

CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of departments of the Government, their field functionaries as well as that of 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 Excess payment and wasteful/infructuous expenditure

FINANCE DEPARTMENT

4.1.1 Excess payment of 'Transport Allowance'

Adoption of incorrect rates for payment of Transport Allowance to employees in Nagpur led to excess payment of Rs 6.45 crore.

According to the recommendations of the Fifth Pay Commission, transport allowance (TA) to employees, in order to compensate them for the cost incurred on account of commuting between the place of residence and place of duty, was payable with effect from 1 October 1998.

Classification of cities prescribed for payment of city compensatory allowance was to be adopted for deciding the rate of TA payable to the employees.

Scrutiny of records (February 2006) of 28¹ Drawing and Disbursing Officers (DDOs) in Nagpur revealed that the TA was paid (Upto March 2005) to three categories of employees at the monthly rates of Rs 800, Rs 400 and Rs 100 against the admissible monthly rates of Rs 400, Rs 200 and Rs 75 respectively. On this being pointed out (September 2005), Finance Department confirmed (October 2005) that Nagpur was classified as a 'B1' class city (up to March 2005) and, therefore, TA at the rate applicable to 'other places' was payable to the employees posted at Nagpur upto March 2005. Classification of Nagpur city was changed as 'A' class city from 1 April 2005. Thus, adoption of incorrect rates for payment of TA led to excess payment of Rs 6.45 crore in

¹ Commissioner of Police, Nagpur; Joint Commissioner of Sales Tax, Nagpur; District Collector, Nagpur; Joint Director of Industries, Nagpur; District Industries Centre, Nagpur; Director, Institute of Science, Nagpur; Deputy Director of Education, Nagpur; Assistant Director District Employment, Nagpur; Medical Superintendent, Daga Memorial Government Hospital, Nagpur; Dean, Indira Gandhi Memorial College (College side), Nagpur; Civil Surgeon, Government General Hospital, Government Medical College & Hospital (College side), Nagpur; Government Medical College and Hospital (Hospital side), Nagpur; Dean, Super Speciality Hospital, Nagpur; Zilla Parishad, Nagpur; Deputy Director, Regional Fisheries Department, Nagpur; Nagpur Municipal Corporation, Nagpur; Shivaji Science College, Nagpur; Assistant Director of Health Services, Nagpur; New English High School, Nagpur; District Social Welfare Officer, Nagpur; Divisional Commissioner, Nagpur; Principal, Dr. Ambedkar College (Senior Division), Nagpur; Sindhu Mahavidyalaya, Nagpur; Government Dental College and Hospital, Nagpur; Registrar, High Court, Nagpur Bench; SFS College, Nagpur and District and Session Court, Nagpur

12² Departments upto March 2005. The position is required to be reviewed in other offices.

The matter was referred to the Secretary to Government (May 2006) who confirmed (August 2006) the excess payment.

HOME DEPARTMENT

4.1.2 Wasteful expenditure on computerisation programme

Faulty planning of a computerisation programme resulted in wasteful expenditure of Rs 2.39 crore on software, training and miscellaneous expenses.

The State Excise Department appointed (July 1998) the Computer Maintenance Corporation (CMC) as a Turnkey Service Provider (TSP) for their computerisation programme. The objectives of the programme were to develop an Management Information System tool for better management and control, standardise procedures and provide timely data for vigilance against illegal activities. A High Power Committee of the Government approved (March 1999) the System Requirement Specifications (SRS) and the total project cost was fixed (August 1999) at Rs 11.72 crore. The project was proposed to be implemented in the entire State.

The State Excise Application System (SEAS) software was certified (March 2000) by the Government for implementation and was installed in the Commissionerate, three divisional offices, 10 district offices and 75 manufacturing units between April 2000 and April 2003 at a cost of Rs 4.62 crore, including procurement of hardware and training.

The Government, however, decided (April 2003) to stop the implementation of the programme as it did not serve the purpose of monitoring of issue of licenses and transport passes, one of the crucial revenue earning activities. It was, therefore, decided (June 2004) to implement a modified web based software on Build, Own Operate and Transfer (BOOT) basis and to utilise the hardware meant for SEAS as nodes and clients in the new State Excise Web Enabled Application System (SEWA).

Thus the Department's Information Technology strategy suffered from faulty planning as well as poor implementation and monitoring. The Department failed to specify its requirements clearly in accordance with its objectives and approved an incomplete SRS leading to stoppage of the implementation of the SEAS, rendering the expenditure of Rs 2.39 crore (excluding expenditure of Rs 2.23 crore on site preparation and hardware procurement) wasteful.

² Agriculture, Animal Husbandry, Dairy Development and Fisheries; Employment and Self-Employment; Higher and Technical Education; Home; Industries, Energy and Labour; Law and Judiciary; Medical, Education and Drugs; Public Health; Revenue and Forests; Rural Development and Water Conservation; Social Justice, Cultural Affairs and Special Assistance and Urban Development

The Commissioner of State Excise admitted (March 2003) that the project was not successful as it had been conceived and executed without proper leadership at the highest level at the Commissionerate.

The Government stated (November 2005) that out of the total expenditure of Rs 4.62 crore, only an amount of Rs 0.79 crore incurred on software had been rendered wasteful.

The reply is not tenable because by abandoning SEAS and moving towards a new system SEWA to be executed on BOOT basis, the entire expenditure incurred on software development, training, implementation and handholding and other expenses amounting to Rs 2.39 crore had been rendered wasteful. Besides, the implementation of computer programme had also been delayed.

REVENUE AND FORESTS DEPARTMENT

4.1.3 Extra expenditure on additional component

Delay in declaration of land acquisition award resulted in extra expenditure of Rs 1.04 crore on additional component of land compensation.

According to the provisions of the Land Acquisition Act, 1894, as amended in 1984 (Act) and instructions issued by the Government from time to time, notification (under Section 6 of the Act) confirming the land acquisition should be published in the Government Gazette within 12 months from the date of publication of notification (under Section 4 of the Act) for acquisition of the land. The final award (under Section 11 of the Act) for land compensation should be declared within 24 months from the date of issue of notification confirming the land acquisition. The land compensation includes, in addition to market value of land, an amount calculated at the rate of 12 *per cent* per annum of the market value of the land acquired (additional component) from the date of notification of land acquisition to the date of declaration of award (maximum period: 36 months) excluding the period for which proceedings are stayed by an order of a court.

Scrutiny of records (December 2004 and December 2005) of the Divisional Commissioner, Aurangabad and Special Land Acquisition Officer (SLAO) (Minor Irrigation Works), Nanded and subsequent information collected (April 2006) showed that in two cases of land acquisition for Lendi Project in Nanded District, additional component of land compensation was calculated for periods of 34 and 23 months exceeding the stipulated period of 36 months.

Thus, due to delay in declaration of the land award, the Department had to incur an extra expenditure of Rs 1.04 crore on land compensation.

SLAO stated that according to the instructions received (December 2001) from Irrigation Department to stop the process of land acquisition (due to paucity of funds), the land acquisition procedure was not completed within the

stipulated period and therefore, additional component for more than 36 months was awarded.

The reply was not acceptable, as the provisions of the Act permit delay in declaration of award only if the land acquisition proceedings are stayed by an order of court.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.1.4 Excess payment of land compensation

Failure of Special Land Acquisition Officer, Krishna Khore, Jalna to take into account the advance payment of land compensation resulted in excess payment of Rs 63.59 lakh to landholders.

According to Section 23 of the Land Acquisition Act, 1894 (as modified from time to time), in addition to market value of land, an amount calculated at the rate of 12 *per cent* per annum of the market value of the land acquired (additional component) is payable from the date 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.

Scrutiny of land award for Rs 6.50 crore declared (October 2004) by the Special Land Acquisition Officer, Krishna Khore, Jalna (SLAO) for acquisition of land and houses (market value Rs 3.81 crore) in Deola (Tahsil Partur, District Jalna) for the Lower Dudhana Project revealed (September 2005) that an advance payment of Rs 1.62 crore was made to 324 landholders in 1996. The additional component in these cases was, therefore, payable on the balance market value of land and houses (Rs 2.19 crore) from the date of publication of notification (10 May 2001) to the declaration of award (01 October 2004). However, the SLAO allowed additional component on Rs 3.81 crore without deducting the advance payment of Rs 1.62 crore, which led to excess payment of land compensation of Rs 63.59 lakh to 311 landholders.

