

CHAPTER IV

AUDIT OF TRANSACTIONS

4.1 Infructuous/wasteful expenditure and overpayment

EDUCATION DEPARTMENT

4.1.1 Overpayments to Shikshan Sahayaks in violation of Government orders

In violation of Government orders, appointment of Shikshan Sahayaks at monthly remuneration of Rs.4,000 resulted in overpayment of Rs.68.68 lakh

To reduce burden on the State exchequer on account of increasing non-plan expenditure, Government decided (July 1999) to appoint *Shikshan Sahayaks*¹ in Secondary Schools on contract basis for a period of five years at a fixed monthly remuneration of Rs.4,000. The *Shikshan Sahayaks* would be eligible for pay and allowances in the regular time scale after expiry of the contract period of five years. Government thereafter re-fixed (February 2006) the monthly remuneration at Rs.3,500² payable to the *Shikshan Sahayaks* appointed on or after 16 February 2006.

Scrutiny of records of District Education Officers (DEOs) of Banaskantha and Porbandar (August, November 2007) and information collected from other 12 DEOs³ revealed that violating the orders of Government (February 2006), *Shikshan Sahayaks* were continued to be appointed at a monthly remuneration of Rs.4,000. This resulted in overpayment of Rs.68.68 lakh (May 2008) to 797 *Shikshan Sahayaks* of Secondary Schools in 14 districts.

When pointed out, DEOs of Banaskantha and Porbandar agreed (August, November 2007) to take up the matter with the Government for orders for effecting recovery.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

¹ Teaching Assistants

² Monthly remuneration was fixed at Rs.3,500 for cadre having pay scale of Rs..5,000-8,000, which was applicable to Secondary School teachers.

³ Ahmedabad, Amreli, Bhavnagar, Dahod, Gandhinagar, Junagadh, Nadiad, Narmada, Rajkot, Sabarkantha, Surat and Surendranagar

ENERGY AND PETROCHEMICALS DEPARTMENT

4.1.2 Wasteful expenditure on payment of rent

Retention of 823.15 hectare of unsuitable land by GEDA from 1994 onwards resulted in wasteful expenditure of Rs.81.47 lakh on account of rent and taxes

Gujarat Energy Development Agency (GEDA) acquired (between July 1988 and October 1994) 1,900.86 hectares of land on lease at five different sites⁴ to promote non-conventional sources of energy by setting up wind farms. GEDA had to pay rent and other taxes at the rates prescribed by the Government from time to time⁵ to the concerned taluka-level Panchayati Raj Institution. Accordingly GEDA paid them as and when it became due.

Scrutiny of records (May 2007) of GEDA revealed that of the 1,900.86 hectares of land acquired, 823.15 hectare were unsuitable/unfeasible⁶ for setting up wind farms and therefore, it remained unutilised till they were surrendered to the Government (between June and September 2006). In the meantime, GEDA paid Rs.81.47 lakh as rent and taxes in respect of this land over a period of their acquisition till surrender. Thus, retention of the land with full knowledge about its unfeasibility for setting up wind farm resulted in wasteful expenditure of Rs.81.47 lakh on payment of rent and taxes.

When pointed out, GEDA attributed (May 2007) the delay in surrender of land to belated announcement of Wind Power Policy 2002⁷. GEDA also stated that it was not prudent to surrender the land before formulation of new policy in lieu of Wind Farm Policy of 1993 already elapsed. The contention of GEDA is not tenable in view of the fact that the land itself was unsuitable/unfeasible for wind farms and therefore no new policy could promote setting up the farm at the site.

The matter was reported to Government in May 2008; reply was not received (August 2008).

⁴ Bhogat, Dhank, Lamba, Navadra and Patelka

⁵ 0.01 paise/sqmtr upto July 2003 and thereafter at the rate of 0.15 paise/sqmtr

⁶ Due to (i) low elevation of land; (ii) crossing of check dams, rivulets, culverts; (iii) crossing of high-tension electrical transmission lines over the land and (iv) land under dispute

⁷ After Wind Power Policy 1993 ceased to exist in March 1998

HOME DEPARTMENT

4.1.3 Wasteful expenditure due to demolition of tenements on the land acquired

Purchase of land and tenements without planning for the utility resulted in wasteful expenditure of Rs.1.84 crore towards purchase price of 119 tenements demolished and another 196 tenements worth Rs.3.04 crore is facing imminent demolition

District Jail at Surat was facing acute shortage of space due to increase in the number of prisoners and consequent overcrowding; this resulted in frequently relocating the prisoners to other jails.

Inspector General of Prisons identified (August 2003) 55.60 acre of land belonging to the Gujarat Housing Board (GHB) at Lajpor village, near Sachin of Surat district for construction of a modern Central Jail. Of the above land, there were 315 tenements in 11.83 acre area and the rest of 43.77 acre was an open plot.

Gujarat Housing Board fixed (August 2003) value of the land at Rs.4.60 crore and Rs.4.71 crore for the 304 tenements, which were not allotted to any beneficiaries due to its location at an isolated area. Government accordingly purchased (May 2004) the plot with tenements from GHB at a cost of Rs.9.31 crore⁸; remaining 11 tenements were also purchased (November 2007) at Rs.17.03 lakh.

Construction of the Jail was provided for in the State Budget 2005-06 with 75 per cent Central assistance. The work of construction of the Jail was entrusted to Gujarat State Police Housing Corporation Limited⁹ (GSPHCL).

Audit scrutiny (December 2007) revealed that the Superintendent of Prison, Surat submitted proposals (August 2003) for acquisition of the land on the assumption that the existing 315 tenements can be utilised for housing staff after minor repairs. However, as per the master-plan drawn up by GSPHCL, the existing tenements hindered the proposed construction of the jail. Accordingly, with Government permission (October 2006), GSPHCL demolished 119 tenements (December 2007) worth Rs.1.84 crore¹⁰; proposal for demolition of the remaining 196 tenements worth Rs.3.04 crore¹¹ submitted in July 2007 was pending with the Government (May 2008).

Government was of the firm view that the Jail should be located completely outside city limits and normal residential localities. Therefore, there was no compulsion for purchasing land with constructions worth Rs.4.88 crore (Rs.4.71 crore + Rs.17.03 lakh); instead some other land, at an isolated area could have been identified to avoid subsequent demolition of the tenements.

⁸ Rs.4.60 crore for land and Rs.4.71 crore for tenements

⁹ A company registered under the Companies Act and owned by the State Government

¹⁰ Cost per unit is Rs.4,70,89,600 ÷ 304 units = Rs.1,54,900 × 119 = Rs.1,84,33,100

¹¹ Rs.1,54,900 × 196 units = Rs.3,03,60,400

Thus, purchase of land without planning for the utility of the existing tenements resulted in wasteful expenditure of Rs.1.84 crore (purchase price of the 119 tenements demolished); another 196 tenements worth Rs.3.04 crore is facing imminent demolition (May 2008).

When pointed out, Superintendent, District Jail, Surat stated (December 2007) that decision for purchase of the land and demolition of tenements was taken at the level of Inspector General of Prisons. Inspector General of Prisons stated (March 2008) that since the land identified at Ichhapur could not be purchased as the said area was fast developing and therefore not ideally suited for construction of a jail. However, this cannot justify purchase of land at Lajpor with numerous tenements and its subsequent demolition; therefore, the reply of Inspector General of Prisons is not tenable.

When reported (June 2008) Government stated (July 2008) that the requirement of 100 acre land for Jail was not available as a single piece. At the present site also, only 55.60 acre (55 per cent of the requirement) land could be purchased and therefore, for rest of the requirement (46.40 acre), Government will have to resort to purchase/acquisition of one or more plots of adjoining area. Moreover, purchase of land from GHB was on the basis that the tenements could be utilized for staff quarters after minor repairs. Therefore, the reply of the Government is not correct.

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.1.4 Overpayment and non-accrual of benefits under Jeevika project

Failure to exercise effective control over Self Employed Women's Association resulted in premature termination of the project for earthquake affected people and non accrual of benefits, overpayment of Rs.1.74 crore and dissolution of Self Help Groups trained at a cost Rs.89.94 lakh

The Jeevika Project was designed by International Fund for Agriculture Development (IFAD) (February 2002) in partnership with World Food Programme (WFP). Its beneficiaries were the victims of the earthquake which struck Gujarat on 26 January 2001. The objective was to provide long term livelihood security to economically vulnerable households in three districts of Patan, Kutch and Surendranagar. Out of the estimated cost of US \$ 24 million (Rs.112.80 crore) of the project, US \$15 million (Rs.70.50 crore) was to be loan from IFAD to the Government of Gujarat (GOG); rest of the cost amounting to US \$9 million (Rs.42.30 crore) was to be received from other agencies¹². Self Employed Women's Association (SEWA), Ahmedabad was identified as the implementing agency and the target group was the women drawn from the poorest and most vulnerable groups in the community.

