

CHAPTER IV

AUDIT OF TRANSACTIONS

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

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT

4.1.1 Unauthorised payment

Audit noticed unauthorised payment of compensation amounting to Rs 1.53 crore to ineligible orange growers in Vidarbha region.

Government decided (November 2002 and October 2003) to compensate the orange growers (beneficiaries) whose orange trees had either perished or were damaged on account of scanty rain and depletion of water table during the preceding three to four years. The compensation was to be paid to the beneficiaries through Taluka Agriculture Officers (TAOs) at the rate of Rs 125 per dead tree subject to maximum of Rs 10,000 per beneficiary on the basis of joint survey conducted by the Revenue and Agriculture Departments. Further, the Government ordered (September 2003) to conduct second survey for identifying orange growers, whose names were not considered during the first survey. Compensation of Rs 78.75 crore was paid to 1.12 lakh beneficiaries in eight¹ districts.

Scrutiny revealed that the intention of the Government was not clear as the Government orders did not specify as to how to regulate the payment of compensation in cases of where land was owned jointly by more than one person and was not subdivided by way of partition deed. Test-check (January to March 2005) of the records of 13² TAOs (out of 33 TAOs) in Amravati, Nagpur and Wardha Districts revealed that Rs 1.53 crore was disbursed to beneficiaries in contravention of the guidelines issued by the Government as follows:

¹ Akola, Amravati, Buldhana, Chandrapur, Nagpur, Washim, Wardha and Yavatmal

² Arvi, Ashti, Chandurbazar, Hingna, Kalmeshwar, Karanja (Ghadge), Katol, Morshi, Nagpur, Narkhed, Saoner, Tiwasa and Warud

- Compensation of Rs 60.23 lakh was paid to 762 beneficiaries though there was no entry relating to the existence of orange plantation in the relevant revenue records (Form 7/12). The TAOs and Tahsildars replied (January to March 2005) that the compensation was paid on the basis of joint survey. This was not acceptable since the revenue records of relevant years do not contain these details.
- In four TAOs (Ashti, Karanja (Ghadge), Morshi and Saoner), 45 beneficiaries were unauthorisedly paid compensation of Rs 3.62 lakh though they did not possess any land in their names.
- In four TAOs of Amravati District (Chandurbazar, Morshi, Tiwasa and Warud), compensation of Rs 63.65 lakh was paid to 785 joint owners.
- In TAOs, Chandurbazar and Tiwasa compensation of Rs 14.91 lakh was irregularly paid to 209 beneficiaries who were already in receipt of compensation as per the first survey.
- In 11³ TAOs, compensation of Rs 10.32 lakh to 144 farmers was paid for sweet lime trees instead of orange trees. The TAO, Arvi confirmed the audit observation and assured recovery.

The possibility of occurrence of similar irregularities in all the other TAOs in the eight districts cannot be ruled out. The Government should investigate the matter and take appropriate action.

The matter was intimated to the Principal Secretary of the department on 28 June 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

³ Arvi, Ashti, Chandurbazar, Hingna, Karanja (Ghadge), Katol, Morshi, Narkhed, Saoner, Tiwasa and Warud

4.2 Infertuous/wasteful expenditure and over payment

**AGRICULTURE, ANIMAL HUSBANDRY, DAIRY
DEVELOPMENT AND FISHERIES DEPARTMENT**

4.2.1 Wasteful expenditure on acquisition of land

Due to improper planning and lack of co-ordination between Acquiring Body, Revenue authorities and Executing agency, project affected persons of village Balsa (Khurd) and Shendra in Parbhani district could not be shifted to new gaathan and land acquired at a cost of Rs 1.72 crore could not be put to use for more than 18 years.

According to the Maharashtra Project Affected Persons (PAPs) Rehabilitation Act, 1986 the Land Acquisition Officer, the executing agency and the Collector of the district are responsible for rehabilitation of the PAPs by way of providing funds, creation of civic amenities and monitoring the work of rehabilitation within the framework of the policy of the Government in specific time period.

Scrutiny⁴ of records (December 2004) of the Director, Central Research Farm, Marathwada Krishi Vidyapeeth, Parbhani (MKV) and further information collected (April 2005) from the Collector Parbhani and the Executive Engineer (EE) Public Works Department, Zilla Parishad, Parbhani revealed that the MKV had acquired (1985-88) 45351.2 square metres (sq mt) of land from PAPs of Balsa (Khurd) and Shendra after payment of compensation of Rs 1.42 crore, for development as demonstration farm. Simultaneously, the MKV had also acquired 27.78 hectares of land in Khanapur and Karegoan villages, disbursed Rs 9.64 lakh through Tahsildar Parbhani as loan to the PAPs of Balsa (Khurd) for construction of houses at Khanapur and placed Rs 20.50 lakh for creation of civic amenities at Khanapur⁵, at the disposal of the EE. The EE had also completed construction of school building, samaj mandir, internal roads, four bore wells, one open well and electric supply at Khanapur. It was, however, observed (December 2004) that the MKV could not develop the demonstration farm, as the PAPs did not vacate the land despite receipt of compensation, loan for construction of houses and development of the new gaathan for them. A joint inspection made by audit team (April 2005) with the officials of the Revenue Department revealed that the civic amenities at Khanapur were deteriorated.

⁴ Audit of the accounts of the MKV for the period from 1988-89 to 1999-2000 was taken up in December 2004 after receipt of the accounts in January 2003.

⁵ MKV did not provide any fund for creation of civic amenities at Karegaon.

When this was pointed out, the Registrar, MKV stated (May 2005) that PAPs of both villages refused to shift to new gaathan as the MKV did not provide employment to members of their families.

The contention of the Registrar was not acceptable as the PAPs' demand for employment was not within the framework of the policy of the Government and therefore, they should have been persuaded to shift to the rehabilitation site as the compensation had already been paid and civic amenities had also been developed.

Thus, failure of the MKV and the Collector in persuading the PAPs to vacate the acquired land, led to wasteful expenditure of Rs 1.72 crore and denial of the facility for giving crop demonstrations to the students of the MKV.

The matter was intimated to the Principal Secretary of the department on 8 July 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

HOUSING DEPARTMENT

Maharashtra Housing and Area Development Authority

4.2.2 Infertuous expenditure

Infertuous expenditure of Rs 1.60 crore on construction of aqua privy blocks and infrastructure.

Pursuant to the decision (July 2002) of the Chief Secretary, in the case of rehabilitation of 780 slum dwellers, the Vice-President and Chief Executive Officer, Maharashtra Housing and Area Development Authority (MHADA), through an affidavit filed (August 2002) in the High Court, assured to carryout the work of development of a plot of land and preparation of pitches*. The Government, accordingly, allotted (September 2002) six acres of land to the MHADA. As directed by the Government, MHADA executed (March 2004) the work from its own funds (to be reimbursed later on) at a cost of Rs 2.65 crore. The expenditure included Rs 1.60 crore on construction of 17 aqua privy (AP) blocks♥ and other basic infrastructure facilities* executed beyond the scope of the administrative approval. On demand of the elected and local representatives, the Government decided (February/May 2004) to provide

* Developed plot having a specific dimension

♥ Sanitary latrines without flushing system

* It includes water supply, sewerage drains, barbed wire fencing, roads, pathways, street lighting work, electricity in AP blocks.

constructed houses at different sites to the affected slum dwellers through the Slum Rehabilitation Authority. While the expenditure on filling the land (Rs 1.05 crore) could be useful eventually, the expenditure on AP blocks and other infrastructure facilities (Rs 1.60 crore) would be wasteful as these had little use in the changed scenario with no plan for the utilisation of the land.

The decision of the Government to provide pitches to the slum dwellers contrary to the prevailing policy to provide constructed tenements free of cost and its subsequent change resulted in rendering the expenditure of Rs 1.60 crore infructuous.

The MHADA, however, contended (April 2005) that this expenditure would be loaded on to the housing scheme proposed to be taken up on the land and make good the loss. The MHADA's justification is not acceptable as it would be unjustified to load the infructuous expenditure on a new scheme and pass on the burden to the intending beneficiaries.

The matter was referred to the Principal Secretary to the Government in July 2005. Reply had not been received (December 2005).

PLANNING DEPARTMENT

4.2.3 Excess expenditure on works

Excess expenditure of Rs 90.65 lakh on soil and water conservation works due to error in fixing of rates and inordinate delay in its rectification.

The Government in Planning Department revised (May 1998) the rates for execution of works under Employment Guarantee Scheme (EGS) applicable for works executed under soil and water conservation schemes also. The revised rates for item numbers 31 (only labour charge for unskilled loose boulder works) and 32 (skilled construction work of dry rubble masonry) ranged between Rs 77.88 and Rs 104.91 per cubic meter (cum) and Rs 29.17 and Rs 39.28 per cum respectively for various notified zones. The Government, however, clarified (September 2000) that the revised rates fixed for item numbers 31 and 32 had got interchanged through oversight and issued directions for adoption of the correct rates*.

