CHAPTER IV

WORKS EXPENDITURE

SECTION 'A' REVIEW

IRRIGATION DEPARTMENT

4.1 Integrated Audit of Irrigation Department

4.1.1 Highlights

The Irrigation Department failed to achieve any noticeable impact in the utilisation of irrigation potential. Budgetary and expenditure control in the department was grossly deficient; large number of projects were languishing for long periods and Government was yet to evolve a clear strategy to complete the projects where heavy investments have already taken place. Some of the significant findings are given below:

Unauthorised financial assistance of Rs 19.72 crore was paid to 6 contractors in violation of contract agreement.

(Paragraph 4.1.5.2(i))

Out of 32 major and medium projects, 22 projects were still under execution, with a cost overrun of 10 times the original cost.

(Paragraph 4.1.6)

Additional irrigation benefit from Wambhori and Bhagda piped canal systems of Mula project may not be possible since the project was undertaken on the basis of estimated yield of water instead of actual available yield of water. Rs 109.01 crore spent on the project would have poor rate of return.

(Paragraph 4.1.7(a))

Contrary to its own decision taken in 1978, Government sanctioned 42 Lift Irrigation Schemes at a cost of Rs 582 crore.

(Paragraph 4.1.7(c))

Rs 2393.19 crore are due to department on account of (i) water charges (Rs 970.93 crore), (ii) cost of inter-state projects (Rs 131.98 crore), (iii) proportionate capital cost of water reserved for non-irrigation use from other agencies (Rs 762.87 crore), (iv) lease rent from Maharashtra State Electricity Board on account of hydroelectric projects (Rs 525.43 crore) and (v) of Kharland cess (Rs 1.98 crore).

(Paragraphs 4.1.8.2, 4.1.8.3, 4.1.8.4, 4.1.8.5 and 4.1.10(b))

Out of 57 schemes aided by European Economic Community, 21 schemes were left incomplete after incurring an expenditure of Rs 25.26 crore. In 36 schemes programme objectives were not achieved.

(Paragraph 4.1.11)

Despite the disagreement of the Finance and Planning Departments, Government created five Irrigation Development Corporations but failed to provide agreed capital contribution. Additional funds raised from the market necessitated release of Rs 2693.79 crore by the Government to meet the interest liability.

(Paragraph 4.1.12.2)

Store management was poor resulting in huge inventory of Rs 41.90 crore including 42550 old spare parts (Rs 27.42 crore), Mild Steel pipes (Rs 12.45 crore) unserviceable steel (Rs 2.03 crore).

(Paragraphs 4.1.13(i), (ii) and (iii))

4.1.2 Introduction

Maharashtra has a total cultivable area of 182 lakh hectares (ha) land of which 84 lakh ha (46 *per cent*) can be brought under irrigation. The Irrigation Department (ID) is responsible for increasing the irrigable areas, flood control, Command Area Development (CAD), etc and contribute to increase in agricultural production. Irrigation potential (IP) of 38.04 lakh ha was created by the end of 2001-02 from 52 major, 205 medium and 2426 minor irrigation projects against which the utilisation was 12.98 lakh ha only being 34.12 *per cent* of the potential created.

4.1.3 Organisational set-up

Secretary, Irrigation and Secretary, CAD Authority at Government level and the Chief Engineers (CE), Superintending Engineers (SE) and Executive Engineers (EE) at field levels were responsible for framing the policy and carrying out various activities of the department. In addition Government created five[1] Irrigation Development Corporations between February 1996 and August 1998 under the control of five Executive Directors.

4.1.4 Audit coverage

A test-check of the records of Irrigation Department and three Corporations, namely, Vidarbha Irrigation Development Corportion (VIDC), Nagpur, Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad and Tapi Irrigation Development Corporation (TIDC), Jalgaon and in the office of five[2] CEs, six[3] SEs and 75 EEs was conducted between

[1] Maharashtra Krishna Valley Development Corporation (MKVDC), Pune, Vidarbha Irrigation Development Corporation (VIDC), Nagpur, Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad, Konkan Irrigation Development Corporation (KIDC), Mumbai and Tapi Irrigation Development Corporation (TIDC), Jalgaon

[2] CE- Amravati, Aurangabad, CADA-Aurangabad, Nagpur and Nashik (Mechanical)

[3] SE – Jayakwadi Project Circle, Aurangabad, CADA, Beed, Nashik Irrigation Project Circle, Nashik, Nanded Irrigation Circle, Upper Penganga Project Circle, Nanded and Dhule.

