

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 Fraudulent drawal/misappropriation/Embezzlement/Losses

PORTS AND FISHERIES DEPARTMENT

4.1.1 Loss due to unauthorised amendment to agreement

Unauthorised amendment to agreement with a private company by the Vice Chairman and Chief Executive Officer, Gujarat Maritime Board, resulted in loss of Rs.2.78 crore; infirmities in agreement also resulted in non-realisation of penalty/interest on delayed payment

Gujarat Maritime Board (GMB) entered into an agreement (March 1996) with Larsen and Toubro Ltd. (L&T Ltd.) for lease of water-front at Pipavav port for construction of a captive jetty (jetty). After construction, the ownership of the jetty was to vest with the GMB. However, L&T Ltd. was entitled to use the jetty on preferential basis and jetty rebates on port charges, till such time as the jetty rebates equalled the cost of construction. The agreement also allowed L&T Ltd. to charge simple interest at 12 *per cent* on the actual expenditure till completion of the construction. All these conditions were in conformity with the draft agreement approved by the Government (February 1992).

The conditions of the agreement also provided that L&T Ltd. was required to execute the work in accordance with the plans and estimates approved by the GMB. However, L&T Ltd. constructed the jetty without the required approval stating that GMB had no resource to scrutinise the plans of their consultants. GMB accepted the omission (July 1999) to scrutinise the plans and estimates. GMB further stated (July 1999) that in the process they could not scrutinise/verify the conjunction of the existing port or any hindrance to the normal traffic of the port and/or other captive jetties.

According to the agreement, the construction of jetty was to be supervised by GMB, for which L&T Ltd. had to pay supervision charge of five *per cent* of the actual cost in two instalments. While 2.5 *per cent* of estimated cost was payable before the commencement of construction, the remaining 2.5 *per cent* was to be paid after construction reached 50 *per cent* of completion stage. The difference between 5 *per cent* of the estimated cost and that of the actual cost was payable within one month of the completion of the construction. Construction of the jetty was completed at a cost of Rs.60.68 crore¹ (March 1997). Therefore, L&T Ltd. was liable to pay a supervision charge of Rs.3.03 crore. However, payment of supervision charges was not made at any stage. Instead L&T Ltd. made a representation to Government (June 1996) against various clauses of the agreement, including the provision for supervision charges. Government approved (May 1999) amendments to some of the

¹ Excluding interest of Rs.11.68 crore capitalised

clauses of the agreement and directed GMB to finalise it by engaging an expert solicitor.

Vice Chairman and Chief Executive Officer, GMB, executed (February 2000) the amended agreement with L&T Ltd., in which provision regarding payment of supervision charges was also revised. According to the amended agreement, L&T Ltd. was to pay lump-sum supervision charge of Rs.25 lakh only which was accordingly recovered (October 2003) by the GMB. A scrutiny of the records revealed that the amendments approved (May 1999) by Government did not include any revision of supervision charges. Hence the amended agreement (with a clause revising supervision charges) entered into by Vice Chairman and Chief Executive Officer, GMB, with L&T Ltd. was unauthorised. Thus, unauthorised amendment of the agreement resulted in loss of Rs.2.78 crore² to GMB. When pointed out (August 2003), GMB stated that in view of the amended agreement L&T Ltd. was liable to pay supervision charges of Rs.25 lakh only. But Government had not authorised GMB to amend the clause regarding supervision charges.

A scrutiny of the original as well as the amended agreement also revealed that it did not contain any enabling clause to charge interest or impose penalty for default or delayed payment. It was noticed that since 1996 an amount aggregating to Rs.4.75 crore³ had accumulated for recovery and the actual recovery from L&T Ltd. commenced in May 2003 only. Due to the lacuna in the agreement, GMB was not in a position to take any action for timely recovery of the amount or to make good the loss suffered due to delayed payment.

The matter was reported to Government (July 2004); but no reply was received (January 2005).

4.2 Infrequent/Wasteful expenditure and overpayment

ROADS AND BUILDINGS DEPARTMENT

4.2.1 Wasteful expenditure on strengthening of two roads

Lack of coordination between two divisions resulted in wasteful expenditure of Rs.2.55 crore on strengthening of two roads

Government of Gujarat entered into an agreement (May 1998) for a loan of US \$381 million with the World Bank for the Gujarat State Highway Project (GSHP). Valsad-Dharampur and Vapi-Daman roads were among those selected for periodical renewal under GSHP. Those roads were under the jurisdiction of Roads & Buildings (R&B) Division, Valsad. State Roads Project (SRP) Division, Vadodara was specially entrusted with the execution of work of GSHP. Thus, both the Divisions had overlapping jurisdiction over the same roads.

² Rs.3.03 crore minus Rs.25 lakh paid

³ On account of supervision charges, scrutiny fees and water front charges

The R&B Division, Valsad carried out strengthening of Valsad-Dharampur road (KM 0/00 to 34/00) during March 2000 to May 2001 and Vapi-Daman road (KM 0/00 to 3/80) during May-December 2000 on selected stretches and incurred expenditure of Rs.1.34 crore and Rs.1.21 crore respectively.

