CHAPTER - III

Page

AUDIT OF TRANSACTIONS 127-160

Chapter III

Audit of Transactions

Audit of transactions of the Government Departments, their field formations as well as that of the autonomous bodies brought out several instances of frauds/misappropriations, lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Fraudulent drawal/misappropriation/embezzlement/losses

Agriculture Department

3.1.1 Misappropriation of Government money

Failure to observe the provisions of the Maharashtra Treasury Rules, 1968 resulted in misappropriation of Government money.

As per the provisions of Rule 98 (2) and Rule 104 of the Maharashtra Treasury Rules, 1968 (MTR), all monetary transactions should be entered in a cash book as soon as they occur and attested by the head of the office in token of check. Besides, the cash book should be closed regularly and completely checked. The head of the office should verify the totalling of the cash book or have this done by some responsible subordinate officer other than the writer of the cash book and initial it as correct. At the end of each month, the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect mentioning therein, the balance in words and figures. When Government money in the custody of a Government officer is paid into the treasury or the bank, the head of the office, while making such payments, should compare the Treasury Officer's or the bank's receipt on the challan or his pass-book with an entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited into the treasury or the bank and the head of an office, where money is received on behalf of the Government, must give the payer a receipt duly signed by him after he has satisfied himself, before signing the receipt and initialling its counterfoil, that the amount has been properly entered in the cash book.

Scrutiny (March 2011) of records of the Taluka Agriculture Officer (TAO), Lakhani, district Bhandara revealed the following cases of misappropriation of Government money.

i) Against the closing cash balance of ₹ 60,000 as on 15 September 2008, the opening balance on 16 September 2008 was shown as 'nil'.

ii) It was observed from the cash book maintained in the Agriculture Technology Management Agency (ATMA) that there was a closing cash

balance of ₹ 1,95,696 on 2 November 2008. There were no cash transactions from 3 November 2008 to 10 November 2008. After making cash payments of ₹ 1,49,235 from 11 November 2008 to 17 November 2008, the closing cash balance as on 17 November 2008 was ₹ 46,461. This balance cash was not handed over by the old cashier to new cashier.

iii) Government receipts of ₹ 18,980 received (February to May 2009) towards compensation for electric lines in plantation area and for certification of organic farming were neither recorded in the cash book nor credited into the Government account.

Government stated (September 2011) that the amount of ₹ 1,14,245 has been recovered with interest of ₹ 28,578 and deposited (May 2011) in Government Treasury after Audit pointed it out. The concerned cashier had been transferred to a technical post.

However, the fact remains that no action was taken against the officials including the head of the office responsible for misappropriation.

Thus, failure to observe the provisions of Maharashtra Treasury Rules, 1968 resulted in misappropriation of Government money.

3.2 Non-compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to the financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriations and frauds, but also helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are as under:

Environment Department

Maharashtra Pollution Control Board

3.2.1 Irregular purchase of laboratory instruments

The Maharashtra Pollution Control Board had violated the prescribed purchase procedure while procuring laboratory instruments worth ₹ 2.19 crore, which had not been used since installation. Due to non-assessment of the necessity of the instrument, the expenditure incurred thereon remained an idle investment.

The Manual of Office Procedure for Purchase of Stores, Government of Maharashtra provides a time schedule of six weeks for placement of orders for purchase of stores. Extension of tender periods can be made twice by extending the periods by two weeks on each occasion in case the number of offers received in response to the tender is less than three.

Scrutiny (March 2011) of the records of the Maharashtra Pollution Control Board, Mumbai (MPCB) revealed that the Scientific Officer of MPCB had

proposed (February 2007) the purchase of two Liquid Chromatographs with Mass Spectrometer + Spectrometer (LCMSMS) laboratory instruments. As a number of complaints were being received by MPCB regarding illegal dumping of hazardous waste, it envisaged that the instruments would augment facilities for identification of hazardous waste and provide basic evidence regarding such illegal disposal. These instruments were to be used for analysing parameters like pesticides and antibiotic residues in aquatic environment, pH and pharmaceutical waste in water, contaminants like per-chlorates, glycophosate, *etc*. These instruments were to be installed at the Central Laboratory, Navi Mumbai and the Regional Laboratory at Nagpur.

On obtaining approval from the Member Secretary, MPCB a tender notice was published on 16 February 2007 for purchase of these instruments with the due date of receipt of tenders being 26 February 2007. In response to the advertisement, only two bids were received within the stipulated period. MPCB rejected (March 2007) a bid received from M/s Swastik Acids and Chemicals, Nagpur on technical grounds and awarded (May 2007) a contract to M/s Labindia Instruments, Mumbai for supply of one instrument at a cost of ₹ 2.19 crore. The warranty period of the instrument was 12 months after installation or 15 months from the date of shipment (December 2007 and January 2008 respectively), whichever was earlier. The supplier requested (March 2008) MPCB to provide the site for installation of the instrument, but the same could be installed only in November 2008, at the Central Laboratory, Navi Mumbai as the earlier site made available by MPCB as per the pre-installation requirement was unsuitable. Further, though the instrument was tested at the time of installation, it had never been put to use thereafter till September 2011. Thus, MPCB could not ascertain the functional efficiency of the instrument during the specified warranty period.

MPCB should have cancelled the tendering procedure in view of insufficient response and retendered the contract as prescribed in the purchase procedure. Though the instrument had been installed and was the only instrument of its kind in the State, it had not been utilized as of September 2011 since MPCB had not received any sample for testing upto this time.

Procurement of the instrument in violation of the prescribed purchase procedure was irregular. Further, non-utilisation of the instrument for 35 months since its installation also indicated that the necessity of the instrument had not been properly assessed before procurement.

In reply, the Member Secretary, MPCB stated (September 2011) that the instrument had been purchased as MPCB worked in public interest and that the installation was delayed due to technical reasons. He also stated that the instrument would be properly utilised in future.

The reply is not acceptable as MPCB had placed the purchase order in haste which led to non-receipt of competitive bids. Moreover, the instrument procured could also not be put to use even after a period of 35 months for want of samples, which indicated that the procurement was made without proper assessment of its requirement.

The matter was referred to Government (July 2011), their reply is awaited.

Higher and Technical Education Department

3.2.2 Inadequate provision to penalise defaulting institutions

Inadequacy in the provisions made by the Higher and Technical Education Department, Government of Maharashtra had given an opportunity for defaulting educational institutions to accept excess intake of students on multiple occasions. As of March 2011, penalty of ₹ 2.01 crore recoverable from the defaulting institutions had not been recovered.

The Higher and Technical Education Department, Government of Maharashtra, reviewed the cases of admissions given beyond the sanctioned intake capacity by technical education/higher education/vocational education institutions *etc.,* and resolved (January 2007) that a penalty equivalent to 200 *per cent* of the tuition fee prescribed for each admission beyond the sanctioned intake capacities would be recovered from the institutions defaulting for the first time. Further, a penalty equivalent to 500 *per cent* of the tuition fee for each admission would be recovered from institutions defaulting for the second time. Institutions defaulting beyond the second time would be referred to the All India Council of Technical Education and National Council for Teachers Education for cancellation of their recognition. However, the department's resolution was not adequate to penalise the group of institutions found defaulting on multiple occasions but operating as individual institutions at various places.

Scrutiny (June 2010) of records of the Director of Technical Education, Mumbai (Director) and subsequent information furnished for scrutiny revealed that four institutions in two out of six[1] regions across Maharashtra *viz.,* Mumbai (one institute) and Pune (three institutes) were found to have admitted students[2] beyond the sanctioned intake capacity. However, the department could not recover penalty of ₹ 2.01 crore (**Appendix 3.1**) from the four defaulting institutions even as of February 2011. It was also found that four groups of institutions had resorted to excess intake of students in different courses under one of their institutions and/or institutions being operated by them at different places across the State during 2006-11 (**Appendix 3.2**). However, the department's resolution had only provided for recovery of penalty for excess intake of students on course basis. Therefore, the inadequacy in the resolution had given an opportunity to the educational

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1 Amravati, Aurangabad, Mumbai, Nagpur, Nashik and Pune

2 Mumbai region: Saraswati Education Society's College of Engineering, Navi Mumbai admitted 30 students in excess during 2009-10. Pune region: Kasegaon Shikshan Sanstha's Rajaram Bapu Institute of Technology, Sakharale admitted 72 students in excess during 2006-07 and Sinhgadh Institute of Management, Vadgaon, Pune (54); and Abhinav Education Institute of Management (60), Pune gave 114 excess admissions during 2007-08.

institutions to accept excess intake on multiple occasions though they were already penalised for excess intake in some other course.

Failure to enforce its own directives regarding recovery of penalty at the prescribed rates from defaulting institutions resulted in non-recovery of penalty of ₹ 2.01 crore. Further, the Government resolution failed to act as a deterrent. By resorting to excess intake in colleges under their control in other places or in other courses, they not only avoided penalty, but the students were denied the benefits in the form of academic support and infrastructure.

In reply, the Director stated (February 2011) that efforts were being made to recover the penalty from the four defaulting institutions.

The matter was referred (April 2011) to the Secretary to Government. Reply had not been received (October 2011).

Home Department

Maharashtra Maritime Board

3.2.3 Short levy of landing fees

Recovery of landing fees on *ad hoc* basis instead of at specified rates resulted in short levy of landing fees of ₹ 1.08 crore.

As per Section 41 of the Maharashtra Maritime Board Act, 1996 (Act), every scale of rates and every statement of conditions framed by the Maharashtra Maritime Board (MMB) under the Act is to be submitted to the Government for sanction and shall have effect when so sanctioned and published by MMB in the official gazette.

Government of Maharashtra, Home Department (department) vide a notification dated 4 August 2001 issued the Maharashtra Maritime Board Landing and Shipping Regulations, 2001. The Schedule to the notification specified the landing and shipping fees with regard to six[3] categories of commodities landed or shipped at minor ports in the State on the basis of their quantities. The rate of fees on goods loaded at multi-purpose jetties was fixed (August 2005) at 1.5 times of the rate applicable to captive jetties. As containers and containerised cargo were not classified as separate commodities under the notification, landing and shipping fees for containerised cargo were to be levied on the basis of the commodities loaded in the container.