¹² World Food Programme US\$4.90 million (Rs.23.03 crore); contribution from GOG US \$1.70 million (Rs.7.99 crore); Contribution from implementing agency (SEWA) towards supervision and monitoring US \$1.70 million (Rs.7.99 crore); contribution from beneficiaries US \$0.70 million (Rs.3.29 crore)

Accordingly, Government of India (GOI) entered into Project Loan Agreement (February 2002) with the IFAD. As per the agreement, GOG shall be responsible for directing, monitoring and reviewing the project. GOG and SEWA also entered into Financing Agreement (May 2002) with IFAD. Rural Development Department was to make necessary provisions in the State budget for channelising the loan proceeds.

SEWA incurred an expenditure of Rs.12.78 crore between May 2001 and December 2005 and received (between December 2002 and September 2005) reimbursement of Rs.9.67 crore.

Test check of records (November 2006) of Commissioner of Rural Development revealed that GOG had received complaints regarding slow implementation of the project from the beginning and the expenditure during first three years of operation was Rs.10 crore (8.70 *per cent*) only. Though GOG was in receipt of adverse reports against SEWA, it failed to take action to direct, monitor and review the project, till appointment of the Independent auditor¹³. During a workshop held after visiting the project area (March 2005), the external evaluating agency¹⁴, pointed out several deficiencies¹⁵ in the implementation of the project.

IFAD team which reviewed (January 2005) the progress of the project expressed concern over the high administrative expenditure of 40 *per cent* against permissible limit of 12 *per cent*. Out of Rs.9.67 crore reimbursed to SEWA, Rs.2.90 crore pertained to administrative expenditure against admissible limit of Rs.1.16 crore; this resulted in overpayment in the form of excess reimbursement of Rs.1.74 crore.

The independent auditor appointed (April 2005) pointed out (April, August 2005) manifold financial irregularities¹⁶ aggregating to Rs.33.24 lakh. When GOG adjusted (September 2005) the amount from further grant payable, SEWA withdrew (October 2005) from the project. Hence, GOG also conveyed (March 2006) to GOI of their decision to withdraw from the agreement and termination of the project, which was accepted by IFAD (September 2006). Premature termination of the agreement resulted in non-accrual of intended benefits to the targeted group.

Under the component of Micro Finance Services for promoting and strengthening membership based community institutions, SEWA had created 2931 Self Help Groups (SHGs) during 2002-06 and trained the beneficiaries at an expenditure of Rs.89.94 lakh (2002-05). The premature termination of the

¹³ Shri K.S.Brahmakshatriya

¹⁴ Operations Research Group (ORG)

¹⁵ Deficiencies pointed out include inadequacy of training to volunteers, lack of technical staff at district level, very low coverage of dairy and animal husbandry at village level, delay in preparation of demonstration plot for salt production, gum collection – a part of the project was not specifically planned, almost all grain banks non functional, 'self help group' processes were weak, no follow up action by volunteers to prepare contingency plan, accrual of benefits to well-to-do families instead of the poorest of the poor

¹⁶ Irregular hiring of office premises from sister concerns; crediting of sales proceeds of exhibition-cum-sales to the sister concerns; payment of salaries to employees of sister concerns; irregular reimbursement of traveling expenses to consultants without contractual obligation; irregular hiring of vehicles; debiting of travel expenses to Canada not connected with the project etc.

project led to all the SHGs being dissolved resulting in non-accrual of intended benefits.

Commissioner of Rural Development stated (November 2006) that the purpose for which expenditure was incurred on Micro Finance Services was not achieved and that the decision for recovery of excess reimbursement of administrative expenditure would be taken at higher level. The reply of the Commissioner of Rural Development is not tenable as effective control was not exercised on SEWA in spite of GOG receiving adverse reports from the beginning.

The matter was reported to Government in May, August 2008; reply was not received (August 2008).

PORTS AND TRANSPORT DEPARTMENT

4.1.5 Overpayment and consequential blockage of money

Gujarat Maritime Board failed to assess the availability of area to be leased by the Gujarat Industrial Development Corporation for setting up a Liquid Natural Gas Terminal at Port Dahej resulting in overpayment of Rs.2.37 crore and consequential blockage of money

Gujarat Maritime Board (GMB), constituted under the GMB Act, 1981 was entrusted with the responsibility of providing infrastructural facilities for landing and shipping of cargo and levy charges for those facilities.

Gujarat Industrial Development Corporation (GIDC) allotted (February 1999) 4.92 lakh sqm land at a price of Rs.225 per sqm to GMB for setting up a Liquid Natural Gas Terminal at port Dahej on Build, Own, Operate and Transfer basis by Petronet LNG Limited.¹⁷ GMB accordingly made an advance payment of rupees five crore (February 1999) to GIDC. GIDC conveyed (February 2001) approval for final allotment on lease 5.97 lakh sqm land and GMB made provisional payment of the remaining allotment price amounting to Rs.8.44 crore (April 2002) (total payment Rs.13.44 crore).

Scrutiny of records (February 2008) of Port Officer, GMB, Dahej revealed that on measurement (September 2005), the area for allotment was found to be 4.92 lakh sqm only and accordingly an 'Indenture of Lease' was executed (March 2006) between GMB and GIDC at an allotment price of Rs.11.07 crore; the remaining land was owned by the Government and therefore its possession could not be made over. GIDC has not yet (May 2008) refunded the excess payment amounting to Rs.2.37 crore.

Thus, failure of GMB to assess the availability of land and restrict payments accordingly, resulted in overpayment of Rs.2.37 crore and resultant blockage of the amount for six years.

¹⁷ A joint-venture Company registered under the provisions of Companies Act, 1956 by Indian Oil Corporation Limited, Oil and Natural Gas Corporation Limited, Gas Authority of India Limited and Bharat Petroleum Corporation Limited

When pointed out in audit, the Port Officer, Dahej, GMB stated (February 2008) that correspondence with GIDC for recovery of Rs.2.37 crore is under progress. Government stated (July 2008) that GIDC has been directed to refund the excess amount within 10 days. Further, details of actual recovery was awaited (August 2008).

The matter was reported to Government in June 2008; reply has not been received (August 2008).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.1.6 Wasteful expenditure due to execution of a water resources project with overlapping command area

Construction of head-works of Utavali-Gunda Water Resources Project (lift irrigation scheme) with overlapping command area of Narmada Project resulted in wasteful expenditure of Rs.29.15 crore

Government accorded (July 1996) Administrative Approval (AA) for construction of Utavali-Gunda Water Resources Project (UGWRP) on river Utavali at village Gunda of Ranpur taluka (Ahmedabad district) at a cost of Rs.24.20 crore. UGWRP, when completed, would irrigate through lift irrigation 1,990 hectare land of seven villages in Barvala and Ranpur talukas of Ahmedabad district.

The UGWRP consists of head-works¹⁸ and canal works. Construction of dam, fabrication and erection of radial gates and construction of head-regulator were completed (January, September 1999) and in all, an expenditure of Rs.29.15 crore (March 2006) was incurred on UGWRP. Execution of canal works was, however, not taken up and water supply never started. UGWRP was in the charge of Executive Engineer (EE), Bhavnagar Irrigation Project Division, Bhavnagar.

The command area of UGWRP overlaps with command area of Narmada Project. Therefore, Administrative Approval provided that canal works of UGWRP be planned in consultation with Sardar Sarovar Narmada Nigam Limited (SSNNL) so that water might not flow to the field both from UGWRP and Narmada Project.

Superintending Engineer (SE), Bhavnagar Irrigation Project Circle, Bhavnagar pointed out (May 2005) to Government that UGWRP provides for lift irrigation whereas Narmada Project is a gravity irrigation project. SE, therefore, recommended to utilize the dam as a 'balancing reservoir'¹⁹, of Narmada Project. Accordingly, Government decided (January 2006) to abandon the canal works of UGWRP and utilize the dam as a balancing reservoir.

¹⁸ Earthen dam, masonry dam, head regulator, etc.

¹⁹ Balancing reservoir is a big water body for ensuring uninterrupted water supply even if there is interruption from up-stream side

Since UGWRP is a lift irrigation scheme, the reservoir is at a level below its command area; therefore, utilization of UGWRP as a balancing reservoir for ensuring uninterrupted gravity irrigation to the command area is not technically feasible. Moreover, a balancing reservoir needs only a simple structure and hence structures like masonry dam, radial gates, head-regulator, etc. were not required. Thus, no purpose could be served by constructing the dam; this resulted in wasteful expenditure of Rs.29.15 crore on UGWRP.

When pointed out (May 2008), EE stated that a policy decision was taken in a meeting (May 2005) with representatives of SSNNL to stop canal works, as it overlapped with command area of Narmada Project. EE also stated that reservoir was impounded with available water during monsoon, which ultimately resulted in recharging the area.

The reply of EE is not justifiable as –

- From the very beginning, Government was aware that the command area of UGWRP and SSNNL overlapped with each other and since UGWRP is a lift irrigation scheme, no water stored therein as a balancing reservoir can be supplied to the command area by gravity irrigation.
- The purpose of UGWRP is to provide canal irrigation to the command area and not recharge the surroundings.

The matter was reported to Government in July 2008; reply was not received (August 2008).