Immediately thereafter, renewal of Valsad-Dharampur road (KM 7/00 to 33/00) and Vapi-Daman road (KM 0/00 to 3/80) was taken up (April 2002) by SRP Division under GSHP. The scope of the renewal work included dismantling of existing bituminous pavement and water-bound macadam, etc. An expenditure of Rs.6.48 crore was incurred (April 2003) on Valsad-Dharampur road and Rs.9.03 crore (March 2004) on Vapi-Daman road. Thus, while executing the renewal work under GSHP, the strengthening work done by the R&B Division (Rs.2.55 crore aggregate) a year earlier was dismantled.

The R&B Division, Valsad stated (September 2003) that SRP Division had neither informed them about the impending renewal work under GSHP, nor asked for information regarding work carried out or in progress in the Division. Both the works were sanctioned by the Government in Roads & Buildings Department and though two different divisions had overlapping jurisdiction over the same roads, Government had also failed to prevent execution of works by both the divisions.

Thus, due to lack of co-ordination between two Divisions and failure on the part of Government to monitor the work resulted in wasteful expenditure of Rs.2.55 crore on strengthening of the two roads.

When the matter was reported (June 2004), Government stated (August 2004) that periodical renewal of the roads was included (May 1998) in the World Bank aided GSHP, but due to economic sanction imposed against India it was not approved. Hence, due to uncertainty of World Bank assistance and considering the bad condition of the roads, it was decided to provide light treatment on damaged length of these roads by R&B Division, Valsad.

The reply is not acceptable as repairs carried out by R&B Division, Valsad withstood two monsoons without any damage and upon these repairs the work of renewal of the existing construction was carried out. Through proper coordination and planning this was avoidable.

HOME DEPARTMENT

4.2.2 Wasteful expenditure on creation of the post of Director of Public Prosecution

Creation of the post of Director of Public Prosecution and filling it up from the cadre of Indian Police Service in violation of the statute and disregarding judicial pronouncements resulted in wasteful expenditure of Rs.57.71 lakh

Section 25(2) of the Criminal Procedure Code (Cr.PC) provides that no police officer shall be eligible to be appointed as Assistant Public Prosecutor (APP). In a Writ Petition filed by the APPs of Gujarat State in 1983, the Hon'ble High

Court of Gujarat had granted ad-interim injunction (March 1993) against transferring their administrative control under any police officer. In Special Leave Petition (No.5245 of 1989) filed by the State of Haryana, the Hon'ble Supreme Court upheld the judgment of the Punjab & Haryana High Court that the post of Director of Public Prosecution (to supervise and control APPs) cannot be filled up by any police personnel.

Government created (December 1993) the post of Director of Public Prosecution (DPP) under the direct control of Home Department and decided (December 1993) to fill up the post from any of the cadres of Indian Police Service (IPS), Indian Administrative Service (IAS) or Indian Forest Service (IFS). It was envisaged that the DPP was to exercise effective co-ordination, control, supervision and monitoring over the cadre of APPs. Accordingly, the incumbent for DPP was posted from IPS cadre (except May 1999 to September 2000). Government issued order specifying the functions of the DPP (February 2002). However, due to filling up the post from IPS cadre in violation to the statute and judicial pronouncements, administrative control of APPs still vested with the Collector at district level and the Legal Department at the State level. Therefore the DPP and other officers and staff⁴ of the Directorate were left with no work. Government incurred an expenditure of Rs.57.71 lakh on salary and office contingencies of the Directorate from December 1993 to March 2004.

Government could not bring the cadre of APPs under the administrative control of DPP as the post was filled up from the IPS cadre (except May 1999 to September 2000). DPP stated (May 2003) that he virtually had no work to carry out. Thus, creation of the post of DPP and filling it up from IPS cadre, violating the provisions of Cr.PC and disregarding the judicial pronouncements, resulted in wasteful expenditure of Rs.57.71 lakh on salary and office contingencies.

The matter was reported to Government (June 2004); no reply was received (January 2005).

4.3 Avoidable/Excess/Unfruitful expenditure

FINANCE DEPARTMENT

4.3.1 Avoidable expenditure on payment of interest

Drawal of loan from NABARD without immediate requirement and lack of planning for execution of works resulted in avoidable payment of interest of Rs.1.93 crore

In the wake of the devastating earthquake that rocked Gujarat on 26 January 2001, the State Government made a proposal (July 2001)⁵ to the National Bank of Agriculture and Rural Development (NABARD) for

⁴ An Administrative Officer, a Stenographer and a Peon

⁵ Based on preliminary estimates

restoration of 2551 bridges, culverts and causeways in nine districts⁶ at a cost of Rs.45.46 crore. Accordingly, NABARD sanctioned (November 2001) a loan of Rs.40.90 crore (bearing 10.5 *per cent* interest) from the Rural Infrastructure Development Fund VII (RIDF VII) for taking up 810 projects covering 2793 rural bridges and culverts. On a specific request (March 2002) from Government for release of start up advance of 30 *per cent*, NABARD released (March 2002) Rs.12.27 crore. The loan was to be repaid in equal annual instalments within seven years (including grace period of two years). Interest was to be paid quarterly. Conditions of the start-up advance further provided that if the restoration works were not taken up within one year of sanction, NABARD would recover the entire advance. The Finance Department (FD) was designated as the nodal department for monitoring of funds. FD was to notify NABARD about drawal, disbursement, repayment of loan together with interest. Executive Engineers of the respective Panchayat Roads and Buildings Divisions were to execute the restoration works.