When the matter was reported (May 2006) to the Principal Secretary to the Government, the Principal Secretary stated (July 2006) that the payment of 'additional component' on the advance payment was justified under Section 34 of the Act.

This explanation was not, however, acceptable, as the provisions of Section 34 of the Act relate to payment of interest after declaration of award. Further, there was no financial propriety in allowing the additional component on the amount, which had already been paid to the landholders in 1996.

**REVENUE AND FORESTS AND MEDICAL EDUCATION
AND DRUGS DEPARMENTS**

4.1.5 Unauthorised payment of ‘Incentive Allowance’

Non-observance of Government orders resulted in unauthorised payment of Rs 37.90 lakh on account of Incentive Allowance.

The scheme of granting of ‘Incentive Allowance’ (IA) to employees working in tribal and inaccessible areas of the State has been in vogue in the Tribal Development Department for more than a decade. Government (General Administration Department) extended (August 2002) the scheme to all the employees having their headquarters in the tribal, naxalite affected and other sensitive areas declared from time to time. Government (Home Department) declared Ballarpur taluka (Chandrapur District) as Naxal affected area by an order of 7 December 2004. Hence, employees working in this taluka were eligible for this benefit from the date of the order only.

Scrutiny (February 2005) of records of five³ Drawing and Disbursing Officers (DDO) in Ballarpur showed that the Conservator of Forests (Transport and Marketing), Ballarpur and Administrative Officer, Rural Hospital, Ballarpur irregularly paid IA amounting to Rs 37.90 lakh⁴ to their employees (234 numbers) from August 2002 to December 2004 (upto 6 December 2004).

When the matter of irregular payment of IA was referred (December 2005) for clarification, Government (General Administration Department) confirmed (January 2006) that IA to employees of Ballarpur taluka was payable only from 07 December 2004.

The matter was referred to the Secretary to the Government in May 2006. Reply had not been received (October 2006).

**SOCIAL JUSTICE, CULTURAL AFFAIRS AND SPECIAL
ASSISTANCE DEPARTMENT**

4.1.6 Unauthorised expenditure

Land valued at Rs 2.12 crore was distributed to 258 ineligible beneficiaries under Karmaveer Dadasaheb Gaikwad Sabalikaran and Swabhiman yojana.

Karmaveer Dadasaheb Gaikwad Sabalikaran (Strengthening of income source) and Swabhiman (Increasing self-respect) Yojana’ to provide permanent source of livelihood to below poverty line (BPL) landless scheduled castes and navbaudhas (beneficiaries) between the age group of 18 years and 60 years

³ Block Development Officer, Conservator of Forests (Transport and Marketing), Administrative Officer, Rural Hospital, Tahasildar and Sub-treasury Officer, Ballarpur

⁴ At the rate of Rs 100 to Rs 500 per month depending on the basic pay of the employee

was implemented from April 2004. It envisaged purchase and distribution of good cultivable land to beneficiaries at 50 per cent subsidy and 50 per cent interest free loan. District Committee headed by the District Collector and assisted by the Special District Social Welfare Officer (SDSWO) was to verify the documented record of caste, name in the BPL list and age proof of beneficiaries before approving distribution of land to them.

Records of five⁵ SDSWOs showed (January – June 2006) that 269.14 hectares of land purchased at the cost of Rs 2.12 crore was distributed (2005-06) to 258 beneficiaries. The persons were not eligible for allotment as they did not produce caste certificates (72 beneficiaries), BPL card (81 beneficiaries) and birth certificates (105 beneficiaries) to the District Committee. SDSWOs accepted the omissions and stated (January - June 2006) that upper age limit would be got relaxed from the Government and land distribution to the ineligible beneficiaries, if any, would be cancelled.

The matter was referred to the Principal Secretary to Government in June 2006. Reply had not been received (October 2006).

4.2 Violation of contractual obligations, undue favour to contractors and avoidable expenditure

HOME DEPARTMENT

Maharashtra Maritime Board

4.2.1 Undue favour to a licensee

Failure in enforcing the provisions of an agreement resulted in short recovery of shipping fees of Rs 1.59 crore and undue benefit of Rs 67.42 lakh to a licensee.

The Government decided (November 2000) to enter into a Memorandum of Understanding with interested developers for developing its jetties and ports on a Build, Own, Operate, Share and Transfer basis. Accordingly, an agreement was entered into (March 2002) by the Maharashtra Maritime Board (MMB) with M/s Balaji Leasing and Industries Company Limited (licensee) for the development of a port at Dighi in Raigad District. The stipulated construction period was five years. As per the agreement, on commencement of commercial operations (after completion of development work), the licensee was to pay landing and shipping charges at the rate of Rs 3 per MT for cargo handled at the port to MMB.

Since the agreement of March 2002 did not contain any clause for cargo handling before the completion of the construction of the port, MMB permitted (October 2002) the licensee to commence cargo handling from the

⁵ Akola, Amravati, Aurangabad, Nagpur and Osmanabad

existing jetty through another agreement. As per this agreement, the licensee was to pay cargo and vessel related charges to MMB, as per the scale of rates fixed by the Government in August 2001 (amended from time to time). The licensee was also to maintain the jetty in good condition, failing which MMB could carry out necessary maintenance and repair works at the licensee's cost.

Scrutiny (December 2005) revealed that the licensee handled 3.10 lakh MT of bauxite between October 2002 and April 2004, for which he paid shipping charges at Rs 3 per MT instead of the Government approved rate of Rs 30 per MT of bauxite, citing the provisions of the agreement of March 2002, even though the development of the port had not been completed.

Though MMB directed (March 2003) the licensee to pay landing and shipping charges at Rs 30 per MT, the licensee requested MMB to charge the fees at Rs 3 per MT. MMB, therefore, offered (July 2004) the licensee the option of taking the jetty and two of their other properties on lease in order to avail of the concessional rate of Rs 3 per MT. The lease premium for the properties was to be decided by a Government recognised valuer. MMB also agreed to adjust Rs 67.42 lakh spent by the licensee on repairs and maintenance of the jetty from the lease premium payable by it.

Accordingly, the jetty and the other properties were leased to the licensee at a cost of Rs 1.85 crore. The MMB also directed (September 2005) the licensee to pay shipping charges at the rate of Rs 30 per MT on 3.10 MT of bauxite handled at the port from October 2002 to April 2004. The differential amount of Rs 83.70 lakh was, however, not paid by the licensee as of July 2006.

It was observed that the licensee made the final payment of the lease premium only on 30 May 2005. Thus, the entire goods handled upto April 2005 (instead of April 2004) were to be charged at Rs 30 per MT instead of Rs 3 per MT. This led to short recovery of landing and shipping fees of Rs 75.87 lakh on 2.81 MT of bauxite handled by the licensee from May 2004 to April 2005.

Failure to enforce the provisions of the agreements entered into with the licensee not only resulted in short recovery of Rs 1.59 crore (Rs 83.70 lakh and Rs 75.87 lakh) but also in undue benefit of Rs 67.42 lakh to the licensee.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

HOUSING DEPARTMENT

Maharashtra Housing and Area Development Authority

4.2.2 Unintended benefit extended to estate agents

Ten per cent discount on group booking to estate agents for sale of MHADA tenements at Sion, Mankhurd and Malwani, resulted in an unintended benefit of Rs 1.82 crore towards commission to these agents.

Regulation 14 (A) of the Maharashtra Housing and Area Development (Estate Management, Sale, Transfer and Exchange of Tenements) Regulations, 1981 provided that if there was no adequate response and demand for tenements in any particular scheme, such tenements were to be disposed of on a 'first come first served' basis or in any other manner determined by the Maharashtra Housing and Area Development Authority (MHADA) from time to time. With a view to disposing of unsold tenements MHADA decided (January 2001) the following:

- Ten per cent discount may be allowed on sale prices for group bookings⁶ of tenements of 225 sq ft each in the housing projects at Sion, Mankhurd and Malwani. This discount was not admissible to the housing project at Powai.
- The services of estate agents may be engaged for the sale of unsold tenements in the housing project at Powai on commission basis.
- In respect of these four housing projects, interest should not be levied upto 90 days for payment of the cost of the tenements.