April 2001 and July 2001 and January 2002 and June 2002. The findings are discussed in the following paragraphs.

4.1.5 Financial management

4.1.5.1 Budgetary performance

Details of budget grants *vis-a-vis* expenditure during the last 5 years ending March 2002 were as under:

Revenue expenditure

(Rupees in crore)

Year	Budget grant	Actual expenditure	Excess over budget grants	Percentage of excess with budget grant
1997-98	1261.91	1581.95	320.04	25.36
1998-99	1253.26	1654.08	400.82	31.98
1999-2000	728.31	1734.39	1006.08	138.14
2000-01	659.65	1685.49	1025.84	155.51
2001-02	644.57	1686.64	1042.07	161.67

Capital expenditure

(Rupees in crore)

Year	Budget grant	Actual expenditure	Savings over budget grants	Percentage of savings with budget grant
1997-98	2436.22	2247.02	189.20	7.77
1998-99	1939.22	1689.42	249.80	12.88
1999-2000	1890.66	1791.56	99.10	5.24
2000-01	2064.84	1302.71	762.13	36.91
2001-02	2121.77	1439.32	682.45	32.16

No reasons were furnished by Government for the excesses and savings for the period 2000-01 and 2001-02. It was also noticed that Controlling Officers failed to reconcile expenditure during 1997-02 with the figures booked by the Accountant General (Accounts and Entitlements)-II, Maharashtra because of which the excesses and savings under different sub heads of expenditure both under capital and revenue, could not be identified. Consequently, improper utilisation of allotments, incorrect classification and unauthorised expenditure without budget provision could not be effectively monitored by the Controlling Officer.

In the five years from 1997-02, five cases of excess supplementary grants, 23 cases of injudicious reappropriations and surrenders causing excess over allotment, 12 cases of reappropriation obtained unnecessarily or in excess of requirement, nine cases of uncovered excess, four cases of non-surrender of anticipated saving and 18 cases of defective budgeting were noticed.

Further, it would be seen from the above table that the excess revenue expenditure had increased from Rs 320.04 crore in 1997-98 to Rs 1042.07 crore in 2001-02. The increase in revenue expenditure was mainly due to inadequate provision of interest payment on the borrowings raised by Corporations for which Government stood guarantee. Provision of interest was not made on realistic basis though it was recommended by Public Accounts Committee. Also detailed reasons for savings under capital expenditure had not been furnished.

4.1.5.2 Expenditure control

Some instances of ineffective control over expenditure are given below:

(i) Irregular payment of advances

Advances of Rs 19.72 crore were paid to 6 contractors though agreements did not stipulate any such payment

EEs, Sardar Sarover Division, Jalgaon, Hatnoor Canal Division, Chopda, Medium Project Division No II, Dhule, Irrigation Division, Dhule and Ratnagiri Irrigation Division (RID), Ratnagiri paid advances of Rs 19.72 crore to 6 contractors (November 1998, June 1999, July 1999, August 2000, January 2001 and March 2002) though agreements did not stipulate payment of any such advances.

Executive Director, TIDC stated (June 2002) that the amounts were paid on the request of contractors to speed up the work as per rules and regulations framed by MKVDC, Pune. EE, RID, Ratnagiri stated (May 2002) that advance was sanctioned by Government. The reply is not acceptable as financial assistance has a bearing on offers quoted by contractor.

(ii) EE, Purna Medium Project Division, Achalpur paid machinery advance of Rs 1.76 crore (October 1996 and February 1997) to a contractor though the machinery did not belong to him. The advance of Rs 1.68 crore outstanding at the time of withdrawal of the work (June 2000) was yet to be recovered from the contractor (August 2002). On this being pointed out, the EE stated that the recovery would be effected by auctioning the machinery. The reply was not tenable as neither the machinery was owned by the contractor nor hypothecated to the Government and it would not be legally feasible to auction the machinery.