Conditions of the sanction of loan provided that (i) the nodal department would immediately pass on the amounts to the authorities in charge of execution of the work, (ii) the amount would be exclusively used for the purpose for which it was sanctioned and (iii) the Government would make adequate provision in the budget for implementation of the sanctioned works.

Government had not drawn any further amount nor made any progress in respect of the works. Therefore, NABARD recalled (April 2003) the advance. In a High Level Review Committee Meeting headed by the Chief Secretary (September 2003), it was decided to drop the projects/schemes covered under RIDF I to VII which had not started and invite fresh proposal under RIDF IX and also to repay the start up advance already received. Accordingly, the Government repaid (September 2003) the advance of Rs.12.27 crore. Meanwhile, Government had paid interest on the advance amounting to Rs.1.93 crore during June 2002 to September 2003 in quarterly instalments.

Secretary (Economic Affairs), Finance Department stated (May 2004) that due to heavy workload of restoration of buildings affected by earthquake, the agency for execution could not be fixed and therefore it was decided to drop the works approved under the loan from RIDF VII. The Chief Engineer of Roads & Buildings Department stated (July 2004) that as on 1 April 2002, spillover liabilities of ongoing NABARD works were to the extent of Rs.208 crore, against which the budget provisions made (2002-03) was Rs.42 crore only. The replies were not tenable as the start up advance was released only on the specific request of Government in March 2002 and it was only after NABARD recalled the loan a year later, that the Government of Gujarat in Finance Department considered taking a decision on the matter.

Thus, drawal of loan from NABARD without any immediate requirement and lack of proper planning for execution of works resulted in avoidable payment of interest of Rs.1.93 crore.

The matter was reported to Government in August 2004; but no reply was received (January 2005).

⁶ Ahmedabad, Jamnagar, Junagadh, Kachchh, Mehsana, Patan, Porbandar, Rajkot and Surendranagar

4.4 Idle investment/Idle establishment/Blockage of funds

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

4.4.1 Lack of planning leading to blocking of Government Fund

Failure to synchronise various components of an Irrigation Project resulted into idle investment

Government accorded (November 1997) administrative approval for Rs.75.16 crore for Aji IV Water Resources Project. Technical sanction was issued (December 1997) for Rs.65.45 crore. The Project envisaged construction of an earthen dam, spillway, masonry dam, head regulator and a spillway bridge across river Aji near village Tarana of Jodia Taluka in Jamnagar District. The Project was designed to provide irrigation to 3833 hectares of land in eight villages.

The construction of earthen dam, spillway, masonry dam, head regulator and spillway bridge commenced in March 1998 and was completed at a cost of Rs.56.41 crore in July 1999. The work of providing, fabricating and erecting of spillway radial gates was taken up after a gap of one year in July 2000 and got completed at a cost of Rs.9.21 crore in March 2003. The work of construction of control cabin/generator room for gates was taken up at a tendered cost of Rs.4.50 lakh in April 2004.

Audit scrutiny revealed (May 2003) that out of total land of 1366 ha. of submergence area, only 625 ha. was acquired and shifting of a village coming under submergence was not completed as of January 2005. Accordingly, the reservoir could not be impounded and 99 *per cent* of (20959.50 Mcft. out of 21227.20 Mcft.) water in the reservoir was spilled away during 2001-05.

Also, construction of Right Bank Main Canal could not be started as a small portion⁷ of land had not been acquired (January 2005). A total expenditure of Rs.78.70[#] crore was incurred on the project as of January 2005.

Failure to synchronise various components of the project and commencement of the project without acquisition of land in submergence area and in canal alignment, resulted in idle investment of Rs.78.70 crore without any benefit.

The Government stated (October 2004) that initially the villagers had agreed to hand over the land by private negotiation so as to commence the construction activities of the project at the earliest but later on backed out which delayed rehabilitation process and canal work. Reply of Government was not acceptable as a huge investment of Rs.78.70 crore was made in the project without ensuring acquisition of land in the submergence area.

⁷ 0-62-0 out of 10-.30-92 ha. 0-62 ha.

[#] Dam Rs.65.62 crore, Canal Rs.0.28 crore and land acquisition Rs.12.80 crore

4.4.2 Blocking of Government Fund

Construction of Kali-II Water Resources Project without field survey of canal resulted in blocking of Government fund of Rs.13.46 crore

Government accorded (August 1995) administrative approval for Rs.6.15 crore and technical sanction (November 1995) for Rs.5.57 crore to the plans and estimates for Kali-II Water Resources Project. The administrative approval was revised to Rs.12.40 crore in June 2002 due to revision of Schedule of Rate (SOR). The scheme envisaged construction of an earthen dam, spillway, head regulator etc. across river Kali near village Sabli in Zalod Taluka (Dahod District). The project was designed to provide irrigation to 1515 hectares of land in famine affected area of the State through a 17 km long canal and 33 km long distributaries.