In spite of MHADA's decision to engage the services of estate agents for the Powai project only, the Director of Marketing, Mumbai Housing and Area Development Board (Board) engaged the services of estate agents for the housing projects at Sion, Mankhurd and Malwani also from January 2001 onwards. This action was subsequently regularised by MHADA in May 2003. Scrutiny (February 2005) revealed that the Board did not give fresh advertisements for sale of tenements in the projects at Sion, Mankhurd and Malwani with the concession of 10 per cent discount on group bookings and extended time limit for payment of the cost of tenements. Instead, they engaged the services of the estate agents for sale of the tenements in these projects along with discount. This resulted in unintended benefit to the estate agents to the extent of Rs 1.82 crore towards commission.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

⁶ The booking of tenements by any firm, company or co-operative housing society for 32 or more numbers is treated as group booking.

4.2.3 Loss due to arbitrary fixation of land cost

Arbitrary fixation of land cost while regularising encroachment of a commercial plot at Vile Parle resulted in a loss of Rs 92.78 lakh.

According to the pricing policy of the Maharashtra Housing and Area Development Authority (MHADA), lease premium for any land belonging to it and reserved for commercial purpose was to be levied at the current market rate or double the residential rate, whichever was higher.

Scrutiny (June 2005) of the records of the Joint Chief Officer, Land and Administration, Mumbai Housing and Area Development Board (Board), a unit of MHADA, revealed that the Cabinet-Sub-committee on Housing had considered (December 1997) a proposal to regularise 978 sqm of land in Vile Parle, Mumbai in the name of a private company as the land had already been encroached upon by them. The Sub-committee directed (January 1998) the Government to issue orders to regularise the land according to the rules of MHADA. The Chief Officer of the Board informed (January 1998) the Government that the cost of the land was Rs 33,897 per sqm and according to the prevailing policy of MHADA, penalty at 50 *per cent* of the cost was leviable for regularisation of the encroachment.

Consequent on receipt (February 1998) of a representation from the company for reduction in the cost of the land, the Government directed (February 1998) the Deputy Director, Town Planning, Mumbai to communicate the prevailing cost of land in that area. The Deputy Director assessed the market rate as of February 1998 as Rs 40,000 per sqm and intimated the same to the Government in June 1998. Though the Housing Department proposed to charge this rate, the Minister for Housing overruled (July 1998) the same on the grounds that the encroachment was protected. He stated that there was a decline in the real estate prices in Mumbai and hence this allotment would be financially beneficial to the Board. He also stated that the rates communicated by the Town Planning Authority and the Chief Officer, Mumbai Board were unrealistic and unreasonable. He, therefore, decided (July 1998) to charge Rs 20,000 per sqm for the land and not to levy the penalty of 50 *per cent* of the market cost for regularisation of the encroachment.

The Government communicated (November 1998) the decision to the Board, which allotted (July 1999) 978 sqm of land to the company and asked them to pay Rs 2.20 crore within 45 days as lease premium. The allottee did not pay the lease premium within the prescribed time limit and paid only Rs 10 lakh in September 2000. Since the lease premium was not paid despite repeated demands, the Board sealed the premises in November 2003. The allottee filed (November 2003) a suit in the High Court which, in its interim order dated 12 November 2003, directed the allottee to immediately deposit Rs 60 lakh. According to a decision arrived at a joint meeting held in October 2004 of the allottee and the Board officials, the Board issued (March 2005) a revised order allotting developable built-up area of 463.90 sqm to the company at the rate of Rs 20,000 per sqm.

The total amount payable by the company according to the revised order was Rs 1.04 crore. Considering Rs 10 lakh paid in September 2000 and 60 lakh deposited in November 2003, the balance amount payable by him was Rs 34 lakh. This amount, however, was not paid till March 2006.

Further, there was no basis for reduction of land cost from Rs 40,000 to 20,000 except the representation of the company. The arbitrary reduction in the land cost resulted in loss of Rs 92.78 lakh to the Board. Besides, the amount of Rs 34 lakh due from the company had also not been recovered till March 2006.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.2.4 Loss due to arbitrary fixation of sale price of tenements

Non observance of prescribed procedure of publicity and arbitrary fixation of sale price resulted in a loss of Rs 70.41 lakh as interest on locked up capital and permissible profit.

According to the Maharashtra Housing and Area Development (Estate Management, Sale, Transfer and Exchange of Tenements) Regulations, 1981 tenements had to be disposed of after giving proper notices and advertisements in the media. According to the pricing policy of Maharashtra Housing and Area Development Authority (MHADA) interest (at 16 *per cent*) on the capital invested and profit (at 25 *per cent*) on the project cost was to be charged, while fixing the sale price of tenements.

The MHADA administratively approved (April 1990) the construction of a building with 15 shops and 28 commercial offices on a plot at Vikhroli belonging to the Mumbai Housing and Area Development Board (Board) for an estimated cost of Rs 1.14 crore. The Brihanmumbai Municipal Corporation (BMC), while approving (1990) the plan, changed the nature of 28 tenements from commercial offices to residential tenements and reserved eight tenements for their use. The work started in August 1993 and was completed in February 1997⁷, after incurring an expenditure of Rs 1.72 crore (upto 2002), as per BMC's approved plan.

Scrutiny (March 2003) of records of the Board revealed that the Board advertised (5, 6 and 9 September 2000) 20 tenements for sale, treating them as non-residential, at the rate of Rs 3,250 per sq ft and Rs 3,000 per sq ft for the first and second floor respectively. However, no response was received from the prospective buyers.

The Board did not take any action for disposal of the tenements till it received (February 2001) an application for allotment of all the 20 tenements at residential rates, from a co-operative housing society (CHS). MHADA

⁷ The occupation certificate was received in August 1998 and water supply was released in January 2000 after complying with the Municipal Corporation of Greater Mumbai's various formalities.

decided (June 2001) to allot all the 20 tenements to the CHS at a rate of Rs 1,250 per sq ft after foregoing the interest on the capital invested on the project and the profit to be charged and forwarded a proposal regarding the same to the Government for approval. This decision was taken on the basis of information presented to it by the Board that there was no response even after three advertisements and that there were no prospective buyers. However, the Board had not mentioned the fact that these tenements had been advertised for sale of a higher rate treating those as non-residential units. The Government communicated (November 2001) its approval to take action as per the rules, provided it was beneficial to MHADA.

Thereafter, the Board informed (September 2002) MHADA that they had failed to mention that these tenements had been advertised as non-residential and recommended that a fresh advertisement should be issued, showing them as residential tenements. In spite of this recommendation, MHADA reiterated its earlier decision to allot the 20 tenements to the CHS. Accordingly, all the 20 tenements were allotted in November 2002 to the CHS, without going in for any advertisements.

Thus, the allotment of the tenements directly to the CHS without going through the prescribed procedure of publicity and the arbitrary fixation of their sale price, resulted in a loss of Rs 70.41 lakh to MHADA by way of foregoing the interest on locked up capital and permissible profit.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

MEDICAL EDUCATION AND DRUGS DEPARTMENT

4.2.5 Avoidable expenditure due to delay in payment of water charges

Avoidable expenditure of Rs 31.27 lakh as penal charges was incurred due to delay in payment of water charges, despite availability of funds by St. George Hospital.

Water is supplied to St. George Hospital, Mumbai by Brihanmumbai Municipal Corporation (BMC) at charges leviable at the prescribed rates. Failure to pay water charges before the due date attracts penal charges at the rate of two *per cent* per month on the unpaid dues. In order to avoid payment of penal charges, the Government permitted (November 2001) the hospital to utilise the funds lying in their Personal Ledger Account (PLA) for payment of water charges and electricity charges, subject to subsequent recoupment from the regular grants.

Audit scrutiny in January 2006 and further information collected in June 2006 revealed that the hospital had paid Rs 31.27 lakh towards penal charges due to delayed payment of water charges for the period from June 2002 to April 2006. The bills were paid between June 2003 and May 2006.