Scrutiny (November 2010) of the records of the Chief Executive Officer, MMB, Mumbai revealed that M/s PNP Maritime Services had unloaded (August 2007 to November 2010) 3860 cargo laden containers having length

[3] 1.Chemicals; 2.Food and agricultural items; 3. Dry cargo; 4. Iron, Steel, Machineries and other Minerals and Metals; 5. Petroleum and Petroleum derivatives; and 6. Others

of 20 feet each at their multipurpose jetty in Dharamtar creek. As the landing and shipping fees for cargo laden containers were still to be approved by the Government, the Chief Executive Officer, MMB directed (August 2007) the Regional Port Officer, Mora Group of Ports, MMB where Dharamtar creek jetty was located, to recover landing fees on an *ad hoc* basis at ₹ 580 per container. This rate was approved by MMB on 20 October 2007. M/s PNP Maritime Services paid landing fees of ₹ 22.39 lakh during August 2007 to November 2010.

The Board should have levied landing fees on the basis of the commodities loaded in the containers as specified by the notification dated 4 August 2001 which was prevalent at the time of landing. The commodities included ceramic tiles, raw cotton, steel sheets and steel coils. If the specific rates for each of these commodities had been applied as per the notification, the landing fees leviable would be ₹ 1.30 crore. Therefore, the levy of landing fees on *ad hoc* basis and without approval of the notification for levy of landing fees for containerised cargo by the Government resulted in short levy of fees of ₹ 1.08 crore.

The Chief Port Officer, MMB replied (March 2011) that MMB had followed the international shipping practice and also the practice followed by non-major ports of Gujarat by levying the fees as per the sizes of the containers and not as per the contents therein. Regarding the issuance of a notification for the schedule of rates for containerised cargo, it had not yet been issued by the Government which had sought clarifications in respect of the request (February 2008) of MMB for issue of a notification.

The Government stated (July 2011) that the process to fix rates as per container cargo was in progress. The reply is, however, silent on non-application of the rates existing on cargo loaded/unloaded during August 2007 to November 2010.

Public Works Department

3.2.4 Extra cost due to injudicious rejection of lowest offer

Injudicious rejection of first call by the Government resulted in extra cost of ₹ 3.47 crore on re-tendering.

The work of construction of a major bridge across the Wardha river on Vedgaon Podsa Sirpur-Kagaz Nagar Road (M.D.R.19) was administratively approved (October 2005) by the Government at a cost of ₹ 6.10 crore. The estimate of the work was technically sanctioned (October 2006) by the Chief Engineer (Public Works Region), Nagpur for ₹ 5.94 crore. Sealed lump sum tenders in 'C' form were invited (May 2006) from eligible contractors. The offer of M/s Khare and Tarkunde construction, Nagpur *i.e.,* ₹ 9.57 crore (61.11 *per cent* above the cost put to tender of ₹ 5.94 crore) was found (January 2007) to be the lowest. As the power to accept the offer was beyond the competence of the Chief Engineer, he forwarded (February 2007) the bid

to the Government for acceptance. While recommending the bid, the CE. brought to the notice of the Government that (i) the work site was situated in a very sensitive and backward area (ii) the contractor was very experienced and capable, and, (iii) the rates quoted by the contractor were reasonable and competition was adequate and proper. As per the directions of the Government, the negotiations were carried out on 22 August 2007, during which the contractor agreed to reduce his offer to ₹ 8.98 crore, and extended validity of his offer up to 30 November 2007. The offer was, however rejected (November 2007) by the Finance Department on the ground of unreasonableness of rate and directed the department to invite fresh bids.

On retendering, (December 2007/Jan 2008) the offer of ₹ 12.63 crore of the same contractor i.e. M/s Khare and Tarkunde was found to be the lowest. The lowest offer of ₹ 12.63 crore was recommended (April 2008) to the Government by the C.E. on same ground which he put forth earlier at the time of the first call. The contractor reduced (December 2008) his offer by ₹ 18 lakh and gave a negotiated offer of ₹ 12.45 crore. The Public Works Department accepted (March 2009) the lowest offer. As the grounds on which the lowest offer at first call was recommended were identical at the time of second call, rejection of the lowest offer at the time of the first call by the Government proved to be injudicious and resulted in extra cost of ₹ 3.47 crore.

On this being pointed out, the Executive Engineer, Public Works Division No. 2, Chandrapur stated (March 2010) that the Finance Department had rejected the lowest offer at the time of the first call citing the ground of unreasonableness of rates and had directed to re-invite tenders. The reply is not acceptable as both the calls were justified by the Chief Engineer on the same grounds and there was no increase in scope of work. The initial estimates of the department proved to be unrealistic, as the proposal for revised estimates amounting ₹ 17.66 crore was forwarded (June 2010) to Government of India for sanction, which was awaited as of March 2011.

The matter was reported to Government (June 2011). Reply had not been received (October 2011).

3.2.5 Extra cost to the exchequer

Allotment of work to a contractor other than the lowest tenderer resulted in extra cost of ₹ 1.19 crore.

Tenders for the work of construction of the Cancer Hospital and Research Centre of Aurangabad, estimated to cost ₹ 17.99 crore, were called for in November 2008. One of the tender conditions for qualification of bidders was that the bidders should have completed a similar work of not less than ₹ 4.90 crore, commissioned and completed during last five years *i.e*, 2003-04 to 2007-08.

Scrutiny (September 2009) of the records of the Superintending Engineer, Public Works Circle, Aurangabad (SE) revealed that in response to the call for construction of the hospital, eight offers were received. The technical bids

submitted by contractors were opened by the SE and all the eight offers were found eligible. Thereafter, the financial bids were opened. The three lowest offers were contractor 'A' (9.99 *per cent* below the estimated cost), contractor 'B' (5.30 *per cent* below estimated cost) and contractor 'C' (3.33 *per cent* below estimated cost).

The SE recommended (December 2008) the offer of contractor 'A', who was the lowest bidder and had commissioned and completed similar works to the tune of ₹ 6.05 crore during the last five years, to the Chief Engineer, PWD Aurangabad (CE) for acceptance. The CE rejected (December 2008) the offer of contractor 'A' on the ground that the works shown as completed were started before 2003-04. The offer of the second lowest bidder (contractor 'B') was not considered as he had filed papers relating to some sublet work for arriving at his financial turnover. The CE negotiated (December 2008) with a bidder (contractor 'C') and accepted his negotiated offer of 3.34 *per cent* below the estimated cost.

Thus, the injudicious rejection of the lowest tender resulted in extra burden of ₹ 1.19 crore.

The SE stated (September 2009) that the CE rejected the lowest offer on technical grounds and the work was awarded immediately to exhaust the budget allotment within the short span. The CE further stated (January 2010) that the documents submitted by contractor 'A' were cross-verified at the CE office level and it was noticed that the work of construction of an administrative building was not completed by him within the stipulated period. The reply of the SE is not acceptable because :

(i) the qualification criterion was "commissioned and completed during last five years" and not "commenced and completed during last five years" as interpreted by the department, and,

(ii) the procedure for opening of tenders under the 'Two Envelope System' and the bid document**s** stipulate that envelope No.2 (i.e. the financial bids) should be opened only if the contents of envelope No.1 (technical bids) are acceptable to the department. The fact that envelop No. 2 was opened indicated that the contractor had satisfied the qualifications criteria. This was also confirmed (December 2008) by the SE in his confidential letter to CE.

(iii) Further, as per Rule 208 of the Maharashtra Public Works Manual, if it is proposed to accept tenders other than the lowest or by negotiations, the decision should not be taken by an individual officer but by a committee specifically constituted for this purpose as laid down in Appendix-11 of MPW Manual. No such committee was formed and the CE rejected the lowest offer of contractors 'A' and 'B'

The matter was reported to Government in May 2011. Reply has not been received (October 2011).

Rural Development and Water Conservation Department

3.2.6 Wasteful expenditure on construction of minor irrigation tank

Inadequate supervision and irregular execution of repairs resulted in wasteful expenditure of ₹ three crore on a minor irrigation tank.

The Irrigation Department of the Government of Maharashtra had resolved (February 2003) that all proposals to the Central Design Organisation (CDO)[4] for setting right any leakages/defects should be routed through the Government for recommendations and guidance.

The Rural Development and Water Conservation Department, Government of Maharashtra (Department) accorded (March 1999) administrative approval for construction of a minor irrigation (MI) tank at Nishnap, Taluka Bhudargad, District Kolhapur for ₹ 1.77 crore[5]. Technical sanction was accorded (April 1999) for ₹ 1.18 crore for the project. The objective of construction of the MI tank was to create water storage of 1075 cu m and irrigation potential of 165 ha. The Executive Engineer (EE), Minor Irrigation Division (Local Sector), Kolhapur awarded (September 1999) the work to a contractor M/s Ashwini Construction at ₹ 1.20 crore (11.30 *per cent* above the estimated cost). The work was to be completed by March 2002. The contractor was responsible for setting right defects, if any, noticed in the work during the defect liability period *i.e.,* for one year after completion of the work.

Scrutiny (September 2010) of records of the EE revealed that the contractor had completed (May 2004) the work, including gorge filling, at a cost of ₹ 2.87 crore and water was stored in the dam for the first time during the monsoon of 2004. After filling of the tank, it was noticed that there were leakages from it, due to which the water drained out by December 2004. The EE had not taken any immediate action to get the defects rectified and as a result, the water stored during the monsoon drained out by December every year. Due to soil erosion caused by leakages of the dam, nearby fields were flooded with sand, stones *etc*. The EE had handed over (March 2006) to the Tahsildar, Bhudargad, a cheque for ₹ 4.67 lakh for distribution to the affected farmers as compensation.