4.1.6 Time and cost overrun

In respect of 40 irrigation projects test-checked, time and cost overrun was as under. Details are given in Appendix XIX.

(Rupees in crore)

Category of the project	No. of project test-checked	Original cost	Revised cost	Time overrun	Cost overrun
Major	16	826	8249	7 to 28 years	7423
Medium	16	50	655	8 to 21 years	605
Minor	8	20	106	3 to 13 years	86

Only 16 *per cent* irrigation potential was created after incurring expenditure of Rs 3462.70 crore

Out of 32 major and medium projects, in 22 projects irrigation potential created was less than 72 *per cent* of the projected figure and are languishing for the last 7 to 28 years. Only 1.12 lakh ha (16 *per cent*) has been achieved against the projected irrigation potential of 6.87 lakh ha after incurring expenditure of Rs 3462.70 crore. The original estimated cost Rs 746.23 crore had in the meanwhile escalated to Rs 7140.83 crore (857 *per cent*). Rs 3678.13

crore would be further required to complete these 22 projects. The acute resource crunch can further delay these projects with further escalation in cost.

Some of the interesting points on 4 major projects are detailed below:

(i) Nandur Madhmeshwar Project

Department executed 128 kilometre of canal from 1972-73 without completing four component dams and ensuring availability of water in canal

The Government approved the project "Construction of four component dams at Mukne, Bhawali, Bham and Waki" and a new express canal of 128 kilometres from the existing Nandur Madhmeshwar weir to irrigate 43860 ha of land, at an estimated cost of Rs 48.70 crore (July 1979). The estimate was revised in July 1999 to Rs 578.36 crore. It was noticed that even though expenditure of Rs 103.57 crore was incurred on these 4 component dams no water could be stored due to delay in their completion apart from various problems related to Project Affected Persons (PAPs) and forest land. Besides, the Department continued construction of the new express canal and incurred an expenditure of Rs 210.54 crore on it till March 2002 without keeping pace with construction of component dams and ascertaining the availability of water. The execution of the work on the express canal to its full length without ensuring availability of water in these four storage dams was unwarranted and also indicates poor planning and lack of co-ordination amongst the various executing authorities.

(ii) Waghur Project

Three irrigation projects could not be completed even after 20 years and after incurring an expenditure of Rs 668.87 crore

The project was sanctioned in 1976 at a cost of Rs 12.28 crore to irrigate 15213 ha of land. Only 70 *per cent* headwork and 30 *per cent* of canal work was completed as of March 2002 at a cost of Rs 70.84 crore. Even after 26 years the project could not be completed due to delay in rehabilitation of PAP's, objections from Ministry of Environment and Forest of GOI and paucity of funds.

(iii) Lower Wardha Project

The project was sanctioned in 1981 at a cost of Rs 48.08 crore to irrigate 44150 ha of land. The cost was revised to Rs 444.52 crore in January 2000. Only 73 *per cent* headwork and 19 *per cent* of canal work was completed after incurring expenditure of Rs 168.02 crore as of March 2002. No irrigation potential has been created even after 22 years due to paucity of funds.

(iv) Tillari Project

This interstate project between Maharashtra and Goa sanctioned in 1979 at a cost of Rs 45.20 crore, was revised to Rs 488.33 crore for creating IP of 23654 ha. An expenditure of Rs 430.01 crore was incurred upto March 2002. The work of gorge filling started in November 2001 was obstructed by PAPs.

The EE, Tillari Project Division, Konalkatta failed to get the land vacated even after payment of full compensation to the PAPs. EE stated that PAPs problems were under consideration at Government level, which resulted in the stoppage of work.

4.1.7 Inadequate planning

(a) Work based on unrealistic data

An irrigation project was taken up on the basis of inflated estimated yield instead of actual available yield

The work of Wambhori and Bhagda (Chari) of Mula project approved by Government in 1987 and 1988 respectively at an estimated cost of Rs 9.32 crore was not undertaken for execution due to non-availability of adequate storage of water in the dam constructed in 1972. In February 1996 the above Charis were technically approved by Government as piped canal considering the availability of estimated yield of 24884 million cubic feet (mcft) of water at dam site. The work of piped canal was taken up for execution in February 2000 at a cost of Rs 109.01 crore and Rs 14.74 crore was spent as of March 2002. Scrutiny of records of EE, Mula Irrigation Division, Ahmednagar revealed that actual yield at dam site observed during last 20 years was only 21178 mcft. Thus, execution of the work on the basis of estimated yield of 24884 mcft instead of actual yield of 21178 mcft at a huge investment of Government capital of Rs 109.01 crore may result in poor rate of returns.