The Superintendent, St. George Hospital stated (March 2006) that though adequate annual provisions were made initially, the Government had imposed drastic cuts in the annual grants during the last two financial years, which had resulted in a severe financial crunch. The hospital had, however, resorted to withdrawals from their PLA for settling the pending bills.

The reply is not tenable as there were persistent delays in payment of water charges which ranged from one to 12 months. Failure to pay the water charges on time in spite of availability of sufficient funds in their PLA resulted in avoidable expenditure to the tune of Rs 31.27 lakh.

The matter was referred to the Secretary to the Government in May 2006. Reply had not been received (October 2006).

WATER RESOURCES DEPARTMENT

4.2.6 Unauthorised payment of mobilisation advance

Mobilisation advance of Rs 20.70 crore was given to a contractor in contravention of a contract condition.

The work of construction of the earthen dam and appurtenant structures of the Arjun Medium Irrigation Project, Ratnagiri was awarded (July 2001) to a contractor for Rs 94.68 crore, with the stipulated period of completion being 60 months.

Scrutiny (May 2005) of the records of the Executive Engineer, Ratnagiri Irrigation Division (South) showed that while approving (December 2000) the draft tender papers (DTP), the Chief Engineer, Konkan Region had deleted Clause No 16 of the draft contract regarding mobilisation advance (MA). The contractor requested (January 2002) for MA of Rs 22 crore on the ground that their dues amounting to approximately Rs 40 crore in respect of two ongoing works in other divisions were pending with the Government. With the intention of expediting the work, the Government sanctioned (March 2002) MA of Rs 14.20 crore (15 *per cent* of the accepted tender cost of Rs 94.68 crore) bearing interest of 15 *per cent* and recoverable in suitable instalments. The MA was paid on the contractor's running account bills between March 2002 and March 2004. Additional MA of Rs 6.59 crore was sanctioned (March 2005) by the Government on revision of the estimates based on the District Schedule Rates of 2003-04 and Rs 6.50 crore was paid in March 2005. Due to land acquisition and rehabilitation problems, the work was, however, started only in March 2005. The entire MA was recovered in March and April 2006, but interest amounting to Rs 7.88 crore had not been recovered till May 2006.

As the clause regarding payment of Mobilisation Advance (MA) was deleted from the DTP, sanction of MA after finalisation of the tender vitiated the tender procedure and other tenderers were deprived of this benefit while

quoting their offers. Thus, the selected contractor was given an undue benefit of MA.

The Executive Engineer replied (October 2005) that the Government had sanctioned the MA. Due to land acquisition and rehabilitation problems, the work could not be started till March 2005 and recovery could not be made. He further stated (May 2006) that the MA was recovered in March/April 2006 and the request of the contractor for waiver of interest was under consideration. The reply is not tenable as the payment was made in contravention of the contract conditions. The intention of expediting the work had also not been achieved.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.2.7 Irregular allotment of work

Independent work costing Rs 3.69 crore at a different location was allotted to a contractor as an extra item without inviting tenders in violation of the manual provisions.

The work of cement concrete lining of the seven km long Dahanu branch canal of the Surya bank canal of the Surya Irrigation Project was awarded to a contractor for Rs 1.65 crore on 7 February 2004. The work which was due for completion by 6 August 2004 was allowed extension upto 31 December 2005. The work had not been completed till May 2006.

Scrutiny (January 2006) of the records of the Executive Engineer, Surya Canal Division I, Dahanu showed that the work of cement concrete lining of 18 km of distributory No 2 of the Surya right bank canal, which was unrelated to the work awarded to the contractor, was also allotted (November 2004) to the contractor at a cost of Rs 3.69 crore without calling for tenders, in clear violation of the provisions of the manual.

The Executive Engineer stated (May 2006) that the work had been awarded to the same contractor, as it was part of the canal system handled by the same sub-division. The tendering process might have delayed the work and increased the cost as higher rates might have been quoted by tenderers. The Chief Engineer also approved this action.

The reply is not tenable, as the work was not related to the original work awarded to the contractor. The work of cement concrete lining of distributory No. 2 of Surya right bank canal, awarded as an extra item, was not part of the original work of cement concrete lining of the Dahanu branch canal and was located at a different site. It should have been awarded after a regular tendering process as per the provision of the Maharashtra Public Works Manual. Thus, the award of work valued at Rs 3.69 crore was irregular.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.2.8 Excess payment to a contractor

Non reduction in contract value as a result of design change resulted in excess payment of Rs 2.68 crore.

Work of designing, planning and construction of intake well, approach channel, jack well, pump house, manufacturing and installation of pumping machinery including rising main and commissioning it for Varangaon Lift Irrigation Scheme was entrusted to a contractor on lump sum contract for Rs 93.33 crore for completion by July 2006. The contract was based on the departmental design for two rows of rising mains of mild steel (MS) pipes of 1.9 metres diameter and length 11,280 metres (5,550 metres in first stage and 5,730 metres in second stage). The contract stipulated that in case the offer is based on the contractor's own design, all the designs and drawings would be got vetted from the Superintending Engineer, Central Designs Organisation (CDO), Nasik. The contract further stipulated that additional or the curtailed work would be regulated at the rates entered in the contract.

Scrutiny (June 2002 and December 2005) of records of the Executive Engineer, Minor Irrigation Division, Jalgaon (EE) revealed that after acceptance (July 1999) of the tender, Chief Engineer, Tapi Irrigation Development Corporation, Jalgaon had approved (December 1999) contractor's own designs for the rising main vetted (November 1999) by CDO. It contemplated a straighter alignment for laying of two rows of 8,640 metres rising main of MS pipes of diameter 1.84 metres. The reduction in length (by 2,640 metres) and diameter of the rising main, caused a corresponding reduction in the contract value by Rs 13.67 crore (cost of pipes not being provided), which necessitated proportionate reduction in the payment to be released to the contractor. This was, however, not done which led to violation of contractual provisions and extra payment of Rs 2.68 crore to the contractor based on the 3,401 metres rising main executed upto May 2005.

EE stated (December 2005) that due to adoption of contractor's design, there have been many changes, which led to various modifications resulting in more expenditure on some components of work as compared to the Department's estimate.

The reply was not acceptable, as the contractor had made his offer after taking into consideration all the parameters stipulated in the tender. Since, the length and diameter of the rising main was reduced, department was bound to restrict the payments as per actual execution of the work.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

4.2.9 Extra payment to a contractor

Failure to regulate payments for work done as per the stipulations in the contracts led to extra contractual payment of Rs 1.80 crore to the contractor.

The Executive Engineer, Mun Project Division, Khamgaon (EE) entrusted the work of construction of earthen dam from chainage 154 to 1,087 meter (M) including excavation of ridge cut from 0 to 720 M (Lendi Valley) of Utawali River Project (estimated cost: Rs 8.56 crore). The work was stipulated for completion by December 2005. During the pre-bid meeting, it was specifically clarified by the Assistant Chief Engineer, Irrigation Department, Amravati that the contractor should see in particular the quarry sites and satisfy himself about the quality and quantities of the material available as the rate quoted by him would be inclusive of all leads and lifts involved even if the materials are required to be brought from areas other than those specified in the quarry plans. The minutes of the meeting were also a part of the agreement.

Scrutiny (December 2005 and June 2006) of records of EE showed that Superintending Engineer, Buldhana Irrigation Project Circle, Buldhana sanctioned (June 2004 and March 2005) three extra item rate lists⁸ for Rs 3.51 crore on account of charges for conveying sand and hearting material for construction of hearting and casing zones of embankment. As of April 2006, division paid Rs 76.66 lakh as extra lead charges for sand and other material required for the hearting zone. Similarly, for construction of the casing zone, the contractor was paid Rs 1.03 crore in addition to the tendered rate for bringing the required material from a longer lead. As the contractor was obliged to operate on other than specified quarries at his own cost even in case of non-availability of material in the specified quarries, payment of Rs 1.80 crore was beyond the contractual obligations.

EE stated (June 2006) that due to non-availability of sand and the material required for hearting and casing zones in the specified areas, contractor had to bring the same from other borrow⁹ areas.

