

Chapter-V

Compliance Audit Paragraphs relating to State Public Sector Undertakings (other than Power Sector)

Important Audit findings emerging from test-check of transactions of the State Government Companies and Statutory Corporation (other than Power Sector) are included in this Chapter.

Government companies

Vimukta Jatis, Nomadic Tribes, Other Backward Classes and Special Backward Classes Welfare Department

Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited

5.1 *Implementation of social sector schemes*

Introduction

5.1.1 Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited (Company) was set up (April 1999) by the Government of Maharashtra (GoM) under the Companies Act, 1956. The objective of the Company is economic upliftment and generation of self-employment among Other Backward Classes (OBCs) in the State of Maharashtra. The Company is implementing the different schemes of financial assistance in 29 districts of Maharashtra and Shamrao Peje Kokan Itar Magasvarg Aarthik Vikas Mahamandal Limited (SPKIMAVML)¹, which is a subsidiary of Company, is implementing the schemes in seven districts² of Konkan region. The Company being a State Channelising Agency (SCA), implemented schemes financed by the National Backward Classes Finance and Development Corporation (NBCFDC) and GoM since April 2000. GoM also provided separate grants for meeting administrative expenses of the Company.

5.1.2 The Company implemented eight different schemes of financial assistance sponsored by NBCFDC and GoM as under:

Term Loan Scheme (TLS): Under this scheme, beneficiaries were eligible for loan up to ₹ 3 lakh at the rate of six *per cent* and repayment was to be made in period up to five years. The Scheme provided up to 95 *per cent* of the project cost as loan, of which 85 *per cent* loan was from NBCFDC and 10 *per cent* was from the Company. The balance five *per cent* of the project cost was to be contributed by the beneficiaries.

¹ The Company holds 99.99 *per cent* equity in SPKIMAVML.

² Mumbai city, Mumbai Suburban, Palghar, Raigad, Ratnagiri, Sindhudurg and Thane.

Margin Money Scheme (MMS): Under this scheme, beneficiaries were eligible for loan up to ₹ 5 lakh (with a condition to create assets of ₹ 3 lakh) at the rate of six *per cent* and repayment was to be made in period up to five years. The Scheme envisaged 95 *per cent* of the project cost as loan, of which 50 *per cent* was to be contributed by banks at their applicable rate of interest, 40 *per cent* loan was to be contributed by NBCFDC and five *per cent* by the Company. The Company collects five *per cent* of the total amount from the beneficiary and releases 50 *per cent*³ to the bank for further release to the beneficiary from the bank.

Swarnima Scheme (SS): This scheme was for economic upliftment and generation of self-employment amongst women beneficiaries with a project cost of up to ₹ 75,000 at the rate of five *per cent* and repayment was to be made in period up to seven years. The Scheme envisaged 95 *per cent* loan from NBCFDC and five *per cent* from the Company.

Education Loan Scheme (ELS): This scheme was for pursuing professional or technical education at graduate and higher level. Beneficiaries were eligible for loan up to ₹ 10 lakh (maximum ₹ 2.50 lakh per annum) at the interest rate of four *per cent* for male and 3.50 *per cent* for female beneficiaries. Repayment was to be made in period up to five years after completion of education. The Scheme envisaged 95 *per cent* loan which included 90 *per cent* loan from NBCFDC and five *per cent* from the Company. The balance five *per cent* of the project cost was to be contributed by the beneficiaries.

Mahila Samrudhi Scheme (MSS): This scheme was for Self Help Groups (SHG) of women members from rural as well as urban area for loan up to ₹ 5 lakh at the rate of four *per cent* and repayment was to be made in period up to three years. The Scheme envisaged 95 *per cent* loan from NBCFDC and five *per cent* from the Company.

Micro Finance Scheme (MFS): This scheme was for SHGs registered with Non-Government Organisations (NGOs). Beneficiaries were eligible for loan up to ₹ 5 lakh at the rate of five *per cent* and repayment was to be made in period up to three years. The Scheme envisaged 95 *per cent* as loan (90 *per cent* loan from NBCFDC and five *per cent* from the Company). The balance five *per cent* contribution was from SHGs.

Direct Loan Scheme (DLS): This scheme was to be implemented from the amount received as share capital from the GoM. Beneficiaries were eligible for loan up to ₹ 25,000 at the rate of two *per cent* and repayment was to be made in period up to three years. The Scheme was to be implemented with 100 *per cent* contribution from the Company.

Seed Money Scheme (SMS): Under this scheme, beneficiaries were eligible for loan up to ₹ 5 lakh at the rate of six *per cent* and repayment was to be made in period up to five years. The Scheme envisaged loan of 75 *per cent* of the

³ Forty *per cent* loan from NBCFDC, five *per cent* from the Company and five *per cent* contribution from beneficiaries.

project cost from the bank and 20 *per cent* from the Company. The balance five *per cent* was to be contributed by the beneficiaries.

Audit objectives and Scope

5.1.3 Audit reviewed implementation of all the eight schemes of the Company during the period 2013-14 to 2017-18.

Audit objectives were to ascertain whether:

- the Company could make significant achievements in realizing its goal of economic upliftment of OBCs;
- adequate funds were available for financial assistance to beneficiaries; and
- proper system for implementation of schemes existed as per NBCFDC/GoM conditions.

Audit reviewed records at Head Office (HO) and 15⁴ out of 36 District Offices (DOs) of the Company for the period April 2013 to March 2018. Audit was conducted during March-July 2018.

The audit findings were issued to the Government and to the Company in October 2018. Reply of the Company was received (December 2018) and the Government endorsed (December 2018) the reply of the Company. The audit findings have been finalised after considering the replies.

Audit criteria

5.1.4 The Audit criteria adopted were derived from the following:

- Guidelines issued by GoM and NBCFDC for implementation of schemes;
- Terms and conditions of GoM and NBCFDC for providing financial assistance to beneficiaries;
- Circulars/notifications issued by the Company; and
- Agenda and minutes of the meetings of the Board of Directors.

Organisational set up

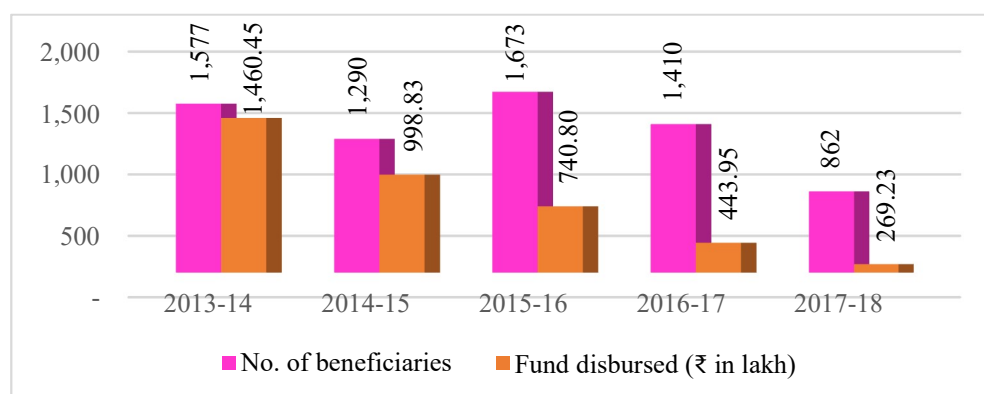
5.1.5 The Company is under the administrative control of the Vimukta Jatis, Nomadic Tribes, Other Backward Classes and Special Backward Classes Welfare Department of the GoM. The Management of the Company is vested with a Board of Directors (BoD) comprising of the Chairman, Vice-Chairman, Managing Director (MD) and five other Directors. The day-to-day operations are carried out by the MD and are assisted by a General Manager and two Deputy General Managers. The Company has 36 District Offices, including seven under SPKIMAVML, headed by District Managers (DMs).

⁴ Ahmednagar, Aurangabad, Beed, Buldhana, Dhule, Jalgaon, Latur, Nagpur, Nashik, Pune, Raigad, Sindhudurg, Solapur, Wardha and Washim.

Audit findings

Achievement of objectives

5.1.6 The Company was set up with an objective of economic upliftment and generation of self-employment amongst OBCs in the State of Maharashtra. The year-wise number of beneficiaries during the period April 2013 to March 2018 were as under:



(Source: Information furnished by Company)

As would be seen from the above, the Company could provide financial assistance to only 6,812 beneficiaries during April 2013 to March 2018. The financial assistance provided was only ₹ 39.13 crore. The scheme wise details of financial assistances are given below.

(Amount ₹ in lakh)

Name of the scheme	2013-14		2014-15		2015-16		2016-17		2017-18	
	No. of beneficiaries	Amount	No. of beneficiaries	Amount	No. of beneficiaries	Amount	No. of beneficiaries	Amount	No. of beneficiaries	Amount
Term Loan	647	1,072.61	404	600.59	215	215.30	2	1.71	-	-
Margin Money	21	38.78	19	35.77	14	27.10	5	10.51	-	-
Swamima	24	16.00	35	20.75	13	9.25	0	-	-	-
Education Loan	433	150.53	395	134.45	397	136.53	193	68.80	109	45.82
Mahila Samrudhi	50	6.11	10	2.25	20	4.75	-	-	-	-
Micro Finance	-	-	-	-	-	-	-	-	-	-
Direct Loan	-	-	-	-	632	157.05	991	247.75	588	147.00
Seed Money	402	176.42	427	205.02	382	190.82	219	115.18	165	76.41
Total	1,577	1,460.45	1,290	998.83	1,673	740.80	1,410	443.95	862	269.23

(Source: Information furnished by Company)

The Company accepted (December 2018) that the beneficiary coverage was poor as the Company had not received funds from NBCFDC since 2015-16. The Company also stated that its schemes were not attractive as they were not revised for past 17 years. Higher rate of interest applied by the banks on their

portion of the loan was also another reason for the schemes not taking off. The Company also stated that they had approached (October 2017-August 2018) the GoM with a proposal for reviewing and revamping the existing schemes and introducing new schemes.

5.1.6.1 The GoM provided administrative grants to the Company every year to cover their annual administrative expenses on salaries and managerial expenses. The year-wise position of administrative expenses and the total disbursements made to beneficiaries are as follows:

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Disbursement to beneficiaries (in ₹ crore)	14.60	9.99	7.41	4.44	2.69	39.13
Administrative expenses (in ₹ crore)	7.62	7.07	7.69	8.96	7.75	39.09
Per cent of administrative expenses to total disbursement	52.19	70.77	103.78	201.80	288.10	--

(Source: Information furnished by Company)

It can be seen from the above that the annual administrative expenses of the Company ranged between ₹ 7.07 crore to ₹ 8.96 crore during the five-year period from 2013-14 to 2017-18. The *per cent* of administrative expenses to the total disbursements increased from 52.19 *per cent* in 2013-14 to 288.10 *per cent* in 2017-18, mainly because no funds were received from NBCFDC and GoM towards implementing any of the schemes during 2015-16 to 2017-18.

The Company stated that efforts will be made to increase the number of beneficiaries and disbursements.

