

Chapter 2

Performance Audit

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Chapter 2

Performance Audit

Revenue Department

2.1 Acquisition and Allotment of Land/Government Land Management

Executive Summary

The Government is empowered under the provisions of Land Acquisition (LA) Act, 1894 to acquire any land for public purposes after following prescribed procedure and payment of due compensation to land owners. The Government is also custodian of government land. The allotment of government land on lease or free hold is being decided by Government. The process of acquisition of land, allotment of government land involves significant use of public money, revenue and reflects the governance in the context of State-citizen interface. The Performance Audit on this subject is intended to assess transparency, efficiency and effectiveness of process of acquisition of land and management of government land. Performance Audit of Acquisition and Allotment of Land/Government Land Management conducted for the period 2006-11 revealed mainly following shortcomings:

Centralised database on acquisition of private land, payment of compensation to land losers, custody and allotment of government land was not maintained at State level. Government had not prescribed a uniform and transparent method for calculation of market value of land. Audit noticed that market value of land was *prima facie* erroneously determined even as per various methods adopted by LAOs which led to under-assessment of compensation of ₹ 6.91 crore in 46 cases and excess payment of compensation of ₹ 12.76 crore in 23 cases. Avoidable expenditure of ₹ 5.88 crore was incurred on payment of additional compensation due to delay in passing award by one to 22 months. Compensation of ₹ 131.33 crore was not disbursed in 657 LA cases. Compensation money of ₹ 220.96 crore was lying in bank account even after Government instructions to transfer the amount in personal deposit account and also interest earned on bank account was misappropriated in some cases.

There was no comprehensive and transparent policy for allotment of government land which would have facilitated equal opportunity to every desirous entity. Substantial revenue of ₹ 33.66 crore was lost due to allotment of government land to different bodies/organisations at lower rates in contravention of provisions of RBC. Realisation of revenue was withheld due to absence of time limit for finalisation of lease cases in case of advance possession and initiating recovery proceedings against the defaulters in the Act/rules.

Management of government land was poor. Land measuring 1979.594 hectares, acquired by Industry Department was not utilised for industrial development. No periodic physical verification of government lands was conducted as required under the RBCs. In four districts, 171.076 hectares of government land was not utilised by the allottees for purposes mentioned in allotment orders and no action was taken to resume the land. In 12 test-checked districts 13152 encroachment cases were not finalised.

2.1.1 Introduction

Article 300A of the Constitution envisages that no citizen can be deprived of his property except under the authority of Law. The Government acquires land for public purposes under the provisions of Land Acquisition (LA) Act, 1894 as amended from time to time. The Act empowers the State Government to acquire any land for public purpose and lays down the procedures to be adopted for acquisition of land and payment of compensation to the land owners. Allotment of government land on lease to be used as home sites or for any community purpose or industrial purpose or for any other purposes is regulated by the provisions/instructions of Revenue Book Circulars (RBC).

Apart from being a major land holder, Government is an active player in the land market which it also regulates. It acquires land in large magnitudes for public purpose or allots it from its existing holdings to promote its policy objective. In this process, while it alienates land owned by it, it also dispossesses private land owners of their holdings through an established legal process which is meant to ensure proper opportunity to be heard and due compensation to the land losers. The entire spectrum of these actions involves significant use of public money and defines standard of governance in the context of State-citizen interface. We, therefore, took up a performance audit on the subject to ascertain that processes of land acquisition and overall management of land assets of Government of Madhya Pradesh including its 'alienation' for public purposes was being carried out as per laid down procedures and was economical, efficient and effective.

2.1.2 Organisational Structure

The Revenue Department is headed by the Principal Secretary at the Government level. He is assisted by the Divisional Commissioners and the District Collectors. The District Collector is assisted by the Land Acquisition Officers (LAOs) and Nazul Officers/Tahsildars to administer land acquisition and lease cases. The Collector of the district functions as ex-officio Deputy Secretary to the Government to dispose of LA cases and to make award in general cases up to ₹ 25 lakh and in project cases up to ₹ two crore. The Commissioner of division functions as ex-officio Secretary for approving award above the monetary limit fixed for Collector.

2.1.3 Audit Objectives

The audit objectives are to seek assurance that the:

- provisions of Act/rules & procedures for acquisition and allotment were complied with;
- compensation dues to land owners were properly assessed and paid in time;
- premium and annual ground rent for leased lands were fixed as per norms and realised; and
- adequate measures were taken to ensure utilisation of acquired/allotted land for the specified purposes and management of government land.

2.1.4 Audit Criteria

Following were the sources of various audit criteria:

- Land Acquisition Act, 1894 and National Highways Act, 1956
- Revenue Book Circulars (RBC)¹.
- Madhya Pradesh Land Revenue Code, 1959 (MPLRC)².
- Orders/circulars issued by Government from time to time for acquisition/allotment of land.

2.1.5 Audit Scope and Methodology

Records of Revenue Department, Collectors and the concerned Land Acquisition Officers (LAO), Rehabilitation Officers (RO) and Nazul³/Tahsil offices of 13 selected districts⁴ relating to acquisition, allotment and management of land for the period 2006-11 were test checked in audit during April 2011 to October 2011. The selection of districts was done by simple random sampling without replacement method. During the entry conference held (May 2011), the audit objectives and methodology were discussed with the Principal Secretary. The audit findings based on the test-check of records were communicated to the audited entities through audit memoranda and their response sought. These were also discussed with the Principal Secretary during the exit conference (November 2011). The Principal Secretary in most of the cases agreed to take necessary action. But, the report on actual follow up action by the Government was awaited (January 2012).

Audit Findings

2.1.6 Status of Acquisition and Allotment of Land at State level

Land is an asset of finite magnitude. Therefore, it is important to regulate land use through a policy framework that optimises public good and reconciles various competing demands for land. We noted that the department has not framed any land use policy for the State. Acquisition and leasing of land for various purposes was undertaken by the department without any land use plan. Although Revenue Department was the nodal department for the purpose, information about the land acquired, funds provided for acquisition of such land by various departments and the expenditure incurred thereon in the State were not maintained. Consolidated details of government land allotted/leased were also not available with the department. Absence of this information at the

¹ Allotment of government land on lease and fixation of premium and ground rent thereof is regulated by RBCs.

² Matters pertaining to assessment and realisation of land revenue, the power of revenue officers and other matters related to land are regulated by MPLRC.

³ Government land which is used for construction or public utility purpose viz. Bazar or entertainment places. This land has site value and not agricultural importance.

⁴ Anuppur, Badwani, Bhopal, Chhindwara, Hoshangabad, Indore, Jhabua, Katni, Khargone, Mandsaur, Neemuch, Ratlam and Singrauli.

apex level was attributed by the department to non-submission of monthly progress report of land acquired and allotted in the district by the district revenue authorities despite repeated instructions issued (May 1994, January 2000 and December 2002) by the department. It is apparent that the department has not attached due seriousness to non-availability of such vital information and its negative impact on governance in a sensitive and people centric matter like land. No step had been taken for framing a uniform method for determining market value of land in the State. In the absence of transparent and fair uniform method for determining market value of land acquired, different LAOs have been adopting different methods either under instructions of land acquiring departments or traditional method prevailing in the concerned district. It leads to discrimination in assessing compensation in different parts of the State. There was absence of a rational policy for allotment of government land.

Based on the information collected by us in the test checked 13 districts, 22164.497 hectares of land was allotted during 2006-11 by district revenue authorities. This included government land 2757.872 hectares⁵ and acquired private land 19406.625 hectares⁶ in the selected districts (**Appendix-2.1**). No periodic physical verification of government lands was conducted as required under the RBCs. Thus, in the absence of any other effective form of monitoring, utilisation of allotted government land for intended purposes was not ensured by the revenue authorities as discussed at paragraph 2.1.9.3. The objective of department to prepare land pool for better management of government land could also not be fulfilled. Payment of compensation awarded by Collectors was also not made to the land owners as analysed at paragraph 2.1.7.8. Private land acquired was not utilised for the intended purposes as discussed at paragraph 2.1.9.4.

2.1.7 Acquisition of Private Land and Assessment of Compensation

2.1.7.1 Possession of private land in violation of the provisions of LA Act

Acquisition of private land under LA Act, 1894 is regulated by Sections 4, 6 and 9 in normal course and Sections 9 and 17 if land is to be acquired on ground of urgency, provided Government issues specific direction declaring the acquisition of land urgent in a specific case. Award for compensation in lieu of land acquired is made under Section 11 of the Act. Notifications under Section 4(1) which declares Government's intention to acquire specified lands and calls for objections from potential land losers and Section 6 which notifies acquisition of land after consideration of objections there against are

⁵ Housing (52.266 hectares), educational (279.277 hectares), social (247.023 hectares), power projects (1660.753 hectares), political parties (0.145 hectares), GOI units (363.744 hectares), State Government units (149.238 hectares) and commercial (5.426 hectares).

⁶ Water Resource Department (WRD) (6324.08 hectares), Narmada Valley Development Authority (NVDA) projects (5925.312 hectares), various projects (5291.339 hectares), Public Works Department (PWD) (1395.845 hectares) and Other State Government units (470.049 hectares).

to be published in the official gazette and in two daily newspapers. Public notice is to be given at convenient places in the said locality where the land is to be acquired. Declaration under Section 6 shall be made within one year from the date of notification published under Section 4(1). Section 9 requires the Collector to issue a public notice at convenient places, expressing Government's intention to take possession of the land and requiring all persons interested in the land to appear before him personally and make claims for compensation before him. Sections 4, 6 and 9 are mandatory requirements in the acquisition process. The Collector shall make an award under Section 11 within a period of two years from the date of the publication of the declaration under Section 6. Under Section 17(1), in case of urgency, possession of land can be taken on the expiry of 15 days from the issue of notice under Section 9(1).

Scrutiny of records of LAOs in the test-checked districts revealed that the mandatory provisions of Act were not followed in the acquisition of private land as per details given in the **Table 2.1**.

Table No. 2.1: Violation of provisions of LA Act

Provisions of LA Act were not followed in acquisition of private land.

Name of District	Name of LAO	Area of Land/ Village	Audit Observation
Bhopal	Bairasia	2.242 hectares/ Bairasia and Ibrahimpura	PWD acquired the land in December 1984 for construction of Dewalkheda Approach Road without issuing notice under Section 4(1). The acquisition was notified after a lapse of 23 years (February 2007) and compensation award for ₹ 57.48 lakh was passed in October 2007. Actually, compensation of ₹ 4.50 lakh was paid to only one out of 57 land owners because PWD had not deposited the necessary funds with the LAO.
Bhopal	Huzur	0.60 acre/ Barkhedanathu	PWD took possession of the land in 1978 for construction of road from Neelbad to Mungalia Chhap via Barkhedanathu without making payment of compensation. On the basis of a writ petition filed by one of the land owners, Honourable High Court, Jabalpur directed (July 2005) the District Collector to take necessary action in the case. Notification issued by the Collector (May 2010) under Section 4 (1) was yet to be finalised. The total land acquired was not intimated to audit. The other owners/interested persons who were not party to the writ petition had not been identified. Payment of compensation was not paid to any person (May 2011).
Bhopal and Hoshangabad	Bairasia and Sohagpur	6.992 hectares/ Ibrahimpur, Bairasia, Ranmautha and Kajalkhedi	Additional compensation is admissible for the period commencing from the date of notification under Section 4(1) to the date of possession or award whichever is earlier. Additional compensation (₹ 17 lakh) awarded ⁷ by LAO, Bairasia (Bhopal) and Sohagpur (Hoshangabad) for acquiring 6.992 hectares of land was irregular because the possession of land was taken (December 1984 and November 1989 respectively)

⁷ LAO Bairasia (LA Case No.1/A-82/05-06, 2.242 hectares, ₹ 14.18 lakh), LAO Sohagpur (LA Case No. 3/A-82/05-06, 2.618 hectares, ₹ 1.32 lakh and Case No. 4/A-82/05-06, 2.132 hectares, ₹ 1.03 lakh).

Name of District	Name of LAO	Area of Land/ Village	Audit Observation
			much before the date of notification under Section 4(1) (February 2007 and May 2008 respectively). This was not admissible as possession of land was taken before the date of notification.
Hoshangabad	Hoshangabad, Itarsi, Pipariya, Seoni Malwa and Sohagpur	16.689 hectares/13 villages	Land was acquired between 1985-86 and 2001-02 without following due procedure under the law. Notifications under Section 4(1) and 6 of the Act were issued after lapse of 8 to 22 years from the date of possession of land. Compensation of ₹ 18.87 lakh out of ₹ 84 lakh was not disbursed due to non-receipt of funds from land acquiring departments. Case wise details are shown in Appendix-2.2
Khargone	Omkareshwar Pariyojna	188.437 hectares/24 villages	In 24 cases, private land was acquired in violation of Section 17(1) because public notice under Section 9 was issued after possession of the land.

Delay in passing award and non-payment of compensation led to violation of legal rights of owners/interested persons and flagrant breach of law on the part of concerned Collectors. In the exit conference (November 2011), the Principal Secretary stated that suitable instructions would be issued to the Collectors. No follow up action was reported as of January 2012.

2.1.7.2 Late publication of declaration

Whenever any particular land is needed for a public purpose, a declaration is to be published in the official gazette and in two daily news papers. Public notice is to be given at convenient places in the said locality where the land is intended to be acquired. Declarations under Section 6 of the Act are to be published within one year from the date of publication of preliminary notification under Section 4(1) of the Act. If declaration under Section 6 is not made within the prescribed time limit, it gets automatically invalidated. Consequently, notification under the Section 4(1) also lapses. A fresh notification under Section 4(1) is required to be made.

During test check of records of LAOs, it was noticed that in six cases (**Appendix-2.3**) declarations under Section 6 were made after expiry of one year. No fresh notifications were issued under Section 4(1). Thus, the compensation award of ₹ 19.68 crore for acquiring 10.144 hectares of land was passed to interested parties on the basis of invalid declarations.

Besides, it was noticed in two LA cases (district Badwani) that the area of land for which compensation had been determined was less than the area shown in the declaration under Section 6 of the LA Act notified in the official Gazette. In one case⁸ in village Panchkula North part-II where declaration under Section 6 was notified for acquiring 290.149 hectares, 1.174 hectares land was erroneously included in the declaration. In another case⁹, 168.604 hectares land was declared for acquisition in which 11.100 hectares were erroneously included. In both the cases, declaration under Section 6 was notified for

⁸ LA Case No: 9/A-82/08-09

⁹ LA Case No: 92/A-82/08-09

acquiring 458.753 hectares against which award was made for 446.479 hectares of land. The award for remaining land was not passed due to erroneous publication of survey number or area there of. Neither this land was de-notified nor fresh notification of correct survey number/area was made.

2.1.7.3 Inordinate delay in LA proceedings

As per provision contained in Section 11 A of the LA Act, the Collector shall make an award within a period of two years from the date of publication of declaration under Section 6 of the Act. If no such award is made within the prescribed time, the procedure of acquisition of land shall lapse. Scrutiny of records of LAOs Govindpura and Huzur (Bhopal) revealed that in 11 cases (**Appendix-2.4**) the award was not passed even after the expiry of two years from the date of declaration. The funds deposited by the departments were lying in personal deposit (PD) accounts of land revenue authorities.

In one case¹⁰ where declaration under Section 6 was published in May 2007, the award of compensation for ₹ 20.47 lakh for acquisition of 14.127 hectares land was passed by LAO, Anuppur in September 2009 after three months 22 days of expiry of maximum prescribed limit of two years.

No specific and valid reason was found on record to explain delay in passing the award nor desired pursuance for getting requisite information, if needed, appears to have been made. The case also raised doubts on the very grounds on which land was required.

2.1.7.4 Erroneous fixation of market value of land

As per the provision of Section 23 of LA Act, the market value of land on the date of notification under Section 4(1) has to be taken into consideration for determining the amount of compensation to be awarded for the land acquired. But, the Government has not framed any uniform method for determining the market value. Consequently, different LAOs were following different methods to assess market value of land. During test check of records of LAOs in the test-checked districts, we observed that determination of market value of land acquired for different departments in various cases, was *prima facie* erroneous. It has resulted in under/over assessment of compensation as analysed below:

Acquisition of land for NVDA projects

Market value of land for various NVDA projects i.e. Indira Sagar Canal Project, Omkareshwar Canal Project, Lower Goi Irrigation Project, was to be determined as per instructions (September 2008, January 2009 & December 2009) issued by NVDA. According to these instructions highest of the rates determined on the basis of (a) the average sale price of land in the concerned village, (b) average sale price of land of villages under Sakalda Command Area¹¹ and (c) price as per guideline rate prescribed by Collector was to form the basis for determining the market value of the land acquired. The sales

Erroneous fixation of market value of land led to under assessment of compensation of ₹ 6.91 crore and excess payment of compensation of ₹ 12.76 crore.

¹⁰ LA Case No: 39/A-74/2008-09

¹¹ Command area declared by government for valuation purposes.

statistics pertaining to the financial year prior to the date of preliminary notification and relative rates as indicated at (c) above was to be considered for calculation of compensation for the land losers. Further, as per instructions issued (March 2010) by NVDA, rate (c) prevailing on the date of notification was to be adopted for computing the compensation amount. For land acquired for Upperweda Canal Project compensation was to be computed on the basis of market value of land as distinct from above three basis of valuation, as per provision of Section 23 of LA Act.

We observed in two districts Badwani and Khargone that the instructions of NVDA were not followed. There was under assessment of compensation of ₹ 1.42 crore in nine cases for acquiring 749.146 hectares of land (**Appendix-2.5**). There was also excess payment of compensation of ₹ 0.63 crore for acquiring 128.204 hectares of land in four cases in district Badwani (**Appendix-2.6**). Compensation was assessed either on the lower or on the higher side, mainly due to incorrect calculation of command area rate, or because the sales statistics nearest to the date of notification being ignored or through application of incorrect guideline rate.

Acquisition of land for WRD

WRD instructed (March 2010) Collectors to calculate the market value of land acquired for large and medium projects, on the basis of highest price determined out of Collector Guideline Rate, Registered Sales Statistics of land of concerned locality/village and the rate of command area applicable on the date of notification under Section 4(1) of the LA Act. But, for small projects and canals the sales statistics of land of the village and the guideline rate whichever being higher was to be considered. Before issue of the above instructions, different LAOs adopted different methods for assessing market value of land. While some based it on the average of one/three years' sales statistics, others used sale price per rupee lagan¹² on the basis of one/three years' sales statistics for such computations.

We observed in test checked districts that the LAOs had taken one/three years' sales statistics as per Registered Sale Deed of sub-registrar and determined the market value of land on average basis which was improper because the sales price nearest to the date of notification which was higher than the average sales price was to be considered as provided under the LA Act. In some cases, the instructions of WRD (March 2010) were flouted as the LAOs had applied guideline rate incorrectly. In six test checked districts, there was thus under-assessment of compensation of ₹ 3.62 crore in 31 cases for acquiring 566.882 hectares of land (**Appendix-2.5**). We also noticed that in five test checked districts the compensation for acquiring 328.553 hectares of land in

¹² Lagan is land revenue as per rates based on different varieties of soil. Sale price per rupee lagan is determined by dividing the total amount of sale of different sales during specific previous period by total amount of lagan worked out on the basis of rates applicable for different varieties of soil of land mentioned in sale deeds. The amount of lagan calculated for acquired land is multiplied with the sale price per rupee lagan in order to determine the market value. The rates of lagan were fixed in 1915.

13 cases was determined at much higher rates resulting in excess award/payment of ₹ 2.53 crore as shown in **Appendix-2.6**.

Acquisition of land for PWD and other departments

In all the test checked districts, we observed that different LAOs had adopted different methods for assessing market value of land viz. average of one/three years' sales statistics, sale price per rupee Lagan on the basis of one/three years' sales statistics, rate prescribed for the village in Collector guideline etc.

In two districts Chhindwara and Indore, compensation of ₹ 1.86 crore was under-assessed for acquiring 12.615 hectares of land in six cases (**Appendix-2.5**) due to calculation of market value on the basis of average of sales statistics, in which the sales price nearest to the date of notification was ignored. In five cases, in other two districts viz., Bhopal and Singrauli the market value of 207.121 hectares of land acquired was erroneously determined by the LAOs mainly by application of Collector guideline rate instead of rate based on sales data close to the date of notification, resulting in excess compensation of ₹ 9.19 crore in these four districts as shown in **Appendix-2.6**.

Records of LAO, Jhabua, revealed that for acquiring 4.48 hectares¹³ of un-irrigated land in the village Gehlerkalan for Gas Authority of India Limited (GAIL), Jhabua, market value of land was wrongly determined on the basis of the Collector guideline rate (₹ 1.21 lakh per hectare) fixed for the un-irrigated land for the year 2009-10 instead of on the basis of guideline rate (₹ 1.05 lakh per hectare) fixed for the year 2007-08 i.e. year of preliminary notification under Section 4(1). The land was not diverted land¹⁴ on the date of preliminary notification. Out of 4.48 hectares, 0.88 hectare¹⁵ land close to the National Highway was to be valued at twice (₹ 2.10 lakh per hectare) of the ordinary rate and the remaining 3.60 hectares land at the ordinary rate. But, in this case, the LAO had erroneously calculated the value of entire land at the rate applicable to the land close to the National Highway. The error was compounded by treating the land as diverted which resulted in enhancing the compensation three fold. Such erroneous calculation of market value of land resulted in excess payment of compensation ₹ 39.63 lakh to the land owners.

Thus, arbitrary methods of assessment of market value of land led to discrimination in payment of compensation. Either the interested parties were deprived of proper compensation or they were paid excessive compensation. Since varying basis of computing used by different LAOs for determining the quantum of compensation had resulted in land losers receiving dissimilar

¹³ Survey No. 138,140/2,141/2,136,139/2 and 144

¹⁴ The use of land is changed from agricultural to non-agricultural purposes with the permission of revenue authorities.

¹⁵ Survey No. 136 and 144

treatment, there is an urgent need to frame a fair and uniform policy for determining market value of land.

In the exit conference, the Principal Secretary stated (November 2011) that suitable instructions would be issued to arrive at correct market value as per LA Act.

2.1.7.5 Excess Award of compensation for other properties attached to land

A compensation of ₹ 6.71 crore was awarded (March 2009) by LAO, Indore for 17.012 hectares of land on behalf of Indore Development Authority. This included compensation of ₹ 3.22 lakh for 17 wells/tubewells and ₹ 1.90 crore for 67 structures/buildings in the award statement. But, in the site verification report of the site verification committee, 60 structures/buildings only were shown and no wells/tubewells were shown. On the other hand, the names of 14 out of 52 beneficiaries to whom compensation of ₹ 36.27 lakh was to be paid were not mentioned in the award statement. The reasons of excess award and non-inclusion of 14 beneficiaries in the compensation award were also not intimated to audit.

2.1.7.6 Erroneous payment of additional compensation and solatium

Under Section 23 (1A) of LA Act, in addition to the market value of the acquired land to be taken into consideration for determining compensation, an amount equal to 12 per cent thereof should also be awarded for the period from the date of publication of preliminary notification under Section 4(1) to the date of award or the date of taking possession of land, whichever is earlier. Under Section 23(2), solatium at 30 per cent on such market value should be awarded in every case in consideration of compulsory nature of the acquisition of land. As per Section 23 (1) of the Act, solatium and additional compensation is to be calculated on the market value of land including value of other properties (trees, tubewells, buildings, pipelines etc.) attached to land. The Government directed (January 2005) Collectors that land acquisition proceedings should be completed within six months from the date of notification of declaration under Section 6 of the Act. During scrutiny of records of LAOs in the test-checked districts, it was noticed that additional compensation and solatium was not paid according to the above provision/instructions as shown in **Table 2.2.**

Table No. 2.2: Erroneous payment of additional compensation and solatium

(₹ in crore)

Nature of Irregularity	No. of district	No. of LA Cases	Amount of award	Amount (excess (+)/ short (-))	Audit Observation
Less payment of additional compensation and solatium	2	14	36.53	(-) 1.47	In the districts of Bhopal and Mandasaur, solatium and additional compensation were not calculated on the value of other properties attached to land which resulted in less payment of compensation. Case wise details are shown in Appendix-2.7.
Payment of additional	7	23	44.84	(-) 1.04	The amount of additional compensation under Section

Erroneous payment of additional compensation and solatium of ₹ 8.39 crore due to non-observance of the provisions of LA Act/instructions of the department.

Nature of Irregularity	No. of district	No. of LA Cases	Amount of award	Amount (excess (+)/ short (-))	Audit Observation
compensation for less period					23(1A) was not paid up to the date of passing award in cases where award were passed during 2007-11. This resulted in less payment of ₹ 1.04 crore to the land owners. Details are shown in Appendix-2.8.
Avoidable payment of additional compensation	7	30	83.18	(+) 5.88	Land acquisition proceedings were delayed by the LAOs by one to 22 months beyond the prescribed time limit of six months for which avoidable additional compensation was paid. The case wise details are shown in Appendix-2.9.

In all the above cases, incorrect valuations were made by the LAOs while framing the award proposals. The mistakes remained undetected by the concerned Collectors. As a result, the land owners were deprived of proper compensation. In other cases, extra expenditure made for payment of additional compensation could have been avoided if the LAOs had finalised the proceedings within the stipulated time period. In the exit conference, the Principal Secretary stated that instructions would be issued to ensure adherence with the provisions of the LA Act.

2.1.7.7 Payment of interest

Section 34 of the LA Act provides that when compensation for the land acquired is not paid or deposited on or before taking possession of the land, Government has to pay along with the compensation interest at 9 *per cent* per annum on the total amount of compensation including solatium for the period from the date of taking possession to the date of actual payment of compensation. In case, the compensation or any part thereof is not paid or deposited within one year, interest at 15 *per cent* per annum is payable from the date of expiry of the period of one year.

In districts Hoshangabad and Indore, it was noticed that interest under Section 34 of the LA Act was calculated on market value of land alone ignoring the element of solatium. This resulted in less payment of interest of ₹ 6.91 lakh (**Appendix-2.10**) to the land losers.

Non/short payment of interest of ₹ 1.61 crore due to non-observance of provision of LA Act in five test-checked districts.

In other three test-checked districts, it was noticed that land was acquired for different projects under Section 17(1) of the LA Act. As per law, 80 *per cent* payment of estimated compensation was paid to land owners before taking over possession. But, interest of ₹ 1.54 crore admissible under Section 34 on the balance amount of 20 *per cent* of compensation was not paid to the land owners as shown in **Appendix-2.11**. The reasons of non-payment of interest were not intimated to audit.

2.1.7.8 Non-disbursement/late payment of compensation

Compensation of ₹ 131.33 crore was not disbursed in 657 LA cases and payment of compensation was delayed in eight districts.

As per the provision of Section 31 of the Act, after the award, the Collector shall tender payment of compensation to the land owners. As per instructions issued (January 2005) by the Revenue Department, the amount of compensation is to be paid to the interested parties within 15 days from the date of passing award. Further instructions were issued (April 2010) by the department seeking to disburse the amount of compensation within seven days of passing the award. During test check of records of various LAOs in the test checked districts, it was noticed that compensation amounting to ₹ 131.33 crore was not disbursed to the land owners in 657 LA cases as shown in **Appendix-2.12**. Non-disbursement of compensation was attributed by the LAOs to dispute on apportionment/entitlement of compensation among family members, non-availability of land owners, etc.

In eight test-checked districts, we noted that during 2006-11, the LAOs had delayed disbursement of compensation to the land owners for the period ranging between one to 26 months (**Appendix-2.13**).

2.1.7.9 Non-deposit of award money

Compensation of ₹ 12.74 crore was not disbursed due to non-receipt of funds from different departments.

