

CHAPTER - II

AUDIT OF TRANSACTIONS

CHAPTER-II

Audit of Transactions

Audit of transactions of the government departments, their field formations as well as that of the autonomous bodies and public sector undertakings brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

Higher and Technical Education Department

2.1 Rashtriya Uchcharat Shiksha Abhiyan

2.1.1 Introduction

Ministry of Human Resources Development, Department of Higher Education, Government of India (MHRD) introduced (October 2013) a centrally sponsored scheme, Rashtriya Uchcharat Shiksha Abhiyan (RUSA). The aim of RUSA was to provide strategic funding to eligible State higher education institutions for reforming the higher education system as well as to improve the quality of State universities and colleges. RUSA was to be implemented in two phases viz., RUSA 1.0 and RUSA 2.0 spread over Twelfth plan (2012-17) and Thirteenth plan (2017-22) respectively for funding the State universities, Government colleges and aided colleges to achieve equity, access and excellence in higher education. The components included in RUSA 1.0 and RUSA 2.0 are detailed in **Appendix 2.1.1**. The project cost for all components was shared between Government of India (GoI) and Government of Maharashtra (GoM) in the ratio of 60:40.

The State Higher Education Council (SHEC) under the control of the Higher and Technical Education Department (HTED), GoM was responsible for implementation of RUSA in Maharashtra. State Project Directorate (SPD) assisted SHEC in implementation of RUSA in the State.

2.1.2 Audit Scope and Methodology

Audit was conducted between July 2021 and October 2021, with a view to assess whether:

- the plans such as State Higher Education Plan, Institutional Development Plan and Detailed Project Reports were prepared and approved timely;
- funds were released on time and its financial management was proper;
- implementation of various components of RUSA was as per the guidelines; and
- monitoring and evaluation was effective.

For this purpose, records for the period 2015-21 were test-checked in Higher and Technical Education Department, Government of Maharashtra and State Project Directorate. Besides, four out of 13 universities, four out of 14 Government colleges and 16 out of 50 aided colleges which received funds under RUSA, were randomly selected for audit scrutiny. Further, one college to which funds was released under the component “New Model Degree

Colleges” was also selected for audit scrutiny. The names of the institutions selected are shown in **Appendix 2.1.2**.

Reply received from the Government in December 2021 has been suitably incorporated at appropriate places in the Report.

Audit findings

2.1.3 Planning

RUSA framework envisaged a bottom-up approach to planning and budgeting to address multiple and graded inequalities and to promote need-based planning. Planning processes are to begin at the institutional level with Institutional Development Plan (IDP). These IDPs are to be combined to form State Higher Education Plan (SHEP). SHEP has two main components *viz.*, State component and Institutional component. SHEP is broken down into annual plans which constitute the basis for determining the funding to the State Governments.

2.1.3.1 Delay in constitution of State Higher Education Council

As per RUSA document (September 2013), State Government was required to set up a State Higher Education Council (SHEC) by an Act of the State Legislature within two years. SHEC is the supreme policy body for higher education to develop comprehensive, long-term and inclusive higher educational plan. SHEC was responsible for determining the methodology for timely transfer of State’s share to the educational institutions. SHEC was also responsible for coordination between apex bodies of RUSA at GoI and State Government and evaluation of State institutions against key performance indicators¹ of RUSA. GoM decided (October 2013) to participate in the implementation of RUSA in the State.

Maharashtra State Council for Higher Education was in existence in the State as per the Maharashtra University Act, 1994. However, the composition of SHEC was not as per RUSA guidelines. Higher and Technical Education Department (HTED), GoM constituted the council as per RUSA guidelines *vide* Government Resolution issued in December 2016. GoM notified (August 2017) SHEC for implementation of RUSA 1.0 in the State, as such SHEC was constituted by a Government Resolution and not through a notification under the Act.

Thus, the delay in notifying SHEC under the Act, delayed the constitution of SHEC in the State by 21 months.

2.1.3.2 Delay in preparation of State Higher Education Plan

As per RUSA document, every participating State was required to prepare a State Higher Education Plan (SHEP) which was a strategic plan spread over a period of ten years, to be reviewed after five years. Audit noticed that the 10 years strategic plan was not prepared by the State.

Under RUSA 1.0, SHEP was required to be submitted to MHRD by 18 January 2014. Audit noticed that in the absence of SHEC, which was

¹ The key performance indicators are student attrition & transition rates and graduate employment survey results

responsible for developing comprehensive, long-term and inclusive higher education plan, HTED, GoM prepared the SHEP of RUSA 1.0 for two years (2015-17) instead of for the period 2014-17 on the basis of baseline data obtained from the higher education institutions. SHEP, which comprised of five components for a total outlay of ₹ 462 crore, was submitted to MHRD in August 2015 after a delay of 19 months. MHRD approved (between September 2015 and September 2019) SHEP for a total outlay of ₹ 295 crore. The reasons for submission of SHEP only for five components instead of 18 components were not furnished to audit.

SHEC prepared SHEP under RUSA 2.0 which was submitted by HTED, GoM to MHRD in May 2018. SHEP for the period 2018-20, comprised of 12 components for a total outlay of ₹ 430.68 crore. MHRD approved (between May 2018 and September 2019) eight components of SHEP for a total outlay of ₹ 523 crore (including funding for additional requirements proposed by HTED, GoM to GoI).

Thus, the delay in the constitution of SHEC and preparation of SHEP deprived the state of the policy directions, coordination and monitoring as envisaged under RUSA.

In reply, Government attributed the delay in preparing the SHEP to administrative delay.

The audit findings in respect of financial management, scheme implementation and monitoring are discussed in the succeeding paragraphs.

2.1.4 Financial Management

As per RUSA guidelines, State is required to submit component-wise Detailed Project Reports (DPRs) of each institution duly approved by SPD to Project Approval Board (PAB). On approval by PAB, funds are released to State Government who, in turn, releases funds along with its own matching contribution to institutions through SPD.

2.1.4.1 Grants and Expenditure

The component-wise details of approved SHEPs under RUSA 1.0 and RUSA 2.0 are shown in **Appendix 2.1.3**. The details of GoI share and GoM share *vis-à-vis* expenditure incurred during 2015-21 under RUSA 1.0 and RUSA 2.0 are shown in **Table 2.1.1**.

Table 2.1.1: Grant received *vis-à-vis* expenditure incurred during 2015-21

(₹ in crore)

Year	Central share allocated	Central share released	State Share required to be released	State share released	Total fund released (3+5)	Expenditure incurred	Balance (Cumulative)
1	2	3	4	5	6	7	8
2015-16	34.50	34.50	23.00	16.44	50.94	0.00	50.94
2016-17	1.80	1.80	1.20	7.76	9.56	43.85	16.65
2017-18	57.00	57.00	38.00	31.38	88.38	35.58	69.45
2018-19	45.18	45.18	30.12	36.74	81.92	60.85	90.52
2019-20	87.70	54.40	58.47	36.27	90.67	48.61	132.58
2020-21	0.00	33.30	0.00	22.20	55.50	94.18	93.90
Total	226.18	226.18	150.79	150.79	376.97	283.07	

Source: Government release orders and information furnished by SPD

2.1.4.2 Expenditure on higher education vis-à-vis GSDP

One of the prerequisites for being eligible for funding under RUSA was allocation of two *per cent* of Gross State Domestic Product (GSDP) towards higher education by the end of the Twelfth Plan period.

GoM, while participating in RUSA, agreed (October 2013) to allocate two *per cent* of GSDP towards expenditure on higher education. Further, GoM in its Memorandum of Understanding of May 2018 with MHRD/National Mission, RUSA assured to allocate two *per cent* of State GSDP towards higher education by the end of March 2020.

Audit, however, observed that the actual spending on higher education during 2020-21 was only 0.31 *per cent* of the GSDP in the State. Audit further observed that instead of increase in expenditure on higher education, the expenditure, on the contrary, showed a declining trend as shown in **Table 2.1.2**.

Table 2.1.2: Actual expenditure on higher education during 2015-21

(₹ in crore)

Year	Nominal GSDP	Two <i>per cent</i> of Nominal GSDP	Expenditure on Higher and Technical Education	Actual spending (percentage)
2015-16	19,86,721	39,734	7,361.69	0.37
2016-17	21,88,532	43,771	7,197.84	0.32
2017-18	23,82,570	47,651	7,484.61	0.31
2018-19	25,79,628	51,593	7,777.54	0.30
2019-20	28,18,555 ²	56,371	8,152.95	0.28
2020-21	26,61,629 ³	53,233	8,254.29	0.31

Source: Civil Budget Estimates of GoM

It can be seen that though nominal GSDP increased by 34 *per cent* during 2015-21, the expenditure on higher and technical education during the same period increased by only 12 *per cent*.

Government did not assign any reason for the declining percentage of expenditure on higher education but stated (December 2021) that the State would endeavour to spend higher percentage on Higher Education.

2.1.4.3 Delay in release of grants

Funds received from GoI, was to be released by the State Government along with the State share to State Project Directorate (SPD) within 15 days of receipt of central funds. The funds received by SPD was, in turn, to be released to the educational institutions within 15 days of receipt of funds from State Government.

Audit noticed that out of ₹ 376.97 crore (central and state funds) disbursed by the State Government to SPD, there was delay in disbursement of ₹ 365.47 crore (97 *per cent*). Further, out of ₹ 376.97 crore received by SPD, there was delay in disbursement of ₹ 245.56 crore (56 *per cent*) to the participating higher educational institutions. The details of delay in release of funds to SPD and participating educational institutions are shown in **Appendix 2.1.4** and summarised in **Table 2.1.3**.

² Estimated

³ Estimated

Table 2.1.3: Range of delay at GoM and SPD in releasing of funds to educational institutions

Year	Delay in release of central and state share by State Govt to SPD (Delay range)	Amount of grant (₹ in crore)	Delay in release of funds by SPD to institutions (Delay range)	Amount of grant (₹ in crore)
2015-16	74 to 166 days	57.50	10 to 70 days	57.50
2016-17	55 days	3.00	10 days	3.00
2017-18	12 to 293 days	95.00	1 to 137 days	95.00
2018-19	11 to 63 days	75.30	1 to 76 days	75.30
2019-20	55 to 250 days	146.17	5 to 52 days	146.17

Source: Fund release orders of GoI, GoM and SPD

As seen from **Table 2.1.3**, the delay in release of funds by State Government and SPD ranged between one to 293 days.

