, Ratlam, Satna, Shajapur, Ujjain, Umaria and Vidisha.

111 2011-12: no meeting in Panna and Badwani; one meeting each in Satna, Khargone, Dhar and Ujjain. 2012-13: no meeting in Alirajpur, Badwani, Burhanpur, Indore, Khargone and Mandsaur; one meeting each in Dhar, Jhabua, Khandwa, Ratlam, Shajapur, Ujjain and Vidisha.

We noticed shortcomings in the Directorate of AHD and eight test checked districts[112] in implementation of RKVY Scheme as discussed below:

(i) Establishment of Cattle Breeding Farms (CBF)

Four CBFs remained incomplete after incurring expenditure of ₹ 8.83 crore.

The object of CBF is conservation and development of cattle breed for providing high breed animals to beneficiaries. During the period 2007-13, 12 projects of cattle breeding farms were sanctioned by SLSC at a cost of ₹ 34.87 crore. The status of four selected projects of 2008-09 for strengthening of CBF extended up to the year 2009-10, has been given in **Appendix 2.31**.

- For establishment of the four farms, the nodal department released ₹ 8.83 crore during 2008-09 against estimated cost of ₹ 15.89 crore. We found that cattle breeding activity had not been started (October 2013) in any of the four farms (**Appendix 2.31**) due to incomplete civil works and lack of arrangement for water. We also noticed that an advance of ₹ 1.26 crore was paid (June 2010) to Madhya Pradesh State Live Stock and Poultry Development Corporation (MPLDC) for supply of cattle/animal to these four farms for rearing purpose. MPLDC did not supply the cattle and the funds continued to remain with MPLDC as of September 2013. Thus, the rearing activity in the farms could not be commenced till date (September 2013). However, UCs for the entire amount released i.e., ₹ 8.83 crore were, submitted by AHD to FW&AD in December 2011.

  The Joint Director, AHD stated (September 2013) that the possession of farms was yet to be obtained from the construction agencies and UCs were sent on the basis of information made available by the construction agencies.

  The reply confirms delay in completion of construction work, non-commencement of rearing activity and submission of incorrect UCs to FW&AD.

- For establishment of Jafrabadi Buffalo Breeding farm at Babai, Hoshangabad at the approved cost of ₹ 6.86 crore, H&FP Department transferred (July 2008) 518 acre land to AHD. The AHD received ₹ 3.70 crore and spent the amount on construction of sheds, other infrastructure at the said land and on payment of advance of ₹ 53 lakh for supply of animals to MPLDC during 2008-09 and 2009-10. Subsequently, in July 2012, the Commerce Industries and Employment Department of GOMP acquired the land for industrial use[113]. Thus, the expenditure of ₹ 3.17 crore (₹ 3.70 - ₹ 0.53) incurred by AHD on the construction under the project became infructuous due to transfer of the land. This indicates inadequacies in the planning process and co-ordination among various departments wherein other potential uses of the land was not ascertained before taking up the work.

  The Director, AHD stated during exit conference (January 2014) that the process of allotment of alternate land was under progress. The fact

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[112] Badwani, Bhopal, Chhindwada, Gwalior, Katni, Khargone, Mandsaur and Shajapur.

[113] Commerce Industries and Employment also directed (July 2012) to make budget provision to compensate the expenditure incurred on construction of sheds.

remains that the objective of establishing the farm was not achieved even after five years of undertaking the project under RKVY(September 2013).

- The project "Introduction of Nimadi lot of cattle at Government cattle breeding farm Rodia, Khargone" was sanctioned (December 2007) at a cost of ₹ 1.40 crore. An amount of ₹ 1.18 crore was released to the Department, which was utilised mainly on construction of two sheds (₹ 68 lakh), purchase of 103 cattle (₹ 15.45 lakh), repair of feed godown (₹ 15 lakh). Though the cattle purchased were got insured (December 2008), the Insurance Company[114] terminated (January 2010) the insurance cases due to non-observance of terms and conditions of insurance policy relating to proper feed and upkeep of animals by AHD. The claim for loss of ₹ 3.09 lakh towards the cost of 28 cattle died during 2009-10 could not be obtained due to termination of insurance policy and the intended benefits were not achieved.

  We further noticed that replacement against dead cattle was not made to ensure optimal utilisation of facilities created for the purpose. Risk for remaining cattle remained uncovered due to termination of insurance policy.

  The Director, AHD stated during exit conference (January 2014) that the Departmental enquiry had been conducted and action on responsible officers was being considered at the Government level. Reply was silent on steps being taken to ensure the success of such projects

(ii) Establishment of cold chain

Cold-chain for preserving potency of vaccines and for artificial insemination was not established in the manner as planned.

The objective of establishing cold chain is to preserve potency of vaccines for effective immunisation of animals and for storage of semen for artificial insemination by using refrigerators, deep freezer, refrigerated vans, cold storage cabinets and cryocans[115] etc.

For maintenance of cold chain, AHD planned for procurement of equipment during the years 2008-09 and 2009-10 under RKVY. Audit scrutiny of project of cold chain revealed following:

- AHD proposed purchase of 2,307 refrigerators during 2008-09 at a cost of ₹ 4.61 crore for 2,307 hospitals and dispensaries. Against this, only 434 refrigerators were purchased at a cost of ₹ 0.92 crore during 2009-10 while 50 deep freezers were purchased during 2011-12. Thus, AHD did not purchase sufficient number of refrigerators during the period 2008-12 to cater to the need of 2,307 hospitals and dispensaries for establishment of cold chain. During the period 2009-13, AHD did not send any further proposal under RKVY for purchase of refrigerators to fulfill this need.

  We test checked the records of six districts (given in **Appendix 2.32**) for verification of status of availability of refrigerated van, refrigerators, and deep freezers under cold chain and observed that only 11 deep freezers and 110 refrigerators were available in 326 Veterinary Institutes. The availability of deep freezers and refrigerators was not sufficient to

[114] United India Insurance Company
[115] Cryocane: A container of Liquid Nitrogen for transporting semen

maintain the cold chain. Further, there was no system to check the potency of the vaccines for immunisation before its use.

- Against the proposal of 2008-09 for purchase of 3112 new cryocans at a cost of ₹ 4.44 crore, AHD purchased only 694 cryocans (cost: ₹ 1.17 crore) during 2009-10. In addition, 7,338 cryocans were also purchased (cost: ₹ 8.11 crore) during 2011-12. Thus, during 2008-12 against the overall proposal for 3,112 cryocans, AHD purchased 8032 cryocans. Thus, 4,920 cryocans were purchased without any proposal under RKVY project. Therefore, implementation of the projects was not as per the plan.
- During 2009-10, 50 storage cabinets were purchased at a cost of ₹ 72.22 lakh though it was not included in the approved project (2008-09).

  The Joint Director, AHD stated (September 2013) that due to release of less fund, it was utilised on the purchase of cryocans, vaccine storage cabinet and refrigerators on the basis of priorities. It was further stated that the Department also purchased refrigerators, cryocans and vaccine storage cabinet through schemes other than RKVY.

  The reply is not convincing as availability of less fund cannot justify purchase of items not included in the proposal.

2.4.8.4 Irrigation Sector/Natural Resource Management Sector

Construction of Minor Irrigation Tank

The Scheme of Minor Irrigation Tank (MIT) was undertaken (September 2004) by the State Government for construction of tanks (each having irrigation capacity up to 40 ha) through State Plan Funds. Under RKVY, SLSC approved (12 May 2010) a project for construction of MIT (2010-11) which involved construction of 200 tanks executed by ASCO at a cost of ₹ 50 crore at ₹ 25 lakh each. Against this, 268 MITs were constructed by FW&AD at a cost of ₹ 49.96 crore. Our scrutiny of records revealed following:

- The actual number of MITs increased by 34 *per cent* (68 MITs) requiring revised approval of SLSC but the same was not obtained (July 2013). Thus, the construction of additional 68 MITs was unauthorised. The construction of additional MITs also indicated lack of monitoring by SLSC.

  Further, the project was approved without DPR by considering ₹ 25 lakh for each structure. As the estimation was unrealistic, it resulted in inflated estimation which provided cushion for accommodating additional structures, within the sanctioned amount.
- Our scrutiny of measurement books related to construction of 15 tanks under six implementing units[116] revealed that the reach-wise cross sectional measurements with progressive measurements and abstract of up to date

[116] 1)ASCO- Sehore-II-(i) Sewania (ii) Devli, 2) ASCO(G)- Vidisha -(i) Bhiyakhedi (ii) Hinotia, 3) ASCO-Dhar -(i) Tirla (ii) Simarkhedi (iii) Badipada (iv) Bodiapatel 4) ASCO- Sironj (Vidisha district)- Mamkhedi and 5) ASCO-Katni (i) Talrohaniya (ii) Jajagarh (iii) SalaiyyaKhurd 6) ASCO - Hoshangabad. (i)Khond (ii) Somukheda (iii) Mogra

payments were not found recorded. In the absence such details, payments cannot be verified with reference to value of work done. Further, the initial and final levels were not found recorded in respect of five tanks[117].

In the exit conference, FW&AD stated that the officials of ASCO were not technically sound and therefore departmental execution of such work was discontinued. The reply, however, does not mention as to how the department ensured that all the work as planned were executed as payments were to be made only against those due and approved under the scheme.

2.4.8.5 Integrated Pest Management (IPM) Sector

Crop protection

There was additional coverage in Crop protection project.

IPM technique recognises the importance of insecticides to be judiciously used against pests by pest surveillance, use of biological agents and bio-pesticides for the purpose of plant protection. SLSC approved (May 2010) a project of "Crop protection (2010-11)" for promotion of bio pesticide developed from plants and plant extracts. The proposal was submitted to SLSC for covering an area of 40,000 ha at ₹ 750 per ha (cost: ₹ 3 crore), though no DPR was prepared. SLSC sanctioned ₹ 8 crore for covering of 40,000 ha, though actual cost of covering 40,000 ha worked out ₹ 3 crore. This indicates that the approvals accorded by SLSC were without detailed examination of the proposals sent by the departments.

We observed that FW&AD distributed ₹ 8 crore to 37 districts covering an area of 1,06,666 ha. Instead of remitting back the allotment in excess of requirement for coverage of 40000 ha, the coverage of area for crop protection project was increased without obtaining approval of SLSC, which was irregular. As of March 2013, 97,917 ha had been covered.

On this being pointed out, FW&AD replied (July 2013) that due to typing error the area was wrongly written as 40,000 ha instead of 1,06,666 ha.

The reply is not acceptable as the proposal submitted for approval indicated coverage of 40,000 ha at two places and typing mistakes do not occur in such manner.

2.4.8.6 Extension Sector

The extension sector includes activities pertaining to establishing knowledge centre and dissemination of information by establishing training centres, call centres and gyan kendras.

(i) Strengthening of block offices as Kisan Gyan Kendra (2011-12)

Against strengthening of 91 block offices the work of only 31 offices could be completed.

SLSC accorded sanction (July 2011) for the project " Capacity building of Block offices as Krishi Gyan Kendra" covering 40 block offices for ₹ 10.21 crore. In June 2012, the project was revised for ₹ 22.86 crore for strengthening of 91 block offices which was approved by SLSC. The work included construction of halls and repairing of existing Block office building in 18 districts.

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[117] ASCO Sehore-II (i) Sewania (ii) Devli and ASCO- Hoshangabad - (i)Khond (ii) Somukheda (iii) Mogra

Scrutiny revealed that though the completion schedule (2009-10) of the ongoing projects was stipulated as three months, no time limit was mentioned during revision of the project (2011-12). The work of strengthening of only 31 Block Offices was completed as of May 2013, while works in respect of 56 Block Offices were under progress. The work of remaining four block offices was not awarded (May 2013). The delay resulted in denying the farmers of benefit of available information and opportunity of interaction with experts.

(ii) Execution of work through MARKFED

The execution of work costing ₹ 32.44 crore through MARKFED resulted in additional financial burden.

MARKFED, registered under Madhya Pradesh Co-operative Societies Act, 1960, is an Apex body of Co-operative Societies to facilitate, coordinate and promote the marketing and trading activities of the cooperative institutions in agricultural commodities. Projects under RKVY such as, strengthening of block offices as Kisan Gyan Kendra, strengthening of SIAET and SLMC, were entrusted to MARKFED by FW&AD.