As per provision under Section 16 of the LA Act, when the Collector has made an award under Section 11, he may take possession of the land which shall vest absolutely in the Government free from all encumbrances. The Collector shall tender payment of the compensation awarded by him to the persons entitled thereto according to the award under Section 31 of the said Act. It was noticed in audit that in three districts, in 22 LA cases, compensation amount of ₹ 12.74 crore was not received from the concerned departments for the awards passed during 2007-11 (**Appendix-2.14**). As a result of which compensation was not paid to the land losers. Interest was to be paid under Section 34 of the LA Act. The liability of interest will increase as long as the payment of compensation is delayed. The LAOs were reminding the acquiring authorities to deposit the funds. In the exit conference, the Principal Secretary assured that money would be obtained from concerned departments.

2.1.7.10 Service charges not levied/deposited in Government account

In order to grant incentives to the officers and staff engaged in land acquisition work and to reimburse the expenditure on such survey, the Government decided (July 1991) to levy service charge at the rate of ten *per cent* of the land acquisition award. It was to be recovered from concerned departments/undertakings/local bodies in advance on anticipated value of the land to be acquired by them. The amount so recovered was to be remitted to the Government revenue under the major head 0029 (Land Revenue). Revenue Department instructed (November 1998) to collect service charges for the land acquired under Sardar Sarovar Project (SSP) giving relaxation to other NVDA projects which was not found followed. It was observed in Collector offices and in the offices of LAOs that service charges of ₹ 13.20 crore were due for recovery from various departments on account of land acquired for them between 2006 and 2011. Service charges amounting ₹ 47.68 crore collected

The exchequer was deprived of revenue of ₹ 60.88 crore due to non-levy/deposit of service charges.

from various departments were lying in PD accounts/bank accounts and were not deposited in Government revenue (**Appendix-2.15**). Thus the exchequer was deprived of revenue of ₹ 60.88 crore due to non-levy/deposit of service charges.

Scrutiny of records of LAO Amarwara, Chindwara revealed that the LAO deposited service charges ₹ 90 lakh in the revenue head 0070-“Other Administrative Services” instead of depositing in receipt head of department 0029-“Land Revenue”.

2.1.7.11 Inefficient operation of Personal Deposit Accounts

Finance Department directed (August 2005) the District Collectors to close the bank account and deposit the land acquisition compensation money in the PD account. The Revenue Department directed (October 2005 and February 2006) the Collectors to deposit interest earned on such saving bank accounts and term deposits into the Government account under the major head 0029. The above instructions were not followed by the LAOs.

Compensation of ₹ 220.96 crore was kept in banks instead of depositing in PD account.

Scrutiny of cash book, bank pass books etc. available in the offices of LAOs revealed that compensation money received by 26 out of 68 LAOs was kept in banks in fixed deposits (₹ 11.59 crore)¹⁶ and in saving bank accounts (₹ 209.37 crore)¹⁷ as of March 2011. The case-wise details of the amount lying with the LAOs and the period for which these were lying were not kept by the LAOs. It was the responsibility of District Collector to monitor this matter. In the exit conference, Principal Secretary assured that action would be taken to prevent such instances.

In eight test-checked districts, it was noticed that 16 LAOs had not deposited interest earned on compensation money amounting ₹ 8.96 crore¹⁸ during 2006-11 in treasury. In Indore, ₹ 2.69 lakh was utilised irregularly on payment of hire charges of vehicles and on other miscellaneous expenditure which indicated misappropriation of interest money. In exit conference, Principal Secretary assured to take suitable action.

¹⁶ Indore: LAO Indore (₹ 11.37 crore), LAO Sanwer (₹ 0.22 crore)

¹⁷ Anuppur (4 LAOs, ₹ 36.51 crore), Badwani (2 LAOs, ₹ 10.62 crore), Bhopal (2 LAOs, ₹ 14.06 crore), Hoshangabad (1 LAO, ₹ 1.31 crore), Indore (1 LAO, ₹ 3.02 crore), Ratlam (2 LAOs, ₹ 0.07 crore), Jhabua (1 LAO, ₹ 0.45 crore), Katni (4 LAOs, ₹ 5.38 crore), Mandsaur (2 LAOs, ₹ 0.70 crore), Neemuch (2 LAOs, ₹ 3.04 crore) & Singrauli (3 LAOs, ₹ 134.21 crore)

¹⁸ Anuppur (1 LAO, ₹ 0.01 crore), Badwani (2 LAOs, ₹ 0.72 crore), Hoshangabad (1 LAO, ₹ 0.37 crore), Indore (3 LAOs, ₹ 5.35 crore), Jhabua (2 LAOs, ₹ 0.15 crore), Mandsaur (2 LAOs, ₹ 0.50 crore), Neemuch (3 LAOs, ₹ 0.77 crore) and Singrauli (2 LAOs, ₹ 1.09 crore).

Funds of ₹ 325.93 crore received as compensation were kept in PD account at the end of March 2011. Case wise details were not maintained.

Scrutiny of PD account maintained in 11 of the 13 test-checked districts at district level¹⁹ and by the LAOs revealed that ₹ 325.93 crore²⁰ were lying in PD accounts and in civil deposit as on March 2011. Case-wise details of the amounts lying in PD accounts were not kept by the LAOs. The balances in PD account were not reconciled with treasury records. In the absence of such records, the amount of unclaimed compensation, the refundable amount and the funds deposited for which award was yet to be passed etc. could not be ascertained .

We noticed that West Central Railway, Kota (Rajasthan) had requested (November 2009) Collector, Bhopal to refund ₹ 7.95 crore deposited (between March 2006 and April 2007) for acquisition of land because the detailed estimates of the projects for which the land was to be acquired were not sanctioned by the Railway Board. Similarly, in five LA cases²¹, LAO, Sendhwa (Badwani) was required to refund the balance amount of compensation of ₹ 1.09 crore to WRD and PWD. No action was initiated by the revenue authorities to refund the unutilised amount lying in PD/bank account.

2.1.7.12 Irregular collection of court reference amount

Section 18 of the LA Act envisages that any person interested, who has not accepted the award, may by written application to the Collector requires that the matter be referred for the determination by the court. But, such application should be made within six weeks from the date of award, if he was present at the time when his award was made and in other cases, within six weeks of receipt of notice under Section 12(2) or within six months from the date of award, whichever period shall first expire. District Collector, Khargone directed (January 2006) the LAOs of NVDA projects to keep 20 *per cent* of award money of land acquisition to meet the claim of court reference cases. But, no orders/instructions in this regard were issued by the Government. The period for which the amount would be kept was not mentioned in the order of Collector. Scrutiny of records of LAO Omkareshwar/Maheshwar Project, Badwah (Khargone) revealed that LAO had collected and kept ₹ 11.95 crore in the PD account by the end of March 2011 for the awards made during 2007-2011. But, no court reference was made in the land acquisition cases, for which the 20 *per cent* additional amount was kept and the funds were lying

¹⁹ Bhopal, Katni and Ratlam

²⁰ Badwani (4 LAOs, ₹ 3.98 crore), Bhopal (₹ 41.32 crore), Chhindwara (5 LAOs, ₹ 127.68 crore), Hoshangabad (4 LAOs, ₹ 3.24 crore), Indore (2 LAOs, ₹ 58.44 crore), Jhabua (3 LAOs, ₹ 7.69 crore), Katni (₹ 11.32 crore), Khargone (8 LAOs, ₹ 57.98 crore), Mandsaur (3 LAOs, ₹ 6.50 crore), Neemuch (3 LAOs, ₹ 5.25 crore) & Ratlam (₹ 2.49 crore) (1 LAO, ₹ 0.04 crore).

²¹ 2/A-82/06-07 (Chithali Road and Construction of Bridge, ₹ 0.11 lakh), 4/A-82/06-07 (Devdhar Talab, ₹ 77.66 lakh), 5/A-82/06-07 (Gaurikheda Talab, ₹ 11.76 lakh), 1/A-82/07-08 (Morgun Talab, ₹ 2.14 lakh) and 3/A-82/08-09 (Badgaon Talab, ₹ 17.88 lakh).

idle in PD account. The additional amount collected by the LAO without Government orders/instructions, was irregular.

2.1.7.13 Non-Utilisation of Compensation Money of Government and Religious Properties

Narmada Valley Development Authority instructed (December 2004) Collector, Khargone that the compensation amount of religious properties in the submerged areas kept in the PD account could be utilised for resettlement of temples, religious structures in the selected sites of the resettlement zone. A temple construction committee was to be constituted under the chairmanship of Sub-divisional Magistrate (SDM). The amount was to be transferred to SDM and would be kept in the joint bank account of SDM and Tahsildar. In districts Badwani, Jhabua and Khargone, it was noticed that compensation for religious and Government properties of 10 villages amounting to ₹ 2.36 crore was lying unutilised as shown in **Table 2.3**.

Table No. 2.3: Unutilised compensation money of Government and religious properties

(₹ in crore)

Compensation on religious and government properties amounting to ₹ 2.36 crore was lying unutilised in three districts.

Name of district	No. of villages where the properties located	Amount of compensation	Status of compensation money
Badwani	4	0.18	Amount kept in PD account.
Jhabua	2	0.05	Amount kept in PD account.
Khargone	10	2.13	The amount withdrawn from PD account and kept in joint bank account of Collector and SDM.

Action for utilising the compensation money was not taken by the LAOs/Collectors. In the exit conference, the Principal Secretary stated to issue suitable instructions to the Collectors.

2.1.8 Allotment of Government Land and Realisation of Revenue

2.1.8.1 Absence of Rational Policy for Allotment of Government Land

Government land is allotted to private bodies/individuals for various purposes either through auction or without following auction route. During the period covered under audit, no land was allotted through the auction route in the test checked districts. Nazul lands were allotted without auction on case to case basis after getting approval from Inter Departmental Committee (IDC) constituted at the State level headed by the Revenue Minister. Though the RBC prescribes various degrees of concession to be given for allotment of various types of land to the potential applicants, these do not lay down any basic eligibility conditions for such allotments. In the absence of any master plans for urban areas committing use of spare lands for various public purposes in an optimal manner, the current procedure is based on first come first served principle. Land is therefore, not being allotted by open auction nor any advertisements inviting application for allotment of land for specific purposes are issued. Thus in an environment of information asymmetry, probability of the requirement of similarly situated individuals getting overlooked remained high. We also observed that though provisions have been

made for allotting lands at concessional rates, lands were allotted at rates lower than the rates prescribed in RBC. No clear cut criteria have been laid down for determining the eligibility for such concessions. Invariably, such requests from the applicants were referred by the IDC to Cabinet. We also observed that in several cases (see Table 2.4) the Cabinet had accepted such requests without assigning any specific reasons even though Revenue Department and Finance Department recommended their rejection for excessive concessions beyond the provisions of RBC IV-I. The various criteria and actual cases based on which we arrived at the above findings are discussed below:

Paragraph 13 of RBC IV-I prescribes the different circumstances under which the Government land can be allotted without auction. Paragraphs 19, 20 and 25 provide the procedure to be initiated by the District Collector before sending the proposal to Government through the Divisional Commissioner. Premium and ground rent of leased land are to be fixed as per provision contained in paragraph 26 of RBC IV-I as shown in **Table 2.4**.

Table No. 2.4: Concessional rates prescribed for allotting Government land

Sl. No.	Name of Institution	Provision in RBC	
		Paragraph/Purpose	Premium and ground rent fixed
1.	Educational Institution	26(6)/Educational	Premium at the rate of 50 per cent of minimum rate ²² and ground rent at two per cent of premium.
2.	Social Institution	26(2)/Social and cultural purpose	Premium at the rate of 75 per cent of market value ²³ of land and ground rent at 50 per cent of normal ground rent (five per cent) of premium.
3.	Co-operative Housing Society (Societies)	26(8)/Residential	Premium at 60 per cent of market value of land and ground rent at five per cent of the premium.
4.	Municipal Corporations and municipalities	26(10)/Commercial	Premium at 50 per cent of market value of land and ground rent at 7.5 per cent of premium.

As instructed (March 2000) by the Principal Secretary, Revenue Department, an undertaking for not claiming concession on premium and ground rent is required to be obtained from the bodies/institutions while applying for allotment of land.

Scrutiny of records of Collectorates and Tahsils in test-checked districts revealed that the undertaking for not claiming concession on premium and ground rent were not obtained from bodies/institutions. Also the provisions of paragraph 26 of RBC IV-I were not followed. Consequently, the lands were allotted at lower rates as shown in the **Table 2.5**.

²² Rate fixed for different cities/towns categorised on the basis of population under paragraph 23 of RBC.

²³ Rate prescribed in Collector guideline applicable for registration of document.

Table No. 2.5: Allotment of land at lower rates

Sl. No.	Name of the Society/institution (Purpose)	Land Area / place	Date of Government sanction/ Premium & Ground rent fixed	Audit Observation
1.	Abhibyakti Grih Nirman Samiti (Housing)	6.39 acre / Bawadiakalan, Bhopal	August 2008/ at the rate of ₹ 60 per sq. feet.	Government land measuring 6.39 acre was allotted to the society at ₹ 60 per sq. feet instead of prevailing market rate ₹ 4000 per sq. metre. Premium and ground rent of ₹ 6.52 crore which should have been realised from the allottee as per provision contained in paragraph 26(8) of RBC IV-I was realised at a lower amount of ₹ 1.05 crore. Wrong fixation of premium and ground rent resulted in short realisation of ₹ 5.47 crore and undue benefit to the society. The land was yet to be utilised by the allottee (May 2011).
2.	Rajdhani Patrakar Grih Nirman Samiti (Housing)	11.68 acre/ Nevari, Bhopal	June 2009/₹ 60 per sq. feet	As per allotment order of Government, the land was allotted at the rate of ₹ 60 per sq. feet while the market value of land as per Collector guideline in the village Nevari in 2008-09 was ₹ 2500 per sq. metre. Allotment of residential land at such a lower rate in contravention of provision contained in paragraph 26(8) of RBC IV-I resulted in loss of premium and ground rent of ₹ 4.24 crore. Though the Revenue Department had proposed to allot the land through auction so that the Government could earn more revenue and the Finance Department had endorsed this proposal, yet the land was allotted at a lower rate on the basis of a Cabinet decision dated 25 th August 2008.
3.	Jagaran Social Welfare Society (Educational)	78.661 hectares/ Mugaliya Chhap, Tahsil Huzur, Bhopal	August 2008/₹ 4 crore	The land was to be allotted at a premium and ground rent of ₹ 25.90 crore to the Society but was allotted at a premium and ground rent of ₹ 4.08 crore only. The Revenue Department as well as the Finance Department were against any relaxation in the rate prescribed in RBC but the land was allotted on the basis of decision of Cabinet dated 6 th August 2008. Application of lower rate by the Government resulted in short-realisation of ₹ 21.82 crore.
4.	Gram Bharati Siksha Samiti, Madhya Bharat, Bhopal (Educational)	8.375 hectares/ Shahapur, Tahsil Huzur, Bhopal	August 2008/5 per cent of minimum rate	Land was allotted to the Samiti at the rate of five per cent instead of at 50 per cent of minimum rate of ₹ 13.50 per sq. feet as per provision of paragraph 26(6) of RBC IV-I resulting in loss of revenue of ₹ 56.51 lakh. Both, Revenue Department and Finance Department were not ready to give the land at concessional rate but the land was allotted at a lower rate on the decision of Cabinet dated 28 th July 2008.

Absence of rational policy and allotment of Government land at lower rates in contravention of provisions of RBC led to loss of revenue of ₹ 33.66 crore.

5.	Maa Rewa Educational Society (Educational)	87120 sq. feet/ Jalalabad, Hoshangabad	April 2008/nil premium and ground rent of ₹ one.	The earlier allotment order, which was issued (April 2007) as per provision of RBC, was not executed. Another order was issued (April 2008) by the Government to allot the land at nil premium and annual ground rent of ₹ one on the decision of Cabinet as stated by the Principal Secretary in the exit conference. We observed that the land was earmarked for construction of infrastructure related to Satpura Tiger Reserve, Hoshangabad as intimated (July 2006) by the Conservator of Forest, Hoshangabad and the same could not have been utilised for other purpose without change of land use. The land was also not de-reserved as intimated (November 2011) by Revenue Department. An undertaking for not claiming concession in revenue was not produced by the society. The land was allotted arbitrarily without considering the assertion of Forest Department and in contravention of provision of RBC which resulted in loss of premium and annual ground rent of ₹ four lakh.
6.	Shri Digambar Jain Museum Sodh Sansthan Samiti (Educational)	5.00 acre/ Kanadia, Indore	March 2008/at premium of ₹ 245025 and ground rent of ₹ 4901	The village Kanadia is located in the periphery of Indore city, so premium was to be calculated at the minimum rate of ₹ 60 per sq. feet as per provision of RBC. But, the land was allotted at the rate of ₹ 2.25 per sq. feet by the IDC. This resulted in loss of premium and ground rent of ₹ 64.15 lakh.
7.	Municipal Council, Chhindwara (Commercial)	2134.40 sq. metre/ Chhindwara	March 2008/nil premium and ground rent of ₹ one.	Land measuring 2134.40 sq. metre was allotted (December 2006/January 2007) by the department to Municipal Council, Chhindwara for commercial purpose as per provision of paragraph 26 of RBC IV-I. Accordingly, premium and annual ground rent amounting to ₹ 76.72 lakh was to be recovered from the local body. Municipal Council requested (April 2007) for waiver of annual ground rent and agreed to pay the premium amount. Further, another order was issued (March 2008) to allot the land at nil premium and ground rent of ₹ one on the decision of Cabinet as stated by the Principal Secretary in the exit conference. This resulted in loss of revenue of ₹ 76.72 lakh.

8.	Sewa Bharati Mahakaushal, Branch Anuppur (social institution, construction of office building)	0.27 acre/ Anuppur	February 2008/nil premium and ground rent of ₹ one.	In the earlier order (August 2007) issued by Government, the land was allotted at a premium of 75 per cent of market value of land and ground rent at 50 per cent of normal ground rent (5 per cent) of market value. Further, another order was issued (February 2008) to allot the land at nil premium and ground rent of ₹ one on the decision of Cabinet as stated by the Principal Secretary in the exit conference. This resulted in loss of revenue of ₹ 11.63 lakh.
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We also noticed that whereas in some instances²⁴, allotment order was issued for educational purposes as per provision of RBC IV-I in cases mentioned in above table, the allotment was made for similar purposes at lower rates in contravention of provision of RBC. Further scrutiny of records at Secretariat/Revenue Department revealed that the allotments were made as per the decision of the Cabinet overruling the opinions of the Departments of Revenue and Finance. In three orders²⁵ made available to audit out of seven cases, reasons for allotment of land at lower rates in contravention of RBC were not recorded by the Cabinet. In other four cases, reasons for relaxation were not intimated to audit. There were inconsistencies in the allotment orders due to absence of statutory regulations/rational policy.

2.1.8.2 Absence of time limit for final allotment in case of advance possession

As per standing orders of the department dated 20 November 1980 whenever advance possession of Government land is to be given to the applicant in anticipation of final sanction, the estimated premium calculated at current rate is to be provisionally recovered. After the final allotment from Government, the difference of estimated premium and premium and ground rent mentioned in sanction orders is to be realised. No time limit was, however, prescribed by Government for submission of proposals of allotment for final sanction. The department directed (December 2009) District Collectors to examine lease cases in which Government land was allotted 10 years before and premium & ground rent assessed were not realised. In cases where the allottee had failed to deposit the assessed revenue, a show cause notice was to be issued and cases finalised after providing a hearing to the assesseees. The department had also directed (January 1987 and November 1990) the Collectors to recover interest at the rate of 14/15 per cent on unpaid premium and ground rent from the date of advance possession to the date of allotment. During scrutiny of records of Collectorates and Tahsils in test-checked districts, we noticed that advance possession of Government land was given to different bodies/organisations without realising estimated premium. In several cases listed (see **Table 2.6** below), the allotment cases were not finalised in the absence of final sanction from Government and the due amount on account of

²⁴ Kevalyadham Yog Prashikshan Kendra, Bawadiakalan, Bhopal and Nilgiri Education Society, Indore.

²⁵ Cases at sl. no. 2,3 and 4.

provisionally estimated premium and final premium and ground rent, were not recovered.

Table No. 2.6: Non-realisation of revenue for want of final allotment

(₹ in crore)

Name of organisation (Purpose)	Land area/place	Date/year of advance possession	Proposed premium and ground rent not realised	Audit Observation
Madhya Pradesh Housing Board (MPHB) (Housing)	446.85 acre/Narela Sankari, Damkheda and Karodhkalan, Bhopal	1975-76 to 1997-98	41.58	In these cases, the proposal was not sent to Government for final allotment.
-do-	207.034 hectares/38 villages in Rajdhani Pariyojna (Nazul), Bhopal	1969-2000	25.13	Cases were not finalised for want of final sanction from Government.
-do-	18.61 acre/Raslakhedi (Tahsil-Govindpura, Bhopal)	1991-92	0.37	Allotment order was issued by Government (July 1995) but the amount was not recovered.
Bhopal Development Authority (BDA) (Housing)	17.19 acre/ Piplani Chamaran, Bhopal	1994-95	8.5	In these cases, the proposal was not sent to Government for final allotment.
-do-	62.15 acre/ Amrawadkhurd, Bhopal	March 1992	0.44	Out of 200 acre land allotted, 137.85 acre was forest land. Collector sent (March 1993) proposal to Government for final sanction of allotment which was not issued. ₹ 27.07 lakh was deposited (December 2006) by BDA in this case.
-do-	396.85 acre/ Shahapura, Bagsewaniya, Barkhedapathani, Pipaliyapendekha, Kasturba Nagar and Maharana Pratap Nagar	Between 1967-68 to 1979-80	20.71	Amount was not realised despite issue of final allotment order from Government and interest was also not recovered. In another two cases, interest of ₹ 2.93 crore was to be recovered for allotment of land 29.67 acre in M.P. Nagar and Maidamill of Bhopal for setting up a press complex.
-do-	177.187/43 villages (Rajdhani Pariyojna (Nazul), Bhopal)	During 1968 -1999	34.34	In the absence of final sanction from Government, cases were not finalised.

Name of organisation (Purpose)	Land area/place	Date/year of advance possession	Proposed premium and ground rent not realised	Audit Observation
Municipal Corporation, Bhopal (JNNURM)	0.95 acre/ Damkheda	October 2008	0.81	As directed by the land reservation committee, the land was to be allotted within two years from the date of reservation i.e. August 2008 failing which the reservation was to be treated as cancelled. The Collector submitted (January 2009) proposal of recovering ₹ 80.77 lakh from Municipal Corporation, Bhopal. The final sanction of allotment was still awaited from Government.
Sasan Power Limited (Private company), Singrauli (Power Project)	135.03 hectares/ Sidhikalan and Tiyara	December 2007 and May 2008	1.03	Proposal was sent by the Collector during 2009-10 for allotting 135.67 hectares land at a premium and ground rent of ₹ 7.29 crore. Provisional premium and ground rent of ₹ 6.26 crore was recovered. Final sanction from Government was awaited. Value of other properties amounting ₹ 1.70 crore was also to be realised.
Chitrangi Power Private Limited, Singrauli (Power Plant)	547.52 hectares/ Khokhawa, Bagaiya, Jamtihwa and Badgai	September 2009	-	Proposal for final allotment was not sent to Government. Advance possession was given realising provisional premium and ground rent of ₹ 11.97 crore.
District Marketing Officer, Chhindwara (Construction of cold storage)	3.51 acre/ Parasia Road, Chhindwara	1981-82	1.58 lakh (premium) and ₹ 11838/- (ground rent per year)	Advance possession was given without realising estimated premium. Proposal was sent (April 2008) to Government but sanction for final allotment was not issued.

The Government should prescribe time schedule to be adhered strictly for submission of cases of advance possession for final allotment to ensure timely realisation of revenue. In the exit conference, the Principal Secretary stated to examine the case and to take action quickly.

2.1.8.3 Lack of monitoring mechanism for execution of sanctions

As per instructions (September 2010) issued by Revenue Department and standard condition embedded in the sanction orders issued by Government for allotment of Government land, if premium and ground rent is not paid within six months of the issue of sanction, the sanction order would stand cancelled. Scrutiny of records of Collectorates and Tahsils in test-checked districts revealed that allotment orders issued by Government were not executed by district revenue authorities. As a result, land could not be allotted for intended

Non-execution of sanctions by district revenue authorities led to loss of revenue of ₹ 11.87 crore.

purposes and the assessed premium and ground rent could not be realised as shown in the **Table 2.7** below:

Table No. 2.7: Non-realisation of revenue due to lack of monitoring mechanism
(₹ in crore)

Name of district	Name of institution/ purpose	Date of allotment	Area of land/place	Assessed premium and ground rent not recovered
Badwani	Maa Gayatri Siksha Samiti/ Educational	November 2010	27840 sq. feet/ Anjad	1.57
Chhindwara	Income Tax Department (Commercial and Residential)	May 2010 and November 2010	30000 sq. feet/ Chhindwara	2.82
Katni	Ms. Sanghi Industries Limited (Establishing cement industry)	November 2009	193.86 hectares/ Karitalai	5.06
Khargone	Maheshwar Jal Vidyut Pariyojna (Rehabilitation)	August 2010	126.341 hectares/ Laundi, Beejgohan, Peepalgone	2.42 (out of ₹ 2.69 crore)

This showed failure on the part of district revenue authorities to monitor and execute the sanction orders issued by the Government. In the exit conference, the Principal Secretary assured that the matter would be examined and corrective action taken.

2.1.8.4 Absence of time limit for initiation of recovery proceedings

Section 155 of MPLRC provides for recovery of dues not paid on or before due date as arrears of land revenue by attachment and sale of movable or immovable property of the defaulters. As per provision contained in paragraph 39 of RBC IV-I, a demand and collection register was to be maintained in respect of the lands allotted on permanent lease, to watch the ground rent due and collected so that the Tahsildar could issue notice to the defaulter lease holders to deposit the ground rent. Similarly, instructions were issued (May 2002) by the department to impose 10 *per cent* interest on outstanding lease rent if the lease holders failed to pay rent in time. In 11 test-checked districts, it was noticed that premium and annual ground rent amounting to ₹ 142.87 crore²⁶ was not paid by the leasees at the end of March 2011. Proceedings for recovery of dues as arrears of land revenue were not initiated by the respective assessing officers even after considerable efflux of time. Reasons for non-recovery of dues were not furnished to audit. Only Nazul officer, Katni stated that some lease holders had died and some had sold their lands to others who were reluctant to deposit the ground rent. No time schedule was prescribed by the Government to initiate the recovery

Non-realisation of revenue of ₹ 142.87 crore due to absence of time limit for initiation of recovery proceedings.

²⁶ Badwani ₹ 0.01 crore, Bhopal ₹ 138.32 crore, Chhindwara ₹ 0.01 crore, Hoshangabad ₹ 1.18 crore, Indore ₹ 0.22 crore, Jhabua ₹ 0.08 crore, Katni ₹ 0.05 crore, Khargone ₹ 0.02 crore, Mandsaur ₹ 0.54 crore, Neemuch ₹ 0.07 crore, Ratlam ₹ 2.37 crore.

proceedings in cases where dues were not deposited by due date. In the exit conference, the Principal Secretary stated that action would be taken after examination.