Government attributed (December 2021) the delay in release of funds to late receipt of funds in Budget Distribution System, DPR clarifications and late release of funds due to COVID-19.

Reply is not acceptable as the release of funds in Budget Distribution System is the responsibility of Government while the delay attributed to DPR clarification only indicated lack of detailed scrutiny of DPR before approval. Further, the delay on account of COVID 19 was restricted to only ₹ 6.75 crore (received in March 2020) out of ₹ 87.70 crore received from GoI during 2019-20.

2.1.4.4 Insufficient budget provision

In 2015-16, GoI sanctioned ₹ 34.50 crore, being 60 *per cent* of central share. For the State share of 40 *per cent*, GoM made budget provision of ₹ 16.44 crore (28.59 *per cent*) in 2015-16 and balance ₹ 6.56 crore (11.41 *per cent*) in 2016-17. The short provision resulted in delay of 153 days in disbursement of funds. Similarly, in 2017-18, GoI released ₹ 57 crore, being 60 *per cent* of central share. As against this, GoM made budget provision of ₹ 31.38 crore (33.03 *per cent*) in 2017-18 and balance ₹ 6.62 crore (6.97 *per cent*) in 2018-19. The short provision resulted in delay of 293 days in release of funds to higher educational institutions.

Government attributed (December 2021) the short provision to administrative procedures and stated that attempts would be made to provide matching share on time henceforth.

2.1.4.5 Funds kept in other than the dedicated savings bank account

RUSA guidelines (1.0) stipulated that SHEC and beneficiary institutions should open only one dedicated savings bank account in a scheduled commercial bank, preferably a nationalised bank. This was to discourage scattered maintenance of RUSA funds which would lead to weak financial management and poor internal controls.

Audit noticed that in four out of 24 test-checked higher educational institutions (New Model Degree College, Nandurbar was yet to be functional), the grants received under RUSA were kept in current bank accounts, fixed deposits *etc.*, instead of dedicated savings bank accounts as discussed below:

▪ ***Shivaji University, Kolhapur***

Shivaji University, Kolhapur (SU) received (March 2016 and March 2019) ₹ 20 crore under the component “Infrastructure grants to Universities”. SU transferred (January 2019) ₹ 3.26 crore into a fixed deposit for issue of letter of credit to the supplier for purchase of x-ray photoelectron spectrophotometer. The shipment was delivered in June 2020 and ₹ 3.11 crore was paid to the supplier. The University, however, retained the balance amount of ₹ 25.14 lakh (including interest on deposit) for more than a year in fixed deposit and transferred only ₹ 18.25 lakh to SPD in June 2021 retaining the balance amount of ₹ 6.90 lakh.

▪ ***University of Mumbai***

University of Mumbai (UoM) received (March 2016) ₹ 5.58 crore for procurement of equipment under the component “Infrastructure grant to Universities” (RUSA 1.0). Audit observed that UoM, initially kept the funds in a dedicated saving bank account of RUSA but deposited (June 2016) ₹ five crore in fixed deposit account on the ground that the fund was not required for immediate use. The fixed deposit was encashed during the period July 2016 and July 2017 and the interest of ₹ 20.44 lakh was refunded to SPD in August 2021.

▪ ***Rajaram College, Kolhapur***

Rajaram College, Kolhapur received (between April 2016 and December 2017) ₹ 1.50 crore under the component “Infrastructure grants to colleges” (RUSA 1.0). Audit noticed that the entire grant was kept in current bank account instead of dedicated savings bank account as envisaged in the RUSA guidelines. As on March 2021, Rajaram College had spent ₹ 1.17 crore for infrastructural development and the balance ₹ 33.24 lakh was transferred to SPD, in July 2021.

▪ ***Chhatrapati Shahu Institute of Business Education and Research, Kolhapur***

Chhatrapati Shahu Institute of Business Education and Research, Kolhapur received (between December 2018 and October 2020) ₹ 3.75 crore under RUSA 2.0 for component No.8, “Enhancing quality and excellence in select autonomous colleges”. Audit noticed that the institute had kept the grants in current accounts instead of dedicated savings bank account.

In reply, Government stated (December 2021) that all the four institutions were reprimanded and instructed to follow RUSA guidelines. Government further stated that as per new policy, the SPD has opened a single nodal bank account and the implementing agencies *i.e.*, the higher educational institutions have opened a zero-balance subsidiary account through which payments are made up to the drawing limits set by SPD.

The fact that these institutions kept funds in current account and fixed deposit account for long period indicated lack of adequate monitoring by SPD to prevent violation of RUSA guidelines aimed at strengthening financial management and internal controls.

2.1.5 Scheme Implementation

The irregularities/shortcomings noticed in implementation of the Scheme are discussed in the succeeding paragraphs.

2.1.5.1 Creation of Universities by conversion of colleges in a cluster

RUSA 1.0 and 2.0, provided for a grant of ₹ 55 crore per university for creation of universities by conversion of colleges in a cluster (component No. 2). Under this component, university was to be created by pooling the resources of three to five existing colleges that had adequate academic, physical and technical infrastructural facilities. The aim of cluster universities was to address the critical gap in spatial distribution of higher educational institutions across the State. The Project Approval Board (PAB) accorded (May 2018 and January 2019) approval for the creation of three cluster universities⁴ in the State.

Audit noticed that although Karmaveer Bhaurao Patil University, Satara was accorded approval in January 2019, the University was notified in October 2021 after a delay of 20 months. Scrutiny by audit revealed that in a meeting held (June 2019) between HTED, GoM and SPD, it was decided that the expenditure on the proposed new posts in the University would be borne by the University without any financial burden on the State Government. However, this fact was not brought out in the draft notification for the establishment of the University. The Law and Judiciary Department while vetting the notification opined (July 2019) that concurrence of the Finance Department be obtained. HTED, GoM thereafter, belatedly obtained (January 2021) undertaking from Karmaveer Bhaurao Patil University that the financial burden on the newly created post would be borne by the University out of its own fund. Subsequently after obtaining cabinet approval, the University was notified in October 2021.

Thus, the delay in obtaining undertaking from Karmaveer Bhaurao Patil University and failure to mention about the financial burden of new posts in the draft notification delayed the notification of the University. Grant was also not released to the University till date (December 2021).

Similarly, Dr. Homi Bhabha University, Mumbai and Hyderabad (Sindh) National Collegiate University, Mumbai were notified in February 2019 and October 2019 respectively. However, due to non-receipt of grant from GoI, GoM has not released grant to these Universities (December 2021)

Government stated (December 2021) that the grant was not released to the University as fund was not released by GoI for which State Government was following up with GoI.

⁴ (1) Dr. Homi Bhabha University, Mumbai (comprising of (i) Institute of Science, Mumbai (Lead College), (ii) Sydenham College, Mumbai, (iii) Government B.Ed. College, Mumbai and (iv) Elphinstone College, Mumbai), (2) Hyderabad (Sindh) National Collegiate University, Mumbai (comprising of (i) Hassaram Rihumal College of Commerce and Economics, Mumbai (Lead College), (ii) Kishinchand Chellaram College, Mumbai and (iii) Bombay Teachers Training College, Mumbai) and (3) Karmaveer Bhaurao Patil University, Satara (comprising of (i) Yashwantrao Chavan Institute of Science, Satara (Lead College), (ii) Dhananjay Gadgil College of Commerce, Satara and (iii) Rayat Shikshan Santha's Chhatrapati Shivaji College, Satara)

2.1.5.2 Creation of University by way of upgradation of existing Autonomous College

Under RUSA 2.0, a grant of ₹ 55 crore per institution was provided to the participating autonomous colleges towards physical infrastructure, academic quality and governance structure, for upgradation to university. The grant was provided under Component No.1 “Creation of University by way of upgradation of existing autonomous college.”

Audit noticed that a proposal of Fergusson College, Pune for creation of Fergusson State University, Pune (FU) under Maharashtra University Act, 2016 was approved (May 2018) by PAB with the condition that the enactment of the university and submission of action plan for proposed university should be done within three months from the date of approval. However, the final notification could not be issued as the management of the college raised (February 2019) issues of loss of management control. To address this issue, HTED, GoM constituted (February 2019) a committee headed by Ex-Vice Chancellor of Kavayitri Bahinabai North Maharashtra University, Jalgaon which was required to submit recommendations within one week. However, the Committee did not submit its recommendations. Thus, Government lost an opportunity to avail GoI funds of ₹ 33 crore (60 per cent of ₹ 55 crore).

Government stated (December 2021) that FU has indicated no interest in upgradation to University owing to land issues/litigation.

The reply is not acceptable as in the event of non-interest by FU, HTED, GoM could have forwarded the proposal of other institutions out of the 17 institutions which had submitted letter of intent for creation of university.

2.1.5.3 Establishment of New Model Degree College

PAB accorded (May 2018) approval for establishment of New Model Degree College at Nandurbar (NMDC) under component No. 5 of RUSA 2.0. PAB also approved (July 2018) DPR with the intake capacity of 1,800 students (revised to 4,320 students at GoM level).

Audit noticed that SPD identified (August 2020) Jai Hind College, Mumbai as a mentor for NMDC and a Memorandum of Understanding (MoU) for overall development in academics, research activities, National Assessment and Accreditation Council activities was to be executed between them. However, MoU between parties was not executed till date (September 2021) as Jai Hind college was not ready to bear the financial burden of travel expenses for imparting training to teachers and students of NMDC. Further, the construction of college building was not completed (December 2021) and therefore, it could not be made functional from academic year 2019-20 as envisaged.

Government stated (December 2021) that the delay was on account of non-availability of approach road to the site and COVID-19 pandemic. It was further stated that the internal work in college building and hostels was in progress and the work would be completed by March 2022, subject to availability of third and final installment from GoI.

2.1.5.4 Research, Innovation and Quality Improvement

Under RUSA 1.0, a grant of ₹ 120 crore for Research, Innovation and Quality Improvement (component No. 8) was provided to the participating States. Each participating State was required to submit a Research and Innovation Plan (RIP) in three parts *viz.*, Part I: Social Development and Public Policy, Part II: Research for Advanced Technologies and Part III: Establishing Innovation and Technology Transfer Centres.

GoM submitted (December 2015) RIP of ₹ 120 crore for establishment of research and innovation hub for seven universities⁵. However, PAB sanctioned (December 2015) ₹ 20 crore for implementation of Part III only and directed GoM to submit revised proposal for Part I and II of RIP. Audit noticed that GoM had not submitted revised proposal of Part I and II of RIP to PAB till date (December 2021).