Scrutiny of records of 28[▼] Taluka Agriculture Officers (TAOs) and information collected from the District Superintending Agriculture Officer (DSAO), Nagpur between March 2002 and December 2005 revealed that

* rate of item No. 31 for item No. 32 and vice versa

▼ Ajare, Akola, Atpadi, Bhudargad, Chandgad, Chandwad, Gaganbawda, Ghodegaon, Guhagar, Hatkanangale, Hevele, Igatpuri, Jath, Kadegaon, Kagal, Karmala, Karveer, Kavthemahankal, Mulshi, Nandgaon, North Solapur, Panhala, Radhanagari, Rajgurunagar, Shahuwadi, Shirala, Srigonda and Tasgaon

despite the clarification, the Sub-Divisional Agriculture Officers (SDAOs) had accorded technical sanction to estimates on loose boulder works at higher rates and got them executed by the TAOs accordingly. This had resulted in excess expenditure of Rs 44.46 lakh between May 1998 and September 2000 and Rs 46.19 lakh for the period subsequent to September 2000 on these works.

Thus, error in finalising the rates, inordinate delay of over two years in communicating the correct rates and continued sanction of estimates at higher rates by the SDAOs even after issue of clarification and its execution by the TAOs resulted in excess expenditure aggregating Rs 90.65 lakh.

All the TAOs admitted to the excess expenditure and cited incorrect rates fixed by the Planning Department and non-receipt of clarification as reasons.

The replies are not acceptable because though there was failure on the part of the Government in fixing the correct rates and inordinate delay in issuing clarifications, the TAOs with their knowledge in the field could have easily noticed the error and brought it to the Government's notice as the variation in rates was to the extent of over 150 *per cent* of the original rates.

The matter was referred to the Additional Chief Secretary to the Government in July 2005. Reply had not been received (December 2005).

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

4.2.4 Wasteful expenditure

Wasteful expenditure of Rs 4.12 crore on construction of Minor Irrigation Tank and incomplete canals at Asane, Radhanagari without obtaining clearance from Forest Department.

The Government accorded administrative approval (March 1999) for Asane Minor Irrigation (MI) Scheme, Kolhapur at a cost of Rs 3.08 crore which was revised to Rs 4.94 crore in December 2003. The MI tank with irrigation potential of 172 hectares was completed in June 2001 at a cost of Rs 3.84 crore.

Scrutiny of records of the Executive Engineer MI Division, Kolhapur revealed that the Forest Department objected to the construction of the tank as the area was notified (October 1985) to be under reserved area of Dajipur Sanctuary (Radhanagri extended). The construction of tank was commenced without permission from the Forest Department as required under the Wild Life (Protection) Act, 1972. The head work and gorge filling of the tank was completed in June 2001 and storage of water commenced from monsoon 2001.

Due to paucity of funds, the construction of canals was not taken up along with the tank. The work orders for construction of canals were issued in February 2005 and were stipulated for completion by August 2006. Expenditure incurred on construction of canals till 2005 aggregated to Rs 28 lakh.

It was further observed from the report of enquiry under Wild Life (Protection) Act, 1972 that Asane village was to be resettled outside the sanctuary area and all the agricultural land was to be included under the sanctuary. As such the water of the tank cannot be used for irrigation. Thus the investment of Rs 4.12 crore on construction of the tank and canals was wasteful.

The Executive Engineer stated (June 2005) that the tank would be useful for supply of water to the offices, rest house and staff quarters of the Forest Department in addition to agricultural development. The Executive Engineer also mentioned of a proposal to develop eco-tourism at Dajipur sanctuary.

The reply is not tenable as the tank was constructed without obtaining clearance under Wild Life (Protection) Act, 1972 and the enquiry officer in his report banned use of the tank for cultivation purpose. Thus, the very purpose of constructing the tank at a cost of Rs 4.12 crore has been defeated as the projected land fell under the notified area of the sanctuary and the storage capacity of the tank is more than the present requirement.

The matter was referred to the Secretary to the Government in July 2005. Reply had not been received (December 2005).

WATER RESOURCES DEPARTMENT

4.2.5 Wasteful expenditure on unviable irrigation project

Taking up unviable Hangarga Minor Irrigation Tank led to wasteful expenditure of Rs 10.09 crore.

The Government directed (December 1998) to stop the work of construction of Hangarga⁶ Minor Irrigation Tank (project) taken up in December 1997 as reservation (October 1998) of 0.97 million cubic metres of water (*i.e.*, more than 95 *per cent* of dependable storage) for Halgara Water Supply Scheme (WSS) reduced its irrigation potential to 275 hectares from 480 hectares and rendered the project unviable for irrigation. The Chief Engineer, Irrigation Department, Aurangabad, however, recommended (November 1998 and July 1999) grant of revised administrative approval (AA) to the project as a 'special case'. No justification for treating the project as a special case

⁶ Nilanga Taluka in Latur District

overlooking adverse cost benefit ratio was on record. Accordingly, the Government accorded (February 2000) revised AA to the project for Rs 8.03 crore.

Scrutiny of records (September 2004) of the Executive Engineer, Minor Irrigation Division, Latur (Division) and information collected (May 2005) revealed that the Division incurred Rs 8.70 crore on the project and completed (March 2001) the gorge filling. The Division requested (August 2001) the Maharashtra Jeevan Pradhikaran (MJP), Latur to take over the project for use as a WSS. The MJP, however, declined (September 2001) to take over the project as the beneficiary Gram Panchayats refused to share the cost. As the project was unviable for irrigation and as the MJP declined to use it as a WSS, expenditure of Rs 10.09 crore on the project as of March 2005 was rendered wasteful.

On this being pointed out (May 2005) the Division stated that due to scanty rains in the region, the projected run off of water from the valley was not created and designed storage could not be achieved. The reply was not acceptable due to the fact that the Superintending Engineer (SE), Irrigation Circle, Osmanabad and SE, Irrigation Project Investigation Circle, Aurangabad had twice (July 1986 and January 1988) pointed out the non-availability of water yield in the valley for run off water and categorically stated that the project was economically not viable.

The Government stated (August 2005) that though the cost benefit ratio was less than one, the project was executed taking into consideration the expenditure of Rs 90.39 lakh incurred upto March 1998, which would have gone waste had the project been closed.

4.2.6 Excess payment to a contractor

Payment made on Extra Item Rate List by treating the tendered items as extra items, resulted in excess payment of Rs 67.72 lakh to the contractor.

Construction of earthen dam, masonry dam and irrigation-cum-power outlet (ICPO) for Nandur-Madhmeshwar Project (Mukane Dam) was entrusted (October 1990) to a contractor on an item rate agreement (Form B-2) for completion by April 1994 at 18.98 *per cent* below the estimated cost of Rs 6.38 crore. During execution of the work, the Government decided (January 1993) to increase the storage capacity of the dam from 139.76 to 214.16 million cubic metres. It necessitated raising the height of the embankments of the dam. The Government accepted (March 1994) the recommendation of a high power committee to assign the additional work to the existing contractor and also accepted the recommendation to pay separate

rates in respect of six⁷ items of work. Rest of the items of works were to be executed as per the terms of the existing agreement. Accordingly, payment for the quantity for other items of work executed in excess of 125 *per cent* of the tendered quantity was to be regulated as per the provision of clause 37 of the agreement *i.e.*, rate as per the current schedule of rate reduced by 18.98 *per cent*.

Scrutiny of records (December 2001) of the Executive Engineer (EE), Nandur-Madhmeshwar Project Division, Nasik and information subsequently gathered (March 2005) revealed that payment made (between April 1992 and February 2004) in respect of seven⁸ items of the existing agreement for quantities executed beyond 125 *per cent* of the tendered quantity was made under Extra Item Rate Lists (EIRL). Since these were tendered items, the payments were to be made as per clause 37 of the agreement. Thus, sanction of EIRL was therefore, unwarranted which led to excess payment of Rs 67.72 lakh to the contractor.

The EE stated (April 2005) that excavation was required to be done in wet conditions and the remaining items executed were for execution of a new ICPO. The reply was not acceptable as the description of these items was similar to those items included in the existing agreement and therefore, the payment was to be regulated as per the terms of agreement.

The matter was intimated to the Secretary of the department on 2 August 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

WATER SUPPLY AND SANITATION DEPARTMENT

4.2.7 Excess payment of price escalation

Excess payment of price escalation of Rs 1.05 crore due to incorrect adoption of basic indices.

The Maharashtra Jeevan Pradhikaran (MJP) Works Division, Satara awarded the works of Pusesavali-Vaduj, Mayani and Saswad-Dhawal Regional Rural Water Supply Schmes to two contractors (June 1999) on single tender basis with supply of pipes by the contractors. These works were subsequently

⁷ Hearding, casing, stone-pitching, gravel below pitching, sand below pitching and inclined sand filter

⁸ Excavation in soft strata, excavation in hard strata, quarry spoil below pitching, cement concrete M-150 (40MSA), cement concrete M-200 (20MSA), uncoursed rubble masonry and providing and laying reinforced mild steel

transferred to the Executive Engineer (EE), MJP Works Division, Karad for execution.