This explanation was not acceptable as there was no provision in the contractual terms to compensate the contractor for material brought from quarries other than those specified in the contract.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

⁸ New item of work which crop up during execution of work for which there were no rates specified in the tender

⁹ borrow area includes quarry operations or usage of available material elsewhere

4.2.10 Avoidable payment to a contractor

Failure to challenge Arbitrator's award by Godavari Marathwada Irrigation Development Corporation, Aurangabad led to avoidable payment of Rs 1.19 crore to a contractor.

As per the provisions of the Arbitration and Conciliation Act, 1996 (Act) read with the Limitation Act, 1963 contractor's right to request for appointment of an Arbitrator for settlement of any dispute gets barred after three years from the date on which the claim is finally rejected. The provisions for redressal of disputes relating to works as incorporated in the tenders for three¹⁰ works (Works) of Kayadhu branch canal of Upper Penganga Project (UPP) were as under:

- In case the Executive Engineer (EE) did not give any decision on any dispute within 30 days, the contractor was to take up the matter within 30 days with the Superintending Engineer (SE), who was to give his decision within 60 days.
- If the contractor was dissatisfied with the SE's decision, he was to indicate his intentions to refer the dispute to arbitration within 30 days of the decision of the SE.

Scrutiny of records of EE, UPP Division-VIII, Nanded showed (March 2006) that the EE paid Rs 1.19 crore in April 2005 to the contractor for the Works as per the award (April–May 2004) of an Arbitrator for extra lead charges for bringing material from other than stipulated quarries. The EE had rejected the contractor's claim of extra lead charges in July 1993. As per the terms of contract, the contractor should have approached the SE and sought arbitration on rejection of his claim by EE. This should have been done within a maximum period of 120 days from July 1993. Even under the provisions of the Limitation Act, 1963, he could have lodged the claim for arbitration by July 1996. The contractor, however, approached the SE only in January 2002 with additional¹¹ claims for Rs 3.11 crore besides the claim for lead charges. The SE rejected the claims on 28 February 2002 stating that the dispute was barred under Limitation Act, 1963. The contractor approached the Chief Engineer (Special Projects), Irrigation Department, Aurangabad (CE) on 18 May 2002 seeking appointment of an Arbitrator for settlement of his claims. The CE neither allowed the request of the contractor for appointment of an arbitrator nor disallowed the claim and informed (29 May 2002) him that the EE had not taken a final decision. Thereafter, the contractor selected (June 2002) Chief Engineer, Water and Land Management Institute,

¹⁰ Construction of Kayadhu Branch Canal in Km 4 to 7, Construction of Kayadhu Branch Canal in Km 8 to 10 and Construction of aqueduct at chainage 7,860

¹¹ Revised rates, Price escalation based on the revised rates, Reimbursement of loss and over heads, Payment for removal of weeds at works site, Payment for removal of silt, Reimbursement for idle charges for machinery, Reimbursement for idle charges for labourers and Payment of interest

Aurangabad as a sole Arbitrator, who declared (April/May 2004) the award for Rs 1.19 crore in favour of the contractor.

As the claim was lodged after more than eight years from the date of rejection (July 1993) of the claim by the EE, the Senior Counsel of Godavari Marathwada Irrigation Development Corporation (GMIDC) and the Law and Judiciary Department advised (June-July 2004) to challenge the award. This was, however, not done and payment of Rs 1.19 crore was made (April 2005) to the contractor, which was avoidable.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.2.11 Undue favour to a contractor

Extra contractual benefit of Rs 83.09 lakh was given to a contractor due to sanction of work already covered by the agreement.

Construction of a diversion canal for diverting water flow to Shirange nalla from coffer dam of Tillari Inter-State Irrigation Project was awarded to contractor 'A' at 0.25 *per cent* below the estimated cost of Rs 1.23 crore. The work was completed (December 2002) at the cost of Rs 5.08 crore and final bills were paid in March 2005.

Scrutiny of the final bills showed (August 2005) that the Superintending Engineer, Konkan Irrigation Circle, Ratnagiri (SE) had sanctioned (January 2004) Rs 83.09 lakh on account of an Extra Item Rate List (EIRL) for 'Extra cost for drilling and extra efforts required for excavation in hard rock' though the extra item of work was covered by the item 'Excavation in all kinds of hard strata by blasting *etc.*' Contractor 'A' was, therefore, not eligible to any additional payment so far it related to excavation in hard rock. As the payment of Rs 83.09 lakh on EIRL was beyond the contractual obligations, it amounted to grant of undue favour to the contractor.

SE admitted (May 2006) that the payment of Rs 83.09 lakh was beyond the contractual obligations and stated that the matter would be submitted to Government for ex post facto approval as an ex-gratia payment. Reply is not acceptable as the contract does not provide for such payment.

The matter was referred to the Principal Secretary to the Government (June 2006). Reply had not been received (October 2006).

4.2.12 Extra contractual payment

Irregular sanction of Rs 59.88 lakh was accorded for de-watering during excavation of foundation for KT weir at Digras in Ahmednagar.

The work of construction of Kolhapur Type (KT) weir at Digras in Ahmednagar District was entrusted (January 2002) to a contractor for Rs 1.98 crore (17.40 *per cent* above the estimated cost of Rs 1.69 crore). The contractor in his justification for the offer above the estimated cost of the work

had mentioned (August 2001) that he had considered requirement of more de-watering than estimated by the Department.

Scrutiny of records (March 2005) of Executive Engineer, Medium Project Division (EE) Ahmednagar and subsequent scrutiny revealed that though the rates for items of excavation for foundation were inclusive of cost of de-watering, the EE paid (August 2004) Rs 59.88 lakh to the contractor on Extra Item Rate Lists (EIRL). The Superintending Engineer and Administrator (SE), Command Area Development Authority, Ahmednagar had sanctioned (March and July 2004) the EIRL for de-watering during excavation on the plea that the provision for de-watering made in the estimate was inadequate.

When the irregular payment of Rs 59.88 lakh was pointed out (September 2005), the SE stated (December 2005) that the EIRL was sanctioned as the estimated provision for de-watering during excavation was inadequate.

This justification was not acceptable as the de-watering was a part of tender item, hence was not payable separately. Moreover, the contractor had submitted his offer considering the requirement of more de-watering than what had been estimated by the Department.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

4.2.13 Excess payment to a contractor

Sales Tax recovered from the bills of a contractor under the Works Contract Act, 1985 was unauthorisedly refunded to him resulting in excess payment of Rs 52.12 lakh.

The Maharashtra Act No. XIX of 1985, as amended in 1987, provides that the tendered rates quoted by the contractor should include all existing taxes leviable in respect of Works Contract. Hence, the contractor would not be entitled to any refund of taxes paid by or recovered from him.

Scrutiny of the records of the Executive Engineer, Minor Irrigation Division, Wardha (EE) for construction of the earthen dam of Madan project (Under execution by a contractor at 11.50 *per cent* above the estimated cost of Rs 2.90 crore and scheduled for completion by June 2005) showed (June 2005) that the EE credited to Government account Rs 53.99 lakh upto February 2005 towards sales tax recovered from the contractor's bills. Out of this amount, the EE had also refunded (July 2002 to September 2004) Rs 52.12 lakh to the contractor by debiting the work. The contractor offered 'higher than estimated cost' considering the element of sales tax on Works Contract. The contractor was, therefore, not eligible for refund of the amount. Hence, excess payment of Rs 52.12 lakh was made by the EE to the contractor.

The Executive Engineer stated (February 2006) that the amount paid to the contractor on account of tax deducted at source will be adjusted after all the

transactions are reviewed and corrected suitably in the final bill. However, recovery had not been made in the final bill paid in August 2006.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.2.14 Avoidable expenditure

Use of colgrout masonry in place of uncoursed rubble masonry in construction of key walls, guide walls and divide walls of Anjani Medium Project led to avoidable expenditure of Rs 95.57 lakh.

Work of construction of spillway and divide walls, key walls, guide walls *etc.* (Structures) of the Anjani Medium Project (District Jalgaon) was awarded to a contractor at 8.77 *per cent* above the estimated cost of Rs 5.94 crore for completion by February 2002 (extended upto December 2006). As per the schedule 'B' of the tender, the structures were to be constructed in uncoursed rubble (UCR) masonry (estimated rate Rs 559.35 per cubic metre) while the spillway was to be constructed in colgrout masonry (estimated rate Rs 1008.60 per cubic metre).