The EE awarded (April 2006 and March 2007) the repair works[6] to two contractors and the same were completed in October 2007 and June 2008. The repair work proposal was not forwarded to the Government, which was in contravention of the Irrigation Department's directives mentioned above. The EE got the repair works done at a cost of ₹ 10.78 lakh out of the security deposit withheld, at the risk and cost of the original contractor. Incidentally, it was also noticed that in reply to a Starred Question[7] raised by the State

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4 Functions of CDO are designing the earthen dams, their spill ways, canals *etc.*
5 Revised administrative approval was accorded for ₹ 4.20 crore in June 2004
6 Cement grouting and flank wall of Head Regulator *etc.,*
7 Starred Question No. 1500

Legislature, the EE stated that there were no leakages in the dam, which was incorrect.

The Superintending Engineer, Vigilance and Quality Control, Mumbai Circle on his visit (August 2008) to the MI tank opined that the quality of construction of the dam was not proper and the details of quality control test results were not kept on record. This indicated that the MI Division, Kolhapur had not adequately supervised[8] the construction work.

Further, the Superintending Engineer, Dam Safety Organisation (SE, CDO), visited (December 2008) the dam and pointed out that the MI tank may burst and Karadwadi, a nearby village may be submerged. As the repairs could not arrest the leakages, the Chief Engineer decided (April 2009) to break the gorge filling at base feet of 10m to make a channel for flow of water in a natural way so as to avoid any possible disaster. Accordingly, an expenditure of ₹ 22.54 lakh was incurred for breaking the gorge, out of which ₹ 12.58 lakh had already been paid as of June 2010.

When pointed out, the CE agreed (January 2011) that there were leakages from the MI tank and it was decided to make a channel for flow of water in a natural way so as to avoid any possible disaster.

The reply did not specify the action taken for inadequate supervision and the reasons for delay in getting the repair work done. However, the fact remained that the expenditure of ₹ three crore[9] incurred on construction of the MI tank and its repairs was wasteful as it did not serve the purpose for which it was constructed.

The matter was brought to the notice of the Government in July 2011. Reply had not been received (October 2011).

Tourism and Cultural Affairs Department

3.2.7 Unfruitful expenditure and blocking of funds

Incurring expenditure for development of tourism without obtaining approval for change in use of land resulted in unfruitful expenditure of ₹ 30.73 lakh and blocking of funds of ₹ 74.27 lakh

As per Section 44 of the Maharashtra Land Revenue Code, 1966, if a land holder holding non-agricultural land wishes to use it for another non-agricultural purpose[10], he should apply to the Collector for permission. The Collector may, after due enquiry, either grant or refuse permission.

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[8] Appendix 24 (Schedule of powers referred in Rule 11) of the Maharashtra Public Works Manual provides for check of measurements at 100 *per cent* and 5 *per cent* by the Deputy Engineer and Executive Engineer respectively.

[9] Construction of MI tank ₹ 2.87 crore + ₹ 12.58 lakh spent on paving way for the stored water to drain out = ₹ 3 crore

[10] To use for the purpose other than the purpose for which land is held *i.e.* change of land use

The Executive Engineer, Environmental Engineering Division, Buldhana acquired (1976) 1325.20 acres of land for the construction of a dam in Buldhana district. After completion of the dam, the dam along with 64 acres of the unutilized portion of land, was handed over (1998) to the Nagar Parishad (NP), Buldhana. Of this, 14 acres of land was proposed (August 2006) to be developed as a tourist spot. For this project, an estimate of ₹ 6.25 crore was submitted to the Tourism and Cultural Affairs department, Government of Maharashtra through the Collector, Buldhana. The project was administratively approved (July 2007) by the Government, which sanctioned ₹ 1.05 crore for works like construction of compound wall and entrance gate, internal road and pedestrian path, garden development including floriculture development, grass lawn and community toilet.

Scrutiny (February 2010) of records of the Collector, Buldhana revealed that ₹ 1.05 crore was released (February 2008) to the NP for execution of the above works. A total expenditure of ₹ 30.73 lakh was incurred as of October 2008 towards construction of internal roads (₹ 20 lakh), compound wall (₹ 7.17 lakh) and community toilet (₹ 3.56 lakh). While the works started in March 2008 were in progress, the Collector, Buldhana directed (September 2008) the NP to stop the ongoing works, as no prior permission for change in use of land for tourism purposes had been taken by the NP from the Revenue and Forests Department.

The project for development of the tourist spot was stopped by the Collector who had himself forwarded the proposal in his capacity as the Member Secretary, District Planning Committee. This resulted not only in blocking of funds of ₹ 74.27 lakh for three years but also in unfruitful expenditure of ₹ 30.73 lakh on works already executed.

On this being pointed out, the Collector, Buldhana stated (February 2010) that a proposal for post-facto sanction for change in use of land had been forwarded (October 2008) to the Government, whose approval was awaited (April 2011).

The reply is not acceptable as the work was taken up without approval for the change in use of land from Revenue and Forests Department as required under provisions of Section 44 of the Maharashtra Land Revenue Code, 1966.

The matter was referred to the Government (May 2011). Reply had not been received (October 2011).

Water Resources Department

3.2.8 Avoidable extra expenditure

Incorrect charge of Central Excise duty on cost of fabrication at a work site resulted in undue benefit of ₹ 4.95 crore to contractors.

As per Central Excise Tariff 2005-06 (CET) read with general exemption notification number 51 (with effect from 28 February 2005), structures or parts involving iron gates or steel plates fabricated at site for use in construction work attract no Central Excise duty. Five contracts of fabrication and erection of radial gates, vertical lift gates and other allied works were awarded (between 2005-06 and 2008-09) to four[11] contractors in three[12] divisions.

Scrutiny (April 2009, January and September 2010) of the detailed estimates and contract documents revealed that Central Excise duty at 16.32 *per cent ad valorem* on the fabrication cost of different components of steel was included at the time of framing the estimate in the rate analysis of items of Schedule 'B' of the contracts. The contractors were, however, not required to pay Central Excise duty if they fabricated the components of the gates from the steel plates and accessories brought to the work site. The Chief Engineer, (CE) Aurangabad had ordered (January 2010) all Executive Engineers (EE) to get challans from the contractors in support of payment of excise duty or to recover the amount from them as the element of excise duty was included in the estimates. No amount was recovered on this account.

Thus, inclusion of Central Excise duty in the cost of fabrication of the steel components without taking cognizance of the Central Excise duty exemption notification resulted in undue benefit of ₹ 4.95 crore to the contractors as well as extra avoidable expenditure on the works (**Appendix 3.3**).

The EE, Lendi Project Division, Degloor, District Nanded replied (April 2009) that the amount would be recovered from the contractors if they failed to submit proof of remittance of Central Excise duty, but in May 2011, he stated that he had obtained an indemnity bond from the contractor which indemnified the Government against any demand arrived in this behalf from any statutory authority. The EE, Amravati Project Construction Division, Amravati replied (February 2011) that the rates in the tender were considered with the prevailing Sales Tax, Central Excise *etc*. and finally approved by the competent authority. The EE, Lower Terna Canal Division No.2, Latur replied (May 2011) that he had asked for the challans from the contractor and on receipt the same would be submitted.

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[11] M/s Sharda Construction and Precision Technofab & Engineering (J.V.), Nanded, M/s Aarti Infra Project Pvt. Ltd., Nagpur (Two works), M/s Shri Swami Samarth Engineers, Pune and M/s Ajay Deep Construction Pvt. Ltd.

[12] Lendi Project Division, Degloor, District Nanded, Amravati Project Construction Division, Amravati and Lower Terna Canal Division No.2, Latur

The replies are not acceptable as it was required by the department to take cognizance of the Central Excise duty exemption notification while framing the estimates.

The matter was referred to the Government (April 2011). Reply was awaited (October 2011).

3.2.9 Undue benefit to a contractor

Irregular release of payment on an extra item rate list in deviation of contract conditions resulted in extending of undue benefit of ₹ 3.44 crore to the contractor.

Work of construction of the Kumbhe Dam under the Kal-Kumbhe Hydroelectric Project including the work of the approach road was awarded (March 2005) to M/s Dhariya Construction Pvt. Ltd., for ₹ 37.86 crore, which was 26.60 *per cent* above the estimated cost of ₹ 29.90 crore. The work was to be completed in 36 months.

Para 3.5.2 of the contract provided that the contractor's claims for increases in the contract rates in respect of extraordinary hardness of material, presence of different types of geological constituents requiring increased drilling efforts, increased consumption of explosives, labour and machinery were not to be considered. Further, as per the tendered rates, excavation in normal hard rock[13] was payable at ₹ 158.20 per cu m.

Scrutiny (September 2009) of the records of the Executive Engineer (EE), Raigad Irrigation Division, Kolad revealed that the contractor had requested (December 2006 and January 2007) the EE for release of the extra expenditure incurred by him on deployment of additional manpower *etc.,* for blasting extraordinarily hard rock while excavating for the cut off trench. Accordingly, while paying (March 2009) the 35th Running Account bill (up to date payment : ₹ 45.32 crore) to the contractor, an extra item rate list (EIRL) pertaining to excavation in hard rock[14] was sanctioned by the Chief Engineer, Water Resources, Konkan Region (CE). Against the extra item, ₹ 4.87 crore (₹ 684.10 per cum[15] X 71149.29 cum) was paid to the contractor. This violated Para 3.5.2 of the contract and resulted in undue benefit of ₹ 3.44 crore[16] to the contractor. Further, only 40 *per cent* of earthwork of the dam was completed even after a lapse of 50 months due to opposition from

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[13] Item no. 4 (a) of Schedule B of the contract: Excavation for cut of trench and foundation and drains in hard rock exceeding 1.5 m in width by blasting including depositing the excavated material as directed with all leads and lifts including dressing (this includes boulders of size excluding 0.1 cum)

[14] Item no 8 on EIRL: Excavation in extra hard rock exceeding 1.5 m in width by blasting including depositing the excavated material as directed, with all leads and lifts including dressing *etc.,* complete

[15] The CE sanctioned (October 2007) the item at ₹ 459.35 per cum, which was further revised by the CE to ₹ 684.10 per cum in November 2008

[16] (71149.29 cum X ₹ 684.10) –[(71149.29 cum X ₹ 158.20) + 26.60 *per cent*] = ₹ 3.44 crore

nearby farmers. The contractor was granted extensions from time to time up to May 2013.