The price variation clause of the contract stipulated that in case of single tender, the material component was sub-divided to pipes and miscellaneous items and percentage of pipes would be worked out for each tender as percentage cost of pipes of all categories to the total cost put to tender. Further, clause 56 of the contract stipulated that the price indices of the category of pipes which has highest percentage amongst all categories of pipes in the tender will be taken into consideration for working out escalation in respect of component of the pipes of all categories.

Scrutiny of records of the EE, MJP Works Division, Karad (March 2005) revealed that in the contract for both the above works, mild steel (MS) pipes had the highest percentage amongst all categories of pipes. Accordingly, the price index of "MS pipes" was considered for computing the price escalation for material component for the period from October 1999 to March 2003 where as the price index considered was the rates of "pipes and tubes".

Thus, incorrect adoption of indices of MS pipes resulted in excess payment of price escalation of Rs 1.05 crore.

The EE confirmed (September 2005) the over payment and stated that the same would be adjusted from the contractors future dues.

The matter was referred to the Principal Secretary to the Government in August 2005. Reply had not been received (December 2005).

4.3 Violation of contractual obligations/undue favour to contractors

HOUSING DEPARTMENT

Slum Rehabilitation Authority

4.3.1 Undue benefit to developers

Undue benefit of Rs 6.14 crore to the developers due to irregular clubbing of Slum Rehabilitation schemes with Slum Re-development scheme.

As per guidelines issued by the Government (October 1997) for the implementation of the Slum Rehabilitation Scheme (SRS), the owner/developer of the scheme has to pay Rs 20,000 per tenement towards maintenance deposit and Rs 840 per square metre towards development charges to the Slum Rehabilitation Authority (SRA). It also permitted

combining both the rehabilitation and free sale components* of two or more number of slums taken up by the same owner/developer provided those slums have the same ratio of the rehabilitation component to the free sale component as provided in the Development Control Regulations (DCRs).

The facility of clubbing two slums was not available to the existing Slum Re-development (SRD) Programme being implemented by the Brihanmumbai Municipal Corporation (BMC). There was, however, an option to the developers/owners to get their existing SRD schemes converted to SRS provided that no full occupation certificate has been issued on the date of such proposal and subject to the payment of maintenance deposit and development charges as above. On conversion of SRD scheme to SRS, the two schemes can be clubbed as stated above.

Scrutiny of records (February 2004) of the SRA revealed that they permitted (July 1999 and June 2000) clubbing of two SRSs at Vile Parle and Andheri with two SRD schemes already approved by BMC at Bandra and Mulund respectively. Since the SRD Schemes at Bandra and Mulund already approved by BMC were not got converted to SRSs as per the guidelines, the clubbing of the two schemes was irregular. Further, the developers of the two schemes combined at Vile Parle and Bandra were different.

This irregular clubbing of the SRSs with the SRD schemes, without being converted to SRSs benefited the developers to the extent of non-payment of maintenance deposit (586 tenements) and development charges (14788.33 square metres) aggregating Rs 2.41 crore to SRA. This also enabled the developers to shift the free sale component from the cheaper (Vile Parle and Mulund) to costlier localities (Bandra and Andheri) and deriving additional profit to the extent of Rs 3.73 crore over that permitted under the SRD scheme.

The matter was referred to the Principal Secretary to the Government in July 2005. Reply had not been received (December 2005).

* Rehabilitation and free sale components: Under SRS, which is a self financing scheme, the SRA permits private developers to develop and sale in open market an area equivalent to the area he has constructed and handed over to the SRA for rehabilitation of eligible slum dwellers. Free sale component is granted to compensate the developer the cost incurred for the rehabilitation component.

REVENUE AND FORESTS DEPARTMENT

4.3.2 Undue favour to a contractor

Delay in taking appropriate decision to accept beneficial offer made by the Ballarpur Industries Limited (BILT) necessitated the Government to sell bamboo to the BILT at lower price resulted in unintended recurring benefit to a contractor and loss of Rs 12.11 crore.

The Maharashtra Supply of Forest Produce by Government (revision of agreements) Act, 1982 stipulates that the market value of the forest produce shall be determined after taking into consideration the sale prices obtained in the open and negotiated sales of such forest produce within the State during a period of 12 months preceding six months prior to the date of commencement of the supply year.

The Government agreed (March 2004) to supply 1,81,540 metric ton (MT) of bamboo during 2004-05 to 2013-14 to the BILT, an industry engaged in production of paper. The terms of agreement stipulated payment of royalty at the rate of Rs 650 per air dry metric ton (ADMT) for first five years and thereafter with an annual rise of five *per cent*.

It was revealed (January 2005) that in December 2003, the BILT had offered Rs 800 per ADMT for purchase of bamboo from the Government under a long-term lease for 10 years. However, in January 2004, the BILT reduced the offer to Rs 650 per ADMT. Without considering the prevailing rates of Rs 990 per MT and the BILT's own purchase rate of Rs 1,255.32 per MT (agreement of October 2001) and without recording any justification, the Government accepted (February 2004) the offer for purchase of bamboo at the rate of Rs 650 per MT. As the offer was lower by Rs 150 per MT when compared to BILT's earlier offer of Rs 800 per MT, BILT derived an unintended recurring annual benefit of Rs 2.72 crore for the contract period 2004-05 to 2013-14.

In case of bamboo remaining unsold during the auction conducted in 2001-02, the BILT had offered (January 2002) to purchase the bamboo from these units at the rate of Rs 1037.50 per MT *i.e.*, as per agreement rate of January 2002. The Government, however, conveyed their approval in December 2002, which the BILT declined to accept on the plea that there was insufficient time for harvesting of bamboo. The Government finally allotted (March 2004) 2.41 lakh MT unexploited bamboo for the years 2001-02 and 2003-04 from these units to the BILT at the rate of Rs 650 per ADMT. Thus, delay in taking timely decision led to sale of bamboo at a lower rate than the initial offer and caused a loss of Rs 12.11 crore to the Government.

When the above omissions leading to loss of revenue were pointed out (January 2005), the Government stated (May 2005) that it was difficult to

dispose of the bamboo in such large quantity if not given to the BILT. It was further stated that as the matter of allotting unsold coupes was complex and required a lot of deliberation, there was a delay in communicating the decision to the BILT. The matter of fixation / revision of rates for supply of bamboo to the BILT would, however, be reconsidered in view of the omissions in fixation of sale price pointed out by audit.

The matter was again referred to the Government in July 2005 for their specific comments on delay in taking appropriate decision to accept the beneficial offer and to know whether revision of bamboo rates was made. No substantive response was, however, received (December 2005).

WATER RESOURCES DEPARTMENT

4.3.3 Unintended financial aid to the contractor

Payment of Rs 1.92 crore to a contractor beyond the scope of the contract.

The Government accorded (June 1998) administrative approval for construction of Ghatghar Pumped Storage Hydro Electric Project in Thane District at an estimated cost of Rs 179.61 crore. The Government administratively approved the revised estimate of the project for Rs 1,184.60 crore in March 2002. The work of construction of Tail Race Tunnel, Surge Well and Lower Intake structure of the project was entrusted to a contractor (August 1998) at nine *per cent* below the estimated cost of Rs 12.01 crore.

According to the special condition of the tender (clause 63), the Government was required to provide electricity to the contractor on request in bulk through the supply network of the Maharashtra State Electricity Board (MSEB) for construction and domestic purposes. Voltage variations in supply were to be rectified by the contractor at his cost. The charges for electricity consumption were to be recovered from the bills of the contractor at the rate of Rs 2.50 per Kilowatt per hour. No escalation on this amount was to be paid to the contractor. Further, as per the modified clause 3.9 (work and site conditions), it was clarified (March 1998) that electricity required for construction and domestic purposes was not available and the contractor has to make his own arrangement. The cost of the same was included in unit rate. As such no claim from the contractor on this account was to be entertained. Electricity when available through MSEB supply network was to be supplied as per clause 63.

On scrutiny of records of the Executive Engineer, Ghatghar Pumped Storage Hydro Electric Project Division No. 2, Thane it was noticed (July 2004) that the contractor had installed diesel generator sets (DG sets) for supply of electricity. The contractor demanded compensation of Rs 2.39 crore for electricity supplied through DG sets which was sanctioned (March 2004) by the Superintendent Engineer treating as extra item. The contractor was paid

Rs 1.92 crore after adjusting Rs 0.47 crore being electricity charges at the rate specified in clause 63. Thus, payment of Rs 1.92 crore for electricity generated and supplied through DG sets is not only irregular but also amounted to financial aid to the contractor as it was beyond the scope of the contract.

The Executive Engineer stated (March 2005) that provision of clause 63 was applicable only if electricity was made available through the MSEB. It was further stated that the cost of electricity originally included in the unit rate was deleted in modified clause 3.9 thereby relieving the contractor from meeting the cost of electricity arranged by him.

The reply is not tenable as there is no specific provision even in the modified clause 3.9 for reimbursement of cost of electricity arranged by the contractor for domestic and construction purposes. Also the cost of the same was included in the unit rate.