Fixing of targets

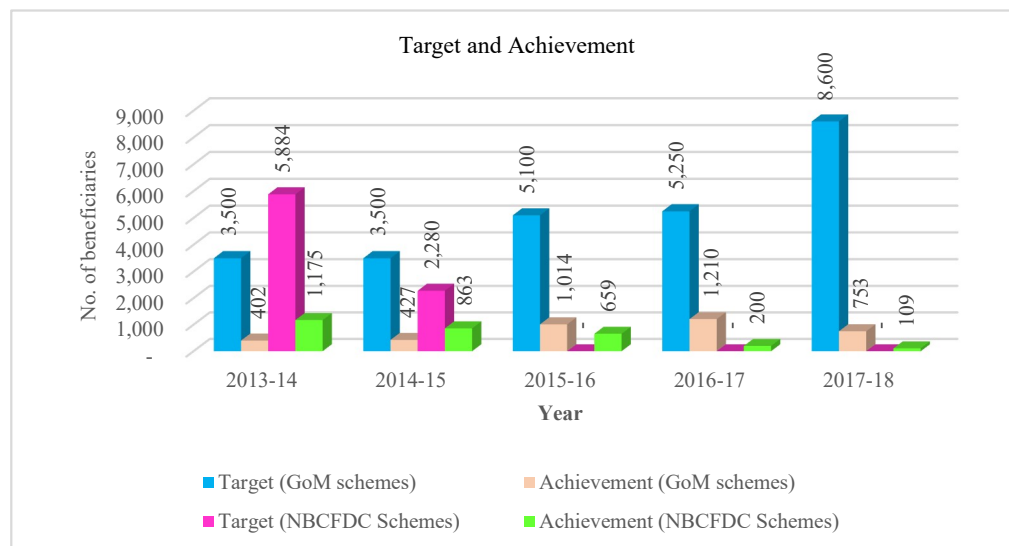
5.1.7 In order to have optimum coverage of deserving beneficiaries, need based targets are required to be fixed considering the objectives of the financial assistance schemes.

Targets were fixed by the Company on the basis of a communication (January 2011) from GoM, according to which the financial assistance was to be equally distributed among all districts. There was no village/block level database created by the Company for identification and selection of beneficiaries. The targets for GoM schemes were fixed in an *ad hoc* manner ignoring the actual dispersion of targeted population in different districts, previous year's achievements and without any correlation between physical and financial targets. The district-wise targets for NBCFDC schemes were not fixed for any year during 2013-14 to 2017-18.

The Company stated (December 2018) that it would prepare district-wise need-based targets for effective coverage of beneficiaries and alignment of the same with realistic budgetary planning and estimation.

Non-achievement of targets

5.1.8 The physical targets and achievements of the Company in respect of GoM and NBCFDC schemes during April 2013 to March 2018 is indicated in the following diagram:



(Source: Information furnished by Company)

5.1.8.1 There were six NBCFDC schemes being implemented by the Company. The Company could achieve only 19.97 and 37.85 per cent of the physical targets for disbursement of loan during 2013-14 and 2014-15 respectively.

The Company stated that the physical and financial targets were not given for NBCFDC loan schemes and stated that all applications received for NBCFDC schemes were sanctioned by the Company.

5.1.8.2 There were two GoM schemes viz. Direct Loan Scheme (DLS) and Seed Money Scheme (SMS), being implemented by the Company. The Company fixed scheme wise target of 3,500 beneficiaries each for disbursement of loan in 2013-14 and 2014-15. It was further increased to 5,100, 5,250 and 8,600 beneficiaries for 2015-16, 2016-17 and 2017-18 respectively. The Company, however, could achieve targets ranging from 8.76 to 23.05 per cent only during the above period.

The achievement of targets for GoM schemes was poor due to various reasons as attributed by the Company, such as higher rate of interest charged by banks, lack of any subsidy on the scheme, introduction of other schemes by Government of India (GoI) and delay in sanction of loan by the banks in respect of SMS of GoM. In respect of DLS, the maximum amount of loan under this scheme was very less resulting in poor response.

Non-evaluation of schemes

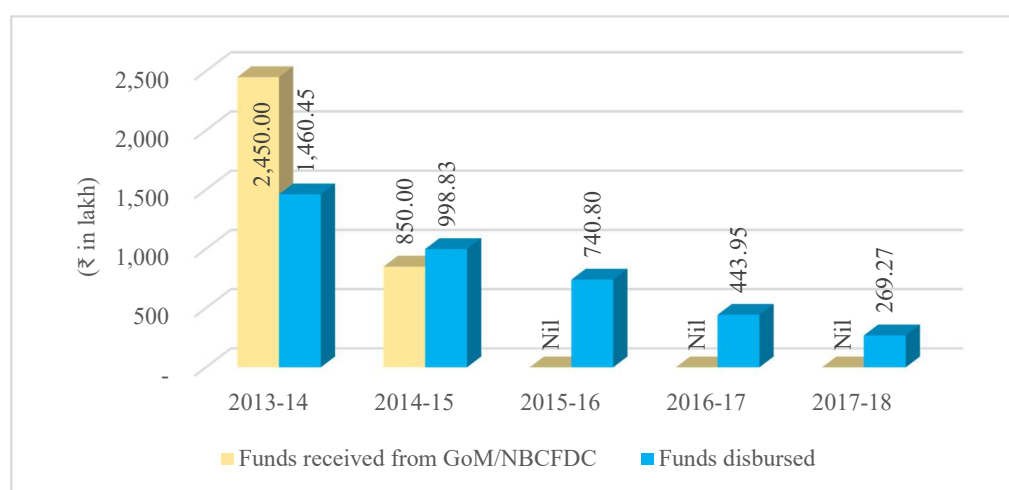
5.1.9 NBCFDC had stipulated (April 2015) in their approved Annual Action Plan (AAP) that the Company should get its schemes evaluated by the Department of GoM responsible to evaluate the Government scheme. Further,

evaluation studies on consideration of materiality and risk profile were to be conducted at least once in three to five years to ensure that all loan schemes were covered. The Company did not approach the GoM department till date (February 2019) to conduct any such evaluation of the schemes implemented by the Company, thereby the performance of the schemes could not be assessed.

The Company also accepted the fact that the NBCFDC schemes were not evaluated by the GoM department, however, stated that the schemes were evaluated by NBCFDC through various other institutions from time to time.

Availability of funds

5.1.10 The year-wise position of total funds received from GoM/NBCFDC and disbursed by the Company during the five-year period ending 31 March 2018 is depicted in the following diagram:



(Source: Information furnished by Company)

The Company received ₹ 24.50 crore in 2013-14 and ₹ 8.50 crore in 2014-15 from GoM and NBCFDC. Later, the Company did not receive any funds from GoM or from NBCFDC during the three years from 2015-16 to 2017-18. As a result, the disbursements in the form of financial assistance showed a decreasing trend during the five-year period from 2013-14 to 2017-18. The total disbursements under all the schemes of the Company decreased from ₹ 14.60 crore in 2013-14 to ₹ 2.69 crore in 2017-18 and the number of beneficiaries also decreased from 1,577 in 2013-14 to 862 in 2017-18. In respect of NBCFDC schemes, the Company utilised undisbursed NBCFDC funds of previous years to implement schemes during 2015-16 and 2017-18 and the Company had to utilise its own funds of ₹ 43.43 lakh during 2017-18 for continuing the NBCFDC Education Loan scheme after approval of GoM.

NBCFDC Schemes

5.1.10.1 In respect of NBCFDC schemes,⁵ the Company prepares an Annual Action Plan specifying the scheme wise physical and financial targets after

⁵ TLS, MMS, SS, ELS, MSS and MFS.

receiving notional annual allocation from NBCFDC. These targets are revised later based on the actual allocation of funds by NBCFDC. NBCFDC had notionally allocated ₹ 25 crore each for 2013-14 and 2014-15, ₹ 15 crore each for 2015-16 and 2016-17 and ₹ 2 crore for 2017-18 against which the Company received only ₹ 12.50 crore and ₹ 5 crore for 2013-14 and 2014-15 respectively. Thereafter, no funds were received from NBCFDC from 2015-16 till date (February 2019) due to non-repayment of outstanding dues.

NBCFDC issued (June 2017) a notice to the Company for payment of outstanding dues. Later, NBCFDC filed a case with the arbitrator against the Company for settlement of the dues. The arbitrator directed (June 2018) the Company to repay the outstanding amount of ₹ 27.82 crore to NBCFDC which was paid (June 2018) by the Company from its own available funds.

The Company while accepting the observations stated that instalments are now being paid timely to NBCFDC from the recoveries made from beneficiaries.

5.1.10.2 As per the lending policy of NBCFDC, financial assistance released by NBCFDC to the Company was treated as Advance Fund (AF). AF would be converted into Loan Account at applicable rate of interest of the particular scheme after receipt of utilisation certificate from the Company, which was to be submitted by the Company after actual disbursement to beneficiary. Interest ranging between one and three *per cent* per annum was charged on utilisation (disbursement to beneficiary) by the Company. On the other hand, NBCFDC charged an interest of three *per cent* per annum on unutilised AF up to 90 days, six *per cent* per annum from 91 to 180 days and eight *per cent* per annum above 180 days. The unutilised fund was to be recalled from the Company by NBCFDC after six months. Thus, it was necessary to utilise/disburse to AF to beneficiary at the earliest to enable them to avail lower rates on Loan Account.

Audit observed that the Company had issued utilisation certificates to NBCFDC simply on the basis of funds transferred to the District Offices. Further, 15 District Offices had actually disbursed these funds to the beneficiaries after a period ranging from one to 2,388 days from the date of receipt of funds from HO. The Company had not refunded any amount which was not utilised for 180 days stating that the loan amount was sanctioned to beneficiaries. Thus, the Company issued utilisation certificates to NBCFDC without actual disbursement to beneficiaries.

The Company accepted that the utilisation certificates were submitted on the basis of funds transferred to District Offices as these funds were transferred after identifying the beneficiary. However, disbursement to beneficiaries was delayed due to various factors and the amount was not refunded to NBCFDC.

GoM Schemes

5.1.10.3 Out of the two GoM Schemes⁶, in the case of Direct Loan Scheme (DLS), although GoM had directed the Company to implement the Scheme in November 2004, the Company did not implement the Scheme, stating

⁶ Director Loan Scheme (DLS) and Seed Money Scheme (SMS).

(April 2007) that no separate funds were received from GoM for implementing this scheme. Later, the Company after a lapse of 10 years, implemented (July 2014) the scheme from August 2014 by utilising GoM funds. Thus, there was delay in implementing DLS in spite of GoM funds being available with the Company.

The Company accepted the delay in implementing the DLS in anticipation of separate funds from GoM.

Implementation of schemes

Delay in implementation of schemes

5.1.11 As per the prescribed procedure, the applicants for loan should apply along with the relevant documents such as caste certificate and proof of residence to the District Offices of the Company. The District Manager (DM) after initial scrutiny would submit the proposal to the District Level Committee⁷ (DLC). After approval by the DLC, the proposals were sent to the HO of the Company for final approval. The validity of the final approval of the HO was 170 days *i.e.* beneficiaries had to submit all required documents within 170 days from the approval of HO. After receipts of all documents from beneficiary, the concerned DM should demand funds from the HO. The HO, subsequently disbursed funds to the District Office on the basis of availability of funds. After receipts of funds from HO, the DM would distribute the funds to the beneficiaries.