Audit further noticed that GoI released (December 2015 and October 2018) ₹ 9.18 crore for Part III of RIP for nine universities⁶ of which, GoM released (March 2016 and December 2018) ₹ 15.30 crore (Central share: ₹ 9.18 crore and State share: ₹ 6.12 crore) to nine universities⁷.

In one out of the two test-checked institutions, which received grants under the component, Audit noticed that as against the sanctioned grant of ₹ 5.05 crore, GoM released (between March 2016 and December 2018) ₹ 3.79 crore to Shivaji University, Kolhapur. However, the balance ₹ 1.26 crore has not been released till date (October 2021) which resulted in delay in implementation of the component.

In reply, Government stated (December 2021) that the balance funds were not received from GoI for which follow-up is being done. Reply of Government was however, silent on non-submission of revised proposal of RIP I and II.

2.1.5.5 Vacancy in teaching staff

An important element in ensuring quality and excellence in higher education is availability of adequate number of good teaching staff in institutions of higher learning.

As per RUSA guidelines, the men-in-position of teaching staff should be at least 85 *per cent* of sanctioned strength and vacancies need to be filled up in a phased manner.

In 18 out of 21 test-checked higher educational institutions for which details of teaching staff was available, Audit noticed that the men-in-position of teaching staff was in the range of 22 to 77 *per cent*. Thus, these colleges did

⁵ (i) Rashtrasant Tukadoji Maharaj, Nagpur University, (ii) Swami Ramanand Tirth University, Nanded, (iii) Kavayitri Bahinabai Choudhari North Maharashtra University, Jalgaon, (iv) University of Mumbai, Mumbai, (v) Institute of Chemical Technology, Mumbai, (vi) Savitribai Phule University, Pune and (vii) Shivaji University, Kolhapur

⁶ including funding for additional universities proposed by HTED, GoM to GoI

⁷ (i) Rashtrasant Tukadoji Maharaj, Nagpur University, (ii) Dr. Babasaheb Ambedkar Marathwada University, Aurangabad, (iii) Swami Ramanand Tirth University, Nanded, (iv) Shreemati Nathaibai Damodar Thakersey University, Mumbai, (v) Punyashlok Ahilyadevi Holkar Solapur University, Solapur, (vi) Shivaji University, Kolhapur, (vii) Kavayitri Bahinabai Choudhari North Maharashtra University, Jalgaon, (viii) Savitribai Phule University Pune, (ix) Institute of Chemical Technology, Mumbai

not satisfy the criteria specified in the RUSA guidelines. The details are shown in **Appendix 2.1.5**. The reason for vacancies in teaching staff was attributed to lack of response of HTED, GoM towards the proposals submitted by test-checked higher educational institutions for recruitment of teaching staff.

In reply, Government stated that the average faculty strength was 66.2 *per cent* and a decision was taken vide Government Resolution of November 2021 for filling of 2,088 posts of faculty.

2.1.6 Monitoring and Evaluation

Under RUSA, the monitoring and evaluation was three-fold. At National level, the Project Appraisal Board in MHRD was responsible to review the projects annually. At State level, the State Government was to monitor and evaluate the progress of the institutions regularly. Besides, SHEC was responsible to monitor and evaluate the progress of institutions against the fixed Key Performance Indicators (KPI) and conduct quarterly meetings. At Institutional level, the Board of Governors was responsible to monitor the progress of institutional project on regular basis and provide guidance for improving the performance of the institutions in project implementation.

Audit observed that SHEC had not finalised KPI till date (October 2021). It was also noticed that SHEC conducted only four meetings from its constitution till date (July 2021).

Government stated (December 2021) that the KPIs would be finalised by March 2022 and frequent meetings of SHEC for strengthening monitoring would be ensured.

2.1.7 Conclusion

The implementation of the Rashtriya Uchchar Shiksha Abhiyan (RUSA) in Maharashtra was fraught with delays and ineffective monitoring. As against total grants (Central and State) of ₹ 376.97 crore, Government could spend only ₹ 283.07 crore, leaving an unspent balance of ₹ 93.90 crore. Government decided to participate in the implementation of RUSA in the State in October 2013. However, the State Higher Education Council (SHEC), a supreme policy body for higher education to develop comprehensive, long-term and inclusive higher education plan, was constituted only in August 2017. As a result, Government could submit the State Higher Education Plan for 2015-17 instead of 2014-17. Further, the spending on higher education was less than two *per cent* of Gross State Domestic Product. There was delay in the creation of university by conversion of colleges in a cluster. The monitoring and evaluation of the RUSA was weak, as SHEC has not even finalised key performance indicators to assess the performance of the participating higher educational institutions.

2.1.8 Recommendations

Government may ensure that:

- the spending on higher education is increased to two *per cent* of the GSDP as per the memorandum of understanding with Government of India;
- the projects under RUSA 1.0 and 2.0 are completed in a time bound manner to achieve the targeted benefits;
- Key Performance Indicators (KPIs) are prepared in a time-bound manner and performance monitored effectively against these KPIs.

Urban Development Department**Municipal Corporation of Greater Mumbai****2.2 Utilisation and redevelopment of Municipal Markets****2.2.1 Introduction**

The Municipal Corporation of Greater Mumbai (MCGM) constructs, maintains and regulates public markets under Section 61(h) of Mumbai Municipal Corporation Act, 1888 (Act) for sale of fruits, vegetables, meat *etc.* As of February 2021, MCGM had 195 municipal markets⁸. Audit scrutinised (January 2021 and February 2021) the records of the Market Department of MCGM for the period 2017-2020, to assess the utilisation and redevelopment of markets and recovery of various charges from the allottees.

The Audit findings are discussed in the succeeding paragraphs.

Audit findings**2.2.2 Utilisation of markets****2.2.2.1 Utilisation of markets under Accommodation Reservation Scheme**

Under the Accommodation Reservation Scheme (Scheme), plots reserved for market are developed by private developers and handed over to MCGM free of cost for which the developer is granted incentive floor space index. There were 103 such markets taken over under the Scheme. The status of utilisation of these 103 markets is given in **Table 2.2.1**.

⁸ Accommodation Reservation :103; Existing Markets: 92; Total:195 markets

Table 2.2.1: Status of utilisation of markets under Accommodation Reservation Scheme

Sl. No.	Status of utilisation	Area of market (in lakh square feet)	Percentage	No. of markets
	Allotted for market services			
1	Allotted to Project Affected Persons (persons whose commercial establishment were affected due to execution of any project and taken over)	1.45	17.77	81
2	Allotted to Private agencies on lease basis	1.44	17.65	
	Not allotted for market services and vacant			
3	Allotted to Government Departments ⁹	1.81	22.18	13
4	Allotted to Project Affected Persons but not taken over hence vacant	1.64	20.10	53
5	Common Area: Passage, Toilets, Market Inspector Office	1.7	20.83	-
6	Net area available for allotment in all the 103 markets	0.12	1.47	-
	Total	8.16	100	147
	Less- A single market may have area allotted to PAP, private agencies on lease basis, allotted to Government departments <i>etc.</i> Hence, the number of markets having overlapping area has been reduced			(-)44
	Total markets under Accommodation Reservation Scheme			103

As seen from **Table 2.2.1**, 21.57 *per cent* (Sl. No. 4 and 6 of Table 2.2.1) of the market area was vacant out of which 20.10 *per cent* market area, though allotted to Project Affected Persons (PAPs), was not taken over by the PAPs on the ground that the allotment was done on first and second floor of the market building which was not suitable for their business. Further, 22.18 *per cent* of the market area was allotted to Government departments and autonomous bodies and thus were being used for purposes other than market services.

Thus, 43.75 *per cent* (Sl. No. 3, 4 and 6 of Table 2.2.1) of the market area was either not used for market services or was lying vacant as of December 2021.

▪ **Non-adherence of lease conditions**

Out of 103 markets, nine markets were allotted on lease to private agencies for management and maintenance as Municipal Retail Markets, of which audit verified three markets. As per the agreement between the lessee and MCGM, lessee was permitted to allot the galas/shops/premises to individual/organisation/corporate body or any other entity for the designated market services. Joint physical verification and test-check of records revealed breaches in lease condition as discussed in **Table 2.2.2**.

⁹ Election Department, Mumbai Metropolitan Region Development Authority, Market Department of MCGM and others

Table 2.2.2: Non-adherence of lease conditions

Location of market (Date of allotment)	Audit findings
<p data-bbox="469 282 780 309">Kopari, Powai (April 2002)</p> 	<p data-bbox="986 309 1501 580">10 per cent of market area was not reserved for selling agricultural produce as per the lease agreement and unauthorised work was carried out in the market and therefore, the agreement was terminated (September 2007) by the Additional Municipal Commissioner (Eastern Suburbs) and the lessee was directed to vacate the premises. However, the premise was not vacated by the lessee.</p>
<p data-bbox="520 808 730 835">Unauthorised work</p>	<p data-bbox="986 835 1501 1106">Inspection done by MCGM in August 2017 revealed operation of one liquor bar and one hotel serving liquor. Though, Assistant Commissioner (Markets) directed the Assistant Engineer (Market) to take forceful possession of premises with police protection, the action taken by Assistant Engineer (Market), if any, was not available on record and the premise continued to be used by the lessee.</p> <p data-bbox="986 1128 1501 1216">In the joint visit (February 2021) done by Audit, it was noticed that breach of lease agreement continued.</p> <p data-bbox="986 1238 1501 1352">In reply, the Urban Development Department, GoM (Department), stated (December 2021) that the lessee has challenged the termination letter in the Court.</p>
<p data-bbox="512 1346 738 1373">Liquor bar and hotel</p>	<p data-bbox="427 1379 823 1406">Kondivita, Andheri (August 2013)</p>  <p data-bbox="986 1413 1501 1832">Show cause notice was issued (May 2017) for change in layout of the premise without permission from MCGM, utilisation of terrace for parties/refreshment area; construction of lift in open area; and non-reservation of 10 per cent of market for selling agricultural produce. Though, a penalty of ₹ 3.25 lakh was recovered (October 2017), neither the breaches were rectified by the lessee nor was any action taken thereafter by MCGM. Joint visit (January 2021) by Audit revealed that second floor of the building was being used as banquet hall in violation of the lease agreement.</p> <p data-bbox="986 1854 1501 2027">In reply, the Department stated (December 2021) that penalty was imposed for utilisation of 10 per cent area for non-marketable commodity and breach of covenant was rectified by lessee by fulfilling all conditions.</p>
<p data-bbox="379 1995 871 2027">Utilisation of terrace for parties/ refreshments</p>	

Valnai, Malad (February 2002)	Two notices were issued (September 2014 and February 2015) for unauthorised alterations/additions and use of second floor as banquet hall in violation of lease agreement. Termination letter was issued in September 2017 but joint visit (January 2021) by Audit revealed that premise continued to be occupied by the lessee. In reply, the Department stated (December 2021) that the unauthorised alterations/additions done was removed and the lessee has requested for cancelling the termination notice and accepting rent, which is being processed.
<i>Source: Scrutiny of records of Market Department and joint inspection conducted by Audit</i>	

In all the above three cases, though notices were issued for the breach of agreement conditions, there were delays in taking timely action for violation of agreement conditions by the Market Department of MCGM.