Scrutiny (October 2004 and September 2005) of records of the Executive Engineer, Jalgaon Medium Project Division, Jalgaon (EE) showed that the Chief Engineer (CE), Tapi Irrigation Development Corporation, Jalgaon had approved (October 1999) use of colgrout masonry for the structures also with a view to restrict the seepage of water. As the structures were to be provided down stream for protecting the spillway and the riverbanks, no storage of water behind them was possible. Consequently, there was no possibility of any direct seepage of water from the structures. The change was, therefore, injudicious in view of the higher cost of execution of colgrout masonry. As of October 2005, it contemplated additional burden of Rs 95.57 lakh on the work due to construction of left and right side guide walls (17,455.49 cubic metre) in colgrout as compared to the cost of uncoursed rubble masonry. The expenditure of Rs 95.57 lakh was avoidable.

The EE confirmed (December 2005) that there was no necessity and propriety to provide colgrout masonry in guide walls, divide walls *etc.* in place of UCR masonry to restrict the seepage of water from dam. The CE, however, had not furnished any comments as of May 2006.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

4.3 Idle investment/idle establishment/blocking of funds and diversion/ misutilisation of funds

HOUSING DEPARTMENT

Maharashtra Housing and Area Development Authority

4.3.1 Blockage of funds on a commercial project

Improper planning of a commercial project and delay in finalising the land cost by Government resulted in blockage of Rs 6.35 crore.

The Mumbai Housing and Area Development Board (Board), a unit of the Maharashtra Housing and Area Development Authority (MHADA), appointed (March 2000) a consultant for a project to construct a commercial complex at Bandra (West) in Mumbai. Accordingly, the Vice President and Chief Executive Officer (VP and CEO), MHADA requested the Collector, Mumbai Suburban District, to allot the required land to MHADA and accorded administrative approval of the project for Rs 147.02 crore under the advance contribution scheme¹².

Scrutiny of the records of the Executive Engineer, Housing Division, Bandra revealed (April 2005) that the plan for the project had been submitted (November 2000) to the Mumbai Metropolitan Regional Development Authority (MMRDA) even before according administrative approval to the scheme. A revised plan with a cloverleaf and an extension of a road through this plot, as suggested by MMRDA and the Maharashtra State Road Development Corporation, was submitted to MMRDA only in April 2005. The plan was not approved for want of clearance from the Environment Department and the Public Works Department. Besides, there was a proposed Metro railway to be passed through the plot. As such, the project was likely to require further revision. The architect was paid (between December 2000 and May 2002) fees of Rs 75.16 lakh and his claim for Rs 19.20 lakh was pending (May 2006).

Meanwhile the Collector, Mumbai Suburban District raised (September 2004) a demand for Rs 79.24 crore based on the current market rate of the land. MHADA had already paid (February 2001 and May 2002) Rs 5.57 crore to the Government on ad hoc basis and requested (December 2004) the Collector to reduce the cost. The issue was pending with the Government. The approval of the plan of the project by the MMRDA was pending as the issue of title of the plot has not been settled as of August 2006.

¹² Only seed capital was to be invested by the Board and the cost was to be collected from the prospective buyers according to the progress of the work.

Thus, improper planning of the project and the delay in finalising the cost of the land by the Revenue and Housing departments resulted in the delay of the project and blockage of Rs 6.35 crore incurred on it.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

4.3.2 Underutilisation of hostel building

The construction of a hostel building costing Rs 2.73 crore without proper justification resulted in its underutilisation.

The Pune Housing and Area Development Board (Board), a unit of Maharashtra Housing and Area Development Authority (MHADA), could not obtain an occupation certificate for its administrative building from the Pune Municipal Corporation as the floor space index (FSI) consumed by it was in excess of the approved plan. The only option thus available to the Board to regularise the excess FSI, was to avail of the additional FSI permissible only for educational purposes. The Board, therefore, proposed (January 1996) to construct a multistoreyed hostel building for the Professional Development Centre (PDC), Pune by demolishing the existing old two storeyed building in the same layout where the administrative building of the Board was constructed.

MHADA accorded (September 1996) the administrative approval (AA) for the work for Rs 82.07 lakh, which was revised (September 1998) to Rs 2.23 crore due to updation of the District Schedule of Rates and changes in the proposed building. The building consisting of 18 rooms with an intake capacity of 33 persons, three VIP suites, a residential quarter for the Director, an exhibition hall, a dining hall, a kitchen and a centre hall, completed in August 2002 at a cost of Rs 2.73 crore.

Scrutiny (April 2006) of the records of the Executive Engineer of the Board and information collected from the Director, PDC disclosed that during the last three years the average annual occupancy of the hostel was only 232 against the available capacity of 4620 and training for only 42 days per year was conducted. The three VIP suites in the building were not at all utilised and the Director's quarters were not occupied except from February 2002 to June 2004. Thus, the building remained underutilised since its completion.

Thus, the construction of the hostel building costing Rs 2.73 crore with the intention of regularising the extra FSI used in the administrative building and without proper justification resulted in its underutilisation.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

PUBLIC WORKS DEPARTMENT

4.3.3 Unfruitful expenditure on construction of bridge

Construction of a bridge without acquiring land required for its approach roads resulted in unfruitful expenditure of Rs 2.05 crore.

The work of construction of a major bridge between Mankule and Dherand on Revas-Poynad-Nagothane Road SH-86 was administratively approved (February 1999) for Rs 8.47 crore by the Public Works Department of the Government. While according the approval, it was stipulated that possession of the land required for the bridge and its approach roads should be taken before according the technical sanction. Despite this, the Chief Engineer, Mumbai region accorded (June 1999) the technical sanction for the work of the bridge at a cost of Rs 2.49 crore, without ensuring acquisition of land for the approach roads. He however, directed to take necessary action for acquisition of land in order to avoid idling of the bridge for want of approach roads.

The Executive Engineer, Public Works Division, Alibag, District Raigad, awarded (October 2002) the work to a contractor for Rs 1.98 crore which was completed in February 2004 at a cost of Rs 2.05 crore.

A test-check of records (December 2005) showed that though the land acquisition process had been initiated in March 1997 with the Land Acquisition Officer, Alibag, the land had not been acquired as of July 2006 due to opposition from the local paddy farmers. When the Executive Engineer suggested (June 2005) compulsory acquisition of the land, the Collector, Raigad intimated (August 2005) that the required land fell under the Coastal Regulatory Zone and prior permission of the Coastal Regulatory Authority (CRA) was necessary for the same. The Executive Engineer sought the permission from CRA only in March 2006 and the same was awaited as of July 2006.

Thus, the according of the technical sanction for the work by the Chief Engineer and its execution by the Executive Engineer without acquiring the land required for the approach roads, contrary to the Government's directive, resulted in idling of the bridge and rendering of the expenditure of Rs 2.05 crore on it unfruitful.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

**RURAL DEVELOPMENT AND WATER CONSERVATION
DEPARTMENT**

4.3.4 Unfruitful expenditure on an irrigation project

Failure to visualise the requirement of land for submergence led to unfruitful expenditure of Rs 51.01 lakh on diversion weir on Madeghat Nalla in Gondia District.

Maharashtra Public Works Manual stipulates that no work should be commenced unless land required for the work is in the possession of the Department.

Scrutiny of the records of the Executive Engineer, Minor Irrigation Division (local sector), Gondia (Division) showed (February 2003 and August 2005) that though an expenditure of Rs 51.01 lakh was incurred (upto March 2004) on Madeghat Nalla Project (project) in Gondia district to irrigate 177 hectares of land, there was no storage in the weir. The Division had considered only 0.21 hectares of land for submergence in the original estimates. However, in the revised estimates prepared in November 2004, 22.326 hectares of land was provided for storage of water. Though the Division provided (November 2004) Rs 33.58 lakh for acquisition of land in the revised estimates, the land had not been acquired as of May 2006. In the absence of land for submergence, storage was not possible. Thus, failure of the Division to correctly assess the area of land required for submergence and failure to acquire the required land resulted in unfruitful expenditure of Rs 51.01 lakh for over three years, besides denial of intended irrigation benefits to the beneficiaries.