5.1.11.1 No time limit has been prescribed by the Company for processing the applications received at District Offices. The Company had not formulated any standard operating time/turnaround time fixing the maximum number of days to be allowed at each stage from the receipt of application till the disbursement of loan. Audit observed that there were substantial delays in processing the applications. Out of 3,110 beneficiaries reviewed, there were delays in the case of 1,091 beneficiaries (35 *per cent*) at various levels from the receipt of application till the date of disbursement as under:

Sl. No.	No. of districts	No. of years	Amount (₹ in crore)	No. of beneficiaries
1	15	More than 1 to 2 years	10.01	871
2	15	More than 2 to 3 years	2.03	167
3	10	More than 3 years	0.57	53
	Total		12.61	1,091

(Source: Information furnished by Company)

The delay from the receipt of application till the date of disbursement at various stages were mainly due to reasons such as:

- delay in holding the DLC meetings at district level;
- delay in sanction of loan by HO after approval of DLC;
- delay of submission of documents by beneficiaries to District Offices;
- delay in transfer of funds by HO to District Offices; and

⁷ DLC comprising of District Collector, Deputy Chief Executive Officer, District Manager of the Company, Principal of Industrial Training Institute *etc.*

- delay in disbursement of loan by District Offices to beneficiaries after receipt of funds from HO.

Delay in holding of monthly meeting of district level committee

5.1.11.2 Audit observed that one of the major factors responsible for delays in implementation of scheme was the delay in holding monthly meeting of DLC. As per Government Resolution (November 2004), DLC meeting should be held at least once every month for selection of beneficiaries. It was observed that in none of the 15 districts, DLC meeting was held on 12 occasions in any year during 2013-14 to 2017-18. Only one to two DLC meetings were held in 10 districts⁸. This resulted in delay in providing financial assistance to beneficiaries.

The table below shows the delay in holding DLC in respect of 1,694 out of 3,110 beneficiaries to whom financial assistance of ₹ 14.33 crore was provided.

Sl. No.	No. of districts	Period of holding a DLC after receipt of application	Amount (₹ in crore)	No. of beneficiaries
1	14	More than one month to one year	13.18	1,611
2	8	More than one year to two years	1.06	72
3	6	More than two years	0.09	11
	Total		14.33	1,694

(Source: Information furnished by Company)

Disbursement of loan to beneficiaries after the validity period

5.1.11.3 As per the prescribed procedures, a period of 170 days was allowed (90 days for DLS) from the date of approval letter issued by the Company for submission of all documents by the applicant to the District Offices, failing which the approved loan case stood cancelled.

The table below shows the details in respect of 150 cases out of 3,110 beneficiaries where disbursement of loan of ₹ 88.17 lakh was done after 170 days (90 days for DLS).

Sl. No.	No. of districts	Delay beyond the stipulated time limit	Amount (₹ in lakh)	No. of beneficiaries
I) Cases where disbursement of loan was made after 170 days				
1	11	171 days to 1 years	61.25	61
2	8	1 year to 2 years	10.12	21
3	1	More than 2 years (934 days)	0.20	1
		Total A	71.57	83
II) Cases where disbursement of loan was made after 90 days in Direct Loan scheme				
1	7	91 days to 1 year	16.35	66
2	1	More than 1 year (376 days)	0.25	1
		Total B	16.60	67
		Total (A+B)	88.17	150

⁸Aurangabad, Beed, Buldhana, Dhule, Jalgaon, Latur, Raigad, Sindhudurg, Solapur and Washim.

Audit observed that the Company disbursed loan of ₹ 71.57 lakh to 83 beneficiaries after validity period of 170 days. The loan was disbursed after a period ranging from 171 to 934 days from the date of approval letter issued by the Company. Similarly, an amount of ₹ 16.60 lakh was disbursed to 67 under DLS after the validity period of 90 days ranging from 91 to 376 days.

The Company accepted that there were delays at various stages and stated that the Company would prescribe time limits for each stage and the same will be implemented after approval of the Board. It further stated that they have requested (October 2018) to all District Collectors to hold monthly DLC meetings.

Non-fulfillment of income criteria

5.1.12 Annual family income of a beneficiary is a major criterion for granting financial assistance. An applicant was required to furnish a certificate issued by the competent authority showing the annual family income at the time of submission of application. We observed that financial assistance of ₹ 57.12 lakh was disbursed to 63 beneficiaries in 12 districts by the Company who had submitted income certificates for years previous to the preceding year. Thus, the criteria to provide financial assistance based on current income profile of the applicants was not ensured.

The Company stated that in few cases, income certificates of previous year were accepted to avoid difficulties to the beneficiaries from remote areas to obtain fresh income certificate.

Irregularities at different stages of disbursement

5.1.13 Following irregularities were observed on scrutiny of the data furnished to Audit in respect of 3,110 beneficiaries of 15 districts from the stage of application to final disbursement to beneficiary:

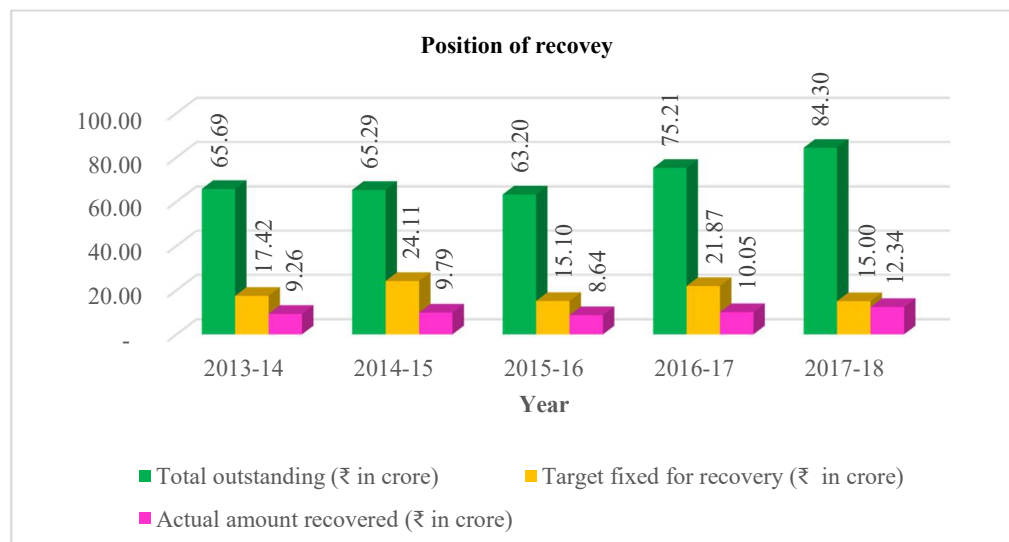
- The sanction of loan of ₹ 46.89 lakh by HO in respect of 81 beneficiaries of eight districts (Ahmadnagar, Buldhana, Dhule, Jalgaon, Pune, Sindhudurg, Solapur and Washim) was before the approval of their proposal by DLC and HO.
- The date of transfer of funds by HO to seven districts (Buldhana, Dhule, Jalgaon, Latur, Raigad, Solapur and Wardha) in respect of 75 beneficiaries was before the date of their application for loan.
- The date of transfer of funds by HO to 10 districts (Ahmadnagar, Beed, Buldhana, Dhule, Jalgaon, Latur, Nagpur, Raigad, Solapur and Wardha) in respect of 152 beneficiaries was before their loan was sanctioned by HO.
- The HO transferred funds of ₹ 1.04 crore to 11 District Offices (Ahmadnagar, Beed, Buldhana, Dhule, Jalgaon, Latur, Nagpur, Raigad, Solapur, Wardha and Washim) pertaining to 213 beneficiaries before submission of their legal documents for loan.

The Company stated that necessary instructions would be given to the District Offices to avoid such irregularities in future.

Recovery of loans

Poor recovery performance

5.1.14 The bar diagram below depicts the position of recovery of loans during the period 2013-14 to 2017-18:



(Source: Information furnished by Company)

It was observed that the Company during 2013-14 to 2017-18 had fixed a target for recovery of loan ranging between 17.79 to 36.93 per cent of the total outstanding and the percentage of recovery of total outstanding ranged between 14.99 to 13.36 per cent only during the same period. The recovery position of the Company was thus very poor. It is pertinent to note that 1,602 out of 10,854 beneficiaries since inception in the 15 districts had not paid any amount to the Company during the period 2013-14 to 2017-18. The Company stated that it had adopted a realistic approach and had fixed achievable targets for recovery. Audit, however, observed that even this target set for recovery by the Company was not achieved in any of the five years from April 2013 to March 2018. In 10 districts,⁹ action such as issuing notices, filing suits *etc.* was taken against the defaulting beneficiaries only in a year (2017-18).

The Company while accepting the above stated that they have taken steps such as initiating action for recovery by issuing legal notices to beneficiaries and guarantors, initiating recovery from the salary of guarantors and have formed panel of advocates for taking up legal steps for recovery.

Non-collection of penalty for dishonoured cheques from beneficiaries

5.1.14.1 The Company obtained post-dated cheques from the beneficiaries as per the loan conditions. The Company did not recover penalty of ₹ 1.23 lakh in 14 districts from 774 beneficiaries for the cheques dishonoured. The Company had filed only 18 cases under Section 138 of Negotiable Instruments Act, 1881. The Company stated that instructions have now been issued to concerned District Offices to recover the same.

⁹Aurangabad, Beed, Buldhana, Dhule, Jalgaon, Latur, Nashik, Raigad, Solapur and Sindhudurg.

Payment of interest on Guarantee fees

5.1.15 GoM charged guarantee fee at the rate of 0.5 *per cent* on half yearly outstanding principal of loan guaranteed up to 31 March 2007 and two *per cent* on half yearly outstanding principal loan guaranteed after 31 March 2007 per annum. In case of failure to pay the same, interest was to be paid at the rate of 16 *per cent* for first three months and at the rate of 24 *per cent* for period beyond three months.

It was observed that the Company did not pay the guarantee fees to GoM timely during October 2011 to March 2014 and as a result had to pay guarantee fees of ₹ 3.37 crore along with interest of ₹ 73.44 lakh (June 2014).

The Company while accepting the above facts stated that subsequently the Company has regularly paid the guarantee fees.

Conclusion and recommendations

The Company could provide financial assistance to only 6,812 beneficiaries during April 2013 to March 2018. The total administrative expenses of the Company was ₹ 39.09 crore, while the total financial assistance provided by the Company to the OBC community was ₹ 39.13 crore during the same period. It is evident that the schemes have not been able to benefit the targeted population substantially. The schemes have not been reviewed for last 17 years to revitalise them.

The Company received ₹ 24.50 crore in 2013-14 and ₹ 8.50 crore in 2014-15 from GoM and NBCFDC. Later, the Company neither received any funds from GoM nor from NBCFDC during the three years from 2015-16 to 2017-18. No funds were received from NBCFDC from 2015-16 till date (February 2019) due to non-repayment of outstanding dues. The system for recovery of loan in the Company was not effective and recovery was very poor.

No overall time limit has been prescribed by the Company for processing the applications received at District Offices. The Company had not formulated any standard operating time/turnaround time fixing the maximum number of days to be allowed at each stage from the receipt of application till the disbursement of loan.

We recommend that:

- ***given the poor performance, GoM should consider reviewing and revamping the schemes so that they are more attractive, convenient and more beneficial to the target population.***
- ***the Company should prescribe time limits required for each stage of processing and ensure that they are adhered to.***
- ***the Company should pursue recovery of loans more vigorously and ensure timely repayment of outstanding dues to NBCFDC so that fresh funds are regularly made available to them from NBCFDC.***

Agriculture Department

Maharashtra Agro Industries Development Corporation Limited

5.2 Avoidable extra expenditure due to flawed tender evaluation criteria

The Company incurred avoidable extra expenditure of ₹ 3.25 crore due to its decision to adopt flawed tender evaluation criteria, which resulted in award of work at higher rates.