Our scrutiny of records relating to award of works to MARKFED revealed the following shortcomings:

- As per the rule 153, chapter 8 of M.P Financial Code, all original works under the administrative control of other departments valued at ₹ 2500 and above are to be executed through Public Works Department (PWD). In special cases where the works are not to be executed through PWD, prior consultation shall be held with the Accountant General before engaging contractor; so that suitable provisions for its audit and financial control could be made. We observed that FW&AD awarded works under above stated three projects costing ₹ 32.44 crore to MARKFED instead of PWD. FW&AD also did not consult the Accountant General before awarding the works though envisaged in the M P Financial Code.

  As per the Government orders (October 2010), the percentage charges for consultancy, supervision, quality control and contingency is limited to six *per cent* of cost for building work if executed by PWD. We observed that MARKFED charged 7.5 *per cent* as supervision consultancy (excluding architectural consultancy of five *per cent*) against six *per cent* rate charged by PWD. Thus, assigning of these three works to MARKFED has resulted in avoidable extra cost of ₹ 0.96 crore.

- The work of "Renovation and additional work at the Administrative Building and Laboratory Building of SIAET" under the project of "Strengthening of SIAET" estimated at ₹ 89 lakh was awarded (June 2008) by MARKFED to a contractor at the quoted price of ₹ 1.32 crore[118]. The final bill of ₹ 1.63 crore was paid in May 2009. The payment included an amount of ₹ 50.53 lakh for execution of such items which were not in the bill of quantity and the schedule of rates (non-SOR). The

[118] Contractor quoted at 47.99 *per cent* above the estimated cost of ₹ 89.00 lakh based on PWD SOR for buildings.

payment to contractor without rate analysis lacked justification indicating weak control over execution of works by FW&AD.

Thus, awarding work to MARKFED instead of PWD resulted in avoidable additional financial burden besides irregularity with respect to award of work to MARKFED, procurement of material and payment for non-SOR items.

In the exit conference, FW&AD stated that the work was awarded to MARKFED due to execution related problems and past experiences with PWD. The reply is not convincing as prior consultation with Accountant General was not done as required in the M.P Financial Code.

2.4.8.7 Integrated development of 60,000 villages for pulse crops in rain fed areas

Districts with low priorities were selected for integrated development of pulses villages.

The GOI issued (March 2011) guidelines for integrated development of 60,000 villages of pulses crops in rain fed areas in India during 2011-12. The project included *in-situ* moisture conservation, accelerated pulses production programme (A3P) with inclusion of mini kits and pest surveillance and market linked extension support.

As per the guidelines for the project, preference was to be given to the areas with no assured irrigation source. The project for ₹ 55.48 crore under RKVY for the year 2011-12, was approved by SLSC in July 2011. Against the sanction, the Department incurred an expenditure of ₹ 55.48 crore on the project in 29 districts. Our scrutiny of the process of selection of villages/districts under the scheme indicated following:

(i) Incorrect selection of areas

As per para 2.4 of the guidelines, implementation of the programme implementation was to be watershed centric[119] and that the water shed villages not covered under the previous year was to be taken up under the project. We, however, noticed that FW&AD selected 29 districts without specifying the villages, although the scheme required selection of specific villages to be covered. We also observed that FW&AD could not provide details of the watershed villages covered during previous year. Thus, the project was approved by SLSC without requisite details in respect of districts/villages so as to prioritise them according to the need. In the absence of such details, we could not check whether the selected villages were actually needed for the project. In three districts[120] comprising of 333 villages under 11 blocks covered under the project, all the villages were having assured irrigation source such as, river, tube wells and wells. Thus, selection of such villages was not according to the guidelines for the project.

(ii) Prioritisation of districts

The study report of the National Rainfed Area Authority, Planning Commission, GOI published in February 2012 prioritised 499 rain fed districts[121] of India including 50 districts in Madhya Pradesh based on natural resources and livelihood status as per Rainfed Areas Prioritisation Index

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119 Watershed area is drainage basin or catchment area of a particular stream or river.

120 Dewas, Dhar and Vidisha.

121 Of these top ranked 167 districts were classified as high priority categories.

(RAPI). A review of the rankings under RAPI, with respect to districts selected revealed that the districts with low priorities, however, got selected as the Department did not prioritise districts for this purpose; thereby depriving the districts having higher priority as shown in **Appendix 2.33**.

(iii) Deficient involvement of panchayat in selection process

As per para 3 of the operational guidelines of A3P[122], the *Panchayati Raj Institutions* were to be involved in the selection of village level A3P units including the participating farmers. In three districts[123], instead of involving *Panchayati Raj Institutions* in selecting the A3P units at village level, the department took approval of the beneficiary farmers from Krishi Samiti of concerned Panchayats after implementation of the project as stated by DDAs. Thus the provisions of the guidelines was not complied with.

2.4.8.8 Utilisation of funds for components other than those specified under RKVY

FW&AD and JNKVV utilised ₹ 8.75 crore for works not within the scope of the Scheme.

Para 4 of the guidelines elaborates the areas of focus under RKVY, which is an indicative list of activities/components to be carried out under the Scheme. The guidelines empower the State to undertake other activities, if such activities were reflected in SAP and DAP. Permanent construction, construction of roads, boundary walls etc. are not covered under the scheme as clarified by representatives of the GOI in SLSC meetings.

Our scrutiny of records relating to execution of works revealed that expenditure was incurred on the activities not covered under the areas of focus and not included in SAP/DAP as noticed in the following projects;

- Against the approved cost of ₹ 50 lakh, expenditure of ₹ 3.37 crore[124] was incurred during 2010-11 and 2011-12 by FW&AD for executing the work of renovation and interior decoration including purchase of office furniture under the project "SLMC" through MARKFED. The scope of the work was enlarged from second floor to fourth and fifth floor by diverting the savings of ₹ 2.97 crore (May 2009) from other projects[125] without prior approval of SLSC.
- Out of total expenditure of ₹ 6.18 crore (up to March 2013) incurred on the project of "SIAET", expenditure of ₹ 4.06 crore was incurred on activities such as, construction of boundary wall, landscaping, horticulture activities, staff quarters, cement concrete roads, administrative building and interior decoration including furnishing of laboratory.
- Against an allotment of ₹ 6.33 crore during the period 2007-08 to 2012-13 for civil works in JNKVV, an expenditure of ₹ 1.12 crore was incurred on construction of boundary wall, which was beyond the scope of the Scheme.

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122 Issued by the Department of Agriculture and Cooperation, GOI under National Food Security Mission

123 DDA- Dewas, Dhar and Vidisha.

124 Against the approved cost of ₹ 50 lakh the post facto approval was accorded for revised cost of ₹ 3.37 crore

125 Crop protection: ₹ 85 lakh, Seed treatment: ₹ 58 lakh, Demonstration: ₹ 53 lakh, Seed production: ₹ 39 lakh and Seed distribution: ₹ 62 lakh.

The Government stated (January 2014) that the list of projects/areas given in the para 4 of guidelines is an indicative list and sanctioned project was according to the provisions made in para 4 (e). The reply is not tenable as permanent construction, construction of roads, boundary walls etc. are not covered under the Scheme as clarified by representatives of the GoI in SLSC meetings and para 4 (e) is applicable for State seed farms.

- In cattle breeding farm at Mandsaur, an expenditure of ₹ 10 lakh was incurred on construction of roads from the land development fund meant for pasture development, levelling and improving fertility of soil etc. In cattle breeding farm at Shivpuri, an expenditure of ₹ 10 lakh was incurred on construction of road and boundary wall out of the fund (₹ 19 lakh) meant for construction of overhead tank and dug well.

The Joint Director, AHD stated (September 2013) that in view of requirement of farms and its biosecurity, internal roads and boundary wall were constructed.

The reply is not acceptable as the expenditure incurred was on activities that were not in conformity with the guidelines of RKVY and were not part of the approved project proposals.

2.4.9 Accounting Irregularities

Separate project-wise accounts were not maintained and project IDs were not used for accounting

As per para 7.1.5 of the guidelines, the Nodal Department shall ensure that project wise accounts are maintained by the implementing agencies. Our scrutiny of records indicated that:

- The nodal department (FW&AD) did not specify any system of accounting including formats for ledgers for the purpose of accounting of projects being executed under RKVY. In 11 implementing units[126], no separate project-wise accounts and ledgers were maintained for accounting of RKVY projects. Further, bank reconciliation was also not being done by 12 implementing units[127]. In the absence of these records, accuracies in accounting and classification of expenditure were not ensured.
- The Distinguished Project Identification numbers were not used by the implementing agencies for accounting purposes, as seen in 11 test checked units[128]. As same name is being used for projects implemented over a period, the exact scheme to which the receipts and expenditure related was not identifiable.
- No mechanism to monitor the accounts of all the Departments existed, as was noticed in audit. A review of minutes of SLSC indicated that the accounts of RKVY were not being monitored by SLSC.
- As formats and procedure of accounts were not prescribed, there was no uniformity in accounting and only the progress reports were being updated

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126 DDA- Bhopal, Dewas, Khargone, Panna, Umaria & Vidisha; ADH- Ashoknagar, Hoshangabad & Umaria; ASCO- Katni and Vidisha-G.

127 ADH- Ashoknagar, Hoshangabad, Khargone, Raisen, and Umaria; DDA- Bhopal, Dewas, Khargone, Panna, and Umaria; ASCO- Katni and Sehore-II.

128 DDA – Bhopal, Dewas, Khargone Panna and Vidisha; ADH – Panna and Raisen; ASCO- Katni, Sehore-II, Vidisha(G) & Vidisha (RVP).

for providing information on implementation. Thus, in the prevailing system the accuracy of accounts cannot be ensured.

During exit conference (January 2014), FW&AD stated that the main reasons for shortcomings related to accounting were lack of man power and non-establishment of monitoring cell. The Government also stated (January 2014) that, format of the ledger would shortly be sent to other stakeholders, departments for keeping project-wise accounting and instructions had also been issued.

2.4.10 Monitoring

SLSC did not specify completion period of projects; progress of sanctioned projects were not monitored.

Monitoring of the Scheme ensures that activities are carried out according to the prescribed rules, regulations and that the projects are executed as per the sanction accorded. As per the revised order for formation of SLSC issued (November 2007) by the Government, SLSC was to review the achievement of objectives, progress of work and implementation of projects.

The deficiencies in monitoring noticed during audit are as under:

- FW&AD has not formed any dedicated monitoring cell for evaluation and monitoring of performance of projects and ensuring co-ordination with other departments for effective implementation of the projects.
- As per para 6.3 of guidelines, SLSC was entrusted with the responsibility to monitor the progress of the sanctioned projects/schemes. However, the scrutiny of the agenda meetings of SLSC, revealed that the progress of sanctioned projects were not being monitored by SLSC.
- The scrutiny of project proposals and minutes of SLSC meetings revealed that the projects were approved by SLSC without specifying a definite time limit for its completion. Thus, there was no completion dates to monitor the progress of the projects. There were instances of inordinate delay in completion of projects.
- No mechanism was in place in FW & AD to monitor the progress of projects executed on deposit basis through MARKFED.

2.4.11 Conclusion

The Comprehensive DAP were prepared without involving gram sabhas. DAPs prepared for 2007-11 were irrelevant due to delayed preparation of SAP. SLSC did not hold meetings as per the required frequency for approval and monitoring of the projects and accorded *post-facto* approvals to the projects. Thus, planning process for project preparation was weak.

Instances of fund lying unutilised, submission of UCs without requisite information and without incurring expenditure and utilisation of funds for the purposes other than for RKVY indicated deficient financial management.

We observed deficiencies in implementation of RKVY projects. The research projects taken up by JNKVV were not completed. Utilisation of tractors by the CHCs was far below the specified utilisation hours, which affected optimal performance of CHCs. Cattle breeding farms were yet to start function due to incomplete civil works. Cold-chain was not established in the manner as planned. Under integrated development of pulses villages scheme, areas

having assured irrigation source were also selected in violation of the scheme guidelines.

Monitoring mechanism was not effective since the Department did not have a separate cell for this purpose. Besides, separate project-wise accounts/ledgers were not specified/ maintained for accounting of expenditure on projects.