2.1.8.5 Non-fulfillment of conditions of allotment of land for medical education purpose

In pursuance of general instructions (October 2002) of Government, land owned by it could be allotted free of premium and at a nominal ground rent of ₹ one, for establishment of Dental and Medical College by a private institution. In Tahsil M.P. Nagar and Huzur, Bhopal, we observed that government land was allotted to two private institutions for establishment of dental/medical college as indicated in the Table 2.8 below:

Table No. 2.8: Conditions for allotment of Government land for establishment of dental/medical college

Name of Institution	Year of Allotment	Area of land/Place	Conditions of Allotment
Institute of Applied Sciences and Fundamental Research Society, Bhopal	September 2006	5 acre/ Misrod	The land was allotted for establishing Dental College. The desirability and feasibility certificates were to be obtained from Medical Education Department and produced while applying for allotment. The construction of college building, hostel and residential quarters for staff was to be completed within two years of allotment of land as per norms prescribed by Indian Dental Council.
Advance Medical Science and Education Society, New Delhi	September 2008	25 acre/ Inayatpur	The land was allotted for establishing Medical College. The construction of hospital was to be completed within two years and Medical College was to be started within five years from the date of allotment. The desirability and feasibility certificates were to be obtained from Medical Education Department and produced while applying for allotment.

We observed that land was allotted by the Revenue Department to these two institutions without obtaining the required certificates. Even after the allotment, the conditions of allotment were not fulfilled by both the institutions.

2.1.8.6 Renewal of permanent leases of Nazul land

As per provisions of RBC IV-I, lease cases due for renewal should be ascertained by review of lease deeds executed in earlier years. According to the MPLRC read with RBC IV-I, rent payable for a Nazul plot in urban area held on lease shall be deemed to be due for revision when the lease becomes due for renewal. The revised rent is to be fixed at six times the rent payable immediately before the revision provided the use of land continues to be the same as it was immediately before the revision. The revised assessment is applicable from the financial year following the year in which the assessment is made or from the date of expiry of the earlier lease whichever is later. In

seven test-checked districts, it was noticed that 10234 permanent leases²⁷ granted for 30 years which fell due for renewal between 2006-07 and 2010-11 were not taken up for renewal by the department. This resulted in loss of revenue of ₹ 97.57 lakh. In the exit conference, the Principal Secretary stated that suitable instructions would be issued to the Collectors.

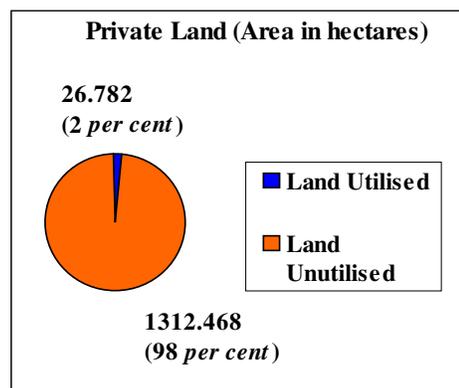
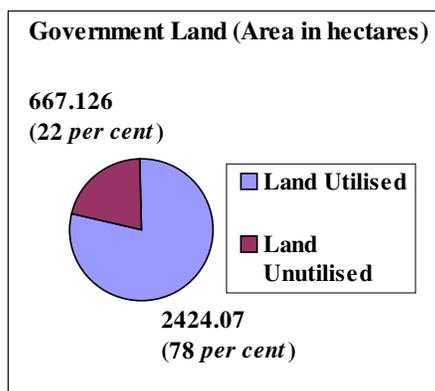
2.1.8.7 Maintenance of allotment register

RBC IV-I paragraph 38 provides that the Nazul Officer should maintain a register in which the premium, ground rent & penalty collected related to leased land should be recorded. Similarly, Section 98 (23) of MPLRC prescribes the format in which records of allotment of Government land should be prepared. But, allotment register was not found prepared by the Collectorate/Tahsil offices in eight test-checked districts²⁸. In the absence of this record, the required information relating to lease land i.e. name of leasee, area of land, premium and ground rent, amount to be recovered etc. could not be reflected. In the exit conference, the Principal Secretary stated to issue instructions to the Collectors.

2.1.9 Utilisation of Acquired/Allotted Land and Management of Government Land

2.1.9.1 Utilisation of land acquired by Industry Department

The Industry Department acquires both private and government land in different areas for development of industries. As per information furnished by the department, during 2006-07 to 2010-11, the department had acquired 1339.25 hectares of private land and 3091.196 hectares of government land. Out of 4430.446 hectares of total acquired land, only 55 per cent of land (2450.852 hectares) was actually used for industrial development. Remaining 1979.594 hectares of land remained unutilised. As depicted in the pie chart below, while most of the government land was utilised, private land acquired from farmers was grossly underutilised.



²⁷ Bhopal (1753, ₹ 21.30 lakh), Chhindwara (3463, ₹ 7.87 lakh), Hoshangabad (4923, ₹ 30.29 lakh), Indore (29, ₹ 28.80 lakh), Khargone (6, ₹ 1.57 lakh), Jhabua (28, ₹ 7.74 lakh) and Ratlam (32, Amount N.A.)

²⁸ Anuppur, Badwani, Bhopal, Chhindwara, Indore, Jhabua, Mandsaur and Neemuch.

In reference to audit observation, the department stated that most of the land acquired from farmers in recent years was in the process of development. In the exit conference, the Principal Secretary did not specifically explain such imbalance in land use.

In the Tahsil Govindpura (Bhopal), it was noticed that land measuring 141.22 acre was allotted to District Industrial Centre, Bhopal for setting up of the Industrial Area Govindpura in the village Kalua Kalan. During audit, it was noticed that 4 acre of the allotted land was occupied unauthorisedly by a private coloniser (Raj Homes Private Limited, Bhopal). Despite a lapse of five years, the Government was yet to approve proposal sent (December 2006) by the Collector for acquiring 4 acre land of the coloniser in lieu of the encroached allotted land. Though the SDO, Govindpura stated that encroachment had already been removed, no corroborative evidence was shown to audit in support of the vacation. The Principal Secretary, Revenue, during the exit conference, promised to take necessary action.

2.1.9.2 Preparation of land pool and maintenance of Capital Asset Register

In order to facilitate management and proper utilisation of government land located within the area of municipal corporation/municipalities/notified areas, the department directed (December 1996) the District Collectors/Commissioners to prepare the land pool in each city comprising of Government Nazul land, land declared surplus in Ceiling Act and land released from other department. The details of the land i.e. map and location of land etc. were to be shown in the land pool. While the responsibility for preparing the land pool vested directly on the District Collectors, Commissioners were required to act as the nodal authority for driving the activity for the Division as a whole. Revenue Department further directed (June 2010) District Collectors to maintain Capital Asset Register for transferable government land. The available land resources were to be earmarked and identified and their valuation made on the basis of Collector guideline. Valuable plots of lands were to be recorded in the Capital Asset Register in a descending order of their assessed value. The objective was to utilise the land according to their locational value. Commercial/business viable lands were to be earmarked and recorded and lands declared surplus in Ceiling Acts were to be transferred as per orders/directives earlier issued by Government. In the test-checked districts, it was noticed that no action was initiated by the District Collectors to prepare the land pool or to maintain the Capital Asset Register except in district Jhabua. Hence, the objective of department to secure better management of government land could not be fulfilled. In the exit conference, the Principal Secretary stated that suitable instructions would be issued.

Non-preparation of land pool and non-maintenance of Capital Asset Register by district authorities.

2.1.9.3 Conducting of physical verification of Government land allotted/transferred

Non-conducting of annual physical verification of government land allotted/transferred by revenue authorities.

Paragraph 31 of RBC IV-I provides that Nazul officers should verify the land transferred or allotted on lease at least once in a year to ensure the observance of the condition of allotment/transfer of government land. If the conditions were found violated by the allottee, the verifying officer should submit his report immediately to Collector. But in test-checked districts such annual verification was not found conducted by the Nazul officers. In the exit conference, the Principal Secretary stated (November 2011) that suitable instructions would be issued to the Collectors. No such instructions appear to have been issued.

2.1.9.4 Utilisation of acquired land

- Award of ₹ 2.57 crore was passed by LAO, Mahu (June 2010) for acquisition of 11.755 hectares of land for establishing Indian Institute of Technology (IIT). Out of the total amount of ₹ 3.42 crore received from IIT, ₹ 2.82 crore was utilised to pay compensation and meet service charges. The balance amount of ₹ 60 lakh was not refunded to the institution. Construction works in the acquired land had not been started by the IIT (May 2011).
- Executive Engineer, Public Health Engineering Indore (PHE) working as construction agency, for Madhya Pradesh Pollution Control Board (PCB) Bhopal, sent a proposal to Collector, Indore (January 1996) to acquire 29.728 hectares of land for establishing a sewage treatment plant in village Sakarkhedi under National River Conservation Plan. Accordingly, award for payment of compensation of ₹ 1.13 crore was passed (September 1998) by Collector Indore. PCB Bhopal deposited (January 1997 and April 1999) ₹ 1.13 crore, but compensation could not be paid due to court proceedings in the case. After the decision of the Court (November 2009), possession of the acquired land was given (December 2009) to Municipal Corporation, Indore without consent of PCB i.e. the acquiring authority. The Board intimated (July 2010) Collector, Indore that PHE had established the sewage treatment plant in another village Kabirkhedi as the case was pending in the court. PCB demanded (December 2010) the refund of unutilised amount deposited earlier for the scheme, as the funds were received from Government of India. The Collector, Indore had sent (January 2011) a letter to Municipal Corporation Indore to give consent on making payment of the award money for the acquired land. But, reason for giving occupation of land to Municipal Corporation was not intimated to audit. The land acquired was not utilised for the intended purpose nor the compensation amount was paid to the land losers.
- During test-check of record of LAO, Indore, it was noticed that award of ₹ 6.71 crore was passed (March 2009) for acquiring 17.012 hectares of private land for developmental scheme of Indore Development Authority (IDA). IDA had not deposited the compensation money and service charges of ₹ 7.38 crore as a result of which neither the compensation amount was paid to the land owners nor the acquired land was occupied by IDA.

In the exit conference, the Principal Secretary stated that instructions would be issued to the Collectors.

2.1.9.5 Failure to resume the unutilised Government land

Government land measuring 171.076 hectares remained unutilised was not resumed by Government.

RBC-IV(1) provides that, if the allotted land or any part thereof is not fully utilised for the purpose for which the same was allotted, then the same has to be resumed by Government. No time period has been prescribed in RBC after which the unutilised land has to be resumed by Government. The department issued clear direction (December 2009) to District Collectors to resume the allotted land found unutilised.

In four districts, it was observed that lease land measuring 171.076 hectares allotted between 1985 to 2010 (**Appendix-2.16**) to different organisations was lying unutilised. Contrary to a clear Government directive, no initiative was taken by the District Collectors to resume the unutilised land.

2.1.9.6 Encroachment on Government land

13152 encroachment cases in which fine of ₹ 34.10 lakh imposed were not finalised.

Section 248 of MPLRC provides that any person who unauthorisedly remains in possession of any government land may be summarily ejected by orders of the Tahsildar. Such person shall also be liable, at the discretion of the Tahsildar, to pay the rent of the land and penalty for the period of unauthorised occupation at prescribed rates. Information collected from 12 test-checked districts revealed that fine of ₹ 34.10 lakh was imposed in 13152 cases of encroachment during the period 2006-11. However, those were neither paid by the defaulters nor recovered by the respective Tahsildars. Till the date of audit, no encroacher had been evicted; nor their structures dismantled. In the exit conference, the Principal Secretary stated to issue suitable instructions to the Collectors.

2.1.9.7 Vacation of encroachment on Government Nistar Land

The Principal Secretary, Revenue Department instructed (May 2010) the District Collectors to vacate the encroachment on Government Nistar land. In six test-checked districts, it was noticed that encroachment on Government Nistar land measuring 207.577 hectares²⁹ as on March 2011 had not been vacated. In the exit conference, the Principal Secretary stated to issue suitable instructions to the Collectors.

2.1.9.8 Removal of religious structures on public places

13671 religious structures constructed in public places were not removed.

The Honourable Supreme Court vide order dated 29th September 2009 prohibited unauthorised construction of religious structures (Temple, Mosque, Church etc.) on public lands and the District Collectors were directed to remove the religious structures constructed in public places/public streets. Appropriate action to remove unauthorised structures was to be taken by the District Collectors. In 10 test-checked districts, it was noticed that 15068

²⁹ Chhindwara (7.349 hectares), Hoshangabad (54.353 hectares), Jhabua (1.50 hectares), Katni (96.480 hectares), Mandsaur (7.895 hectares) and Neemuch (40.00 hectares).

religious structures were constructed on public places against which 1397 religious structures were removed/regularised. However, action against the remaining 13671 structures³⁰ was yet to be taken. No action in this regard was found taken in the district Khargone. In the exit conference, the Principal Secretary stated that suitable instructions would be issued to the Collectors.

2.1.9.9 Conversion of lease land into freehold land

Poor implementation of Freehold Right Act.

Madhya Pradesh Grant of Freehold Right Act in respect of land on lease situated in Urban Areas Rules, 2010 came into force from 21st September 2010. The rule is applicable to the lands allotted on lease for the period of 30 years or more for residential and commercial purposes. Any eligible lease holder may apply for grant of freehold right in respect of land held by him in lease hold right. The authorised officer may grant free hold right to the entitled person after getting the required conversion charges. In the test-checked districts, no lease holder had availed of this benefit. Implementation of the Government policy in the matter was poor and required more propagation and awareness among the lease holders. In the exit conference, the Principal Secretary stated that conversion of lease land into freehold land is demand driven.

2.1.9.10 Acquisition and Utilisation of Land declared surplus under Ceiling Acts

Madhya Pradesh Ceiling on Agricultural Holdings Act, 1960 provides for acquisition of land in excess of ceiling limit prescribed in the said Act in rural areas. Similarly, Urban Land (Ceiling and Regulation) Act 1976³¹, repealed in 1999, provides for similar action in the urban areas. The land declared surplus and vested with the Government was to be distributed/allotted to the eligible beneficiaries i.e. scheduled caste/scheduled tribe agricultural labour, freedom fighters, landless persons etc. and was to be utilised as provided in the said Acts. In six test-checked districts for which the information was made available, it was noticed that out of 8752.393 hectares of land vested with Government under the Ceiling Acts, approximately half of the land measuring 4388.848 hectares was allotted/utilised. The balance 4363.545 hectares³² of land was still vested with Government. This indicated poor management of government land. In the exit conference, the Principal Secretary assured to examine the matter.

2.1.9.11 Non-production of required certificates by the companies

Land acquisition proceedings for acquisition of land for companies for establishing industries was to be made after getting approval of State Level Land Acquisition Committee. Revenue Department instructed (January 1985)

³⁰ Anuppur 360, Badwani 441, Bhopal 1462, Chhindwara 902, Hoshangabad 561, Indore 1693, Mandasaur 6343, Neemuch 1398, Ratlam 415 and Singrauli 96.

³¹ This Act was repealed in Madhya Pradesh by the Urban Land (Ceiling and Regulation) Repeal Act, 1999.

³² Anuppur (251.166 hectares), Bhopal (2138.758 hectares), Chhindwara (70.284 hectares), Hoshangabad (855.237 hectares), Katni (867.898 hectares) and Khargone (180.202 hectares).

that the required certificates from the Department of Housing & Environment, Director of Industrial Safety, Pollution Control Board and Controller of Explosives of Government of India were to be obtained by the District Collectors from the companies before sending the proposal of land acquisition to Land Acquisition Committee. In the district Singrauli, it was observed that the required certificates were not found available on record for acquisition of 1928.235 hectares private land for different companies as shown in **Appendix-2.17**. In the exit conference, the Principal Secretary assured to examine the matter.

2.1.10 Resettlement and Rehabilitation

Resettlement and Rehabilitation (R&R) of all intra-state projects is governed by the provisions of R&R policy of the State formulated for Narmada Project. Sardar Sarovar Project (SSP) is an inter-state project in which the whole gamut of resettlement and rehabilitation is governed by the provisions of Narmada Water Dispute Tribunal (NWDT) Award and the R & R Policy of the State Government. As per provisions of policies applicable to SSP, compensation for agricultural land as well as for houses and other properties was to be paid to the project affected families (PAF) coming under submergence. Residential plots were to be allotted to such rural and urban displaced persons. Cash compensation in lieu of plot could be provided as per norms. In addition to this, other grants viz. rehabilitation grant, employment resource grant to landless oustees and transportation grant were to be paid according to the norms prescribed in the policy. Special Rehabilitation Grant (SRG) was to be paid in two installments to the displaced families to purchase agriculture land at their own choice in the resettlement zone. Second installment was to be paid after production of copy of sale deed of land purchased with first installment of SRG.

In two test-checked districts (Badwani and Khargone), it was noticed that under different NVDA projects, out of 13806 displaced families, 6288 families were not rehabilitated (May 2011). Similarly, rehabilitation grant was not paid to 2525 persons, SRG of ₹ 18.50 crore was not paid to 847 persons and employment resources grant for productive assets of ₹ 56.70 lakh was not paid to 227 landless persons as shown in **Appendix-2.18**. The LA&RO attributed the non-disbursement of SRG to non-production of sale deed of the land purchased by the first installment and non-finalisation of cases by Justice Jha committee. Families were not resettled due to non-completion of building works at resettlement zone.

7541 project affected families were not rehabilitated under different projects.

Similarly in the case of establishment of four projects by private companies, out of 2916 project affected families (**Appendix-2.18**), 1663 were resettled. As per information furnished by the LAOs of the district Singrauli, the remaining 1253 families were yet to be rehabilitated (September 2011). Rehabilitation grant of ₹ 1.37 crore to 853 families was yet to be provided. LAOs stated that the rehabilitation was under progress. The action to issue instructions to Collector, Singrauli was awaited.

As per provision contained in para 9 of R&R policy of the State, all landless agricultural labourers and all SC/ST landless oustees were to be paid ₹ 49300 each for productive assets while other landless oustees would get ₹ 33150. Fifty *per cent* amount was to be paid at the time of resettlement and rest 50 *per cent* was to be paid after purchase of the assets. During test-check of records of LAO/RO (SSP), Khargone and Thikri (Badwani), it was noticed that 1461 oustees were paid ₹ 5.01 crore³³ for productive assets but before making payment of second installment, verification of purchase of productive assets by the oustees was not ensured by the LAOs. This showed lack of monitoring and ineffective implementation of R and R policy.

2.1.11 Conclusion

- Database of lands acquired, payment of compensation, and custody and allotment of government land was not maintained at district and State level both.
- Government has not prescribed a uniform and transparent method for calculation of market value of land to be acquired resulting in discrimination in payment of compensation and also prima-facie under/over assessment of compensation.
- The government order to close bank account and keep the amount of compensation in PD Account was not followed.
- There was no comprehensive and transparent policy for allotment of government land which would have facilitated equal opportunities to every entity.
- There is no time schedule prescribed in Act/Rules for final allotment in case of advance possession of government land given to different entities, recovery proceedings against defaulters and resumption of unutilised leased land resulting in delay in realisation of revenue.

2.1.12 Recommendations

The Government may consider implementation of the following recommendations:

- Computerised database of lands owned and acquired as well as land leased for various purposes should be maintained at district and State level.
- There is an imperative need to formulate a comprehensive and transparent policy for allotment of Government land to private and public institutions and purposes for such allotment clearly defined. Government needs to pass reasoned order, if it intends to give more concessions while allotting land for different purposes.
- Uniform and transparent method for determining the market value of land acquired should be prescribed by Government.

³³ Badwani (1396 oustees, ₹ 4.70 crore), Khargone (62 out of 65 oustees were paid both installments, ₹ 31.21 lakh)

- Government should also ensure that funds provided by the requisitioning authorities are properly accounted for in Government account and not parked in saving accounts/term deposits in banks.
- Government should prescribe time schedule in the Act/Rules for submission of cases of advance possession for final allotment, initiation of recovery proceedings against the defaulters and resuming the unutilised leased land.
- Suitable mechanism should be put in place to monitor the encroachment/unauthorised occupation for better management of Government land.

Horticulture and Food Processing Department

2.2 National Horticulture Mission

Executive Summary

National Horticulture Mission was launched in 2005-06 as Centrally Sponsored Scheme to enhance horticulture production, improve nutritional security and provide income support to farm households by adopting area based and regionally differentiated strategies. NHM was implemented in 39 out of 50 districts in various phases.

An assistance of ₹ 42.92 crore (100 per cent) was released by Central Government during 2006-07. Assistance of ₹ 201.82 crore (85 per cent) and ₹ 41.41 crore (15 per cent) was released during 2007-11 by GOI and State Government respectively.

Baseline survey to assess the potentiality and demand of the horticulture products had not been conducted in the State by the State Horticulture Mission. Perspective plan and action plan had also not been prepared by the SHM. The DHMCs had prepared AAPs on *ad hoc* basis. As a result of this, it failed to utilise even the limited funds made available by Government of India (GOI) and the State Government.

To meet the requirement of improved variety of plants to cover different horticulture crops in targeted area, model nurseries were to be established in public and private sector. Out of total expenditure of ₹ 2.18 crore meant for creation of infrastructure in public sector nurseries, ₹ 1.05 crore was diverted and spent on wages, electricity bills etc. which resulted in poor output (zero to 27 per cent). In private sector nurseries, an assistance of ₹ 2.01 crore was paid but no monitoring system for establishment, quality and quantity of production by such nurseries was in place. As such the actual use of assistance, production from such nurseries could not be examined in audit.

As per instructions of GOI preference was to be given to perennial fruit crops to ensure sustained growth of horticulture. The SHM could utilise ₹ 68.89 crore against available fund of ₹ 81.43 crore in expansion of perennial crops. On the other hand they spent ₹ 89.69 crore on spices and flowers crops against available fund of ₹ 74.50 crore.

Proper identification of eligible beneficiaries for expansion of area of fruits, spices and flowers and rejuvenation of senile plantation programme was essential to achieve the ultimate objective of the mission. Due to non-production of applications of beneficiaries and required details of eligibility, audit could not verify as to whether the assistance of ₹ 14.63 crore and ₹ 3.24 crore for expansion of area of fruits, spices and flowers and rejuvenation of senile plantation programme respectively during 2006-11, was paid to the genuine eligible beneficiaries.

Timely supply of required number of plants to cover the targeted area is another important aspect for optimum production. Supply of plants below norms in number and also delayed supply i.e. after plantation/sowing season resulted in sub optimal use of resources and skewed benefits to cultivators.

Post harvest management and marketing infrastructure were not created as per target fixed which needs to be addressed to ensure full benefits to cultivators.

In spite of incurring expenditure of ₹ 285 crore on area expansion of fruit crops, spices, flowers, rejuvenation, etc, the mission objective of enhancing areas, production and productivity and thereby increasing the income of farm households could not be achieved.

2.2.1 Introduction

The National Horticulture Mission (NHM) was launched in the State in 2005-06 as a Centrally sponsored scheme. The mission was intended to enhance horticulture production, improve nutritional security and provide income support to farm households through holistic growth of the horticulture sector. To achieve these objectives, area based and regionally differentiated strategies such as research, technology promotion and extension, post harvest management, processing and marketing were to be adopted. To achieve the objectives of NHM, the activities to be undertaken, *inter-alia*, were:

- Preparation of Perspective Plan after base line survey
- Establishment of nurseries and Tissue Culture Laboratories to ensure production and distribution of best quality planting material
- Area expansion of fruit (perennial/non-perennial) crops, spices and flowers
- Promotion of INM/IPM³⁴
- Organic farming
- Protected cultivation
- Rejuvenation of senile plantations, and
- Post harvest management and creation of market infrastructure.

NHM was initially implemented (2005-06) in 20 districts³⁵ and was extended (2007-11) to 19 more districts³⁶. NHM is implemented in 39 districts of the State by the Madhya Pradesh State Horticulture Mission (SHM) a society registered under Madhya Pradesh Society Registration Act, 1973. As no base line survey had been conducted, the details of area, production and productivity of fruits, vegetables, spices and flowers for the year 2004-05, before the commencement of NHM were not available. Consequently audit could not verify the extent of achievement in expansion of area, production and productivity of these crops.

The accounts of SHM and 10 selected districts³⁷ for the period 2006-07 to 2010-11 were audited during September 2010 to September 2011 to assess the implementation of various programmes/activities as per the objectives of the scheme. Entry conference was held with Mission Director (MD), SHM on 7th September 2010. An exit conference was held on 11 November 2011 with the Mission Director, State Horticulture Mission (Government representative

³⁴ Integrated Nutrition Management/Integrated Pest Management

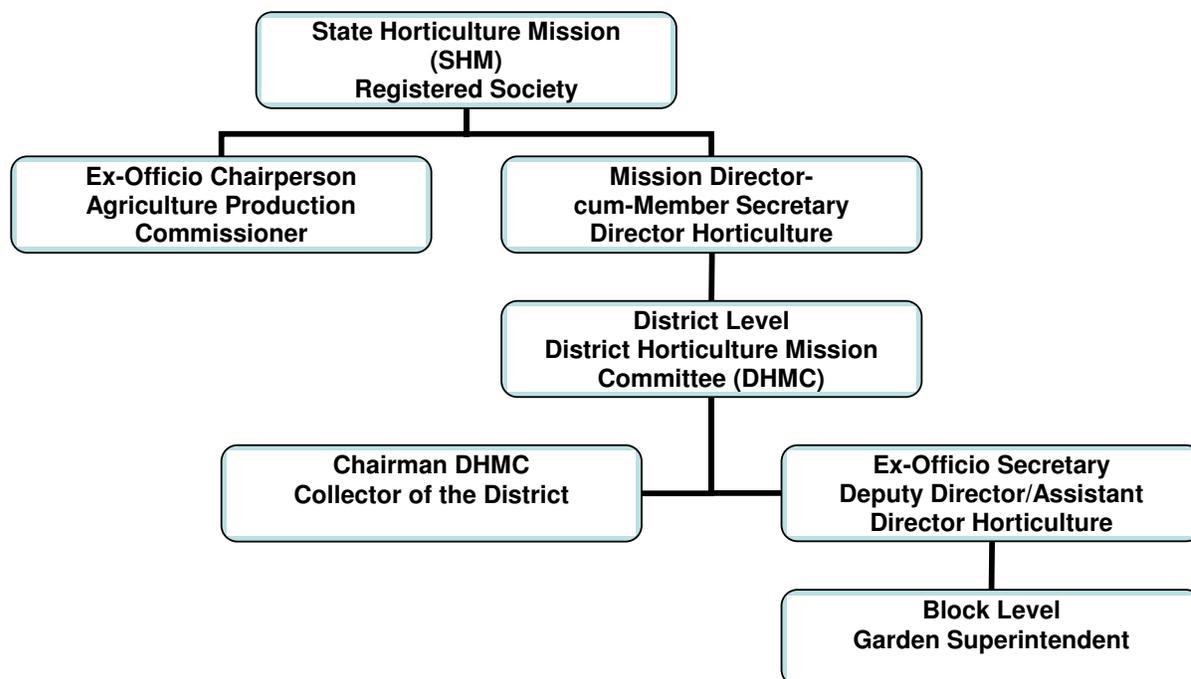
³⁵ Badwani, Betul, Bhopal, Burhanpur, Chhindwara, Dewas, Dhar, Dindori, Hoshangabad, Indore, Jabalpur, Jhabua, Khandwa, Khargone, Mandla, Mandsaur, Ratlam, Sagar, Shajapur and Ujjain.

³⁶ 2007-08: Chhatarpur, Guna, Gwalior, Harda, Neemuch, Rajgarh, Rewa, Satna, Sehore and Vidisha, 2008-09: Sidhi, 2009-10: Alirajpur, Ashoknagar, Raisen and Singrauli, 2010-11: Damoh, Datia, Panna and Tikamgarh.

³⁷ Badwani, Betul, Bhopal, Burhanpur, Chhindwara, Hoshangabad, Indore, Khandwa, Shajapur and Ujjain

Horticulture and Food Processing Department). The results of these discussions have been incorporated in the Report at appropriate places.