Maharashtra Agro Industries Development Corporation Limited (Company) invited (July 2015) tender for empanelment of agencies for providing manpower¹⁰ to be deployed at its offices and production units. Bids were to be submitted on percentage basis of Service Charge (SC) on the overall billing of the Company. In response to the tender, six bidders qualified and the SCs quoted by them were as under:

Name of the bidders	SCs quoted (in per cent on the overall billing)	Remarks
M/s S2 Infotech Private Limited	1.00	A1
M/s Vishal Enterprises	2.95	A2
M/s V.T. Pawar & Company	7.00	A3
M/s B.V.G India	8.00	A4
M/s Genius Infotech	10.05	A5
M/s Brisk India Private Limited	14.00	A6

The Company decided (22 September 2015) to re-tender the above on the ground that SCs quoted by the A1 and A2 bidders were unrealistic and sought clarification from these two agencies. In response, A1 and A2 clarified (October 2015) that their quoted SCs were realistic and re-affirmed their capability to provide manpower at their quoted SC. The Company, however, re-tendered (October 2015) after revising their criteria for evaluation of financial bids according to which SCs would be decided on lowest basis after calculating the average rate of all SCs of bidders whose bids have been opened and after rejecting the bids which were below 50 per cent of the average rate of SCs. Thus, the agency whose percentage of SC as per financial bid was below 50 per cent of the average value would not be considered for deciding L1. It further stated that non serious bidders would be black-listed and also black-listed (October 2015) both A1 and A2 from the re-tender process.

In response to the re-tender, five bidders qualified and the SCs quoted by them were as under:

Name of the bidders	SCs quoted (in per cent on the overall billing)	Remarks
M/s G.A. Digital Web Word Private Limited	3.98	L1
M/s Third Eye Security Services	4.81	L2
M/s Genius Infotech	17.00	L3
M/s V.T. Pawar & Company	17.00	L4
M/s Brisk India Private Limited	17.71	L5

¹⁰ Assistant Manager, Data Entry Operator, Clerk, Electrician, Welder, Driver, Peon, Helper etc.

The Company awarded (November 2015) the work of providing manpower to L3, L4 and L5 at the rate of 17 *per cent* SCs on the overall billing of the Company for a period of three years from November 2015 to November 2018 as the Company disqualified L1 and L2 as their rates were lower than 50 *per cent* of the average rate¹¹ of SCs of all bidders.

We observed that:

- The criteria for evaluation of financial bids on re-tendering, stipulating rejection of bids which were below 50 *per cent* of the average rate of SCs, was not in the best financial interest of the Company as both L1 and L2 who had quoted 3.98 and 4.81 *per cent* were eliminated.
- The criteria used in re-tendering for arriving of the successful bidder was injudicious as higher quotes were selected instead of lower quotes. This was contrary to the basic principle of the tender process to obtain the best value for money. As a result, the Company incurred avoidable extra expenditure of ₹ 3.25 crore¹² due to its injudicious decision to award work at higher rates during the period November 2015 to June 2018.
- It is pertinent to note that after re-tendering, the work was awarded at the rate of 17 *per cent* SCs on the overall billing of the Company to L3, L4 and L5 which was 70, 143 and 21 *per cent* higher than the rates quoted by the same bidders in the first tender without any additional scope of work.

The Company stated (August 2018) that GoM in June 2014 had issued a GR allowing outsourcing of manpower requirement from the two empanelled contractors at SC of 14 *per cent* and the Company had chosen tender process for transparency and to avoid monopoly. The rates offered were felt unrealistic by the then Management and hence was re-tendered with revised condition to restrain bidders to offer unrealistic bids.

The reply was not tenable as despite the GR (June 2014) regarding empanelment of agencies at 14 *per cent* SC, the Company had invited open tender in July 2015 to finalise the agency, which was not required. Further, the Company disqualified both A1 and A2 who had clarified (October 2015) that their quoted SCs were realistic and had re-affirmed (October 2015) their capability to provide manpower at their quoted SCs. This resulted in one of the Government empanelled agency (M/s Brisk India Private Limited) being awarded the work at SC of 17 *per cent* instead of the empanelled rate of 14 *per cent*.

The Government also accepted (October 2018) the facts that an avoidable extra expenditure of ₹ 3.25 crore was incurred by the Company and stated that an enquiry would be initiated for fixing of responsibility on concerned officials in this matter.

¹¹ Average of rates quoted was 12.10 and 50 *per cent* of average rate was 6.05 *per cent*.

¹² Based on A1 rates received in the first tender and actual payment made by the Company to L3, L4 and L5.

Industries Department (Industries, Energy and Labour)

Aurangabad Industrial Township Limited

5.3 Avoidable payment of interest

The Company incurred avoidable payment of penal interest of ₹ 1.25 crore.

As per Section 208 and 210 of the Income Tax (IT) Act, 1961, Companies having taxable income had to pay Advance Tax (AT) every quarter (15th of June, September, December and March) at prescribed rates (15, 45, 75 and 100 *per cent* respectively) on the estimated income, failing which, interest was payable under Section 234C on short paid amount. Further, if the total AT paid was less than 90 *per cent* of the assessed tax, interest was payable under Section 234B, on such short paid amount.

We observed (June 2018) that the total taxable income of Aurangabad Industrial Township Limited (Company) was ₹ 36.13 crore for the financial year 2015-16 and therefore the Company was liable to pay AT every quarter at the prescribed rates for assessment year 2016-17. However, the Company did not remit any AT which resulted in avoidable payment of interest amounting to ₹ 1.25 crore under Section 234B and 234C of the IT Act.

The Company stated (August/November 2018) that it did not pay AT tax as all funds along with accrued interest thereon were invested in Fixed Deposit Receipts (FDRs) and there were no funds available with the Company to pay AT. Further, it also stated that there was delay in the process of appointment of tax expert.

The reply was not tenable as payment of statutory dues was an obligation and to be complied with as per the provisions of Income Tax Act. However, the Company paid AT from 2016-17.

The matter was reported to the Government (September 2018); their reply was awaited (March 2019).

Medical Education and Drugs Department

Haffkine Bio-Pharmaceuticals Corporation Limited

5.4 Incorrect assessment of advance tax and total tax liability

The Company did not assess its advance tax and total tax liability correctly resulting in avoidable payment of interest of ₹ 89.11 lakh on shortfall in advance tax on one hand and excess payment of ₹ 30.21 crore of total tax for two years.

As per Section 208 and 210 of the Income Tax (IT) Act, 1961, companies having taxable income have to pay Advance Tax (AT) every quarter (15th of June, September, December and March) at prescribed rates (15, 45, 75 and 100 *per cent* respectively) on the estimated income failing which interest is payable under Section 234C on the short paid amount. Further, if the total AT

paid was less than 90 *per cent* of the assessed tax, interest is payable under Section 234B, on such short paid amount.

We observed that Haffkine Bio-Pharmaceutical Corporation Limited (Company) was not diligent in working out its AT as well as annual tax liability for Assessment Year (AY) 2014-15 and 2016-17 as under:

- During AY 2014-15, there was a shortfall in payment of AT in every quarter resulting in payment of interest under Section 234C and Section 234B of ₹ 50.06 lakh and ₹ 21.79 lakh respectively.
- Although, the total tax liability of the Company was ₹ 19.33 crore (including interest under Section 234C and Section 234B) and an AT of ₹ 14.50 crore was deposited in the AY 2014-15, the Company additionally paid (September 2014) ₹ 19 crore as Self-Assessment (SA) Tax ignoring the payment of ₹ 14.50 crore as AT and Tax Deducted at Source (TDS) of ₹ 48 lakh. As a result, the Company paid ₹ 33.98 crore towards IT against total tax liability of ₹ 19.33 crore, resulting in refund of ₹ 14.65 crore.
- Similarly, in AY 2016-17 there was a shortfall in payment of AT in every quarter resulting in payment of interest under Section 234C of ₹ 17.26 lakh.
- Though the total tax liability of the Company was ₹ 5.18 crore (including interest under Section 234C), the Company paid ₹ 20 crore as AT (18 December 2015 and 15 March 2016). Considering TDS of ₹ 74 lakh, the total refund for AY 2016-17 was ₹ 15.56 crore.

Thus, the total tax paid by the Company exceeded the tax liability by ₹ 30.21 crore during AY 2014-15 and 2016-17 resulting in blocking of funds of the Company. Further, the refund for AY 2014-15 of ₹ 14.65 crore was refunded in February 2017 while the refund for AY 2016-17 of ₹ 15.56 crore has not been received so far (February 2019).

The Company stated (September 2018) that their earlier system of estimation of tax was on an *ad hoc* basis and there were lapses on their part in paying AT. It further stated that they have now put a more robust mechanism to plug the shortcomings.

The matter was reported to the Government (July 2018); their reply was awaited (March 2019).

Social Justice and Special Assistance Department

Mahatma Phule Backward Class Development Corporation Limited

5.5 Avoidable payment of additional fee

The Company paid avoidable additional fee of ₹ 1.22 crore due to its delay in filing of notice with the Registrar of Companies for increase in authorised share capital.

Mahatma Phule Backward Class Development Corporation Limited (Company) was established by the Government of Maharashtra (GoM) in July 1978 with an Authorised Share Capital (ASC) of ₹ 2.50 crore. The Company received Share Capital (SC) from GoM and the Central Government. The ASC of the Company

was increased from ₹ 200 crore to ₹ 500 crore in September 2012. According to Section 64(1) of the Companies Act, 2013, the Company should file a notice in the prescribed form (Form No.SH-7) with the Registrar of Companies (RoC) within 30 days of increase in ASC along with the requisite fees. Further, additional fees for delay in filing Form No.SH-7 was to be paid at the rate of 2.50 *per cent* per month for delay up to six months and three *per cent* per month for delay beyond six months on the fee amount, till the date of filing of Form No.SH-7.

We observed that the Company did not comply with the above provisions and filed the notice (Form No.SH-7) with RoC for increase in ASC to ₹ 500 crore only in June 2016 after a delay of 44 months subsequent to increase in share capital. Although, the Company held General Meetings in September 2012 and September 2013, the resolution to increase the ASC was belatedly taken in the Extra-ordinary General Meeting (EGM) held for increasing the ASC in March 2016. As a result, the Company, in addition to normal registration fee of ₹ 98.69 lakh for increase in ASC, paid (June 2016) an additional fee of ₹ 1.22 crore to RoC for delay in filing. Thus, violation of the provisions of the Companies Act, 2013 resulted in avoidable payment of ₹ 1.22 crore.

In reply, the Company stated (August 2018) that the delay in filing was mainly due to their lack of knowledge about RoC procedures. Further, the delay also occurred due to frequent changes in top management and it became difficult to obtain their digital signatures and Director Identification Number (DIN) for filing Form No.SH-7. The Company also stated that a regular Managing Director has now been appointed and precautions will be taken to ensure that RoC compliances are timely fulfilled.

The matter was reported to the Government (August 2018); their reply was awaited (March 2019).

Sant Rohidas Leather Industries and Charmakar Development Corporation Limited

5.6 Avoidable payment of income tax

The Company incurred avoidable payment of income tax of ₹ 13.12 crore due to non-availing of exemption from payment of income tax.