2.4.12 Recommendations

- SLSC should ensure timely and regular holding of meetings and monitor the progress of approved projects. DAP should be prepared in time by actively involving gram sabhas.
- SLMC should be formed to ensure effective coordination and monitoring of projects.
- UCs should give all the requisite information as per the prescribed format.
- Projects should be approved with a definite time frame for its completion with all its components to ensure desired benefits. The scheme of CHCs should be adequately propagated to ensure optimal utilisation of tractors.
- Since cold-chain involves availability of cooling device at every stage of storage/ distribution, availability of equipment at every stage of cold chain is required for cold-chain to be effective.
- Project-wise accounts/ledgers should be maintained for accounting of receipts and expenditure on projects.

Madhya Pradesh Rural Road Development Authority (MPRRDA)

2.5 Quality assurance in construction of rural roads by MPRRDA under Pradhan Mantri Gram Sadak Yojna (PMGSY)

Executive summary

A three tier quality management mechanism has been operationalized under PMGSY for ensuring that quality of assets created conforms to the prescribed standards. A Performance Audit on Quality Assurance in construction of rural roads by MPRRDA during the period 2008-09 to 2012-13 revealed various deficiencies, the major issues are as under:

There was lack of quality assurance for preparation of Detailed Project Reports (DPRs) as data regarding design traffic, its growth rate and possible future changes in the road was not ensured for preparation of DPRs leading to deterioration of roads. *Government should ensure preparation of DPRs based on adequate survey and investigation as per Indian Roads Congress (IRC)/Ministry of Rural Development (MoRD) specifications.*

(Paragraph 2.5.4.1)

There were shortages of testing equipment in district laboratories required for project preparation and quality control resulting in lack of quality assurance in execution of road works. *Government should ensure that all required equipment are made available in district level laboratories for conduct of the required tests at every stage.*

(Paragraph 2.5.4.2)

Quality in respect of execution of road works was not assured as prescribed tests for alignment, regularity and surface levels, earthwork, granular work, bituminous work and concrete work were not carried out and adequately recorded. *Government should ensure conduct of adequate quality tests for road works as per required frequency.*

(Paragraph 2.5.4.3 to 2.5.4.9)

Function of second tier quality control mechanism was deficient as frequency of inspection by State Quality Monitors (SQMs) was inadequate and Project Implementation Units (PIUs) did not report compliance with SQM suggestions to the State Quality Coordinator (SQC). *Government should strengthen functioning of SQM and ensure adherence to the corrective suggestions made them.*

(Paragraph 2.5.5.1)

There was lack of monitoring quality control activities, as reflected from shortfall in inspections of sites by Assistant Engineers (AEs)/Executive Engineers (EEs), non-submission of the monthly returns of tests by AEs to EEs. *Government should ensure that inspection works are carried out as per the required frequency by the departmental officers and SQM.*

(Paragraph 2.5.6.1 to 2.5.6.4)

2.5.1 Introduction

As per Road Statistics (2011-12) published by Ministry of Road Transport and Highways, in Madhya Pradesh State, the length of rural roads covers 96,611 km[129] (48 *per cent*) of 2,01,261 km total road length in the State. Rural roads are mainly constructed under PMGSY through MPRRDA, a registered society. Up to 31 March 2012, roads of 49,445 km (51 *per cent*) were constructed by MPRRDA. The rural roads constructed under PMGSY provide connectivity by way of all-weather road (with necessary culverts and cross-drainage structures, which are operable throughout the year) to the eligible unconnected habitations in the rural areas.

The quality control in the context of road works aims at reducing the chance of premature failure or damage of roads as well as construction of good riding quality roads. A three tier quality management mechanism has been operationalised under PMGSY for ensuring that quality of assets created conforms to the prescribed standards.

The first tier quality management system in MPRRDA, is implemented through the Chief Engineers (CEs), Superintending Engineers (SEs) designated as Chief General Managers (CGMs) at circle levels and by EEs designated as General Managers (GMs) at PIU for the 50 districts in the State. PIUs are responsible for preparation of realistic DPRs, besides ensuring that contractors have brought the necessary machinery and equipment to site and key engineering personnel have been deployed by the contractor.

The second tier quality management is undertaken centrally by MPRRDA through its Quality Control Cell which acts as the SQC[130] by coordinating with the independent consultants appointed by MPRRDA as SQMs. It is the responsibility of the State Government to operationalise the first and the second tiers of the quality management structure. State Technical Agency[131] scrutinises and countersigns DPRs for ensuring its correctness before sending proposal to National Rural Road Development Agency (NRRDA). Monitoring by independent National Quality Monitors (NQMs)[132] constitutes the third tier of this arrangement. In the State, NQMs conducted 982 inspections between November 2010 and February 2014.

Funds for construction of rural roads under PMGSY are provided by GOI and are supplemented, since 2004-05, by loan assistance from Asian Development

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129 Constructed by Local Self-Government Department/State Panchyati Raj Department/State Rural Road Departments and Nation Rural Road Development Agency, Ministry of Rural Road excluding JRY roads.

130 SQC, a wing of MPRRDA is responsible to oversee the system of quality controls deployed by MPRRDA.

131 There are three State technical agencies in the State situated at Bhopal, Indore and Jabalpur.

132 Individual monitor is appointed by NRRDA, who independently examines the quality control of rural roads

Bank and State budgetary support. The funds are distributed to PIUs for construction of roads under packages[133]. MPRRDA received funds to the tune of ₹ 11,896.13 crore since 2000-01 to 2012-13 and incurred a total expenditure of ₹ 11,848.74 crore on construction of 11,462 roads having length of 52,199 km . As at the end of March 2013, MPRRDA had completed construction of 52,199 km roads of which, 7,507 rural roads having length of 33,135 km were constructed during the period from 2008-09 to 2012-13 by incurring expenditure of ₹ 7,487.07 crore.

2.5.2 Audit objectives and criteria

The audit was conducted to assess the adequacy and efficiency in ensuring quality controls in planning and execution of rural roads under PMGSY by PIUs of MPRRDA and quality monitoring by PIUs and SQMs.

Audit criteria adopted were guidelines on quality assurance and control mechanism, Quality Assurance Handbook (QAHB) for Rural Roads with reference to norms, specifications and provisions of Specifications of Rural Roads published by MORD and Specifications of IRC for rural roads.

2.5.3 Scope and methodology of audit

Records relating to quality control in construction of PMGSY roads by MPRRDA for the period 2008-09 to 2012-13 were test checked in audit during November 2012 to August 2013. Out of the 50 districts, audit selected 17 districts (34 *per cent*) on random sampling basis and undertook detailed examination of 1,158 of the 3,058 road works completed in the selected districts. Scope of audit scrutiny was limited to first tier and second tier quality management by the State Government.

An entry conference with the Chief Executive Officer (CEO) of MPRRDA was held in December 2012 to discuss objectives, scope and methodology of Audit. Exit conference was also held in September 2013 with CEO to discuss audit findings. Views of MPRRDA expressed in the exit conference have been suitably incorporated in the Report.

Audit findings

2.5.4 First tier quality management

As per QAHB, first tier quality management system envisaged quality management by PIUs, which include preparation of realistic DPRs, quality control tests on material during project preparation stage as well as during execution.

As per PMGSY guidelines, Quality Control Registers (QCRs) are required to be maintained and checked for recording quality of execution of earthwork, granular work and bituminous works.

[133] A package includes one or more road works to be awarded to a single contractor.

MPRRDA engaged quality supervision consultants for assurance of quality controls. As per contract conditions, the consultants are required to administer the services as 'Engineer' for ensuring that the contractual clauses related to the quality and quantity are adhered to and the works are implemented in accordance with the provisions/specifications.

Deficiencies in adherence to prescribed quality control tests and procedures in QAHB noticed in examination of 57 road works of 10 PIUs, have been discussed in succeeding paragraphs:

2.5.4.1 Unrealistic estimates of future traffic in Detailed Project Report (DPR)

DPRs were prepared without proper assessment of future traffic indicating lack of quality assurance.

Para 3.1 (i) of Chapter 2 of QAHB for rural roads provides guidelines for preparation of realistic DPRs for planning and construction of rural roads.

Para 5.2.2 of IRC: SP-20 envisages obtaining a realistic estimate of design traffic, due consideration of the existing traffic, its growth rate, possible change in the road network and land use of the area.

We noticed in case of five roads of the test checked 10 PIUs that DPRs were prepared on the basis of unrealistic assessment of future traffic leading to inadequate provision of crust resulting in deterioration of roads as discussed below:

- In Bhopal PIU, Bagmugalia to Barrai road was sanctioned on the basis of prevailing traffic load in the year 2008-09 and completed in January 2011. In March 2011, it came to the notice of MPRRDA that the road condition deteriorated due to heavy traffic of the nearby colonies being constructed (started in September 2010) by the Bhopal Development Authority (BDA). We observed that construction of the colonies (Bagmugalia and Barrai villages) was already included in the Bhopal Development Plan (BDP) 2005. Failure to consider the increase in future traffic due to growth envisaged in BDP led to premature deterioration of the crust of the road. GM therefore sent (March 2011) a proposal for richer crust on the basis of new traffic survey. Assessment of future traffic ignoring increase in traffic due to construction of colony was not according to the provisions of IRC: SP-20 and had led to premature deterioration of the road.



View of deteriorated crust of Bagmugalia to Barrai road due to non assessment of future traffic and insufficient provision in DPR. (Status: September 2013)

Regarding inadequate provision of crust, the Government stated (November 2013) that the road was constructed as per the specifications after sanction by NRRDA and as BDA had started the housing project when the work of the road was complete, heavy traffic more than its capacity was passing through the road resulting in damage to the road.

The reply is not acceptable as MPRRDA did not consider traffic intensity based on the Bhopal Development Plan 2005 before sanction/award of work in 2008-09.

- In Ujjain PIU, two bituminous roads (Banbana to Borkheda-Pitramal and Borkheda-Pitramal to Hidi) were sanctioned in the year 2007-08 and completed in January 2010 (cost ₹ 3.08 crore). Construction of these two roads would reduce the distance up to 24 km between Nagda to Mahidpur via Banbana in comparison of Nagda to Mahidpur via Mahidpur road, which would result in increase of traffic on the road. We however noticed that increase in traffic due to change in the road network was not considered at the time of traffic survey of the road in terms of IRC: SP 20. The roads were badly deteriorated due to heavy traffic as reported (September 2010) by GM. This indicated that future traffic growth was not correctly assessed to determine the road specifications while preparing DPRs.

- In Harda PIU, Harda-Khandwa road to Bamangaon road was sanctioned (cost: ₹ 1.42 crore) in 2008-09 and completed in January 2012. Increase in traffic due to construction of the said road was not considered while assessing the projected traffic as details of assessment of generated traffic due to construction of road were not found on records. The road was subsequently damaged (December 2010) due to heavy traffic.

  In reply, it was stated (November 2013) that the roads were damaged prematurely due to unexpected increase in traffic. Reply was however silent as to why all the factors as prescribed in IRC: SP 20 were not considered to assess the future traffic growth on the roads, which resulted in premature failure.

2.5.4.2 Availability of equipment in district level laboratories

Equipment for testing of material were not available in district level laboratory.

Section 100 of QAHB (Vol II) provides that the tests which are required to be done during the project preparation stage such as tests for suitability of construction material, selection of quarries etc. or the tests which are required only once for quality control shall be conducted in district laboratory and district laboratory will cover the testing requirements on a district level.

We noticed shortages of important testing equipment viz. standard Proctor Density Test apparatus for testing of California Bearing Ratio (CBR) value, electrically operated centrifuge type bitumen extractor for bitumen content test, Penetration Test apparatus for test of bitumen, Compression testing machine for compressive strength test of concrete and aggregate Impact Value test apparatus for aggregate impact test at district laboratories of five PIUs[134] as detailed in **Appendix 2.34**. Hoshangabad, Ratlam and Sehore did not have four out of five equipments. In Chindwara, Harda and Vidisha PIUs, details of apparatuses for various tests available with PIUs were not made available to Audit during January 2013 to August 2013. Non-availability of equipment in district level laboratories affected the quality control during the project

[134] Hoshangabad, Indore, Ratlam, Sehore and Ujjain.

preparation stage such as those pertaining to the suitability of construction materials, selection of quarries etc.