2.2.2 Organisational Setup



2.2.3 Financial Management

Till the completion of tenth five year plan (up to 2006-07) the NHM was fully funded by GOI. The funding pattern in the 11th five year plan (2007-08 to 2011-12) was changed to provide for 15 *per cent* share of funding by the State Government. GOI released for the SHM ₹ 42.92 crore during 2006-07 (100 *per cent*) and ₹ 201.82 crore during 2007-11 towards Central share (85 *per cent*). The State Government released ₹ 41.41 crore during 2007-11 as its share. The requirement of funds as per annual action plan (AAP) and funds released by the GOI/State Government as well as its utilisation during 2006-11 are shown in **Table-2.9**.

Table 2.9

(₹ in crore)

Year	Requirement as per AAP	O.B.	Receipts				Total availability (OB+ Receipt)	Funds utilisation/ percentage of spending	C.B. / unspent/ balance (%)
			GOI	State Govt.	Total receipt during the year	Percentage to requirement as per AAP			
2006-07	74.27	24.28	42.92	---	42.92	58	67.20	47.36 (70)	19.84 (30)
2007-08	138.72	19.84	55.37	12.00	67.37	49	87.21	47.85 (55)	39.36 (45)
2008-09	124.42	39.36	60.00	9.00	69.00	55	108.36	67.26 (62)	41.10 (38)
2009-10	80.00	41.10	35.45	9.16	44.61	56	85.71	71.77 (84)	13.94 (16)
2010-11	100.00	13.94	51.00	11.25	62.25	62	76.19	51.06 (67)	25.13 (33)
Total	517.41	138.52	244.74	41.41	286.15			285.30	

(Source: Data made available by Mission Director SHM)

It is evident from above that the actual receipt of funds ranged between 49 to 62 *per cent* of the amount projected in the AAPs, while overall spending efficiency of available funds in the State ranged between 55 to 84 *per cent* during 2006-11. It is also seen that the total release of funds by Central and State Governments during 2006-11 was ₹ 286.15 crore (55 *per cent*) against the requirement of ₹ 517.41 crore assessed in the AAPs. However, the expenditure actually incurred was only ₹ 285.30 crore which was about 55 *per cent* of the requirement assessed in AAP. Thus, the requirement of funds assessed in AAPs was not realistic and was inflated.

The position of physical targets fixed in the AAPs, budget and actual achievements are mentioned in **Appendix-2.19** which revealed that achievements of physical targets vis-à-vis budgeted targets were very low in respect of establishment of Tissue Culture Lab in public sector (38 *per cent*), Vegetable Seed Infrastructure (50 *per cent*), Vegetable growing poly house (2 *per cent*), Flowers growing poly house (1 *per cent*), Bio Control Lab (public) (33 *per cent*), Leaf tissue Analysis Lab (29 *per cent*), Horticulture Mechanisation (47 *per cent*), Bee Keeping (3 *per cent*) and Technology Dissemination (69 *per cent*). The physical targets achieved in case of Phyto-sanitary Lab and Disease forecasting unit were nil. Due to less achievement of physical targets mentioned above, funds could not be utilised to the extent of ₹ 7.85 crore [**Appendix-2.20 (A)**].

₹ 45.41 crore were spent on 16 components by diversion of funds from other components without approval of GOI.

An excess expenditure of ₹ 45.41 crore was incurred on 16 components of the scheme against ₹ 147.15 crore received for these components from Central and State Governments during 2006-11 [**Appendix-2.20 (B)**], by diverting funds received for other components of the scheme without the approval of GOI. The department stated, in exit conference, that funds received from GOI were not components specific. In each financial year, total funds received under the AAP, were used to complete certain specific components while other components were deferred. Therefore, no diversion of funds had taken place.

Reply of the department is not tenable as AAP of NHM approved by GOI contained component specific allocations received from GOI and State Government.

2.2.4 Audit Findings

Test check of the records of SHM and 10 districts (selected on Simple Random Sampling Without Replacement (SRSWOR) method) revealed following irregularities:

2.2.4.1 Perspective Plan not prepared

GOI guidelines required that the State Government should prepare perspective plan that would make projections for the Xth and XIth five year plan periods after conducting base line survey and feasibility studies in different parts of the State, determining the status of potentiality and demand for horticultural

Baseline survey was not conducted and Perspective Plan was not prepared.

products. The perspective plan would also form the basis for preparation of AAP. It was noticed that neither any baseline survey was conducted in the State nor any mission document for perspective plan was prepared. AAPs at district level had been prepared on ad-hoc basis without obtaining information/data from block level.

As a result, planning at State as well as at district levels was ad-hoc due to which, crop specific approach was adopted instead of area based approach. Thus, objectives of NHM could be achieved only to a limited extent as mentioned in succeeding paragraphs. The Department assured that perspective plan on the basis of base line survey would be prepared in future.

2.2.4.2 Establishment of nurseries

To bring additional areas under improved varieties of horticultural crops, NHM envisaged assistance to establish model nurseries in both public and private sectors to raise nurseries for that purpose. Assistance was provided for raising nurseries in public and private sector as shown in **Table 2.10**

Table 2.10

Type of nursery	Required area of nursery	Plants to be produced by nursery per year	Amount of assistance payable	
			Public sector	Private sector
Big model nursery	4 ha	4 lakh	₹ 18 lakh	(50 per cent of cost subject to maximum limit of ₹ 9 lakh)
Small model nursery	1 ha	0.50 lakh	₹ 3 lakh	(50 per cent of cost subject to maximum limit of ₹ 1.5 lakh)

The assistance to private nurseries was to be released after obtaining completion certificate of their establishment from field staff (garden superintendent).

(i) Assistance to Public Sector Model Nurseries

Production of planting material was 0 to 27 per cent of norms in nurseries.

Records of the selected districts revealed that against total release of ₹ 2.28 crore, an expenditure of ₹ 2.18 crore was incurred during the year 2006-11 on establishing 26 nurseries (10 big and 16 small nurseries) in public sector. Expenditure incurred on 10 big model nurseries was ₹ 1.75 crore whereas ₹ 43 lakh were spent on 16 small nurseries. These funds were to be utilised for creation of infrastructure such as polycover of 500 m², insect proof propagation house, net house, sprinkler irrigation facilities, pump house and water tank and soil sterilisation in these nurseries. Out of total expenditure of ₹ 2.18 crore only, ₹ 89.53 lakh was incurred for infrastructure in 10 big nurseries (**Appendix-2.21**) and ₹ 23.68 lakh in 16 small nurseries. The balance ₹ 1.05 crore was diverted for payment of wages, electricity bills etc. which were to be met out of regular budget of the department. These diversions affected development of infrastructure in nurseries in public sector and led to poor production (0 to 11 per cent) of plants in big model nurseries as well as

in small nurseries (0 to 27 *per cent*) for which a norm of 4 lakh and 0.50 lakh plants per year respectively had been laid down (**Appendix-2.22 and 2.23**).

At the exit conference, the department stated that assistance was given for infrastructure development including creation of mother blocks necessary for plant production. Since fully grown mother plants come up only in about 5-6 years, so the production of plants could happen only thereafter, which also depends upon the demand.

Reply is not tenable as the nurseries were established in Government gardens which were already having fully grown mother plants which could have been utilised for production of planting material by enhancing infrastructure facilities in the nurseries. Poor production of planting material in nurseries was due to inadequate infrastructure facilities in the nurseries.

(ii) Assistance to Private Sector Model Nurseries

It was also noticed that an assistance of ₹ 2.01 crore (**Appendix-2.24**) was released to 38 private nurseries without ensuring completion of their establishment. Reasons for release of assistance without completion certificate were not intimated by the DHMCs. The department stated, during exit conference, that a monitoring system would be established for private nurseries.

2.2.4.3 Establishment of tissue culture unit in Private Sector

NHM guidelines effective from 2010-11 envisaged release of credit-linked back ended subsidy @ 50 *per cent* of the cost of the project for establishment of a tissue culture unit subject to maximum of ₹ 50 lakh for private entrepreneurs. The empowered committee of NHM approved (November 2010) the project proposed by a private entrepreneur of Betul district for ₹ 127.38 lakh with a maximum subsidy of ₹ 50 lakh.

According to the condition stipulated in the sanction by MD, the loan was to be released within 2 weeks of issue of sanction. Infrastructure was to be created as per norms and payment of assistance was to be made according to the progress of work after inspection/verification from time to time by a joint committee. Mission Director, SHM formed a committee of Joint Director and Deputy Director from the Directorate of Horticulture and Farm Forestry, Bhopal, representatives of Collector, Betul, financing bank and Secretary, DHMC, Betul for joint inspection of the unit. The subsidy was to be released on receipt of the report of the committee. However, Secretary DHMC, Betul paid (February 2011) to the entrepreneur twice the sanctioned amount (₹ 25 lakh) in two installments without inspection of joint committee which was irregular. Moreover, establishment of tissue culture unit was still incomplete (October 2011).

Secretary DHMC, Betul intimated (October 2011) that at the instance of audit subsidy of ₹ 25 lakh retained by him in form of banker's cheque in favour of the entrepreneur was credited to NHM account in May 2011.

Reply was not tenable as the subsidy was payable only on receipt of report of joint inspection of the committee formed by Mission Director and was to be commensurate with loan released by the bank as well as progress of construction. In any case ₹ 25 lakhs drawn in 2010-11 had inflated the expenditure on the Mission during that year. The department assured that joint inspection before releasing second installment would be conducted in future.

2.2.4.4 Expansion of area under fruits, spices and flowers

As envisaged in the guidelines of the SHM, beneficiaries were required to submit applications for assistance in the prescribed form along with the certificates from revenue authorities (copies of Khasra, Khatoni) confirming fulfillment of eligibility of beneficiaries like possession of land, total availability of land, sources of irrigation, etc. along with recommendation of field staff of the department. The assistance was to be given on approval of DHMC.

Assistance of ₹ 14.63 crore was released without maintenance of applications of beneficiaries.

During test-check, it was noticed that records of applications submitted by beneficiaries for availing assistance for expansion of area under fruits, spices and flowers were not maintained in two (Khandwa and Indore districts) out of 10 districts. In Khandwa and Indore districts, we observed that DHMCs had released assistance of ₹ 3.22 crore and ₹ 11.41 crore, respectively, to the beneficiaries for area expansion of fruits, spices and flowers during 2006-11 without maintaining applications of beneficiaries. The list of beneficiaries was not furnished to audit at Indore district whereas incomplete list was maintained in Khandwa. As a result of this, legitimacy of beneficiaries and expenditure incurred to provide them financial assistance couldnot be verified by us.

On being pointed out in audit, the DHMC Khandwa intimated that these records were maintained at Garden Superintendent level. DHMC Indore stated that records had been maintained and had been shown to Audit. However, records relating to applications of beneficiaries along with their lists were not produced to Audit in Indore district. The reply of Khandwa district was not tenable, as the district level officer who was releasing assistance to farmers should have maintained the relevant record.

Due to non-production of case files of beneficiaries, Audit couldnot verify whether the beneficiaries to whom assistance was released actually possessed land, irrigation facilities, etc. and were eligible for assistance. The department assured Audit that the matter would be investigated.

2.2.4.5 Area expansion of perennial fruit crops

Preference was not given for perennial fruit crops.

(a) According to the instructions of GOI³⁸, in preparing AAPs preference was to be given to perennial fruit crops to ensure sustained growth of horticulture. It was observed that against the funds of ₹ 81.43 crore released

³⁸ GOI- F. No. 33-21/2009/Hort. Dt. 28 May 2009 and GOI F. No. 33-20/2009/Hort. Dt. 9 June 2009.

by GOI and State Government, during 2006-11 an expenditure of ₹ 68.89 crore was incurred on expansion of perennial fruit crops including INM/IPM and organic farming. On the other hand, expenditure on area expansion of spices and flowers including INM/IPM and organic farming (short term crops) was ₹ 89.69 crore against the releases of ₹ 74.50 crore which revealed that required preference was not given to perennial fruit crops.

The department stated that the State was not a traditionally fruit growing State and its strength was on short duration horticulture crops like vegetables and spices. Selection of crops also depends on Agro climatic zone. Moreover, AAPs were also driven by farmers' demand.

Reply is not tenable as no deviation from instructions of GOI in favour of short duration crops was either indicated in the AAPs or intimated to GOI.

(b) Excess payment of assistance of ₹ 2.34 crore in violation of norms

Assistance of ₹ 2.34 crore was paid in excess of norms.

The NHM envisaged coverage of large areas under improved varieties of horticulture crops like orange, Aonla, mango, custard apple, guava and pomegranate. Farmers were to be encouraged to set up new gardens of perennial fruit crops through the assistance to the extent of 75 per cent of the project cost of ₹ 30,000 per ha to be released in ratio of 50:20:30 in the first, second and third year, respectively. The subsidy of 20 per cent was to be released subject to minimum survival of 75 per cent plants at the end of first year. Similarly, 30 per cent subsidy was to be given at the end of second year subject to survival rate of 90 per cent being attained. Maximum assistance payable per ha was restricted to ₹ 22,500 per ha. We noticed that assistance actually paid to farmers in the entire State was in excess of the above norms as indicated in the **Table 2.11**

Table 2.11

Installment	Assistance payable			Assistance paid actually	Excess assistance paid
	Area (ha.)	Rate	Amount		
Ist	13489.60	11250 (50 per cent)	1517.58	1517.58	-
IIrd	13489.60	4500 (20 per cent)	607.05	904.88	(+) 297.83
IIIrd	9786.70	6750 (30 per cent)	660.60	596.63	(-) 63.97
		22,500.00	2785.23	3019.09	233.86

We also noticed that instead of paying the 2nd and 3rd installments at the rates of ₹ 4,500 and ₹ 6,750 per hectare, the DHMC had paid assistance at higher rate in 2nd installment. Also, different rates were paid for different crops as shown in **Appendix-2.25 and 2.26**.

Survival of plantation in 10924.64 ha with the assistance of ₹ 10.43 crore was below prescribed norms.

(c) Expenditure on plantation survival below prescribed norms

Records in 10 districts selected by us for test check showed that plantation was carried out in 20802.94 ha at the cost of ₹ 30.99 crore during 2006-11 (**Appendix-2.27**). We noticed that:

- (i) 4.06 lakh plants costing ₹ 49.99 lakh meant to be planted over an area of 2066 ha. were supplied in eight districts³⁹ (**Appendix-2.28**) after the planting season (July-September) was over.
- (ii) In four districts⁴⁰ inputs costing ₹ 1.01 crore in respect of 1495.27 ha. were supplied to the farmers after a delay of 3 to 12 months (**Appendix-2.29**).
- (iii) Similarly, for orchards in three districts (Chhindwara, Shajapur and Ujjain), payment of different installments of assistance of ₹ 12.05 crore for inputs to 18967.60 ha was delayed by 4 to 24 months (**Appendix-2.30**).
- (iv) In Badwani, Betul, Khandwa and Ujjain districts assistance of ₹ 69.73 lakh was paid for maintenance of 969.05 ha plantation for which plants were not supplied (**Appendix-2.31**).

Due to above reasons, survival of more than 41 *per cent* plants in 8775.93 ha remained below the prescribed norms of 75 *per cent* at the end of first year. Similarly, at the end of second year, survival of plants in 2149.15 ha was below the norms of 90 *per cent*. Assistance of ₹ 10.43 crore spent on such plantations was thus, used inefficiently (**Appendix-2.27**).

Secretaries of DHMC, Badwani, Betul, Khandwa and Shajapur districts attributed low survival to lack of irrigation facilities and improper maintenance of plantations by beneficiaries.

The reply is not tenable because low survival of plants was largely a result of delay in supply of plants and inputs and delay in payment of assistance. Moreover, since availability of irrigation was a pre-condition for selection of beneficiaries, the reply confirms the fact that such selection was not done with due care.

(d) Irregular expenditure on Medicinal Plants

According to the instructions issued (April 2009) by GOI, a separate mission for medicinal plants was launched by the National Medicinal Plants Board and Aonla plant was included in the list of medicinal plants. However, NHM incurred an expenditure of ₹ 50.13 lakh during 2009-10 on the establishment of gardens of Aonla plants, which was excluded from Mission objective. Thus, the expenditure was irregular.

Mission Director could not intimate the reasons for not deleting the provisions of Aonla plants from NHM. The department stated that Aonla was horticulture crop with medical value. Aonla was approved in AAP.

³⁹ Badwani, Betul, Bhopal, Burhanpur, Indore, Khandwa, Shajapur and Ujjain.
⁴⁰ Bhopal, Burhanpur, Indore and Ujjain

Reply is not tenable as Aonla was included by the National Medicinal Plants Board as medicinal plant in April 2009. Thus, expenditure of ₹ 50.13 lakh should not have been incurred from NHM fund.

2.2.4.6 Area expansion of non-perennial fruit crop (Banana)

Mission envisaged payment of assistance @ 50 per cent of the cost of cultivation subject to a maximum of ₹ 15000/hectare limited to 4 ha per beneficiary in three installments of 50:20:30 during first, second and third year subject to survival rate of 75 per cent in second year and 90 per cent in third year up to 2009-10. From 2010-11, the assistance admissible on banana (Tissue Culture) was 50 per cent of cost of cultivation subject to a maximum of ₹ 41602 per ha payable in two installments of 75:25 during first and second year subject to survival rate of 90 per cent in the second year.

Assistance of ₹ 1.30 crore was paid for third installment for 3616.989 ha when crop was not in existence.

Banana, a non-perennial fruit crop, which has a maximum lifetime of 15-18 months, is cultivated in six districts⁴¹ of the State. An expenditure of ₹ 10.89 crore was incurred during 2006-11 on providing assistance for raising 6719.95 ha banana crop in the State.

Audit observed that third installment of assistance was given in respect of 3616.989 ha of banana plantation in Burhanpur (₹ 1.22 crore) and Badwani (₹ 7.71 lakh) districts during 2007-11 for plantation carried out during 2005-09 i.e. after 18 months when the crop would not be in existence. This resulted in irregular payment of ₹ 1.30 crore. In exit conference, the department assured Audit to examine the matter.

2.2.4.7 Area expansion of spices

According to the norms laid down by the department, seeds were to be supplied to the farmers prior to sowing season. However, it was observed that 440 kg. chilli seeds costing ₹ 1.10 crore and inputs such as pesticides and fertilizers costing ₹ 98.73 lakh were purchased after the period of sowing Kharif (May-June) and Rabi (December-January) was over (**Appendix-2.32**). Similarly, 139.95 quintals of coriander seeds to be sown over 699.75 ha along with necessary input, costing ₹ 85.66 lakh were provided in November by which time the sowing season was over (**Appendix-2.32**).

Seeds worth ₹ 1.25 crore were purchased when sowing season was over.

Thus, due to late supply of seeds and inputs, an unfruitful expenditure of ₹ 2.94 crore was incurred on seeds and inputs.

2.2.4.8 Area expansion of flowers

Purchase of 2.68 crore bulbs at cost of ₹ 3.72 crore after period of plantation was not justified.

(a) As per NHM guidelines, farmers were to be encouraged to cultivate loose bulbous and cut flowers. For this purpose, assistance at the rate of 50 per cent of the cost of cultivation of flowers in case of small and marginal farmers and 33 per cent to other farmers was to be provided. The assistance was subject to maximum ceiling of ₹ 45,000 and ₹ 29,700 per ha for bulbous flowers, ₹ 35,000 and ₹ 23,100 per ha for cut flowers and ₹ 12000 and ₹ 7920

⁴¹ Badwani, Burhanpur, Dhar, Hoshangabad, Khandwa and Khargone

per ha for loose flowers respectively. As per ICAR norms 1.11 lakh bulbs must be planted per ha. Bulbous flowers are cultivable between September and November.

Audit scrutiny of NHM records indicated that:

- In Indore district 219.31 lakh bulbs were procured at an aggregate cost of ₹ 3.44 crore including the cost of inputs amounting ₹ 9.87 lakh. 40.55 lakh gladiolus bulbs were provided to farmers for cultivation over an area of 132.89 ha which was sub normal. The remaining 178.76 lakh gladiolus bulbs costing ₹ 2.66 crore were supplied to farmers after the plantation season had ended.
- In Ujjain district, 60.22 lakh bulbs procured at a cost of ₹ 63.23 lakh were supplied to farmers in 2007 in the off season (March 2007).
- In Bhopal district, out of 77.75 lakh bulbs purchased at a cost of ₹ 96.21 lakh during 2008-11, 28.75 lakh bulbs costing ₹ 43.13 lakh were supplied during December 2008 to January 2009 and January-February 2010 after the plantation period.

Thus, purchase of 267.73 lakh bulbs at a cost of ₹ 3.72 crore after the period of plantation was not justified. The department assured to examine the matter.

(b) Area under cultivation of gladiolus flowers was to be expanded by 1200 ha in Bhopal, Indore, Shajapur and Ujjain districts. For this purpose, 13.33 crore bulbs were required to be supplied to the farmers as per ICAR norms.

We observed that only 3.73 crore bulbs which could normatively cover an area of 336.125 ha were supplied to farmers. Thus, the expansion of area under cultivation of gladiolus flowers in these districts remained short of target by 863.875 ha (**Appendix-2.33**).

Coverage of an area of 579.36 ha made without supply of cut plants (Rose).

(c) As per norms laid down in the SHM guidelines, 10,000 rose cut-plants were required to be planted over 1 hectare. We noticed that 24.06 lakh rose cut-plants costing ₹ 2.64 crore were purchased for coverage of an area of 820 ha in Bhopal, Indore and Shajapur districts. These plants were sufficient to cover only an area of 240.640 ha. Thus, the area of plantation was not used optimally resulting in skewed benefit to the farmers. (**Appendix-2.34**).

(d) Records of Betul, Chhindwara and Hoshangabad districts revealed that assistance was granted to 249 big farmers (other than small and marginal) @ 50 per cent instead of 33 per cent of the cost of cultivation laid down in the norms. This resulted in excess payment of ₹ 13.80 lakh.⁴²

Secretaries DHMCs Betul and Hoshangabad assured to make payment as per norms in future while Secretary, DHMC, Chhindwara stated that payments were made as per norms. However, the assertion of the latter was not based on facts. The department assured Audit to examine the matter.

⁴² 123 farmers: ₹ 6.10 lakh, 72 farmers: ₹ 5.42 lakh, 54 farmers: ₹ 2.28 lakh

2.2.4.9 Irregular utilisation of funds for control of Gummosis

Expenditure of ₹ 2.14 crore incurred on purchases not recommended by NRCC Nagpur was irregular.

As per recommendation of the scientists of National Research Centre for Citrus, Nagpur (NRCC), approval was given (October 2007) by GOI for an assistance of ₹ 2.93 crore for control of Gummosis on project basis in 1950 ha orange orchards in Chhindwara district. For this purpose the NRCC recommended use of “Redomil” and “Bavistin” at the rate of 7.50 kg. and 2.75 kg. per ha respectively. Though as per these norms, 14625 Kg of Redomil and 5362.5 Kg Bavistin were required for 1950 ha, Secretary, DHMC Chhindwara spent ₹ 79 lakh (April 2010) for purchasing Redomil (5242 Kg.) and Bavistin (4016 Kg.) which was 36 and 75 *per cent* of the requirement. The resultant saving of ₹ 2.14 crore was utilised (April 2010) for purchase of micronutrients, other pesticides, sprayers and equipment which were not recommended by NRCC. Moreover, 50 *per cent* share of the value of pesticides supplied to farmers (₹ 39.24 lakh) was also not recovered. Besides, the expenditure was incurred more than two and a half years after the need was felt to take Gummosis control measures in project mode. This not only casts a doubt on the utility of such expenditure but also its genuineness.

In the exit conference, the department stated that the expenditure was incurred as per recommendation of the technical committee constituted for assessing the effect of Gummosis in the orchards of the farmers which included scientists. Farmers share was adjusted against the labour work done by the farmers.

Reply is not tenable as the project for control of Gummosis sent to GOI was based on the recommendations of same technical committee as mentioned in the department’s reply.

2.2.4.10 Organic Farming

Expenditure of ₹ 10.26 crore on organic farming was irregular due to non-adherence of area specific approach.

The programme envisaged additional financial assistance of ₹ 10,000 per ha over and above the assistance under area expansion programme for cultivation of fruits, spices and flowers crops. GOI enhanced (May 2008) the period of assistance at least for a period of three years. From June 2009, organic farming was linked with the certification of organic horticulture production through an agency accredited by Agriculture and Processed Food Products Expert Development Authority (APEDA). SHM was supposed to guide DHMCs as per directions of GOI. The Secretary, DHMC was to conduct inspections. During the period 2006-09 an amount of ₹ 10.26 crore was spent to promote organic farming over an area of 10,457 ha.

A test check of records of SHM indicated (August 2011) that the area covered under organic farming was only 46 *per cent* of the targeted area of 22712 ha involving an expenditure of ₹ 22.71 crore provided in the AAPs (2006-09). Contrary to the NHM strategy of providing area specific organic farming SHM in its guidelines made it crop specific in the State and linked it to some selected crops viz. orange, mango, chilli, garlic and coriander which was irregular. We noted that SHM had also not issued any instructions to the districts to implement the programme in contiguous areas and continuously for 2-3 years to achieve the optimal organic status as per norms. No reasons were

on record for above deviation from the NHM strategy. The department stated that the matter was discussed with GOI and GOI was ready to review the policy and that a committee has been set up by GOI for reviewing its strategy.

2.2.4.11 Irregular expenditure on rejuvenation of senile plantation

NHM envisaged a programme for rejuvenation of senile plantation with the objective of rejuvenating guava, orange and mango gardens to enhance productivity of such gardens. This was to be achieved by removing senile or diseased plants by filling gaps and by adopting scientific management of gardens. The assistance for rejuvenating senile plantation was 50 per cent of the cost subject to a maximum ceiling of ₹ 15000 per ha limited to 2 ha per beneficiary. As per SHM guidelines, the minimum age of the old orchard eligible for such assistance was fixed at 12 years for orange and guava and 25 years for mango plants. An expenditure of ₹ 18.33 crore was incurred on rejuvenation of senile plantation of orange, guava and mango orchards in 12372.75 ha in the State during 2006-11.

Out of 10 districts test checked during 2006-11, rejuvenation of 8975.50 ha old orchards was carried out in five selected districts⁴³ with an assistance of ₹ 12.30 crore. Records of these districts revealed the following:-

(i) Field level studies regarding senile plantation, number of disease affected plants, etc. to assess the extent of rejuvenation/ replacement and the inputs required were not conducted.

(ii) No proof of age of the orchards was available with the societies. No certificates were obtained from revenue authorities to ascertain the age of orchards.

(iii) Scrutiny of applications of beneficiaries in Betul and Hoshangabad districts revealed that there was no proof of age of orchards in respect of which assistance was allowed. This resulted in extending irregular assistance of ₹ 3.24 crore for the orchards not eligible for assistance under norms. The department assured to examine the matter.

(iv) The availability of mango, orange and guava gardens in Betul, Bhopal, Hoshangabad and Shajapur districts in 2004-05 as per Revenue Department and the assistance given for rejuvenation of old orchards by DHMCs during 2006-11 is as shown in the **Table 2.12:**

Assistance of ₹ 3.24 crore was spent on rejuvenation of old orchards which were not eligible for assistance.

⁴³ Betul 1439.50 ha (₹206.83 lakh), Bhopal 70 ha (₹ 9.75 lakh), Chhindwara 5127 ha (₹ 729.54 lakh), Hoshangabad 939 ha (₹ 117.23 lakh) and Shajapur 1400 ha (₹ 166.90 lakh).