As per Section 10(26B) of the Income Tax (IT) Act, 1961, any income of a corporation or of any other body, institution or association (being a body, institution or association wholly financed by Government) where such corporation or other body or institution or association has been established or formed for promoting the interests of the members of the Scheduled Castes or the Scheduled Tribes or Backward Classes or of any two or all of them are exempted from the payment of IT.

Sant Rohidas Leather Industries and Charmakar Development Corporation Limited (Company), a wholly owned Company of Government of Maharashtra, was formed to provide financial assistance to the Scheduled Caste Charmakar Community.

We observed that although the Company was formed for upliftment of Scheduled Castes, Schedule Tribes and Backward Classes, it did not avail exemption from payment of IT under Section 10(26B) of the IT Act. The Company paid IT of ₹ 2.88 crore, ₹ 4.34 crore and ₹ 5.90 crore for the Assessment Years (AY) 2014-15, 2015-16 and 2016-17 respectively. On being pointed out by Audit (September 2017), the Company requested (October 2017) exemption from IT under Section 10(26B) from the IT Authorities and for refund of IT paid for the above years. The IT Department rejected (October 2017) the claim stating that the Company could claim the same only by way of revised return. The Company filed an appeal (November 2017) which was still pending (February 2019).

It is pertinent to note that as per Section 139(5) of the Act, original returns can be revised within a period of one year from the end of relevant AY. As the time limit for filing the revised returns has elapsed, non-availing of exemption has resulted in loss due to avoidable payment of income tax of ₹ 13.12 crore.

The Company stated (September 2018) that they had claimed exemption in their income tax returns from AY 2017-18 onwards.

The matter was reported to the Government (July 2018); their reply was awaited (March 2019).

Tourism and Cultural Affairs Department

Maharashtra Film, Stage and Cultural Development Corporation Limited

5.7 Undue favour to a party in tender evaluation

The Company granted undue favour to a party in tender evaluation and consequently incurred avoidable extra expenditure of ₹ 2.33 crore as the work got awarded to the highest bidder.

Maharashtra Film, Stage and Cultural Development Corporation Limited (Company) invited (May 2015) tender for daily sweeping and cleaning of Film City premises for a period of two years. The qualifying criteria included experience of similar work of not less than five years, completion of at least one annual work of ₹ 60 lakh during last five years and minimum financial turnover of more than ₹ one crore for last three years.

The Company evaluated (June-July 2015) four bidders¹³ and the work was awarded (December 2015) to M/s SMSPL at a negotiated rate of ₹ 16.83 lakh per month. M/s SMSPL had quoted the highest rate amongst the four bidders.

In this connection, we observed the following:

- As per CVC guidelines (September 2003) the evaluation criteria should be incorporated in the bid document in clear and unambiguous terms as these

¹³ M/s Oriental Facility ₹ 9.31 lakh, M/s D.M. Tawade and Company ₹ 9.93 lakh, M/s Ameya Enterprises ₹ 9.98 lakh and M/s Sanjay Maintenance Services Private Limited (SMSPL) ₹ 17.20 lakh per month.

criteria are very important to evaluate bids in a transparent manner. The tender document of the Company, however, did not contain the table for awarding points during evaluation of technical bids. The table was introduced at the time of technical evaluation in a manner that favoured M/s SMSPL as under:

- The minimum financial turnover criteria as per the bid document was ₹ one crore. The same was, however, assessed on a scale of multiples of ₹ 5 crore. As a result, while all the other qualified bidders were granted five marks each for a turnover of ₹ 1 to ₹ 5 crore, M/s SMSPL was granted additional 25 marks as their turnover was above ₹ 25 crore.
 - The experience of the bidder in similar works (Housekeeping) carried a weightage of 20 marks. The Company, however, awarded additional 10 marks exclusively to M/s SMSPL for experience of other allied work. This was not justified as this requirement was not specified in the bid document.
 - The minimum experience of similar work of not less than five years was required as per the bid documents. The same was, however, assessed for a period of 10 years. Further five marks were awarded to M/s SMSPL for additional five years of experience which was unwarranted.
 - The requirement of ISO certification was not a condition in the bid document. The Company, however, awarded nine marks to all the bidders for ISO 9001 certification and granted additional six marks to M/s SMSPL for ISO 14001.
- As a result of awarding additional marks to M/s SMSPL during evaluation of technical bids and a weightage of 80 *per cent* thereto, M/s SMSPL was awarded the work at ₹ 16.83 lakh per month, although their rates were 85 *per cent* higher than the rates quoted by L1 (₹ 9.31 lakh per month quoted by M/s Oriental Facility). The rates quoted by M/s SMSPL were 73 and 72 *per cent* higher than even the rates of L2 and L3 bidders, respectively.

Thus, by introducing new criteria at the time of technical evaluation and awarding unwarranted marks to one party, the Company not only vitiated the tender process but also favoured a single party, which was against the basic objective of tendering for getting lower quotes. As a result, the Company incurred avoidable extra expenditure of ₹ 2.33 crore¹⁴ by awarding work to M/s SMSPL. It is pertinent to note that the Company has no procurement/tender/works manual for rationalising the tendering process which would enable the Company to objectively take decision in a transparent manner.

The Company stated (August 2018) that the work was awarded to M/s SMSPL on the basis of maximum combined score and the decision was based on the opinion of the Company's advocate. The reply was not tenable as the Company by awarding unwarranted marks during technical evaluation had not only vitiated the tender process but also extended undue benefit to M/s SMSPL as

¹⁴ Awarded rate of ₹ 16.83 lakh of M/s SMSPL (-) L1 Rate of ₹ 9.31 lakh = ₹ 7.52 lakh per month for 31 months from December 2015 to June 2018 (including extension).

the tender did not include evaluation matrix and was designed by the Company at a later stage.

The Government endorsed (October 2018) the reply of the Company.

Urban Development Department

City and Industrial Development Corporation of Maharashtra Limited

5.8 Non-recovery of additional lease premium

The Company did not recover additional lease premium of ₹ 18.81 crore on the additional compensation paid for land acquisition.

City and Industrial Development Corporation of Maharashtra Limited (Company), is the Special Planning Authority for the Navi Mumbai Project. The State Government decided (March 1990) to allot 12.50 *per cent* of the land acquired to the Project Affected Persons (PAPs). PAPs were entitled to allotment of land equivalent to 8.75 *per cent* of the land acquired, after deducting 3.75 *per cent* for common facilities. The lease premium to be collected from the PAPs for allotment of land under this scheme was double the rate of compensation paid (including interest) per square metre (sqm) *plus* development charges of ₹ five per sqm. The Company incorporated an enabling clause in the lease agreement executed (November 2009) with PAP to recover the Additional Lease Premium (ALP) in respect of the land allotted, in the event of enhancement in the amount of compensation paid to the PAP by the appropriate authority/Court. As per the agreement, ALP was to be remitted by PAP within 15 days from the date of receipt of demand notice of the Company and on his failure to pay the ALP, the Company was entitled to terminate the agreement and resume the land alongwith standing structure, if any.

The Company allotted (October 2008) land measuring 25,600 sqm¹⁵ (under the 12.50 *per cent* Scheme) at Uran to a party¹⁶ and collected (October/November 2009) an amount of ₹ 4.35 lakh towards ALP for the land allotted. The Company acquired (September 1986) 3,05,400 sqm of land at Village Panje/Chanje (Dronagiri node) from him at a compensation of ₹ 8.32 lakh. The party subsequently executed tripartite agreements (May 2010) with the Company and new licensees *viz.* M/s Neelkanth Associates LLP (for 13,500 sqm) and M/s Prajapati Developers (for 12,100 sqm). Further, the Company paid (January 2016) enhanced compensation of ₹ 107.57 crore to the party as per orders (April 2015) of the Court.

We observed that the Company did not collect the ALP on the basis of enhanced compensation of ₹ 107.57 crore paid to the party for 25,600 sqm. This resulted in short recovery of ALP amounting to ₹ 18.81 crore¹⁷. On this being pointed out by Audit, the Company demanded (June 2016, July 2018 and

¹⁵ Two plots admeasuring 12,100 sqm and 13,500 sqm.

¹⁶ Shri Percival Joseph Pereira.

¹⁷ ₹ 9.94 crore for 13,500 sqm (at ₹ 7,363.30 per sqm) and ₹ 8.91 crore for 12,100 sqm (at ₹ 7,363.30 per sqm) = ₹ 18.85 crore - ₹ 4.35 lakh recovered.

September 2018) ALP of ₹ 18.81 crore from the new licensees. No recovery has been made from either the two new licensees or the party till date (February 2019).

The Company stated (December 2018) that they have demanded ₹ 18.81 crore from the present licensees as all the obligations and liabilities of the original licensee are transferred to the new licensees. As the recovery of ALP has not been made till date (February 2019), the Company has not granted permissions/approvals to the new licensees for time extension. It also stated that it has rejected the request of the new licensee (M/s Prajapati Developers) to recover ALP from the original licensee (party).

Thus, the Company failed to recover ALP of ₹ 18.81 crore from the enhanced compensation paid to the party and also did not terminate the agreement and resume possession of the land so far (February 2019).

The matter was reported to the Government (August 2018); their reply was awaited (March 2019).

5.9 Loss of revenue

The Company allowed collection of rent of ₹ 3.85 crore by third party resulting in loss of revenue.

The Company developed Vashi and Belapur Railway Station Commercial Complexes (RSCCs) and the premises in RSCCs were leased to various lessees. As per the lease deeds with lessees, the Company was to promote a maintenance company to upkeep, maintain, operate, levy charges on shop/office owners of RSCCs and carry out the estate functions. Accordingly, the Company handed over Vashi and Belapur RSCCs to Vashi Railway Station Commercial Complex Company Limited (VRSCCL) in August 2009 and Belapur Railway Station Commercial Complex Limited (BRSCCL) in February 2010 respectively. Prior to the formation of VRSCCL and BRSCCL, the Company had executed agreements with telecom operators¹⁸ for letting out common areas and open spaces such as terraces for installation of equipment, antennas *etc.* and collected rent from them.

We observed that after expiry of the then existing agreements with telecom operators for collection of rent, VRSCCL and BRSCCL entered into agreements with the telecom operators for subsequent period and started collecting rent from them. The amount collected by VRSCCL and BRSCCL as rent from the telecom operators during February 2010 to March 2018 amounted to ₹ 3.85 crore. This rent collected by VRSCCL and BRSCCL was neither remitted to the Company nor had the Company claimed the same from them. Audit further observed that while handing over Vashi and Belapur RSCCs to VRSCCL and BRSCCL respectively, all issues relating to the functioning of these maintenance companies were neither specified nor formalised through an agreement keeping the financial interests of the Company.

¹⁸ Bharti Airtel Limited, Reliance Communications Company Limited, Reliance Infratel Limited and Vodafone Infrastructure Limited.

On being pointed out by Audit (July 2018), the Company accepted (December 2018) that VRSCCL and BRSCCL had executed fresh rental agreements and collected rent from telecom operators without seeking permission from the Company and did not remit the rent to the Company. It was also stated that it was proposed to direct both VRSCCL and BRSCCL to terminate their agreements with telecom operators and hand over all revenue received by them.