4.1.7 Wasteful expenditure on construction of a check dam

Construction of check dam across Sabarmati river for Vataman Salinity Prevention Project with inadequate design resulted in wasteful expenditure of Rs.1.02 crore
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Government accorded Administrative Approval (May 2002) and Technical Sanction (January 2003) for Rs.3.74 crore and Rs.3.05 crore respectively for 'construction of check-dam weir abutment, down-stream wall and protection work' for Vataman Salinity Prevention Project, on river Sabarmati near Vataman village. The check-dam, when completed would prevent salinity ingress due to high tide from sea. The work was awarded to an agency²⁰ (December 2003) at their tendered cost of Rs.2.34 crore against the estimated cost of Rs.2.96 crore and was due for completion in September 2004. The work was in the charge of Executive Engineer (EE), Ahmedabad Irrigation Division, Ahmedabad.

Audit Scrutiny (August 2006) revealed that agency executed work to the extent of Rs.96.98 lakh (June 2005) and was expected to restart after 2005-monsoon; but the agency sought for extension of time limit (August 2005) of 15 months on the grounds of site condition and continuous flow of water in river (released from the Narmada Main Canal). However, the agency never

²⁰ Nirali Construction Company, Rajkot

re-started the work. EE terminated the contract (April 2006) without the prior approval of Government. The agency served notice on Government and to avoid legal dispute, Government restored the contract (July 2007). In all, an expenditure of Rs.1.02 crore (April 2007) was incurred on construction of the check dam.

River Sabarmati is a major river flowing from Rajasthan and later into Gujarat carrying sizeable amount of flood water. While conceptualization of the scheme, basic fundamentals like complete data for tides, detailed geological investigations, suitability and appropriateness of the site, technological viability of an effective scheme to prevent tidal ingress and recharge of sweet water, hydrology of the river and its tributaries, adequate structural design (viz. cut-off below wing walls/abutments, launching aprons, protective aprons on upstream), etc. were not properly considered. As a result, incomplete work suffered damages, in all to the extent of Rs.85 lakh during 2005 and 2006 monsoon seasons.

An expert committee appointed (November 2006) by Government suggested remedial measures and reported (April 2007) that damages to the work was extensive and no part of it appeared to be in good condition and that portion of work left may not be of any use for restoration. The Committee also stated that even assuming that some portion of the construction was still in good condition, it may not be useful in restoration work due to highly inadequate design of the structure.

The Committee further observed that the river-bed is highly erodable; any hydraulic structure of weir/barrage on this river should be long with deep foundation and therefore, to call a hydraulic structure across the river for storing and conserving water as 'check-dam' is a misnomer. The Committee was of the opinion that the site was not feasible for a check-dam of the type being constructed and recommended for a low barrage type structure with automatic gates at the site or nearby area.

Thus, an expenditure of Rs.1.02 crore incurred on the construction of the check-dam was wasted due to inadequate design of the structure planned without study of the site.

In reply to audit query, EE stated (August 2006) that remaining work will be taken up. The reply of the EE is not correct as the expert committee has stated that the site was not suitable for a check dam. Besides, the damages to the work were extensive and the remaining portion may not be useful in restoration work due to highly inadequate design of the structure. The Superintending Engineer, Ahmedabad Irrigation Project Circle, Ahmedabad stated (February 2008) that the matter regarding construction of a new structure was under consideration of Government.

The matter was reported to Government in June 2008; reply was not received (August 2008).

4.2 Violation of contractual obligations/undue favour to contractors

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.2.1 Unauthorised financial aid to the contractor

Member Secretary, Gujarat Water Supply and Sewerage Board ordered release of excess amount of Rs.28.41 crore ignoring contractual obligation resulting in unauthorised financial aid to the agency to that extent

Gujarat Water Supply and Sewerage Board (GWSSB) awarded (November 2006) the turn-key work of designing, building and operating of two Group Water Supply Schemes²¹ (WSS) of Jamnagar district to an agency²² at their tendered cost of Rs.101.14 crore against an estimated cost of Rs.85.95 crore. The work was in the charge of Executive Engineer (EE), Public Health Works Division-2, GWSSB, Jamnagar. Orders for commencement of work were issued in November/December 2006 and the work was in progress (March 2008).

The scope of work included supplying, lowering and jointing DI²³ and HDPE²⁴ pipes of various dimensions. Schedule of payments provide that the agency would be entitled for payment at the rate equal to 80 *per cent* of the cost of the pipes on its receipt at site, but limited to 20 *per cent* of the un-laid length of each type of pipe.

While the contractual obligations were in force, the agency informed (February 2007) GWSSB that they had already procured and brought to site 50 *per cent* of bills of quantity (BOQ); 100 *per cent* of BOQ was expected to be procured and brought to site by June 2007. The agency represented that due to restriction on payment of pipes limiting it to 20 *per cent* of the un-laid length of pipes, huge amounts of their funds are blocked and therefore, requested GWSSB to release 100 *per cent* value of the un-laid length of pipes.

Member Secretary (MS), GWSSB ordered (April 2007) release of payment to the extent of 80 *per cent* of un-laid length of pipes, subject to condition that the agency should complete 80 *per cent* of the work of laying pipelines during summer of 2007. The Chief Engineer, Zone-3, Rajkot was to ensure that the agency completes the work as per the time-frame fixed.

The agency brought to site (June 2007) the entire BOQ of 10.11 lakh RMT pipes worth Rs.47.34 crore and laid (June 2007) 4.33 lakh RMT pipes (42 *per cent*) leaving an un-laid length of 5.78 lakh RMT (58 *per cent*). The agency, therefore, did not fulfill the conditions for release of payment at 80 *per cent* of un-laid length of pipes.

²¹ (i) Khambhaliya-Kalyanpur-Okhamandal Group WSS (estimated cost-Rs.48.62 crore; tendered cost-Rs.56.70 crore) and (ii) Kalawad-Lalpur Group WSS (estimated cost-Rs.37.33 crore; tendered cost Rs.44.44 crore)

²² IVRCL Infrastructure and Project Limited, Hyderabad

²³ Duct Iron

²⁴ High Density Poly Ethylene

According to the conditions of payment as per agreement, the entitlement of the agency was at 20 *per cent* of the cost of un-laid pipes amounting to Rs.9.46 crore. But, as ordered by the MS, the agency was paid at 80 *per cent* value of un-laid pipes amounting to Rs.37.87 crore. This resulted in additional payment of Rs.28.41 crore to the agency.

Thus, release of excess amount of Rs.28.41 crore without contractual obligations and the agency not fulfilling the conditions for such excess release resulted in unauthorised financial aid to the agency.

When pointed out, EE stated (March 2008) that the payment upto 80 *per cent* of value of the un-laid length of pipes was made on the direction (April 2007) of MS. No reasons for issuing direction deviating contractual conditions were furnished by MS though called for (August 2008).

The matter was reported to Government in June 2008; reply has not been received (August 2008).

4.2.2 Unauthorised financial aid to contractor

Executive Engineer, Public Health Works Division, Godhra released Rs.4.36 crore to an agency without contractual obligation resulting in unauthorised financial aid to the contractor

Executive Engineer (EE), Public Health Works Division, Gujarat Water Supply and Sewerage Board (GWSSB), Godhra awarded (September 2006) the work of ‘design, build and operate Narmada Main Canal based Regional Water Supply Scheme’ for Panchamahals district on turn-key basis to an agency²⁵ in two packages²⁶ at their tendered cost of Rs.80.99 crore.

The schedule of payments of the agreement provides that the agency is entitled for intermediary payments at 60 *per cent* for MS pipes and 65 *per cent* for PVC/HDPE/AC pipes on its receipt and at 75 *per cent* and 80 *per cent* respectively on lowering, laying and jointing.

Scrutiny of records (March 2008) of EE revealed that the agency was paid at about 65 *per cent* of the value of the pipes amounting to Rs.20.66 crore (February 2007) for the material brought to site. The agency requested (February 2007) the EE for release of 100 *per cent* payments for the pipes brought to site due to sudden spurt of its prices in national and international markets.

Without any contractual obligation, EE released (March 2007) a further payment of Rs.4.36 crore (about 77 *per cent* of the value of pipes) though the agency had not taken up the work of lowering, laying and jointing/connecting of pipes. Due to failure of GWSSB to obtain permission of ‘right of use’²⁷

²⁵ IVRCL Infrastructure Projects Limited, Hyderabad

²⁶ (i) Package PM.3/A – Halol-Jambughoda-Ghoghamba talukas (tendered cost Rs.53.45 crore); (ii) Package PM.3/B – Kalol taluka (tendered cost Rs.27.54 crore)

²⁷ The land owners are given a premium for allowing to lay the pipelines deep in their land without change of ownership of land; the land owners can use their land as usual without disturbing the pipelines

from Forest Department and farmers/private land owners, the work of lowering, laying and jointing of pipes still remained incomplete (March 2008).

Thus, release of Rs.4.36 crore to the agency without contractual obligation resulted in unauthorised financial aid to the contractor.

When pointed out, EE stated (March 2008) that further payment of Rs.4.36 crore was released in the larger interest of the work and that the work order was issued in anticipation of receipt of 'right of use' from Forest Department as well as private land owners, but due to administrative constraints and adamancy of land owners, it could not be obtained.