The matter was referred to the Secretary to the Government in July 2005. Reply had not been received (December 2005).

4.3.4 Payment to contractors in violation of contractual obligation

Failure to abide by the stipulations in the contracts led to extra contractual payment of Rs 1.46 crore to three contractors.
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The Executive Engineer, Minor Irrigation Division, Beed at Ambejogai (Division) entrusted construction of water storage tanks at Chardari, Dharur and Ghagarwada estimated to cost Rs 1.63 crore, Rs 1.27 crore and Rs 1.87 crore respectively to three different contractors in June 1998 for completion by June 2000. The general conditions of the contract prescribed that the contractor shall be deemed to have fully acquainted himself with the work and site conditions, lead to the various quarries for construction material, their availability and adequacy, *etc.* before submission of their offer for the work. The special conditions in the contract clearly stated that the location of the quarries in the plan was indicative of the prospective areas only and the contractor would be obliged to operate on other quarries at his own cost if the material was brought from other than the specified quarries.

The works were completed (between March 2002 and August 2003) at the cost of Rs 3.20 crore, Rs 2.50 crore and Rs 3.82 crore respectively. Scrutiny of upto date paid bills for the works at Chardari and Ghagarwada revealed (February 2005) that the Division paid Rs 1.10 crore to the contractors towards additional lead charges for transportation of hearing and casing material and sand from other than the identified quarries. This payment was, however, inadmissible, as the contractors were obliged to operate on other quarries at their own cost even in case of non-availability of material in the

specified quarries. In case of the work at Dharur, though the material was brought from the identified quarry, the Division paid Rs 35.53 lakh to the contractor towards additional lead charges on the plea that the actual lead for carting material was 10 Kilometres (km) as against the lead of 5 km considered in the estimates. As per the terms of the contract, this payment was also inadmissible. Thus, the payment of Rs 1.46 crore to the contractors was in violation of the contractual conditions.

On this being pointed out (February 2005) the Executive Engineer admitted that the contractors were not entitled to any claim under the terms and conditions of the tender. It was further stated that the Superintending Engineer and the Chief Engineer entertained and allowed the claims of the contractors considering the factual site position.

This explanation was not acceptable as the payment was beyond the contractual terms, which resulted in avoidable payment of Rs 1.46 crore.

The matter was intimated to the Secretary of the department on 31 May 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

4.3.5 Undue benefit to a contractor

Failure to observe Government's instructions led to extra payment of Rs 42.12 lakh to a contractor.

The Government accepted (November 1997) a tender for the work of construction of ogee type spill way and earthwork from RD 780 to 960 metres of Chargad river project in favour of contractor 'A' at 7.65 *per cent* above the estimated cost of Rs 7.64 crore. As per the tender condition the contractor should visit the quarry sites and satisfy himself about the quality and quantity of the material available as the rates quoted would be inclusive of all leads and lifts involved even if the material was required to be brought from the area other than the area specified in the quarry plan for the work. Further, the Government specifically directed (November 1997) the Irrigation Department to obtain an undertaking from the contractor to the effect that he would not claim any extra payment on account of material required for the work if brought from a longer lead.

Scrutiny of records (September 2003) of Executive Engineer, Amravati Irrigation Division, Amravati (EE) and further information collected (February 2005) revealed that the EE directed the contractor (December 1997) to submit the undertaking. The EE while issuing the work order (December 1997) did not ensure correctness of the undertaking. The undertaking instead of "no claim for extra payment on account of material required for work even

if it is brought from a longer lead as the rates quoted would be inclusive of all leads and lifts involved” used the words “no unjustified claim shall be raised for lead and lift for the material involved in the execution of work, so far the lead and lift involved are as per tender estimation”. The Superintending Engineer, Upper Wardha Project Circle, Amravati sanctioned (May 2002) an Extra Item Rate List for Rs 42.27 lakh towards additional lead charges for bringing the material required for the work from a longer lead on the plea that adequate material was not available in the specified quarries. The EE paid Rs 42.12 lakh to the contractor in October 2003 in terms of the contract based on the incorrect undertaking.

The EE accepted (February 2005) that the undertaking obtained from the contractor was not the same as directed but the implied meaning was the same. He further stated that the undertaking was part of the agreement and was based on the quarry map attached to the tender.

The explanation was not acceptable as the undertaking obtained by the EE was not in conformity with the directives given by the Government and should have been got corrected before acceptance of the tender. Thus, failure on the part of the EE to enforce the tender condition and acceptance of incorrect undertaking at the stage of acceptance led to extra payment of Rs 42.12 lakh to the contractor.

The matter was intimated to the Secretary of the department on 26 April 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

4.4 Avoidable/excess/unfruitful expenditure

CO-OPERATION AND TEXTILES DEPARTMENT

4.4.1 Avoidable loss due to delay in refund of loan

Avoidable loss of Rs 110.04 crore towards payment of interest and penalty due to delay in refund of loan for procurement of onion under the Market Intervention Scheme.

The Government under the Market Intervention Scheme 2000 sanctioned (December 1999) procurement of onion from January 2000 to minimise the loss to farmers as heavy production of onion and ban on export thereof had led to fall in price. The procurement price of onion was fixed at Rs 300 and Rs 350 per quintal depending on the size of the onion. The Maharashtra State Co-operative Marketing Federation Limited (Federation) was appointed as the nodal agency for obtaining loan of Rs 160.94 crore at interest of 16.5 *per cent*

between January and July 2000 from the District Central Co-operative Banks, on Government guarantee, for implementation of the scheme. The Government also provided Rs 10 crore from the Contingency Fund towards initial handling charges and margin money required for raising the loan. Provision for loss incurred on the scheme was to be made in the budget for the year 2000-01.

Scrutiny of records in Co-operation and Textiles Department (October 2003 and October 2004) and information collected from the Federation revealed that the Federation had procured 5.86 lakh metric tonne (MT) of onion costing Rs 182.64 crore between January and April 2000. The amount realised on sale of 4.71 lakh MT of onion was Rs 75.77 crore as against the expenditure of Rs 297.13 crore incurred by the Federation on purchase of onion resulting in a loss of Rs 221.36 crore to the State exchequer. The remaining 1.15 lakh MT of onion was either declared as storage loss or dumped as waste.

The loan taken by the Federation was to be repaid by December 2000 failing which additional interest of one *per cent* and penal interest of two *per cent* on unpaid margin money was leviable. It was, however, observed that the principal alongwith interest were belatedly repaid in February 2002 and July 2004 as also interest of Rs 21.07 crore paid in January and March 2005, due to non-provision of adequate funds in 2000-01 and non-release of adequate funds in subsequent budgets.

Thus, inadequate budget provision/non-release of funds and inordinate delay in refund of the loan resulted in avoidable loss of Rs 110.04 crore (interest Rs 96.97 crore, additional interest Rs 9.53 crore and penalty Rs 3.54 crore.)

The Government stated (February 2005) that the decision to raise loan from bank was taken by the Cabinet. It was initially proposed (December 1999) by the Government to procure one lakh MT of onion only and estimated loss of approximately Rs 50 crore was provided for in 2000-01. Due to continuous inflow of onion in the market, Government decided, however, to procure the same from time to time and ultimately 5.86 lakh MT of onion was procured. Though the Department had placed its demand through budget proposal/supplementary demand it was not sanctioned by Government considering the financial position of the State.

The reply is not tenable since the Government did not make adequate budget provision in 2000-01 despite Cabinet's decision to make adequate budget provision in the same year. It was noticed that during the year 2001-02, savings Rs 169.60 crore, which was sufficient to repay loan and interest, was allowed to lapse. The reply of the Government stating that delay in repayment was due to the unsatisfactory financial position of the State cannot be accepted since by postponing the repayment of loan an additional liability of Rs 110.04 crore was incurred which indicates poor financial planning.

HOME DEPARTMENT

4.4.2 Unfruitful expenditure on acquisition of sirens

Purchase of sirens without ensuring the efficiency of the underground cable network resulted in an expenditure of Rs 1.50 crore largely remaining unfruitful.

With a view to alerting the people of Mumbai city on unexpected air raids and natural calamities, Government installed 272 sirens in different parts of Greater Mumbai between 1965 and 1990. The average life span (20 years) of these sirens had already expired in a majority of cases. An inspection carried out by the Public Works Department (PWD) revealed (June 2002) that 107 out of the 272 sirens were non-operational. The Government, therefore, sanctioned (January 2003) Rs 2.06 crore for renovation of the siren system.

Scrutiny of records in the Directorate of Civil Defence, Mumbai revealed (April 2004) that the Director had submitted (February 2003) a proposal to the Government to install Wireless Controlled Sirening System (WARP) instead of renovating the existing system.

Despite this, the Government went ahead and purchased (March 2003) 272 sirens at a cost of Rs 1.50 crore and installed 237* of them (May 2003). Besides, additional 30 sirens costing Rs 7.16 lakh purchased (March 2004) were kept as reserve.