The Government stated (November 2013) that in PMGSY, contractor was required to establish a laboratory for testing of various materials before its use and supervision quality control consultants were also required to maintain the quality control equipments. It further stated that all material used in work was tested in one or the other laboratory and field tests were also conducted. Therefore, absence of any particular testing equipment did not affect the quality of work and quality control tests.

The reply is not acceptable as tests were required to be carried out at the district laboratory as per provisions of QAHB (Vol II) and therefore, it was necessary to establish and equip the district laboratories with all necessary apparatuses required for quality control. During the exit conference, Engineer-in-Chief (E-in-C) assured to provide missing equipment, if any to all district laboratories.

2.5.4.3 Quality assurance about alignment, regularity and surface levels of rural roads

Quality assurance over geometrics of road was affected as tests for alignment, regularity and surface levels were not carried out.

As per Section 1802 of Specifications for Rural Roads, all the works performed shall conform to the lines, grades, cross sections and dimensions shown on drawings or as directed by the Engineer subject to the permitted tolerances. As per provisions of QAHB, PIUs were to ensure that the required tests were carried out.

Scrutiny of QCRs in respect of 34 roads of seven[135] out of 17 test checked PIUs revealed deficiencies in quality assurance. Horizontal alignment tests[136], surface levels tests in respect of 31 roads, and surface regularity tests[137] in respect of all the 34 roads of the seven PIUs were not carried out.

In Indore and Sehore PIUs out of the seven PIUs test checked, no records were produced to audit evidencing use of motor grader[138] to ensure maintenance of prescribed levels for different layers of road in terms of the specifications in construction of six roads[139]. As a result, execution of roads as per prescribed road geometrics[140] was not ensured.

Thus, in execution of works, quality requirements were not assured in respect of these works as detailed in **Appendix 2.35**.

In the exit conference (September 2013), CEO, MPRRDA agreed that the tests were not being carried out. She further stated that motor grader was not mandatory requirement for use in the work as it was huge and costly equipment and could not be used for small works. The Government replied

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135 Chhindwara, Harda, Indore, Ratlam, Sehore, Ujjain and Vidhisha.

136 The horizontal alignment test is done to ensure construction of edges of different layers accurately with reference to drawings.

137 This test is for ensuring longitudinal profile and cross profile of roads.

138 An motorised equipment used to maintain transverse profile of different layers of road

139 Indore: 1. Gagenda to Mandala, 2. Bada Bangarda to Palakhedi, 3. Sanwar to Kachliya, 4. Kachaliya to Khalkhala and Sehore: 5. Satramau to Chikli, 6. Chakldi to Kotrapipal.

140 Road geometrics deals with visible elements of roads i.e. horizontal alignment, land width, road way width, slope of the road carriage way width, shoulder width, pavements camber etc.

(November 2013) that required quality tests of all the works completed or in progress, were regularly conducted by supervision and quality control consultants and also checked by PIU staff.

The Government reply was not supported by any documentary evidence and was at variance with the views of CEO. Further, use of motor grader was necessary to ensure lines and grades as per DPRs. NRRDA has also issued (April 2009) amendment in standard data book prescribing use of tractor mounted motor grader with appropriate arrangements.

2.5.4.4 Quality assurance in earthwork of rural roads

Quality control tests of moisture content of earthwork were inadequate resulting in non-assurance of maximum dry density of earthwork.

As per para 6.1 of Section 300 of Quality Control Handbook (QCHB), Standard Proctor Compaction Test (IS: 2720 Part 7) is conducted to ascertain 'dry density to moisture content' relationship in soil. Section 300 of the MORD, GOI specifications provide that soil should be spread in successive layers of uniform thickness over the entire width of the embankment[141] and compaction of soil shall be carried out at a moisture content within (±) two *per cent* of the optimum moisture content (OMC) for achieving maximum dry density (MDD).

In the road works of six test checked PIUs, we observed that tests of natural moisture content were not carried out (23 roads) and test of moisture content of soil required to be carried out at the time of compaction were not mentioned in QCRs (15 roads). In case of 12 road works of three PIUs, moisture content obtained at time of compaction was lower than optimum moisture content[142] leading to non-achievement of MDD. Thus, achievement of MDD of soil was not ensured. Details are given in **Appendix 2.36.**

The Government stated (November 2013) that required tests were conducted by quality consultants and test checked by PIU staff and record of such tests was also maintained by the consultants and handed over to PIU after completion of works. Regarding achievement of MDD, the Government stated that moisture content may vary as determined in lab and that in field by rapid moisture meter.

The Department, however, did not provide any document evidencing conduct of the tests though required in terms of QCHB in respect of the works pointed out in audit. Further, PIU, Vidisha in January 2014, produced copies of test reports to us, which were without any dates and without verification certificate of GM. Besides, Government view regarding achievement of MDD is not acceptable since MDD could only be achieved when moisture was within (±) 2 *per cent* in OMC.

2.5.4.5 Adequacy of thickness of selected soil in execution of road works

Thickness of 300 mm subgrade was not assured in construction of roads.

As per para 303 of QAHB, subgrade is top 300 mm compacted layer in embankment with selected soil (CBR value 7 as provided in DPRs of road works) and the subgrade in embankment is compacted to a higher standard (at 100 *per cent* Standard Proctor Density) than the lower layers of the embankment.

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[141] Embankment is a raised bank to carry a road at a level higher than surrounding area.
[142] After considering allowable tolerance of (±) two *per cent*.

We noticed however that in respect of 10 road works[143] of upgradation in PIU, Harda and PIU, Indore, the crust for pavement was designed and approved by STA. As per DPR, the thickness of subgrade was approved for 150 mm assuming availability of uniform thickness of 150 mm of subgrade of the existing roads without conducting any test for ensuring available thickness and quality of the existing crust. We further noticed that before executing the subgrade of 150 mm, embankment was also executed with borrowed area soil and material of unspecified CBR value obtained from roadway cutting. Thus, requirement of top 300 mm of subgrade of CBR value seven was not ensured in the upgradation of these roads.

The Government stated (November 2013) that roads under PIU Harda were for upgradation of existing roads having crust in variable thickness, which was considered as sub grade and the balance subgrade in variable thickness was made up with select soil of CBR value 7 to achieve the designed thickness of 300 mm. In case of Indore PIU, it was stated that the new IRC SP:72[144] was introduced and the crust was redesigned as per the provisions of SP:72. It was also stated that technical sanction was accorded for provision of subgrade in 150 mm thickness and the work was executed accordingly.

Availability of existing crust in variable thickness in different reaches of soil having CBR value not less than seven was not mentioned in DPRs. Provision of selected soil in thickness of 150 mm was made for entire length of the roads, without ensuring availability of uniform thickness of 150 mm existing crust having CBR value not less than seven, was not in accordance with the provisions of QAHB (para 303), which provides for top 300 mm layer subgrade of approved soil with CBR more than seven.

2.5.4.6 Quality assurance in granular work of rural roads

Quality control tests of moisture content were not carried out and grading of aggregate was inadequate.

As per Section 400 of QAHB, tests of granular work included tests for grading of aggregate (used in granular work), moisture content and thickness of compacted layer.

We noticed the following irregularities:

- In 21 road works in six PIUs[145], moisture content tests for granular work was not recorded in QCRs.
- In case of eight road works in five PIUs[146], grading of aggregate of WBM grading-II, III and wet mix macadam was not appropriate due to use of oversized metals in the works, as revealed from test reports and records of PIUs.
- In case of 19 road works in five PIUs[147], conduct of tests during execution of works for ascertaining thickness of compacted layer could not be ascertained in audit as entries of test results were not found recorded in the QCRs produced to Audit. When measurement was taken by PIU,

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143 Package no 1523: 9 roads and Package no 1717: one road

144 It contains guidelines for the design of flexible pavements for low volume rural roads issued by the Indian Road Congress.

145 Bhopal, Chhindwara, Ratlam, Sehore, Ujjain and Vidisha

146 Betul, Bhopal, Chhindwara, Ratlam and Vidisha

147 Chhindwara, Ratlam, Sehore, Ujjain and Vidisha

Vidisha after completion of work of Faridpur to Atasember road (package no. 4555), lesser thickness of 115 mm against the required 150 mm of granular sub-base was noticed (March 2009).

Thus, due to not conducting tests, not recording results of tests done and not taking any remedial action for deviations observed in tests, adherence to the required parameters of granular works was not assured. Further, non conducting of tests at the time of execution of granular work led to execution of work of poor quality, which came to the notice of MPRRDA only after completion of work due to not conducting thickness test of the layer.

In respect of moisture content tests for granular work, the Government stated (November 2013) that tests were done by the rapid moisture metre separately and recorded in QCRs and kept in separate files. The fact remained that details of tests were not recorded in QCRs. The documents showing results of tests were also not made available and therefore conduct of tests could not be verified during audit.

In respect of grading of aggregate, the Government stated (November 2013) that recovery from consultant's bill was in progress in Bhopal. It was further stated that defects were rectified by the contractor in Vidisha and Betul.

In respect of test of thickness of layer, the Government stated (November 2013) that tests had been conducted to ensure quality and the test results would be incorporated in QCR. The reply is not tenable as thickness of GSB was to be recorded in QCRs as per prescribed norms and then only recording in MB was to be done. As details of test conducted were not found recorded in QCRs, it could not be verified in audit as to whether the tests were actually conducted as provided in the QAHB.

2.5.4.7 Quality assurance in execution of bituminous work

Quality control tests of bitumen and thickness of layer were not carried out and grading of aggregate was inadequate.

As per Section 500 of QAHB, tests included tests of bitumen, grading of aggregate test (used in bituminous work) and thickness test of bituminous layer. Further, para 508.1 prescribes for sieve test for ascertaining required grading of aggregate[148].

We noticed following irregularities:

- In respect of six road works in five PIUs[149], tests for bitumen used for execution of primer coat, tack coat, premix carpet and seal coat were not conducted.
- In seven PIUs[150], tests for thickness of bituminous layer were not carried out in respect of 18 roads and in respect of 24 roads, grading based on the sieve test reports of aggregate used in execution of open graded premix carpet (OGPC) varied from the prescribed grading norms due to use of higher ratio metal of higher size than prescribed. However,

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148 66 *per cent* aggregate was to be retained on 11.2 mm sieve and 33 *per cent* aggregate was to be retained on 5.6 mm sieve.

149 Betul, Harda, Ratlam, Ujjain and Vidisha

150 Chhindwara, Harda, Hoshangabad, Ratlam, Schore, Ujjain and Vidisha

Non-Conformance Reports (NCRs) of grading of aggregate with reference to specifications were not issued by PIUs.

The Government stated (November 2013) that all the tests mentioned in QAHB were not mandatory as bitumen was procured from Government refineries only, where quality parameters were mentioned in supply documents and regarding thickness of layer test QCRs would be updated. As regards grading of OGPC material, it was stated that actual proportion of use of higher size metal might vary at site.

The reply is not acceptable as tests of bitumen were required to be carried out as supply document did not carry all the quality parameters as required under the provisions of QAHB. Regarding gradation of aggregate for OGPC, reply is not correct as test results clearly indicated use of higher sized metal in excess of norms.

Thus, due to not conducting required tests for bituminous works and not taking remedial action in cases where tests results indicated deviations from the norms, adherence to the required parameters of bituminous works was not ensured in 24 works.

2.5.4.8 Inadequate quality control in execution of cement concrete work

Cement concrete road work was executed without mix design and weigh batcher was not used for the works.

As per para 8.9.3 of IRC SP:20 -2002, M-30 grade cement concrete (CC) is applied in rural roads for which the mix proportion is 1:1.5:3 (cement, sand and aggregate). Weigh batcher[151] is used for preparing mix of concrete by weight as per mix design[152]. Further, mix design reports are prepared by consultants and approved by GMs for use in CC works describing specific ratio of ingredients by weight.

We noticed that in 56 road works of 23 packages in eight PIUs, ratio of mix design in CC work was not as per approved mix design ratio or ratio of 1:1.5:3 prescribed in IRC SP:20. While approval of mix designs in respect of 21 roads was not on records, the prescribed ratio of 1:1.5:3 concrete was not followed. In case of 36 road works, where approved mix designs were available, details of use of weigh batcher during execution was not on record. Evidently, because of non-use of weigh batcher, ratio of CC by weight could not be ensured during construction as required in mix designs. The details are shown in **Appendix 2.37.**

The Government stated (November 2013) that the work of CC was executed as per approved mix design with weigh batcher and the quality of CC work conforms to required strength of M-30 cement concrete.