2.2.2.2 Utilisation of markets constructed by MCGM

As of December 2021, there were 92 markets constructed by MCGM, out of which in 62 markets having 11,351 existing shops/galas, 10,848 (96 per cent) were occupied. The balance 30 markets were under redevelopment.

A new market¹⁰ at Andheri (East) comprising of ground plus ten floors was lying unutilised from the date of its construction in July 2014. The Market Department had invited tenders five times (between May 2016 and September 2018) for renting the building but in four tenders, there was no response and in the fifth tender, the bids received were far less than the rental estimated in the tenders. During joint inspection (January 2021) done by Audit, it was observed that ground to fifth floor of the market building was being utilized as COVID quarantine centre and sixth to ninth floor was occupied by the Building Proposal Department of MCGM.

Thus, the market building was not being utilised for market services for more than six years.

In reply, the Department stated (December 2021) that since June 2018 onwards, floor wise tenders were invited and in March 2020, ground to fifth floor and tenth floor was allotted to two parties. It was further stated that ground to fifth floor allotted to one party was taken over by MCGM for COVID quarantine centre from April 2020 to December 2021 and the parties have been directed (December 2021) by MCGM to take physical possession of their respective premises.

2.2.3 Redevelopment of existing municipal markets

Urban Development Department, Government of Maharashtra (GoM) issued (February 2004 and May 2005) guidelines for redevelopment of existing municipal retail markets. As per the guidelines, the Association of Vendors/Developers approaches the Market Department with the redevelopment proposal of a dilapidated market. On approval, a Letter of Intent (LoI) is issued by the Market Department to the developer to reconstruct

¹⁰ Named as Hindu Hridayasamrat Shri Balasaheb Thackeray Market

the market and rehabilitate the existing licensees in lieu of which developer is granted incentive area. As per the LoI, the redevelopment has to be completed within 36 months from the date of issue of LoI. The Building Proposal Department of MCGM issues Intimation of Disapproval (IOD)¹¹ to be complied by the developer before issue of commencement certificate (CC) for construction.

Test-check of records of 23 out of 30 markets taken up for redevelopment revealed that LoIs were issued to 18 projects between February 2006 and July 2010 and for five projects in March and April 2017. The status of redevelopment of these 23 markets as of December 2021 is discussed below.

- Only five projects¹² were redeveloped, and the existing licensees rehabilitated between April 2011 and January 2021.
- In five projects¹³, the IOD was not issued because of failure of developers to obtain no-objection certificate (NOC) from existing licensees; failure to vacate existing licensees; lack of required open space for building; and non-approval of plan. The LoIs of these projects were cancelled between November 2016 and May 2018 with a proposal to redevelop the markets by MCGM on its own.

In reply, the Department stated (December 2021) that out of five cancelled projects mentioned above, MCGM proposed to undertake repair work in two projects¹⁴ and the remaining three projects¹⁵ were proposed to be redeveloped in-house for which plans were being prepared by Municipal/Consulting Architects.

- In one project *viz.*, GMG Kela Market, though the LoI was extended till October 2018, the developer had failed to obtain IOD. The main reason was revision of plan due to change in area requiring fresh approval from the Building Proposal Department. In reply, the Department stated (December 2021) that the LoI has been further extended till March 2022.
- In two projects *viz.*, Sant Gadge Maharaj (SGM) Market and G.L. Patil Market though the LoI was issued in 2009, the IOD was obtained by the developer only in May 2017 and January 2018 respectively due to delay in obtaining NOC from railway, NOC from Archaeological Survey of India and delay in getting environment clearance.

However, the redevelopment of these two markets was not completed (December 2021).

¹¹ IOD stipulates various terms and conditions to be complied by the developer, thereafter commencement certificate is issued

¹² (i) Sant Jalaram Bappa Market, (ii) Pant Nagar Market, (iii) Vakola Market, (iv) B.R. Gawade Market and (v) Pali Market (rehabilitated in January 2021)

¹³ (i) Kherwadi Market, (ii) B.H. Chemburkar Market, (iii) Mulund East Market, (iv) Gopi Tank Market and (v) M.H. Manjrekar Market

¹⁴ (i) Mulund East Market and (ii) Gopi Tank Market

¹⁵ (i) Kherwadi Market, (ii) M.H. Manjrekar Market and (iii) B.H. Chemburkar Market

- In five projects¹⁶, though Commencement Certificates (CC) for construction were issued between November 2010 and May 2017, the construction was not completed (December 2021). The delay was on account of various reasons such as delay in demolition of existing toilets, shops, non-receipt of NOC from Airport Authority of India and change in reservation in Development Control and Promotion Regulation for Greater Mumbai, 2034 (DCPR). Audit also observed that LoI/CC did not contain any provision for levy of penalty for delay in completion of construction.

In reply, the Department stated (December 2021) that the rehabilitation portion is completed in three markets¹⁷ and part Occupation Certificate is awaited. In remaining two markets, work is in progress.

- In five projects¹⁸, for which LoIs were issued in March and April 2017, the plans were not processed/approved by the Building Proposal Department of MCGM in the absence of provision in DCPR to approve the plans received from the Developer for redevelopment of markets. A policy proposal was submitted (December 2020) by MCGM for revision in Regulation No.33(21).

In reply, the Department stated (December 2021) that the said Regulation was amended (April 2021) by inserting a sub-regulation (C) to the existing Regulation No.33(21). It was added that the proposals received from the developers can now be processed under revised Regulation No.33(21)(C). Further, it was stated that the proposals for revised LoIs would be processed on merit under new guidelines.

Thus, out of 23 test checked markets, only five markets (22 *per cent*) were redeveloped during last 15 years indicating slow progress in redevelopment of existing dilapidated markets and rehabilitation of shop owners.

2.2.4 Irregularities in recovery of charges

The shops, stalls, spaces and cabins in the market constructed by MCGM are given to licensees for commercial purposes. As per section 407 of Mumbai Municipal Corporation (MbMC) Act, 1888, stallage charges are to be recovered from licensees/caretakers of shops of municipal markets for selling items¹⁹ such as marketable and non-marketable items.

Further, as per section 368(5) of MbMC Act, 1888, it shall be incumbent on the owners or occupiers of every trade premises to seek the Commissioner's permission to deposit trade refuse²⁰ collected daily or periodically from the premises. The applicant shall be allowed to deposit the trade refuse accordingly on payment of such charges as the Commissioner may, from time

¹⁶ (i) Tilaknagar Market, (ii) Dr. B.A. Market, (iii) Kalina Market, (iv) Hirachand Desai Market and (v) Parksit Vikhroli Market

¹⁷ (i) Tilaknagar Market (ii) Kalina Market (iii) Hirachand Desai Market

¹⁸ (i) Santacruz Market (ii) Annasaheb Vartak Market, (iii) Acharya Atmaram Bhau Lad Market, (iv) Samarth Ramdas Market and (v) Wagdhare Market

¹⁹ Marketable items: Cereals, pulses, vegetables, meats, condiments and cattle feed *etc.*
non-marketable items: Departmental store, Readymade cloths/garments, Novelties, Hardware, Pathological Laboratories *etc.*

²⁰ Trade refuse includes mutton, beef, pork *etc.*

to time, fix for temporarily depositing trade refuse, when such permission is granted by the Commissioner.

Test-check of records revealed the following:

2.2.4.1 Short recovery of stallage charges

- In Valnai Market, Malad, the stallage charges were recovered from the caretaker on 70 per cent of market area (*i.e.*, after excluding area of common toilets, staircase, lift *etc.*) instead of the entire market area in violation of the agreement. This resulted in short recovery of ₹ 1.46 crore during the period February 2002 to January 2021.

In reply, the Department stated (December 2021) that stallage charges are being levied and collected at 70 per cent of the Built-Up Area as per the approval of the competent authority. The reply is not tenable since charging of stallage charges @ 70 per cent of market area was in violation of Clause 11 of the lease agreement.

- In Yashodham Market (Gokuldham Market), Goregaon, the entire first floor (3,085 sq ft) of the market was allotted (April 2001) to a licensee. However, the monthly stallage charges were fixed arbitrarily by the Market Department at ₹ 26,994 per month and revised to ₹ 30,850 per month (*i.e.*, @ ₹ 10.00 per sqft. from November 2006) as against the amount of ₹ 38,563 per month (3085 sqft × ₹ 12.50²¹) to be recovered. This resulted in short recovery of ₹ 20.94 lakh towards stallage charges for the period from April 2001 to January 2021.

In reply, the Department stated (December 2021) that outstanding stallage charges would be verified and recovered.

- In 12 wards, an amount of ₹ 1.84 crore was pending recovery as stallage charges for the period April 2017 to December 2020.
- There was wide variation in the amount shown as recoverable as stallage charges, though the number of stalls/shops was the same and the rates had not changed. In P North ward, the amount recoverable during 2017-18, 2018-19 and 2019-20 was shown as ₹ 18.97 lakh, ₹ 36.25 lakh and ₹ 56.75 lakh, though the number of stalls/shops remained the same (586) during 2017-20. Similarly, in T ward, the amount recoverable during 2017-18, 2018-19 and 2019-20 was shown as ₹ 28.94 lakh, ₹ 39.69 lakh and ₹ 48.50 lakh though the number of stalls/shops remained at 228 during the same period. This indicated improper assessment of charges and maintenance of records.

In reply, the Department stated (December 2021) that outstanding stallage charges of all 24 wards were being compiled for recovery.