Table-2.12

Sl. No.	District	Fruit Crop	Position of availability of Orchards (Area in ha)	Assistance provided for rejuvenation of orchards	
				Area (in Ha.)	Expenditure (₹ in lakh)
1.	Betul	Mango	17	380.50	53.49
		Orange	374	1059	153.34
2.	Bhopal	Orange	2	20.00	3.00
		Guava	9	20.00	3.00
3.	Hoshangabad	Orange	260	310	35.41
4.	Shajapur	Orange	1131	1400.00	166.90
Total			1793	3189.50	415.14

From the above it is evident that against the availability of 1767 ha orange orchards in Betul, Bhopal, Hoshangabad and Shajapur districts, rejuvenation of senile plantation in respect of orange was reported to have been carried out during 2006-11 in 2789 ha at a cost of ₹ 3.59 crore. Similarly, in Betul district, ₹ 53.49 lakh was spent on rejuvenation in 380.50 ha of mango orchards against the availability of merely 17 ha of orchards and in the Bhopal district, ₹ 3 lakh was spent on rejuvenation of 20 ha guava orchards against the availability of 9 ha orchards.

Assistance (₹ 1.82 crore) for rejuvenation was given for 1396.50 ha orchards not in existence.

The proportionate assistance provided for rejuvenation of senile plantation on orchards of 1396.50 ha which were apparently non-existent worked out to ₹ 1.82 crore.

While responses of the Secretaries, DHMC in different districts varied from disclaimers to attributing the discrepancy to the field staff or to extending assurances to avoid repeat of such mistakes in future, the department intimated (November 2011) that the problem of under reporting of horticulture crops by Revenue Department was being looked by a committee under the chairmanship of the Assistant Production Commissioner.

2.2.4.12 Irregular expenditure on Protected Cultivation

(a) Under the Protected Cultivation component, shade net was to be provided to the beneficiaries for creating green houses. Assistance in this regard was limited to rupees seven per sq. m. (50 per cent of cost) subject to maximum of ₹ 3,500 for 500 sq. m. up to the year 2009-10. From 2010-11 onwards, the assistance admissible was raised to ₹ 150 per sq.m. limited to five units of 200 sq.m. each.

We noticed that in the DHMC Indore:

(i) The society had not maintained the lists of applications received from the beneficiaries and the quantity of shade nets supplied to them.

(ii) An expenditure of ₹ 47.76 lakh was incurred during 2009-10 on providing shade net over an area of 1.52 lakh sq. m. The maximum assistance admissible at the prescribed rate of rupees seven per sq. m. was ₹ 10.64 lakh only. The remaining amount of ₹ 37.12 lakh was recoverable from the

Non-adherence to norms resulted in excess expenditure of ₹ 37.12 lakh.

beneficiaries before supply of shade nets to them which was not done. Thus, non-adherence to the norm resulted in excess expenditure of ₹ 37.12 lakh.

The Secretary, DHMC Indore stated (June 2011) that quantity of shade net was provided to farmer up to limit of subsidy payable and the remaining quantity of shade net was purchased by farmers themselves.

The reply is not tenable as the genuineness of beneficiaries and the quantity of shade net purchased by farmers themselves were not verifiable due to non-maintenance of records.

Assistance of ₹ 35 lakh was paid in excess of norms.

(b) In Badwani district, 224936 sq.m. shade net was purchased at a cost of ₹ 70 lakh in June 2010 and was distributed to 1734 beneficiaries⁴⁴. The society had incurred the expenditure of ₹ 70 lakh without obtaining the 50 per cent share from beneficiaries. Thus, the assistance of ₹ 35 lakh was paid in excess of norms. Secretary, DHMC Badwani stated that the cost would be recovered from beneficiaries in future.

2.2.4.13 Post Harvest Management (PHM) and Marketing Infrastructure

Expenditure on PHM and marketing infrastructure was less than 6 per cent. Expenditure on marketing infrastructure (₹ 9.34 crore) and ₹ 2.66 crore on grading waxing plants were idle.

PHM involves processes like packaging, grading, transportation, curing, ripening and storage. These processes were essential for increasing marketability of horticulture produce. With a view to achieving holistic growth of horticultural sector in the State, GOI, at the time of approval of annual action plans, had issued instructions which, *inter-alia*, stipulated that expenditure on area expansion should be limited to 35 to 40 per cent of total provision and expenditure on PHM should be up to 20 per cent of the total outlay. However, out of the total expenditure of ₹ 323.13 crore incurred under the scheme during 2006-11, expenditure on area expansion of fruits, spices and flowers, INM/IPM, organic farming and creation of water sources (₹ 229.28 crore) was about 71 per cent. Expenditure under PHM and marketing infrastructure was ₹ 9.83 crore and ₹ 9.34 crore respectively which was less than 6 per cent of total expenditure during 2006-11. (Appendix-2.35). Aggregate physical achievement in respect of pack houses, refrigerated vans, rural markets under PHM was 2.30 per cent. No achievements were reported in respect of market intelligence, terminal market, mobile processing units, pre cooling chambers, low cost preservation unit, retail market and marketing extensions. Further, against the provision of ₹ 9.50 crore for eight wholesale markets, assistance of ₹ 9.19 crore was advanced for construction of a market at Bhopal which was incomplete as of August 2011. Twelve grading and waxing units were established during 2008-09 in eight districts at a cost of ₹ 2.66 crore against the approved cost of ₹ 1.50 crore. None of these units could commence work due to non-availability of power supply and trained staff. Not only assets created with an investment of ₹ 2.66 crore were lying idle, the farmers were deprived of intended benefits. Thus, for all practical purposes, facilities provided under PHM were negligible. Mission Director could not intimate the reasons for above failure.

⁴⁴ 266 beneficiaries @ two units and 1468 beneficiaries @ one unit

The department stated that PHM infrastructure becomes necessary only when there is production of crops in sufficient volume. Over the years, as production has gone up, focus on PHM infrastructure in the AAP was growing. Grading and waxing unit setup in Shajapur has been operationalised in the financial year 2010-11.

Reply is not tenable because projection of PHM requirement in AAPs and their approval by GOI underlined their current requirement. Hence failure to meet these confirmed requirements was self-evident.

2.2.4.14 Impact of the scheme

Inspite of assistance provided during 2006-09 for area expansion, organic farming and INM/IPM in respect of fruits crops, spices and flowers, no significant increase was achieved in expansion of area, production and productivity in horticulture. Further, inspite of assistance for rejuvenation of fruit orchards, the total area of fruits had decreased during 2006-09.

Details of area, production and productivity for 2004-05 in respect of fruits, vegetables, spices and flowers were not available in the SHM as the base line survey was not conducted. For 2008-09, details of only area in respect of fruits were available whereas details of production and productivity were not available. Details in respect of vegetables were also not available for 2008-09. Details in respect of area production and productivity of spices and flowers during 2008-09 as intimated to audit are shown in **Table-2.13**

Table-2.13

Name of crop	Area (Hundred ha)	Production (Hundred MT)	Productivity (10 Kg/ha)
Chilli	617.68	65098.897	106
Garlic	508.01	213365.19	420
Coriander	1361.81	43577.964	32
Flowers	37.26	22932.92	615.5

Details of area of cultivation, production and productivity of major crops prior to commencement of NHM (2004-05) and for the year 2008-09 after implementation of NHM (2006-09) as per revenue records are shown in **Table-2.14**. Details for 2009-10 and 2010-11 were not available with Revenue Department.

Table-2.14

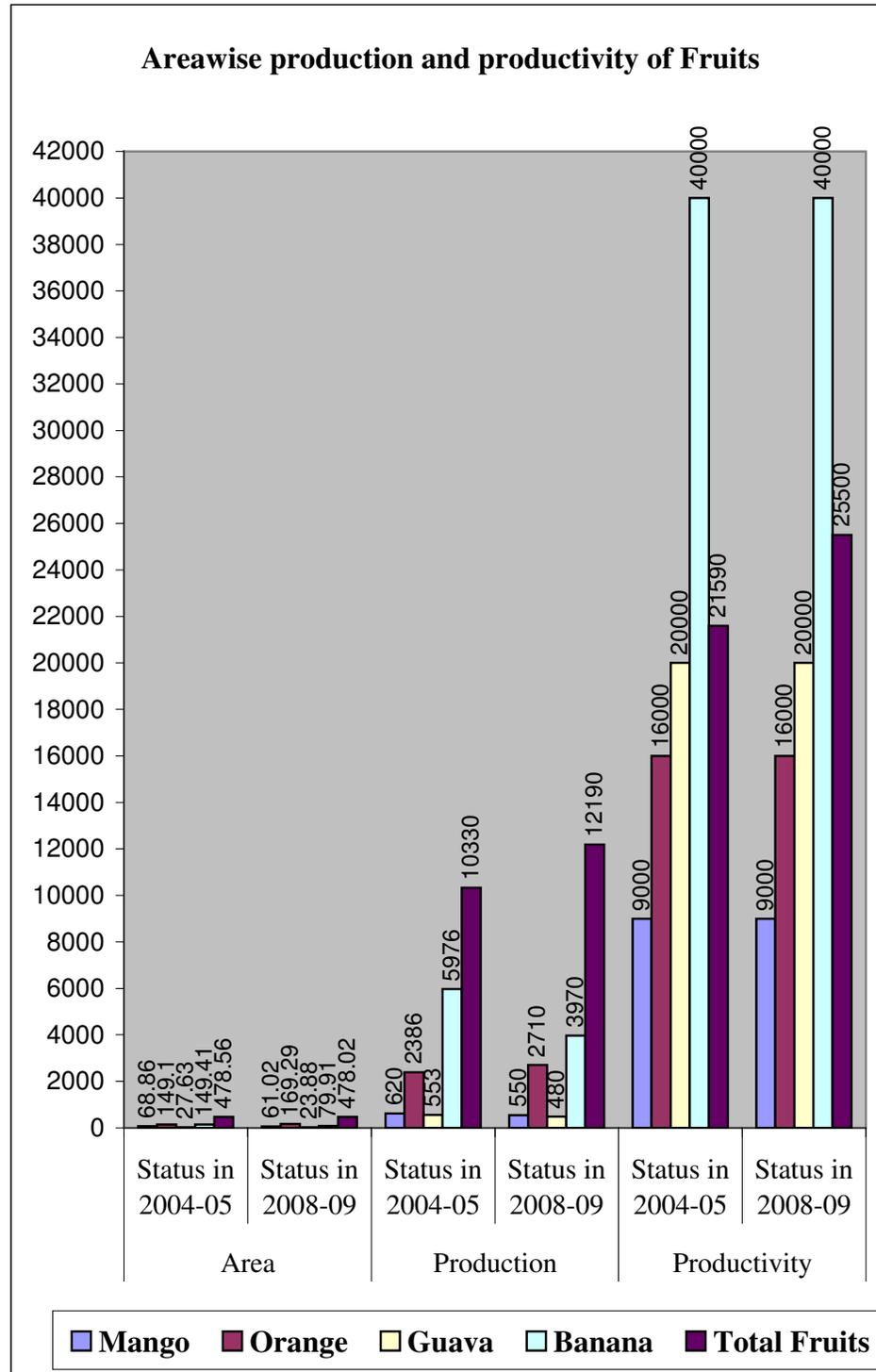
Name of crop	Area (hundred hectares)		Production (hundred MT)		Productivity (Kg/Ha)	
	2004-05	2008-09 ⁴⁵	2004-05	2008-09 ⁴⁵	2004-05	2008-09 ⁴⁵
Fruits						
Mango	68.86	61.02	620	550	9000	9000
Orange	149.10	169.29	2386	2710	16000	16000
Guava	27.63	23.88	553	480	20000	20000
Banana	149.41	79.91	5976	3970	40000	40000
Total all Fruits	478.56	478.02	10330	12190	21590	25500
Vegetables						
Potato	476.02	563.33	7140	6500	15000	11540.0
Onion	357.04	401.89	5713	5820	16000	14490.0
Tomato	182.54	209.95	2738	3150	15000	15000.0
Total all Vegetables	1849.50	2048.95	26210	26800	14170.0	13080.0
Spices						
Chilli	470.91	475.84	430	590	910.0	1230.0
Garlic	422.92	491.18	1780	2070	4220.0	4220.0
Coriander	1363.88	1414.30	530	590	390.0	420.0
Total all Spices	2658.11	2761.96	3150	3645	1190.0	1320.0
Flowers	17.47	26.31	10	15	600.0	600.00

(Source: Supplied by the Mission Director, Bhopal and Commissioner, Land Record, Gwalior)

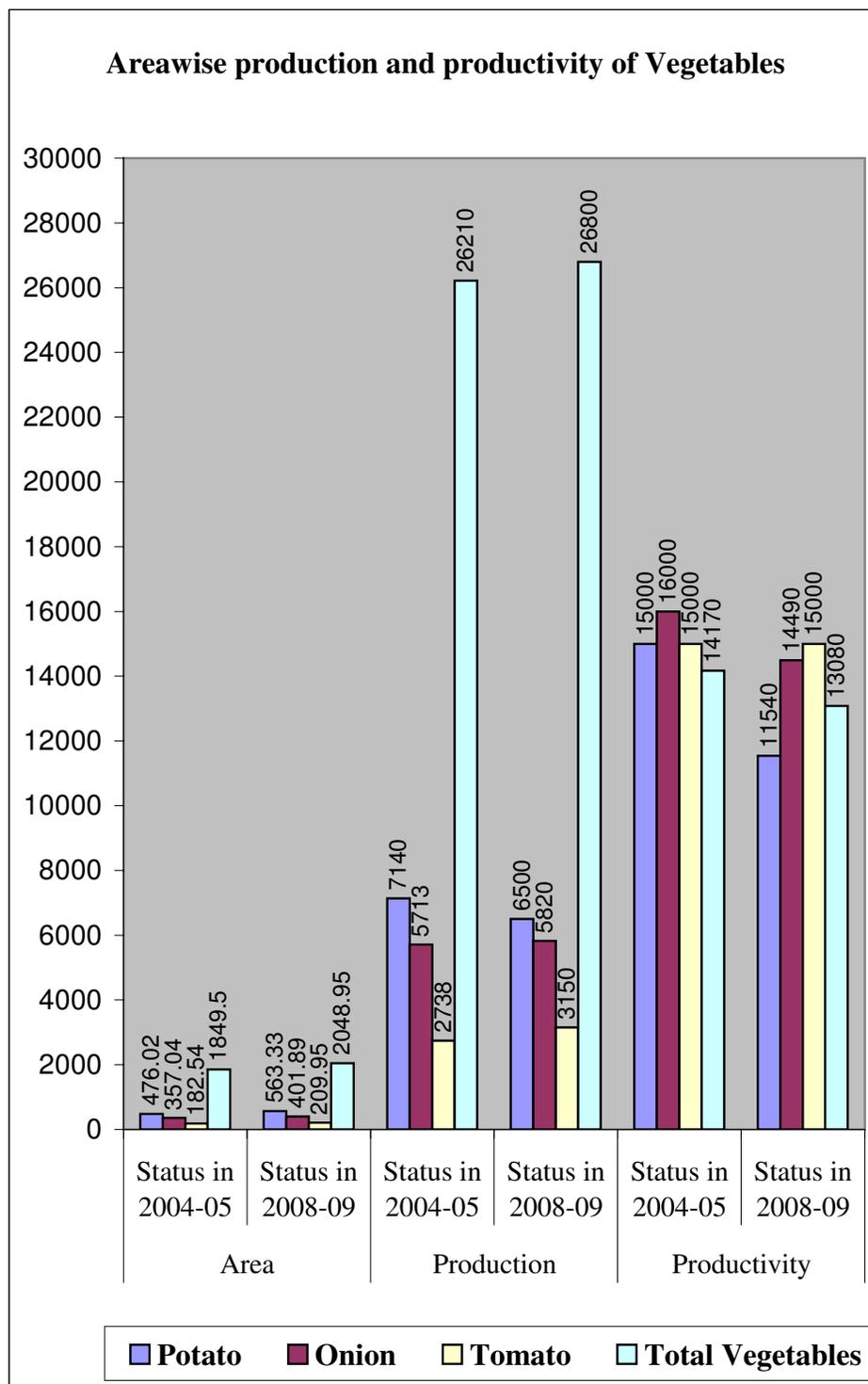
From the above table it is seen that:-

⁴⁵ Figures in respect of area of cultivation, production and productivity available in Revenue Department only up to 2008-09

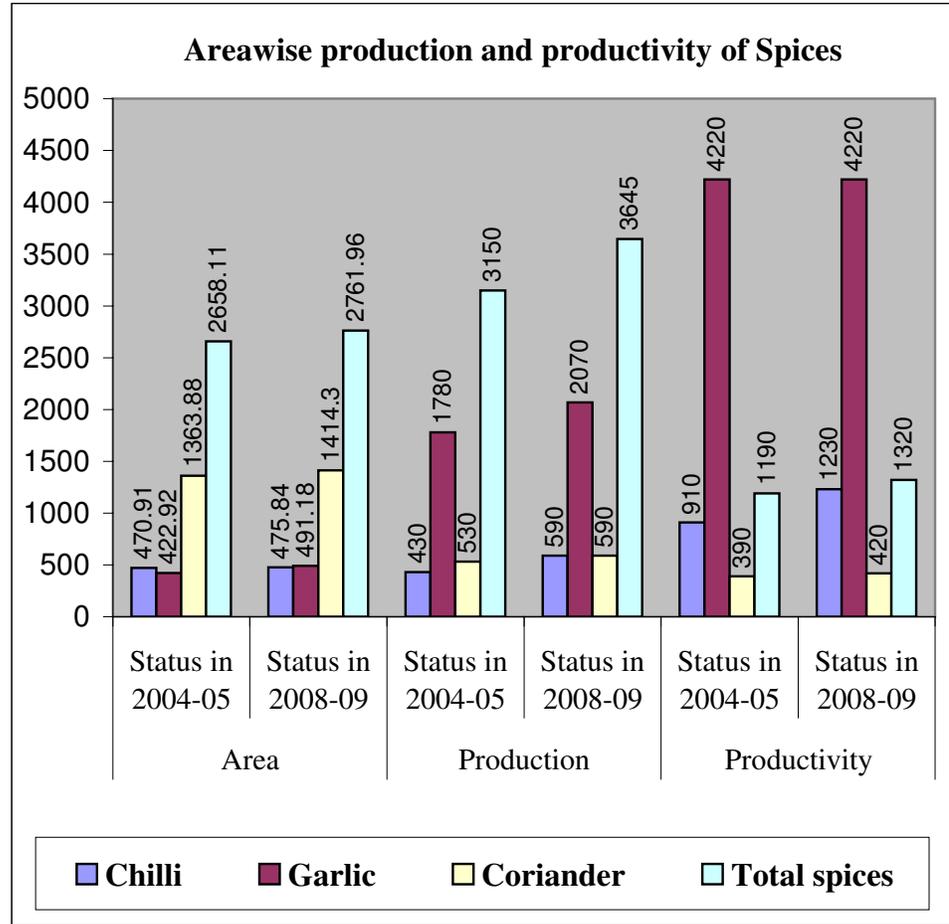
(i) Total area of all fruits crop as well as area of mango, guava and banana had decreased while there was marginal increase in area of orange. Productivity of banana, orange, mango and guava remained constant showing the INM/IPM measures and rejuvenation were not effective as shown below:



(ii) Though area of potato, onion and tomato increased, productivity of potato and onion decreased considerably. Despite production of vegetables increasing marginally, productivity decreased by about 8 per cent as shown below:



(iii) Though area of chilli, garlic and coriander increased, the increase of 12361 ha was about 26 per cent of area assisted (46860.75 ha) under NHM showing that expansion was not effective. While productivity of chilli increased considerably, increase in case of coriander was marginal and productivity of garlic was constant as shown below:



(iv) As against the assistance given for 5457 ha for flowers total area was only 2631 ha with an increase of 884 ha which was 16 per cent of area for which assistance was given.

(v) Additional areas brought under horticulture crops were areas already under cultivation and there was no increase due to creation of water sources.

Thus, the main objective of enhancing areas, production and productivity and thereby increasing the income of farm households couldnot be achieved. The department had accepted the facts.

2.2.5 Conclusion

For the success of objectives of the NHM, an assessment of the potentiality and demand of the horticultural products by conducting baseline survey in different parts of the State was essential. Accordingly, a perspective plan and

an action plan should have been prepared by the Horticulture Department. In the absence of that, the DHMCs had prepared AAPs on ad hoc basis. As a result of this, it failed to utilise even the limited funds made available by GOI and the State Government for the SHM.

To bring additional area under improved variety of horticultural crops, the establishment of model nurseries in public and private sector, one of the important activities was to meet the requirement of plants. In public sector nurseries, the funds meant for development of infrastructure were diverted to establishment expenditure (Wages, electricity bills etc.) which resulted in poor output, ranging from a low of zero to a high of 27 per cent. The assistance to private sector nurseries was paid without ensuring their completion. There was no monitoring mechanism in place to measure and evaluate success of these nurseries. As such the exact impact of the nurseries on the over all level of achievements under NHM was not verifiable.

Instead of giving preference to perennial fruit crops for ensuring sustained growth, preference had been given to short-term crops, i.e., flower and spices.

The beneficiaries had not been properly identified, Further, the lesser number of plants to cover areas targeted for cultivation of fruits, spices and flowers resulted in sub-optimal use of resources and skewed benefits to cultivators. Post harvest management and marketing infrastructure were not created as per target.

2.2.6 Recommendations

- Baseline survey should be conducted to assess the potentiality and demand of horticulture productions in different agro climatic areas of the State and for preparing AAPs on realistic basis.
- Model nurseries need to be geared up properly to ensure supply of improved variety of fruit plants to plantations.
- Assistance to farmers should be paid after their due verification and necessary records thereof maintained.
- The various activities undertaken under the mission need to be monitored closely to ensure their efficient implementation.
- In the cases where the assistance on the basis of cost of the project is provided to the farmers, some monitoring system/social audit system should be in place to ensure continued growth in production.
- Post harvest management and marketing facilities should be developed to extend full benefit to the farmers and for proper utilisation of horticultural production in the State.

Narmada Valley Development Department

2.3 Construction of Bargi Diversion Project

Executive summary

The Bargi Dam is the first major reservoir across the Narmada river, built during 1971-1990 with a live storage capacity of 2.58 MAF⁴⁶ sufficient to irrigate 1.57 lakh hectare through left bank canal and 2.45 lakh hectare through right bank canal. The work related to right bank main canal (RBMC) was renamed as the Bargi Diversion Project (BDP) in September 1979. The BDP included construction of 197.4 km long main canal, 254.14 km long branch canals, 2700 km distribution network and 3625 structures some of which would link Narmada basin with Sone-Tons basin. The project was not taken up for execution till 2001 due to variety of reasons including paucity of funds. In 2001-02, the Government of Madhya Pradesh (GOMP) decided to take up the execution of the project at a cost of ₹ 1101.23 crore for completion by June 2014 to irrigate 56597 hectare of Narmada basin and 1.88 lakh hectare of Sone-Tons basin. Till March 2011, by incurring ₹ 1407.54 crore on the project, 61.59 *per cent* of canal network and 34.97 *per cent* structures have been completed, in five phases. Against the created irrigation potential of 38691 hectare, the actual irrigation provided so far (March 2011) is only 710 hectare.

Performance audit of Bargi Diversion Project in the State covering the period 2006-11 indicated that:

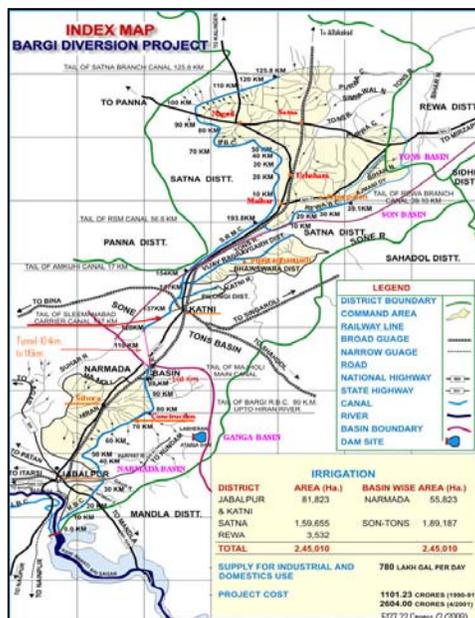
- Available water, in Bargi dam would not be adequate to provide irrigation to the entire command area proposed to be covered under the BDP.
- Unplanned and unnecessary provision of additional cross regulators not only resulted in extra cost but also carries distinct possibility of retarding the flow of water in the canal resulting in non- realisation of planned irrigation potential.
- The inaccurate estimation and unplanned execution in main canal work resulted in abnormal increase in the quantities executed, delayed the completion of work by six years besides increasing the cost of work by ₹ 35.88 crore.
- There were instances of excess payments to contractors (₹ 16.48 crore), execution of unwarranted items (₹ 7.98 crore), non-levy of penalty (₹ 8.20 crore) etc. contributing to cost over run.

⁴⁶

MAF: Million Acre Feet

2.3.1 Introduction

Bargi Diversion Project (BDP) is a major trans valley gravity canal irrigation project taken up in 2001-02. The project envisaged construction of 197.4 km long right bank main canal (RBMC) from Bargi Dam and 254.14 km branch canals and 2700 km of distribution network to provide irrigation to 2.45 lakh⁴⁷ hectare (ha) area in Jabalpur, Katni, Satna & Rewa districts as well as domestic & industrial water supply of 1.632 MAF to Jabalpur and Katni towns. RBMC with a designed discharge of 227.438 cubic metre per second (cumec) at the head is envisaged to carry water to Jabalpur district falling in the Narmada basin and thereafter cross the high ridge in Sleemanabad to serve the areas of Satna and Rewa districts falling under Sone and Tons basins. This project involves trans valley diversion of water of Narmada river to Sone-Tons valley as detailed in the



Source: Index map provided by NVDA

table below:

Table 2.15

Name of District	Length of main canal in km	Length of distributaries and minors in km	Designed irrigation potential in lakh ha
Jabalpur – Katni (Narmada basin)	RD 0 to RD 104	970	0.57
Rewa – Satna (Sone-Tons basin)	RD 104 to RD 197.4	1730	1.88
Total	197.4	2700	2.45

Source: Status report of AIBP

2.3.2 Organisational set-up

The Narmada Valley Development Authority (NVDA) which is implementing the project has been constituted in July 1985, to prepare and formulate a perspective plan for utilisation of allotted share of Narmada water in the State as per Narmada Water Dispute Tribunal (NWDT) award as well as for execution of various projects on Narmada river. NVDA is headed by the Chairman, who is assisted by Vice Chairman and six full time members (Engineering, Finance, Power, Planning, Environment and Forest & Rehabilitation). Each project taken up by NVDA is executed through a Chief Engineer who functions under the supervision of Member Engineering. The

⁴⁷ Jabalpur 60,000 hectare, Katni 21,823 hectare, Rewa 3,532 hectare and Satna 1,59,655 hectare.

BDP is being executed by the CE, Upper Narmada Zone (UNZ), Jabalpur who is assisted by four Superintending Engineers (SEs), 12 Executive Engineers at the field level.

2.3.3 Audit objectives

The objectives of audit were to assess whether:

- the project was well planned and the works were executed as per milestones, standard design and specification;
- funds were available and utilised effectively; and
- the contract management and monitoring mechanism were effective.

2.3.4 Audit criteria

The audit findings were based on the criteria drawn from:

- Provisions of the Works Department Manual, Indian Standard codes, Financial Rules, instructions issued by the State Government, GSI and the Central Water Commission (CWC),
- Approved designs and specifications prescribed by the Engineer-In-Chief (E-in-C) for construction of canals.

2.3.5 Audit scope and methodology

The performance audit is restricted to the construction of right bank main canal (RBMC) and its distribution system and covers the period from 2006-07 to 2010-11. Records of offices of the Member Engineering (NVDA), CE, Upper Narmada Zone (UNZ), Jabalpur, SEs and six out of 12 divisions were reviewed between June 2011 and August 2011.