The Company further stated that it had withheld the maintenance charges payable to VRSCCL and BRSCCL. It had recovered ₹ 81 lakh from BRSCCL and recovery from VRSCCL was under process. However, the fact remains that the balance rent of ₹ 3.04 crore (up to March 2018) has not been recovered and VRSCCL and BRSCCL have not terminated their agreements with the telecom operators and continue to collect rent as of February 2019.

The matter was reported to the Government (July 2018); their reply was awaited (March 2019).

**Industries Department (Industries, Energy and Labour)
and General Administrative Department**

**Aurangabad Industrial Township Limited and Maharashtra
Information Technology Corporation Limited**

5.10 Recovery at the instance of audit

**Short levy of Stamp Duty of ₹ 75.33 lakh by two companies pointed out in
Audit was recovered/accepted by the Companies.**

As per the Maharashtra Stamp Act, 2015 (Act), the Stamp Duty (SD) to be levied for agreements up to ₹ 10 lakh was ₹ 500 and for agreements exceeding ₹ 10 lakh was ₹ 500 *plus* 0.1 *per cent* of the amount above ₹ 10 lakh subject to a maximum of ₹ 25 lakh. We observed that the above provisions were not complied with by the following two Companies.

We observed that **Aurangabad Industrial Township Limited (AITL)** awarded three works¹⁹ valuing ₹ 656.90 crore, ₹ 69.45 crore and ₹ 129 crore and executed agreements (February 2016 to January 2017) with the contractors on Stamp paper valuing ₹ 500, ₹ 100 and ₹ 500, respectively. Failure of AITL to follow the provisions of the Act resulted in short levy of SD of ₹ 44.82 lakh.

On being pointed out by Audit, AITL recovered (August 2018) the entire amount of SD from the contractors.

Similarly, **Maharashtra Information Technology Corporation Limited (MITCL)** awarded two works to M/s Larsen and Toubro Limited (L&T) for ‘implementation and operation & maintenance of Nagpur Smart City Solutions’

¹⁹Design and build infrastructure works at Shendra Industrial Area (Package-I) ₹ 656.90 crore, design and build Road Over Bridges for Shendra Industrial Area (Package-II) ₹ 69.45 crore and design, construction and maintenance of AURIC Hall (Package-IV) ₹ 129 crore.

valuing ₹ 520.64 crore and another to M/s Innowave IT Infrastructure Limited (IIIL) for ‘implementation, support and maintenance of Maharashtra State DBT & Service Portal’ valuing ₹ 55.25 crore and executed agreements (October 2016 and December 2016) with them on stamp paper of ₹ 500 and ₹ 100 respectively. Failure of MITCL to follow the provisions of the Act resulted in short levy of SD of ₹ 30.51 lakh.

On being pointed out by Audit, MITCL requested (June 2018) both the parties to pay the SD of which M/s L&T has deposited (July 2018) ₹ 25 lakh towards SD and the remaining SD of ₹ 5.50 lakh would be recovered from M/s IIIL.

The matter was reported to the Government (August 2018); their reply was awaited (March 2019).

Statutory Corporation

Industries Department (Industries, Energy and Labour)

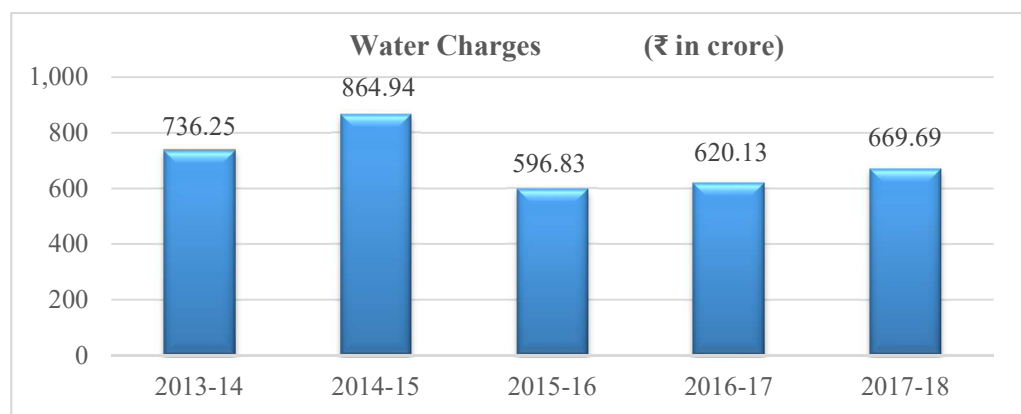
Maharashtra Industrial Development Corporation

5.11 Water billing system

Introduction

5.11.1 Maharashtra Industrial Development Corporation (Corporation) was established in 1962, under the Maharashtra Industrial Development Act, 1961 with the objective of setting up industrial areas for planned and systematic infrastructure development of Maharashtra. The Corporation also functions as the Special Planning Authority in the areas allotted to it. The Corporation supplies water through its Water Supply Scheme to its consumers within the Corporation industrial areas and in the adjoining areas (outside the industrial area), including local bodies, in the State of Maharashtra. It also provides other infrastructure facilities like roads, street lights and drainage. The Corporation had 289 industrial areas with 66,273.82 hectares of land as on 31 March 2018.

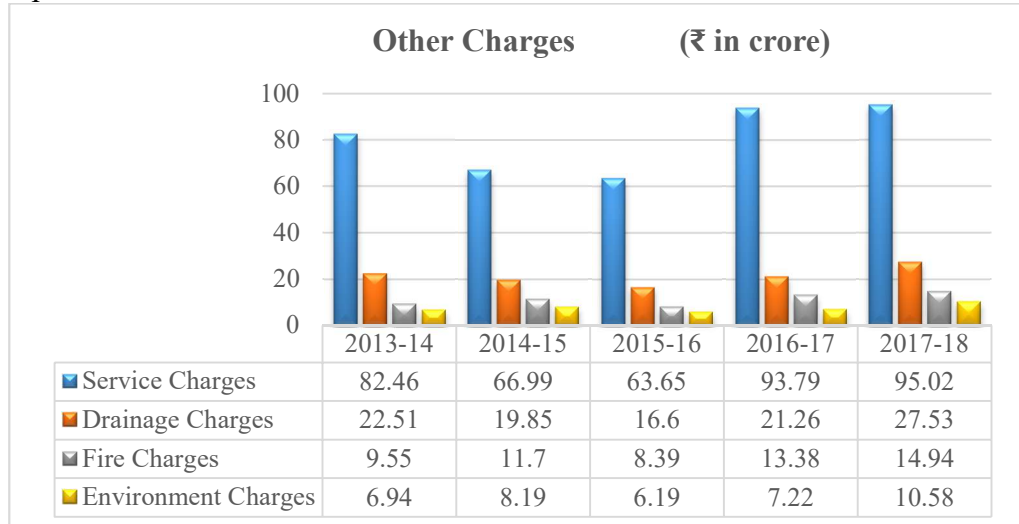
5.11.2 The Water Billing System of the Corporation generates bills for water supply, service charges, fire charges, drainage charges, environment charges, etc. for its consumers. Revenue from supply of water is the major source of income of the Corporation and the year-wise details are shown in the bar diagram below:



(Source: Information furnished by the Corporation)

As would be seen from the chart above, the revenue from water charges increased from 2013-14 to 2014-15 due to upward revision (November 2013) in tariff. However, during November 2014, the increase in tariff was rolled back. This led to decline in the revenue collection in 2015-16. The revenue from water charges again increased in 2016-17 and 2017-18.

The details of revenue pertaining to other charges collected for the period April 2013 to March 2018 were as under:



(Source: Annual accounts for 2013-14 to 2015-16 and provisional figures for 2016-17 and 2017-18)

The Water Billing System (WBS) one of the modules of the Enterprise Resource Planning (ERP) system, was implemented in a phased manner from July 2012 to May 2016 at the sub-division level, which is the billing unit. Prior to implementation of ERP system, the WBS was maintained in Oracle since 2003. The WBS was operated by the staff of the Corporation at the sub-division level.

Programming, implementation, modifications in application software and facilities management support for ERP system was outsourced²⁰ to M/s EnVee Infotech Private Limited (EnVee).

Audit objectives and Scope

5.11.3 Audit reviewed the WBS of the Corporation pertaining to the billing and recovery of water charges, service charges, drainage charges, fire charges and environment protection charges during the period April 2013 to March 2018.

Audit objectives were to assess whether:

- the bills for water supplied and other related charges were generated and issued promptly;
- the rates were applied correctly; and
- the application controls and validation checks were adequate at each stage of billing.

²⁰ From October 2014 till date.

The audit was conducted using data analytic tool, KNIME²¹. The entire billing data pertaining to the Oracle system (April 2013 to December 2016) and ERP system²² (February 2016 to March 2018) were analysed and validation checks for application controls (input, process and output controls) were verified.

The audit findings were issued to the Government and Corporation in November 2018; and replies received from the Corporation in January 2019 have been considered while finalising the audit findings. Government's reply was awaited (March 2019).

Audit criteria

5.11.4 The Audit criteria adopted were derived from the following:

- MIDC Water Supply Regulations, 1973;
- Circulars issued by Corporation from time to time;
- Agenda and minutes of the Board of Directors (BoD) meetings; and
- E-governance policy of Government of Maharashtra, 2011.

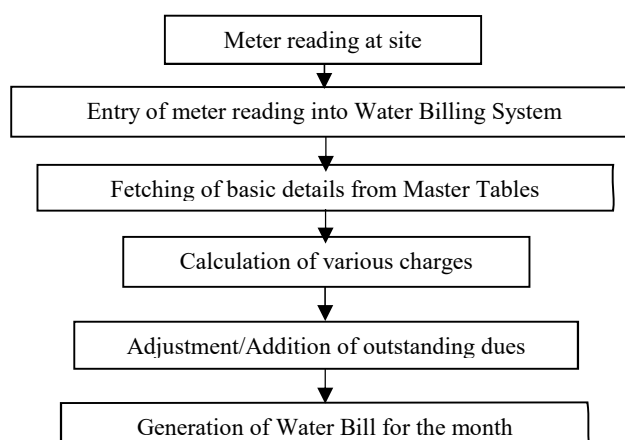
Organisational set up

5.11.5 The Corporation is under the administrative control of the Industries, Energy and Labour Department of the Government of Maharashtra (GoM). The management of the Corporation is vested with the BoD comprising of the Chairman, Vice-Chairman and six other Directors. The day-to-day operations are carried out by the Chief Executive Officer (CEO) and is assisted by three Joint CEOs and five Deputy CEOs. The IT Department is headed by the General Manager (IT) at the Head office level.

Audit findings

Billing of water charges

5.11.6 The steps involved in WBS have been depicted in the flowchart below:



²¹ KNIME – Konstanz Information Miner, is a free and open-source data analytics, reporting and integration platform.

²² Implemented in a phased manner.

Meter reading

5.11.7 The Corporation raises bills for water and other services rendered, on monthly basis. The reading of meters installed to check the water consumption is done by the meter reader who then records the current meter reading of each meter in the 'Reading Book'. The billing clerk of the respective sub-division/unit enters the current meter reading from the 'Reading Book' to the WBS for the generation of the bills. As per MIDC Water Supply Regulations (WSR), 1973, the meter reading for every month should be completed during 1st to 5th of the next calendar month.