(b) Adverse effect on yield of Jayakwadi project

There was a provision of 115.50 Thousand Million Cubic feet (TMC) of water for upstream extraction for the Jayakwadi major project completed at a cost of Rs 243.44 crore in 1986. The Government, however, without considering this aspect sanctioned new irrigation projects that would utilise 156.50 TMC of water from the above mentioned catchment area thereby reducing the availability of water to the Jayakwadi project to 41 TMC. Thus, these projects in upstream of Jayakwadi reservoir had adversely affected the irrigation potential in Jayakwadi project. Government (November 2002) accepted the shortage of water in Jayakwadi reservoir and stated that it would be compensated by taking new projects in downstream side of Jayakwadi project. Reply was not tenable as construction of projects in down stream side will not solve the problem of shortage of water in Jayakwadi reservoir which cropped up due to sanctioning of irrigation projects in excess of availability of water.

(c) Lift Irrigation Schemes

In contravention to its own decision of 1978 Government sanctioned 42 LIS at a cost of Rs 582 crore during 1982-2001

To solve drought situation in Maharashtra, a programme of construction of 356 Lift Irrigation Schemes (LIS) was undertaken during the period from 1971 to 1978. Subsequently, it was found that the schemes were not effective due to very low irrigation potential, continuous losses, high cost of maintenance, etc. Government in 1978 took a decision not to take up LIS in future. But during 1982-83 to 2001 Government sanctioned 42 more LIS costing Rs 582 crore. Further LIS have become costlier due to higher tariff for electrical energy.

Test-check of Vishnupuri project in Nanded district, revealed that the Government had to sustain extra financial burden of Rs 15.19 crore for the period from June 1999 to March 2002, due to levy of electricity charges at industrial rates by Maharashtra State Electricity Board (MSEB) instead of agriculture rates.

4.1.8 Utilisation of Irrigation Potential

4.1.8.1 Poor utilisation of created Irrigation Potential

Though Irrigation Potential (IP) created is less than the targeted potential, yet the utilisation was far less than what has been created. The position is as below:

Year (As of the end of June)	Type of project	No. of completed and ongoing projects	Ultimate potential	Potential created	Potential utilised	percentage of utilised potential
			(In	Thousand		Hectare)
1998-99	Major	51	2657.71	2072.16	845.46	40.80
	Medium	196	626.78	559.88	164.98	29.47`
	Minor	2108	883.20	784.44	214.80	27.38
	Total	**2355**	**4167.69**	**3416.48**	**1225.24**	**35.86**
1999-2000	Major	52	2646.23	2095.70	898.27	42.86
	Medium	198	630.89	569.34	176.20	30.94
	Minor	2263	929.96	835.44	211.61	25.33
	Total	**2513**	**4207.08**	**3500.48**	**1286.08**	**36.74**
2000-01	Major	52	2637.48	2212.64	871.51	39.39
	Medium	203	675.52	600.32	183.26	30.52
	Minor	2323	957.79	892.56	243.02	27.23
	Total	**2578**	**4270.79**	**3705.52**	**1297.79**	**35.02**
2001-02	Major	52	2638	2239	872	38.95
	Medium	205	689	624	183	29.32
	Minor	2426	1008	941	243	25.82
	Total	**2683**	**4335**	**3804**	**1298**	**34.12**

Utilisation of IP has been almost same inspite of increase in IP created due to lack of maintenance and repairs

Even though there was an increase in creation of IP every year as seen from above table the utilisation thereof has been almost same because of poor maintenance of distributory canals. Government attributed (May 2002) less utilisation to (i) diversion of irrigation water for non-irrigation purposes, (ii) non-adherence to projected cropping pattern by beneficiaries, (iii) thin and scattered irrigation resulting in low efficiency, (iv) low utilisation in kharif season, (v) low yield in reservoir, (vi) reduction in the storage capacity due to seepages, (vii) poor/inaccurate assessment of the irrigated area, (viii) poor maintenance of the infrastructure due to financial constraints, (ix) non-participation of beneficiaries and (x) theft of water by beneficiaries etc.