The reply of the EE is not tenable as he was under no obligation to make further payments without completion of the prescribed stage of work; EE also should have taken adequate advance action to ensure 'right of use' in time for laying the pipelines.

While accepting audit observation Government Stated (July 2008) that the excess payment was made in the interest of the work.

The reply of the Government is not tenable; as interest of work was not achieved as laying of pipes remained incomplete.

4.2.3 Undue favour to the contractor

Issue of exemption certificates from payment of Central Excise Duty on purchase of pipes for Water Supply Schemes without contractual obligation resulted in unauthorised financial aid amounting to Rs.2.78 crore and thereby undue favour to the agency

Government of India²⁸ (GOI) issued notification (September 2002), granting full exemption from payment of Central Excise Duty²⁹ on all items of machinery, including instruments, apparatus and appliances, auxiliary equipment and their components/parts (including pipes) required for setting up of water treatment plants (including substantial expansion) intended to treat water to make it fit for consumption of humans or animals. Exemption from payment of Central Excise Duty was subject to certification of the purpose by Collector/District Magistrate.

Executive Engineer (EE), Public Health Works Division, Gujarat Water Supply and Sewerage Board (GWSSB), Palanpur floated tenders (August 2002) for two Water Supply Schemes³⁰ (WSS) estimated to cost Rs.25.30 crore (aggregate). The estimated costs were inclusive of the Excise Duty as otherwise payable before GOI notification. Work orders for both the WSSs were issued (June 2003) to an agency³¹ at their tendered cost of

²⁸ Ministry of Finance and Company Affairs, Department of Revenue, Tax Research Unit

²⁹ In force at 16 per cent

³⁰ (i) Palanpur Regional WSS (estimated cost-Rs.10.83 crore; tendered cost-Rs.11.24 crore; cost on completion of work-Rs.10.45 crore) (ii) Remodeling of four Regional WSSs (estimated cost-Rs.14.47 crore; tendered cost-Rs.13.79 crore; cost on completion-Rs.12.55 crore)

³¹ IVCRL Infrastructure Private Limited, Hyderabad

Rs.25.03 crore (aggregate). The agency completed both the works (April 2005) at a cost of Rs.23 crore (aggregate).

Audit scrutiny (November 2007) revealed that estimated cost of the works was prepared considering the element of excise duty payable on the component items and that the quotations were invited (August 2002) before GOI notified (September 2002) exemption from payment of Central Excise Duty. Hence, Chief Engineer, Zone-2, GWSSB called upon (December 2002) the bidders to offer discount/rebate on the rates quoted by them due to Central Excise Duty exemption available. However, the agency did not offer any discount/rebate on this account.

Scrutiny of records further revealed that though issue of exemption certificates is not a part of tender/agreement, at the instance of GWSSB, Collector/District Magistrate, Palanpur issued such certificates from time to time to enable the agency for purchase of pipes without payment of Central Excise Duty. The agency could, therefore, avail exemption from payment of Central Excise Duty amounting to Rs.2.78 crore³² due to the certificates issued by the GWSSB/Collector without any contractual obligation. This resulted in unauthorised financial aid and thereby, an undue favour to the agency.

When reported (June 2008), Government stated (July 2008) that the agency would have quoted the rates taking into account Central Excise Duty exemption, hence the department had no other option, but to issue the excise exemption certificates to the agency. The reply of the Government is not tenable as the department is bound by the conditions of the agreement only and that providing such a certificate had not formed part of the agreement between the agency and the department.

4.2.4 Non recovery of testing charges

Failure of the Executive Engineer, Kadana Division No.1, Diwada Colony to recover testing charges from eight agencies amounting to Rs.37.42 lakh resulted in undue favour to the contractors

Clause 76 of the prescribed standard format of agreement, as entered into between the Executive Engineers and the work executing agencies, provides that one *per cent* of estimated cost put to tender (after deducting cost of material as per Schedule-A³³ of agreement) valued at basic rate in the sanctioned estimate shall be deducted from the running account bills of the contractor, for testing the quality of material and workmanship.

Executive Engineer (EE), Kadana Division No.1, Diwada Colony (Panchmahals district) entrusted (October, December 2004) the work of constructing earthwork for canal (chainage 0.0 km to 27.15 km) estimated to cost Rs.37.42 crore (aggregate) to eight different agencies.

³² Worked out on the basis of the rate of pipes in the Schedule of Rates, 2001-02 of the Division and quantity of pipes consumed for execution of the work

³³ Contains details and quantity of material (generally steel, cement, asphalt, etc.) to be supplied by Government to the contractor at the rates specified therein

Scrutiny of records (September 2007) of the EE revealed that all the respective agencies have completed execution of all the eight works and final bills paid (January, February 2007), but EE did not recover the testing charges. Thus, non-recovery of testing charges, amounting to Rs.37.42 lakh, from the bills of the agencies, resulted in undue favour to the contractor.

When pointed out, EE stated (September 2007) that Clause 76 of the agreement is applicable to Roads and Buildings Divisions only. The contention of the EE is not correct, as the condition existed in the individual agreements entered with agencies.

The matter was reported to Government in June 2008; reply has not been received (August 2008).

4.3 Avoidable/excess/unfruitful expenditure

ENERGY AND PETROCHEMICALS DEPARTMENT

4.3.1 Failure in carrying out field application and commercial exploitation of successful Research and Development projects resulted in unfruitful expenditure

Non commercialisation and field application of successful research and development projects by Gujarat Energy Development Agency resulted in unfruitful expenditure of Rs.53.57 lakh

Gujarat Energy Development Agency (GEDA), Vadodara was established (June 1979) to promote and popularise renewable energy technologies, energy conservation measures and to undertake research and development in these areas. GEDA also extended technical and financial assistance for design and development of projects for renewable sources of energy in the State.

Audit scrutiny (May 2007) of the minutes of the Research and Evaluation Committee revealed that nine Applied Research and Development Projects (**Appendix-XXXII**) with an outlay of Rs.55.37 lakh were sponsored by GEDA, of which eight projects were successfully completed at a cost of Rs.53.57 lakh (during January 2001 to May 2004). However, scrutiny of the records revealed that there was no field application of any of these successful projects.

Audit scrutiny also revealed that –

- field viability of the projects was not assessed before financing projects;
- control register on the projects financed was not maintained;
- GEDA has not taken over the assets on the completed projects; they continue to remain with the assisted institutions;

- GEDA is not aware of the conditions of the assets on the completed projects; and
- evaluation Committee had not met for the last two years.

Thus, in absence of any control mechanism, i.e. project evaluation/feasibility report, the outcome of the research projects were not put to field application and thereby the objective for sponsoring the projects was defeated; this resulted in unfruitful expenditure of Rs.53.57 lakh on these eight research projects by GEDA.

GEDA stated (August 2007) that viability of the research and development (R&D) project cannot be evaluated only from its commercialisation view point; R&D project could be aimed for process development, efficiency improvement, social benefit and public interest, which may not have its commercial value at that stage. GEDA also stated that R&D projects for product development also have several stages, viz, experimental stage, pilot project stage and field testing.

The objectives of GEDA also include undertaking feasibility studies and cost-benefit analysis; however, the fact remains that GEDA did not take any action for field-application/commercialisation of the projects after its successful completion. Therefore, GEDA did not strive to achieve their objectives; instead it was stated (May 2007) that feasibility of field application is considered depending upon the nature and type of the project. Therefore, GEDA deviated from their objectives; reply of GEDA is not tenable.

The matter was reported to Government in May 2008; reply was not received (August 2008).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.3.2 Unfruitful expenditure on execution of Vadgam Mukteshwar Regional Water Supply Scheme

Execution of Vadgam Mukteshwar Regional Water Supply Scheme without approval of source of water resulted in non-operation of the Scheme and leading to unfruitful expenditure of Rs.8.30 crore

Gujarat Water Supply and Sewerage Board (GWSSB) submitted (October 2004) a proposal to Government for diversion of 4.15 million cum (11.33 MLD) water in Mukteshwar reservoir for Vadgam Mukteshwar Regional Water Supply Scheme (VMRWSS), which was earlier reserved (September 1996) for Siddhpur town and Sami-Harij Water Supply Scheme³⁴. The 'Source Finding Committee' meeting of GWSSB identified (January 2005) Mukteshwar reservoir as source for VMRWSS.

³⁴ Subsequently it was decided to serve beneficiary area from Narmada Main Canal and Dharoi main pipeline

Chief Engineer, Zone-2, GWSSB accorded (September 2004) Administrative Approval for Mukteshwar reservoir based VMRWSS at Rs.9.42 crore. The work was accordingly awarded (September 2004) to an agency at their tendered cost of Rs.7.99 crore. The agency completed the work (July 2006) and GWSSB incurred an expenditure of Rs.8.30 crore (October 2007) on VMRWSS. Executive Engineer (EE), Public Health Works Division, Palanpur got the work executed.