Audit observed that out of 14.33 lakh water bills for the period February 2016 to March 2018, in 44,695 bills the 'meter reading date' showed delays as under:

Delay beyond 5th day (in days)	No. of bills	Bill Amount (₹ in crore)
1-10	44,397	8.56
11-30	298	0.06
Total	44,695	8.62

As can be seen from the table above, the delay ranged from one to 10 days in 44,397 bills. Audit, however, observed that this was because the billing staff was allowed to manually enter the 'meter reading date' and there was no validation of the date entered. Audit also observed that in 383 other cases in the database, the 'meter reading date' was after the 'issue date' of the bills indicating lack of adequate input controls. Further, there were two instances where the 'meter reading date' was not just after the bill 'issue date' but also beyond the current date (March 2019). For instance, in the case of consumer Nos.170TTC and 2621TTC, the bills for the month of August 2016 had 'meter reading date' as 16 September 2019. Such instances of incorrect dates reduce the reliability on WBS module. This needs to be checked to prevent the delays in issue of bills.

The Corporation stated (January 2019) that meter reading by the 5th of the month and issuance of bill by the 10th of the month would be possible only after implementation of 'Automated Meter Reader' (AMR) system which was presently being done at two billing locations on trial basis. They further stated that based on its results and feasibility, it would be fully implemented. The Corporation also stated that they have now implemented validation checks such as 'issue date' of bill to be equal or ahead of 'meter reading date' and current 'meter reading date' to be greater than last 'meter reading date'.

'Issue date' of bills

5.11.8 As per the MIDC WSR, 1973, the bills are to be issued to consumers latest by the 10th day of the following month.

Audit observed that the 'issue date' in 9,18,940 bills out of 29.68 lakh bills generated during 2013-14 to 2017-18 indicated delays as under:

Delay beyond 10th day (in days)	No. of bills	₹ in crore
1-15	9,11,140	1,001.97
16-30	3,568	2.17
31-60	1,107	0.18
61-90	454	0.06
91 and above	2,671	0.13
Total	9,18,940	1,004.51

Audit further noticed that besides above delays in issuing the bills, in 52,617 bills out of 29.68 lakh bills in the database, the 'issue date' of bill was prior to the scheduled 'issue date' of bills depicting an 'issue date' prior to the billing month itself. For instance, the bill for the month of February 2016 of consumer No.1555AMB showed the 'issue date' of the bill as 7 February 2016 instead of March 2016. In another instance, the bill for the month of June 2013 of consumer No.639PUN showed 'issue date' of bill as 5 July 2019 which was even beyond the current date (November 2018). This was due to manual entry of 'issue date' by the billing staff instead of the issue date being system generated.

The Corporation accepted the facts and stated that changes were being implemented in the WBS to make the 'issue date' auto generated in line with the date of generation of final bill.

Coding of master tables

5.11.9 The Corporation supplies water to consumers located in industrial areas as well as to those who are outside the industrial area. The Corporation fixes the rates for water supplied which are subject to revision from time to time.

The water supplied to the consumers is charged on the basis of;

- purpose of water usage (industrial use, as raw material, raw water, domestic use);
- location of the consumer (sub-division, inside industrial area or outside);
- status of Building Completion Certificate;
- special agreement entered into with the consumer for line loss/tanker, etc.

As the rates for water consumption were decided on the above factors, it was imperative that the consumer master tables contained distinct fields/columns for the same so that all these points were correctly factored in the bills.

Audit observed the following discrepancies in the master tables:

- As per Circular issued (October 2011) by the Corporation regarding usage of water as raw material, three distinct rates were specified based on category of production viz., mineral water, beverages and liquor. We observed that in

Waluj (Aurangabad district) against these three distinct categories, four different rates were available with four codes (9Z1, 9Z2, 9Z3 and 9Z4).

- As per Circular issued (February 2013) by the Corporation regarding revision in tariff, a rate of ₹ 33.75 per cum was to be applied in 'Dombivli-Outside' billing unit for industrial usage. It was observed that there were five different 'Customertype' codes (2A1, 2A5, 2C2, 2D1 and 4A2) for the same description of consumer (*i.e.* Outside-Industrial) with different rates for water charges and bills were issued at rates ranging from ₹ 22.50 to ₹ 45 per cum in the same billing unit for same 'Customertype' in a month.
- A particular 'Customertype' code was used to denote different categories of customers in different billing units. For instance, '1A1' was a 'Customertype' code to denote 'outside industrial' water consumption in one billing unit and was used to denote 'Inside-Industrial' water consumption in another billing unit.

Thus, multiple codes for the same type of consumers in the same billing unit or across different billing units does not ensure correct application of water rates automatically. In the present scenario, manual intervention is being resorted to, to ensure application of correct rates, which nullifies the computerisation of WBS to that extent.

The Corporation stated that the standardisation of the 'Customertype' with centralised tariff code system was in the implementation stage.

Inconsistencies in the 'previous reading' field

5.11.10 The consumption quantity to be billed is the difference between the current meter reading and the previous meter reading. Therefore, the previous meter reading and the corresponding date should be captured by the system automatically to ensure that the current consumption quantity generated is accurate. MIDC WSR, 1973, also states that the bill should invariably contain among other things, the previous month's reading and date.

While scrutinising the database of Oracle system (15.34 lakh bills) and the ERP system (14.33 lakh bills), audit observed that:

- During the period from April 2013 to December 2016 (Oracle system) the figures of 'previous reading' of the current month did not match with the 'current reading' of previous month in 1,171 bills involving water charges of ₹ 11.06 crore. Further, there were no values in the 'previous reading' column in 5,494 bills involving water charges of ₹ 1.86 crore.
- Even in the ERP system, similar discrepancies were noticed in the bills raised. During February 2016 to March 2018, in 17,820 bills involving current charges of ₹ 61.09 crore, the 'previous reading' of the current month did not match with the 'current reading' of the previous month. Further, there were no values in the 'previous reading' column in 3,256 bills involving ₹ 181.20 crore.

- In the absence of correct ‘previous reading’ in the relevant column of current month, the bills were generated on the basis of values manually entered into by the billing staff.
- This points towards lack of adequate input validation, nullifying the efforts to computerise the billing system.

The Corporation stated that the cases highlighted by audit were those where meter readings were revised for one or two months and provisional bills were issued in the previous months and readings were uploaded using MS excel import facility. Further, they also stated that relevant validation checks were now implemented in the WBS.

The reply was not tenable as all the bills should necessarily be generated through the WBS to avoid any risk of manual tampering of the data and consequently the bill.

Application of rates

5.11.11.1 The applicable rate for water consumed by consumers of a particular category in a given sub-division should be unique.

A consumer of a particular category in a particular sub-division should be applied only a specific rate applicable to that consumer for that month.

Audit observed that the Corporation applied two to four different water rates instead of one rate in 2,172 bills (out of 15.34 lakh bills) involving current water charges of ₹ 265.01 crore during the period from April 2013 to December 2016 for the same type of consumers in the respective sub-division. For instance, in Baramati sub-division, for customer type ‘Inside-Industrial’ with the same code ‘1C1’ in Oracle, four different rates were applied in April 2013.

Even in the ERP system, the Corporation during the period from February 2016 to March 2018, applied two to four different water rates instead of one rate in 1,562 bills (out of 14.33 lakh bills) involving current water charges of ₹ 246.34 crore for the same type of consumers in the same sub-division. For instance, in Ranjangaon sub-division, for customer type ‘Inside-Industrial’ with same code ‘1B1’, three different rates were applied in July 2016.

The Corporation stated that the standardisation of the ‘Customertype’ with centralised tariff code system was in the implementation stage.

5.11.11.2 As per the MIDC WSR, 1973, in case the meter was ‘Out of Order’, the consumer was to be levied water charges on the basis of average consumption²³, for the first two months of the meter going out of order. Thereafter, a penalty of 50 *per cent* of water charges was to be levied for next two months and at 100 *per cent* of water charges for the fifth and sixth months.

²³ Higher of (a) average of last three months consumption (b) consumption of previous month and (c) consumption of same month in previous year.

If the meter remained 'Out of Order' even after six months, the water supply was to be disconnected after giving notice of seven days.

During February 2016 to March 2018, it was observed that in 43,866 bills (out of 14.33 lakh bills) of 10,806 consumers amounting to ₹ 49.60 crore, the 'remarks' mentioned on the respective bills stated 'Out of Order'. However, the 'meter status' was shown as 'working' in these 43,866 bills and were billed on average consumption basis. Further, in the case of 1,706 consumers, though the 'remarks' on the respective bills mentioned that the meter was 'Out of Order' for more than six months, the 'meter status' was shown as 'working' and the water supply was not disconnected.

The Corporation stated that relevant validation checks were now implemented in the WBS.

Interest on Security Deposit

5.11.11.3 As per the MIDC WSR, 1973, at the time of granting water connection, Security Deposit (SD) equal to water charges for three months for the quantity applied at the prevailing rates was to be collected from the consumers. Further, the SD should be reviewed every year and deposit equal to three months' average consumption of 10 months (April to January) of the preceding year was to be increased or decreased. A simple interest of four *per cent* per annum was payable to the consumer. It was to be ensured that the amount of arrears due from the consumers were kept within the amount of SD with the Corporation and all efforts were to be made to effect prompt recovery in case the arrears exceeded the deposit amount. If the arrears were outstanding for a period of more than six months, the matter was to be taken up with the Collector of the District, requesting him to recover the dues as arrears of land revenue.

We observed that during the period from April 2013 to December 2016, 3,350 bills of 964 disconnected consumers were having net arrears of ₹ 8.26 crore and the Corporation had credited interest of ₹ 24.30 lakh on the SD held by the Corporation.

The Corporation accepted the facts and stated that all the defaulter cases will be reviewed and if undue interest is credited, the same will be recovered.

Billing of water charges in Millennium Business Park

5.11.11.4 The Corporation developed Millennium Business Park (MBP) at Mahape, Navi Mumbai. Water bills for nine separate water connections in the name of 'Executive Engineer, MIDC MBP, Mahape' (EE, MBP) were being raised in WBS towards buildings which were rented/leased out to various lessees in MBP.

EE, MBP was billed through WBS for water consumption of above nine buildings on monthly basis. EE, MBP manually raised half yearly bills in advance on the individual lessees towards water and maintenance. The lessees paid their bills directly to the bank account of the Corporation and receipt

against each bill issued by EE, MBP was booked only after the lessees furnished the payment details²⁴ to him. EE, MBP manually maintained a register for each receipt at his office.

5.11.11.5 Audit observed that the present system of billing the individual lessees of the above nine separate water connections by EE, MBP was carried out outside the WBS. Further, the bills generated in the name of EE, MBP were based on the water consumption while the individual bills raised by EE, MBP on lessees were on the basis of area covered by the lessees in the MBP irrespective of the actual usage of water.

5.11.11.6 It was observed that as the lessees paid directly into the bank account of the Corporation against the bills raised by EE, MBP on half yearly basis, the monthly bills raised by the Corporation towards EE, MBP were not reconciled. Further, the details of these consumers were outside the WBS.

5.11.11.7 In two other connections which were meant for usage of water for gardening (EE, MBP No.2658TTC) and for public toilet (EE, MBP No.2764TTC), Audit observed that:

Although Consumer No.2658TTC was disconnected in March 2008, bills were raised regularly and outstanding arrears as on 31 March 2018 was ₹ 1.97 crore, including ₹ 1.26 crore towards delayed payment charges (DPC). Similarly, consumer No.2764TTC had outstanding arrears of ₹ 4.29 crore as on 31 March 2018 including ₹ 2.43 crore towards DPC although its current charges for water for March 2018 was only ₹ 747.