The audit objectives, criteria and methodology were discussed with NVDA during entry conference (May 2011).

In exit conference (August 2011) held with the Vice Chairman, NVDA, audit findings were discussed and the response of the NVDA elicited. The Vice Chairman appreciated the usefulness of the report and stated that the same would be used for strengthening the system of planning and execution.

Audit acknowledges the co-operation extended by the department during the course of performance audit.

2.3.6 Funding pattern of the project

The investment clearance for the project was accorded (July 1998) by the Planning Commission for an initial cost of ₹ 1101.23 crore at 1991 price level with scheduled completion by March 2014. The project cost has been revised (December 2009) to ₹ 5127.22 crore. Of this, an amount of ₹ 2755.69 crore was to be provided by GOI under Accelerated Irrigation Benefit Programme (AIBP), an amount of ₹ 1157.46 crore through a loan from NABARD and the balance ₹ 1214.07 crore by the State Government through annual budgetary support. Out of total expenditure of ₹ 1407.54 crore on the project up to 2010-11, ₹ 469.93 crore was incurred during the years preceding to 2005-06

and balance amount of ₹ 937.61 crore has been incurred during the five years period covered under this audit from 2006-07 to 2010-11, as shown in the table below:

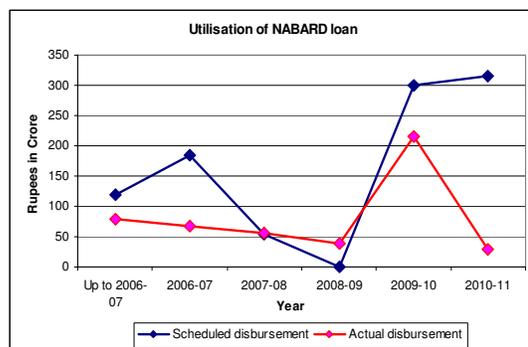
Table 2.16

Year	Phase	Budget Provision (₹ in crore)	Expenditure (₹ in crore)				Percentage of utilisation
			AIBP	NABARD	State Govt.	Total	
Up to 2005-06	Initial phase, Phase I and II	498.70	199.90	78.60	191.43	469.93	94.23
2006-07	Phase I and II	292.43	2.06	68.18	50.29	120.53	41.22
2007-08	Phase III	223.91	35.39	55.85	114.42	205.66	91.85
2008-09	Phase IV	167.07	49.50	39.15	74.33	162.98	97.55
2009-10	Phase IV	227.50	31.61	215.47	(-20.60) ⁴⁸	226.48	99.55
2010-11	Phase IV	228.38	0	28.88	193.08	221.96	97.19
Total		1637.99	318.46	486.13	602.95	1407.54	

Source: Information provided by NVDA

The project has been able to absorb, substantially, the funds earmarked for its execution except during 2006-07 when expenditure was less than half mainly due to slow progress of work, abnormal increase in quantities to be executed and resultant abandoning of such works by contractors, obstruction to blasting by the villagers near the canal, continuous seepage at various reaches of main canal owing to high level of underground water, etc. (see paragraphs 2.3.7.2 and 2.3.8.4)

2.3.6.1 Short utilisation of NABARD loan due to slippage in project execution



Source: Information provided by NVDA

plan for the same to NABARD by GOMP was to precede actual drawal of funds.

Loans aggregating ₹ 1157.46 crore were sanctioned by NABARD up to the third phase of the project. According to the schedule of disbursement of the

⁴⁸ Negative figure during 2009-10 was due to recoupment of funds released in excess of its share by the State Government during 2008-09.

loan, ₹ 975.31 crore were to be disbursed by the end of 2010-11 by way of reimbursing expenditure already incurred by the project authorities. It was seen that the department could, however, claim reimbursement of only ₹ 486.13 crore as of March 2011. Shortfall of 50 *per cent* in utilisation of the loan was accepted by CE UNZ, Jabalpur, who attributed (July 2011) it to slow progress by contractors, works left incomplete by the contractors and litigation in land acquisition.

2.3.7 Planning

According to provisions of the MPWD Manual, proper planning and correct estimation are the prerequisites of any project before awarding the work contract. Although the Central Water Commission (CWC) had approved this project in 1992, it was taken up for execution in 2001-02. The GOMP accorded (February 2011) revised Administrative approval of ₹ 5127.22 crore with stipulation for completion in five phases by June 2014.

The deficiencies in the project planning are discussed below:

2.3.7.1 Deficient availability of water

Availability of water in Bargi dam was deficient for BDP.

The Bargi dam is the first reservoir across the Narmada River with a live storage capacity of 2.58 MAF and dead storage of 0.60 MAF. The DPR (1970) for construction of Bargi dam was based on the inflow data for preceding 21 years (1949-1970) period.

We noticed that while preparing the DPR (1988) for construction of BDP, the department considered the same inflow data which had been considered for construction of Bargi dam. During the intervening period from 1971 to 1988 changes in the rainfall pattern and reduction in the catchment area due to deforestation had resulted in significant reduction of live storage of water in Bargi dam. It was observed that the available usable water in the Bargi dam in last 10 years except 2009-10 was 1.548 MAF (60 *per cent* of total live storage) during normal rainfall as reported by CWC (August 2011), whereas the total requirement from Bargi dam for BDP, LBC and medium and minor pumping schemes was assessed in the DPR as 2.7074 MAF⁴⁹. Looking to the preceding 10 years rainfall data (2001 to 2010), the dam is less likely to have enough water to provide full irrigation potential proposed in the Detailed Project Report (DPR). Besides, as the level of head regulators of BDP canal is RL 411.48 metre and LBC is RL 403.55 metre, in case of insufficient water in Bargi dam, water would not be available for BDP.

The Vice Chairman stated (August 2011) in exit conference that the feeders of Bargi dam at Raghavpur, Rosra and Basania were in advanced stage of planning which would augment the inflow of water to Bargi dam.

The reply is not acceptable as the department should have been aware of the deficient availability of water in Bargi dam, and the execution of upstream reservoirs at Raghavpur, Rosra and Basania should have been taken up

⁴⁹ 1.632 MAF for BDP, 1.004 MAF for Left Bank Canal and 0.0714 MAF for medium and minor pumping schemes.

simultaneous to the execution of BDP so as to achieve the intended goal of the project to irrigate 2.45 lakh ha through BDP.

2.3.7.2 Non observance of recommendations of GSI

Non observance of recommendations of GSI led to extra cost of ₹ 21.59 crore and time overrun.

The construction of RBMC between RD 34 km and RD 37 KM was undertaken contrary to the advice of GSI which had surveyed the alignment (1982). As the strata was loose and fragile in nature and fraught with possibility of soil slippage, the GSI suggested construction of a 2.30 km long tunnel from RD 33.30 km to 35.60 km. The department instead, provided in the DPR (1983), a shorter tunnel of 1.20 km long (between RD 35.075 km and RD 36.275 KM) and open cut canal in the remaining distance on the upstream and downstream of tunnel. The decision to curtail the length of tunnel by constructing open cut canal was taken by the department without consulting GSI. During the execution of works, slippage of strata and over burden occurred in the canal due to deep cutting up to 30 metre. CWC who were consulted in the matter (March 2007), suggested construction of cut and cover structure in place of open cut canal. The department withdrew (February 2008 and April 2008) the incomplete work of 'open cut canal' and awarded (July 2008) the work of construction of 'cut and cover structure'. The work⁵⁰ scheduled to be completed by August 2009, was still incomplete (June 2011) and an amount of ₹ 53.06 crore was paid (February 2011) to the contractor.

We observed that construction of cut and cover structure instead of the tunnel of 2.3 km length by ignoring the earlier recommendations of GSI resulted in time overrun of about six years and denial of benefits of project construction. Also, it resulted in cost over run of ₹ 21.59 crore. In addition, an amount of ₹ 4.39 crore was irregularly paid (February 2011) to the contractor for earthwork and lining in excess of estimated quantity without prior approval from the NVDA as detailed in **Appendix-2.36**.

The EE, ND Dn. No 4 Jabalpur stated (June 2011) that it was decided to construct open canal in upstream and downstream on economic consideration and for problem free running of canal.

The reply is not tenable as construction of tunnel was not carried out in accordance with the recommendations of GSI which eventually delayed the project and construction of cut and cover canal also proved expensive.

2.3.7.3 Unplanned and unnecessary provision of additional cross regulators

Additional cross regulators resulted in avoidable extra cost of ₹ 7.60 crore.

According to the design criteria of the distribution system, DPR of BDP provided for construction of a cross regulator cum escape each at RD 25.100 km and RD 64.415 km of RBMC, to irrigate the command through the minors off-taking from upstream of the cross regulator. Three additional cross regulators were, however, constructed at RD 11.40 km, RD 18.80 km and RD 49.10 km by reducing bed width of canal and construction of abutment and piers in the centreline of the canal.

⁵⁰ Agreement No. 01 DL/08-09

On scrutiny of records, we observed that the cumulative discharge of minors and distributaries serviced by the three additional cross regulators was less than 33 per cent of the discharge of main canal which, as per technical instruction of Water Resources Department (WRD), was the minimum criteria for constructing a cross regulator at any point downstream of the canal head.

In view of the technical instruction of WRD and the planned design of the distribution system, there was no requirement of additional cross regulators at RD 11.40 km, RD 18.80 km and RD 49.10 km. Thus, expenditure of ₹ 7.60 crore⁵¹ incurred on additional cross regulators was avoidable.



View of additional cross regulator at RD 49.10 km of RBMC obstructing the Water way

In exit conference, the CE, UNZ stated that when the plans were brought to site, changes were made considering local issues raised by the public which were not disclosed.

The reply was not acceptable as the cross regulators should have been planned before starting the execution of works, to avoid retarding water flow in the canal. Moreover, it is evident that additional cross regulators would have been superfluous with a full supply depth of 5.5 metre.

2.3.8 Programme management and implementation

2.3.8.1 Targets and achievements

The progress of main canal and distribution system as of March 2011 is detailed in the table below;

Table 2.17: Physical progress of BDP

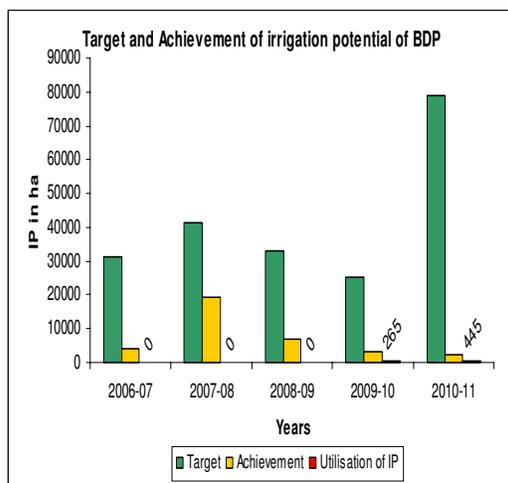
Phase / starting year	Reach in km	Designed irrigation in ha	Target date	Type of canal	Land acquisition	Earth work	Lining	Structures
					(in per cent)			
Initial phase 2001-02	0 km to 16 km of main canal	3504	March 2004	Main/ Branch Distribution	Completed in March 2007			
Phase I 2002-03	16 km to 63 km of main canal	21194	March 2012	Main/ Branch Distribution	100	98.18 ⁵²	100	100
Phase-II 2002-03	63 km to 104 km of main canal	31899	March 2012	Main/ Branch Distribution	100	96.46	95.34	96.36
Phase-III 2007-08	104 to 154 km of main canal	26000	March 2013	Main/ Branch Distribution	100	83.74	56.95	36.67
Phase-IV 2008-09	Km 154 to 196 and Nagod- Satna Branch canal (0 to 55 km) and Rewa Branch canal (0 to 24 km)	47660	March 2013	Main/ Branch Distribution	89.29	62.48	23.11	21.22
Phase-V Yet to be started	Nagod- Satna Branch canal (55 to 125.77 km) and Rewa Branch canal (24 to 39.1 km)	114723	Target not fixed	Main/ Branch	5.79	3.49	0	3.96
					Survey work completed and drawing/ design and estimates were being prepared			

Source: Progress report of AIBP and Status report of BDP

⁵¹ Agt no 6DL/2008-09, 13th and final bill = ₹ 506.87 lakh and in 2DI/2008-09, ₹ 253.51 lakh = ₹ 760.38 lakh

⁵² Shortfall in earthwork due to non execution of earth cushion over cut and cover structure in between RD 34 km and 37 km

Chart: 1



The department could achieve IP of only 36032 ha up to 2010-11 against the targeted IP of 79194 ha leaving a shortfall of 54.50 per cent. Year wise details of targets, achievements and utilisation of IP during the period from 2006-07 to 2010-11, shown in chart, indicate that while shortfall in achievement in IP continued unabated year after year, the actual utilisation of the IP created was either nil (2006-07 to 2008-09) or negligible (2009-10 to 2010-11).

Source: Reports of AIBP

We observed that the effectiveness of the physical progress of the project was compromised by a number of bottlenecks in implementation, which are discussed below:

- The progress of works in distribution system was not synchronised with the works in main canal due to faulty estimation, as the scheduled quantities of work were breached, contractors left the works incomplete and delay occurred in fixing the agencies for the balance or debitible⁵³ works.
- In phase III, neither the land needed for distribution system was acquired nor an agency was fixed (July 2011) for execution of Vijayraghgarh branch canal (off-taking) from RD 152.4 km of RBMC, and its distribution network over 26000 ha CCA.
- In phase IV, while about 90 per cent land was acquired for main canal it was meagre in case of distribution system. In Rewa branch canal, construction agencies have been fixed only for creation of IP of 12000 ha against the IP of 47660 ha.
- Work on phase V of the project with IP of 114723 ha is yet to be taken up.

It is evident from above that the department did not place due emphasis on simultaneous execution of distribution system along with commissioning of main canal.

Non-synchronised execution of canal network resulted in meagre utilisation of 710 ha. Consequently, IP created over an area of 35322 ha at a cost of ₹ 481 crore⁵⁴ remained largely unexploited.

⁵³ Debitible works: The works in which the original contractor bears all liability at his risk and cost for completion of the work in case the work is completed by another agency.

⁵⁴ Cost of development of irrigation potential @ ₹ 1.36 lakh per ha as per DPR (July 2009)

The EE ND Dn No 4 Jabalpur stated (June 2011) that the target was not achieved due to litigation in acquiring land and slow progress of works by contractors in the works of phase I and phase II.

The reply of the EE is not acceptable as slow progress of works was mainly due to unrealistic estimation of quantities which abnormally increased during execution and not due to litigation. Besides, slow progress of the works by contractors which resulted in overall delay and cost overrun of the project was a controllable factor.

2.3.8.2 Abnormal variation in quantities due to their inaccurate estimation

According to orders of the Government in December 1995, the Chief Engineer, Superintending Engineer and Executive Engineer shall have powers to sanction excess quantities at an escalating financial scale upto ₹ 50 lakh. Quantities executed in excess of ₹ 50 lakh required the sanction of Government.

Records revealed that the contractor executing the work of RBMC, from RD 33 km to RD 35 km, taken up in June 2002 left the work incomplete due to increase in quantity. The balance work of excavation and earthwork, CC lining estimated to cost ₹ 2.77 crore was awarded (March 2006) as debit work at ₹ 4.28 crore to another contractor. The work to be initially completed by June 2003 was to be executed within 6 months (September 2006) from the date of issue of the work order. The work was belatedly completed in July 2007 and the final bill for gross value of work done of ₹ 6.71 crore was paid to the contractor in March 2008.

Inadequate estimation increased the cost by ₹ 2.30 crore and there was excess payment of ₹ 70.42 lakh due to not following order of CE.

We observed that the executed quantities had increased abnormally due to inaccurate estimation of quantities, which increased the cost of the work by ₹ 2.30 crore. The division had allowed execution of excess quantities without obtaining the approval of NVDA. CE, UNZ had directed (December 2006) the SE and EE for limiting payment of excess quantities beyond 10 *per cent* at 90 *per cent* of the rates proposed⁵⁵ by the division or the rates of the contractor whichever were less. Ignoring these directions, the EE, paid the contractor at rates proposed by the division without imposing any limitation of payment. This resulted in excess payment of ₹ 70.42 lakh to the contractor as detailed in the **Appendix-2.37**.

The EE ND Dn No 4 Jabalpur stated (June 2011) that payments would be regularised after obtaining sanction.

The reply is not acceptable because the contractor's bill was finalised even as execution of excess quantities remains unregularised since March 2008.

Incorrect computation of rate of earthwork led to extra cost and undue financial benefit to contractor of ₹ 1.55 crore.

2.3.8.3 Incorrect computation of rate of earthwork

In work of construction of RBMC from RD 154.00 km to RD 197.40 km, earthwork for bund which included watering and compaction, was to be paid at the clubbed rate of ₹ 76.55 per cu m. In arriving at the clubbed rate for this

⁵⁵

Estimated rate, plus or minus overall tender premium.

work, lump-sum transportation charges of ₹ 7.07 crore for transportation of 8.63 lakh cu m of excavated earth were added instead of USR rate of ₹ 64.34 per cu m⁵⁶ for all lead and lift including watering and compaction. This resulted in increase of cost of the work as well as undue financial benefit of ₹ 1.55 crore⁵⁷ to the contractor who had excavated 12.71 lakh cu m.

The EE stated in reply that since bund specification was not required in the entire reach of canal, neither the item was provided nor lead charges for carting of earth included in the estimates.

The reply is not acceptable as cheaper rate of ₹ 64.34 for earthwork for bund is based on USR-2007, which is inclusive of all aspects of work. Also, since the work is related to a lined canal, watering and compaction of the bund were essential components of construction work.

2.3.8.4 Excess payment due to inaction and extra cost due to adoption of richer specification

Construction of Madna Distributary and its distribution system awarded to a contractor (November 2004) was withdrawn (July 2007) by the department due to slow progress of work of the contractor.

The balance work including earthwork and CC lining was awarded (February 2008) to another contractor at a cost of ₹ 32.48 crore. The work was scheduled for completion in 16 months (September 2009) excluding the rainy season but was still incomplete. The contractor has been paid ₹ 29.66 crore through 41 RA bill (April 2011). The following deficiencies were noticed:

Inaction of the department led to excess payment of ₹ 84.92 lakh.

- According to para 4.036 of the WD manual, while withdrawing the contract final measurements of the work was to be taken, which were not done. The final bill of the initial contractor was paid (July 2007) without taking the final measurements. These measurements when taken (May 2008) indicated that the contractor had been paid ₹ 84.92 lakh in excess as detailed in the table below;

Table 2.18

Sl no	Item	Quantity paid to contractor without final measurement (cu m)	Quantity measured and payable (cu m)	Inflated quantity paid (cu m)	Rate in ₹	Amount in ₹
1	Earthwork	1392368.96	1197135.01	195233.95	27.00	5271317
2.	CNS	106759.332	77745.743	29013.58	111.00	3220507
					Total	8491824

⁵⁶ Rate of earth work ₹ 56 per cu m as per the USR 2007 plus watering and compaction including lead of water for the quantity given in the clubbing statement which worked out to ₹ 64.34 per cu m.

⁵⁷

Quantity executed as per 29 th RA bill	1271040.90 cu m
Rate paid per cu m ₹ 76.55 – Rate payable per cu m ₹ 64.34	₹ 12.21 per cu m
Excess amount paid	₹ 15519409.38

The CE UNZ Jabalpur stated (July 2011) that award of balance work to another agency was done after taking realistic final measurements and therefore, there was no irregularity.

The reply is not acceptable as the work order for the debit work was issued in February 2008 and final measurement of the rescinded contract was taken in May 2008, which ultimately, resulted in excess payment.

Adoption of richer specification led to extra cost of ₹ 42.58 lakh.

- In the balance work awarded (February 2008) to another contractor, the specification for CC lining was changed from cast *in situ* lining M-10 (nominal mix 1:3:6) cement concrete to CC 1:2:4 with 20 mm graded metal. The change in specification was contrary to technical circulars for channels carrying more than three cumec discharge issued (1984) by E-in-C, WRD, and resulted in extra cost of ₹ 42.58 lakh⁵⁸.

EE stated that as per canal lining specification, for a canal having discharge more than three cumec and water depth more than one metre, CC 1:2:4 lining shall be provided. It was further stated that since the discharge was 13.03 cumec and water depth was 1.6 metre, CC 1:2:4 lining had been provided.

The reply is not acceptable as even in the main canal, where the discharge was more than 150 cumec⁵⁹ the department had adopted CC lining using CC 1:3:6.

2.3.8.5 Inclusion of unwarranted items of work in turnkey contracts

Clause 100.5 of the terms and conditions of turnkey agreements provide that the contractor shall prepare “Bill of Quantities” (BOQ) based on the detailed estimates for assessment of value of work to be done. After its approval by CE, this BOQ shall form part of the agreement. During scrutiny of turnkey contracts, we noticed instances of inclusion of unwarranted items of works in BOQ which are discussed in following paragraphs:

Inclusion of unwarranted item of additional lift led to undue benefit of ₹ 4.87 crore.

- In works contracts, lead provided includes lift up to 1.5 metre. Once lead is provided, additional lift beyond the initial lift of 1.5 metre is not allowed. In two turnkey contracts, it was noticed that additional lift was provided and paid for quantities for which lead had already been included. This resulted in undue financial aid of ₹ 4.87 crore to the contractor as detailed in the table below;

⁵⁸ Cost of CC 1:2:4 as per 41RA bill 7637.868 cu m @ ₹ 3285.93 = ₹ 25097500/-
Cost of CC 1:3:6 as per provision of TC and earlier agreement 7637.868 cu m @ ₹ 2728.37 = ₹ 20838930/- (Difference ₹ 4258570/-)

⁵⁹ Turn key contract for the work of Sleemanabad carrier canal from RD 104 km to RD 129 km

Table 2.19

Sl no	Name of work	Agt no	Quantity transported with lead and additional lift ⁶⁰	Difference in rate of earthwork ⁶¹	Amount in crore
1	Sleemanabad Carrier canal from RD 104 km to RD 129 km	1 DL/ 2007-08	937616 cu m earth	23.61 per cu m	2.21
2	Work of main canal from RD 129 km to 154 km	2 DL/ 2007-08	328393 cu m DR/ HR ⁶²	81 per cu m	2.66
		Total			4.87

Inclusion of unwarranted item of CNS, watering and compaction led to undue benefit of ₹ 1.56 crore.

The Vice Chairman, NVDA during exit conference directed the field formations to regulate the payment as per actual execution.

- In two contracts, in the item for providing CNS⁶³ material in lining work, lead of CNS material and lead of water used for laying CNS were included to arrive at the clubbed rate payable to the contractor. Records revealed that though the item of excavation of hard moorum was already included in the BOQ, unwarranted provision of providing and laying the CNS resulted in undue financial benefit of ₹ 1.56 crore to the contractors as detailed in the table below;

Table 2.20

Sl no	Name of work	Agt no	Quantity executed for CC lining	Rate paid	Rate payable ⁶⁴	Amount in crore
1	Sleemanabad Carrier canal from RD 104 km to RD 129 km	1 DL/ 2007-08	45954.259 cu m	4592 per cu m	4367.433 per cu m	1.03
2	Work of main canal from RD 154 km to RD 197.650 km	4 DL / 2008-09	41820.88 cu m	3904.53 per cu m	3778.13 per cu m	0.53
		Total				1.56

The Vice Chairman during exit conference agreed to look into the matter and circulate instructions to field formations for regulating the payment schedule as per actual execution.

2.3.8.6 Incomplete left over work resulted in under utilisation of IP

According to technical circulars issued by the WRD, head regulators are constructed to regulate the flow of water into the distribution canals. Bilgawan and Kund distributary off-taking from RD 54.045 km and RD 62.86 km of the main canal are designed to irrigate CCA of 1951 ha and 5874 ha, respectively. An expenditure of ₹ 30.20 crore was incurred on these works (May 2009).

⁶⁰ Position as on July 2011.

⁶¹ The rate difference has been worked out by excluding the rate of inadmissible additional lift.

⁶² DR/HR: Disintegrated rock/ Hard rock

⁶³ Cohesive non swelling

⁶⁴ The rate payable has been worked out by excluding the amount of unwarranted provision for providing and laying of CNS.

Non completion of works of distributaries resulted in unfruitful expenditure of ₹ 30.20 crore.

We observed from records that out of seven sets of one canal gate and one head regulator required to be constructed for Bilgawan distributary, only one set was completed. Similarly, for Kund distributary none of the 25 required head regulators was completed. Owing to the slow progress of the work, department withdrew the work from the contractor (December 2008 and August 2009). Balance work remains to be awarded even after lapse of two years. This has deprived the farmers of the intended benefits and also resulted in the expenditure of ₹ 30.20 crore⁶⁵ remaining unfruitful.

The CE during exit conference stated (August 2011) that tenders for the balance work were being invited.

The reply which does not explain why the department failed to ensure completion of balance work of head regulators and gates at the earliest and to utilise the created IP at the earliest possible, is unacceptable.

2.3.9 Contract Management

Contract management is the process of systematically and efficiently managing contract creation, execution, implementation and analysis for the purpose of maximising financial and operational performance and minimising risk. The works contracts in Phase I and II of BDP were initially executed either on item rate contracts or on lump sum basis. Later, in Phase III to V, the department switched over to turnkey contracts. Issues noticed in audit of item rate contracts and turnkey contracts are discussed in succeeding paragraphs.

2.3.9.1 Creation of indefinite liability in turnkey contract of consultancy

Clause 204 (1) of the Financial Rules of the Government stipulate that the terms and conditions of the contract must be precise and definite and without any ambiguity. The terms should not involve an uncertain or indefinite liability.

The consultancy contract for the work 'Slemanabad carrier canal from RD 104 km to RD 129 km of RBMC' awarded (May 2009) to a firm at a cost of ₹ 10.28 crore was to be completed in 45 months (February 2013) including the rainy season. The contract provided payment of escalation at the rate 10 *per cent* per annum of the quoted rates for the works carried out after expiry of 45 months. Total value of consultancy work done and paid through 11 RA bill was ₹ 1.38 crore (February 2011).

An appropriate clause was not included in interlinked contracts to meet liability arising from another contract.

The work of the consultant was linked to the progress of construction of Sleemanabad carrier canal awarded to another contractor. As per the contract with the consultant, any delays caused by the contractor in the construction work beyond the scheduled completion period of 45 months would automatically result in payment of escalation to the consultancy contractor. While the consultancy contract provided for payment of escalation, corresponding penal provisions were not incorporated in the construction

⁶⁵ ₹ 8.20 crore and ₹ 22.00 crore

contract to ensure that the department does not suffer additional liabilities on account of failure of the construction contractor.

We noticed that the above work was scheduled to be completed by July 2011. Only 14.28 *per cent* had been executed till July 2011. The scheduled period of consultancy contract ends by February 2013. In the absence of an enabling clause, the escalation charges payable to the consultant on account of delay in completion of the project will have to be borne by the Government. Thus, entering into contract with uncertain/indefinite liabilities was against the provisions of financial rules and not in the interest of the Government.

The Vice Chairman during the exit conference admitted the lopsidedness in the two contracts but promised no specific action.

2.3.9.2 Irregular return of performance security, security deposit and bank guarantee

According to clause 4.3.17.2 of the item rate contract, the security deposit and performance security of the contractor shall not be refunded before the settlement and payment of final bill. Clause 3.28 further stipulates that the approving authority will have the power to retain the amount of Additional Security Deposit (ASD) till the finalisation of the work.

According to clause 113.6 of turnkey contracts, employer would make advance payment to contractor against an unconditional bank guarantee (BG) and the BG shall continue to be enforceable till all dues have been fully paid by the contractor.

Performance security/ bank guarantee for ₹ 11.85 crore were prematurely released to contractors.