Scrutiny of records (November 2007) of EE revealed that Government had not yet accorded permission (May 2008) to use Mukteshwar reservoir as source for VMRWSS. As a result, the completed VMRWSS could not draw water from Mukteshwar reservoir and not a single village/town under VMRWSS could be supplied water. Thus, execution of VMRWSS, without getting clearance of source of water, resulted in unfruitful expenditure of Rs.8.30 crore.

When pointed out, EE stated (November 2007) that due to availability of individual source (bore well) and its inexpensive operation, the beneficiary villages did not come forward to lift water from VMRWSS. The reply of the EE is not tenable, as VMRWSS was never made operational and therefore the question of individual villages backing out does not arise.

When reported (June 2008), Government stated (July 2008) that due to heavy rainfall in the area for the last three consecutive years, water is abundantly available from local sources and therefore local body is not utilizing the VMRWSS. The reply of the Government is not relevant as permission to use the source was never accorded.

4.3.3 Unfruitful expenditure due to non completion of a Water Resources Project

Failure to complete rehabilitation work of Project Affected People and to decide on the State Highway coming under submergence in respect of Chandrana Water Resources Project resulted in unfruitful expenditure of Rs.3.05 crore

Government accorded Administrative Approval (September 1997) and Technical Sanction (November 1998) for Rs.7.58 crore and Rs.7.20 crore respectively for Chandrana Water Resources Project (CWRP) across river Panari near village Chandrana in Khedbrahma taluka (Sabarkantha district). The CWRP envisaged construction of head-works³⁵ and five km long unlined canal. When completed, CWRP would irrigate 924 hectare of land. Executive Engineer (EE), Project Construction Division No.3, Himatnagar was in charge of the work.

Scrutiny of the records of EE (April 2005, February 2008) revealed that the work of construction of head-works was awarded (October 2002) to an

³⁵ Earthen dam with masonry spillway and radial gate, etc

agency³⁶ at their tendered cost of Rs.4.40 crore against the estimated cost of Rs.5.01 crore. The work was to be completed in 24 months' time.

The agency could not complete the work within the prescribed time limit and extension was granted (upto March 2006) due to various reasons; obstruction made by Project Affected People (PAP) was one amongst them. The agency was paid Rs.1.18 crore as per last Running Account Bill (March 2007).

The agency could not execute any further work mainly due to opposition from PAP. EE therefore, proposed (February 2008) to the Superintending Engineer, Himatnagar Irrigation Project Circle, Himatnagar for termination of the contract as no change, conducive for executing the work, was anticipated in the near future; the proposal is pending with Government (June 2008).

Audit scrutiny also revealed that –

- Government could not rehabilitate the PAP (June 2008) due to non-acquisition of land earmarked for the purpose resulting in their opposition; and
- Over 1.5 km State Highway (Hadad-Poshima-Mamapipla-Bora) comes under submergence of CWRP; however, no decision was taken so far (June 2008) on the realignment of the road or construction of a bridge.

An amount of Rs.3.05 crore³⁷ has already been spent on CWRP; however, no benefit could be derived out of the expenditure.

Thus, non-rehabilitation of the PAP and indecision about the status of the State Highway coming under submergence resulted in unfruitful expenditure of Rs.3.05 crore.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

4.3.4 Unfruitful expenditure on Malpur Town Water Supply Scheme

Non-operation of Malpur Town Water Supply Scheme resulted in unfruitful expenditure of Rs.90.27 lakh incurred for its execution

Under Centrally-sponsored³⁸ Accelerated Urban Water Supply Programme, Government of India (GOI) accorded (November 2004) Technical Approval for Malpur Town Water Supply Scheme (WSS) at an estimated cost of Rs.79.13 lakh. Chief Engineer, Zone-2, Gujarat Water Supply and Sewerage Board (GWSSB) also accorded Administrative Approval (June 2005) for WSS for Rs.79.13 lakh. The WSS, when completed, would benefit current population of 5,325 (year 1991) and designed population of 9,750 (year 2031) of Malpur town (Sabarkantha district). GOI sanction provides that, after

³⁶ Valji Poona and Company, Himatnagar

³⁷ Land acquisition-Rs.122.97 lakh; buildings-22.79 lakh; other expenditure (including survey and investigation-Rs.41.14 lakh; dam and appurtenement works-Rs.117.66 lakh

³⁸ Sharable between Government of India, State Government and beneficiary local body in the ratio of 50:45:5 respectively

completion and commission, the WSS should be handed over to the concerned Urban Local Body for its annual operation and maintenance.

Execution of the work of WSS commenced in October 2005 and was completed (March 2006) at a cost of Rs.90.27 lakh. The WSS was also commissioned in March 2006. The work was in the charge of Executive Engineer (EE), Public Works Health Division, GWSSB, Modasa.

Scrutiny of records (February 2008) revealed that the WSS was in operation for a period of 57 days (April, June 2006) only. The WSS was, however, not handed over to the Local Body; the assets created are therefore, lying idle. This resulted in unfruitful expenditure of Rs.90.27 lakh incurred on the WSS.

When pointed out, EE stated (February 2008) that for one excuse or another, the Local Body has not taken over possession of the WSS. The reply of EE is not tenable, as GOI sanction was subject to specific condition that the WSS should be handed over to the beneficiary Local Body for annual operation and maintenance.

When reported (June 2008), Government stated (July 2008) that during summer season of 2006, the ULB took charge of the well, pumping machinery and rising main (partially) and remaining components remained with GWSSB. The ULB also paid for electricity, salary, operation and maintenance expenditure. On completion of the project, water sample was tested and found to be potable.

However, the fact remains that possession of the WSS was not completely handed over to the ULB and the WSS is not functional as ULB stated (August 2008) that the water was not found potable.

4.3.5 Avoidable expenditure on payment of Central Excise duty on purchase of pipes

Failure of Superintending Engineer, Gujarat Water Supply and Sewerage Board to claim and avail exemption from payment of Central Excise duty on pipes resulted in avoidable expenditure of Rs.33.98 lakh

Government of India³⁹ (GOI) notification (March 2006), as amended (March 2007) provides that (i) pipes needed for delivery of water from its source to the plant (including clear treated water reservoir, if any, thereof) and from there, to the first storage point and (ii) pipes of outer diameter exceeding 20 cm. when such pipes are integral part of water supply projects are exempted from payment of Central Excise duty.

Scrutiny of records (March 2008) of the Superintending Engineer (SE), Public Health Circle, Water Supply and Sewerage Board (GWSSB), Ahmedabad revealed that Chief Engineer, Zone- 2, GWSSB placed supply orders⁴⁰ (February, March 2007) for 16,130 running-metre HDPE pipes of 31.5/40 cm

³⁹ Ministry of Finance and Company Affairs, Department of Revenue, Tax Research Unit

⁴⁰ Reliance Industries Limited, Mumbai.

diameter worth Rs.2.51 crore for use in a Regional Water Supply Scheme. The total cost of the supply orders was inclusive of central excise duty at the rate of 16.32 *per cent* amounting to Rs.33.98 lakh and element of value added tax. The supplier delivered the pipes between 23 March 2007 and 20 April 2007 after the issuance of the notification and payments inclusive of the Central Excise duty, were released on 30 March 2007 and 11 June 2007.

Government of India notification *ibid* stipulated that the supplier can claim central excise exemption against production of certificate of intended use of such pipes for use in water supply project. However, GWSSB failed to advise the supplier to avail the exemption. This resulted in extra avoidable expenditure of Rs.33.98 lakh.

When pointed out, SE stated that purchase of-

- 31.5 cm diameter pipe was for first storage point (Dholera headworks) onwards and
- 40 cm diameter pipe was for supply of clear water from Navda to Barvala headwork and from Pipli headworks to first storage point and hence not exempted as per GOI notification of March 2006.

The reply of SE was not tenable as the pipes exceeding 20 cm diameter formed integral part of the regional water supply scheme and as per the amended notification of March 2007 were exempted from payment of central excise duty.

When the matter was reported to Government (June 2008), Government stated (July 2008) that due to shortage of time between the placement of orders and issue of notification and instructions from the Board, the issuance of certificates for excise duty exemption could not be formulated and availed.

The fact remains that failure to claim exemption resulted in avoidable expenditure of Rs.33.98 lakh.

4.3.6 Avoidable payments of interest

Failure of Executive Engineer, Medium Irrigation Division, Ankleshwar to deposit the decretal amount in Court resulted in avoidable expenditure of Rs.29.13 lakh

Government acquired (1987-1994) 129.83 hectares of land of 26 villages of Bharuch district for Karjan Irrigation Project. The Special Land Acquisition Officer, Bharuch awarded (January 1987 to April 1998) compensation aggregating to Rs.47.05 lakh towards the cost of the land acquired.

Aggrieved by the award of the Special Land Acquisition Officer, the land owners moved the Court for higher compensation. The Hon'ble Court ordered (September 1999 to June 2005) payment of enhanced compensation aggregating to Rs.88.17 lakh. The Court also ordered payment of interest at the rate of nine *per cent* per annum for a period of one year from the date of

taking over possession of land and at 15 per cent per annum thereafter, till the amount was deposited in the Court.