In reply, the Government stated (July 2011) that the additional expenditure was sanctioned as per Clause 14 of the contract, which provided that payment for additions and alterations of any class of work for which no rate was specified in the contract would be made as per the Schedule of Rates or rates mutually agreed by the EE and the contractor. Further, the Maharashtra Engineering and Research Institute, Nasik had also confirmed the extraordinary hardness of the rock.

The reply is not acceptable since Clause 14 of the contract was not attracted. The clause refers to additions and alterations to work which had not been contemplated. Here the item of work for which additional payment has been made *i.e.,* 'extraordinary hardness of rock' was already included in the contract and under Para 3.5.2 of the contract, such payments were prohibited on this ground.

3.2.10 Double payment for work included in tender specifications

Payment of items already envisaged in tender conditions resulted in excess payment of ₹ 2.61 crore to a contractor

The work of planning, designing, providing and erecting vertical lift type mild steel gate of size 15 x 11m for the Sarangkheda barrage project including hoisting arrangements with all appurtenant works and testing at Taluka Shahada District Nandurbar was awarded (August 2000) on lump sum contract basis to M/s Ketan Construction Ltd (J.V.) at a cost of ₹ 47.08 crore for completion within 72 calendar months.

Clause 4.22.1 of the agreement executed with the contractor provided that the steel surfaces should be painted, after cleaning with solvent and with sand or grit blasted for rust mill scales and other tightly adhering objectionable substances, as envisaged in the Indian Standard Specification (14177:1994) which was a guideline for painting systems like hydraulic gates and hoists.

Scrutiny (January 2011) of the records of the Executive Engineer (EE), Dhule Medium Project Division No.1, Dhule, revealed that an item of painting work included sand blasting in the tender document and agreement executed with the contractor. However, the Chief Engineer (CE) accorded (June 2009) a separate technical sanction to the estimate for sand blasting of steel surface amounting to ₹ 2.67 crore. The Superintending Engineer, Nashik Irrigation Circle, Dhule (SE) accorded (August 2009) sanction for payment on the basis of the extra item rate list (EIRL) for execution of the item of sand blasting amounting to ₹ 2.62 crore. Accordingly, the EE (November 2009) paid ₹ 2.61 crore to the contractor for the sand blasting. Thus, the payment made to the contractor for an item, the cost of which was already included in his agreement, was avoidable and resulted in double payment for the same item of work.

On this being pointed out, the EE (January 2011) stated that there was no provision in the estimate for sand blasting and painting of various gate parts, hoisting mechanisms, pylons, hoist bridges, walkways *etc*., and thus the additional amount for execution of this work was sanctioned by the CE (under Clause 6) as per the provisions of the agreement.

The reply is not acceptable, as the item of work of sand blasting was already included in the scope of work of painting given in the tender. As per Rule 192 of the Maharashtra Public Work Manual, no allusion is made in the contract to the departmental estimate of the work, Schedule of Rates, or quantity of work to be done. Therefore, the cost of this work was already included in the value of the turnkey contract awarded to the contractor. Thus, the extra payment for preparing surface was contradictory to the specifications provided in agreement and the codal provisions.

The matter was reported to Government in April 2011. Reply was awaited (October 2011).

Konkan Irrigation Development Corporation

3.2.11 Excess payment to a contractor

Incorrect method adopted for calculating payments for quantities executed beyond 125 *per cent* for construction and raising of the height of a dam, resulted in excess payment of ₹ 2.01 crore.

The construction of a dam and ancillary work under the Berdewadi Minor Irrigation Scheme was awarded (December 2000) to M/s P.I. Rachkar & Company, Akluj and Mahalaxmi Earthmovers Joint Venture (contractor) for a tender cost of ₹ 5.89 crore which was 6.12 *per cent* below the estimated cost of ₹ 6.27 crore based on the Schedule of Rates (SoR) for the year 1995-96. A comparative statement of the SoR of 1999-2000 (prevalent during 2000-01) with the SoR 1995-96 indicated that the estimated cost should have been ₹ 7.35 crore. As such, the tendered cost of ₹ 5.89 crore was 19.90 *per cent* below the estimated cost at the time of inviting (August 2000) the tender.

Scrutiny (February 2011) of records of the Executive Engineer (EE), Minor Irrigation Division, Oras, District Sindhudurg, under the Konkan Irrigation Development Corporation (KIDC) revealed that the executed quantities of seven items of works exceeded the estimated quantities by more than 25 *per cent*. This attracted the provision of Clause 38[17] of the contract between KIDC and the contractor.

[17] Clause 38 of the contracts provides that if the quantities actually executed exceed the quantities specified in the tender by more than 25 *per cent*, payment for such excess quantities will be made at the rates derived from the current schedule of rates (CSR) and in the absence of such rates, at the prevailing market rates, the said rates being increased/decreased, as the case may be, by the percentage by which the total tender amount bears to the estimated cost of the work as put to tender based upon the schedule of rates applicable to the year in which the tenders were invited.

Further scrutiny revealed that as per a KIDC Resolution (April 2007), the height of the dam under the Berdewadi Minor Irrigation Scheme was required to be increased to enhance the capacity of the dam. This work[18] worth ₹ 17.82 crore was also entrusted (December 2007) to the same contractor (payment of which was to be regulated under clause 38) without inviting fresh tenders. It was also noticed that executed quantities of five items of the work were exceeded by more than 25 *per cent* of the respective estimated quantities.

The payment for quantities beyond 125 *per cent* of the tendered quantities should have been regulated by the percentages by which the tendered costs were at variance with the estimated cost put to tender, based on the Schedules of Rates applicable to the year in which the tenders were invited. Thus, the payments for quantities beyond 125 *per cent* of the tendered quantities were to be made based on the rates prevailing at the time of execution of work reduced by 19.90 *per cent*. However, while making payments for executed quantities beyond 125 *per cent*, no deductions were made in respect of the work of construction of the dam while in respect of the work of raising the height of the dam, only 6.12 *per cent* was deducted.

Thus, the incorrect method adopted for calculating payments for quantities executed beyond 125 *per cent* for construction and raising of the height of the dam, resulted in excess payment of ₹ 2.01 crore on items of work detailed in **Appendices 3.4** and **3.5**.

In reply, the EE stated (May 2011) that the estimate for increasing height of the dam was reduced by 6.12 *per cent i.e.,* tendered percentage in accordance with the provisions of Clause 38 of the agreement.

The reply is not tenable as the rates should have been reduced by 19.90 *per cent* and not by 6.12 *per cent* as provisions under Clause 38 discussed above.

The matter was referred to the Government (April 2011); reply has not been received (October 2011).

Godavari Marathwada Irrigation Development Corporation

3.2.12 Avoidable extra expenditure due to non-finalisation of tenders within validity period

There was an extra cost of ₹ 79.08 lakh due to failure to complete the tender procedure in time.

As per rule 217 and 218 of Maharashtra Public Works Manual, the acceptance of tender should not take more than 30 days, 60 days and 90 days after opening of tenders at the level of Executive Engineer, Superintending Engineer and Chief Engineer respectively. After the competent authority has communicated decision regarding acceptance of tender to the Executive

[18] Mention was also made in Paragraph 2.1.9.3 of AR 2009-10 about the incomplete work of increase in height of dams under Berdewadi Minor Irrigation Scheme.

Engineer, the latter officer shall intimate the contractor the decision regarding acceptance and execute the contract on behalf of the Government.

Government of Maharashtra (July 1999) accorded administrative approval to Nandur Madhameshwar Project and its appurtenant works at a cost of ₹ 578.37 crore. Accordingly, technical sanctions to detailed estimates costing ₹ 3.40 crore for construction of four weirs on downstream of Mukane Dam at Janori, Gonde Padoli, Nandur Vaidya, Nandgaon (Pagremala) were accorded (October 2007) by the Chief Engineer, Irrigation Department, North Maharashtra Region, Nashik. Tenders for the construction of four weirs estimated to cost ₹ 3.27 crore were called in November 2007. In respect of two works[19] they were opened on 22 January 2008 and for remaining two works[20] on 27 February 2008. The offers were valid for a period of 120 days from the date of opening of tenders and thereafter, until the same were withdrawn by notice in writing by the tenderers.

Scrutiny (June 2010) of the records of the Executive Engineer, Nandur Madhameshwar Project Division, Nasik (EE), a division under the control of Godavari Marathwada Irrigation Development Corporation (GMIDC), revealed that the CE had accepted (March 2008) the offers of four tenders of lowest bidders amounting to ₹ 3.42 crore (ranging from 4.78 *per cent* to 4.81 *per cent* above estimated cost put to tender). Thereafter, the Superintending Engineer (SE), Command Area Development Authority (CADA), Ahmednagar requested (31 March 2008) the Executive Director (ED), GMIDC, Aurangabad to give computer codes for the works and permission to issue work orders for starting the works as per the requirement of Government. However, there was no reply from GMIDC till completion of the validity period. The contractors requested (July, August and September 2008), the SE to cancel their bids in view of non- receipt of work orders and increase in cost of construction materials. The SE cancelled the bids in September 2008.

A consolidated tender for four weirs was recalled in December 2008 and the lowest offer at 29 *per cent* above the original estimates for ₹ 4.21 crore was approved (July 2009) for acceptance by the Chief Engineer and a work order was issued in November 2009. Thus, due to non-receipt of permission from ED, GMIDC for issuance of work order to contractor and to allot computer codes, the work order was not issued to contractor and entire tendering procedure was not completed within validity period of offer. This resulted in extra cost of ₹ 79.08[21] lakh besides delay in execution of the works.