The reply is not tenable as records maintained in PIUs did not indicate approval of mix designs and use of weigh batchers in CC works. In subsequent verification (January 2014), when mix designs reports were produced by PIU Vidisha, we noticed that the mix designs were not approved by competent authority.

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[151] Weigh batcher is an equipment used for mixing of ingredients of concrete viz. cement, sand and aggregate by weight.

[152] Mix design refers to composition of ingredients decided on the basis of trials to achieve specific strength of concrete.

2.5.4.9 *Construction of road side drains for quality assurance*

As per guidelines issued by NRRDA, while preparing DPRs, it is absolutely essential to provide road side drains with suitable lining to collect the surface water from the roadways and also to drain the base of the road way to prevent saturation and loss of support for traffic.

We noticed in nine road works[153] in PIU Vidisha that the side drains were not constructed with lining as provided in DPRs.

The Government stated (November 2013) that the CC drains work was executed where the land was available in village portion and the availability of sufficient land was rarely guaranteed, as some times local people/land donors changed their mind during construction stage.

The reply is not acceptable as CC work was not executed even where excavation for drains was done as per the deviation statement for the package. Besides, availability of sufficient land should have been ensured before starting execution of the road work as construction of side drain was essential to prevent saturation and consequential deterioration of road in terms of NRRDA guidelines.

2.5.5 Second tier quality management

2.5.5.1 *Monitoring by State Quality Monitors*

QAHB prescribes to operationalise the second tier quality management mechanism for quality monitoring through independent SQMs engaged by MPRRDA. Function of the second tier of independent quality management is to ensure that the Quality Management System at the site is functioning satisfactorily and suggest possible improvements, wherever required. As per guidelines on quality assurance and control mechanism issued by MORD, GOI, the programme for SQMs should be drawn up in such a way that every work is inspected at least three times. PMGSY guidelines further provide for a State Quality Control Coordinator (SQC) for preparing report on the performance of State Quality Monitoring System. SQMs in MPRRDA are engaged to oversee the quality of works independent from the executing agency and to report to SQC.

Frequency of inspection by SQMs was not as per norms.

Scrutiny of information made available by MPRRDA in respect of 17 PIUs reviewed by Audit relating to quality inspection by SQMs during November 2010 to December 2013 to audit revealed following:

- During the period from November 2010 to January 2014, 2,035 inspections of 1,158 roads were done by SQMs in 17 districts. We observed that while inspections were carried out as per prescribed norms in respect of 205 roads, only 1,244 inspections were undertaken for the remaining 953 roads against 2,859 inspections (953x3) due. Thus, there was shortfall of 1,615 inspections (56.49 *per cent*) indicating inadequate monitoring over quality of works executed.
- We observed that in 14 cases of inspection (2010-13) of completed roads, in six test checked districts, inspections by SQMs were done after 37 days

[153] Package number 4555.

to 1202 days of completion of works, against the limit of 30 days from completion of road, as per para 11.5.7 of Operations Manual.

- In PIU Ratlam, 235 rural roads were constructed during 2008-09 to 2012-13. Of these, quality tests were conducted in respect of only 152 roads by SQMs. However, in case of 111 roads (out of 152), tests of at least two stages were conducted while tests for earthwork, granular work and bituminous works only were conducted in eight other roads, 24 roads and nine roads respectively out of the total 152 roads test checked by SQMs.
- Similarly, in PIU Betul, 303 rural roads were constructed during 2008-09 to 2012-13 but tests were conducted in 259 roads by SQMs. Further, out of 259 roads in case of 201 roads, tests of at least two stages were conducted while tests for earthwork, granular work and bituminous works only were conducted for 15 roads, 40 roads and three roads respectively out of the total 259 roads test checked by SQMs. In PIU Indore, 54 rural roads were constructed during 2008-09 to 2012-13, but only 28 roads were tested by SQMs.

PIUs did not report compliance of 54 *per cent* inspections to SQC.

As per para 11.5.7, of Operations Manual, in case of deficiency, SQC, should send the Monitor's reports to PIU with a copy to SE. Compliance reports to SQC should be routed through CE/SE. All cases of delays in reporting compliance should be taken seriously.

We observed that compliance reports detailing corrective action were either not submitted by PIUs or were submitted with delays. Out of 389 reports of monitors containing unsatisfactory (U) or satisfactory but requiring improvement (SRI) remarks issued, information about status of action taken as of 31 December 2013 in respect of 123 inspections was provided to us. Analysis of compliance on inspection reports is given in the table below;

Table 2.16: Delays in compliance of inspections of State Quality Monitors

Particulars of inspections	Inspections	Total roads	Range of delay (months)
1. Inspections where compliance has been done			
Compliance within six months	14	13	0 to 6
Compliance after six months	18	16	7 to 21
2. Pending compliance where inspections were done during construction and road works have been completed			
Compliance pending more than six months	27	22	14 to 38
3. Pending compliance where inspections were done after completion of works			
Compliance pending more than six months	17	15	13 to 36
4. Pending compliance where inspections were done of ongoing works and work was still in progress			
Compliance pending for less than six months	24	21	0 to 2
Compliance pending more than six months	23	22	6 to 37
Total	**123**	**109**	
Total compliance pending more than six months	**67**		

Source: Information provided by MPRRDA

The table above indicates that in respect of 67 inspections (54 *per cent*) compliance were not reported though more than six months had elapsed from the date of inspections. Thus, compliance by PIUs could not be ascertained in respect of these inspections. In respect of 18 inspections (15 *per cent*) compliance was reported beyond period of six months.

Thus, there was shortfall as well as delay in conduct of tests by SQMs. Consequently, adequacy of functioning of quality management system at the site was not ensured by second tier quality control mechanism. Besides, systemic flaws such as, non-conduct of tests for alignment, earthwork, granular work, bituminous works, non-adoption of mix designs and non-deployment of technical staff as pointed out in paragraphs 2.5.4.3, 2.5.4.4, 2.5.4.6, 2.5.4.7 and 2.5.4.8 were not reported to the Department by SQMs.

The Government stated (November 2013) that second tier quality control mechanism was functioning perfectly as per GOI guidelines and action on their reports was ensured by MPRRDA. It was further stated that as per QAHB for rural roads, function of second tier of independent quality management was ensured and the Quality Management System at the site was functioning satisfactorily.

The reply is not acceptable as there was shortfall in the inspection by SQM, failure to report systemic flaws and compliance reports on inspections were not being obtained in regular manner as brought out above.

2.5.6 Monitoring

2.5.6.1 Ensuring deployment of technical staff by the contractors

There was no system of continuous monitoring on deployment of technical staff.

As per clause 9.1 of General Conditions of Contract, contractor shall employ technical personnel as named in the contract agreement or technical person approved by the Engineer for construction work and routine maintenance.

We observed that list of technical personnel deployed as per agreement, were submitted by the contractors at the beginning of work execution. We also observed instances of penalty levied from the contractors for non-deployment of adequate technical staff. However, there was no system of continuous monitoring of availability of required technical staff for entire period of execution of work as prescribed in para 9.4 of operations manual in 47 of the 137 test checked road works in seven PIUs.

The Government stated (November 2013) that MPRRDA engaged supervision and quality control consultants for supervision. Contractors had deployed staff as per requirement of agreement. In case of failure to follow the provisions of agreements GMs of PIUs were being instructed to initiate appropriate action for levy of penalty etc. as per agreements.

However in the exit conference, it was admitted that MPRRDA was suffering from the problem of deployment of technical staff by the contractors.

2.5.6.2 Inadequate inspections by Assistant Engineers and Executive Engineers

As per para 3.1 (iv), Chapter-2 of QAHB, the frequency of inspection of site is twice a week for AE and once a week for EE of the respective PIU during the work in progress.

Details of inspections carried out by AE and EE of PIUs were made available only by three of the 17 test checked PIUs, which have been given in the table below:

Table 2.17: Shortfall in inspections by AEs and EEs

Name of PIU	Total Packages	Due inspections[154]	Inspections done 2008-13	Shortfall	Shortfall in *per cent*
By AEs (Assistant General Managers-PIU)					
Betul	86	16556	4876	11680	70.55
Harda	7	1824	34	1790	98.14
Sehore	21	4415	1910	2505	56.74
Total/overall	**114**	**22795**	**6820**	**15975**	**70.08**
By EEs (General Managers-PIU)					
Betul	86	8278	2166	6112	73.83
Harda	7	912	33	879	96.38
Sehore	21	2207	487	1720	77.93
Total/overall	**114**	**11397**	**2686**	**8711**	**76.43**

Source: Information provided by PIUs

It would be seen from the table that in the three PIUs, there were shortfalls in inspection of works ranging from 56.74 *per cent* to 98.14 *per cent* by AEs and 73.83 *per cent* to 96.38 *per cent* by EEs. The overall shortfall in inspections by AEs and EEs were 70.08 *per cent* and 76.43 *per cent* respectively.

Thus, inspections of work were not carried out by AEs and EEs as per norms indicating inadequate monitoring mechanism for quality control.

The Government stated (November 2013) that MPRRDA engaged supervision and quality control consultants for this purpose. It was further stated that the works were regularly inspected by PIU staff according to the progress of work and the frequencies of weekly inspections by EEs and biweekly inspections by AEs were unrealistic in the present situation when a number of works under a particular PIU were in progress simultaneously.

The fact remains that site inspections required to be carried out by the technical officers of MPRRDA in terms of the provisions of QAHB were not carried out as prescribed and there was no provision in QAHB relaxing the inspection requirements even when supervision and quality control consultants were engaged in site inspections.

2.5.6.3 Non-submission of monthly returns of tests by Assistant Engineers to Executive Engineers

As per para 3.3, Chapter-II of QAHB, a monthly return of the tests carried out shall be submitted in the prescribed proforma by AE to EE in the first week of every month. EE will review this return regularly to see that the Quality Control tests are being performed at the desired frequency and with the desired accuracy. Payment to the contractor shall be regulated by EE as per the reports of the Quality Control tests.
We observed the following:

- In six PIUs[155], no monthly return for the tests conducted was submitted by

[154] Due inspections has been worked out on basis of weeks taken for completion of packages of respective PIUs

AEs to EEs to keep watch over conduct of tests and its frequency.

- In PIU Ratlam, against 120 monthly (12 monthly returns in a year for each of the two AEs in PIU for the five years) returns due, only two returns were submitted by AEs indicating inadequate follow up of provisions of QAHB.

In the absence of monthly returns, frequency and accuracy of tests could not be verified by superior officers. As a result various prescribed tests could not be conducted, as discussed in paragraphs 2.5.4.3, 2.5.4.4, 2.5.4.6 and 2.5.4.7.

The Government stated (November 2013) that AEs had no independent office and were part of PIUs and, therefore, non-submission of separate monthly return did not affect the frequency and accuracy of required tests. Actually all the quality tests are conducted by the consultant's team and verified time to time by PIU staff. However, instructions would be issued to field offices for regular submission of monthly returns.

The reply confirms the fact that monthly returns were not being submitted by AEs and in the absence of record evidencing conduct of requisite tests by AE, it may not be possible for EEs to regulate payment to the contractors in accordance with the NRRDA guidelines.

2.5.6.4 Monitoring by Superintending Engineers and Chief Engineer

As per para 11.4.5 of Operations Manual, SE and CE are responsible for inspection and quality testing supervision of PIUs under their jurisdiction. Accordingly, SEs and CE were to oversee the quality control functions and testing procedure and to record the observations in QCRs during inspections. State Government was to fix frequency of such inspections. Test check of records of 10 PIUs revealed that though the inspections were done by SE and CE, the frequency of inspection was not fixed by the State in this regard.

2.5.7 Conclusion

Preparation of DPRs for rural roads was not accurate due to injudicious assessment of future traffic. There was absence of equipment in district level laboratories for testing of material. Quality controls during various stages of planning and execution of road works were not ensured since prescribed tests were not carried out and recorded. PIUs did not ensure availability of approved mix design of CC for works and use of weigh batcher. There was shortfall in inspection of works by AEs/EEs. Second tier quality control was deficient as SQMs were not inspecting all the rural roads or inspecting only one stage of construction. Besides, compliance to reports of SQM was also delayed and pending in many cases.