Executive Engineer (EE), Medium Irrigation Division, Ankleshwar (Bharuch district) deposited (April 2006 to April 2007) Rs.3.11 crore (inclusive of interest amounting to Rs.2.07 crore) in the Court.

Parties to a civil case, if not satisfied with the judgment of the Court, shall have to file appeal in three months' time; else decretal amount, wherever applicable, is required to be paid/deposited.

Scrutiny (May 2007) of the records of EE revealed that there were delays (ranging 15 months to 88 months) beyond three months for depositing the decretal amounts in the Court. This resulted in avoidable payment of interest of Rs.29.13 lakh (computed at 15 per cent) for delays beyond three months of the judgment of the Court.

Principal Secretary (Water Resources) admitted (January 2008) that decretal amounts are to be paid within three months from the date of Court order, but contented that due to administrative and official procedure, there was delay in depositing the amounts.

The contention of the Principal Secretary is not convincing, as the delay in depositing amounts in the Court ranged over 15 months to 88 months.

When the matter was reported (June 2008), Government stated (July 2008) that they have no comments to offer on the contents of the draft paragraph.

ROADS AND BUILDINGS DEPARTMENT

4.3.7 Unfruitful expenditure due to execution of wearing course as in-between layer in road work

Executive Engineer, Roads & Buildings Division, Anand executed wearing course of 25 mm thick Open Graded Carpet as in-between layer resulting in unfruitful expenditure of Rs.3.52 crore

Government accorded Administrative Approval (August 1998) and Technical Sanction (September 1998) for Rs.85.40 crore and Rs.60.90 crore respectively for improvement, widening and strengthening of Bagodara-Wataman-Tarapur-Vasad (km 0/0 to km 101/2) road. Of the total work consisting of six sections, four sections (Section 3 to 6) were executed (May 2005) by Executive Engineer (EE), Roads and Buildings Division, Anand at an expenditure of Rs.49.38 crore.

Para 509 of Ministry of Road Transport and Highways (MORTH) specification provides that Open Graded premix Carpet (OGC) of 20 mm thickness in a single course composed of suitable small-sized aggregates premixed with a bituminous binder on a previously prepared base would serve as a wearing course.

Audit scrutiny (February 2005) revealed that EE executed four layers⁴¹ of bituminous work, of which 45297.825 MT 25 mm thick OGC was laid as second top-most layer at a cost of Rs.3.52 crore.

Thus, OGC bearing a wearing course, its execution as an in-between layer resulted in unfruitful expenditure of Rs.3.52 crore.

The EE stated (February 2005) that 25 mm thick OGC executed is not comparable with 20 mm thick OGC of MORTH and therefore, considered in the work as per requirement. The contention of the EE is not tenable as 25 mm thick OGC work was also executed with 'stone chips' as mix material and therefore, not different from 'small-sized aggregates' provided in the MORTH specification.

The matter was reported to Government in May 2008; reply was not received (August 2008).

4.3.8 Unfruitful expenditure on a road work

Taking up road widening work on forest land without permission from the Central Government resulted in unfruitful expenditure of Rs.93.76 lakh

Considering the strategic and coastal importance of the road, Government of India, Ministry of Road Transport and Highways accorded Administrative Approval (September 2005) for Rs.4.84 crore for 'widening the existing single lane to two-lane carriageway from km 225/0 to 243/650 of National Highway Extension (Naliya-Narayan Sarovar section)'. State Government also accorded Technical Sanction (September 2005) for Rs.4.84 crore for the work. The work was in the charge of Executive Engineer (EE), National Highway Division, Gandhidham.

Rule 6 of Forest (Conservation) Rules 2003 provides that every user agency, who wants to use any forest land for non-forestry purposes, shall submit proposals under Section 2 of Forest Conservation Act, 1980 for approval of Central Government, in the prescribed proforma along with requisite information and documents complete in all respects.

Of the total length of 18.650 km of the road length, 13.200 km⁴² (71 per cent) passes through forest land belonging to Narayan Sarovar Wildlife Sanctuary. Audit scrutiny (October 2007) revealed that EE, though fully aware of the involvement of forest land and the existence of Wild Life Sanctuary therein, awarded the work (October 2005) to an agency at their tendered cost of Rs.3.38 crore against the estimated cost of Rs.4.22 crore, without seeking for or obtaining permission from the Forest Department. When the agency took up the work in Forest land, Forest Department objected (October 2005) to the non compliance to the provisions of the Wild Life (Protection) Act, 1972. The

⁴¹ 50 mm thick Dense Bituminous macadam (bottom-most layer); 40 mm thick bituminous concrete (second layer from bottom); 25 mm thick open graded premix carpet (second layer from top) and 75 mm thick built up spray grade (top-most layer)

⁴² Km 226/600 to 228/0 and km 231/850 to 243/650

agency executed work to the extent of Rs.87.46 lakh⁴³ (26 per cent of the tendered cost) and several items of Schedule-B of the contract were left unexecuted. The agency was relieved (March 2007) without execution of any further work and was paid (May 2007) final bill amounting to Rs.93.76 lakh⁴⁴. EE submitted (February 2006) requisite proposals seeking permission for use of forest land for widening the road, but Principal Chief Conservator of Forests (Wild Life), Gujarat State refused (November 2006) permission for that.

Work was put to tender without clearance from Forest Department and non-execution of road work beyond 5.45 km resulted in incurring unfruitful expenditure of Rs.93.76 lakh as the objective of widening the road from single lane to double lane was not achieved. When pointed out (October 2007), EE did not offer any remark.

The matter was reported to Government in June 2008; reply was not received (August 2008).

4.3.9 Avoidable expenditure due to delay in finalization of tender

Failure to finalize the tender in respect of upgradation of Dabhoi-Tilakwada-Devalia-Narmada dam road within validity period resulted in avoidable expenditure of Rs.30 lakh

Government accorded administrative approval and technical sanction (April 2005) for upgradation of Dabhoi-Tilakwada-Devalia-Narmada dam road from km 50/0 to 68/2 under Pragatipath Yojana at a cost of Rs.6.68 crore. The work was in the charge of Executive Engineer (EE), Rajpipla (Roads and Buildings) Division, Rajpipla.

Scrutiny of records (October 2007) of EE revealed that tenders for the work estimated to cost Rs.5.82 crore were invited (April 2005) and price bids were opened (June 2005). Superintending Engineer, Vadodara (Roads and Buildings) Circle forwarded (June 2005) the lowest bid⁴⁵ at Rs.5.05 crore (13.20 per cent below) to Government for acceptance.

However, Government could not finalize the case within the validity period of bids (12 September 2005) and the bidders were requested (14 October 2005) to extend the validity period till end of November 2005.

The first and second lowest bidders did not accede to the request and therefore, tenders were re-invited (January 2006) and the lowest bid⁴⁶ at Rs.5.34 crore (8.32 per cent below) was accepted by Government (June 2006) and work order issued (July 2006) in favour of the lowest agency. The agency completed (September 2007) the work at a cost of Rs.5.54 crore.

⁴³ Excluding Star Rate difference of Rs.6.30 lakh

⁴⁴ Including Star Rate difference of Rs.6.30 lakh, which is an additional payment due to increase of market price of specified items

⁴⁵ Of R.K.Construction Company, Godhra

⁴⁶ Of Kalathia Engineering and Construction, Bhavnagar

Thus, failure of the Government to finalize the tender on first invitation resulted in avoidable expenditure of Rs.30 lakh⁴⁷.

When the case was referred to for verification of facts (December 2007), Secretary, Roads and Buildings Department stated (February and August 2008) that at the juncture of expiry of validity period of the first tenders (12 September 2005), Finance Department decided to explore the possibility of executing Pragatipath Yojana under Public Private Participation (PPP) mode. The policy decision took sometime and validity of the tenders expired.

The explanation of the Secretary is not tenable for the reason that, the decision regarding the method of implementation should have been taken before inviting tenders. Government was, therefore, required to finalize the tenders within the prescribed validity period.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

4.4 Regulatory issues and other points

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

4.4.1 Reduction in Central assistance

Failure of the Director, District Rural Development Agency, Anand to incur expenditure as per guidelines of Sampoorna Grameen Rozgar Yojana resulted in reduction of Central assistance of Rs.1.11 crore

Government of India (GOI) launched (September 2001) Sampoorna Grameen Rozgar Yojana (SGRY) with greater thrust to additional wage employment, infrastructural development and food security in the rural areas. The objectives of SGRY were to (i) provide additional and supplementary wage employment and thereby provide food security and improve nutritional levels in all rural areas and (ii) create durable community, social and economic assets and infrastructural development in rural areas.