Inspections carried out by the PWD in October 2003, April 2004 and February 2005 revealed that the percentage of functioning sirens was only 45, 54 and 52 respectively which reduced drastically to 11 *per cent* in August 2005 despite the replacements. Thus, replacement of old sirens without ensuring adequacy of underground cable network, without considering the views of the Directorate of Civil Defence and without consulting the Mahanagar Telephone Nigam Limited (MTNL)* resulted in the expenditure of Rs 1.50 crore being unfruitful.

The Directorate of Civil Defence, cancelled (Feb 2005) the proposal of WARP and mooted the proposal for installation of Wireless Automated Remote Siren (WARS) due to its technical superiority. The Director stated (September 2005) that the replaced sirens could be used in the new Wireless Systems also and the expenditure cannot be termed as unfruitful.

* The remaining 35 sirens were not installed and were lying in store due to objection from residents/want of no objection certificates from Civil Defences authorities.

* The telephone agency responsible for cable network

The reply is not tenable as the Government has not decided (September 2005) on the system to be adopted though more than two years have passed since the purchase of the sirens. Further, even when a proposal for acquisition of a new system was being mooted by the Directorate of Civil Defence the Department replaced the sirens in a hurry (March 2003), without rectifying/removing the basic defects in MTNL's cabling network. This resulted in the system lying partly inoperative for the last two years and non-achievement of its objectives.

The matter was referred to the Principal Secretary to the Government in June 2005. Reply had not been received (December 2005).

HOUSING DEPARTMENT

Maharashtra Housing and Area Development Authority

4.4.3 Avoidable expenditure on interest

Acceptance by the Maharashtra Housing and Area Development Authority of the liability of interest for the period from the date of challenging the arbitration award in the court till the date of actual payment while filing consent terms resulted in avoidable expenditure of Rs 2.20 crore on interest.

The Mumbai Housing and Area Development Board (Board), a unit of the Maharashtra Housing and Area Development Authority (MHADA), awarded (January 1991) the work of construction of 2,576 tenements and 40 shops (Phase-I and II) at Chandivali to an Agency at a cost of Rs 20.75 crore. Scrutiny in audit revealed that due to non-settlement of some disputed claims, the Agency stopped the work from December 1996 and did not complete the work in Phase II and the infrastructure work in both the Phases. The Board issued notice of termination of contract in June 1998 and finally terminated the contract with the Agency in August 1999.

Despite there being no provision for arbitration in the contract executed with the Agency, the MHADA in pursuance of the Government's directive, appointed an Arbitrator in September 1999. The Agency challenged this appointment in a court and the court appointed (February 2000) a sole Arbitrator. The Arbitrator declared an interim award in February 2002 and the final award in September 2002. The MHADA challenged the interim award (March 2002) and the final award (December 2002) and the court admitted the petitions in June 2002 and in February 2003.

In the meantime, the Agency approached the MHADA (June 2003) for a settlement through compromise by filing consent terms in the court, if the MHADA agreed to pay the claims within the jurisdiction of the arbitration

with upto date interest. Contrary to the advice of the Advocate General (December 2002 and June 2003) against making any payment, the Vice-President and the Chief Executive Officer, MHADA advised (July 2003) for settling the claim on the lines proposed by the Agency. Accordingly, the MHADA made a net payment of Rs 11.81 crore, by filing consent terms in the court in August 2003, including future interest (of Rs 2.20 crore) from the date of filing the petition in the court till the date of payment.

Since the award was challenged in the court and the court had admitted the petitions, the MHADA while accepting the consent terms should not have agreed for payment of the interest element especially when the counter claims of Rs 4.26 crore were forfeited by them. This resulted in avoidable payment of future interest of Rs 2.20 crore to the Agency.

The Vice President and Chief Executive Officer, MHADA concurred with the views of audit and stated (January 2005) that the payment was made as per decision taken by the MHADA.

Justification and reasons for taking such a decision by the MHADA was, however, not available on file.

The matter was referred to the Principal Secretary to the Government in August 2005. Reply had not been received (December 2005).

4.4.4 Avoidable expenditure

Avoidable expenditure of Rs 1.96 crore due to continuation of the services of the Architect as Project Management Consultant despite entrustment of the related work to a developer on turnkey basis.

The erstwhile Rajiv Gandhi Zopadpati Sudhar and Niwara Prakalp (RGNP) a unit of the Maharashtra Housing and Area Development Authority (MHADA) appointed (September 1993)* M/s GM Kakade, Engineering Consultants Private Limited (Architect) as the consultant architect for its proposed housing project at Mankhurd.

Scrutiny of records of the MHADA (January 2000 and August 2003) and information collected in July 2005 revealed that as directed by the Government, the MHADA decided (April 1997) to cancel the project proposed by RGNP on the Mankhurd site and utilise the land for the construction of transit tenements. The work was transferred (June 1997) from RGNP to Mumbai Board (Board), another unit of the MHADA. The Board awarded the work (December 1997) to the private developer at the tendered cost of Rs 63.40 crore on turnkey basis. Despite the allotment of this work on

* Agreement was effective from May 1993

turnkey basis, the Board continued the services of the Architect as Project Management Consultant and paid fees of Rs 1.96 crore on the work allotted to the developer on turnkey basis for the period from December 1997 to August 2003.

As the work had been entrusted to a private developer on turnkey basis, there was no necessity for continuing the services of the Architect. This resulted in avoidable expenditure of Rs 1.96 crore incurred by the Board towards the Architect fees for this work.

The Government, while accepting the facts stated (December 2005) that the payments were made as per the claims of the Architect duly approved by the MHADA. The facts, however, remains that there was avoidable expenditure of Rs 1.96 crore due to unnecessary continuation of services of the consultant.

4.4.5 Avoidable expenditure

Avoidable expenditure of Rs 92.53 lakh on delayed payment charges due to belated payment or non-payment of water charges to Brihanmumbai Municipal Corporation.

The buildings in the Maharashtra Housing and Area Development Authority (MHADA) colonies were conveyed individually to co-operative societies of tenants. The common amenities such as water supply and electricity were not handed over by the MHADA or taken over by the co-operative societies or Federation of co-operative societies. As such, water connection in these colonies continued to be in the name of the MHADA, making it responsible to pay water charges to the Brihanmumbai Municipal Corporation (BMC). Though, the MHADA, in turn, continued to recover water charges from the tenants in the form of service charges, the amount of recovery could not match the payments made by it due to non-revision of service charges *vis-à-vis* the revision of water charges by the BMC. The Chief Officer (CO), Mumbai Board therefore, decided to restrict the payment to the BMC to the amount of recovery actually made from the tenants leaving the balance unpaid.

Scrutiny of records of the MHADA revealed (April 2005) that the MHADA paid (March 2003) Rs 10.68 crore to the BMC towards accumulated arrears of water charges, municipal taxes, taxes on land under construction in respect of tenements/land pertained to the Mumbai Housing and Area Development Board (Mumbai Board) over the period from June 2001 to August 2002 which included penalty of Rs 92.53 lakh for delay in payment of dues.

The CO, Mumbai Board attributed the default in payment of dues to the BMC to its restricting the payment to the amount of recoveries made from the tenants/beneficiaries and poor recovery of the related charges from them. The contention is not tenable, as the Mumbai Board's liability to make payment to

the BMC for supplies and services was not related to the recovery of the cost of services from its tenants and the liability to make payment to BMC rested with it.

Thus, the CO, Mumbai Board's decision to restrict the payment to the amount of actual recovery made from the tenants resulted in accumulation of arrears attracting the delayed payment charges of Rs 92.53 lakh.

The matter was referred to the Principal Secretary to the Government in August 2005. Reply had not been received (December 2005).

PLANNING DEPARTMENT

4.4.6 Unfruitful expenditure on construction of water tanks

Expenditure of Rs 76.84 lakh incurred on construction of water tanks for collecting rain water for drinking purpose became unfruitful.

Despite heavy rainfall in Konkan and Western Ghat region of the State, water scarcity in those regions of Maharashtra persists as the rainwater flows away and does not percolate into the soil to enhance the ground water reserves. The Government in Water Supply and Sanitation Department therefore, decided (February 2002) to construct water storage tanks in water scarcity areas of Raigad, Ratnagiri, Sindhudurg and Thane districts by impounding rain water in tanks and supplying the same to people for drinking purpose.

Scrutiny of records in the office of the Collector, Ratnagiri (February 2005) and information collected from Sindhudurg revealed that 20 works (16 in Ratnagiri and four in Sindhudurg) were sanctioned between August 2002 and April 2003 without filtration/purification arrangement based on the cost norm of Rs 0.38 per litre.



Water tank at Lanja, District Ratnagiri showing muddy water unfit for drinking.

Though all the 20 works were executed between May 2003 and December 2003 after spending Rs 76.84 lakh, the Department noted (March 2004) that the rain water stored in these tanks was unsuitable for drinking.

To make the water potable, the cost norm of the work with filtration/purification arrangement will have to be revised to Rs 1.49 per litre as fixed by the Water Supply and Sanitation Department. Proposal to this effect to the Government in December 2003 by the Chief Engineer Minor Irrigation, Pune was rejected in March 2004 as it was found to be financially

unviable. Further, the Government also noticed that the stagnant water stored in the tanks was not potable. In a review meeting held in April 2004, the Chief Engineer and Joint Secretary, Planning Department directed to finalise these works at the existing stage to avoid further cost escalation.