The construction of head works was completed in August 2001 at a cost of Rs.8.06 crore. The initial reach of canal was to pass through forest area where survey was not allowed by the Forest Department. The permission from the Forest Department was received in July 1997 and survey of canal alignment was carried out in May 1999. The survey revealed that the canal was to pass through hilly terrain and undulating areas and the command area was at a higher altitude than the canal base. Therefore the design of the dam providing irrigation through gravity canal was not workable. A revised proposal to utilise the water through lift irrigation was submitted to Government in January 2001 after a delay of 20 months from the date of the survey report. Government approved the proposal in September 2003 after a further delay of 20 months. The work on canal was not started as of November 2004. A total expenditure of Rs.13.46[@] crore was incurred as of August 2004.

Meanwhile, the project completed in August 2001 remained idle as no irrigation could be provided except by direct lifting of water. Water in the reservoir could not be utilised and 70 *per cent* of water impounded during 2000-05 was allowed to spill away during 2001-05. This resulted in blocking of Government fund of Rs.13.46 crore.

Thus, due to injudicious commencement of work without adequate survey and delay in deciding method of irrigation after the failure of initial proposal by the Government, no irrigation could be provided during 2000-01 to 2004-05.

The Government stated (July 2004) that the canal work would be commenced from October 2004 and planned to be completed by June 2005. Government also stated that as per the revised canal alignment irrigation in 2172 ha. of land would be provided against 1515 ha. originally envisaged. Government also stated that the water had not gone waste as it was used to fill the check dams constructed at the downstream side of the reservoir.

The reply of the Government only confirms the audit finding that the project was taken up without proper survey. The repeated delay in finalisation of

[@] Dam Rs.11.91 crore, land acquisition Rs.0.59 crore, Payment to Forest Department Rs.0.27 crore and miscellaneous items Rs.0.69 crore

revised design due to execution of the project without conducting survey of the proposed canal alignment was indicative of defective planning. The filling of check dams was not the intended objective of the project and the contention of the Government is only a presumption and the water would not reach the command area as envisaged in the project.

4.4.3 Blocking of Government Fund on construction of an irrigation dam

Improper planning in transfer of Forest land in construction of Khedva Water Resources Project resulted in unfruitful expenditure of Rs.9.32 crore

Government accorded administrative approval (AA) (Rs.11.36 crore) and technical sanction (Rs.10.23 crore) in March 1997 and June 1997 respectively for Khedva Water Resources Project (KWRP) on river Kosambi near village Khedva (Sabarkantha district). The construction included head-works (masonry dam, spillway, earthen dam, head-regulator, etc.), main-canal and branches and other ancillary works to provide irrigation to 2198 hectares of land. The project was to be completed in December 2001. Construction of masonry dam, spillway and left-embankment were completed between April 1999 and June 2001 by the Executive Engineer, Project Construction Division No.3, Himatnagar. The work of right-embankment and canals was not commenced (July 2004). An expenditure of Rs.9.32 crore was incurred on the project (July 2004).

The AA was accorded on the basis of preliminary survey and considering all the land required for the dam as Government waste land under the possession of Collector. However, construction of right-embankment required 57.47 hectares of forest land. The Revenue Department, without verification of the title, erroneously transferred (February 1998) 52.04 hectares of forest land to the department. When Forest department pointed out the error (February 1999), the work was stopped. The requirement of forest land was reassessed at 58.54 hectares and Government of India finally approved (July 2002) transfer of the forest land on condition of payment of Rs.1.45 crore for compensatory afforestation and catchment area treatment plan against which the division paid Rs.61 lakh only (February 2004). As the department did not make full payment, possession of forest land was not handed over (August 2004) and the work on right- embankment was not commenced.

Thus, improper planning on land acquisition resulted in non-completion of KWRP. Since water could not be stored without right bank embankment, no irrigation potential could be created which resulted in unfruitful expenditure of Rs.9.32 crore, besides denial of the irrigation facility to the farmers.

When reported to the Government (June 2004), it was replied (August 2004) that the project was formulated with the assumption that only 5.43 hectare of forest land was required which was not coming under the construction area. The reply of the Government is not tenable as the project implementation authority was required to ascertain the correct title of the land required for the project. Moreover though GOI approved transfer of forest land in July 2002

the possession of the same could not be taken as funds (Rs.84 lakh) were not provided by the Government.

4.4.4 Idle investment on Surendranagar Underground Drainage Scheme

Delay in land acquisition resulted in non completion of the scheme for 26 years and idle investment of Rs.9.01 crore

Government accorded administrative approval (July 1978) for Surendranagar Underground Drainage Scheme (SUDS) for Rs.1.78 crore. SUDS was to be executed as a deposit work by the Gujarat Water Supply and Sewerage Board (GWSSB) and on completion, it was to be handed over to the Surendranagar Joint Municipality (SJM). SUDS was executed on “as and when”⁸ basis with cost sharing⁹ by Government and SJM.

The work of SUDS commenced in January 1979. However, the administrative approval was revised (February 1980 and November 1995) and the third revision (Rs.10.52 crore) proposed by Executive Engineer, Public Health Works Division, Surendranagar was pending with GWSSB since January 1998. For execution of SUDS, Rs.7.21 crore (1978-97) was deposited with GWSSB as follows:

Serial No.	Nature	Period during which received	Amount (Rupees in crore)
1	Grants in Aid received from Government	1978-98	3.83
2	Loan from Life Insurance Corporation (LIC)	1978-93	2.53
3	Contribution of SJM	1994-97	0.85
	Total		7.21

But, GWSSB incurred an expenditure of Rs.9.01 crore (November 2003).