On scrutiny of records, we observed that in case of three item rate contracts and two turnkey contracts for construction of main canal, the performance security/ASD of ₹ 3.35 crore and bank guarantee of ₹ 8.50 crore were refunded/released as detailed in **Appendix-2.38** despite the fact that the works were delayed and incomplete. Irregular refund of performance security/ASD and release of bank guarantee not only resulted in undue financial aid but also exposed the department to financial risk in the event of contractors leaving the work incomplete.

The Vice Chairman, during the exit conference, accepted the facts of premature release of various guarantees and assured that orders for resubmission of guarantees would be issued.

2.3.9.3 Inaction of the department led to non-recovery of debitable amount

According to clause 14 of lump-sum tender document, the Engineer in Charge shall have power to take action in the event of delay in completion or suspension of the work and his decision shall be final and binding on the contractor.

Debitable amount of ₹ 7.65 crore was not recovered from defaulting contractor and there was an excess payment of ₹ 2.01 crore due to inflated measurement.

The work of construction of canal siphon cum two lane road bridge at RD 92.667 km on Belkund river awarded (October 2005) at a lump sum amount of ₹ 9.27 crore was delayed by the contractor and the contract was rescinded (December 2010). Till the time of rescinding the contract, an amount of ₹ 6.43 crore had been paid (June 2010) to the contractor.

Though the work was rescinded (December 2010) under debitable clause of the contract, final bill of the contractor had still (July 2011) not been settled as the contractor was not present for taking final measurements of executed quantities. The final measurements of the rescinded contract were carried out only in June 2011 and it was noticed that the measurements adopted for payment were inflated and excess payment of ₹ 2.01 crore had been made to contractor as detailed in **Appendix-2.39**. Meanwhile, the balance work of ₹ 2.84 crore was awarded (June 2011) to another contractor at ₹ 10.49 crore. Thus, in addition to excess payment, debitable cost of ₹ 7.65 crore was recoverable from the contractor, against which SD of ₹ 81.29 lakh only was available with the department.

The Vice Chairman assured to take action for recovery from the contractor on account of inflated measurements, after verification.

2.3.9.4 Short recovery of mobilisation and machinery advance

Clause 113.6 B and C of the turnkey contract agreement provided that mobilisation advance shall be recovered through percentage deduction from interim payments, commencing when the total interim payments reaches 10 *per cent* of the contract price. The deduction shall be made at the rate 12.5 *per cent* of the amount of interim payments until the whole amount has been recovered.

Similarly, equipment advance must be recovered from the interim payments of the contractor at the rate of 6.25 *per cent*, after completion of 10 *per cent* of value of work (contract price).

Short recovery of mobilisation and machinery advance led to undue financial aid of ₹ 13.28 crore.

On scrutiny of agreement for execution of RD 104 km to RD 129 km of main canal, we noticed that the contractor was paid mobilisation and machinery advance to the extent of ₹ 119.85 crore. At the end of March 2011, up to 14.28 *per cent* of the work valued at ₹ 144.14 crore was completed by the contractor. It was seen that against the recoverable amount of ₹ 21.40 crore, the department had recovered an amount of only ₹ 8.12 crore from the RA bills of the contractor. This resulted in undue financial aid to the tune of ₹ 13.28 crore to the contractor.

EE stated that if the recovery of ₹ 13.28 crore is done in one stroke, there would be no payment due to the contractor in many forthcoming RA bills, which could hinder the progress of work and result in legal difficulties. It was further stated that the recovery at the rate 14.30 *per cent* as against 12.50 *per cent* for mobilisation advance and at the rate 7.15 *per cent* for equipment advance has been started to compensate the short recovery.

The reply, however, did not explain why the irregularities were allowed in the first place and how its recurrence would be prevented.

2.3.9.5 Irregular modification of escalation clause

Standard tender document provided that the whole-sale price index as published by Government of India, Ministry of Industry, office of the Economic Advisor would be the basis for computation of price escalation. According to this index, the whole-sale price index (WPI) of all commodities was taken for computation of escalation against cement, steel and other material. According to the rule 21 of Madhya Pradesh Financial Code Vol I, Chapter 2, Section IV, any change in any clause of Standard Bidding Document (SBD) required prior approval from Law and Finance department.

Our examination of the records revealed that at the demand of contractors for rational price escalation, the department proposed (January 2008) to modify⁶⁶ the multiplying factor and variables⁶⁷ of the price escalation formula in the SBD in conformity with the formula as adopted by Construction Industries Development Council (CIDC) as suggested by the contractor.

Irregular modification in SBD led to extra expenditure of ₹ 5.97 crore.

The proposal to amend the escalation clause in the SBD was sent to the Government for approval in January 2008. The Government on 4 October 2008 issued an order, approving modification of the escalation formula in the SBD.

Even before the approval of the Government was available, the department invited bid and entered (February/ March 2008) into the contracts with amended escalation clause whereby the multiplying factor was altered from 0.75 to 0.85, in three works under three divisions. The indices of cement were also replaced (February 2009) by the whole-sale prevailing market rates instead of the WPI published by Ministry of Industry. Invitation of bids and award of contracts on the basis of SBD containing revised escalation clause at a stage when these did not have the approval of Government was irregular as the SBD as amended, was unauthorised. It also cast a extra financial burden of ₹ 5.97 crore on the Government, as detailed in **Appendix-2.40**.

The Vice Chairman during the exit conference ordered investigation of the case.

2.3.9.6 Non imposition of penalty for delay

According to the contractual clauses, in the event of any shortfall in the progress of work by more than 20 *per cent* of scheduled programme, penalty shall be imposed on the contractor at the rate 0.1 *per cent* per day of the shortfall value during the period of respective six month. The cumulative penalty for all the six monthly periods shall, however, be limited to 10 *per cent* of the contract value. In terms of clause 115.2 of turnkey contracts, besides levy of penalty as stated above, total delay in excess of 100 days

⁶⁶	<p>Provision as per SBD $V = 0.75 * P_s * R * (X - X_o) / X_o$ Where P_s = percentage of component i.e. Labour, POL, Material, Cement, Steel R = Value of work done during respective quarter V = increase or decrease in the cost of work due to material, POL, cement</p>	<p>Modified Clause $V = 0.85 * P_s * R * (X - X_o) / X_o$</p>
⁶⁷	<p>X = average price index of all commodities for respective three months X_o = Base index of all commodities at the time of opening of tender</p>	

There was a loss of ₹ 8.20 crore due to non imposition of penalty for delay.

would be a cause for termination of the contract as well as forfeiture of the security and performance deposits.

During scrutiny of records of three out of four ND divisions executing the works on item rate tenders, it was noticed that penalty for delay ranging between 118 days and 439 days in execution of works was not imposed by the divisional officers according to the provisions of agreements. Non-imposition of penalty resulted in loss of ₹ 8.20 crore to the Government as shown in **Appendix-2.41.**

EEs stated (June 2011) that matter for delay would be scrutinised and penalty recovered before finalisation of work.

Further, in turnkey contracts of RD 104 km to RD 129 km and RD 154.05 km to RD 196.65 km the contractors had completed only 14 *per cent* and 62 *per cent* of the work respectively even after expiry of their stipulated period of completion. The department neither assessed the penalty recoverable as per the provisions of the agreement nor taken any initiative for termination of contract in terms of clause 115.2.

EEs stated that action would be taken after calculating the delay attributable to the contractors.

The replies were not convincing as penalties should have been assessed and recovered every six months according to the provisions of contract.

2.3.9.7 Undue favour to the contractor due to injudicious provision of excess quantity

The agreement for the work of excavation and construction of main canal from RD 102 km to RD 104 km was awarded (August 2004) to a contractor. The contractor could not complete the work and the balance work was awarded (December 2010) to another contractor as a debit work. The work was in progress (July 2011). According to specifications of canal lining for major irrigation projects, for channels carrying more than 3 cumec discharge, both the bed and side slopes should be lined with cast *in situ* M-10 (nominal mix 1:3:6) cement concrete.

Undue favour to the contractor due to provision of excess quantity.

While awarding the work to another contractor, the item of CC 1:3:6 (M-10) was excluded from BOQ by substituting in its place the specifications CC 1:2:4 (M-15). The quantity was simultaneously increased from 8512 cu m (M-10) to 13756.35 cu m (M-15). Change in original specifications precluded the department from recovering from the original contractor the extra cost of ₹ 4.39 crore⁶⁸. Besides, as the canal section, bed width, full supply depth and free board remained the same as in the earlier contract, increase in the quantity

⁶⁸

Quantity of lining provided in later contract in CC 1:2:4	13756.35 cu m
Amount to be paid as per later contract at ₹ 4706.62 per cu m	₹ 64745912
Quantity payable as per previous contract for CC 1:3:6	8512 cu m
Amount payable at the rate of ₹ 2450 per cu m for CC 1:3:6	₹ 2,08,54,400
Extra cost	₹ 4,38,91,512

of lining from 8512 cu m (M-10) to 13756.35 cu m (M-15) was not warranted and it created an inbuilt provision for recording inflated measurements and possible excess payment to the second contractor to tune of ₹ 2.47 crore⁶⁹. On being pointed out, EE stated that the item was substituted according to the direction of CWC because there was huge seepage in these reaches.

The reply is not acceptable as the recommendations of CWC were for construction of RCC open duct with adequate drainage arrangements and not for adopting a richer specification for CC lining. Further, in this work adequate drainage arrangements had already been provided to eliminate the hydrostatic pressure below the canal lining and this objective had been achieved by substantially increasing the quantities (271 to 10009 per cent) of some items as detailed in table below:

Table 2.21

Sl no	Particulars of item	Quantity as per previous agreement	Quantity as per later agreement	Percentage variation
1.	Pressure release valves	442 nos	1200 nos	271
2.	PVC drain pipes	4400 metre	12564 metre	286
3.	Sand as filter material	2994.20 cu m	8362.40 cu m	279
4.	Filter blanket	176 cu m	17616.81 cu m	10009

Thus, changing the specification for CC lining was neither on the basis of technical circulars nor CWC recommendations and decision to forego the opportunity to recover the extra cost has resulted in undue favour to the defaulting contractor.

2.3.9.8 Violation of contractual provisions led to excess payment

Once an agreement is entered into between the contractor and the employer, the contractor is solely responsible for executing the work as per the contractual provisions.

Irregular and excess payment of escalation of ₹ 53.27 lakh was beyond the scope of agreement.

Records of balance work of main canal from RD 42 km to 50 km and execution of Panagar and Matamar distributary system revealed that the tender did not provide for payment of escalation. Hence the entire payment of ₹ 53.27 lakh towards escalation was beyond the scope of the agreement and therefore, irregular.

The EE ND Dn 2 Panagar stated (June 2011) that the payment of escalation was made as per the directives of SE who, as the first arbitrator, had power to relax any clause of the agreement.

The reply is not acceptable as SEs do not have power to change the provisions of agreement, in a manner that increases the liability to the Government. The power of arbitrator, in case of matters referred to arbitration, is limited to interpretation of the terms of agreement.

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Quantity of lining provided in previous contract in CC 1:3:6	8512 cu m
Quantity of lining provided in later contract in CC 1:2:4	13756.35 cu m
Difference	5244.35 cu m
Rate in ₹ per cu m	4706.62
Amount in ₹	2,46,83,162/-

2.3.9.9 Hard rock not accounted for

USR of WRD provides that in case measurement of rock in pit excavation is not possible, measurement shall be taken as stack measurement. The excavated material shall be stacked for the purpose of measurement but no separate payment is admissible for stacking.

Excess payment of ₹ 61.55 lakh was made for work not done.

Records of construction of main canal from RD 129 km to RD 154 km revealed that the contractor had excavated about 7.45 lakh cu m of hard rock. The excavated HR was neither stacked nor taken in MAS account of sub engineer. This resulted in excess payment of ₹ 61.55 lakh to the contractor as detailed in **Appendix-2.42**.

EE stated that instructions had been issued for stacking the useful material and for taking it into MAS account but did not explain why these instructions had not been complied with by the sub engineer.

2.3.10 Other points of interest

2.3.10.1 Non utilisation of excavated Hard Moorum as CNS material

Non utilisation of excavated CNS led to extra cost of ₹ 37.83 lakh.

According to technical circular issued by CE, UNZ, useful quantity of excavated hard moorum should be utilised as a substitute for CNS material in the work as per requirement.

On scrutiny of records, we observed that as main canal RD 42 km to RD 50 km passed through the part of alignment that was moorum rich, 3.56 lakh cu m quantity of excavation of moorum was included in the estimates. No separate provision for providing CNS material was made in the estimates because the excavated moorum was to be utilised as CNS material wherever required. Contrary to the above, a separate provision for 'providing and laying' 74708.62 cu m CNS material at the rate of ₹ 81 per cu m was made in the schedule of quantity of the agreement. Based on that, payment was made for 46709.861 cu m CNS. This led to extra cost of ₹ 37.83 lakh.

The EE ND Dn 2 Panagar stated (June 2011) that though the 3.56 lakh cu m quantity of excavation of moorum was included in the estimates, during excavation no CNS material was found.



View of availability of CNS material at RD 46.750 km of RBMC

The reply is not acceptable as 2.29 lakh cu m in all type of hard moorum was excavated and paid for. The moorum thus excavated was to be utilised as CNS material as per technical circular issued by CE, UNZ. Besides, the provision of CNS in the schedule of quantity even before the excavation of hard moorum was questionable.

2.3.10.2 Unwarranted execution of tamping and trimming

According to Irrigation specifications, work of tamping soil should be undertaken only in those reaches where compaction cannot be carried out through mechanical means.

Unwarranted execution of tamping and trimming led to extra cost of ₹ 42.68 lakh.

Records revealed that in four agreements under two ND divisions, tamping and trimming in canal bed and side slopes including saturation up to 30 cm depth for preparation of sub grade were executed and paid for as shown in the **Appendix-2.43**. It was further noticed that laying of CNS over the canal bed and side slope including its watering and compaction using mechanical means, were also included in these agreements. Therefore, a separate provision for tamping and trimming of soil was unwarranted and resulted in extra cost of ₹ 42.68 lakh.

The EE stated (June 2011) that the tamping in canal bed and side slope was made for preparation of earthen sub grade before laying lining.

The reply is not acceptable as the watering and compaction on CNS was already provided in the estimate to provide uniform line and grade to the section. As far as the trimming for preparation of earthen sub-grade was concerned, trimming was not allowed separately as the item of dressing was already included in all the items of earthwork.

2.3.11 Conclusion

The Bargi Diversion project scheduled to be completed by June 2014 has not fulfilled the objective due to non synchronisation of work of distribution system and field channels with main canal as only 710 ha out of the created IP of 36032 ha has been utilised. Neither land acquisition for distribution network of 1.75 lakh ha out of the targeted 2.45 lakh ha in Sone-Tons basin was done nor were the agencies fixed for its execution till March 2011. The deficit of water in Bargi reservoir would hamper realisation of projected irrigation through BDP until the proposed three feeder reservoirs are completed. Abnormal delay in execution of Sleemanabad Carrier Canal (tunnel of 12 km) would be a major bottleneck in achieving the objective of irrigating 1.88 lakh ha in downstream of the tunnel.

During the period of 2006-07 to 2010-11, NVDA did not face any significant financial constraints in implementation of the project as programmed. The canal construction work, however, could not be completed within the targeted date due to slow progress of works. Instances of deficiencies in execution of works due to ill planning, non observance of technical specifications, execution of unwarranted items in turnkey contracts, premature release of guarantees and deficient contract management etc. occurred and resulted in excess and irregular payments as well as financial aid to contractors to the extent of ₹ 133.81 crore.

2.3.12 Recommendations

Government may consider;

- adopting an appropriate work executing strategy and monitoring mechanism to synchronise main canal works with creation of distribution network with a view to exploit the created potential with minimum time lag,
- ensuring that before taking up works of large magnitude proper survey is conducted before preparation of estimates so as to avoid abnormal variation between estimated quantities and actual execution at later stages.
- adopting the recommendations of CWC and GSI promptly to avoid any kind of failure, increase in the cost and time over run of the project,
- rules governing contract management should be followed strictly so as to avoid excess payment/ undue benefit to the contractor.

Rural Development Department

2.4 Planning, implementation and System effectiveness of “Pradhan Mantri Gram Sadak Yojana”

Executive summary

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by Government of India (GOI) in December 2000 with the object of providing connectivity by way of all weather roads (AWRs) to un-connected rural habitations with a population of 1000 persons or more by the end of March 2003 and those between 500 and 999 persons by March 2007. The Government of Madhya Pradesh (GOMP) on 23 December 2000 established Madhya Pradesh Rural Road Development Authority for implementation of the scheme of the State. Between April 2006 and March 2011, GOI sanctioned ₹ 9989.84 crore, which included a loan component of ₹ 1321.39 crore from Asian Development Bank for construction of 8459 roads (37021 Km).

- As against a target of 8459 roads, only 6229 roads were constructed during 2006-07 to 2010-11 resulting in shortfall of 25 *per cent*.
- In 1083 out of 3287 roads taken up in 2007-08, length was reduced at implementation stage resulting in reduction of aggregate road length approved under the DPRs by 557.84 km and over drawal of Central assistance under PMGSY to the extent of ₹ 103.20 crore
- The Project Implementation Authority gave priority to up-gradation of existing roads resulting in under achievement of targets set for adding new roads, as also of the projected extent of connectivity.
- Forty-two roads measuring 161.19 km, proposed to be constructed with PMGSY funds, were abandoned due to various reasons. An amount of ₹ 1.60 crore spent on partial construction of these roads, to be borne by the State Government, proved to be wasteful.
- Out of 153 packages terminated, in 130 packages, recovery amounting to ₹ 76.83 crore was pending against contractors whereas the department had only ₹ 22.22 crore available in the form of deposits from these contractors.
- The Project Implementation Authority made excess payment of ₹ 6.99 crore to contractors due to inflated measurement of works.
- Insurance cover to works amounting to ₹ 598.86 crore was neither provided by the contractor nor insisted upon by Programme Implementation Units (PIUs) resulting in undue financial aid of ₹ 1.19 crore to contractors.
- Plantation of fruit bearing trees along the road side had not been carried out as per the guidelines of the PMGSY.

2.4.1 Introduction

Rural road connectivity is a key component of rural development as it secures access to economic and social services thereby generating increased agricultural incomes and productive employment opportunities that help ensuring sustainable poverty reduction. Notwithstanding the efforts made, over the years, at the State and Central levels, through different programmes, about 40 *per cent* of the habitations in the country are still not connected by all-weather roads. With a view to redress the situation, Central Government, in December 2000, launched the Pradhan Mantri Gram Sadak Yojana to provide all-weather access to unconnected habitations.

In Madhya Pradesh, about 17 *per cent* of the habitations were not connected by all-weather roads by the end of March 2011.

2.4.2 Organisational set-up

Ministry of Rural Development (MoRD), GOI assisted by National Rural Road Development Agency (NRRDA), is the prime authority and the co-ordinating Ministry to frame the policy and guidelines for implementation of the programme. The planning and implementation of the individual schemes is the responsibility of the State Government. Government of Madhya Pradesh (GOMP) established (December 2000) Madhya Pradesh Rural Road Development Authority (hereinafter referred to as the Authority) as a Society registered under MP Society Registration Act, 1973. It is headed by a Chief Executive Officer (CEO) who is assisted by five Chief General Managers (CGM). At the field level, the construction of road works is being executed through Project Implementation Units (PIUs) each headed by a General Manager (GM). The Authority also engaged consultancy services for (i) survey/investigation and preparation of detailed project reports (DPRs) and (ii) supervision and quality control of civil works.

2.4.3 Scope of audit and methodology

This report covers the period from 2006-07 to 2010-11. Information and data was also collected from office of the Chief Executive Officer (CEO) of the Authority. Based on criteria embedded in PMGSY guidelines issued by GOI, provisions of operation Manual, instructions and guidelines issued by Authority/National Rural Road Development Authority (NRRDA), records related to planning, implementation and effectiveness of system of supervision at the apex level were scrutinised. The aspects of execution, financial management, quality control, internal control and other related issues obtaining at the lower level formation i.e. the programme implementation units (PIUs) have not, however, been covered in this study.

2.4.4 Funding Pattern

The PMGSY is a 100 *per cent* Centrally Sponsored Scheme in which direct funding through GOI is supplemented, since 2004-05, by a loan from Asian Development Bank (ADB). The cost of implementation of the programme viz.

establishment & administrative expenses, formulation of block /district-wise Master Plan, DPRs, work of supervision and quality control, cost overrun, if any, and tender premium etc, however, is to be borne by the GOMP. Against an aggregate sanction of ₹ 9989.84 crore, the expenditure on the implementation of PMGSY between April 2006 and March 2011 was ₹ 7136.30 crore including ₹ 705.50 crore from ADB funds.

2.4.5 Audit Objectives

The objectives of the audit were to assess whether,

- Targets set were achieved,
- Planning of the project was done effectively; and
- Contractual management was effective.

2.4.6 Audit findings

2.4.6.1 Targets and achievements

The target and achievements during the five years period from 2006-07 to 2010-11 was as under:

Table: 2.22

Sl. No	PMGSY Phase/A DB Batch	Sanctioned			Completion up to March 2011			Shortfall			Works not taken up/completed
		No of Roads	Length (km)	No. of Habitations	No of Roads	Length (km)	No. of Habitations	No of Roads	Length (km)	No. of Habitations	
1	Phase VI	1243	5653	1612	1155	5374	1536	80	262	76	8
2	Phase VII	1182	4935	1152	977	3962	1011	192	926	141	13
3	Phase VIII	1332	5158	1328	1087	4376	1082	236	696	246	9
4	Phase IX	1579	6903	109	1446	6623	102	106	280	07	27
5	Phase X	1935	8918	80	1009	5293	48	926	3625	32	-
6	LWE ⁷⁰ Affected Dist.	138	418	81	13	93	12	125	325	69	-
7	ADB Batch-IV	546	2501	663	506	2488	526	35	-4	137	5
8	ADB Batch-V	504	2535	689	36	385	42	468	2150	647	-
Total		8459	37021	5714	6229	28594	4359	2168	8260	1355	62

(Source- Progress report from O/o the CEO MPRRDA)

As against a target of 8459 roads, only 6229 roads were constructed during 2006-07 to 2010-11 resulting in shortfall of 25 per cent.

The guidelines of PMGSY stipulates that at the time of preparation of DPR, the PIU will hold consultations with the local community to determine the most suitable alignment and sort out issues of land availability including forestland. A certificate that land is available must accompany the proposal for each road work.

The GOI had fixed the targets in a phased manner. Phases VI (2006-07) to X (2008-09), including batches which contemplated execution of 8459 roads, having a length 37021 km of ADB funded schemes during the same time frame, in specific periods are still ongoing despite expiry of their completion

⁷⁰ LWE: Left Wing Extremist

dates. Only 6229 roads with road length 28594 km had been completed. The shortfall was twenty five *per cent*. As of March 2011, 5714 habitations were planned to be connected whereas only 4359 habitations were actually provided road connectivity under PMGSY. The construction works were lagging behind schedule mainly due to lack of planning, incorrect selection of roads, local hindrances on account of land disputes, forest clearances and slow progress of works.

The Authority accepted the above reasons for shortfall.

2.4.6.2 Programme planning- deficiencies in selection of roads

(i) Preparation of DPRs not in consonance with guidelines

The Operation Manual of the PMGSY stipulates that the DPR should be based on detailed survey and investigations, design and technology choice etc. and should be of such detail that the quantities and costs are accurate and no changes take place necessitating cost variation, scope of work or quantities there under at the time of execution.

Reduction in road length against that proposed in DPRs resulted in inflated project cost amounting to ₹ 103.20 crore.

A review of the available data of the work taken up during year 2007-08 selected for test check in audit, revealed that out of 3287 roads for which DPRs valuing ₹ 3678.03 crore were sanctioned by NRRDA, length of 1668 roads was either increased or decreased. In 585 roads, length was increased by 144.06 Km resulting in extra cost of ₹ 42.54 crore. In 1083 roads (33 *per cent*) length was reduced by 557.84 km. In 317 of these roads, reduction ranged from 0.5 to 5 km (299 roads), 5.1 to 10 km (15 roads) and 10.1 to 18 km (03 roads). The cost saving due to reduction of length was ₹ 145.74 crore. The net variation of the aggregate project cost by ₹ 188.28 crore (6.6 *per cent*), was significant enough to indicate inadequate survey before preparing the DPRs. It also resulted in inflation of overall project cost during respective phases and over drawal of central assistance to the extent of ₹ 103.20 crore.

Inflated DPRs also provided a cushion to absorb the increase in the cost of execution due to price increase, variation in quantities, etc. which, as per PMGSY guidelines, were to be met by the GOMP.

The Authority replied (June 2011) that in such a voluminous and scattered programme, some deviations were unavoidable and negligible. It further stated that the deviations were due to villagers' unwillingness to donate land, change of alignment, etc.

The reply is not acceptable. Reduction in road length of 557.84 km out of 13377 km (4.17 *per cent*) in 2007-08 alone cannot be considered negligible. Moreover, DPRs were to be prepared only after considering the availability of land, willingness of villagers, etc.

(ii) Non observation of priority in selection of roads

Though the targets were set for both-new connectivity as well as upgradation of roads, MPRRDA gave priority to upgradation of existing roads.

The guidelines of PMGSY envisaged connectivity in the following order of priority.

- Priority -1 Unconnected habitations having population of 1000 and above.
- Priority - 2 Unconnected habitations having population 500-999.
- Priority - 3 Unconnected habitations having population 250-499.
- Priority - 4 Upgradation of roads.

The Central Government launched Bharat Nirman scheme in year 2005-06, to cover under PMGSY all unconnected eligible habitations in the country by the year 2009. It was also proposed to upgrade existing associated roads to ensure farm to market connectivity.

We observed that despite existence of 6333 unconnected habitations in priority 1 to 2 areas, (as of 31 March 2011) 44.85 *per cent* of the total expenditure of ₹ 7136.30 crore incurred under PMGSY during 2006-07 to 2010-11 was utilised for upgradation of 3358 roads. The target achievement in upgradation of these roads was 91 *per cent* as against 74 *per cent* in the case of new roads. Thus the order of priority set under PMGSY was unsettled in favor of improving existing roads connectivity at the cost of leaving a large number of habitations inaccessible.

The Authority replied (June 2011) that the upgradation work was got carried out as per targets fixed by NRRDA under Bharat Nirman.

The reply is not acceptable because under Bharat Nirman scheme also, provision was given for connecting unconnected habitations which should have been completed by the year 2009.

(iii) Abandoning of roads covered under core network

Non adjustment/ refund of sanctioned amount of abandoned roads to NRRDA and Unfruitful expenditure of ₹ 1.60 crore on abandoned roads.

The guidelines envisage various steps in the planning process and the role of different agencies for preparation of Core Network which is the minimal Network of roads (routes) that is essential to provide basic access to essential social and economic services to all eligible habitations in the selected areas through at least a single all-weather road connectivity.

The impediments like non availability of land, land dispute and forest clearance etc. were required to be sorted out and resolved before inclusion of roads in the Core Network.

The Core Network was to be finalised considering all the aspects like panchayat level permission, block level permissions, views and concerns of local elected representatives including MPs and MLAs.

It was observed (May 2011) that:

- Forty four roads from phase I to IV including some ADB funded works were abandoned. As per guidelines, the amount sanctioned and released for construction of 190.41 km of these roads was ₹ 33.15 crore. As per the instructions of the NRRDA, the sanctioned amount should have been surrendered, which was not done.
- It was further observed (May 2011) that after phase IV, 42 roads measuring 161.19 km were abandoned due to non-availability of land, land disputes, forest land and roads taken by other agencies. An amount of ₹ 1.60 crore was spent on partial construction of these roads, which resulted in wasteful expenditure to this extent.