Sampoorna Grameen Rozgar Yojana was being implemented through Rural Development Department at State level and District Rural Development Agencies (DRDAs) at district level; GOI released funds directly to the DRDAs. Guidelines of SGRY provides that while first instalment of Central assistance was automatically received by DRDAs, release of second instalment, among other conditions, was subject to –

- Aggregate opening balance in the district as a whole should not exceed 15 per cent of the funds available during the previous year. Where the

⁴⁷ 100 per cent cost of 5.54 crore (which was 8.32 per cent below the tendered cost) = 5.54 crore ÷ 91.68 (i.e. 100 – 8.32) × 100 = Rs.6.04 crore. 86.80 (i.e. below 13.20 per cent) of Rs.6.04 crore = Rs.5.24 crore. Rs.5.54 crore – 5.24 crore = Rs.0.30 crore, i.e. Rs.30 lakh

opening balance exceeds this limit, Central share of the excess will be deducted proportionately at the time of release of the second instalment; and

- Details of expenditure incurred in respect of Scheduled Caste (SC)/ Scheduled Tribe (ST) sector, i.e. 22.5 *per cent* resources earmarked at district and intermediate levels and 50 *per cent* of annual allocation of village level for SC/ST habitations respectively during the previous year should be furnished.

Scrutiny of records (April 2008) of DRDA, Anand revealed that as against the total availability of funds amounting to Rs.5.14 crore for SGRY in 2006-07, the expenditure was Rs.3.84 crore only and therefore Rs.1.30 crore (25 *per cent*) was carried forward to year 2007-08.

In case of 22.5 *per cent* and 50 *per cent* funds of Rs.57.80 lakh and Rs.128.44 lakh earmarked for SC/ST at district/intermediate and village levels during 2006-07, the expenditure was Rs.32.34 lakh and Rs.78.97 lakh respectively. Therefore, there was short utilisation of Rs.25.46 lakh and Rs.49.47 lakh at district/intermediate and village levels respectively resulting in non-providing employment to targeted population to that extent.

Therefore, while releasing second instalment (February 2008) of funds for 2007-08, GOI imposed a cut of Rs.1.11 crore (Rs.69.10 lakh due to excess carryover and Rs.42.21 lakh for short expenditure on SC/ST) for not incurring expenditure as per the guidelines of SGRY. Thus, failure to utilise SGRY funds according to the guidelines resulted in reduction of Central assistance of Rs.1.11 crore and non-providing employment to the targeted population to that extent.

When pointed out, Director, DRDA, Anand stated (April 2008) that amounts could not be spent on the works in time and that explanation from the implementing officers had been called for, for not incurring expenditure at the prescribed *percentage* in respect of allocation for SC/ST. The reply of the Director, thus, confirms the audit findings.

The matter was reported to Government in June-August 2008; reply has not been received (August 2008).

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.4.2 Creation of extra liability

Non-finalisation of quotations received during first offer in May 2004 for Hathmati Water Recharge Scheme within the validity period, resulted in extra liability of Rs.69 lakh

Government accorded Administrative Approval (September 2002) and Technical Sanction (February 2004) for Rs.1.32 crore and Rs.1.42 crore

respectively for construction of 'Hathmati Water Recharge Scheme' across Hathmati river, near village Katward of Prantij taluka (Sabarkantha district). Government also approved the 'draft tender papers' (March 2004) for Rs.1.34 crore. Executive Engineer (EE), Project Construction Division 3, Himatnagar was in charge of the work.

Audit scrutiny (February 2008) revealed that EE invited tenders (May 2004) for the work, but Government directed (May 2005) the Superintending Engineer (SE), Himatnagar Irrigation Project Circle to reject the negotiated lowest quotation of Rs.1.36 crore of Contractor 'V'⁴⁸, due to his refusal to further reduce the rates and extend the validity period of quotation. Government also directed to re-invite the tenders.

On re-invitation of tenders (June 2005), two contractors (including Contractor 'V') were qualified on the basis of the technical bid. Accordingly, SE forwarded (September 2005) the proposal to Government; but despite the agencies extending validity of their quotation (February 2006 and March 2006), Government could finalise pre-qualification bid only. The contractors, thereafter, refused to extend validity of their quotation; as a result, the price-bids were not opened.

Tenders were invited (August 2007) for the third time. The Government accepted (February 2008) the quotation of Contractor 'V', which stood at Rs.2.05 crore and EE, accordingly, issued the work order (February 2008).

Thus, non-finalisation of quotations received during first invitation (May 2004) within the validity period resulted in extra liability of Rs.69 lakh.

When pointed out, EE stated (February 2008) that decision to reject tenders on previous occasions was taken by Government, who was competent to do so; but did not offer any remark on the point at issue. The reply of the EE is not correct, as the Government was required to take decision on the offers received within the validity period of offer, especially in view of the fact that the negotiated rate of L-1 in the first tender was only rupees two lakh above the estimated cost of Rs.1.34 crore.

Government stated (August 2008) that decision to reject the tenders was taken on the basis of the lowest offer received in other works of Gujarat Water Resources Development Corporation. Reply was not tenable as comparison of rates received was made with works of Gujarat Water Resources Development Corporation where nature of works was not identical.

⁴⁸ Valji Poona and Company, Himatnagar

ROADS AND BUILDINGS DEPARTMENT

4.4.3 Extra payment due to adoption of incorrect weight for bitumen in agreement

Adoption of incorrect weight of bitumen for the work of four-lane State Highway between Mehsana and Palanpur resulted in extra payment of Rs.3.72 crore

Executive Engineer (EE), State Roads Project Division, Gandhinagar awarded (January 2003) the work of four-lane State Highway-41 (Mehsana-Palanpur) to an agency⁴⁹ under World Bank aided Gujarat State Highway Project, for Rs.97.57 crore against an estimated cost of Rs.132.93 crore. The agency completed the work (July 2005) at a cost of Rs.133.73 crore⁵⁰.

Clause 70 of Standard Bidding Documents – Procurement of Works – World Bank – finalized by Government of India task force provides for mandatory inclusion of price adjustment provisions, where contract extends beyond 18 months. Sub-Clause 70.3 provides that weightings for price adjustment should represent estimated proportion of each cost element, which works out to 3.71 *per cent*⁵¹ for bitumen.

However, agreement with the agency provides for 100 *per cent* neutralization on various components; the estimated proportion of weight for bitumen was 18 *per cent*⁵². Considering weight for price adjustment at 3.71 *per cent* for 7,993 MT of bitumen actually consumed in the work, the agency was entitled for price escalation of Rs.17.84 crore gross. However, the agency was paid Rs.21.56 crore as price escalation resulting in extra payment of Rs.3.72 crore⁵³.

Superintending Engineer (SE), State Road Project Circle, Gandhinagar stated (May 2008) that total price adjustment on bitumen appears to be on higher side with reference to the actual consumption at the initial stage at a weight of 18 *per cent*. However, at the later stage, expenditure on bitumen would be around 75 *per cent*, but their entitlement would be on weight of 18 *per cent* only.

The reply of the SE is not relevant in view of the fact that the agency received price escalation of Rs.6.91 crore on bitumen against their actual extra expenditure of Rs.2.85 crore.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

⁴⁹ Hindustan Construction Company Limited

⁵⁰ Inclusive of price escalation and extra items

⁵¹ Estimated cost of the work – Rs.13,293.10 lakh; estimated quantity of bitumen for the work – 5,881.46 MT; cost of bitumen as per estimates – 5,881.46 MT × Rs.8,376.80 = Rs.492.68 lakh; *percentage* of bitumen with reference to estimated cost = Rs.492.68 lakh ÷ Rs.13,293.10 = 3.71 *per cent*

⁵² Weighting for other components were, labour-10 *per cent*; cement-10 *per cent*; steel-nine *per cent*; plant and machinery and spares-34 *per cent*; petrol oil lubricant-seven *per cent* and other materials-12 *per cent*.

⁵³ For 7,993.64 MT bitumen actually consumed in the work, the agency was paid price escalation of Rs.6.91 crore against the actual extra expenditure of Rs.2.85 crore incurred

4.4.4 Irregular payment of star rate

Executive Engineers of Amreli and Junagadh (Road and Buildings) Divisions made irregular payment of star rate amounting to Rs.47.83 lakh for the work done beyond the original time limit

Two road works, with the following details were executed by two Executive Engineers –

Sl. No.	Description of items	Name of work	
		Urban Road Development in Amreli City (Vikaspath Yojana)	Construction of Urban Road passing through Veraval town under Vikas Path Yojana
1	Date of administrative approval	21 April 2005	26 April 2005
	Amount	Rs.4.02 crore	Rs.3.50 crore
2	Date of Technical sanction	25 May 2005	29 April 2005
	Amount	Rs.4.11 crore	Rs.3.19 crore
3	Date of approval of Detailed Tender papers	4 June 2005	18 May 2005
	Amount	Rs.3.95 crore	Rs.3.11 crore
4	Date of work order	14 October 2005	16 March 2006
	Amount	Rs.3.92 crore	Rs.2.96 crore
5	Stipulated date of completion	13 July 2006	15 December 2006
6	Actual date of completion	March 2007	In progress (June 2008)
7	Name of executing officer	Executive Engineer, Amreli (Roads and Buildings) Division, Amreli	Executive Engineer, Junagadh (Roads and Buildings) Division, Junagadh

Agreement executed by the concerned Executive Engineers (EEs) with the respective contractors provide for star rate⁵⁴ for asphalt. Clause 59 of the agreement further provides that adjustment of price variation with reference to star rate is payable for the work completed during original time limit as specified at the time of award of work. Government instructions (November 1998) provide that payment otherwise would require approval of the competent authority.