The ED, GMIDC stated (June 2011) that proposal for grant of permission was submitted to Chairman of GMIDC on 11 April 2008 but permission was not received from him till date of expiry of validity period. The reply of the ED was an acceptance of extra cost of ₹ 79.08 lakh to Government exchequer.

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[19] I) Weir at Gonde Padoli II) Weir at Nandgaon(Pagremala)

[20] I) Weir at Janori II) Weir at Nandur Vaidya

[21] Accepted offer on retendering : ₹ 4.21 crore (-) lowest offer : ₹ 3.42 crore = ₹ 79 lakh

Secretary, Water Resources Department, Government of Maharashtra (July 2011) stated that permission to issue work orders were submitted to Chairman GMIDC to ascertain the financial liabilities and priorities of works to be taken during financial year 2008-2009. Meanwhile contractor withdrew their offer which resulted in non-finalization of tender. The work was finally got executed by floating a consolidated tender at 29 *per cent* above the estimated cost.

The reply of Government was not acceptable as the financial liability and priority of works should have been determined before issue of tender notice. Further, there was no propriety in keeping matter pending for a very long time till expiry of validity of offers which again had to be re-tendered immediately in December 2008 in the same financial year 2008-2009 which resulted in contractors withdrawing their offers leading to extra cost of ₹ 79.08 lakhs.

3.3 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are hereunder.

Home Department

3.3.1 Undue favour to a supplier

Releasing of full payment of ₹ 6.22 crore prior to the delivery of bomb suits resulted in undue favour to the supplier, thereby jeopardizing the security preparedness of the State.

The Assistant Inspector General of Police, Mumbai (AIGP) on behalf of the Director General of Police, Maharashtra State, Mumbai (DGP) called for (December 2008) technical and commercial bids for supply of various types of bomb detection and disposal equipment (including 80 bomb suits) from 35 probable suppliers, under the 'Urgent Order Procedure[22]' with a view to provide better security to the police personnel. The Home Department sanctioned (28 March 2009) the procurement of 82 bomb suits from M/s Techno Trade Impex India Pvt. Ltd., (supplier) at a cost of ₹ 6.22 crore[23] on the recommendation of a Purchase Committee (February 2009) formed for finalisation of the tenders. The AIGP entered into (March 2009) an agreement with the supplier for supply of the bomb suits. The supplier was permitted to import the bomb suits from Kejo Limited Company, an American company.

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[22] Para 5.1 of Purchase Manual, 1978 of the Department provides that in case of urgency limited tenders from the probable suppliers can be called for instead of resorting to global tendering

[23] State's share: ₹ 5.13 crore and Central share: ₹ 1.09 crore

The entire amount for purchasing of the suits *i.e.,* ₹ 6.22 crore[24] was withdrawn on an abstract contingent bill on 31 March 2009.

As per the conditions of the contract, the supplier was to deliver the bomb suits within two months from the date of acceptance of the tender and 90 *per cent* of the total payment was to be made within 15 days of receipt of the bomb suits. The balance 10 *per cent* payment was to be released to the supplier within 30 days of receipt and inspection of the bomb suits in satisfactory condition. The contract further provides that inspection of the bomb suits has to be done by an authorized officer of the Department before taking delivery.

Scrutiny (August 2010) of the records of the DGP revealed that the supplier could not deliver the bomb suits within the stipulated period due to delay in receipt of a custom duty exemption certificate from the Customs Department. However, on the basis of the telephonic instructions of the Speaker, Maharashtra State Legislative Assembly and the Minister of State for Home the AIGP decided (28 June 2009) to release the full payment to the supplier on obtaining a bank guarantee (BG) for an equal amount from the supplier. Accordingly, ₹ 6.22 crore was released (28 June 2009) to the supplier prior to receipt of the bomb suits after obtaining (1 July 2009) the BGs[25] valid up to July-August 2009.

Further, the department found that the supplier had imported (August 2009 – May 2010) 36 bomb suits manufactured by their facilities in South Africa and 46 by an authorized factory in China, instead of the USA. The bomb suits were also not tested for their quality in any of the internationally accredited laboratory. Though the supplier had attempted (May 2009) to give delivery of the material, the department did not accept the delivery on the ground that the material should be tested before the final delivery. The department, however, neither took any action for delay in supply nor insisted upon the supplier to revalidate the expired BGs.

Thus, making 100 *per cent* advance payment before taking delivery and inspection of the material in contravention to the terms of agreement, inadequate contractual provision for quality assurance, non-revalidation of BGs, *etc.* resulted in non-supply of 82 bomb suits even after a delay of more than two years. Besides, the very purpose of drawing money from contingency fund and resorting to Urgent Order Procedure has been defeated and the department was deprived of the benefit of competitive bids.

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[24] Six cheques for ₹ 6.22 crore dated 31 March 2009 would lapse on 30 June 2009, if not encashed

[25] Out of the 13 BGs produced by the supplier for ₹ 6.22 crore, only one BG for ₹ 1.20 crore was given by a nationalised bank and the rest were given by a Scheduled bank

Moreover, these irregular acts of the department resulted in undue financial benefit to the supplier, apart from jeopardizing the security preparedness of the State.

Government, in its interim reply, (May 2011) stated that instructions were being issued to the Director General of Police to conduct an enquiry about the non-receipt of bomb suits. Accordingly, the Additional Director General of Police informed (July 2011) that the matter had been referred to the Anti-Corruption Bureau. Final compliance was awaited (October 2011).

3.3.2 Idle investment

Non-provision of adequate funds by the Government during the last three financial years and non-execution of an agreement resulted in idling of funds of ₹ 3.07 crore.

Government sanctioned (August 2007) ₹ 4.35 crore for payment of compensation towards acquisition of land admeasuring 2854.89 sq m and 2221.44 sq m from the Nagpur Improvement Trust (NIT) for construction of a police station at Imamwada at ₹ 1.57 crore as well as residential quarters at Lendra, Nagpur (₹ 2.78 crore) respectively under the Commissioner of Police (CP), Nagpur.

Scrutiny (January 2009) of records of the CP and further information collected (April 2011) from the CP revealed that the original cost of land for the Imamwada police station and residential quarters at Lendra were ₹ 1.43 crore and ₹ 2.44 crore respectively. These costs were based on the Ready Reckoner[26] of 2005. This was increased to ₹ 1.57 crore and ₹ 2.78 crore in 2006. Accordingly, the Government sanctioned (August 2007) ₹ 4.35 crore for payment of compensation towards acquisition of land. However, the Government released (January 2008) only ₹ 2.28 crore for making payment of compensation for the land at Imamwada (₹ 1.57 crore) and Lendra (₹ 71 lakh). An additional grant of ₹ 79 lakh was also sanctioned (March 2008) by the Government for the land at Lendra. The CP deposited (January and March 2008) ₹ 3.07 crore with NIT without executing any agreement. Therefore, CP, Nagpur could not settle the land compensation to NIT in full. As per the provisions of NIT Land Disposal Rules, 1983, rates of compensation are revised by the Assessment Committee of NIT according to the Ready Reckoner applicable for the year in which full compensation was paid by the user department. While accepting the part payment in March 2008, NIT had intimated to CP, Nagpur that these costs were approximate costs. The CP did not fulfill the entire demand of NIT. Consequently, the land was not handed over by NIT.

Since the money was deposited in 2008, NIT conveyed (March 2008) that the rates of compensation would be reassessed by it on the basis of prevailing rates at the time of allotment and the difference would be payable by the department. It further intimated (April 2010) to deposit the balance costs of the land at Imamwada and Lendra with NIT which were reassessed at

[26] A booklet containing area-wise market value of properties in the city

₹ 1.69 crore and ₹ 3.04 crore against ₹ 1.43 crore and ₹ 2.44 crore respectively. Accordingly, the CP requested (February and April 2011) the Director General of Police, Mumbai (DGP) to sanction the funds. The sanction was awaited (April 2011).

On this being pointed out, CP stated (April 2011) that as the funds had not been received from DGP, the NIT did not hand over the land. The reply is not acceptable because failure of the department to release the funds in time resulted in idle investment of ₹ 3.07 crore.

The matter was referred to the Government (May 2011). Reply was awaited (October 2011).

Housing Department

Maharashtra Housing and Area Development Authority

3.3.3 Undue benefit to an allottee

Irregular application of rates for allotment of a plot to an allottee by the Mumbai Housing and Area Development Board resulted in extending of undue benefit of ₹ 3.50 crore to the allottee, causing loss to the Board.

As per the pricing policy of November 1992 and resolution of June 1993 of the Maharashtra Housing and Area Development Authority (MHADA), any land sold/leased for commercial purpose should be charged at 100 *per cent* of the market price of the locality or twice the residential rate, whichever is more.

Scrutiny (June 2010) of the records of the Estate Manager V of Mumbai Housing and Area Development Board (Mumbai Board), a unit of MHADA, revealed that Shri Dinesh R Parulekar and Shri V R Shetty (allottee) who were unauthorisedly occupying an office building with an additional piece of land (admeasuring 92.90 M^2 and 406.54 M^2 respectively) at Survey No.341 (City Survey No.635/95) had applied (September 1992) for regularization of the said plot in their names. The Deputy Chief Officer (Estate Management II), Mumbai Board had regularised (May 1995) the allotment of the plot in the name of the allottees. Accordingly, an offer letter for ₹ 10 lakh was issued, allowing commercial use of the office building and residential use of the additional plot of land which was paid (June 1995) by the allottee and a lease deed valid for 30 years was also executed (July 1997). However, in the lease deed, the entire plot was erroneously shown as for commercial use. The additional premium payable on account of the erroneous inclusion of the word 'commercial' was also not demanded from the allottee. Finally, when the demand notice was issued (October 1999), the allottee refused to pay the additional premium and requested (October 2000) the Board to rectify the lease agreement by removing the word 'commercial' from the lease deed. In the meantime, since the method of calculating the sale price and the cost recovered for residential purpose was found to be wrong, the Mumbai Board

cancelled the previous offer letter and issued (January 2007) a fresh offer letter to the allottee for ₹ 26.40 lakh, which the allottee paid the same day. The offer letter stipulated that additional premium at 100 *per cent* of the prevailing market rate would be recoverable if the plot allotted for residential use was found to be utilised for commercial purposes.