Land acquisition proceedings for oxidation pond (OP) started in November 1981 and took 12 years (October 1993) to complete (except two acres). Land acquisition, sewage collecting system, rising main and by-pass arrangement were still incomplete (April 2004). GWSSB stated (September 2004) that in case requisite funds are made available, the remaining work can be completed in two years.

Thus, the work started nearly 26 years back (January 1979) and on which an expenditure of Rs.9.01 crore was already incurred, did not yield the envisaged benefit. The damages caused and repairs required on the works already executed could be assessed only at the time of commissioning of the scheme. When pointed out, GWSSB stated that there was delay in acquisition of land, which resulted in excess expenditure on land acquisition/oxidation pond. It was also stated that SJM had not sanctioned funds in time. The reply of GWSSB was not tenable as adequate action should have been taken to complete land acquisition in time to avoid time/cost over-run.

⁸ Means, when funds are available with Government

⁹ The cost was to be shared at the rate of 45 per cent by Government and 55 per cent (inclusive of loan) by SJM

The matter was reported to Government (August 2004); but no reply was received (January 2005).

4.4.5 Blocking of Government Fund on construction of an irrigation dam

Lack of planning in execution of an irrigation project led to blocking of Government Fund

Government accorded (January 1997) administrative approval and technical sanction for Triveni Thanga Water Resources Project (TTWRP) for Rs.7.79 crore and Rs.6.30 crore respectively¹⁰. TTWRP envisaged construction of an ogee* spillway with earthen dam on both the sides on river Jamburi near village Dakwadla in Chotila Taluka in Surendranagar District. It also envisaged construction of 4500 metres long main canal and minors having a total length of 2610 metres. TTWRP was designed to provide direct irrigation to 864 hectares and additional 200 hectares through lift-irrigation in the upstream side in the Tail Based Channel (TBC)⁶ area. TTWRP was to be financed by the National Bank of Agriculture & Rural Development (NABARD). The construction of the project was to be completed by October 2002. The work was executed by the Executive Engineer, Project Construction Division No.4, Rajkot.

The construction of earthen dam, spillway, masonry dam and head regulator was completed between October 1997 and July 1998 at a cost of Rs.6.08 crore. Further expenditure of Rs.1.14 crore was incurred on canals, buildings, land acquisition and miscellaneous items (February 2004). Audit scrutiny revealed (January 2003) that, out of the total length of 4500 metres of main canal, the work could not be taken up at chainages 1830-1890 and 3240-3450 due to non-acquisition of land. The construction of minors had not been taken up for want of approval of estimates.

NABARD sanctioned (January 1997) a loan of Rs.7.02 crore, but Government could avail of loan of Rs.5.89 crore only (March 2002) due to incomplete works and expiry of the assistance programme in June 2002.

The head-works and main canal-works were completed in July 1998 and December 2000 respectively but due to incomplete canal works (minors and missing chainages of main canal), no water could be supplied in the command area. Lift irrigation to 200 hectares of land was provided in the TBC area. This not only resulted in blocking of Government fund of Rs.7.22 crore but also in denial of the intended irrigation facilities to the farmers.

When the matter was reported (June 2004), Government stated (September 2004) that on completion of headworks (July 1998), the reservoir was impounded and water utilised for irrigation in 200 hectares in upstream of the dam (tank-bed cultivation). The reply of the Government was not tenable as

¹⁰ Administrative Approval (Rs.7.79 crore) consists of all direct and indirect cost on the project such as preliminary, land, buildings, headworks (earthen dam and spillway), canals, establishment charges, capitalisation of land revenue, audit charges, secretariat charges, etc. Technical Sanction (Rs.5.04 crore) consists of direct charges like preliminary, land and works expenditure only

* Ungated

⁶ Water is lifted from the reservoir by the farmers themselves at their cost

the dam was proposed to irrigate 864 hectares through a canal system and minors which had not been completed. The investment on the project continued to be unfruitful.

AGRICULTURE AND CO-OPERATION DEPARTMENT

4.4.6 Implementation of Oil Palm Development Programme

Implementation of Oil Palm Development Programme (Rs.2.97 crore) failed to provide intended benefits and setting-up of unviable Palm Oil Processing Unit resulted in locking of Government funds (Rs.2.40 crore)

Gujarat State leads with 30 *per cent* of the national oil seeds production; mainly from ground-nut, sesame and mustard. Since oil-palm was a high-yielding crop (2.73 MT/hectare) compared to groundnut (0.376 MT/hectare), Government of India (GOI) launched Centrally Sponsored 'Oil Palm Development Programme' (OPDP) in 1991-92 in Gujarat. Objectives of OPDP included increased production and productivity of oil-palm, harness substitution to groundnut oil and to reduce import of palm-oil. GOI identified (April 1991) an area of over 61000 hectares in seven districts¹¹ and decided to initially introduce OPDP in Surat and Valsad districts (2570 hectares).