When this was pointed out, the Executive Engineer stated (December 2005) that the revised estimate was under scrutiny of the Superintending Engineer (SE), Local Sector Circle, Nagpur.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

TRIBAL DEVELOPMENT DEPARTMENT

4.3.5 Unfruitful expenditure on electric pump sets

Unfruitful expenditure of Rs 17.67 crore was incurred on uncommissioned electric pump sets.

Government launched (1973) a scheme for supply of electric pump sets to tribal cultivators through the Commissioner, Tribal Development Department (TDD). The Tribal Development Corporation (TDC) was entrusted (July 1992) with the responsibility of installation of pump sets and arranging supply of electricity through the Maharashtra State Electricity Board (MSEB). The

Project Officers (POs) of the Integrated Tribal Development Project (ITDP) were to ensure completeness of all the formalities and a committee under the chairmanship of the Additional Commissioner, TDD was to scrutinise the applications before sanctioning the release of the pump sets to the beneficiaries.

Scrutiny of the records of the Commissioner, TDD, Nashik (November 2005) and information collected (June 2006) subsequently showed that the Department had purchased and supplied 16,815 electric pump sets between 1999-2000 and 2002-03. Of these, 11,867 pump sets costing Rs 17.67 crore were not commissioned as of May 2006. In 7,588 cases, MSEB did not sanction the demand notes for electric connections submitted by the Commissioner, TDD, in 3,912 cases the MSEB did not provide electricity supply to the beneficiaries even after fulfilling all the requirements and in the remaining 367 cases, pumps were lying with the TDC due to death of some beneficiaries and shifting of some of them. Though a similar comment was made in the Report of the Comptroller and Auditor General for the year ended 31 March 2000, the Department continued to supply the electric pump sets till the year 2002-03. The Public Accounts Committee (PAC), in their 13th Report of 2003-04, had recommended that all the electric pump sets should be made functional by March 2004 and a report was to be submitted to the PAC by April 2004. However, despite PAC recommendations 11,867 electric pump sets procured between 1999-2000 and 2002-03 remained uncommissioned, resulting in unfruitful expenditure of Rs 17.67 crore.

The Commissioner replied (November 2005) that the Government had sanctioned Rs 35.43 crore during 2003-04 and 2004-05 to the MSEB to commission all the electric pump sets and also convened high level meetings¹³ (June 2004, July 2005 and October 2005) to expedite the matter.

The reply is not tenable because the electric pump sets remained uncommissioned, despite recommendations of the PAC.

The matter was referred to the Secretary to the Government in May 2006. Reply had not been received (October 2006).

¹³ meetings with Chief Engineer, Superintending Engineers, Divisional Engineers of MSEB and Additional Commissioners and Project Officers of TDD

WATER RESOURCES DEPARTMENT

4.3.6 Unfruitful expenditure

Failure to construct a Head Regulator valued at Rs 3.16 lakh on Kulpa-Karanja distributory resulted in unfruitful expenditure of Rs 1.36 crore on construction of Kotjambhora minor and denial of irrigation benefit to the cultivators.

Construction of Kotjambhora (KJ) minor¹⁴, fed by Kulpa–Karanja (KK) distributory of right bank canal (RBC) of Bagh Itiadh Interstate Irrigation Project (Project) to irrigate 330 hectares of land in the border district Gondia, was completed in March 2001 at the cost of Rs 1.36 crore. As the maintenance of KK distributory rested with Madhya Pradesh (MP) Government, their prior consent for the construction of head regulator (HR) to feed KJ minor was necessary.

Scrutiny of the records of the Executive Engineer, Bagh Itiadh Irrigation Division, Gondia (EE) showed (June 2005 and April 2006) that the Chief Engineer, Irrigation Department, Nagpur approached Government of MP only in March 2001 requesting them to permit construction of the HR on KK distributory for feeding the KJ minor. In February 2003, Government of MP conveyed their approval to construct the HR (estimated cost Rs 3.16 lakh) as per their plans and estimates with funds of Government of Maharashtra. The EE, however, did not commence the work as of April 2006. Consequently, the Department was unable to receive water from KK distributory and provide irrigation benefits to cultivators. Failure of the EE to synchronize the construction of the HR with the completion of minor in March 2001, thus resulted in unfruitful expenditure of Rs 1.36 crore for over five years.

The EE stated (April 2006) that there was a delay in taking up the matter with Government of MP and further stated that due to paucity of funds, execution of HR could not be taken up.

The contention of EE was not acceptable as he should have augmented the funds required for construction of HR looking to the existing investment of Rs 1.36 crore on the KJ minor.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

¹⁴ Minor is a water carrying channel of size smaller than a distributory

WATER SUPPLY AND SANITATION DEPARTMENT

Maharashtra Jeevan Pradhikaran

4.3.7 Unfruitful expenditure

Inadequate planning, improper selection of an agency and lack of follow up of the system development life cycle resulted in unfruitful expenditure of Rs 31.69 lakh incurred on computerisation of accounts.

The Maharashtra Jeevan Pradhikaran (MJP), an autonomous body of the Government of Maharashtra, initiated the development of an applications package (August 1998) for computerisation of accounts in its head office, circle offices and divisional offices to ensure speedy and accurate compilation of accounts. The Financial Advisor and Chief Accounts Officer (FA&CAO) of MJP entrusted the job of development in August 1998 and implementation of the applications package in January and June 2000 to M/s Unisol Informatics at a cost of Rs 2.40 lakh for development and Rs 34.58 lakh for implementation at 87 locations.

The work of software development was however, taken up without proper documentation and without considering the various stages of system development such as preparation of detailed user requirements, choice of database system and technology architecture. Further, the package was developed and implemented between February 2000 and December 2001 without proper testing at 87 locations. As the package could not meet the users' requirements, the software version was modified (July 2002) and implemented at four¹⁵ regions. It was, however, not implemented in two¹⁶ regions even after a lapse of four years due to various lacunae in the package. As such, out of Rs 36.98 lakh due to M/s Unisol Informatics, the FA&CAO made (August 1998 to January 2000) a part payment of Rs 31.69 lakh only.

A status report obtained from 38 units revealed that utilisation of the package was stopped (four in 2000-01, 10 in 2001-02, 22 in 2002-03, one in 2003-04 and one in 2004-05) by the units because of an incomplete Running Account bill module, errors in carry forward of previous year balances, serial numbering of expenditure vouchers and receipts, non provision of capturing cheque numbers and returned cheques and non development of a module for annual accounts.

As the MJP failed to take remedial action, the objective of speedy and accurate compilation of accounts at divisions, circles and central office could not be achieved even after eight years. Thus, inadequate planning, lack of user requirements documentation, acceptance testing, systematic approach and

¹⁵ Konkan, Pune, Nashik and Aurangabad

¹⁶ Amravati and Nagpur

follow up of the System Development Life Cycle resulted in rendering the expenditure of Rs 31.69 lakh unfruitful.

The matter was referred to the Secretary to the Government in August 2005. Reply had not been received (October 2006).

4.3.8 Blocking of funds on purchase of DI pipes

Inaction on the part of Maharashtra Jeevan Pradhikaran to dispose of surplus DI pipes resulted in blocking of funds of Rs 1.59 crore.

The work of Improvement to Distribution System for Nagpur City Stage-II, estimated to cost Rs 54.14 crore, awarded to various contractors between August 1993 and March 1998, was completed and handed over to the Nagpur Municipal Corporation in 1999-2000.

Scrutiny of the records (February 2005) of the Executive Engineer (EE), Maharashtra Jeevan Pradhikaran (MJP), Works Division II, Nagpur showed that the Division had procured Ductile Iron (DI) pipes measuring 18,094.55 metres for the scheme and used 15,593.55 metres on its various works. The remaining DI pipes measuring 2,501 metres, valued at Rs 1.59 crore could not be used as the area where the pipes were to be laid was busy with very heavy traffic making it technically unviable to lay the pipes. Scrutiny revealed that the DI pipes remained idle as of July 2006.

The EE, MJP, Works Division II, Nagpur stated (July 2005) that DI pipes were declared as surplus in March 1999 and the position was intimated to the Superintending Engineer (SE), MJP Circle, Nagpur (June 1999 and February 2000) and the SE (CPDM), MJP, Navi Mumbai (August 2003 and August 2004).