[155] Betul, Harda and Ujjain: three AMs each, Bhopal, Hoshangabad and Sehore: four AMs each

2.5.8 Recommendations

The Government should ensure that:

- detailed project reports are prepared based on adequate survey and investigation and MoRD/IRC specifications;
- required equipment are available in district level laboratories for conduct of tests required for quality control and quality tests for road works are conducted as per required frequency and recorded adequately; and
- inspections are conducted by SQMs as prescribed and corrective action on inadequacies pointed out by monitors taken without delay.

Water Resources Department

2.6 Review of Internal Controls in the Department of Water Resources

Executive Summary

The Water Resources Department (WRD) is responsible for planning, estimation, execution, operation and maintenance of irrigation projects, safety of dams, matters relating to users associations etc. The Department had completed 13 major projects, 110 medium projects and 5,986 minor schemes and there were seven major projects, 18 medium projects and 663 minor ongoing schemes at various stages of construction at the end of March 2013[156].

Audit reviewed the functioning of the internal control mechanism in WRD during the period 2010-13. We observed deficiencies in budgets, financial operation and organisation controls in the Department:

During the period 2010-13, the Department did not surrender the entire savings. Significant amounts were surrendered in the last week of the year 2010-11 (₹ 27.59 crore) and 2011-12 (₹ 162.32 crore). There was large expenditure (23 to 36 *per cent)* in the month of March every year; in respect of seven schemes it ranged from 75 *per cent* to 100 *per cent.* The Central assistance (₹ 397.32 crore) was utilised in subsequent years indicating that the money was not required for immediate disbursement. *Government should ensure that funds are drawn from treasury only for immediate use, the budgets are prepared realistically to avoid savings and all savings should be surrendered on time.*

(Paragraphs 2.6.5.1 to 2.6.5.3)

Revised Administrative Approvals (AAs) regularising the excess expenditure of ₹ 83.95 crore in respect of 48 works was not obtained as of March 2013. Reconciliation of cheques and remittance by the divisional officers with treasury and submission of reconciliation statement to Accountant General (Accounts & Entitlement) office delayed up to 157 months. *Reconciliation of remittances and drawals should be done by the Department on regular basis.*

(Paragraphs 2.6.5.4 & 2.6.5.5)

Miscellaneous Works Advance against officials, contractors, and other departments etc. were outstanding for long period. The advances of ₹ 1257.66 crore paid to Land Acquisition Officers (LAOs) for acquisition of land for irrigation projects was directly charged to final head of account instead of debiting to the suspense account.

(Paragraph 2.6.5.7)

There were delays up to 57 months in remittances of Labour Welfare Cess (₹ 5.90 crore) deducted from the contractors' bills to Labour Welfare Board thereby becoming liable to pay penalty. *Department should ensure that Labour Welfare Cess is deposited with the Labour Welfare Board on time.*

(Paragraph 2.6.5.10)

[156] Irrigation projects are classified as major, medium and minor when the cultivable command areas are more than 10,000 hectares, over 2,000 hectares and up to 10,000 hectares and 2,000 hectares or less, respectively.

Material at site accounts, contractor's ledger and works abstract were not maintained to ensure control over the receipt/issue of material for works and transactions relating to advance payments, secured advances, adjustment of advances and value of work done.

(Paragraphs 2.6.6.1 and 2.6.6.4)

Establishment for quality control functions was inadequate as only two main laboratories were established though it should have been established at all the seven major and 18 medium projects, field laboratories were not established at any of the work sites. Besides, there were significant shortages in men in position for many posts. *Sanctioned strength and men in position of different cadres should be reviewed and is suitably rationalised.*

(Paragraph 2.6.7.1 and 2.6.7.2)

2.6.1 Introduction

Internal control mechanism in a Government Department is meant to ensure that its activities are carried out according to the prescribed rules, regulations and in economical, efficient and effective manner. Strict adherence to statute codes and manuals minimise the risk of errors and irregularities and help to protect resources against loss due to waste, abuse and mismanagement.

The WRD is the principal agency for executing of all irrigation projects in the State. There are seven major projects, 18 medium projects and 663 minor ongoing schemes at various stages of construction as of March 2013.

The WRD of the Government of Madhya Pradesh (GOMP) is headed by the Principal Secretary who is assisted by two Engineers-in-Chief[157] (E-in-C), 11 Chief Engineers (CEs) for overall administration, supervision and control of works under their zones and headquarters, one Commissioner (Bansagar Project), one Project Director (MPWSRP), and one Director Command Area Development. There are 36 Circles headed by Superintending Engineers (SEs) and 133 divisions headed by Executive Engineers (EEs) for administration, supervision and control of works under their circles/divisions. Divisional Accountants (DAs) posted in the divisions, act as financial advisor and internal auditor of the divisions.

2.6.2 Audit objectives

The audit objectives were to assess adequacy and effectiveness of:

- budgetary and financial controls;
- operational controls related to execution of works; and
- organisational controls related to manpower management for works and quality control

[157] The E-in-C is the professional adviser to the Government and is responsible for the overall working of the Department. He will also be the co-ordinating authority amongst CEs. The other E-in-C (BODHI) is responsible for research and designs of projects.

2.6.3 Audit criteria

The findings of audit are based on the criteria derived from following:

- Works Department Manual (MPWD) and Budget Manual of the GOMP
- Central Public Works Account (CPWA) Code[158]
- Madhya Pradesh Finance Code (MPFC)
- Madhya Pradesh Store Purchase Rules
- Monitoring mechanism prescribed

2.6.4 Scope and methodology of audit

A review of the internal control mechanism in the Department was conducted between August 2012 and April 2013 and further information obtained (May 2013 to December 2013) by test check of records for the period from 2010-11 to 2012-13 in 37 divisions **(Appendix 2.38)** out of 133 divisions.

The audit was conducted by scrutiny of records/documents analysis of information obtained discussion of audit findings with the Management.

An entry conference was held on 11 September 2012 with the Principal Secretary to discuss the objectives, scope and methodology of audit. In the exit conference held on 13 December 2013 with the Principal Secretary audit findings were discussed and their views have been suitably incorporated in the Review.

Audit findings

2.6.5 Budgetary and financial controls

Rule 192 of MPFC provides that the heads of the Departments and other subordinate authorities are responsible for the submission of correct detailed estimates punctually on the dates fixed by the Finance Department.

We observed that the Finance Department introduced e-Mudra software for preparation of budget estimates by the Department. No instance of delay in submission of Budget was noticed in audit.

Deficiencies in budgetary and expenditure control as well as in accounting, noticed during audit, have been discussed in the succeeding paragraphs.

2.6.5.1 Utilisation of fund and surrender of unutilised fund

The Department failed to promptly surrender the amount of savings out of the allotments.

Paragraph 4.154 of MPWD Manual provides that funds which are not likely to be spent within the financial year on the works for which they were allotted and which might be usefully spent on other works, if made available in time, should be promptly surrendered.

The following table shows total budget allotment, amount of surrender and expenditure of the Department during the years 2010-11 to 2012-13:

[158] Adopted by the State Government, as mentioned in introduction of MPWD Manual

Table 2.18: Year-wise allotments and expenditure

(₹ in crore)

Financial Year	Total budget Provision	Total expenditure	Saving	Amount surrendered	Lapse	Percentage of saving
2010-11	3716.13	3197.08	519.0	438.42	80.63	13.97
2011-12	3367.61	2893.20	474.4	316.99	157.42	14.09
2012-13	4060.23	3753.04	307.19	168.61	138.58	3.25
Total	**11143.97**	**9843.32**	**1300.65**	**924.02**	**376.63**	

(Source: Information provided by the Department)

As evident from the above table, the Department did not surrender the savings of ₹ 376.63 crore during the three years ending 2012-13. We observed that during the years 2010-11 and 2011-12 savings of ₹ 27.59 crore and ₹ 162.32 crore respectively were surrendered between 28th and 31st of March, leaving little scope for utilisation of funds for other purposes as detailed in **(Appendix 2.39).**

In the exit conference (December 2013), the Principal Secretary, WRD stated that savings was mainly due to control over establishment expenses and saving below five *per cent* of allotment should be considered normal. The Principal Secretary did not give reply on saving of more than five *per cent* and reasons for lapse of funds.

2.6.5.2 Expenditure in closing month of the year

Expenditure in the month of March during the years 2010-11 to 2012-13 ranged from 23 to 36 *per cent.*

According to Rule 174 of MPFC (Volume-I), as far as possible, expenditure should uniformly be spent throughout the year. Rush of expenditure at the close of financial year is prone to the risk of excess payment, purchase of inferior quality goods even at uneconomical rates etc. Thus, the Government might not get right value for money as the expenditure taking place in such situation may be without due diligence and care. As per Rule 92 of Budget Manual, rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as breach of financial regularity.

We noticed that the expenditure in the month of March during the years 2010-11 to 2012-13 ranged between 23 and 36 *per cent.*

We further observed that in respect of seven schemes, expenditure in the month of March alone ranged from 75 *per cent* to 100 *per cent* during the years 2010-11 and 2011-12. However, during the year 2012-13 position improved, when expenditure under three schemes during the month of March ranged between 37 and 46 *per cent,* as shown in table below:

Table 2.19: Scheme wise comparison of expenditure in March over annual expenditure

(₹ in crore)

Financial Year	Head of account	Total expenditure	Expenditure in the month of March	Percentage of expenditure in March
2010-11	61-4700 Bundelkhand (Bariyarpur)	138.34	104.71	75.69
	23-4701 AIBP	40.96	30.76	75.09
	41-4701 Medium-Tribal (other project)	11.54	10.08	87.34
	Repair of LIS	5.43	5.42	99.81
	Restructuring of Minor schemes	19.02	18.48	97.16
2011-12	61-4701 Bundelkhand (Singhpur Barrage)	50.00	43.61	87.22
	45-4702 Pilot project (RRR)	9.70	9.70	100.00
2012-13	23-4701 AIBP	521.41	220.75	42.34
	45-4702 RRR	42.01	15.36	36.56
	61-4702 Bundelkhand	172.64	79.97	46.32

(Source: Information provided by the Department)

In the exit conference (December 2013), the Principal Secretary, WRD stated that funds relating to Bundelkhand Package were received in the month of March; hence there was more expenditure in that month. He further stated that the nature of work in WRD was seasonal, in rainy season/crop season no work could be done and it was a normal phenomenon in WRD that expenditure in first and last quarter of a year accounted for about 60 to 65 *per cent* of total expenditure. He further stated that payments for land acquisition were generally made in closing month to ensure smooth progress.

The reply is not in order because for Bundelkhand package, ₹ 348.06 crore was released during 2010-11, of which ₹ 154.81 crore was released between August and October 2010 and the unspent balance of ₹ 193.25 crore was carried forward for the year 2011-12. Besides, expenditure was proportionately higher even under the Heads, repair of LISs, restructuring of minor schemes, Repair, Renovation and Restoration (RRR) etc. as mentioned in the table above where acquisition of land was not involved.

2.6.5.3 Parking of funds under Civil Deposits

Central assistance received through State budget were drawn and credited to Civil Deposits which were utilised in subsequent one to three years.

As per Rule 284 of MPTC, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is a serious irregularity to draw advances from the treasury in anticipation of demands or to prevent lapse of budget grants. The Civil Deposit account in the Government accounting has been created with the limited purpose of keeping certain receipts and payments held in suspense or deposit pending clearance, by payment or recovery, as the case may be. in cash or otherwise.

We noticed from scrutiny of grant and expenditure statement of E-in-C, WRD that the central assistance of ₹ 427.43 crore received through State budget during 2010-11 to 2012-13 **(Appendix 2.40)** were drawn and credited to Civil Deposits on 31 March of the respective financial years. Out of these deposits, ₹ 397.32 crore was utilised in subsequent one to three years, whereas ₹ 5.43 crore drawn in the year 2010-11 and ₹ 24.68 crore drawn in the year 2011-12 was not utilised (July 2013). This indicates that money drawn from

the treasury was not required for immediate disbursement and consequently the fund was kept idle. This indicated a weak financial control in the Department.

In the exit conference (December 2013), it was stated that out of the fund relating to Bundelkhand Package kept in K-deposit (Civil Deposit), a part thereof was spent and some of it would be drawn in coming months. This was necessary to ensure uninterrupted flow of Central funds for projects under this package. Keeping Central funds received for a particular project is an established practice. This ensures liquidity as well as committed availability of project funds. The K-deposit (Civil Deposit) account was opened and funds were kept there with due approval of the Finance Department.