Meanwhile, M/s Doodhwala Property Developer, a developer, approached (November 2007) the Mumbai Board on behalf of the allottee to grant a 'no objection certificate' (NOC) for utilisation of both the plots for commercial use. The Chief Officer of the Board decided (January 2009) to recover the lease premium and lease rent at the rates prevailing in 1995 citing that the use of the plot was already treated as 'commercial' in the Indenture of Lease. Accordingly, the Estate Manager, on the directions from the Chief Engineer II, MHADA, issued an offer letter (January 2009) for payment of ₹ 1.20 crore towards conversion of residential plot to commercial, as if the entire transaction had taken place in the year 1995. The allottee had paid (January 2009) ₹ 1.20 crore. As the NOC was issued to the allottee in January 2009 for conversion of the plot from residential to commercial, application of rates prevailing in 1995 *i.e.,* at the time of initial allotment of the plots to the allottee was irregular. Instead, the Mumbai Board should have recovered the differential premium at the prevailing market rates *i.e*., based on the Ready Reckoner for the year 2008.

Irregular application of rates prevailing in 1995, when the actual conversion of the plot from residential to commercial had taken place in 2008, citing an error in the lease deed, resulted in extending undue benefit of ₹ 3.50 crore (**Appendix 3.6**) to the allottee.

The matter was referred to the Government (June 2011). Reply has not been received (October 2011).

Public Works Department

3.3.4 Injudicious provision of insurance charges in Schedule of Rates

Excessive inclusion of insurance charges in the Schedule of Rates resulted in extra payment to contractors.

As per instructions contained in a Public Works Department's letter of July 2005, all the works executed by different Government departments, semi-Government organizations or autonomous bodies were to be insured with the Director of Insurance, Government of Maharashtra, Mumbai, only. The Director of Insurance, Mumbai, in a circular of March 2006, reiterated that all the works executed by the Public Works Department should be insured only with a Government insurance fund. The Director of Insurance had also laid down that in case of non-production of proof of having insured the work with a Government insurance fund by the contractor, one *per cent* of the tendered cost was liable to be deducted from the bills of the contractor and deposited in the Government Insurance Fund as insurance charges for insurance cover.

A test check (between October 2009 to March 2010) of records of 19 works in five[27] divisions revealed that the payments made by contractors for insuring works with the Director of Insurance were much less than the one *per cent* loaded in the estimates. The insurance charges paid by the contractors ranged from 0.27 *per cent* to 0.48 *per cent* of the tendered costs. Thus, due to loading of estimate/rates of Schedule of Rates by one *per cent* insurance charges by the Chief Engineer (CE), Public Works Region, Nagpur, the contractors were benefited to the extent of ₹ 36.46 lakh **(Appendix 3.7).**

Further, the CE sanctioned/ finalized 98 works amounting to ₹ 303.85 crore during 2008-09 and 98 works amounting to ₹ 371.66 crore during 2009-10. This resulted in undue benefit of ₹ 3.68 crore **(Appendix 3.8)** to the contractors.

On this being pointed out, the Executive Engineers stated (October 2009 to March 2010) that one *per cent* insurance charges were added to the estimates as per instructions issued by higher authorities. The Chief Engineer (Public Works) Nagpur region stated (August 2010) that a detailed reply would be submitted after collection of information from the Superintending Engineers of Nagpur, Chandrapur and Gadchiroli circles.

The matter was reported to Government in June 2011. Reply was awaited (October 2011).

Urban Development Department

3.3.5 Wasteful expenditure

Failure of the Nagpur Improvement Trust to observe Government directives resulted in withdrawal of a project and wasteful expenditure of ₹ 1.49 crore

The Medical Education and Drugs Department (MEDD) nominated (May 2003) the Nagpur Improvement Trust (NIT) as an agency to undertake the work of modernization and renovation of the Indira Gandhi Medical College and Hospital, Nagpur (IGMCH). The agency charges were payable by the MEDD to the NIT. To make this project economically workable, MEDD decided (May 2007) to implement this project on Build, Operate and Transfer (BOT) basis.

Scrutiny (September 2010) of records of NIT revealed that MEDD decided (January 2008) to maintain status quo and instructed NIT not to proceed further in the matter as it was found necessary to obtain the opinion of the Finance, Planning and Law and Judiciary departments before executing the Memorandum of Understanding (MOU) with NIT. An expenditure of ₹ 30.39 lakh had already been incurred (between July 2004 and January 2008) by NIT

[27] i) Executive Engineer, Public Works Division, Wardha
ii) Executive Engineer, Public Works Division No.3, Nagpur
iii) Executive Engineer, Public Works Division, Bhandara
iv) Executive Engineer, World Bank Project Division, Nagpur
v) Executive Engineer, Public Works Division, Arvi

from its own funds without signing of MOU with MEDD.NIT entered (January 2008) into an agreement with a BOT operator without permission of MEDD. MEDD cancelled (October 2008) the process of modernization and renovation of IGMCH by NIT as permission had not been taken by NIT from MEDD for appointment of a BOT operator. An expenditure of another ₹ 42.52 lakh had already been incurred by NIT on preliminary expenses (between March and June 2008) in spite of instructions by MEDD in January 2008 to maintain status quo. Despite cancellation of the process, NIT went on spending on the project and again incurred an expenditure of ₹ 76.24 lakh (between March 2009 and February 2010).

As such, an expenditure of ₹ 1.49 crore was incurred (between July 2004 and February 2010) by NIT towards payment of architect's fees, advertisement expenses, consultancy fees etc. without receiving funds from MEDD. Thus, due to non-observance MEDD instructions, an expenditure of ₹ 1.49 crore incurred by NIT from its own funds proved wasteful.

NIT stated (September 2010) that the expenditure was incurred with the understanding that NIT would get its agency charges. The reply is not acceptable as NIT went on spending on the project without executing an MOU and receiving funds from MEDD. NIT also failed to observe the directives of MEDD, resulting in withdrawal of project and wasteful expenditure of ₹ 1.49 crore.

The matter was referred to the Government (June 2011). Reply had not been received (October 2011).

Water Resources Department

Konkan Irrigation Development Corporation

3.3.6 Irregular release of secured advance

Awarding of work to a contractor disregarding the directives of the Water Resources Department and releasing a secured advance of ₹ 1.59 crore to the same was irregular. Utility of the material for which the secured advance was paid was also doubtful.

As per Para 10.2.21 of the Maharashtra Public Works Account Code, an Executive Engineer (EE) can sanction secured advances to contractors on the security of the material brought to site subject to a maximum of 75 *per cent* of the assessed value. Para 251 of the Maharashtra Public Works Manual provides that work should not be commenced without acquiring the land required for the work.

The Water Resources Department, Government of Maharashtra (department) had administratively approved (March 2008) the construction of the Hetwane Medium Irrigation Project, Taluka Pen, District Raigad (project) for

₹ 208.53 crore[28] being executed by the Konkan Irrigation Development Corporation (KIDC). 'Construction of pipeline and ancillary works in KM No 1 &.2 for Koproli Distributory at Ch. 304.80 M to 1756.40 M' (work), a part of the eight km long distributor, was technically sanctioned (February 2006) by the Executive Director, KIDC (ED) for ₹ 3.08 crore.

Scrutiny (February 2011) of the records of the EE, Hetawne Canal Division No.2 revealed that the department had directed (February 2007) the ED to stop the project work immediately as the irrigable area under Ch 5/960 to 8/400 of the proposed project was to be acquired for the purpose of Maha Mumbai Special Economic Zone. The department had also directed the ED to submit a report on implementation of the orders. However, as approved by the Chairman, KIDC (Minister for Water Resources), the ED had decided (April 2007) to award the work to Shri D.M. Murkute (contractor) after calling for tenders. The work was awarded (June 2007) to the contractor at a cost of ₹ 3.67 crore, which was 25.85 *per cent* above the estimated cost of ₹ 2.92 crore. The work was to be completed in 18 months. However, the tender document had indicated that the land acquisition process was only in the initial stage.

Subsequently, the EE had released (October 2007 and December 2007) a secured advance of ₹ 1.59 crore[29] in two instalments[30] inclusive of contractor's percentage *i.e.,* 25.85 *per cent* above the estimated cost on the basis of the entries made in the measurement books. However, we found that the contractor had not produced any purchase invoices or delivery challans in support of his claim for release of secured advance for the material brought to site, which was irregular. However, due to a farmers' agitation, land could not be acquired and the work could not be started as of June 2011. Finally, the Superintending Engineer (SE), North Konkan Irrigation Project Circle, Thane approved (June 2011) the EE's proposal to withdraw the work from the contractor.

Thus, awarding of work by the ED without ensuring clear possession of land, disregarding the Government directives not to start the work and release of secured advance of ₹ 1.59 crore to the contractor without obtaining any proof of material purchase, was irregular.

In reply, the SE, North Konkan Irrigation Circle, Kalwa, Thane, stated (June 2011) that the secured advance paid to the contractor could not be recovered and the pipes would be utilised in some other work executed by the department.

The reply is not acceptable as the work should not have been awarded in the light of the Government directives to stop all the works under the project.

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[28] Second revised administrative approval (AA) against the original AA for ₹ 15.36 crore (1996) and first revised AA for ₹ 105.52 crore (2000)

[29] On three items *viz.,* 40 MT of MS bars, 2500 metres of pre-stressed concrete pipes and 28 MT of MS sheets, which were brought to site by the contractor in July 2007

[30] First running account bill: ₹ 75 lakh and second running account bill: ₹ 84 lakh

Moreover, when the KIDC was aware that the required land was still to be acquired releasing the secured advance to the contractor was irregular.