Proposal to repair and modernise the distributory system of 33 major, 135 medium and 2075 minor projects to improve its efficiency has been made (February 2002) at an estimated cost of Rs 1378.86 crore. This clearly indicates that maintenance and repairs of irrigation facilities were largely neglected by the department.

4.1.8.2 Poor realisation of water charges

Water charge is assessed and levied by the department for supply of water for irrigation and non-irrigation purposes. Recovery of Rs 970.93 crore was pending as of March 2002. Position of recovery of water charges is as below:

(Rupees in crore)

Year	Opening balance (Arrears)	Demand raised	Total	Recovery effected	Closing balance (Arrears)
Irrigation:					
1997-98	137.00	41.07	178.07	24.65	153.42
1998-99	153.42	41.66	195.08	32.51	162.57
1999-2000	162.57	67.62	230.19	37.18	193.01
2000-01	193.01	74.48	267.49	41.23	226.26
2001-02	226.26	84.71	310.97	43.36	267.61
Non- Irrigation:					
1997-98	190.53	76.22	266.75	56.96	209.79
1998-99	209.79	132.25	342.04	80.97	261.07
1999-2000	261.07	208.60	469.67	135.65	334.02
2000-01	334.02	362.60	696.62	153.99	542.63
2001-02	542.63	368.82	911.45	208.13	703.32

Government attributed (June 2002) poor recovery to (i) lack of man power and machineries to enforce the powers vested with field offices and (ii) inability of the department to stop the supply of water.

This has happened even though, no revision was made to the water charges from 1975 to 1991 in case of irrigation water and from 1964 to 1991 in the case of non-irrigation. Rates of irrigation and non-irrigation water were revised only in July and September 1991 respectively and thereafter in July 1998 and again in October 2001. Belated revision coupled with poor recovery of water charges resulted in poor return on investment and considerable burden on the State exchequer.

4.1.8.3 Non-recovery of capital share in respect of interstate projects

Four[4] interstate irrigation projects were executed with contributions from other States. But against the recoverable share of Rs 376.69 crore only Rs 244.71 crore was recovered and Rs 131.98 crore were yet to be recovered. In the case of State of Andhra Pradesh, recovery of Rs 11.63 crore could not be effected as no consensus was arrived for execution of agreement. Further, due to non-receipt of share from Goa Government, the progress of Tillari project was adversely affected.

[4] Tillari Irrigation (State of Goa) Project, (ii) Pench Hydroelectric (Madhya Pradesh) Project, (iii) Lendi Project (Andhra Pradesh), (iv) Dudhganga Project (Karnataka)

4.1.8.4 Non-recovery of capital cost towards water reservations

Rs 762.87 crore were yet to be recovered as capital cost towards water reservation

Government in November 2000, decided that the proportionate capital cost of construction of irrigation projects where water had been reserved for non-irrigation use in excess of 15 *per cent* of storage, be recovered from the agencies eg Maharashtra Jeevan Pradhikaran, MSEB, Municipal Councils, Sugar factories etc and agreements to this effect were to be executed. A scrutiny of records in Aurangabad divisions[5] revealed that a total of Rs 762.87 crore was yet to be recovered from the beneficiary agencies.

4.1.8.5 Non-recovery of lease rent by Government from Maharashtra State Electricity Board

21 hydroelectric projects have been handed over to MSEB between 1963 and 1997 on lease basis without drawing any agreement. Only recently Government initiated action for execution of the lease agreements with MSEB. The status of demand and recovery of lease rent is as under:

(Rupees in crore)

Year	Lease rent due	Lease rent recovered	Balance recovery
2000-01	371.18	85.00	286.18
2001-02	324.25	85.00	239.25
Total	**695.43**	**170.00**	**525.43**

Government (June 2002) stated that the issue of recovery of lease rent would be settled on receipt of decision from Maharashtra Electricity Regulatory Commission (MERC). Such delayed recoveries stalled the incremental investments in irrigation and completion of projects.