The reply is not acceptable as drawal of funds, when not required for immediate disbursement was in violation of the provisions of MPTC and only those receipts and payments held in suspense account were to be retained as Civil Deposits. Besides, the Department had furnished utilisation certificates to Government of India, even while retaining the amounts under Civil Deposits.

2.6.5. 4 (A) Expenditure in excess of Administrative Approval

In respect of 64 works an amount of ₹ 313.12 crore was spent against the administratively approved cost of ₹ 205.88 crore.

Rule 147 of MPFC provides that except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection with it, until AA has been obtained from the authority appropriate in each case. The Department had also issued instructions from time to time (April 2010) for keeping expenditure within the allotment and AA.

We noticed on examination of original AAs and actual expenditure in respect of 178 works in seven[159] out of 37 test checked divisions that in respect of 64 works an amount of ₹ 313.12 crore was spent up to March 2013 against the Administratively Approved cost of ₹ 205.88 crore. The overall excess expenditure of ₹ 107.24 crore incurred on these works over the AAs ranged from 10 *per cent* to 697 *per cent*. We further noticed that in respect of the works of Bargha Nala Tank in Sabalgarh division, an expenditure incurred was excess by 697 *per cent*. Besides, in respect of the work of Salipura Tank in Khargaon Division, expenditure incurred was excess by 673 *per cent*. Revised AA for regularising excess expenditure of ₹ 23.29 crore in respect of 16 works only was obtained during November 2012 to February 2013 after being pointed out by Audit. However revised AAs regularising the excess expenditure of ₹ 83.95 crore in respect of remaining 48 works was yet to be obtained as of March 2013 **(Appendix 2.41)** though the final bills in 12 works was finalized/paid.

In the exit conference (December 2013), the Principal Secretary, WRD stated that excess expenditure over AA was due to change in drawings and designs of the work and price escalation and the matter was under investigation in respect of remaining works. He also stated that since April 2013 system has been put in place to restrict drawal of fund to cost plus 10 *per cent* of AA to rule out situation of excess expenditure.

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[159] EE WR Divisions at Alirajpur, Badwani, Khargone, Multai, Sabalgarh, Samrat Ashok Sagar Dn-II Vidisha and Shivpuri

(B) Purchases without resorting to tendering process

Rule 14 of Store Purchase Rules provides that items enlisted in Annexure 'B' of the Rules should only be procured through Madhya Pradesh Laghu Udyog Nigam (MPLUN) Limited. If MPLUN is unable to supply the material, the Department can procure it through open tenders, after obtaining a non-availability certificate from MPLUN. The Rules further provide that certain specified items (relating to stationary) can be purchased from Madhya Pradesh State Consumer Corporation Federation (MPSCCF) without inviting tender.

We noticed in four[160] out of 37 test checked divisions that items such as digital theodolite, electronic total station (Survey equipments) etc. valued at ₹ 2.42 crore enlisted for procurement through MPLUN and not among the specified items to be purchased from MPSCCF, were purchased by the divisions with the approval of CE and SE during the period March 2008 to February 2011 without obtaining non-availability certificates from MPLUN and without resorting to tendering process. Thus, the purchases were irregular indicating weak control in sanctions for purchase.

In the exit conference (December 2013), the Principal Secretary, WRD stated that there were only few such cases of purchase in the past and the practice had been stopped. It was also stated that such cases would be examined and corrective action taken, where necessary.

2.6.5.5 Settlement of remittance transactions

Reconciliation statements of cheques and remittances were not being prepared and sent to Accountant General in respect of all the Divisions.

According to Paragraph 22.3.1 read with Paragraph 22.4.15 of CPWA Code, reconciliation statements (Form 51) of cheques and remittance as per the books of accounts of divisions and that as per statements of treasury/ accredited bank[161], along with monthly accounts of unit is required to be sent to the Accountant General (A&E) by the divisions.

We noticed that reconciliation statements were not being prepared and sent in time to the Accountant General (A&E) office by the test checked divisions excepting four divisions[162]. The delays in submission of Form 51 ranged from 1 month to 157 months. In 10 divisions[163], delays in submission of reconciliation statement were more than five years.

We further noticed that there were differences of ₹ 71.58 crore in remittance and of ₹ 45.76 crore in payments of cheques compared to those in bank statements which were not reconciled for periods ranging from 1 month to155 months as of March 2013 as reconciliation statements were not prepared and submitted by Divisions for that period. No action for reconciliation of these differences was taken by the Department indicating weak financial control. Due to non-reconciliation of the differences in remittances and cheque

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160 Keoti Canal Dn Rewa (₹ 9.36 lakh), WR Dn Panna (₹ 118.64 lakh),WR Dn Shajapur (₹ 76.40 lakh) and WR Dn Multai (₹ 37.97 lakh)

161 State Bank of India

162 WR Dn Sheopur, Harsi Canal Dn Dabra, WR Dn Harda and Pench Project Dam Dn Chourai, Chhindwara

163 WR Dn Panna, Keoti Canal Dn Rewa, WR Dn Sheopur, WR Dn Tikamgarh,WR Dn Khargone, W R Dn Nowgaon, WR Dn Sabalgarh,Mahan Canal Dn Sidhi, Survey Dn Balaghat and WR Dn Morena

payments with the treasury, the chances of mis-appropriation and fraud cannot be ruled out.

In the exit conference (December 2013), EE (Budget) stated that due to delay/non-receipt of CICs/CTRs[164] from treasuries, reconciliation of remittances and payments could not be done. The Principal Secretary stated that a system would be developed for timely reconciliation of remittances and cheques issued.

2.6.5.6 Clearance of Miscellaneous Work Advances

Miscellaneous Works Advance of ₹ 17.85 crore remained outstanding for various periods during 1957 to 2013.

According to Paragraph 13.4.1 of CPWD code, Miscellaneous Works Advance (MWA) is a suspense head of account intended to record transactions on account of (i) sales on credit, (ii) expenditure incurred on Deposit Works in excess of deposits received and (iii) losses, retrenchments, errors etc. and other items of expenditure of allocation which is not known or which cannot be adjusted until recovery or settlement is effected or write off is ordered. Items in MWA are cleared either by actual recovery or by transfer under proper sanction or authority to some other heads of account. The Divisional Officers are responsible for prompt clearance of the suspense head by recovery or transfer to the proper heads of accounts concerned.

We noticed that at the end of March 2013, ₹ 17.85 crore against 3,044 items (transactions) as detailed in **Appendix 2.42** were outstanding in 31 out of 37 test checked divisions[165] against officials, contractors, suppliers and other Departments, etc. The oldest pending was from 1957. There was no systematic effort for adjustment of the related transactions so as to clear balances in MWA account and determine the amount payable or recoverable, if any.

In the exit conference (December 2013), the Principal Secretary stated that Miscellaneous Public Works Advance (MPWA) against employees would be recovered and further efforts would be made to clear the suspense balances.

2.6.5.7 Irregular booking of advance payments for acquisition of land to the final head of account

An amount of ₹1257.66 crore paid as advance to LAO for acquisition of land was charged to final head of account.

According to Paragraph 10.5.21 of CPWA Code, advance payments made by the Divisional Officers to LAO for acquisition of land and acquisition charges is required to be debited to the suspense account "Land Acquisition" in the accounts of works till the possession of land is received or intimation of actual payment to the owners of land. This suspense head has to be cleared by the Divisional Officers on receipt of the accounts along with the statement of awards of land, vouchers etc. from LAO, by debit to the final head "Acquisition of Land" in the accounts of works in terms of the para 8.1.12 of the Code. The creation of suspense account is for the purpose of control over expenditure and watching receipt of accounts for actual utilisation of funds made available to LAO.

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164 CIC: cheque issue certificate, CTR: consolidated treasury receipt.

165 Four other divisions, where MWA were not outstanding, are WR Dn Jaura, Bansagar Disty Dn Rewa, Harsi High Level Canal Dn Dabra and Harsi High Level Canal Dn-II, Gwalior

We noticed in 31 out of 37 test checked divisions[166] that an amount of ₹ 1257.66 crore was paid (April 2010 to March 2013) to LAOs as advance for acquisition of land for irrigation projects. The amount was, however, directly charged to final head of account instead of debiting to the suspense head **(Appendix 2.43).** There was no evidence on records that these divisions had approached LAOs for submission of accounts of utilisation of funds. The divisions were also not aware of actual utilisation of funds provided to LAOs for acquisition of land and any saving out of those funds.

In the exit conference (December 2013), the Principal Secretary explained that this had happened due to ignorance of the procedure and informed that instructions had been issued to obtain accounts from LAOs for settlement of advances paid to LAOs towards land compensation. He further stated that advance for land acquisition was being given after notification under Section 9 of the LA Act, as the State Government had issued instruction in this matter.

2.6.5.8 Credit of lapsed deposit to Government account

Deposits of ₹ 16.15 crore remaining unclaimed by contractors for more than three years, were not deposited to the Government account as lapsed deposits.

According to paragraph 15.4 of CPWA Code, balances above ₹ 25 remaining unclaimed by contractors for more than three complete accounting years, should be credited to the Government revenue accounts in March each year as lapsed deposits.

We noticed in scrutiny of deposit registers in 20 of the 37 test checked divisions that deposits of ₹ 16.15 crore remained unclaimed for more than three years as on 31 March 2013 **(Appendix 2.44).** The divisions however did not take action to deposit the amount to the Government account. This indicated absence of regular review of the deposits with the Department. As a result, the unclaimed amount could not be accounted for as revenue of the Government.

In the exit conference (December 2013), the Principal Secretary stated that this was attributed to non-finalisation of bills of contracts in many cases and informed that many such cases had been cleared. He also stated that unclaimed deposit would be treated as lapsed after issue of advertisement and notices to the depositors.

2.6.5.9 Irregular grant of tour advance from works budget

As per Rule 275 of MPFC, the advances for tour are to be drawn and accounted for as travelling expenses or contingent charges of establishments. Thus, advance for these purposes should not be drawn from work budget.

We noticed from scrutiny of works cash book in 24 out of 37 test checked divisions that tour advances aggregating ₹ 22.40 lakh were paid to 964 officials during July 2009 to February 2013 by drawing self cheque out of works budget. These advances remained unadjusted[167] (March 2013) as no control register was maintained for watching adjustment of advances so paid. Unadjusted amounts were significant in Keoti Canal Division, Rewa (₹ 4.32

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166 No payment was involved in other six divisions which are WR Harsi Dn Dabra, WR Dn Jaura, HEM Dn Bhopal, HEM Dn Sagar, WR Dn Morena and WR Dn Seoni

167 In the cash book for works, the amounts given as advance in previous years remaining unadjusted was being carried forward from year to year without indicating period of advance.

lakh paid to 252 persons) and in Pench Project Division, Chourai (₹ 4.06 lakh paid to 110 persons), further, due to granting advance from works budget, an expenditure on works was also inflated to that extent.

In the exit conference (December 2013), the Principal Secretary stated that tour advances from work budget had been stopped and outstanding advances would be adjusted/recovered in a time bound manner.

2.6.5.10 Unauthorised retention of workers welfare cess

Welfare cess of ₹ 5.90 crore deducted during March 2005 to February 2013 from contractors' bills, was not remitted to the construction workers' welfare boards.

The MP Building & Other Construction Labour Welfare Act, 1996, enacted with a view to accelerate progress of social security for the unorganised labours of construction activities, provides for deduction of welfare cess from contractors' bills. According to the Act, one *per cent* as welfare cess should be deducted from the amount of contractors' bills and remitted to the Madhya Pradesh Building and other Construction Workers' Welfare Board, constituted for this purpose within 30 days from deduction. In case of failure, it may attract penalty at the rate of two *per cent* for delay of every month or part of a month from the date on which such payment is due till such amount is actually paid. Finance Department, GOMP had also issued instructions in November 2003 for adherence to the provisions of the Act.

We observed in 17 out of 37 test checked divisions that welfare cess amounting to ₹ 5.90 crore was deducted during the period March 2005 to February 2013 from the contractors' bills. The amounts were, however, not remitted to the Board within the specified time. The delays ranged from one to 57 months (**Appendix 2.45**). The amount of cess was kept as deposited under Civil Deposits. Thus, the Department has become liable to pay penalty on account of non-deposit/delay in deposit of the cess indicating weak control over the function of collection and deposit of the cess.