OPDP provided that a minimum 70 *per cent* of funds be utilised on beneficiary oriented expansion activities¹² and expenditure on establishment was not to exceed 10 *per cent*. During 1992-2004 Rs.2.97 crore were spent; but contrary to norms, Rs.1.49 crore (50 *per cent*) were spent on establishment expenses. Against the targetted coverages of 2570 hectares during 1992-2004 only 687 hectares (27 *per cent*) were brought under plantation. Oil-palm fruits at five years and reaches adult stage in seven-eight years. OPDP targetted to produce 2500 MT fresh fruit bunches (FFB) and extract 250 MT palm-oil (1999-2004); but achievements were only 115.12 MT and 11.49 MT (both five *per cent*) respectively.

Oil-palm plantation was new to Gujarat; its economic returns were unknown. As cash crops like mango, sugar-cane, sapota, banana, etc. were grown in the areas selected for oil-palm plantation, with good rainfall and assured irrigation, farmers could get enough return from their conventional crops. So, it became unfeasible to introduce OPDP in the selected area. As a result, out of oil-palm planted in 687 hectares, farmers brought down the coverage under plantation to 315 hectares (upto March 2003).

GOI also decided (September 1999) to set up an Oil Palm Processing Unit (OPPU) (2.5 MT FFB per hour) at a cost of Rupees four crore. Of the total cost, GOI was to bear Rs.2.40 crore as grant-in-aid (GIA) and remaining amount (Rs.1.60 crore) had to be borne by the implementing agency. A co-operative society (Valsad district) availed the GIA and established OPPU (June 2001). The OPPU needed 6000 MT FFB every year to run a shift, which requires adult oil-palm trees of 700 to 800 hectares. But, with fruiting oil-palm

¹¹ Bharuch, Bhavnagar, Kheda, Panchamahals, Surat, Vadodara and Valsad

¹² Plantation material, cultivation, drip irrigation, diesel pumps and development of waste-land

trees in scattered 80 hectares only, 40-50 MT FFB reached OPPU making the OPPU unviable. Procuring FFB from other States was ruled out due to its perishable nature. The OPPU was in closed condition since commissioning (June 2001).

Thus, implementation of unfeasible OPDP at a cost of Rs.2.97 crore failed to yield the intended results. Besides this, with merely 80 hectares under oil-palm plantation, establishing of OPPU with Government assistance resulted in locking of funds of Rs.2.40 crore.

The Director of Horticulture admitted (November 2003) that feasibility study was not taken up before implementation of OPDP and that lack of processing and marketing facilities adversely affected OPDP. The reply was not tenable as the area brought under the plantation was only 687 hectares (target 2570 hectares) rendering the expenditure on OPDP and OPPU unfruitful.

The matter was reported to Government in August 2004; but no reply was received (January 2005).

ROADS AND BUILDINGS DEPARTMENT

4.4.7 Idle investment on construction of bridges

Failure to plan approach roads for bridge resulted in idle investment of Rs.5.12 crore

The construction of three bridges across river Shodhi on Nadiad – Manjipura – Aludja road (first), river Rupen on Shankheshwar – Becharaji road (second) and river Meshwo on Meghraj – Kunol – Sangal –Tintoi – Shamlaji State highway (third) were completed during April 1999 to May 2001 at a total cost of Rs.5.12 crore by the Roads and Buildings (R&B) Division, District Panchayat Kheda, R&B Division, Patan and R&B Division, Himatnagar respectively.

However, the work of connecting approaches to the bridges were not completed as of December 2004. The delay in respect of the first bridge was attributed to delay in handing over the possession of private land in the alignment of approaches and delay in removal of trees. In respect of the second and the third bridges, delay was attributed to non consideration of the work of bridge and approaches as a composite work. The administrative approval and technical sanction for bridge proper and its approaches were accorded separately and the works were executed separately.

Thus, improper planning in construction of the bridges without approaches resulted into unfruitful investment of Rs.5.12 crore.

The Executive Engineer, R&B Division, District Panchayat, Kheda stated (April 2003) that the work of approaches could restart only after the land was acquired. The Executive Engineer, R&B Division, Patan stated (April 2003) that the work of approaches was in progress. In respect of R&B Division, Himatnagar, Government stated (August 2004) that due to availability of limited fund the work of bridge alone was completed and the work of

approaches was in progress. Replies were not acceptable as construction of bridges without approach roads did not serve any purpose. Government should ensure that the work of approach roads and the bridges are taken up in tandem and the funds are provided for whole work so that the assets created are put to use upon completion.

4.4.8 Blockage of funds

Construction of Tissue Culture Laboratory Building at Animal Vaccine Institute, Gandhinagar without considering the structural requirement for airconditioning resulted in blockage of funds amounting to Rs.2.21 crore

A mention was made in para 3.1.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) Government of Gujarat that the Tissue Culture Laboratory (TCL) at Gandhinagar could not start functioning, as the air conditioning system was not installed. Government accorded administrative approval (June 1990) for construction of a Tissue Culture Laboratory building at Animal Vaccine Institute (AVI), Gandhinagar at a cost of Rs.3.22 crore, wherein a lump-sum provision of Rs.80 lakh was made for air-conditioning and electrical sub-station. On completion, TCL could annually produce 67 lakh doses of animal vaccines (in aggregate) of a dozen varieties.