The reply is not tenable because no effective action was taken to dispose of the surplus DI pipes and possibility of deterioration of the DI pipes due to the passage of time could not be ruled out. Thus, lack of efforts in disposal of the surplus pipes resulted in idling of the same for over seven years and blocking of funds to the extent of Rs 1.59 crore.

The matter was referred to the Principal Secretary to the Government in May 2006. Reply had not been received (October 2006).

4.4 Regulatory issues and other points of interest

HOUSING DEPARTMENT

Maharashtra Housing and Area Development Authority

4.4.1 Non-recovery of loan component under Lok Awas Yojana

Loan instalments amounting to Rs 4.80 crore were not recovered from beneficiaries of Lok Awas Yojana.

The Government decided (August 2000) to construct 50,000 houses under the Lok Awas Yojana (LAY), a component of the centrally sponsored National Slum Development Programme (NSDP). The Maharashtra Housing and Area Development Authority (MHADA) was the nodal agency for implementation of the scheme. Cost of each house is Rs 30,000, which included subsidy, loans and beneficiary contribution. The loan component of the scheme was to be raised by MHADA from HUDCO or other financial institutions.

Scrutiny (May 2006) of the records of MHADA revealed that they could not obtain any loans from HUDCO or other financial institutions because Government guarantees could not be obtained. MHADA, therefore, provided loans amounting to Rs 6.49 crore to 7,263 beneficiaries during 2001-2006, for construction of houses under LAY. The amounts were however, debited to NSDP account instead of MHADA's account. As per the loan agreements executed by the Regional Boards of MHADA with the beneficiaries, the loan amounts together with interest, were to be recovered in monthly equated instalments within 10 years. It was, however, noticed that the Regional Boards had not taken any action for recovery of these loans. As a result, an amount of Rs 4.80 crore due for recovery from October 2001 to July 2006 remained unrecovered from the beneficiaries as of August 2006.

Further, MHADA received (May 2003) Rs 9.48 crore from Social Welfare Department under LAY. As of March 2006, MHADA spent Rs 3.96 crore for payment of subsidy to backward class beneficiaries. The balance (Rs 5.52 crore) was lying with MHADA as of August 2006.

The matter was referred to the Principal Secretary to the Government in June 2006. Reply had not been received (October 2006).

FINANCE DEPARTMENT

4.4.2 Functioning of Treasuries

The major irregularities noticed during inspection of 33 treasuries by the Accountants General (Accounts and Entitlement) Mumbai and Nagpur during 2005-06 are brought out in the following paragraphs.

Overpayment of pension

Overpayment of pensionary benefits of Rs 66.69 lakh was made during 2005-06 on account of incorrect fixation of pension, incorrect calculation of Dearness relief, non-adjustment of provisional Death-cum-Retirement Gratuity *etc.*

Irregular remittance of pension

Every pensioner is required to submit life certificates every November, as prescribed under Rule 335 of the Maharashtra Treasury Rules, 1968, to the Treasury Officers (TOs)/ the Pay and Accounts Officer (PAO), Mumbai either directly or through the banks. The TOs/PAO, Mumbai have to watch the receipt of such certificates and should not make any payment unless the same is received. It was noticed that the TOs, Jalgaon, Kolhapur, Sangli and Solapur and the PAO, Mumbai did not ensure submission of life certificates and continued to remit pension aggregating to Rs 26.16 lakh to pensioners' account for periods ranging from seven to 75 months after their death. At the instance of Audit, the TOs and PAO, Mumbai recovered (June 2006) the amount.

Reconciliation of deposit balances:

As per Rule 528 of the Maharashtra Treasury Rules, 1968 (MTRs), Treasury Officers are required to reconcile the balances of deposit transactions with the balances appearing in the books of Accountant General (Accounts and Entitlement) I. It was observed that Treasury Officers, Kolhapur, Nandurbar, Nashik and Sindhudurg had not reconciled the balances under 8443 'Civil Deposits' for periods ranging from one to four years. Further, 14¹⁷ Treasury Officers had not reconciled the balances under 8336 Civil Deposits from 1 April 1985 onwards.

Non-closure of inoperative Personal Deposits and Personal Ledger Accounts

As per Rule 495 of MTRs and para 585(2) of the Maharashtra Treasury Manual (MTM), Personal Deposits (PD) and Personal Ledger Accounts (PLA) of the various designated offices of the Government (Administrators), which were not operated for more than three continuous accounting years, are to be closed and the balances in such PDs and PLAs are to be credited to the Government. It was noticed that 139 PDs and PLAs which were not operated for more than three years had not been closed and the balance of Rs 1.10 crore lying in them were not credited to the Government account.

Non-reconciliation of Personal Deposits and Personal Ledger Accounts

As per para 589 of MTM, Treasury Officers are required to obtain certificates of balances at the end of each year from the Administrators of PLAs. After obtaining such balance certificates, differences, if any, are required to be reconciled and the balance certificates after reconciliation with the treasuries

¹⁷ Ahmednagar, Dhule, Jalgaon, Kolhapur, Nandurbar, Nasik, Pune, Ratnagiri, Raigad, Satara, Sindhudurg, Solapur, Sangli and Thane

are be forwarded to the Accountant General (Accounts and Entitlement)-I, Mumbai for confirmation of balances. It was noticed that the differences between the treasury balances and the Administrators' balances in 317 cases, the differences between treasury balances and sub-treasury balances in 356 cases and the differences between sub-treasury balances and Administrators' balances in 180 cases had not been reconciled. Besides, annual balance certificates had even not been submitted by 257 Administrators.

Outstanding Non Payable Detailed Contingent bills

As per the provisions contained in Chapter VI of the Pay and Accounts Office (PAO) Manual, the accounts of Abstract Contingent (AC) bills are to be compiled monthly by the PAO and the submission of Non Payable Detailed Contingent (NPDC) bills in respect of these AC bills are to be watched by maintaining an Objection Book register.

It was, however, noticed that 1,728 items of AC bills amounting to Rs 179.51 crore between 1995 and 2005 were pending for want of NPDC bills from various Drawing and Disbursing Officers.

These points were brought to the notice of the Principal Secretary to the Government in August 2006. Reply had not been received (October 2006).

4.4.3 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 inspections of Government departments to test-check their 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) which are issued to the heads of the offices inspected with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the Secretaries of the concerned departments to facilitate monitoring of action taken on the audit observations included in these IRs.

The IRs issued up to December 2005, pertaining to 26 departments, disclosed that 26,520 paragraphs relating to 9,816 IRs were outstanding at the end of June 2006. Year-wise position of the outstanding IRs and paragraphs are detailed in the **Appendix 4.1**.

Departmental Audit Committee Meeting

In order to settle the outstanding audit observations contained in the IRs, Departmental Audit Committees have been constituted by the Government.

During 2005-06, 12¹⁸ out of the 26 departments convened 31 Audit Committee meetings. Out of 14,617 paras outstanding against these 12 departments, 2,157 paras were discussed in the meetings and 897 paras were settled.

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

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 did not however, comply with these instructions.

The position of outstanding EMs from 1999-2000 to 2004-05 was as below:

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
1999-2000	14 December 2001	55	43	12
2000-01	29 April 2002	43	35	8
2001-02	22 July 2003	51	34	17
2002-03	8 July 2004	48	16	32
2003-04	21 July 2005	48	8	40
2004-05	18 April 2006	39	2	37
Total		284	138	146

In addition to the above, EMs in respect of 74 paras relating to the period prior to 1999-2000 were also outstanding. Department-wise details are given in **Appendix 4.2**.

Action Taken Notes

The Maharashtra Legislature Secretariat (MLS) Rules stipulate that Action Taken Notes (ATN) on the recommendations of the Public Accounts Committee (PAC) on those paragraphs of the Audit Reports that are discussed are required to be forwarded to the MLS duly verified by 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

¹⁸ Agriculture; Co-operation and Textiles; General Administration; Industries, Energy and Labour; Higher and Technical Education; Home; Public Health; Public Works; Rural Development and Water Conservation; School Education; Water Supply and Sanitation and Women and Child Welfare

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	103	705
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	109	990

The aforesaid point were brought to the notice of the Chief Secretary to the Government of Maharashtra in August 2006. Reply had not been received (October 2006).