The matter was referred to the Government (June 2011). Reply was awaited (October 2011).

Maharashtra Krishna Valley Development Corporation

3.3.7 Injudicious acquisition of a non-functioning lift irrigation scheme

Non-evaluation of lift irrigation scheme prior to its acquisition from a sick water supply society resulted in taking over the non-functioning scheme worth ₹ 36.39 lakh for ₹ 1.17 crore.

The Hanuman Seva Pani Puravatha Sansthan, Dandwadi (Society) was established (April 1983) for providing irrigation facilities to two villages *viz.,* Dandwadi and Narole in Taluka Baramati in Pune District. The Pune Division of the Irrigation Department, Government of Maharashtra accorded (May 1983) sanction to the Society to lift water from Mile no. 61 of the new Mutha right bank canal. The National Bank for Agriculture and Rural Development (NABARD) sanctioned (July 1987 and March 1988) ₹ 68.68 lakh as loan and released (July 1987 and December 1989) the same for execution of an irrigation scheme and disbursed the same to the Society through the Pune District Co-operative Agriculture and Multipurpose Development Bank Ltd. Land of 219 hectares owned by 165 members of the Society was mortgaged to the bank against the loan. This scheme was completed in the year 1988.

Scrutiny (December 2010) of records of the Executive Engineer (EE), Chaskaman Project Divison, Pune of the Water Resources Department (Department) revealed that the Society could run the irrigation scheme up to 1995 only. Thereafter, the scheme could not be run due to increase in rate of electricity, delay in obtaining permission from Forest Department, non-production of cash crops as water supply permission was only for eight months, actual irrigable areas being less than anticipated *etc*. The Society requested (November 1999) the Chairman, Maharashtra Krishna Valley Development Corporation (MKVDC) to take over the scheme as the command area of the said scheme fell under Janai Shirsai Lift Irrigation Scheme (JSLIS), which was run by the MKVDC. The Society also declared that it had an unmanageable liability of ₹ 1.81 crore[31].

In view of the decision already taken by the then Water Resources Minister, who was also the Chairman of the MKVDC, to merge the irrigation scheme with the JSLIS, MKVDC had resolved (December 1999) to accord sanction to the merger treating it as a special case. MKVDC had also sanctioned ₹ 1.81 crore as an additional expenditure under JSLIS. As of October 2008, ₹ 1.23 crore was waived under the Amnesty Scheme and the balance liability

[31] ₹ 1.31 crore towards principal and interest of loan from Bank, ₹ 25 lakh towards electricity charges and ₹ 25 lakh payable to Someshwar Sahkari Sakhar Karkhana Ltd, Someshwar

to the bank was ₹ 1.17 crore. However, MKVDC discharged the liability of ₹ 1.16 crore during October 2008 to March 2010, without evaluating the cost and estimated liability for running the scheme. Subsequently, the Government approved valuer evaluated (July 2010) the net worth of the scheme as ₹ 36.39 lakh only. The EE requested (November 2010) the bank to hand over all the assets to Sub Divisional Officer No.3 of the JSLIS. In order to remove the liability from the land records, the EE issued (December 2010) a 'no objection certificate', which enabled the Society to remove the loan liability from the land records. However, MKVDC could not run the scheme as of July 2011.

Thus, taking over a scheme which could not be run since 1995 and taking over the liabilities of the Society before getting the scheme evaluated was injudicious. As a result, MKVDC acquired a non-functioning and financially sick irrigation scheme worth ₹ 36.39 lakh for ₹ 1.17 crore.

In reply, the Government stated (July 2011) that the command area of Hanuman Seva Lift Irrigation Scheme was overlapping with Janai Left Bank Canal. The scheme was taken over as per the resolution passed by Governing Council of MKVDC but could not be run due to shortage of funds.

The reply was silent about why the assets of a scheme were acquired at a much higher value than their evaluated price. Moreover, the purpose of acquisition of the assets was also defeated as MKVDC did not initiate any action to make the lift irrigation scheme functional and Dandwadi and Narole villages continued to remain deprived of irrigation facilities because of the same.

3.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs frequently. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness of the Executive but is also an indication of lack of effective monitoring. Some of the cases reported in Audit about persistent irregularities have been discussed below:

Water Resources Department

3.4.1 Payment made without verification

Inadmissible payment for extra lead charges to private contractor.

The work of construction of a masonry spillway and related works and balance earthwork in RD 1537.60 m to 1680 m of the Lendi Project in Nanded District at an estimated cost of ₹ 21.64 crore to a contractor was awarded (May 2002) for ₹ 19.48 crore (10 *per cent* below estimate) for completion in 36 months. It was stipulated in the tender that good trap stones in adequate quantity were likely to be available within two km from the dam site (in Ganegaon quarry). However, if the quarries were required to be opened and operated for longer leads or lifts, no claim whatsoever for extra lead or lifts would be entertained,

the contractor had to bear all the costs involved thereof and the contractor would be deemed to have made proper assessment of the situation at the time of quoting his rates in the tender.

Scrutiny (April 2009) of the records of the Executive Engineer, Lendi Project Division, Degloor (EE) revealed that during execution, the contractor brought to the notice (January 2006) of EE, the non-availability of stones in the designated quarry at two km distance and requested that he may be allowed to bring stones from a longer lead. Accordingly, a committee was constituted (January 2007) to identify the nearest quarry beyond the designated one. The committee identified (January 2007) the Barhali quarry in taluka Mukhed which was at a distance of 15 km from the dam site. Chief Engineer, Aurangabad approved (June 2007) the financial burden of ₹ 3.01 crore due to the additional lead for the quantity of 150308 cum stones. The Superintending Engineer, Nanded Irrigation Circle, Nanded sanctioned (October 2007) an extra item for the same. As of July 2010, ₹ 1.83 crore had been paid for the quantity of 89406 cum of stones.

When Audit enquired (March 2010) about the documents in support of the bringing of stones from the Barhali quarry, the EE stated (July 2010) that the quantity of stones brought from the Barhali quarry were recorded in the measurement book and certified by the Sub-divisional Engineer. However, no documents such as transit pass and sanction order of revenue authority were submitted. Audit approached (September 2010) the Revenue authorities *viz* Tahsildar Mukhed, Sub Divisional Officer, Degloor and Collector, Nanded, enquiring about the permission granted to the contractor for extracting stones from the Barhali quarry, all three revenue authorities stated (September and October 2010) that they had not given any permission to the contractor.

The reply (July 2010) of the EE is not acceptable as the tender specifically provided that the contractor should make his own investigation regarding location of quarries and the quality and adequacy of stones. If any other quarry was required to be opened and operated at longer leads or lifts, no claim on this account was to be entertained and the contractor had to bear all the costs thereof.

Thus, sanction and payment on the basis of the Extra Item Rate List for extra lead in the absence of any proof that hard rock was extracted from the Barhali quarry, which had not been auctioned by the Revenue authorities for quarrying, led to inadmissible payment of ₹ 1.83 crore for the extra lead. The payment was in contravention of the tender stipulation and was thus irregular.

The matter was reported to Government in May 2011. Reply was awaited (October 2011).

Godavari Marathwada Irrigation Development Corporation, Tapi Irrigation Development Corporation and Vidarbha Irrigation Development Corporation

3.4.2 Irregular payment of mobilization advance

Payment of mobilization advance in violation of contractual conditions led to irregular payment of ₹ 98.17 crore.

As per Government of Maharashtra Irrigation Department, circulars issued in March 2000 and April 2008, no clause regarding payment of mobilization/machinery advance was to be incorporated in contracts.

(i) Audit scrutiny (March 2009, September 2009 and January 2010) of the records of two[32] divisions of the Tapi Irrigation Development Corporation (TIDC), and the Vidarbha Irrigation Development Corporation (VIDC) revealed that mobilization advances of ₹ 80.65 crore were sanctioned to the contractors of seven works by Executive Directors of Corporations **(Appendix 3.9)** at their request though the agreements did not provide for payment of such advances.

On this being pointed out, the Executive Director, VIDC, stated (March 2009) that mobilization advances were paid to the contractors in the interest of work.

(ii) Similarly, it was seen (January and June 2010) from the records of two divisions[33] of the Godavari Marathwada Irrigation Development Corporation (GMIDC) that mobilization advance of ₹ 17.52 crore had been sanctioned to contractors of four works (**Appendix 3.10**) at their request, though the agreements did not provide for payment of mobilization advances. It was observed in the two cases that :

- In the case of the Upper Pravara Canal Division, Sangamner, the contractor to whom the work of construction of earthwork and structure in km 1 to 18 of Upper Pravara Right Bank Canal was entrusted (August 2008) was paid (November 2008) mobilization advance of ₹ 4.02 crore after execution of a separate agreement (October 2008) with GMIDC. The terms and conditions of the said agreement, *inter alia*, stipulated that the contractor should provide bank guarantee of ₹ 4.65 crore and 24 post dated cheques towards repayment of instalments. It also included a clause that he should not issue stop payment instructions to the bank under any circumstances whatsoever. In spite of the inclusion of the stop payment clause, the contractor issued stop payment instructions to the bank. As a result, after recovery of two instalments (December 2008 and January 2009) of ₹ 19.38 lakh each, no further recovery could be made. The bank guarantee was also not encashed on the ground that recovery would be

[32] Minor Irrigation Division Jalgaon and Dhule Medium Project Division No.2. Nandurbar
[33] i) Upper Pravara Canal Division Sangamner ii) Minor Irrigation Division, Osmanabad.

effected from running account bills (RA bills). A huge advance of ₹ 3.72 crore out of ₹ 4.02 crore and interest of ₹ 63.48 lakh thereon remained outstanding against the contractor (February 2011).