In the exit conference (December 2013), the Principal Secretary stated that henceforth a system of online deposit of the amount of welfare cess would be developed and implemented and stated that this would be incorporated in management information system to monitor deposit of the cess and avoid delay in deposit.

2.6.6 Operational control

Operational control systems are designed to ensure that day-to-day actions are consistent with established plans and objectives. Operational control systems are derived from the requirements of the management control system. Deficiencies in operational controls, such as non-maintenance of cash book, non-submission of material at site (MAS) accounts, non-review of tools and plant (T&P) register, non-maintenance of contractors ledger and works abstracts, inadequate inspection of field offices etc. were noticed, which have been discussed in detail in succeeding paragraphs.

2.6.6.1 Maintenance of contractor's ledger and works abstract

Contactor ledgers and works abstracts were not maintained in all the divisions.

Contractors' Ledgers are required to be maintained in terms of Paragraph 10.7.1 of CPWA Code. The form of the contractors' ledger provides for the particulars of name of work, bills or voucher, advance payments, secured advances other transactions and total value of work or supplies. Para 10.5.1 of

CPWA Code provides for preparation of works abstracts showing transactions relating to a single work.

We noticed that contractors' ledgers and work abstracts were not maintained in 17 divisions[168] and 29 divisions[169], respectively. In the absence of such control records, correctness of transactions relating to advance payments, secured advances, adjustment of advances and value of work done etc. could not be checked in divisions as well as by Audit.

In the exit conference (December 2013), the Principal Secretary stated that Contractors' ledger and Works Abstract would be maintained by linking to e-measurement of works.

2.6.6.2 Weak control in refund of security deposit obtained from contractors

According to Paragraph 15.5.2 of CPWA Code, before effecting refund of security deposits received from contractors, the original realisation of deposits should be traced and a reference to the repayment should be recorded against the original entry in the cash book and other accounts so as to ensure that double payments are not made. A certificate for such a note having been made against the original entry in the cash book and other accounts should be recorded on all vouchers of refunds.

We noticed in four[170] out of 37 test checked divisions that security deposits (SD) amounting to ₹ 1.15 crore were refunded to the contractors through hand receipts during January 2010 to November 2012 without reference to the original entry in refund vouchers. As a result, Audit could not verify whether correctness of those refunds was ensured by the divisions. In the absence of such reference, original entry in the cash book could not be traced in audit.

In the exit conference (December 2013), the Principal Secretary stated that instructions would be issued for mentioning details against security refunds to the contractors and for maintaining proper security register.

2.6.6.3 Maintenance of establishment cash book

Paragraph 6.6.1 and 6.6.2 of CPWA Code provides for maintenance of cash book in the divisions. The amount of cheques drawn on account of the bills for pay and allowances of the staff should be accounted for in the establishment cash book.

We noticed in five[171] out of 37 test checked divisions that expenditure of ₹ 58.77 crore was incurred on pay and allowances etc. during 2010-11 to

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168 WR Divisions at Panna, Multai, Nasrullaganj, Tikamgarh, Sheopur, Khargone, Joura, Badwani, Keoti Canal Dn Rewa, Bansagar Distributory Dn Rewa, HEM Dn Bhopal & Sagar, Harsi High Level Canal Dn Dabra, Purwa Canal Dn II Satna, Kutani Dam Dn Khajwa, WR Harsi Dn Dabra and Pench Project Dn Chourai Chhindwara.

169 That is except eight divisions:- WR Dn Shivpuri, HEM Dn Bhopal, HEM Dn Sagar, Bariyarpur LBC Dn Chhatarpur, Sanjay Sagar Project Dn Ganjbasoda, WR Dn Sehore and Mahan Canal Dn Sidhi and LA&R Dn Govindgarh.

170 WR Dn Multai (₹ 22.29 lakh), Keoti Canal Dn Rewa (₹ 65.06 lakh), Upper Purwa Canal Dn-II Satna (₹ 1.65 lakh) and WR Dn Sheopur (₹ 26.10 lakh).

171 WR Dn Panna (₹ 7.068 crore), Upper Purwa Canal Dn-I Rewa (₹ 6.40 crore) and Dn-II Satna (₹ 10.42 crore), Keoti canal Dn Rewa (₹ 12.26 crore) and HEM Dn Sagar (₹ 22.62 crore).

2012-13. But, cash book was not maintained to record these transactions. In the absence of such records, necessary checks and control, reconciliation of accounts and accounting as prescribed in the Manual could not be ensured.

In the exit conference (December 2013), the Principal Secretary stated that some of the divisions felt that it was not required to maintain after switching over to e-payment mode and stated that instructions had been issued to maintain establishment cash book.

2.6.6.4 Submission of Material at Site Accounts

Material valued at ₹ 2.70 crore purchased for deposit work was directly charged to work and MAS accounts were also not maintained.

Paragraph 1.129 (Appendix-1.28) requires that the Material at Site (MAS) account should be submitted promptly by all Sub Engineers[172] to their Divisional officers. MAS account includes details of receipt, issue and balance of material available at site.

We noticed that in six[173] out of 37 test checked divisions, material valued at ₹ 2.70 crore were purchased for deposit work during May 2010 to September 2012 (**Appendix 2.46)** and directly charged to work and shown as entered in MAS account but MAS accounts were not maintained. In the absence of MAS accounts, details of receipts and issues of material to particular works and balance of material available at site cannot be known and therefore discrepancies in material cannot also be known in physical verification. Thus, the control system over the receipt and issue of material for works was weak.

In the exit conference (December 2013), the Principal Secretary stated that purchase of material for works by the Department had been stopped and such material was related to deposit works of other departments, which had since been stopped. It was also stated that MAS accounts would be closed/ completed in definite time period in respect of past works.

2.6.6.5 Inspections of field offices

Paragraph 4.113 of Works Department Manual provides for inspection of the Circles, divisions and Sub-Divisions once during each financial year respectively by CE, SE and EE. In addition, CEs and SEs are required to inspect respectively the Divisions and Sub-Divisions once in four years. Further, paragraph 4.114 of the Manual provides that the results of the inspection of Circles/Divisions/Sub-Divisions should be recorded in the prescribed forms for taking corrective action.

We noticed from the details given by the divisional offices that during 2010-11 to 2012-13, 139 sub-divisions (out of 583 sub-divisions) were inspected by Divisional Officers and 29 divisions[174] (out of 37 divisions) were inspected by SEs and CEs. However, inspection reports were not issued. In the absence of such records, the nature of irregularities/lapses observed by the

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172 Sub-engineer is in-charge of a Section (an area) and shall be responsible for the management and execution of works in his respective Section.

173 Keoti Canal Dn Rewa (₹ 10.87 lakh), WR Dn Jaura (₹ 8.92 lakh), Khargone (₹ 184.22 lakh), Panna (₹ 13.43 lakh), Badwani (₹ 19.54 lakh) and Bariyarpur LBC Dn-II Chhatarpur (₹ 32.73 lakh).

174 Except the divisions WR Dn Jaora, HEM Dn Bhopal, HEM Dn Sagar, Keoti Canal Dn Rewa, Upper Purwa Canal Dn Satna, LA&R Dn Govindgarh, WR Dn Gwalior and HLL Canal Dn Gwalior out of the test checked 37 divisions.

inspecting officers and action required to be taken could not be verified in audit. Besides, control mechanism envisaged through the prescribed records was also not ensured by the Department. We also noticed that there was no monitoring mechanism at higher level to ensure issuance of inspection reports in time and follow up of the same.

In the exit conference (December 2013), the Principal Secretary stated that it was a case of inspection done but report not submitted. For future, submission of reports after inspection would be ensured and reports would be issued in electronic form in a standardised format.

2.6.7 Organisational control

An organisation is required to be established in such a way as to have a control system tailored to achieve its goals and utilisation of resources in most efficient and economic manner. Deficiencies in organisational control, such as inadequate number of laboratories and shortage of staff for quality control function were noticed, as discussed in succeeding paragraphs:

2.6.7.1 Inadequate number of laboratories

Only two main laboratories were established instead of each major and medium projects and field laboratories were not established at any of the work sites.

Para 6.016 of MPWD Manual provides that each major/medium project will have a main laboratory under Research Officer/Assistant Research Officer for carrying out the tests specified in the Manual. In addition, field laboratories shall be established at work sites which will be part of the main laboratory to conduct daily routine tests. There were seven major and 18 medium projects ongoing as of March 2013. Accordingly, at least 25 main laboratories were required to be established.

We noticed that only two main laboratories (at Bhopal and Jabalpur) were established instead of at each major and medium project. Similarly, field laboratories were also not established at any of the work sites. Thus, there was inadequate establishment for quality control functions. We observed instances of irregular utilisation of untested material, non-conduct of mandatory tests and irregular conduction of tests through un-authoirsed/private laboratory (WR Division, Dhar).

In the exit conference (December 2013), E-in-C stated that the system of quality control was effective, as he himself and CE's/SE's were constantly monitoring progress of work and quality both. The contract provided for establishment of laboratory by contractors so as to minimise employees and maintenance cost.

The fact remains that the establishment of laboratories was not as per the provisions of the Works Department Manual.

2.6.7.2 Settlement of Audit Inspection Reports

According to Paragraphs 14 and 15 of Appendix 4.15 of MPWD Manual, the disposal of Audit Inspection Report (IRs) issued by the office of the Accountant General should be watched in divisions through a control register and the IRs dealt with in the divisional offices are required to be replied to Audit Office within a month from the date of their receipt.

We noticed that the control registers were not maintained in 29 divisions[175] out of test checked 37 divisions. We also observed from the records of our office that 1,590 paragraphs of 368 IRs were outstanding in respect of these divisions as of March 2013. In five divisions[176], more than 20 IRs (74 to 87 paragraphs) were outstanding. In the absence of the said control register, monitoring and control over the progress of the settlement of audit paragraphs by higher authorities and initiative/remedial action on the lapses/irregularities pointed out in the IRs would not be effective. Further, Audit committee meeting was required to be held for speedy settlement of audit observations, was not held during 2012-13.

In the exit conference (December 2013), the Principal Secretary stated that such control register would be maintained.

2.6.8 Conclusion

There were instances of not surrendering the savings of funds, rush of expenditure during closing month of the financial years, drawal of money from treasury much in advance of the requirements and expenditure on works in excess of Administratively Approved costs. Reconciliation statements of cheques and remittance were not being regularly submitted by all the Divisional Officers to Accountant General (A&E) office. MWAs remained unadjusted for a long period. The amount paid to LAO as advance for acquisition of land for irrigation projects was directly charged to final head of account instead of debiting to the suspense account. Labour Welfare Cess deducted from the contractors' bills was either not remitted or remitted late to Labour Welfare Board thereby attracting penalty. These indicated weak financial controls in the Department.

Operational controls were also deficient. Security deposits were refunded to the contractors through hand receipts without reference to the original entry in refund vouchers and cash book was not maintained to record expenditure on establishment. MAS accounts, contractors' ledger and work abstracts' were not maintained in the divisions to ensure control over the receipts/issues of material for works and transactions relating to advance payments, secured advances, adjustment of advances and value of work done.

Establishment for quality control functions was inadequate since only two main laboratories were established against one each required in all the major and medium projects. Field laboratories were not established at any of the work sites. Besides, there were significant shortages in men in position in the Department, particularly in Quality Control Wing.

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175 Except Bariyarpur LBC Division II Chhatarpur, SS Divisoin Ganjbasoda, Khargoan, Sehore, Seoni, Sheopur, Mahan Canal Division Sidhi and Tikamgarh.

176 Bariyarpur LBC-II, Chhatarpur, Khargone, Kolar Canal division Nasrullagang, Nowgaon and Shivpuri.

2.6.9 Recommendations

The Department should ensure the following to strengthen control system;

- Budgets are prepared realistically so as to avoid large savings and all savings should be surrendered on time. Funds are drawn from treasury as per the requirement of expenditure.
- Reconciliation of remittances and drawals are done on regular basis.
- Labour Welfare Cess is deposited with the Labour Welfare Board in time.
- Establishment of more laboratories for effecting quality control may be considered.