Thus, execution of works without filtration/purification arrangement rendered the expenditure of Rs 76.84 lakh on 20 tanks unfruitful.

The Collector stated (February 2005) that efforts were being made to treat the water by installing special equipment in consultation with the Maharashtra Jeevan Pradhikaran, the agency which executes water supply schemes. He further stated that the water from the tanks is presently used for washing clothes and in some places for drinking also.

The reply is not tenable as the scheme was executed without proper planning as it was belatedly realised by the Government that the scheme was not viable. Moreover, drinking untreated water by the beneficiary is fraught with the danger of being affected with water borne diseases.

The Government stated (November 2005) that the process of handing over the water tanks to the Village Panchayats (VP) with their consent would be initiated. The water from the tanks would be used by the respective VPs and the expenditure would not be unfruitful. The reply is, however, silent as to how the quality aspect of drinking water, which rendered the expenditure unfruitful, would be ensured.

PUBLIC WORKS DEPARTMENT

4.4.7 Avoidable liability

Failure of the Department to inform the Arbitrator about his invalid appointment and failure to file objections on the award led to avoidable liability of Rs 2.29 crore.

Provisions of Arbitration Act stipulate that objections by the affected party on the award of an Arbitrator should be filed before the Civil Court within thirty days of filing of the award by the Arbitrator.

Records of the work of improvement to Paithan–Shagad Road with the Executive Engineer, Public Works Division, Aurangabad (Department) revealed (December 2004 and June 2005) that the Department did not attend any of the seven sittings held between October 1994 and February 1995 by an Arbitrator for settlement of a dispute between them and Contractor 'A'. Consequently, the Arbitrator declared an *ex-parte* award for Rs 79.92 lakh with 18 *per cent* interest per annum in February 1995 and which became a 'Rule of the Court' in August 1995. Department's appeal (August 1996)

against the award before the Aurangabad bench of High Court was dismissed (August 2004) citing failure of the Department to defend the suit before the Arbitrator and the Civil Court. The Law and Judiciary Department also did not grant permission (May 2005) to file an appeal in the Supreme Court of India. The amount payable to the Contractor as of June 2005 was Rs 2.29 crore (award Rs 0.80 crore plus interest Rs 1.49 crore)

Scrutiny of the contract for the work revealed that the Contractor was eligible to seek appointment of an Arbitrator for resolving disputes between him and the Department if the Executive Engineer (EE), the Superintending Engineer (SE) and the Chief Engineer (CE) failed to resolve the dispute. The Contractor completed the road work in August 1992. He contended (May 1992) before the CE that the work was prolonged due to delay and breaches committed by the Department and sought (May 1992) appointment of an Arbitrator for settlement of the disputes and communicated three names, which the CE rejected (July 1994) as the contractor had approached directly to the CE. In the mean time, on 30 June 1994, he communicated name of a person to the CE and appointed the person as an Arbitrator from 13 August 1994. The Department did not inform the Arbitrator about his invalid appointment under the premise that the Contractor's request for appointment of the Arbitrator had already been turned down. The Arbitrator invited the Department for submitting their say in the sittings convened during October 1994 and February 1995. As none of the officials of the Department attended the sittings, he declared his *ex-parte* award.

Thus, the Department after rejecting the Contractor's request for appointment of the Arbitrator did not inform the Arbitrator about his invalid appointment, failed to act on the *ex-parte* award given by the Arbitrator and failed to file a written objection to the Award within 30 days before the court leading to the avoidable liability of Rs 2.29 crore. Department admitted (June 2005) that they failed to defend the matter and the liability was inevitable.

The matter was intimated to the Secretary of the department on 8 July 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

4.4.8 Avoidable extra expenditure on a road work

Failure to withdraw a part of road work which was under execution under another contract led to avoidable extra expenditure of Rs 54.52 lakh.

The Government accorded administrative approval (March 1996) for Rs 5.12 crore for improvement to 10.30 kilometres (km) length of Aurangabad-Hyderabad Road (MSH-6)⁹, inclusive of 1.3 km road (195/000m to 196/300m) passing through Parbhani city. The work was awarded (March 1998) to a contractor 'A' at 16.40 *per cent* above the estimated cost of Rs 4.21 crore for completion by March 2000 (extended upto March 2001).

Scrutiny of records of the Executive Engineer, Public Works Division, Parbhani (EE) revealed (March 2003 and February 2005) that the last Running Account Bill for upto date value of work Rs 8.84 crore was paid in June 2002 without obtaining sanction to the increased cost. After the award of the work to the contractor, the Maharashtra State Road Development Corporation (MSRDC) took up (September 1999) construction of Railway Over Bridge (ROB) through M/s IRCON with an approach road of 600m length from 195/200 to 195/800 on MSH-6 to obviate bottlenecks in traffic due to railway crossing in Parbhani city. As ROB approach road was overlapping the work of contractor 'A' in 600m length and contractor 'A' had not tackled this portion for bituminous treatments till September 1999, the EE was empowered to rescind the work in this 600m length as per clause 15 of the contract. However, the work was got executed between 1998 and 2001 through contractor 'A' resulting in avoidable expenditure of Rs 54.52 lakh.

On being pointed out the EE admitted (February 2005) that the road length of 600m should not have been executed through contractor 'A' and that the expenditure of Rs 54.52 lakh could have been avoided.

The matter was intimated to the Secretary of the department on 31 May 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

⁹ MSH-6 and Jintur-Parbhani-Gangakhed Road (SH 217) have a common alignment in Parbhani city before intersection at 195/200m by the Manmad-Kachiguda railway line.

REVENUE AND FOREST DEPARTMENT

4.4.9 Unfruitful expenditure on rehabilitation

Due to non-rehabilitation of the project affected persons in 15 villages under Gosekhurd Project, expenditure of Rs 12.33 crore incurred on creation of basic amenities remained unfruitful.

For speedy rehabilitation of the project affected persons (PAPs) as per the provisions of the Maharashtra Project Affected Persons Rehabilitation Act, 1986, the work of creating civic¹⁰ amenities in a gaathan¹¹ was to be taken up by the project authorities under the overall supervision of the Collector.

The Gosekhurd Project in Bhandara District administratively approved by the Government in March 1983, was taken up for execution in 1988. As per the Project Report, 5,625 families comprising 24,302 PAPs were affected due to the execution of the project. The PAPs were to be rehabilitated after development of civic amenities in 27 gaothans by the end of June 2003.

Scrutiny of records (May 2004) of the District Resettlement Officer (DRO) in the Collectorate Bhandara and the information collected (March 2005) from the Executive Engineer (EE), Gosekhurd Rehabilitation Project Division, Ambadi (District Bhandara) revealed that the work of providing civic amenities¹² in 15¹³ villages was completed while the works in 12 villages were stated to be in progress. It was observed that though the civic amenities were completed in 15 villages between October 1999 and July 2003 at a cost of Rs 12.33 crore, none of the PAPs had shifted to new gaothans (November 2005). Consequently, civic amenities remained unutilised for two to six years and the expenditure of Rs 12.33 crore was rendered unfruitful.

The DRO while accepting the audit contention stated (May 2005) that rehabilitation could not be effected due to non-payment of compensation for agricultural land and houses.

¹⁰ open wells or bore wells or piped water supply for drinking water purpose, internal and approach roads, chavadi or samaj mandir, schools with play ground, electric supply, cremation / burial ground, open drainage system, public latrines, land for gathering cattle at one place, land for pick up shed for bus service, land floor for threshing of agricultural produce, pasture land and land for market and future expansion

¹¹ Gaathan is the new township for rehabilitated persons

¹² land levelling, open wells, bore wells, schools, samaj mandirs, internal roads, electrification, open drains and water supply schemes

¹³ Amgaon Adarsh, Borgaon (Kd), Chichal, Girola, Gose (Bk), Kondha New, Manegaon-1, Manegaon-2, Mujbi, Paghora-1, Paghora-2, Pahela, Salbardi, Shahapur and Sonegaon New

Thus, failure of the Government in providing funds for compensation of agricultural land and houses resulted in keeping the amenities created at a cost of Rs 12.33 crore unutilised.

The matter was intimated to the Secretary of the department on 26 April 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

4.4.10 Excess payment of additional component on compensation of land

Additional component of Rs 31.30 lakh was paid by the Special Land Acquisition Officers, Nagpur, Washim and Yavatmal on the 80 per cent estimated cost of the land already paid in advance to the cultivators.

According to Section 23 of the Land Acquisition Act, 1894, additional component at the rate of 12 *per cent* per annum of the market value of the land acquired is payable from the date of issue of notification under Section 4 of the Act to the date of declaration of award or the date of taking possession of the land, whichever is earlier. The Collector under urgency clause (Section 17 of the Act read with Rule 261 of the Maharashtra Land Acquisition Rules, 1973) may take possession of land in advance of declaration of award and tender 80 *per cent* of the compensation for such land as estimated by him.