Despite the instructions of NRRDA, details of all the roads abandoned after Phase-IV and ADB batch-III were not communicated to NRRDA by the Authority.

The Authority replied (June 2011) that hurdles like land disputes, forest land, and roads taken up by other agencies, executed roads of PMGSY through other schemes were noticed at the time of actual execution and that selection of road works was guided by State Government's own priorities. The Authority also stated that decision on dropping the roads was yet to be taken and the expenditure of ₹ 1.60 crore on these works was not final.

The reply was not acceptable as DPRs were to be prepared after consultations at panchayat level to District level, after considering all the aspects and to eliminate all impediments upfront. The argument of Authority that State Government had its own priorities under which its roads were taken up for construction through other schemes was unacceptable because once core network had been approved by NRRDA and funds were sanctioned for the works covered under the network, there was no scope for any change therein.

2.4.6.3 Contract Management

(i) Inaction in recovery of dues from defaulting contractors

MPRRDA failed to recover dues amounting to ₹ 54.61 crore from defaulting contractors.

The clause 52 of the standard bidding document empowers the employer to terminate the agreement due to fundamental breach of the contract. In addition, clause 53 provides that any amount recoverable from the contractor shall be recovered from the security deposit and performance security of the contractor. If any amount is still left un-recovered, it will be a debt payable by the contractor to the employer.

Scrutiny of the data made available to audit revealed that out of 153 packages terminated, recovery amounting to ₹ 76.83 crore was pending in 130 packages against contractors. The department had recovered only ₹ 22.22 crore from all the contractors available in the form of Security Deposit, performance securities, miscellaneous deposits and adjustment of some withheld amounts. In 30 cases, letters were written to Collectors for issuing revenue recovery certificate (RRC) against the defaulting contractors whereas 14 cases were under litigation. No action was taken to recover balance amount of ₹ 54.61 crore from the remaining 86 defaulting contractors. This fact was not disclosed

in the consolidated accounts of the Authority for the year ended 31 March 2010.

The Authority confirmed the recoverability of above dues and stated (June 2011) that the figures of recovery were tentative and that RRCs have been issued in 61 out of 153 cases. It was, however, noticed that authority's efforts had not resulted in realisation of its dues even after a lapse of 6 years.

(ii) Loss to Government due to inflated measurement

Contractors were paid on inflated measurement resulting in loss to Government of ₹ 1.47 crore.

The Operational Manual of NRRDA envisaged that the value of work executed shall be determined on the basis of measurements by the Engineer. Further, for effective Quality Control, various categories of tests are to be carried out in the presence of the JE (50 per cent), AE (20 per cent) and EE (five per cent). In absence of satisfactory tests, payment cannot be made to the contractors.

From the final measurements taken after rescinding of 52 packages, we observed that in the penultimate running account bills, payments were made for inflated quantities. Even after respective PIUs adjusted amounts payable against final bills, there was still an excess payment of ₹ 6.99 crore to contractors. Scrutiny of 10 out of 52 terminated packages of four⁷¹ PIUs revealed that even quantity of finished items of road works viz. CC pavements and other CC structures, finished BT Surfaces, hume pipe works, excavation of hard rock and fixing of sign boards paid in previous running bills were reduced in the final bills to the extent of ₹ 1.47 crore as detailed in **Appendix-2.44**.

This indicates that bills were not being passed after due scrutiny and final quantities of work were being shown in the bills without carrying out validation tests resulting in payments being made for inflated quantities.

The Authority in its reply (June 2011) advanced the following reasons for the excess payments:

(a) Deterioration of roads due to traffic in the period between termination of contract and final measurement. (b) Payment was regulated on the basis of final measurement of the deteriorated roads. (c) Recovery of amounts for the below specification works.

The reply was not acceptable as (a) There was reduction in quantities in final bill even for finished pavement course, which are not susceptible to rapid deterioration. (b) The payment made till penultimate bill was therefore based on inflated measurements. (c) Payment for work should have been made only after the required quality control tests. Payments for below specification works was, therefore, *ab initio* incorrect.

⁷¹ Jabalpur, Shahdol, Sehore and Ratlam

(iii) Short levy of liquidated damages

The agreement executed by Authority with contractors for execution of PMGSY and ADB works clearly stipulated that if the contractor fails to achieve the milestones prescribed in the agreement, he would be liable to pay liquidated damages at the rate of one *per cent* per week for the periods of delay, subject to a maximum of 10 *per cent* of the contract value. As per directions (August 2006 and January 2008) issued by the General Administration Department, sanctions of all-time extension were required to be issued as a 'speaking order' duly analysing the reasons in support of decision.

Short levy of penalty due to delay in completion of works resulting in financial aid of ₹ 3.63 crore to the contractors.

In eight packages with aggregate contract price of ₹ 40.59 crore, the contract clearly specified completion of work in nine months, excluding three months of rainy season. The contractors failed to achieve the prescribed milestones. The G.Ms. of the PIUs, after analysing the reasons, attributed the delays to contractors and proposed grant of extension of time after levy of penalty/liquidated damages as prescribed in the agreement. Hence, liquidated damages of up to ₹ 4.06 crore were leviable in these cases for the delay attributable to the contractors.

Contrary to the above, the Chief Executive Officer of the Authority, however, imposed penalties at the rates ranging from 0.25 *per cent* to two *per cent* as against penalty of 10 *per cent* as provided in contracts without issuing any speaking order in support thereof. In doing so, the CEO had overlooked the proposals made by the GMs of PIUs that provided for levy of penalty as per the terms of agreement.

This resulted in short levy of liquidated damages in eight cases to the tune of ₹ 3.63 crore as shown in **Appendix 2.45**.

On being pointed out, the GMs stated that quantum of penalty was decided by the CEO after hearing both the parties.

Reply was not acceptable because the penalties were reduced without justifying the reason for imposing lower penalties. Arbitrary reduction of the quantum of penalties was not in the interest of Government. Besides, as per instructions of Finance Department (May 2009) while exercising discretion for determination of quantum of penalty, the minimum penalty should not be less than 80 *per cent* of the penalty as prescribed in contract document.

(iv) Works not insured by contractors

Clause 13 of the agreement executed with the contractors provided that the contractor at his cost shall provide insurance cover to loss or damage to work, plants, materials and personal injuries from the start date to the date of completion in the joint names of the employer and the contractor.

Non insurance of works amounting to ₹ 598.86 crore resulted in undue financial aid to contractors of ₹ 1.19 crore.

The agreement also provided that if the contractor fails to comply with this provision, such failure shall be a fundamental breach of agreement making the contract liable to be terminated.

Scrutiny of 133 packages revealed that in all packages, neither the contractors submitted the insurance policies to PIUs nor they were insisted upon by the latter. Non enforcement and violation of this important provision of the agreement resulted undue financial aid of ₹ 1.19 crore⁷² to contractors being insurance premium that contractors did not pay. Token amounts deducted by PIUs from the contractors in some package did not serve the purpose as works costing ₹ 598.86 crore (133 works) executed between 2004 and 2010 remained uninsured against loss or damage (**Appendix 2.46**).

On being pointed out, the GMs accepted the audit observation and stated that instructions were being issued to contractors for insuring the works.

2.4.6.4 Non-plantation of trees

The guidelines provide planting of fruit bearing and other suitable trees on both sides of the roads, with a view to improving green cover and to conserve soil. The expenditure thereon was to be borne by the State Government. NRRDA had also directed (June 2006) the State agencies to ensure plantation on PMGSY roads by utilising resources available under Sampoorna Rozgar Gramin Yojana (SRGY) and Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS) and to make coordinated efforts at State level so that large scale plantation can be taken up during the ensuing monsoon (June 2006).

We observed that no plantation work was got carried out on PMGSY roads, as the Authority failed to coordinate with their counterparts in SRGY and MNREGS which was entrusted with the work of plantation alongside PMGSY roads. As a result, the rural roads constructed under the programme were left without green cover though envisaged under the programme.

The Authority stated (June 2011) that the plantation works alongside PMGSY roads was entrusted with MNREGS. The fact remains the PMGSY roads were without green cover.

2.4.7 Conclusion

The targets set for construction of roads/habitations coverage were not met mainly because of lack of planning, incorrect selection of roads, land disputes, forest clearance and slow progress of work. The planning for the roads work was deficient as DPRs were not prepared according to the guidelines of PMGSY and main thrust of the Authority was on upgradation of existing roads instead of new roads. The Authority failed to enforce mandatory insurance of all works by the contractors and there was inaction in recovery of dues from defaulting contractors. There were instances of inflated measurements of works and consequential overpayment to contractors and short levy of liquidated damages for delays. The sanctioned amount of abandoned roads was neither adjusted nor refunded to NRRDA. Plantation of fruit bearing trees

⁷² 0.2% of contract amount (0.2% of 598.86 crore)

along the road side had not been carried out as per the guidelines of the PMGSY.

2.4.8 Recommendations

- The Authority should determine suitable alignment in consultation with local community and ensure land availability including forest clearance during preparation of DPRs and before taking of new roads for execution under PMGSY.
- The Authority should ensure insurance of works as per terms of agreements and correct measurement of works to avoid any over payment to contractors.
- The Authority should adjust or refund the sanctioned amount of abandoned roads to NRRDA.
- The Authority should ensure plantation of fruit bearing trees along the roadside.

Water Resources Department

2.5 Performance of Lift Irrigation Schemes

Executive Summary

Lift Irrigation Scheme (LIS) is one of the key components of rural development strategy as it promotes irrigation and generates economic opportunities through increased agricultural yield. LIS provides irrigation in high altitude lands that are not irrigable through normal gravity canals. Our examination of performance of 196 implemented LISs in Madhya Pradesh during 2005-06 to 2010-11 indicated that as many as 73 per cent schemes were non-functional. Execution and functioning of the schemes were found affected by factors like non-utilisation of irrigation potential, excess payment, irregular expenditure, non-recovery of liquidated damages and undue benefit to the contractors. Important findings on performance of LIS are given below:

- In 49 schemes (completed up to 2006) costing ₹ 44.71 crore, designed to irrigate 20397 hectare per year, actual irrigation fell from 3566 hectare in 2007-08 to 2876 hectare in 2010-11.
- Twelve minor schemes, constructed between 2006-07 and 2010-11 with irrigation potential of 3253 ha were reported non-functional since completion due to various reasons, rendering the investment of ₹ 14.24 crore unfruitful.
- The department incurred ₹ 6.05 crore on repair and maintenance of 78 non-functional schemes during the five years period from 2006-07 to 2010-11.
- Execution of work of Chambal LIS without clearance under Forest Conservation Act 1980, resulted in unfruitful expenditure of ₹ 27.85 crore.
- Irregular payment of ₹ 1.20 crore was made without erection and commissioning of rising main which resulted in loss of interest ₹ 6.88 lakh.
- Due to incorrect adoption of base rate for steel, the department made excess payment of ₹ 9.54 crore to the supplier for price variation.
- Payment of ₹ 9.21 crore was made for below specification work resulting in excess payment of ₹ 78 lakh.

2.5.1 Introduction

Lift Irrigation Schemes (LISs) are focused on promoting intensive agriculture in areas that have traditionally seen security crop cultivation because of absence of dependable irrigation and been characterised as less developed. Therefore, the Government of Madhya Pradesh have employed LISs as a key component of its rural development strategy as by enhancing the irrigation potential, it generates greater economic opportunities and pushes the indices of socio economic development in the targeted areas/population. It involve lifting of water by electrical and mechanical means, either from rivers, canals or from reservoirs to irrigate high altitude fields which are not irrigable through a

normal gravity canal. It is a combination of a device installed close to the water source for lifting water, which delivers water through rising mains to the distribution chamber, where water is taken to command area for irrigation through a normal canal system.

In Madhya Pradesh, till 1982, LISs were constructed and run by Madhya Pradesh Lift Irrigation Corporation. After winding up of the Corporation (1982), the LISs were transferred to Water Resources Department.

2.2 Organisational set up

Water Resources Department (WRD) is headed by the Principal Secretary who is assisted by two Engineers-in-Chief (E-in-C). The E-in-Cs are assisted by eight Chief Engineers (CE), one Commissioner Bansagar Project, one Project Director (World Bank Projects) and one Director Command Area Development, 36 Circles headed by Superintending Engineers (SEs), 142 Divisions headed by Executive Engineers (EEs). Chief Engineer (Electrical/Mechanical) is responsible for overall operation and maintenance of LISs through Light Machinery Tube wells and Gates (LMTW&G) divisions.

2.3 Audit Objectives

We conducted a limited scope thematic study of LISs in the State with a view to ascertain that:

- adequate funds were available and properly utilised,
- the process of planning was efficient and effective, the schemes were executed as planned and performance were as envisaged.

2.4 Audit Criteria

The criteria used in the course of our examination have been sourced from:

- Madhya Pradesh Works Department Manual and Irrigation specifications issued by the WRD, GOMP
- Rules and orders issued by the GOMP, WRD and contract documents of various LISs works executed by WRD.

2.5 Scope and methodology

The audit report covering the period of 2006-07 to 2010-11, has been prepared on the basis of our findings relating to execution and operation of LISs of 35 WR Divisions and further information collected between April 2011 and June 2011. Audit coverage includes 213 schemes, of which 180 schemes were constructed up to 2006-07 and 33(16 completed and 17 ongoing) schemes were taken up after 2006-07. Our audit findings were discussed with Principal Secretary, Water Resources Department in a meeting held in August 2011. We

acknowledge the cooperation given by WRD in the conduct of this thematic study.

2.5 Financial Management

Allotment for medium and major Lift Irrigation Schemes is made by the E-in-C separately. There is no separate budget provision for minor LISs and required funds for construction and maintenance are allocated by the CEs of the respective basins. Budget provision for schemes under command area of major irrigation projects is allotted under major head of each project.

2.5.7 Performance of the S

Performance related issues have been divided into two parts viz. performance of the schemes constructed up to March 2006 and schemes constructed after the period of March 2006 (April 2006 to March 2011) as schemes constructed up to March 2006 needs repair and maintenance only.

2.5.7.1 Performance of the schemes constructed up to March 2006

Audit scrutiny of performance of 180 schemes having irrigation potential 63,740 ha and implemented up to 2006 in 35 Water Resources (WR) Divisions, indicated that only 49 schemes were functional (March 2006). The remaining 131 schemes were non-functional. Our examination revealed the following:

- 131 schemes with irrigation potential of 43343 ha were reported as non-functional due to insufficient water (19), disconnection of electricity (25) and other reasons (87) such as damage of canal, silting of canal, non-functioning of pump, paucity of funds etc., as detailed in **Appendix-2.47**
- During the period from 2006-07 to 2010-11, 49 functional schemes costing ₹ 44.71 crore, designed to irrigate 20397 hectare per year have only irrigated 14 *per cent* of the targeted area at an average of 3020 ha per year. It was further noticed that actual irrigation fell from 3566 ha in 2007-08 to 2876 ha in 2010-11. Between March 2006 and March 2011, 23 of these 49 had been rendered non-functional as detailed in **Appendix-2.48**, due to insufficient water (15) and disconnection of electricity (08).
- For maintenance of dam and canal, WRD fixed (August 2004) a normative expenditure of ₹ 100 per ha per year. Of this, ₹ 80 per ha per year would be used for canal maintenance work through Water Users Associations under the Participatory Irrigation Management (PIM) and the balance ₹ 20 per ha per year would be used for maintenance of head work (dam) by the department. It was noticed that against the admissible expenditure of ₹ 1.66 crore on maintenance and repair of 78 non-functional schemes during 2006-11, as detailed in **Appendix-2.49**, the department had recorded an expenditure of ₹ 6.05 crore (₹ 5.21 crore departmentally and ₹ 84 lakh through PIM) which was far in excess of norms even when majority of these schemes had been rendered non-functional.

Forty nine schemes found functional and irrigated 300ha per year only against the designed irrigation of 209 ha.

Thus, out of 63740 ha of irrigation potential created up to March 2006 through 180 LISs, only 2876 ha was utilised in 2010-11, which was just 4.50 *per cent* of the targeted potential. The intended objective of creating socio-economic impact through better agriculture yield to the farmers through LIS had thus remained unfulfilled. As 95.50 *per cent* of LISs were not functioning, the proportionate investment of ₹ 74 crore⁷³ had been rendered unfruitful.

The department accepted (September 2011) the facts and informed that GOMP had also instructed the WRD to find out solution to revive the idling LISs.

2.5.7.2 Performance of the schemes constructed after March 2006

During the period from 2006-07 to 2010-11, 33 schemes (one major, three medium and 29 minor) were taken up by 16 out of 35 WR divisions test checked. While 31 schemes (one medium and 30 minor) were targeted for completion by March 2011, only 16 schemes had actually been completed. Scrutiny of related records by us revealed that:

- Four minor schemes costing ₹ 7.89 crore, designed to irrigate 1654 hectare CCA per year had actually irrigated on an average, only 315 ha per year during the past five years. This resulted in unfruitful investment of ₹ 6.39 crore⁷⁴ made for creating irrigation potential that remained unutilised. An expenditure of ₹ 99.83 lakh was incurred against the admissible amount of ₹ 6.62 lakh on repair and maintenance of three (out of four) schemes, resulting in excess expenditure of ₹ 93.21 lakh over norms as detailed in **Appendix-2.6** .
- Twelve minor schemes (**Appendix-2.6**) completed between 2006-07 and 2010-11 were reported non-functional since their completion due to various reasons e.g. insufficient water, non-connection of electricity, theft of transformer etc. Thus, the irrigation potential of 3253 ha from these schemes remained unutilised rendering the investment of ₹ 14.24 crore on these schemes unfruitful. Besides, expenditure of ₹ 71.78 lakh was also being incurred towards repair and maintenance of seven (out of 12) non-functional schemes.

Twelve schemes designed to irrigate 323 ha were found non-functional since completion.

The department accepted (September 2011) the facts and replied that non-utilisation of irrigation potential of the schemes is mainly due to interrupted power supplies.

Reply of the department is not acceptable as the schemes became non-functional mainly because of insufficient water, non-connection of electricity, theft of transformer etc. and availability of water and electricity should have been ensured before taking up schemes for execution.

⁷³ {77.49 – 77.49 x 2876/63740} = ₹ 74 crore

⁷⁴ {7.89 – 7.89 x 315/1654} = ₹ 6.39 crore

2.5 Execution

2.5.8.1 Irregular excess expenditure over administrative approval

According to Madhya Pradesh Works Department Manual (Para 2.005), revised approval of the competent authority should be obtained in case of works where the expenditure has exceeded or is likely to exceed more than 10 per cent of the approved cost.

Excess expenditure of ₹ 14.7 crore was incurred without obtaining revised administrative approval.

Test check conducted by us indicated that out of 33, in 15 schemes (eight completed and seven ongoing) against the administrative approval of ₹ 5.66 crore, an expenditure of ₹ 20.40 crore had been incurred. Revised administrative approval from the competent authority has not been obtained for such excess expenditure so far. This has resulted in irregular expenditure of ₹ 14.74 crore as detailed in **Appendix-2.5** .

The department had not submitted any specific reply in this regard.

2.5.8.2 Irregular payment without erection and commissioning resulted in loss of interest

Payment for erection and commissioning of rising main pipe line was made in excess of the actual erection and commissioning.

The work "Supply, erection, commissioning including Civil work of Rising main of construction of Banetha medium LIS" was awarded (March 2008) to a contractor for completion in nine months (up to December 2008). Seventeenth Running Account Bill for the gross value of work done ₹ 14.11 crore including price adjustment of ₹ 2.47 crore was paid (March 2011) to the contractor.

Special terms and condition of the agreement provided that payment against supplies shall be 85 per cent and that the remaining 15 per cent shall be payable after erection and commissioning of the pipe line (rising main).

We noticed that out of 3960 metre pipes supplied, only 990 metre pipe was erected by the supplier. Yet the erection and commissioning charges for the entire set of 3960 metre pipes supplied, was paid (March 2011) to the supplier. This resulted in irregular payment of ₹ 1.20 crore⁷⁵ for work not done and consequential loss of interest (₹ 6.88 lakh⁷⁶).

⁷⁵

90 per cent of erection and commissioning charges paid, 3960 metre X 23768 X 15 per cent	=₹ 1,27,06,673
Price variation paid 100 per cent, 24710604x15/100	=₹ 37,06,591
	=₹ 1,64,13,264
Payable for 990 m 3529548(990x23768x15/100)+926648(24710604x15/100x990/3960)	=₹ 44,56,196
Irregular and Excess payment (1,6413264 - 4456196)	=₹ 1,19,57,068

⁷⁶

At the rate of 12 per cent (prime lending rate)of ₹ 9177125 for 110 days (28/3/11 to 15/7/11)	=₹ 3,31,885
For escalation excess paid ₹ 2779943(June 2010) 2779943x12 per cent (390days)	=₹ 3,56,442
Total interest	=₹ 6,88,327

The Engineer-in-Chief assured (September 2011) that disciplinary action would be taken against the officers responsible for these irregularities.

2.5.8.3 Excess payment to the supplier for price variation

Excess payment on account of price variation due to incorrect adoption of base rate of steel.

Supply, erection and commissioning of rising main work of three LISs⁷⁷ was awarded through Madhya Pradesh Laghu Udyog Nigam (MPLUN), under four agreements (July 2008 and February 2009) to a supplier of Indore at an aggregated cost of ₹ 81.48 crore. The completion period of the works was from nine to 24 months. The EEs of these divisions made a provision in the agreement for payment of price variation on supply of steel based on the difference between the base rates of steel of Steel Authority of India Limited (SAIL) as prevailing on the date of inviting tenders (September 2006 or December 2007), and that on the date of actual supply. Price variation of ₹ 12.49 crore was paid by the concerned Executive Engineers (August 2008/March 2009) without verification of the base rates from SAIL. Our scrutiny revealed that the base rate of steel on the dates of supply considered⁷⁸ for payment were higher than the actual base rates⁷⁹ of SAIL steel on relevant dates. The price variation actually payable for 4229.008 MT of steel plates, worked out to ₹ 2.95 crore as against ₹ 12.49 crore paid. Thus, computation of price variation by adoption of incorrect base rate for steel resulted in excess payment of ₹ 9.54 crore, as detailed in **Appendix-2.3** .

The Engineer-in-Chief assured (September 2011) that disciplinary action would be taken against the officers responsible for irregularities.

2.5.8.4 Unfruitful expenditure, below specification work and irregular payment without erection and commissioning in Chambal Lift Irrigation Scheme

The works of “design, supply, installation, erection, commissioning and execution of piping work” and “construction of intake well, intake channel, Jack well, approach bridge, distribution chamber, earth work for rising delivery main for Chambal LIS were awarded (January 2008 and September 2008) to two contractors for ₹ 37 crore and ₹ 53.54 crore, respectively. Both the works were to be completed within 24 months. Audit of these works revealed that:

Unfruitful expenditure of ₹ 22.32 crore as work was started without wild life clearance.

- Before floating Notice Inviting Tender (NIT) for work, it is to be ensured that sufficient fund for the schemes is available, required land has already been acquired by the department and the site of scheme is free from encumbrances. However, both the works were awarded by the department without obtaining forest clearance. After incurring expenditure of ₹ 22.32 crore on piping work and ₹ 5.53 crore on civil work, the works were stopped in 2008 as some area of the scheme fell under ‘Chambal National Wild Life Sanctuary’. As forest clearance from

⁷⁷ Chambal, Banetha and Teonthar LIS

⁷⁸ ₹ 52200 per MT (March 2008), ₹ 53800 per MT (January 2009) and ₹ 45200 per MT (March 2009)

⁷⁹ ₹ 34500 per MT (March 2008), ₹ 32000 per MT (December 2008) and ₹ 29000 per MT (March 2009)

GOI had not been received till September 2011, the work has not been resumed.

Pipe of lesser thickness against the specification were accepted without full recovery from the contractor.

➤ According to specification, 10 mm thick 1600 mm diameter mild steel welded pipe were to be used in rising main. As per Chief Technical Examiner's report, the contractor had instead used 8.8, 9.4, 9.35, 9.3, 9.25 and 10 mm pipes. This resulted not only in acceptance of sub standard work of ₹ 9.21 crore but also resulted excess payment of ₹ 78.40 lakh⁸⁰ to the contractor for supply of 2325 metre of pipe.

Security deposit of ₹ 3.70 crore was not obtained from the contractor.

➤ According to clause 13 of terms and conditions of contract, at the time of signing of agreement, the contractor/supplier shall have to deposit security equal to 10 per cent of contract/indent value with the department. It was, however, observed that security deposit of ₹ 3.70 crore (10 per cent of ₹ 37 crore) had not been deposited by the contractor. This resulted in undue financial aid to the contractor.

The department stated (September 2011) that (i) declaration of river course as Ghadiyal sanctuary by the Government had created a hurdle in the execution of work and that proposal for securing forest clearance of the project has been submitted to the standing committee of National Board for Wild Life, Paryavaran Bhawan, New Delhi. (ii) an amount of ₹ 54.96 lakh had been recovered (June 2011) and disciplinary action would be taken against the officers responsible for irregularities.

Reply of the department is not acceptable because the sanctuary was set up in 1979 much before start of the work, an aspect that was, obviously, not considered while finalising the project. Besides, the matter had been referred to National Board for Wild Life (June 2011) three years after stoppage of the work in 2008.

2.5.8.5 Non recovery of penalty for the delay

Liquidated damages were not levied from the contractors for non completion of work within stipulated time.

According to clause 4.3.2 of the agreement, the time allowed for carrying out work as mentioned in the contractor's tender shall be strictly observed by the contractor, and shall be reckoned from the date on which order to commence work is given to the contractor. Throughout the stipulated period of the contract, the work shall be proceeded with all due diligence and the contractor shall pay as compensation an amount equal to one per cent or such smaller amount at the rate EE/SE may decide on the amount of the estimated cost of the unperformed work, for every day of delay subject to maximum eight per cent of the estimated cost.

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(8.8+9.4+9.35+9.3+9.2+9.25+10)/7 = 9.33 mm Av , 2325*39612*6.7 per cent	= ₹ 6170559
From escalation 922.608MT*27000*6.7 per cent	= ₹ 1668998
	= ₹ 7839557
Recovered @ 7 per cent for 1560 m	= ₹ 5495614
Short recovery	= ₹ 234393

In two (Banetha and Mardanpur) schemes, there were delays of five to 33 months on the part of the contractors. In terms of contracts of the two schemes, the respective contractors were liable to pay a maximum compensation of ₹ 2.23 crore (**Appendix-2.3**). No action was initiated by the department against the contractors.

The Engineer-in-Chief assured (September 2011) that disciplinary action would be taken against the officers responsible for irregularities.

2.9 Monitoring and Quality Control

According to MPWD Manual, the Chief Engineer concerned is responsible for monitoring the progress and supervision of the schemes. It was noticed that since inception (January and March 2008) Chambal (Major) and Banetha (Medium) schemes were supervised only once by the Chief Engineer.

2.50 Conclusion

The expenditure on construction and maintenance of 196 LISs largely remained unfruitful due to their dismal performance as only 4.50 *per cent* of the targeted irrigation could be achieved. The department did not obtain approval from the competent authority for expenditure over and above the approved cost in respect of many schemes. There were instances of irregular payments to contractor resulting in excess payment of price variation, non-recovery of penalty from contractors for delays in execution and unfruitful expenditure on works.

2.51 Recommendations

We recommend that;

- New schemes should be taken up after ensuring all the clearances and availability of sufficient water for the scheme.
- To avoid disconnection of electricity, adequate provisions should be made in regular budgetary support to the LIS for payment of electricity charges.
- Payment for additional work/beyond the scope of agreement should be made only after obtaining prior sanction of the competent authority.