2.2.4.2 Outstanding recovery of Trade Refuse charges

The recovery of Trade Refuse Charges (TRC) since 1999 have not been documented properly and monitored by the Market Department. Demand registers for TRC were not maintained and the Market Department was not

²¹ Stallage charges are recovered @ ₹ 9 per sqft for marketable items (agriculture produce) and @ ₹ 12.50 per sqft for non-marketable items

able to produce the actual audited statement of recovery of TRC since 1999 and amounts outstanding as on date. The Market Department also did not levy TRC on 1,463 mutton/chicken shops situated inside the Municipal Markets (December 2021).

As per the available records (March 2017), during the period 1999 to 2007, there were 1,251 mutton shop owners. TRC amounting to ₹ 3.23 crore was recoverable from these 1,251 vendors, out of which ₹ 32 lakh had been recovered from 275 vendors and ₹ 2.91 crore was outstanding from 976 vendors. Details of demand raised on the vendors after 2007 and amount recovered was not available on record. In the absence of up-to-date records, audit could not ascertain the actual arrears of TRC.

In reply, the Department stated (December 2021) that recovery of outstanding TRC would be effected soon.

Improper maintenance of records related to outstanding dues and short recovery of various charges indicated inadequate internal controls and poor monitoring in the Market Department.

2.2.5 Conclusion

MCGM constructs, maintains, and regulates public markets for sale of fruits, vegetables, meat *etc.* Significant area of the market building constructed under the Accommodation Reservation Scheme was either not utilised or was lying vacant. The Market department failed to take concrete action to evict the lessee despite breach of conditions in the lease agreement. A market building, comprising of ten floors, constructed by MCGM was not being utilised for market services for more than six years. The progress in redevelopment of existing dilapidated markets and rehabilitation of shop owners was poor. Improper maintenance of records related to outstanding dues and short recovery of various charges indicated inadequate internal controls and poor monitoring in the Market Department.

2.2.6 Recommendations

Government may direct MCGM to:

- analyse the reasons and take steps to optimise the utilisation of markets constructed under the Accommodation Reservation Scheme for market services as also take concrete action against the lessee for breach of conditions in the lease agreement.
- review all the redevelopment projects and take action for its completion in a time bound manner.
- ensure proper maintenance of records for recovery of various charges and strengthen internal controls and monitoring in the Market Department.

Urban Development Department
Pimpri Chinchwad Municipal Corporation
2.3 Wasteful Expenditure
Construction of Sewage Treatment Plants in prohibited zone which had to be demolished, resulted in wasteful expenditure of ₹ 3.25 crore

The Urban Development Department, Government of Maharashtra (UDD) accorded (October 2017) administrative approval (AA) for ₹ 147.84 crore to a scheme for rehabilitation/augmentation of sewerage system in the old area of Pimpri Chinchwad Municipal Corporation (PCMC) under the Centrally sponsored Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Yojna. The work involved construction of three Sewage Treatment Plants (STP) at three locations in Haveli Taluka (Chikhali, Pimple Nilakh and Bopkhel) apart from augmentation/rehabilitation of sewerage system. The tendered cost of the work which was ₹ 148.99 crore was awarded (March 2018) to a contractor at a cost of ₹ 156.07 crore (including ₹ 22.51 crore for STP). The work was to be completed within two years.

Scrutiny of records (March 2020) of the Joint City Engineer, Water Supply and Drainage Department, PCMC revealed that UDD had issued (September 2017) notification amending Development Control Regulation (DCR) of PCMC, prohibiting construction activity in the area between the riverbank and the blue line area²² except for parking, open vegetable market, garden, open space, cremation and burial ground, public toilet or like uses. Despite the notification of UDD, the work of construction of one STP (at Chikhali) in the blue line area of Indrayani river and two STPs (at Pimple Nilakh and Bopkhel) in the blue line area of Mula river was awarded by PCMC in March 2018. However, while deciding on a suit filed (May 2019) by a residential society in National Green Tribunal, New Delhi (NGT), against the construction of STP at Chikhali, NGT directed (January 2020) PCMC to demolish the STP at Chikhali on the ground that the STP was located in the prohibited zone *i.e.*, blue line area of Indrayani river. In response to NGT's order, PCMC filed (February 2020) a suit in the Hon'ble Supreme Court for seeking relief which was dismissed (June 2020) by the Hon'ble Supreme Court.

PCMC, therefore, demolished (June 2020) STP at Chikhali while the construction work of STP at Pimple Nilakh was also stopped as it was located in the blue Line area of the Mula river. The work of STP at Bopkhel had not commenced. PCMC decided to relocate all the three STPs and revised detailed project report (DPR) was sanctioned by Government in April 2021. The cost of constructing the three STPs at the new sites was estimated at ₹ 40.82 crore as against the contract cost of ₹ 22.51 crore awarded in March 2018. The tendering process was in progress (November 2021).

Audit also observed that earlier in 2014, NGT had directed PCMC to demolish retaining/protective walls for a crematorium constructed by PCMC which was

²² Blue line is the line which shows that water had reached up to that line once in the last 25 years

located in the blue line area of Pavana river on the ground that the prevalent (September 1989) circular of Water Resource Department, Government of Maharashtra (WRD) prohibited any construction in the blue line area. Audit also observed that PCMC did not obtain consent to establish the STPs from Maharashtra Pollution Control Board as required under Section 25 of Water (Prevention and Control of Pollution) Act, 1974.

Audit observed that before grant of AA, UDD failed to ascertain from PCMC whether the STP was located in blue line area, considering the fact that the DPR was received by UDD before the amendment to DCR in September 2017. Further, PCMC, despite being aware of the UDD notification of September 2017 and the decision of NGT in an earlier order of 2014, carried out construction work on the STPs in the prohibited zone. The subsequent change in sites of all the three STPs, rendered the expenditure of ₹ 3.25 crore incurred on it wasteful, besides leading to increase in construction cost by ₹ 18.31 crore.

PCMC replied (November 2021) that the location of STP in the DPR was as per the Development Plan sanctioned by UDD in 2010. The DPR was submitted to UDD in March 2016 which was approved by UDD. Therefore, the question of fixing responsibility at PCMC did not arise. The reply of PCMC was endorsed by Government in December 2021. The reply was not acceptable as the grant of AA and construction was to be done in consonance with the amendment to the DCR issued in September 2017, which prohibited construction in the blue line area.

The Government may fix responsibility on the erring officials in UDD and PCMC for not exercising due diligence before granting of AA for construction in prohibited zone despite being aware of the UDD notification issued in September 2017. Government may also take necessary steps to avoid such violation in future projects.

Urban Development Department

Mumbai Metropolitan Region Development Authority

2.4 Undue benefit to the contractors

Faulty tender condition stipulating additional loading of overheads and profit percentage which were already included in the schedule of rates, resulted in undue benefit of ₹ 4.36 crore to contractors on extra items of work in three contracts

Often, items of works which are not included in the original contract are required to be executed. Such items of work are termed as 'extra items'. The payments for such extra items are made by Mumbai Metropolitan Region Development Authority, (MMRDA) at the prevailing District Schedule of Rates (DSR) of Public Works Department (PWD) and in case the item is not available in DSR of PWD, the rates as per schedule of Municipal Corporation

of Greater Mumbai (MCGM) could be applied. The rates in the schedule of works are inclusive of overhead charges²³ and contractor's profit²⁴.

Test-check (January-March 2021) of 17 contracts of Engineering Division in MMRDA, revealed that in three contracts, the tender condition for payment of extra items was in variance with the tender condition in the remaining contracts. In these three contracts, the payment for extra items was stipulated to be made at the prevailing DSR of PWD and in case the item was not available in DSR of PWD, the rates as per schedule of MCGM was to be increased by specified percentage towards overheads and profit. Audit noticed that out of the three contracts, in one contract, the percentage of overheads and profit stipulated was 15 *per cent* while in the other two contracts, the percentage of overheads and profit was eight *per cent* which was at variance with the standard conditions stipulated in Maharashtra Public Works Department Manual. Insertion of faulty tender conditions with two different percentages, was irregular. This resulted in undue benefit of ₹ 4.36 crore to contractors in these three contracts during the period April 2015 to September 2021 (**Appendix 2.4.1**).

In one of the contracts (Sr. No. 1 of Annexure) in which extra item was paid by MMRDA, Audit noticed that while approving the first two Extra Item Rate Lists (EIRLs), the then Metropolitan Commissioner had rejected (October 2016) loading of 15 *per cent* overheads and profit on the ground that the DSR rates were inclusive of overheads and profit. Accordingly, the bills in respect of first two EIRLs were paid without loading 15 *per cent* overheads and profit. However, while approving the third and the fourth EIRLs, the Metropolitan Commissioner had approved (January 2020) the loading of 15 *per cent* overheads and profit and the same was paid (December 2020).

Insertion of faulty tender conditions with two different percentages resulted in undue benefit of ₹ 4.36 crore to the contractors.

MMRDA may strengthen the internal controls to ensure that such faulty conditions are not included in the tenders in future and fix responsibility for the irregularity.

In reply, Government stated (December 2021) that payment made to the contractors was being recovered and a circular has been issued by MMRDA for standardisation of tender conditions on the basis of standard bid document of Public Works Department, Maharashtra or International Federation of Consulting Engineers (FIDIC).

²³ Overhead charges: PWD:10 *per cent*, MCGM: five *per cent*

²⁴ Profit: 10 *per cent* each for both PWD and MCGM

Urban Development Department

Municipal Corporation of Greater Mumbai

2.5 Short levy of Property Tax

Incorrect computation of capital value of property resulted in short levy of property tax amounting to ₹ 7.85 crore

Municipal Corporation of Greater Mumbai (MCGM) levies property tax on land and building in MCGM area under Section 139 of the Mumbai Municipal Corporation Act, 1888 (Act). Property tax includes water tax, sewerage tax, general tax, education cess *etc.* Property tax is levied on the capital value of land and building. The capital value of the property is determined considering the value of building or land as indicated in the Stamp Duty Ready Reckoner issued by Department of Registration & Stamps, GoM and factors such as nature and type of land, structure of the building, area of land, carpet area of building, the user category *i.e.*, residential, commercial *etc.* Weightage is assigned by MCGM to factors such as nature and type of land, structure of the building, area of land, carpet area of building, the user category *i.e.*, residential, commercial *etc.* in the Rules for Fixation of Capital Value of Land and Buildings (Rules) framed for the purpose in 2010 and 2015. As per the provisions contained in Section 154 of the Act, the capital value of land and building fixed is required to be revised every five years. The Rules for assigning the weightage was framed by MCGM in the year 2010 and 2015.