As per the project report on Animal Vaccine Institute, Gandhinagar¹³ there were specific requirements for air-conditioning of biological laboratories, which included uninterrupted maintenance of temperature within the permissible limits, construction of civil structure without any false ceiling/insulating material, passage of air duct not through laboratory room (to pass through corridors and inlet/outlet air-grills provided), passage of cool-air/exhaust-air through bacteriological filters and maintenance of higher ambient pressure inside the laboratory (to prevent ingress of outside air to the laboratory room on opening of door). However, the Executive Engineer (EE) in charge of electrical works had not notified the requirements to the EE in charge of civil works.

EE, Capital Project (CP) Division No.4, Gandhinagar got the TCL building constructed (December 1997) at a cost of Rs.1.24 crore. Thereafter, there was prolonged discussion between the administrative department and EE, CP Electrical Division, Gandhinagar regarding air-conditioning of the building. EE, CP Electrical Division, Gandhinagar awarded the work of air-conditioning to an agency (October 2002) at a tendered cost of Rs.67 lakh. It was then noticed that there was requirement of ducts and lining to install air-conditioning system and two openings on slab were to be made in most of the three metre grid and this required extensive¹⁴ additions and alterations in civil works which would endanger the safety of structure. Subsequently, the agency was asked to furnish an alternative plan and estimates for extra/excess items (June to November 2003). No alternative plan was received from the agency

¹³ Prepared by Agro Consultants Private Limited, New Delhi

¹⁴ Construction of two horizontal griders and two small vertical griders on the slab or cutting the slab of the required size after providing necessary supporting beams

so far (August 2004). The EE stated (June 2004) that the agency had roughly indicated the cost of the work to be double the quoted price which would involve the reworking of the entire project and that detailed drawing could be submitted only if the agency was assured of the price variation. As of March 2004, Rs.2.21 crore had been spent on various items of civil/electrical works; however, TCL could not start manufacturing of vaccine in the absence of air-conditioning.

Thus, failure of the department to design the building and provide for air-conditioning which was a prerequisite for manufacturing of vaccines resulted in blockage of funds of Rs.2.21 crore. When pointed out, the EE, CP Division No.4 stated (June 2004) that the works were executed as per the drawings received from Chief Town Planner. The reply was not tenable as the EE should have ensured that the structure was designed to suit the air-conditioning needs also, especially when administrative approval had a provision for it. No action was taken for fixing of responsibility for defective design by the Government.

The matter was reported to Government in August 2004; but no reply was received (January 2005).

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.4.9 Idle investment on construction of houses

Failure to carry out credible demand-survey resulted in idle investment of Rs.4.55 crore

Gujarat Housing Board (GHB) sanctioned (October 1989) construction of 45 middle income group (MIG) single storyed houses at Junagadh under self-financing scheme and hire-purchase and the price per house was fixed at Rs.1.10 lakh. Since 668 prospective buyers came up during the demand-survey conducted (December 1989), GHB decided (February 1993) to construct 396 flats after obtaining loan from Housing and Urban Development Corporation (HUDCO). The unit price of one flat was fixed (June 1993) at Rs.1.75 lakh.

Construction of the flats was completed (January 1997) at a cost of Rs.3.38 crore. On completion, the unit price of one flat was revised to Rs.2.21 lakh. As the scope of the scheme was revised and there was time and cost over-run, the allottees backed out (May 1997). Hence GHB decided to reduce the price to Rupees two lakh (August 1997) and then to Rs.1.80 lakh (November 1998) and finally offered a revised package of 30 *per cent* rebate on the reduced price (March 2004), but only 44 flats could be allotted (May 2004). As on June 2004, 352 flats costing Rs.4.55 crore were lying vacant. Interest of Rs.2.01 crore for the loan of Rs.4.20 crore obtained from HUDCO was also paid (March 2004).

GHB stated that (June 2004) they obtained consent from the applicants for the change to flats, but no fresh demand-survey was conducted. The reply is not

acceptable, as no applicant of the earlier demand-survey accepted the allotment due to changes of plan and upward revision of price.

Thus, failure to conduct any credible demand-survey to ascertain the realistic demand resulted in idle investment of Rs.4.55 crore on 352 vacant flats.

When the matter was reported (July 2004) Government stated (August 2004) that inspite of their efforts, 352 flats are still lying vacant. Thus, there was blockage of Rs.4.55 crore for more than eight years due to vacant flats.

4.5 Regulatory issues and other points

SCIENCE AND TECHNOLOGY DEPARTMENT

4.5.1 Irregular payments under Information Technology Industry Incentives Scheme

Non-adherence of the provisions of Information Technology Industry Incentive Scheme resulted in irregular payment of Rs.1.46 crore

Government of Gujarat formulated Information Technology (IT) Policy (October 1998) to accelerate development of IT industry, proliferate its culture and to create employment avenues. Accordingly IT Industry Incentive Scheme 1999-2004 (ITIIS) was introduced in March 1999 and the Commissioner of Science and Technology¹⁵ (CST) under the Science and Technology Department¹⁶ was responsible for implementation of the Scheme. Those IT industries, registered with CST and specified in the ITIIS were eligible for various incentives like turn-over incentive and connectivity incentive on the recommendations of the State Level Committee¹⁷ (SLC) constituted in March 1999. In all 168 units were registered with CST (1999-2004). Out of 210 applications received during the period, incentives were sanctioned in 139 cases. As against an allocation of Rs.18.50 crore, incentive of Rs.7.95 crore was paid. CST stated (June 2004) that earthquake, riots, non-availability of funds, delay in completion of formalities, etc. led to payment of meagre amount of incentive.