Scrutiny of records (July–December 2004) of the Special Land Acquisition Officers, Nagpur, Yavatmal and Washim (SLAOs) revealed that in eight land awards declared between June 2001 and April 2004, possession of the land was taken over by the acquiring bodies for which 80 *per cent* of the estimated cost of the land was paid in advance to the land holders by the SLAOs. The additional component in these cases was, therefore, to be paid on the entire amount of award up to the date of payment of advance from the date of publication of notification and thereafter the additional component at the rate of 12 *per cent* per annum should be paid on the balance from the date of advance payment to the date of declaration of the award.

It was, however, observed that the SLAOs allowed additional component on the entire amount of award from the date of issue of notification to the date of declaration of the award. As the advance payment made was not deleted for working out the amount of additional component from the date of advance payment to the date of declaration of the award, it led to excess payment of additional component of Rs 31.30 lakh.

On this being pointed out, the SLAOs stated (July–December 2004) that, as the land was not in their legal possession before declaration of the award, the additional component on full valuation of land for the entire period *i.e.*, from

issue of notice under Section 4 to the date of declaration of the award was considered and paid, as such no excess payment was made.

The contention of the department was not acceptable as allowing additional component at the rate of 12 *per cent* on the amount, which had already been paid in advance to the landowners, lacked justification as the landowners had handed over possession of land on receipt of advance.

The matter was intimated to the Secretary of the department on 28 June 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

4.4.11 Unfruitful expenditure on Minor Irrigation Tank

Failure to execute the work as per the technical requirements led to non-retention of water in Minor Irrigation Tank at Ibrahimpur rendering expenditure of Rs 1.14 crore unfruitful.

With a view to irrigate 243 hectares of land, work of construction of Minor Irrigation Tank (MI) at Ibrahimpur in Nanded District comprising of a earthen dam and a waste weir (WW) was taken up for execution under the Employment Guarantee Scheme. Administrative Approval (AA) was accorded for Rs 21.71 lakh in March 1978. The AA was revised in May 1981 for Rs 28.15 lakh and again revised in May 2000 for Rs 99.70 lakh due to change in scope of the work. An expenditure of Rs 1.14 crore was incurred as of March 2005.

Audit of the Executive Engineer (January 2005 and May 2005) Minor Irrigation (LS) Division (EE), Nanded revealed that the gorge filling was completed in 1995-96. On first impounding of water in 1997-98, water logging up to 500 metres downstream of WW and flow of muddy water from toe drain of the dam was noticed. As a measure of safety of the dam, the WW up to 5 metres long was dismantled in monsoon of 2000. Scrutiny further revealed that in order to assess strata for cut-of-trench (COT) the division dug the trial pits up to 1.30 metres to 1.80 metres in black cotton soil as against prescribed depth of 5 metres below bedrock. Although the division was aware of existence of shadu type sandy strata, COT was rested on the same. No irrigation was, however, possible in targeted area due to non-availability of storage, damaged canal system and fear of salination of land by farmers as of November 2005. The entire expenditure of Rs 1.14 crore thus proved unfruitful.

The EE stated (January and May 2005) that the proposal for utilisation of water storage for the command under existing canal and also by lift irrigation would be sent to the Government.

The contention was not acceptable as the actual storage in the tank was below sill level and cannot be utilised. Further, the fact remained that the department failed to execute the COT work as per technical requirement.

The matter was intimated to the Secretary of the department on 28 June 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

WATER RESOURCES DEPARTMENT

4.4.12 Unfruitful expenditure

Non-achievement of the projected irrigation potential of 1876 hectares through flow of water from canals due to heavy leakages resulted in unfruitful expenditure of Rs 6.68 crore.

The Government accorded (January 1977) administrative approval to the work of construction of Vadivale Medium Irrigation Project on Kundalika river, Pune with canals on both the sides at an estimated cost of Rs 3.30 crore (revised to Rs 29.86 crore in February 2000) with projected irrigation potential of 4,868 hectares (ha) (1,876 ha by flow of water and 2,992 ha through lift irrigation). The work was commenced in October 1978 and full storage was achieved in 1995 and additional storage by construction of radial gate was achieved in 1999. The works of canals were also completed (1999) at a cost of Rs 6.68 crore. The total expenditure incurred on the scheme till June 2004 was Rs 24.78 crore.

Scrutiny of records of the Executive Engineer, Pune Irrigation Division, Pune (EE) a unit of the Maharashtra Krishna Valley Development Corporation, Pune revealed (September 2004) that the canals with distribution system completed at a cost of Rs 6.68 crore were closed in 1999 due to heavy leakage of water through canal beds. The problem continued even after these were got rectified by providing lining to a certain extent on both the canals and there were complaints from farmers regarding accumulation of water in their fields. No further action to rectify the leakages was taken by the EE till March 2005 rendering the expenditure of Rs 6.68 crore incurred largely unfruitful. Besides, the projected irrigation potential of 1,876 ha through flow of water was not achieved.

The EE stated (March 2005) that since the canals were passing through hilly region with porous and stratified rocks, heavy seepage had occurred. Though

lining up to 8.36 kilo metre (km) for left bank canal and 5.49 km for right bank canal were already carried out at the time of construction, considering the field situation, hilly reach and the type of foundation strata, lining of full length of canal was required to be done to stop leakages, for which estimates were being prepared and the work would be completed as per availability of funds. Further, it was added that the water from the dam was utilised through private lift irrigation schemes on Kundalika and Indrayani rivers.

The reply is not tenable as the problem was noticed in the initial stage itself and the Committee had recommended lining of both the canals from 0 to 10 km each and the canals were closed in 1999 but no action was taken to rectify the leakages and to put the canals for intended use. Further, the purpose of construction of the canals was not only for setting up private lift irrigation schemes, as being done now, but also to irrigate the land of poor farmers who cannot afford costly lift irrigation schemes.

The Government accepted the facts and stated (December 2005) that as soon as the funds are available, the work of lining of full length of canal would be completed and water would be made available to the farmers.

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.13 Unfruitful Expenditure

Underutilisation of hydrofracturing units rendering their cost of Rs 3.40 crore largely unfruitful.

The Government of Maharashtra, through the Director of Groundwater Survey and Development Agency (GSDA), procured eight[♦] hydrofracturing^{*} units from UNICEF during March and May 1996 at the cost of Rs 3.40 crore in order to augment the deep water sources through existing bore wells in water scarce areas.

The norms prescribed by the Government of India for hydrofracturing of wells were 192 per unit per year. The Government of Maharashtra, however, considering the geographical and other conditions of the State fixed a target of 100 bore wells per unit per year.

Scrutiny of records of the Deputy Director, GSDA, Nashik Region (August 2004) and information obtained from the Regional Deputy Directors revealed

♦ These units were allotted to the Senior Geologists, GSDA, Ahmednagar, Beed, Buldhana, Chandrapur, Jalgaon, Jalna, Sangli and Solapur districts.

* Hydrofracturing means creation of additional or new cracks (fracture) in the subsurface rock to increase the quantity of water from the existing borewell, by applying water pressure.

that as against the target of 4,800* bore wells to be hydrofractured/rejuvenated during 1999-2005, the achievement was only 1,655 *i.e.*, 34.48 *per cent* capacity utilisation. Out of these, the number of successful wells was only 1,137.

Thus, non-assessment of the necessity of purchasing the eight units *vis-à-vis* the actual requirement, the working results of the existing units, availability of funds for the scheme and fixation of rates, resulted in non-achievement of hydrofracturing.

The Director while confirming the facts replied that the beneficiaries were reluctant in hydrofracturing the wells, as the rate of hydrofracturing of Rs 13,000* per well was equal to the cost of digging a new bore well. Besides, the District Planning and Development Council did not take up the scheme due to shortage of funds provided for the purpose. The rate of hydrofracturing was reduced to Rs 6,000 per unit in August 2004 and the scheme was being taken up under the Prime Minister's Shivkalin Yojana.

The reply is not tenable as most of the bore wells were in the public domain and are to be executed departmentally, the orientation of the beneficiaries is not very significant to the issue. Further, the matter of fixing realistic rate, which was important to the success of the programme, should have been decided earlier especially in view of acute water scarcity prevailing in rural areas, when the success of rejuvenation of the wells by hydrofracturing was almost certain. Further, even after reducing the rate to Rs 6,000, the number of wells hydrofractured during 2004-05 was only 267 as against the targeted 800.

The matter was referred to the Principal Secretary to the Government in August 2005. Reply had not been received (December 2005).

* 100 bore wells x 8 units x 6 years

* only 10 *per cent* to be borne by the end users

4.5 Idle investment/idle establishment/blockage of funds

FOREST DEPARTMENT

4.5.1 Idle investment on construction of staff quarters

Idle investment of Rs 46.43 lakh on construction of staff quarters and nugatory expenditure of Rs 5.92 lakh on watch and ward and electricity charges.

The Deputy Conservator of Forests (DCF), Kolhapur constructed (March 1998) 16 staff quarters for the staff from DCF to class IV level, two rooms for labourers and a godown at Mudshingi, Kolhapur at a cost of Rs 46.34 lakh.