Scrutiny of records (March 2020) of the office of the Assistant Assessor and Collector, K-West Ward, MCGM revealed incorrect assessment of property tax for the period July 2014 to March 2021 as discussed below.

Airports Authority of India had leased (July 2014) land admeasuring 5,400 square metre for vehicle parking to M/s. S. S. Enterprises situated at Juhu Tara Road, opposite Tulip Star Hotel, Mumbai. MCGM while determining (July 2014) the capital value of the property for levy of property tax, incorrectly categorised the property as shop/commercial building (car parking in stilt/basement/podium) instead of categorising the same as open land (commercial). The incorrect assessment resulted in incorrect computation of capital value of the property with the resultant short levy of property tax as shown in **Table 2.5.1**.

Table 2.5.1: Incorrect assessment of capital value resulting in incorrect levy of property tax

Particulars	Assessment done by MCGM	Assessment as per Audit calculation	Assessment done by MCGM	Assessment as per Audit calculation
	As per 2010 Rules		As per 2015 Rules	
Basic value as per stamp duty ready reckoner (per sqmt) (BV)	4,24,200	1,69,700	4,87,800	1,95,200
Weightage as per user category (UC)	0.25	1.25	0.80	1.25
Weightage for nature and type of building (NTB)	0.50	Not applicable since open land	0.50	Not applicable since open land
Age of building (AF)	1	Not applicable since open land	1	Not applicable since open land

Particulars	Assessment done by MCGM	Assessment as per Audit calculation	Assessment done by MCGM	Assessment as per Audit calculation
	As per 2010 Rules		As per 2015 Rules	
Permissible or approved floor space index (FSI) (FF)	1	1	1	1
Area of land (sqmt)(CA)	6,480 ²⁵	5,400	5,400	5,400
Capital value (₹ in crore) (BV×UC×NTB×AF×FF×CA)	34.36	114.54	105.36	131.76
Property tax (percentage)	0.65	0.82	0.88	1.63
Annual Property tax (₹ in crore)	0.22	0.93	0.93	2.15
Difference in property tax (₹ in crore)	0.71		1.22	

The incorrect assessment resulted in short levy of property tax amounting to ₹ 7.85 crore (₹ 0.53 crore from July 2014 to March 2015 and ₹ 7.32 crore from April 2015 to March 2021). The incorrect assessment of property tax indicated inadequate checks while classifying the property which is a vital element for computing the capital value and property tax thereon.

In reply, the Government stated that the Municipal Chief Auditor (MCA) had pointed out (March 2017) that the user category for determining the capital value of the property should be rectified as shop commercial building (special car parking structure with or without mechanical lift) instead of shop commercial building (car parking in stilt/basement/podium). Accordingly, MCGM issued revised bills in August 2017 against which the assessee filed an appeal (August 2017) with Additional Municipal Commissioner (Project) on the ground that that the assessment of tax was incorrect as the property leased was open land. The Government further stated that a hearing on the appeal was in progress and revised bills would be issued on disposal of the appeal.

Rural Development Department

2.6 Excess payment

Failure of Executive Engineers (Prime Minister Gram Sadak Yojna) to reduce the contract cost subsequent to implementation of GST resulted in excess payment of ₹ 28.63 crore to the contractors

The Goods and Services Tax Act, 2017 (GST) came into force from 1 July 2017. Since the taxes under the GST regime were on the lower side compared to taxes under the pre-GST regime and to avoid profiteering by the contractors, the Finance Department, Government of Maharashtra (FD) issued (11 September 2017) a circular instructing all the departments to reduce the contract cost for all the works tendered before 1 July 2017 and executed after 1 July 2017. The circular also clarified the method for computing the

²⁵ Built up area was considered instead of carpet area

reduced²⁶ tax rate by way of an example for road works. Further, National Rural Infrastructure Development Agency (NRIDA) Ministry of Rural Development, New Delhi had also instructed (June 2018) all the concerned implementing State departments of PMGSY that the subsumed taxes were to be identified and payments for works executed after 1 July 2017 were to be made after correct estimation of taxes.

Scrutiny of records of the Executive Engineer, Prime Minister Gram Sadak Yojna (PMGSY), Nandurbar District (March 2020) revealed that 48 road works were awarded prior to implementation of GST *i.e.*, 1 July 2017 and executed in the post-GST regime. Though these works were awarded to the contractors on accepted cost inclusive of all taxes, duties, levies, cess *etc.*, the exercise of reducing the cost before releasing the payment, as per the directions of the Finance Department's circular of September 2017 was not carried out resulting in excess payment to the contractors.

To ascertain whether action was taken as per FD's circular in other districts, Audit requisitioned (March 2020 to February 2021) information for the entire State from Rural Development and Panchayati Raj Department, Government of Maharashtra (RDD). From the information obtained it was observed that the contract cost was not reduced before releasing the payment in 1,243 road works (Pradhan Mantri Gram Sadak Yojna: 161, Mukhya Mantri Gram Sadak Yojna:1,082) in 29 districts²⁷ (including Nandurbar District) out of 34 districts where the scheme was implemented.

Thus, the failure of Executive Engineer's (PMGSY) to reduce the contract cost before releasing the payment to the contractors, as per the instructions of FD, resulted in excess payment of ₹ 28.63 crore²⁸ to contractors. The fact that in none of the 29 districts, the contract cost was reduced before releasing the payment to the contractors indicated weak internal control in the field units besides poor monitoring by RDD to ensure compliance of instructions issued to field units. RDD should strengthen the internal control and monitoring mechanism and take action to recover the excess payment released in a time-bound manner.

In reply, Government stated (December 2021) that instructions have been issued to all the Executive Engineers (PMGSY) to make final payments to the contractors only after adjusting the GST amount as per the guidelines of Finance Department. The reply of the Government was silent on the failure of RDD to ensure compliance of instructions issued to field units and action taken for strengthening internal control and monitoring mechanism.

²⁶ Pre-GST tax rate:13.46 *per cent* (VAT 5 *per cent*, excise 6.22 *per cent*, VAT retention 2.24 *per cent*; GST tax rate:12 *per cent*

²⁷ Information was not furnished by five districts Palghar, Raigad, Sindhudurg, Sangli and Satara

²⁸ Excess payment was worked out on the basis of computation specified in FD circular of 11 September 2017. RA bills submitted after 30 September 2017 have only been considered for computation of excess payments.

Water Resources Department

2.7 Blocking of fund

Delay in the grant of Revised Administrative Approval to an incomplete hydroelectric project on which an expenditure of ₹ 250.03 crore has been incurred, resulted in blocking of funds for more than six years

The Water Resources Department (WRD), Government of Maharashtra (GoM) accorded (February 2004) Administrative Approval (AA) of ₹ 379.78 crore for construction of 2×40 Mega Watt (MW) hydroelectric (pumped storage²⁹) project at Koyna Dam Foot on the left bank of Koyna dam. The estimated cost of power generation was ₹ 2.49 per unit and the Benefit Cost Ratio (BCR) of the project was 1.81. Since the expenditure on the project exceeded the AA, the Chief Engineer (Civil), Hydroelectric Project and Quality Control, Pune (CE/Civil) instructed (March 2015) Executive Engineer, Koyna Construction Division No. 1, Koynanagar (Division) to stop the work till approval of the revised cost. Till March 2017 an expenditure of ₹ 250.03 crore³⁰ was incurred on the project.

Scrutiny of records (December 2017) of Executive Engineer, Koyna Construction Division No. 1, Koynanagar (Division) and further information obtained (August 2021) from WRD revealed delays at every stage of proposal, lack of coordination among various departments and delay in finalising the method of power generation *i.e.*, straight generation (conventional hydroelectric project) or pumped storage project. These issues are discussed below.

- The Chief Engineer (Electric), Hydroelectric Project, Mumbai (CE/Elect) submitted proposal for revised administrative approval (RAA) of ₹ 1,310.61 crore to WRD only in October 2013, when the expenditure on the project reached 79 *per cent* of the AA cost. After more than one year *i.e.*, in May 2015, CE/Elect submitted a revised proposal for ₹ 1,420.92 crore along with compliance to remarks of WRD made in the earlier proposal of October 2013. As directed by WRD, CE/Elect submitted (September 2015) the proposal to State Level Technical Advisory Committee (SLTAC³¹) with a revised project cost of ₹ 1,494.95 crore having BCR of 0.65.
- Since the electricity tariff from the project at ₹ 12 to 14 per unit was not feasible, WRD decided (June 2016) to execute the project on Build, Operate and Transfer (BOT) basis. Belatedly in December 2017, a task force was constituted to speed up the tendering process for BOT project. However, there was no response for the same.

²⁹ Under Pumped Storage Project, the water flowing out of the powerhouse and reaching lower reservoir is pumped back to upper reservoir to be again used for generation of electricity

³⁰ Civil work: ₹ 140.45 crore; Establishment cost: ₹ 109.58 crore, excluding advance of ₹ 171.52 crore recovered from contractors of electrical and mechanical works

³¹ Proposal having cost more than ₹ 25 crore was required to be submitted to SLTAC

- In March 2018, CE/Elect submitted a revised proposal to SLTAC with a reduced project cost of ₹ 971.65 crore. The cost reduction was due to the availability of advanced turbine having lower cost. The levelised electricity tariff was ₹ 7.25 per unit with BCR of 1.21. The proposal was approved (May 2018) by SLTAC which was submitted by CE/Elect to WRD for approval.
- WRD submitted (November 2018) the revised proposal for ₹ 971.65 crore to the Energy Department for consent. However, the Maharashtra State Electricity Distribution Company Limited (MSEDCL), functioning under the administrative control of Energy Department, GoM communicated (August 2019) its inability to give consent because of the high purchase cost of power from the project.
- WRD submitted (August 2019) a revised proposal for ₹ 971.65 crore but with BCR of 2.44 and levelised electricity tariff of ₹ 4.23 per unit to the Planning Department and the Finance Department, GoM as against BCR of 1.21 and levelised electricity tariff of ₹ 7.25 per unit projected in the proposal submitted in November 2018. The improvement in BCR and decrease in levelised electricity tariff was on account of a decision taken (December 2018) to divert water from the right bank hydroelectric project, which had reached its normative life (35 years), to the under-construction left bank hydroelectric project.
- The Planning Department and the Finance Department, GoM, requested (September 2019), WRD to obtain the consent of the Energy Department. Accordingly, WRD, submitted (December 2019) the revised proposal to the Energy Department for its consent. MSEDCL, after a lapse of 10 months, agreed (November 2020) for conventional hydroelectric power generation instead of pumped storage envisaged in the proposal considering the cost of generation.
- WRD submitted (May 2021) a revised proposal for execution of the project as conventional hydroelectric project, to the Energy Department for consent. Consent of the Energy Department was awaited till July 2021.