Audit scrutiny (June 2007, December 2007) of the records of the EEs revealed that in contravention to the provisions of agreement, EEs paid Rs.47.83 lakh⁵⁵ towards price variation on account of star rate to the agencies; sanction for such payments were also not obtained from the Government.

Executive Engineer, Amreli (Roads and Buildings) Division, Amreli stated (June 2007) that a section of the road passing through the city area was prone to water logging during monsoon and the flood water overflowing the road might damage the asphalt road. To tide over the problem of recurring damages to the road during monsoon, concrete road was proposed in that section. EE, Junagadh (Roads and Buildings) Division, Junagadh stated (December 2007)

⁵⁴ The basic rate as existed for the commodity at the time of approval of Technical Sanction; any variation from the rate at the time of execution of work will be paid or recovered, as the case may be

⁵⁵ EE, Amreli (Roads and Buildings) Division, Amreli – Rs.26.30 lakh (Rs.21.49 lakh – August 2006 and Rs.4.81 lakh – September 2006) and EE, Junagadh (Roads and Buildings) Division, Junagadh – Rs.21.53 lakh (June 2007)

that delays beyond the original time limit was due to the fault of the Department.

Replies of the EEs are not tenable as –

- The perennial problem of water logging and recurring damage to the road was not a new development which could not be foreseen prior to awarding of work; and
- Government orders (November 1998) clearly state that adjustment of the cost with reference to the star rate is applicable only when the work is completed within the original time limit.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

4.4.5 Extra payment due to incorrect adoption of star rate

Sanction of estimates for IRQP work of National Highway 59 between Ahmedabad and Indore with lower star rate on asphalt resulted in extra payment of Rs.30.57 lakh to the contractor

Government of India accorded Administrative Approval (February 2006) for IRQP⁵⁶ work of National Highway 59 (Ahmedabad-Godhra-Dahod-Indore) between km 147/0 and 161/0 at a cost of Rs.3.61 crore. Government of Gujarat also accorded Technical Sanction (April 2006) to the work for Rs.3.61 crore. The work was in the charge of Executive Engineer (EE), National Highway Division, Godhra.

The work was awarded (July 2006) to an agency⁵⁷ at their tendered cost of Rs.3.22 crore against the estimated cost of Rs.3.15 crore. The agency completed (February 2007) the work at a cost of Rs.3.11 crore.

Scrutiny of records of EE revealed (May 2007) that though the prevailing rate per MT of asphalt for CRMB-60 and 60/70 grades were Rs.19,932 and Rs.17,145 respectively when estimates were approved (April 2006), Rs.17,543 and Rs.13,935 were only provided for as star rates⁵⁸ in the sanctioned estimates (April 2006).

In all, 1,059.17 MT asphalt was consumed (CRMB-60 grade 420 MT; 60/70 grade 639.17 MT) while executing the work and the agency was paid price variation amounting to Rs.91.75 lakh against Rs.61.18 lakh worked out at the rates prevailing at the time of sanction of estimates (April 2006). This resulted in extra payment of Rs.30.57 lakh to the agency.

The department agreed (April 2008) with the requirement of keeping the prevailing rates while approving the estimates; but contended that the agency

⁵⁶ Improvement of Riding Quality Programme

⁵⁷ Anish Construction, Himatnagar

⁵⁸ Actual rate prevailing at the time of sanction of work; any variation of rate would be paid or recovered, as the case may be

would have quoted higher rate if higher star rate was provided for in the tender. Resultantly, the cost of the work would remain more or less the same.

The contention of the department was not correct as a similar work⁵⁹ sanctioned (September 2006) with prevailing market rate for asphalt was tendered out at 14.40 *per cent* below the estimated cost put to tender.

The matter was reported to Government in July 2008; reply has not been received (August 2008).

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.4.6 Loss of Central assistance

Out of Rs.45.93 crore Central assistance received for Swarna Jayanti Shahari Rozgar Yojana upto March 2004, Gujarat Municipal Finance Board failed to utilise Rs.4.32 crore and submit Utilisation Certificate, which resulted in loss of Central assistance of Rs.5.20 crore during 2005-06

Government of India (GOI) launched (December 1997) Swarna Jayanti Shahari Rozgar Yojana (SJSRY) to provide gainful employment to the urban unemployed or underemployed poor by encouraging them to set up self-employed ventures or provision of wage employment. Expenditure on SJSRY is shared by GOI and State Governments at the ratio of 75:25 respectively. Gujarat Municipal Finance Board (GMFB) was the nodal agency for implementation of SJSRY in Gujarat State.

Government of India revised (July 2005) the procedure for release of Central assistance with effect from 2005-06, which provided for release of funds in two equal instalments on the basis of Utilisation Certificates (UCs) received and release of State share as well as achievement of physical targets.

Scrutiny of records (July 2007) of GMFB revealed that as at the end of March 2004, GOI allotted Rs.45.93 crore to Government of Gujarat (GOG) for implementation of SJSRY. Of this, GMFB utilised Rs.41.61 crore and unspent balance of Rs.4.32 crore was available with them as of November 2005. This was mainly due to poor response to the component on Development of Women and Children in Urban Area. For the year 2005-06, GOI allocated Rs.5.20 crore for Gujarat State for SJSRY.

Since GOI, Ministry of Finance, in the 'Out-come Budget 2005-06' decided to restrict release of funds to the extent of 30 *per cent* during the last quarter, Ministry of Urban Development and Poverty Alleviation conveyed (November 2005) to GOG that in case the unspent balance pertaining to the period upto the end of March 2004 was not fully utilised before the end of November 2005, GOG would be constrained to surrender the funds for the

⁵⁹ NH-59 from km 171/0 to 174/0 and 184/0 to 189/4

quarter ending December 2005, which would eventually hamper the implementation of the SJSRY. However, GMFB could not utilise the unspent balance of Rs.4.32 crore and submit UCs. GOI, therefore, did not release any funds out of Rs.5.20 crore allocated for 2005-06.

Thus, failure of GMFB to utilise the funds allotted for SJSRY and submission of UCs resulted in loss of Central assistance of Rs.5.20 crore. When pointed out (July 2007), GMFB did not furnish any reply to the point at issue.

When reported (June 2008), Government stated (June 2008) that GOI gave (July 2007) flexibility to the States to utilize funds under any component or sub-component; State Government has sufficient funds and non receipt of Rs.5.20 crore did not come in the way of programme execution. The reply of the Government is not acceptable in the matter, as it was not able to explain or resolve non-utilization of funds during previous years.

4.5 General

AGRICULTURE AND CO-OPERATION DEPARTMENT, PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT AND NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.5.1 Lack of response to audit findings

Response to audit findings was not adequate in respect of Agriculture and Co-operation Department, Narmada, Water Resources, Water Supply and Kalpsar Department and two District Rural Development Agencies at Ahmedabad and Jamnagar

Accountant General (Civil Audit), Rajkot conducts periodical inspection of Government departments to test check the transactions and verify maintenance of important accounting and other records as per prescribed rules and procedures. After inspection, Inspection Reports (IRs) were issued to the Heads of the Departments with copies to the Heads of the Office inspected. Rule 14 of the Gujarat Financial Rules, 1971 provides for prompt response to ensure corrective action and accountability. Serious irregularities are brought to the notice of the concerned Secretaries in the form of draft paragraph. A half-yearly report is also sent to the Secretary of the administrative department in respect of pending IR paragraphs to facilitate monitoring of the audit observations.

A scrutiny of IRs issued up to March 2008, pertaining to the Agriculture and Co-operation Department and Narmada Water Resources, Water Supply & Kalpsar Department revealed that 2615 paragraphs relating to 1000 IRs remained outstanding as at the end of June 2008. Of which first reply in respect of 168 IRs involving 725 paragraphs were not received from

concerned auditee offices. Year wise position of the outstanding IRs and paragraphs was as detailed below –

Year in which IRs were issued	Department				Total	
	Agriculture and Co-operation		Narmada, Water Resources, Water Supply & Kalpsar			
	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2002-03	133	329	496	1080	629	1409
2003-04	15	51	41	93	56	144
2004-05	13	51	65	100	78	151
2005-06	17	52	34	80	51	132
2006-07	50	208	67	214	117	422
2007-08	5	38	64	319	69	357
Total	233	729	767	1886	1000	2615

Similarly, a scrutiny of IRs issued upto March 2008, pertaining to the District Rural Development Agency (DRDA), Ahmedabad and Jamnagar revealed that 269 paragraphs relating to 25 IRs remained outstanding at the end of June 2008. Year wise position of the outstanding IRs and paragraphs was as detailed below –

Year in which IRs were issued	DRDA				Total	
	Ahmedabad		Jamnagar			
	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2002-03	8	63	5	71	13	134
2003-04	2	13	1	8	3	21
2004-05	1	19	2	24	3	43
2005-06	1	11	1	9	2	20
2006-07	0	0	1	11	1	11
2007-08	2	28	1	12	3	40
Total	14	134	11	135	25	269

Lack of remedial action resulted in non-settlement of these outstanding paragraphs.

The matter was report to Government in July 2008; reply had not been received (August 2008).