The above two connections were for internal consumption of the Corporation and hence levying DPC only inflated the bills and gave improper position of revenue and receivables of the Corporation.

While accepting the audit observation, the Corporation stated that the said connections were for internal consumption and that the arrears were basically due to levy of DPC. The Corporation also stated that inclusion of all such internal consumers in the WBS would be considered.

5.11.11.8 In the case of a consumer (EE, MBP No.2602TTC) in MBP, it was observed that for the month of June 2017, the previous meter reading and 'current reading' were the same even though the 'meter status' was shown as 'working' and the bill was generated for minimum quantity instead of average quantity. Subsequently, the consumer was not billed for the period July 2017 to September 2018. On being pointed out by Audit, the Corporation raised (September-October 2018) bills on the above consumer for the period July 2017 to September 2018 of ₹ 20.83 lakh.

The Corporation stated that the said connection was currently in working condition and that the bill had since been raised, but recovery was pending (January 2019).

²⁴ Unique Transaction Record (UTR).

Billing of service charges

5.11.12 As per circular (January 2013) of the Corporation, Service Charges (SCs) are levied on land allotments from the date of allotment of plot in the Industrial areas or the date of providing basic infrastructure,²⁵ whichever was later. The SCs were to be levied on the basis of carpet area of the building structure/plot area even though the water connection was not obtained from the Corporation and basic infrastructure were in place.

The data pertaining to land allotment was maintained in Land Management System (LMS). The consumers were charged SCs through WBS. We observed that the data for land allotted during the period April 2013 to March 2018 were not available in WBS. Both the systems were stand alone and not interlinked. In order to ensure the accurate collection of SCs it was essential to interlink the WBS and LMS.

The details of 8,343 land allotment cases during the period April 2013 to March 2018 was furnished by the Corporation in Excel format separately. Audit analysed 42 cases with the highest area allotted covering 22.04 *per cent* of total area allotted and observed the following:

- No separate date field was available in WBS to enter the date of allotment/date of providing basic infrastructure which was crucial for levying of SCs.
- As per the WBS, SCs were not levied to 18 allottees from the date of land allotted to them up to March 2018, which resulted in non-levy of SCs of ₹ 2.45 crore.
- The arrears in SCs have not been collected in nine cases for the interim period from the date of allotment to the date of issuing first SCs bill, which resulted in non-recovery of ₹ 58.44 lakh.

The Corporation accepted the facts and stated that integration of LMS and WBS was being taken up and the linkage is in progress.

Adequacy of application controls

5.11.13 Application controls are those checks and balances that are incorporated in the developed application for maintaining data integrity. These include input controls, processing controls and output controls. Lack of any of these controls would impact the integrity and reliability of the database. Most of the deficiencies pointed out above were the result of inadequate validation controls. Inadequacies in controls, other than those pointed out above, are as follows:

Master table

- Audit observed that the basic fields such as plot area, minimum water consumption *etc.* were left blank or entered as '0' in 965 cases in the master

²⁵Basic infrastructure included (i) an approach road with or without streetlights (ii) water supply infrastructure including water supply from permanent as well as temporary water supply scheme or through bore well/open well/tube well.

table. The system should not allow the user to leave such fields in master tables as blank.

- When a new consumer was added in the master table, the consumer number was not auto-generated. The billing clerk on the basis of the last consumer number of that sub-division created the subsequent consumer number manually.
- There was no provision in the WBS to maintain the history/date wise changes for reflecting the water rate, service charge rate, transfer of plots, change in activity of allottee *etc.*

The Corporation accepted that there was no provision in ERP WBS to maintain the date wise changes. It further stated that it was proposing modifications in the ERP database by introducing the concept of 'from date-to date' so that different changes would be available in the system. The Corporation also stated that a new consumer number sequence with suitable modifications would be implemented in the WBS database.

Input and processing controls

- The workflows were not automated and manual processing was allowed. For instance, readings could be uploaded in WBS using MS Excel import facility. The data regarding water consumption, rates of water/service charge, plot area *etc.* were being allowed to be entered as well as calculated manually.
- The system did not enforce validation of the data entered. As a result, the system accepted lower values for the current month reading than the 'previous reading' resulting in negative consumption for the month.
- Although, Service Charges (SCs) were to be levied only on the basis of the area of the plot or the built-up area, instances where SCs were calculated based on manually entered data were noticed. Further, SCs were also levied in cases where the area field was left blank. Manual intervention at various levels and in various fields increased the risk of inaccurate billing.

Conclusion and Recommendations

The Water Billing System (WBS) of the Corporation supports approximately an annual revenue of ₹ 800 crore. As pointed out above, there were deficiencies in billing with regard to coding of master tables, application of rates and insufficient linkages between different systems. These were mainly due to lack of adequate input controls and validation checks. Manual data entry was allowed in various fields in the WBS resulting in low assurance regarding completeness and reliability of data. There were discrepancies in master table as the 'Customertype' varied within a billing unit as well as amongst the billing units. The applicable rate for water consumed by consumers of a particular category in a given sub-division was not unique. Also, the 'meter status' did not correctly represent the actual status of meter. Separate billing of consumers outside the WBS was observed. The system design was deficient as the Land Management System (LMS) was not inter-linked with the WBS although service charges were charged through the WBS based on land allotment details maintained in LMS.

The Corporation replied that they were looking into these deficiencies and have begun the process of upgrading the system.

We recommend that the:

- *Corporation should ensure that upgradation of system takes care of all the deficiencies pointed out in the compliance audit. There should be adequate input and processing controls and validation checks to ensure completeness and reliability of data for accurate billing.*
- *upgradation of system should ensure that there should be a unique code assigned for each 'Customertype' and water rates should be linked to it;*
- *upgradation of system should ensure that WBS generates water bills for all the consumers across the State and separate billing of consumers outside the ERP system should be avoided.*
- *Corporation should attempt to link the existing Land Management System with the WBS to ensure that the Service Charges are billed correctly and the bills are issued promptly.*

5.12 Undue benefit to a private party

The Corporation granted undue favour to a private party in allotment of plot on 'as is where is basis' at a total cost of ₹ 17.94 crore by allotting additional plot. The Corporation also did not recover interest of ₹ 84.41 lakh for delayed payment by the party.

The Corporation invited (April 2016) offers for leasing a plot admeasuring 2,607.45 square metre (sqm) in Marol industrial area on 'as is where is basis'. The highest offer of a party (Navnit Motors Private Limited) of ₹ 56,666 per sqm was accepted by the Corporation and offer letter was issued (20 May 2016). As per the terms and conditions for allotment, the party was required to pay the balance premium (BP) of ₹ 14.12 crore (after adjusting the Earnest Money Deposit (EMD) of ₹ 65.11 lakh) within 30 days from the date of offer letter *i.e.* by 20 June 2016. The party requested (23 May 2016) the Corporation to accept the BP in four equal installments within six months and also demanded additional plot for making the originally allotted plot rectangular in shape. The Corporation acceded (November 2016) to the request of the bidder and allotted additional land admeasuring 557.31 sqm at the same rate. The party paid ₹ 3.04 crore in June 2016 while the BP (₹ 11.08 crore) of the original plot as well as ₹ 3.16 crore for additional plot was paid in December 2016. The possession was handed over to party on 23 May 2017.

In this connection, we observed the following:

- The original plot was offered on 'as is where is basis' and the rates were obtained accordingly. However, after the allotment, the Corporation allotted additional area to make the plot rectangular at the request of the party and for his advantage. Such subsequent allotment of additional land to make the plot rectangular was not in conformity with the principle of 'as is where is basis' employed while inviting the offer and thus vitiated the bidding process.

- As per the terms and conditions for allotment of land, in case the party failed to pay the BP within 30 days of allotment, the allotment was liable to be cancelled. However, upon specific request of the party, the Corporation granted further extension (up to 150 days) by charging applicable interest on balance payment. We observed that the party did not make payment of BP up to the expiry of the above extension period (up to 19 November 2016) and the Corporation upon request of the party (November 2016) granted further extension of 15 days for payment of BP. The Corporation, while granting further extension of 15 days had communicated to the party that interest on BP as per rules would be recovered from the party. However, the Corporation waived (March 2017) the interest of ₹ 84.41 lakh for the delayed period stating that the delay was due to the time taken for allotment of additional land, which itself was incorrect as pointed out earlier. The interest of ₹ 84.41 lakh should have been recovered from allottee for delayed payment of BP of original plot.

The Corporation thus granted undue favour to the private party by allotting additional plot vitiating the process of 'as is where is basis' and by not recovering interest of ₹ 84.41 lakh for delayed payment.

The matter was reported to the Government/Management (July 2018); their reply was awaited (March 2019).

5.13 Undue benefit to a plot holder

Allotment of land at pre-revised rates prior to surrender by earlier party resulted in loss of revenue of ₹ 1.55 crore to the Corporation.

The Corporation allotted (November 2008) plot admeasuring 1,00,054 square metre (sqm) in Additional Mahad Industrial Area (AMIA) to M/s Elsewedy Cables Private Limited (ECPL). However, ECPL approached the Corporation and requested (August 2014) for surrender of the plot. Repossession of the plot was obtained from ECPL in June 2016.

The Corporation, meanwhile, received a request (March 2015) from M/s Vinati Organics Limited (VOL) for allotment of the same plot. Accordingly, the Land Allotment Committee (LAC) of the Corporation decided (April 2015) to allot the plot to VOL. An offer letter was issued (16 November 2015) to VOL and possession of the plot was handed over to VOL in July 2016. The Corporation in between, had revised (30 November 2015) the rate in AMIA from ₹ 295 per sqm to ₹ 450 per sqm.

In this connection, we observed the following:

- The LAC of the Corporation had clearly directed (April 2015) that the plot was to be allotted to VOL after the procedure of surrender from ECPL was completed. The Corporation had repossessed the plot from ECPL in June 2016. However, the offer letter to VOL was issued (16 November 2015) at pre-revised lower rates prior to completion of the surrender process by the Corporation in a hurried manner and just 15 days before the decision of the Board to increase the rates. This resulted in loss of revenue of ₹ 1.55 crore²⁶ to

²⁶ (₹ 450 per sqm - ₹ 295 per sqm) x 1,00,054 sqm.

the Corporation. It is pertinent to note that the Land section of the Corporation had itself initiated a proposal (September 2015) for increase in the rates in the range of 30 to 100 per cent for allotment in various industrial areas which was approved in the Board meeting of 30 November 2015.

The Corporation stated (July 2017) that the offer letter was issued to VOL following the decision of LAC to allot the plot and revised rate was not applied as the offer letter was issued to VOL prior to revision of rates.

The reply was not acceptable, as the LAC had clearly directed to allot the plot after the procedure of surrender from ECPL was completed. The process of surrender of land was completed by June 2016 and the plot was allotted (November 2015) at pre-revised lower rates to the party without having the land in possession and thereby violating the directions of the LAC. This also resulted in loss of ₹ 1.55 crore to the Corporation by allotting the plot to the party at pre-revised rate.

The matter was reported to the Government/Management (June 2018); their reply was awaited (March 2019).



MUMBAI
The 19 December 2019

(SANDIP ROY)
Accountant General
(Audit)-III, Maharashtra

Countersigned



NEW DELHI
The 26 December 2019

(RAJIV MEHRISHI)
Comptroller and Auditor General of India