Thus, the delay in granting RAA to the incomplete project on which an expenditure of ₹ 250.03 crore was incurred, resulted in blockage of funds from March 2015. Further, the change in power generation method would result in wasteful expenditure of ₹ 83.53 crore incurred on works already executed such as approach tunnel, ventilation tunnel and machine hall.

Government stated (October 2021) that the Energy Department has granted consent to the proposal for execution of the project as conventional hydroelectric project in September 2021 and based on the consent, the proposal will be processed for revised administrative approval. It was further stated that balance works of the projects will be commenced in order to complete the project in a time-bound manner. Government also stated that execution of the project as pumped storage is being reviewed.

The fact remained that the project was incomplete (October 2021) for want of revised administrative approval resulting in blocking of funds to the extent of ₹ 250.03 crore for more than six years. Audit also noticed delays at various stages in the process of getting RAA. Further, delay in obtaining response

from the Energy Department only indicated lack of coordination among Government departments on vital state projects. WRD needs to streamline the procedure by fixing timeline for submission and approval of proposals to avoid delays in the execution of projects.

Social Justice and Special Assistance Department

2.8 Non-recovery of outstanding loan

Poor recovery of long-term loan disbursed to Co-operative Spinning Mills and non-levy of interest

A scheme for providing long-term loan to Backward Class (Scheduled Caste) Co-operative Spinning Mills (CSMs) was in existence in Social Justice and Special Assistance Department (Department) since March 2000³².

As per the Scheme, out of total project cost of CSM, 45 *per cent* was to be provided by the Cooperation and Textile Department as share capital, 5 *per cent* was to be contributed by the members of CSM and the balance 50 *per cent* was to be provided under the scheme as loan. The maximum ceiling for project cost was fixed at ₹ 53 crore and the maximum amount of long-term loan which could be provided under the scheme was restricted to ₹ 26.50 crore. As at the end of March 2021, the Department had disbursed long-term loan of ₹ 275.78 crore to 13 Scheduled Caste CSMs.

Scrutiny of records in the Department (November 2019) and the Commissioner, Social Welfare, Pune (Commissioner) (August and September 2021) revealed the following:

1. As per the scheme, recovery of loan was to commence two years after the date of disbursement of 90 *per cent* of share capital (disbursed by Co-operation and Textile Department) and loan for the project. The entire process of recovery was to be completed within six years from the commencement of recovery of loan. Principal was required to be recovered in 16 quarterly instalments and interest in eight quarterly instalments. Audit noticed that out of 13 projects, in eight projects, loan amount of ₹ 195.88 crore had become due for recovery and was required to be recovered fully between June 2016 to May 2024 (**Appendix 2.8.1**). Out of ₹ 195.88 crore due for recovery, an amount of ₹ 191.97 crore was due for recovery till August 2021, as against which only ₹ 1.10 crore was recovered (from one CSM) leaving a balance of ₹ 190.87 crore. The poor recovery of loan which was outstanding for a period ranging from more than one year to nine years indicated lack of vigorous and effective follow up for recovery of pending dues. Audit noticed that although, the Commissioner had issued demand notices every quarter for recovery of

³² Department disbursed long-term loan to seven Scheduled Caste Spinning Mills between June 1998 and March 1999, prior to commencement of Scheme in March 2000

loan to all the eight CSM, no action was taken for recovery of loan as arrears of land revenue or through disposal of mortgaged assets as per the scheme.

Reply of the Government (December 2021) was silent on the action taken to recover the loan as arrears of land revenue or through the disposal of mortgaged assets.

2. As per the scheme, the Board of Directors of the CSM was also to be held personally responsible for the loan disbursed. Audit noticed that despite the inclusion of such clause in the loan agreement, no action was taken by the Commissioner, Social Welfare to obtain collateral security/personal guarantee of the Directors for the loan disbursed.

Government reply (December 2021) did not clarify the reasons for not obtaining collateral security/personal guarantee of the Board of Directors for the loan disbursed.

3. In five CSMs, the recovery of loan had not commenced since disbursement of 90 *per cent* of the share capital and loan to CSMs was not complete as shown in **Appendix 2.8.2**. The faulty condition in the scheme which did not fix the maximum period beyond which the loan becomes due for recovery, not only prolonged the commencement of loan recovery but also increased the risk of non-recovery of dues. Audit observed that as per the terms and condition for disbursement of share capital to CSMs by Co-operation and Textile Department, the share capital was recoverable after five years from the date of disbursement of first instalment of share capital or three years from the date of starting of spinning mill whichever was earlier. Such a condition ensured that the amount became due for recovery by a fixed time. The Commissioner had submitted (November 2019) a proposal to the Department to revise the terms and conditions of loan recovery. However, the Department did not take any action on the proposal of the Commissioner.

Government stated (December 2021) that the action on the proposal of the Commissioner was under progress.

4. As per the scheme, the interest rate and penal interest rate for the loan disbursed was to be levied as communicated by the Finance Department, Government of Maharashtra, based on the interest rate determined by National Bank for Agriculture and Rural Development (NABARD). Audit noticed that the Department did not obtain the interest rate from the Finance Department. Audit further noticed that the Commissioner instead of approaching the Department, requested (February 2020) NABARD to intimate the interest rate which was declined (March 2020) by NABARD on the ground that NABARD does not prescribe/fix any rate of interest/penal interest for industrial cooperative society. Thereafter, the Commissioner requested (March 2020 and August 2021) the Department to communicate the interest rate. However, Department had not taken action till date (December 2021). Audit is of the view that the possibility of the claim becoming time-barred cannot be ruled out because of the failure of the Department to obtain the interest rate from the Finance Department and raise demand for interest with the CSMs.

Government stated (December 2021) that action for fixing interest rate based on the proposal submitted by the Commissioner was in progress.

5. As per the scheme, CSM having more than 70 per cent members belonging to Scheduled Caste was only eligible for loan under the scheme. The fulfilment of this condition was to be checked by District Social Welfare Officer/Divisional Social Welfare Officer/Commissioner before disbursement of loan. Audit noticed that records of such verification conducted, if any, before disbursement of loan under the scheme was not available with the Commissioner.

Government stated that loan was disbursed to CSM only after verifying the caste of members. It was further stated that Dr. Babasaheb Ambedkar Research and Training Institute, Pune, Caste Verification Committees and District Assistant Commissioners of respective districts, have been requested from time to time to hold camps to enable the members of the CSM to obtain caste certificates. The reply is not acceptable as documentary evidence of such verification was not on record and it also pointed towards the fact that the caste certificate of members of CSM had not been verified.

Thus, the recovery of loan under the scheme was poor and an amount of ₹ 190.87 crore was pending for recovery for period ranging from more than one year to nine years. The Department also did not safeguard its financial interest by levying interest on loan disbursed or by taking action for recovery of loan as per the scheme.

Social Justice and Special Assistance Department

Dr. Babasaheb Ambedkar Research and Training Institute

2.9 Unfruitful expenditure

Failure to obtain source code for the application software resulted in the software and mobile handsets procured at a cost of ₹ 94.38 lakh not being put to use

Dr. Babasaheb Ambedkar Research and Training Institute, Pune (BARTI), an autonomous organisation under Social Justice and Special Assistant Department, Government of Maharashtra (SJSAD) decided (July 2014) to implement ‘*Samtadoot* project’ (Project). The objectives of the project *inter alia* included creation of awareness and realisation among people for effective implementation of the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, eradication of the caste bias system and the discrimination which follows it. Under the project, trained personnel (named as *Samtadoot*) were required to identify probable beneficiaries for various Government schemes, assist them in understanding, applying under the schemes and provide relevant information of the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989.

BARTI issued (September 2014) work order to Centre for Development of Advance Computer (C-DAC³³) for designing, developing and hosting of mobile and web application software at a cost of ₹ 80 lakh excluding taxes. C-DAC was also responsible for hosting the application software for a period of one year *i.e.*, upto 22 October 2016. The scope of work *inter alia* included development of a dashboard, GPS tracking utility to store data of *Samtadoot* locations, facility for uploading video, audio and images captured during conversation with the beneficiaries, facility to attach online survey form to collect data of beneficiaries by *Samtadoot* through the application software, report generation module to generate various graphical reports. BARTI also purchased (September 2015) 700 mobile handsets for installation of application software by C-DAC at a cost of ₹ 60.20 lakh. The work was completed by C-DAC in September 2015 at a cost of ₹ 94.38 lakh inclusive of taxes.

Meanwhile, BARTI appointed (February 2015) *Samtadoots* on contract basis after imparting training to them. The mobile handsets installed with the application software were provided and used by *Samtadoots*. The services of *Samtadoots* were, however, discontinued (August 2016) on completion of contract period and mobile handsets provided to them were taken back. Thereafter, manpower was being hired from an outsourcing agency to work as *Samtadoots*.

Scrutiny of records (March 2021) and further information obtained (June 2021 and September 2021) from Director General, BARTI revealed that the manpower hired from the outsourcing agency were not provided with mobile handset. The *Samtadoots* were sending all the information obtained from the beneficiaries through emails, WhatsApp or physical documents, using their own mobile phones. Audit noticed that the mobile handsets were not provided to *Samtadoots* because C-DAC had discontinued the hosting of software application through its server. Audit also observed that BARTI did not prepare any feasibility report justifying the use of software-based application for transmission of data/information collected by *Samtadoots vis-à-vis* other existing methods. The issue of hosting the software application at the end of the contract with C-DAC was also not taken up with C-DAC. Audit noticed that though, the issue of obtaining the source code from C-DAC was raised by the Project Director (IT) with Project Director (*Samtadoot* cell) in May 2017, the same was pursued with C-DAC only in September 2021 and again in December 2021. In the absence of source code, the software application and mobile procured could not be utilised after one year, resulting in unfruitful expenditure of ₹ 94.38 lakh.

In reply, Government stated (December 2021) that C-DAC has been requested (September 2021 and December 2021) to hand over the source code to restart the mobile software application.