- **Turnover incentive**

IT industries specified in ITIIS were eligible for turnover incentive at the rate of five *per cent* on the eligible turnover for the first year and incremental turnover during the subsequent years. However, CST paid incentives amounting to Rs.1.15 crore on ineligible items/services in the following five cases.

¹⁵ Formerly Commissioner of Information Technology

¹⁶ Successor of General Administration Department (IT Division)

¹⁷ Consisting of Additional Chief Secretary, IT (Chairman), CST (Member Secretary) and Secretary (Economic Affairs), Industries Commissioner, Managing Directors of GIDC, GIIC and Gujarat State Financial Corporation (Members)

Sl. No.	Name of unit	Category of business	Incentive paid (Rs. in lakh)	Reason
1.	Arraycom (I) Limited	Manufacture of Chip Resistors, Resistive Arrays and Resister Net work	50.00	Items are not covered under ITIIS
2.	Netweb Software Private Limited	Coding and incorporation of new features in existing software	9.02	The item was not coming under development of new software
3.	Rishabh Software Private Limited	Manpower consultancy	7.23	Item was not covered under ITIIS
4.	Meena Infosystems Private Limited	Designing PCB using CAD/CAM software	2.92	The business was data processing, which is not approved under ITIIS
5.	Fortune Infotech Limited	Medical transcription	45.59	Since turnover from the registered activity decreased and not eligible for incentive, incentive was paid on the turnover of unregistered activity of insurance claim processing that too taking into account the turn over of registered activity of 2000-01 and unregistered activity for the year 2001-02
		Total	114.76	i.e. Rs.1.15 crore

The CST stated (June 2004) that the ITIIS was formulated way back in 1999 and since then a lot of technological advancement has taken place in the IT arena and the ITIIS was meant to accommodate these items/services, which adds value to the industry keeping in view the existing scenario and hence the items/services on which incentives paid cannot be considered separate from the list of items depicted in the ITIIS. The reply was not tenable as the list was not revised by the Government, in the absence of which incentives paid remain unauthorised.

- **Connectivity Incentive**

ITIIS provides for incentive at 50 *per cent* of the lease rental (on maximum 64 kbps data line and upto a length of 500 KM, or the Indian half circuit where connectivity is obtained through satellite earth station) on connectivity

between the computing devices. In respect of two units,¹⁸ due to non-restriction of capacity to 64 kbps, irregular payment of Rs.31.28 lakh was made. The CST stated (June 2004) that the limit of 64 Kbps was applicable only to leased data line. The reply was not tenable as ITIIS provides that in case of higher capacity connection the subsidy should be limited to 64 kbps only.

Thus, non-observance of the provisions of ITIIS led to irregular payment of Rs.1.46 crore out of Rs.7.95 crore disbursed by the CST. This required to be recovered.

When the matter was reported (August 2004), the Government while endorsing the reply of CST (September 2004) stated that items for which turnover incentives given was integral part of IT industry. It was also stated by Government that the limit of 64 kbps is applicable for data-line only.

The reply of the Government cannot be accepted as (i) CST can grant incentives only on items approved under the scheme by the Government and (ii) the scheme provides that in case of higher capacity connection, the subsidy should be limited to 64 kbps only.

ROADS & BUILDINGS AND ENERGY & PETROCHEMICALS DEPARTMENTS

4.5.2 Illegal retention of Government money collected towards electricity duty

Ahmedabad Electricity Company illegally demanded, collected, retained and appropriated electricity duty of Rs.73.10 lakh

Section 3(1) of Bombay Electricity Duty Act, 1958 (BEDA) provides that duty on the electric energy consumed (duty) shall be levied from consumers and paid to the State Government (Government). Sub-section (2) of Section 3 of BEDA further provides that except in respect of the premises used for residential purpose, no duty shall be levied on the energy consumed by the Government. Section 4(1) of the BEDA provides that every licensee shall collect from consumers and pay to the Government the duty in the prescribed manner.

A test check (March 2004) of the records of the Executive Engineer (EE), Capital Project Division, Gandhinagar revealed that the licensee, viz. Ahmedabad Electricity Company (AEC) (a corporate body registered under the Company's Act) had raised irregular demands for payment of duty aggregating to Rs.73.10 lakh (June 2002 to February 2004) in respect of eight power supply connections obtained by the EE. The EE, without ascertaining the applicability of the duty with reference to the provisions of BEDA made payment to the AEC. The duty so collected was retained and appropriated by

¹⁸ Fortune Infotech Limited (2048 kbps) Rs.26.38 lakh paid. I call India Limited (2048 kbps) Rs.4.90 lakh paid

AEC. After it was pointed out in audit (March 2004), EE made a claim and the AEC adjusted the amount from the energy bill for the month of April and May 2004.

The Government was advised (January 2005) to issue a circular instruction to all the subordinate officers for compliance with the provisions of the Act and bring out all cases where electricity duty was wrongly paid and ensure recovery. Further action was awaited.

The matter was reported to Government in September 2004; but no reply was received (January 2005).