- The work of construction of the Uddhat Barrage on Nira river at Taluka Indapur was awarded (August 2009) to a contractor at a tendered cost of ₹ 79.87 crore (18.54 *per cent* above the estimated cost of ₹ 67.37 crore) with a stipulated period of completion of 36 months. The contractor requested (August 2009) for payment of mobilization advances on the ground that he had to mobilize the necessary machinery and establishment at the camp site. The Executive Engineer, Krishna Marathwada Construction Division No.1, Osmanabad (EE) recommended (August 2009) grant of advance on the ground that the work was required to be taken up immediately and to be completed speedily. The Chairman, GMIDC sanctioned and paid mobilization advance of ₹ four crore to the contractor (January 2010). However, work could not be started due to agitation by farmers and project affected persons (PAPs) (May 2010). As the work could not be started, the payment of advance of ₹ four crore did not serve the intended purpose of speeding up of the work. The work was not started (May 2011).

The replies are not acceptable as payment of mobilization advance was against Government directives and also without any provision in the contract. The Government stated (July 2011) that recovery of mobilization advances granted to contractors in respect of GMIDC was in progress. Further, in respect of VIDC and TIDC, interest-bearing loans were sanctioned against equivalent bank guarantee and have been recovered.

The reply of Government is not acceptable as the condition for grant of mobilization advance was not incorporated in original terms and conditions of agreement.

3.5 Failure of oversight/Governance

The Government has an obligation of improving the quality of life of the people for which it works by fulfilling certain goals in the area of health, education, development and upgradation of infrastructure and public services *etc*. However, Audit noticed instances where funds released by Government for creating certain public assets for the benefit of the community remained unutilised/ blocked and/or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below:

Rural Development and Water Conservation Department

3.5.1 Infructuous expenditure

Infructuous expenditure of ₹ 2.19 crore on construction and maintenance of a Konkan-type bandhara without approval of designs by the competent authority.

The Central Design Organisation (CDO), Government of Maharashtra primarily deals with basic designs and drawings of major irrigation projects including designs and drawings for strengthening of old dams. It also deals with standardization of designs and design procedure, wherever possible. All irrigation projects can be taken up only after obtaining a suitable design, duly approved by the competent authority based on site conditions. The design of raft foundation should also be approved by CDO. The life span of a Konkan-type bandhara (bandhara), a small dam, is normally 60 years.

The revised administrative approval to the work of construction of a bandhara at Khadkoli, Taluka Palghar in District Thane, was accorded (July 2000) for ₹ 1.80 crore with an irrigation potential of 112 ha. The work order was awarded (October 2000) to a contractor for ₹ 1.16 crore on a turnkey basis with the stipulated period of completion as 12 months *i.e.* October 2001. The work was, however, completed in May 2001. The total expenditure incurred on the scheme up to date was ₹ 2.19 crore including expenditure of ₹ 48.46 lakh incurred on repairs.

Due to heavy rains in 2002, 2005, 2007 and 2008, the bandhara was heavily damaged. During an inspection (November 2009), the Chief Engineer (CE), Pune observed that the strata up to 14 m deep underneath the bandhara was soft and mixed with sand. He further observed that during tides, salt water from the sea was entering the storage and making the water non-irrigable and only 2.20 ha had been utilized for irrigation since the date of completion of the bandhara. He stated that the foundation and piers had not been constructed properly, which had caused the damages. He also stated (June 2010) that safe bearing capacity of manjra type rock and the raft design had not been approved by the CDO as required.

Scrutiny (September 2010) of records of the Executive Engineer, Minor Irrigation (Local Sector) Division, Thane (EE) revealed that instead of preparing a new design for the bandhara at Khadkoli, the Division had adopted the design data of the EE, Design Division, Konkan Bhavan, Navi Mumbai, which had been prepared for the purpose of construction of a bandhara at Maswan, 4.5 km upstream, based on the site conditions prevailing at Maswan which had different bore log details[34]. During the rains in June 2002, the

[34] Bore log details available showed existence of sand up to a depth of 14 m, the raft foundation was executed from chainage (-) 10 to (-) 5 as against (-)10 to 50 m provided in case of Maswan bandhara and from (-) 5 to 75, piers were constructed on manjra type rock having less safe bearing capacity.

earthwork of both the banks on the downstream and upstream side washed away. Though the Division had carried out repairs, the bandhara was damaged again during the rains in 2005 and 2007. Despite repairs done on each occasion, 24 guard stones of the weir got displaced and scouring on the right and left bank of the bandhara occurred up to 250 to 300 m during the rains in August 2008. Since then, no water had been stored in the bandhara. The reason attributed to the damage was heavy rain and extraction of sand from the bandhara by local people. Though the Superintending Engineer (SE) (MI) Circle (Local Sector), Thane proposed (July 2002) to carry out repairs after obtaining technical advice from CDO, Nasik, the Division during June 2002 and August 2006 executed repairs worth ₹ 48 lakh without approval from the CDO/competent authorities.

Construction of a raft foundation and piers on manjra type soft rock based on a design adopted for another bandhara without approval from the CDO, the inability to foresee the salt water entering the storage during tides, the failure in prevention of sand extraction close to the bandhara, the exaggeration of irrigation potential at the time of planning, the execution of repair works without the approval of the competent authorities, *etc*., resulted in infructuous expenditure of ₹ 2.19 crore as the bandhara got damaged within eight years of its construction.

In reply, the Chief Engineer (MILS), Pune stated (June 2011) that the bandhara had been constructed as per the demand of the local people and their representatives. Due to extraction of sand near the bandhara by the local people, the foundation had been damaged resulting in its sinking. He further stated that the work had been carried out properly.

The reply is not acceptable as the CE, during his inspection (November 2009) had confirmed that the construction of piers on the affected area had not been done properly. He had also stated (June 2010) that the design of the bandhara should have been got approved by CDO, Nasik based on the site condition but the same has not been done. Thus, non-consideration of strata before constructing the bandhara resulted in collapse of the same with resultant infructuous expenditure.

The matter was referred to the Government (April 2011). Reply had not been received (October 2011).

3.6 Regulatory issues and other points of interest

3.6.1 Outstanding Inspection Reports, Departmental Audit Committee Meetings, Follow-up on Audit Reports and Action Taken Notes

Failure to enforce accountability and protect the interests of Government

Outstanding Inspection Reports

The Principal Accountant General (Audit) arranges to conduct periodical inspections of Government departments to test-check their transactions and verify the maintenance of important accounting and other records as per

prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) which are issued to the heads of the offices inspected with copies to the next higher authorities. Half-yearly reports of pending IRs are sent to the Secretaries of the concerned departments to facilitate monitoring of action taken on the audit observations included in these IRs.

The IRs issued up to December 2010, pertaining to 28 departments, disclosed that 23,956 paragraphs relating to 8,313 IRs were outstanding at the end of June 2011. Year-wise position of the outstanding IRs and paragraphs are detailed in **Appendix 3.11**.

Departmental Audit Committee Meetings

In order to settle the outstanding audit observations contained in the IRs, Departmental Audit Committees have been constituted by the Government. During 2010-11, nine[35] out of 28 departments convened 21 Audit Committee meetings, 2,277 paras were discussed in the meetings and 1,316 paras were settled.

For ensuring prompt compliance and early clearance of the outstanding paragraphs, it is recommended that the Government should address this issue seriously and ensure that an effective procedure is put in place for (a) taking action against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, (b) recovering losses/outstanding advances/ overpayments in a time bound manner and (c) revamping the system of responding to audit observations.

Follow up on Audit Reports

According to instructions issued by the Finance Department in March 1981, administrative departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within one month of presenting the Audit Reports to the State Legislature. The administrative departments did not however, comply with these instructions. The EMs in respect of 120 paragraphs/reviews for the period from 1988-89 to 2009-10 have not yet been received. The position of outstanding EMs from 2004-05 to 2009-10 is indicated in the **Table 1**.

Table 1: Status of submission of EMs in respect of Audit Reports during 2004-10

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2004-05	18 April 2006	39	33	6
2005-06	17 April 2007	38	32	6
2006-07	25 April 2008	47	38	9
2007-08	12 June 2009	51	40	11
2008-09	23 April 2010	32	23	9
2009-10	21 April 2011	29	5	24
Total		236	171	65

[35] Agriculture, Animal Husbandry, Dairy Development and Fisheries, Higher and Technical Education, Law and Judiciary, Public Works, Revenue and Forests, Tribal Development, Urban Development, Water Resources and Water Supply and Sanitation

In addition to the above, EMs in respect of 55 paras relating to the period prior to 2004-05 were also outstanding. Department-wise details are given in **Appendix 3.12**.

Action Taken Notes

The Maharashtra Legislature Secretariat (MLS) Rules stipulate that Action Taken Notes (ATN) on the recommendations of the Public Accounts Committee (PAC) on those paragraphs of the Audit Reports that are discussed are required to be forwarded to the MLS duly verified by Audit. Likewise, ATNs indicating remedial/corrective action taken on the paras that are not discussed are also required to be forwarded to the PAC duly vetted by Audit. It was observed that there were inordinate delays and persistent failures on the part of a large number of departments in forwarding ATNs on audit paragraphs. Year-wise details of such paragraphs are indicated in **Table 2**.

Table 2: Year-wise status of pending ATNs

Audit Report	Total number of paras in the Audit Report	Number of paras		ATNs awaited in respect of paras	
		Discussed	Not discussed	Discussed	Not discussed
1985-86 to 1997-98	862	151	711	98	705
1998-99	47	10	37	10	37
1999-2000	55	7	48	4	48
2000-01	43	8	35	8	35
2001-02	51	9	42	9	42
2002-03	48	8	40	8	40
2003-04	48	2	46	2	46
2004-05	39	15	24	15	24
2005-06	38	17	21	17	21
2006-07	47	13	34	13	34
2007-08	51	22	29	22	29
2008-09	32	--	32	--	32
2009-10	29	--	29	--	29
Total	**1390**	**262**	**1128**	**206**	**1122**