³³ A scientific society of Department of Electronics and Information Technology, Ministry of Communications and Information Technology, Government of India

Housing Department
Maharashtra Housing and Area Development Authority**2.10 Idle expenditure**

Lack of coordination between Mumbai Slum Improvement Board, Collector Mumbai Suburban District and Municipal Corporation of Greater Mumbai resulted in idling of multipurpose centre constructed at a cost of ₹ 5.71 crore at Ramabai Ambedkar Nagar, Ghatkopar (East), Mumbai for more than five years

The Housing Department (HD), Government of Maharashtra (GoM) sanctioned (March 2010) ₹ 11.60 crore for construction of toilet blocks and Multipurpose Centre at Ramabai Ambedkar Nagar, Ghatkopar (East), Mumbai on land belonging to Collector, Mumbai Suburban District (Collector). HD directed (March 2010) Mumbai Slum Improvement Board (MSIB), a unit of Maharashtra Housing and Area Development Authority (MHADA), to execute the works.

The Chief Officer, MSIB granted (September 2010) Administrative Approval (AA) for an amount of ₹ four crore, based on Schedule of Rates (SR) of 2008-09, for the construction of Multipurpose Centre. The AA was revised to ₹ 5.01 crore in November 2012 due to adoption of SR of 2010-11 at the time of tendering. The AA was again revised (April 2016) to ₹ 6.80 crore due to increase in civil and electric work and municipal taxes as well as beautification work. The construction of Multipurpose Centre was completed in March 2016 after incurring an expenditure of ₹ 5.71 crore. Of the total 510 toilet blocks to be constructed, only 315 toilet blocks were constructed due to non-availability of land as well as non-cooperation of slum-dwellers. The Multipurpose Centre is yet to be put to use as of October 2021.

Scrutiny of records (July 2019 and August 2021) of the Chief Officer, MSIB revealed the following:

1. The land belonging to the Collector was earmarked for public housing in the Development Plan. As per the Development Control Regulations for Greater Mumbai, 1991, 40 *per cent* of the Floor Space Index (FSI) for the land reserved as Public Housing was required to be handed over by the Collector to the Municipal Corporation of Greater Mumbai (MCGM) free of cost in the form of built-up-tenements.
2. MCGM approved (September 2010) the construction of Multipurpose Centre and issued Intimation of Disapproval (IOD) to MSIB. As per the conditions stipulated in the IOD, 44 tenements were to be handed over by the Collector to MCGM free of cost, of which 22 tenements were to be handed over before completing the work. The IOD also stipulated that the Collector being the owner should enter into an agreement with MCGM agreeing to all conditions as per the agreement deed prepared by the Law Officer of MCGM. MCGM, in October 2010 and again in April 2012, requested Collector to comply with the approved conditions in the IOD *i.e.*, to execute an agreement with MCGM. However, there was no response from the Collector. It was only in July 2018 that Collector

responded and intimated that the agreement was not executed due to non-submission of the agreement deed prepared by the Law Officer of MCGM.

3. MSIB requested (April 2017) MCGM to issue Occupation Certificate (OC) for the Multipurpose Centre. However, MCGM refused to issue OC due to non-fulfilment of IOD conditions. Audit noticed that though, it was the responsibility of MSIB to obtain OC from MCGM and ensure compliance to IOD, MSIB took up the matter of fulfillment of conditions stipulated in IOD with Collector and MCGM belatedly only in March 2018 *i.e.*, two years after completion of the construction of the Multipurpose Centre. The Multipurpose Centre could not be utilised for the benefit of the citizen for more than five years since the OC was not received (October 2021).

Thus, the lack of prompt response of Collector to the communication of MCGM, the failure of MCGM to submit the agreement deed to Collector for execution and the delay by MSIB in ensuring compliance to IOD, resulted in idle expenditure of ₹ 5.71 crore.

MSIB replied (September 2020) that OC would be obtained after execution of agreement between Collector and MCGM. The fact remained that MSIB failed to obtain OC till date (December 2021).

The matter was referred to Government in September 2021; their reply was awaited as of December 2021.

Co-operation, Marketing and Textile Department

Maharashtra State Warehousing Corporation Limited

2.11 Avoidable payment

Incorrect estimation of taxable income and consequent short payment of advance income tax resulted in avoidable payment of interest of ₹ 2.36 crore for the financial year 2017-18

As per Section 234B and C of the Income Tax Act, 1961 (Act), a corporate assessee has to pay 90 *per cent* of the tax in advance when the amount of tax payable exceeds ₹ 10,000 per annum. The advance tax is payable in four quarterly instalments (by 15th June: 15 *per cent*; 15th September: 45 *per cent*; 15th December: 75 *per cent*; 15th March: 100 *per cent*) of the corresponding financial year. Failure to pay at least 90 *per cent* of the tax in advance by March attracts interest at the rate of one *per cent* per month (Section 234B of the Act). Similarly, for failure to pay instalment of advance tax by specified dates, interest is chargeable at the rate of one *per cent* per month (Section 234C of the Act).

Maharashtra State Warehousing Corporation Limited (MSWC) was engaged in storage of food grains, fertilizers, industrial goods *etc.*, and was liable to pay advance tax on its assessed income under the provisions of the Act.

Scrutiny of records (December 2019) in MSWC revealed that MSWC computed tax liability of ₹ 14.90 crore for the financial year 2017-18 and paid (March 2018) an advance tax of ₹ 90 lakh in the fourth quarter after considering ₹ 14 crore tax deducted at source. However, it was noticed that at the time of final assessment of tax in September 2018, income of ₹ 62.47 crore towards warehousing, storage and handling charges pertaining to financial year 2017-18 was not considered for estimating the advance tax payable. This resulted in increase in tax liability from the estimated ₹ 14.90 crore to ₹ 41.19 crore (176 *per cent* increase) with consequent shortfall in payment of advance tax. Due to short payment of advance tax including individual instalment of advance tax, MSWC had to pay interest of ₹ 1.26 crore and ₹ 1.10 crore under Section 234B and Section 234C of the Act respectively. The interest totalling ₹ 2.36 crore was paid by MSWC along with self-assessment tax in September 2018.

Thus, the incorrect estimation of income and the consequent delay in payment of advance tax resulted in avoidable payment of interest of ₹ 2.36 crore for the financial year 2017-18.

Audit also noticed that in the financial year 2018-19 and 2019-20, MSWC paid excess advance tax which amounted to 68 and 48 *per cent* respectively of the tax liability. This indicated weakness in the internal control of MSWC to make a reasonable estimate of income/profit for payment of advance tax.

Government stated (September 2021) that in the year 2017-18, huge stock of tur was received due to which actual billing was done after the due date of advance tax. Therefore, the Corporation was unable to arrive at actual income for calculation of advance tax. The reply is not acceptable as the receipt of huge stock of tur was known to the Corporation, hence, the income could have been estimated pending its billing. Government agreed to strengthen internal control in the Corporation to ensure reasonable estimates of income for payment of advance tax.

Soil and Water Conservation Department

2.12 Unfruitful expenditure

Failure to acquire land for construction of canal resulted in unfruitful expenditure of ₹ 15.20 crore on the construction of a dam

Soil and Water Conservation Department³⁴, Government of Maharashtra (SWCD) accorded (August 2006) administrative approval of ₹ 4.36 crore to a Minor Irrigation (MI) project at Pahur in Roha Taluka of Raigad district. The project involved construction of earthen dam, waste weir³⁵, head regulator³⁶ on

³⁴ Earlier named as Rural Development and Water Conservation Department

³⁵ Waste weir is an escape provided for the passage of surplus water from a tank or a reservoir

³⁶ Head regulator consist of shutters to regulate the water flow for distribution

the local nalla and 4.22 km right bank canal to irrigate 117 hectares (ha) of land.

Executive Engineer, Small Scale Irrigation (Water Conservation) Division, Thane (EE) awarded (January 2008) the work of construction of a dam proper, waste weir and head regulator to contractor "A" at tendered cost of ₹ 3.92 crore. During execution, SWCD accorded (March 2011) first revised administrative approval of ₹ 13.24 crore and second revised administrative approval (December 2015) of ₹ 18.74 crore. The work was completed in May 2016. The expenditure incurred on the project was ₹ 15.20 crore including expenditure on land acquisition and miscellaneous expenses.

Scrutiny of records (January 2021) and further information obtained (September 2021) from District Water Conservation Officer, Soil and Water Conservation Division, Kalwa, Thane (Division) revealed that out of 39.35 ha land required for the project, 30.57 ha of land was available for construction of dam proper, waste weir and head regulator and therefore the work was taken up. Meanwhile, the District Collector, Raigad had initiated (2012) land acquisition process for the Delhi Mumbai Industrial Corridor Authority (DMICA) and by 2015 acquired land falling under basic irrigable area of the project including major portion of the land required for construction of canal. More than four years after the construction of the dam, the District Water Conservation Officer directed (August 2020) the Sub-Divisional Water Conservation, Kolad (Sub-Division) to submit estimate for construction of canal of 1.45 km instead of 4.22 km and for construction of three barrages downstream to achieve the targeted irrigation potential of 117 ha. Audit observed that though the work of constructing the dam was awarded in January 2008, initiation of land acquisition proceeding if any, for the construction of 4.22 km right bank canal was not on record of the Division. The fact that DMICA acquired the land by 2015 indicated that the Division did not take effective steps for acquiring the required land earlier for construction of canal.

Thus, the failure of the Division to acquire required land for construction of canal resulted in non-utilisation of dam constructed at a cost of ₹ 15.20 crore for the intended purpose of irrigating 117 ha of land for more than five years.

Government stated (December 2021) that the process of land acquisition for DMICA was initiated by District Collector, Raigad in 2012 and land falling under major area of MI Scheme was acquired by DMICA. It was further stated that due to continuous opposition/refusal of local farmers for land acquisition for 1.45 km length of canal, land acquisition could not be initiated and therefore the estimates were not submitted. Government, while admitting the inability to create irrigation facility, stated that revenue of ₹ 1.04 lakh per annum was being generated through supply of water for drinking purposes. It was added that it is possible that the water storage of the MI Scheme can be utilised for drinking/industrial purpose as well as for pisciculture in future.

The reply of Government was silent on the reasons for not initiating land acquisition proceedings immediately on award of work or earlier. This failure of the Division and the subsequent acquisition of land by DMICA affected acquisition of land for construction of 4.22 km of canal under the Project. Therefore, the Government has now been left with no alternative but to utilise water for other purposes instead of the intended objective of irrigation.

Mumbai,
The 09 March 2022



(S. K. JAIPURIYAR)
Principal Accountant General (Audit)-I,
Maharashtra, Mumbai

Countersigned



New Delhi,
The 10 March 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