Scrutiny of the records in audit revealed (March 2005) that these staff quarters remained unoccupied (July 2005) as there was no adequate water supply and these were situated at a distance of eight kilometres from Kolhapur City having no facility of school and market. Besides, the Department spent Rs 5.60 lakh during 2003-2005 on deployment of four forest labourers for its watch and ward and Rs 0.32 lakh on electricity charges.

On being pointed out in Audit, the DCF, Kolhapur stated (March 2005) that a proposal to utilise the premises for 'Information Centre on Wild Life' was under consideration.

The reply is not tenable as the quarters were constructed without considering the suitability of the site and no arrangements was made for providing water supply. Thus, the purpose for which the quarters were built was not served resulting in idle expenditure of Rs 46.34 lakh on construction of quarters and nugatory expenditure of Rs 5.92 lakh on watch and ward and electricity.

The matter was referred to the Principal Secretary to the Government in June 2005. Reply had not been received (December 2005).

URBAN DEVELOPMENT DEPARTMENT

4.5.2 Idle investment on shops

Idle investment of Rs 6.67 crore due to non-allotment of shops for over eight years and blockage of funds of Rs 1.75 crore on account of non-recovery of property tax from the allottees.

The Mumbai Metropolitan Region Development Authority (Authority) constructed a shopping complex comprising four buildings of 283 shops, one floor for Regional Transport Office (December 1993) and one amenity building consisting of five offices, four dormitories and 14 residential quarters (1997) at a total cost of Rs 12.12 crore at the Wadala Truck Terminal for allotment on lease to private individuals, companies and public undertakings.

Audit scrutiny of the related records in the Authority's office revealed (October 2003 and November 2004) that the Authority could not allot 117 shops and amenity building costing Rs 6.67 crore (April 2005) due to poor response rendering the investment idle.

The poor response was attributed (November 2004) by the Authority to inadequate facilities, exorbitant lease rent, property tax, land revenue and decrease in transport trade in Mumbai due to construction of Nhava Seva port and shifting of Iron and Steel market to Navi Mumbai.

Further, the Authority paid property taxes amounting to Rs 2.57 crore to the Brihanmumbai Municipal Corporation on the allotted shops upto March 2004. Though this tax was to be borne by the allottees and recoverable from them as per clause 2(a) of the lease agreement, the Authority had recovered Rs 82 lakh only (November 2004) leaving a balance of Rs 1.75 crore.

The Authority stated (September 2005) that a proposal for its appointment as the Special Planning Authority (SPA) had been submitted to the Government to initiate effective steps for further the improvement of the project. The Government had, however, turned down (August 2005) the request for appointment of the Authority as SPA.

The reply is not tenable because despite being aware of setting up of Nhava Sheva port and shifting of Iron and Steel market to Navi Mumbai, the Authority went ahead with the project.

Thus, improper and inadequate planning and non-provision of adequate facilities as well as high rates of lease rent and taxes resulted in rendering the investment of Rs 6.67 crore on construction of the unallotted shops and building idle for over eight years. Besides, non-recovery of property tax of Rs 1.75 crore from the allottees resulted in blocking of funds.

The matter was referred to the Principal Secretary to the Government (June 2005). Reply had not been received (December 2005).

WATER RESOURCES DEPARTMENT

4.5.3 Idle investment/Avoidable expenditure

Non-allotment of 121 staff quarters due to shortage of staff and for want of basic amenities due to shortage of funds resulted in idle investment of Rs 1.25 crore and avoidable expenditure of Rs 40 lakh.

Out of 160 staff quarters constructed by divisions of the Maharashtra Krishna Valley Development Corporation, Pune between August 1996 and March 2001, incurring an expenditure of Rs 1.63 crore, 121 staff quarters costing Rs 1.25 crore were lying vacant as under:

Sr. No.	Name of the division	Date of completion	Number of staff quarters completed	Expenditure incurred (Rupees in lakh)	Number of staff quarters not allotted	Expenditure on unallotted quarters (Rupees in lakh)
1.	Temghar Project Division I, Pune	March 1998	12	29.55	12	29.55
2.	Urmodi dam Division, Satara	October 1997 and October 2000	59	59.79	55	55.74
3.	Tembhu Lift Irrigation Project Division No. I, Sangli	January / March 2001	50	35.40	47	33.26
4.	Water Resource Dn, Pune	Between August 1996 and June 1999	39	38.41	7	6.81
	Total		160	163.15	121	125.36

The reasons attributed by the concerned Executive Engineers for non-allotment of quarters were: (a) closure of sub-division and transfer of staff, (b) insufficient water supply, non-installation of electric connections, lack of other civic amenities due to shortage of funds and (c) shortage of staff.

Thus, as of May 2005, 121 staff quarters remained idle for periods ranging from four to eight years due to non-provision of basic amenities and shortage of staff resulting in idle investment of Rs 1.25 crore. Besides, the Temghar

Project Division I, Pune had to incur Rs 40 lakh towards payment of house rent allowances to its employees, which was otherwise avoidable.

The matter was referred to the Secretary to the Government in June 2005. Reply had not been received (December 2005).

4.6 Regularity issues and other points of interest

CO-OPERATION AND TEXTILES DEPARTMENT

4.6.1 Non-redemption of Government share capital

Failure of the Commissioner of Sugar, Pune to monitor the creation of redemption reserve fund to redeem Government share capital led to accumulation of dues amounting to Rs 161.64 crore.

To facilitate redemption of share capital, the Co-operative Sugar Mills were required to create share capital redemption fund (fund) by crediting an amount equal to 1/15 of the share capital contribution. Fifty *per cent* of the share capital was redeemable after 10 years and balance before end of 15 years. Further, to ensure redemption, the fund was to be invested as per instructions of the Commissioner Sugar, Pune (Commissioner). The Commissioner was to submit the report on redemption to the Government.

Scrutiny of records of the Commissioner (July 2004) and subsequent information collected (June 2005) revealed that share capital contribution of Rs 362.49 crore was paid to 71 mills during 1981-82 to 1992-93. It was further revealed that as against an amount of Rs 162.13 crore due for redemption from 71 mills as of March 2005, only one mill had deposited Rs 48.82 lakh to the fund. Neither the Commissioner had monitored the redemption nor obtained specific reports regarding creation of redemption fund. Thus, failure and casual approach of the Commissioner to monitor the creation of fund resulted in accumulation of dues to the tune of Rs 161.64 crore.

The Commissioner stated (June 2005) that instructions had been issued to the defaulter mills for creation of fund. The reply is a tacit acceptance of the Commissioner's failure to monitor timely creation of fund and redemption of share capital.

The matter was intimated to the Secretary of the department on 2 August 2005. The Chief Secretary was also requested to ensure timely response on 16 September 2005. No substantive response was, however, received (December 2005).

FINANCE DEPARTMENT

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

Failure to enforce accountability and protect the interests of Government.

➤ **Outstanding Inspection Reports**

The Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. A half yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of action taken on audit observations in these IRs.

Inspection Reports issued up to December 2004 pertaining to 26 departments disclosed that 25,976 paragraphs relating to 9,542 IRs were outstanding at the end of June 2005. Yearwise position of the outstanding IRs and paragraphs are detailed in the **Appendix XLIII**.

➤ **Departmental Audit Committee Meeting**

In order to settle the outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees have been constituted by the Government. During 2004-05, only ten* out of the 26 departments convened 17 Audit Committee meetings. Out of 10,478 paras outstanding against these ten departments, 1,416 paras were discussed in the meetings, of which 558 paras were settled.

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

* Agriculture, Higher and Technical Education, Home, Irrigation, Law and Judiciary, Public Health Public Works, School Education, Water Supply and Sanitation, Women and Child Welfare

➤ **Follow up on Audit Reports**

According to instructions issued by the Finance Department in March 1981, Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly verified by audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports within one month of presenting the Audit Reports to the State Legislature. The Administrative Departments were, however, not complying with these instructions.

The position of outstanding EMs from 1998-99 to 2003-04 is as follows:

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
1998-99	30 November 2000	47	41	6
1999-2000	14 December 2001	55	41	14
2000-01	29 April 2002	43	30	13
2001-02	22 July 2003	51	33	18
2002-03	8 July 2004	48	11	37
2003-04	21 July 2005	48	--	48
Total		292	156	136

In addition to the above, EMs in respect of 68 paras relating to the period prior to 1998-99 were also outstanding. Department-wise details are given in **Appendix XLIV**.

➤ **Action Taken Notes**

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

Audit Report	Total number of paras in the Audit Report	Number of paras		ATN awaited in respect of paras	
		Discussed	Not discussed	Discussed	Not discussed
1985-86 to 1997-98	862	151	711	106	707
1998-99	47	--	47	--	47
1999-2000	55	7	48	6	48
2000-01	43	--	43	--	43
2001-02	51	--	51	--	51
2002-03	48	--	48	--	48
2003-04	48	--	48	--	48
Total	1154	158	996	112	992