4.1.9 Command Area Development Authority activities

Only 8 out of 24 projects were completed under CAD

CAD Programme was introduced as a centrally sponsored scheme from 1974-75 to ensure better and more efficient utilisation of the IP. The programme covered 24 projects with an investment of Rs 1416.32 crore. Out of 24 projects with projected IP of 20.26 lakh ha, CAD works were completed only in 8 upto March 2001. As against IP of 18.92 lakh ha, field channel works were executed on 12.45 lakh ha. only thereby adversely affecting the utilisation of IP created.

The shortfalls in CAD works was attributed by Government (May 2002) to (i) priority given to storage building in Krishna Valley, (ii) paucity of fund and (iii) rise in establishment expenditure.

[5] ID Region, Aurangabad; MI Dn. Pusad, JI Dn, Aurangabad

4.1.10 Kharland Development Schemes

(a) Execution of schemes violating Environmental Notification

74 Kharland schemes for agriculture were executed in Coastal Regulation Zone violating GOI notification

Government of India (GOI), Ministry of Environment and Forest issued notification in 1991 prohibiting construction of bunds (even for agricultural activity) within 500 meters of high tide level of sea termed as Coastal Regulation Zone (CRZ). It was, however, observed that 74 new Kharland schemes for agriculture were executed by Government in Konkan region after 1991 at a cost of Rs 20.73 crore.

It was further noticed that European Economic Community (EEC) assisted saline land reclamation programme (Phase II) at a cost of Rs 74.10 crore from 1995. The programme envisaged reclamation of 8000 ha of Kharland through 80 schemes, which was contrary to the above notification.

However, when environmental clearance for this programme was sought belatedly in December 2001, the Ministry of Environment and Forest, GOI turned down the proposal (January 2002). EEC stopped further assistance and the programme was suspended. Meanwhile Rs 3.08 crore were spent on contingent items like computers, vehicles, establishments, training etc under this programme.

Thus, execution of an external aid agreement without consideration of 1991 Notification had resulted in suspension of external assistance and infructuous expenditure of Rs 3.08 crore.

(b) Poor recovery of Kharland Cess to the tune of Rs 1.98 crore

As per Act, a Kharland Cess at the rate of Rs 40 per ha per year was to be levied in order to meet the cost of maintenance and repairs. Audit scrutiny in four[6] Kharland divisions revealed that as against Rs 2.02 crore due for recovery for the period 1979 to 2002, only Rs 0.04 crore was recovered.

4.1.11 Programme of 'diversification of crops'

An externally aided programme of improvement of water distribution in the existing minor irrigation schemes to enable diversification from paddy to high value horticulture crops in Konkan region was taken up during 1988 to 1998 at a cost of Rs 31.50 crore. But the expenditure shot up to Rs 84.36 crore (Rs 57.02 crore by EEC and Rs 27.34 crore by Government of Maharashtra (GOM) by the end of the programme (October 1998).

No funds were available to complete 21 schemes on which an expenditure of Rs 25.26 crore was already incurred

Out of 57 minor irrigation schemes taken up under this programme, 36 schemes could be completed at a cost of Rs 25.15 crore by October 1998. No funds were made available thereafter to complete the remaining 21 incomplete schemes over which Rs 25.26 crore had already been incurred. Scrutiny of records of incomplete schemes revealed that the programme could not be implemented during the first five years, due to delay in preparation (being new concept) of designs, late tendering, paucity of funds etc.

[6] Pen, Ratnagiri, Sindhudurg and Thane

In all the 36 completed schemes, desired objectives were not achieved due to defects in pipeline system noticed just after completion of schemes (pipes broken, hydrants damaged) apart from reluctance of farmers to shift from traditional crop ie rice.

Chief Engineer, Konkan region stated (August 2002) that incomplete schemes and defective schemes could not be completed/repaired for want of funds. The schemes are likely to further deteriorate, making the investment meaningless.

4.1.12 Creation of Irrigation Development Corporations

In order to utilise water of Krishna river by the year 2000, Government created MKVDC in February 1996. Four[7] Corporations were also created between March 1997 and August 1998 to mobilise resources for completion of some of the ongoing irrigation projects in a time bound manner. The other objectives included (i) Promotion and operation of the projects and (ii) Command area development, etc. The Corporations were formed by the GOM despite disagreement by Planning and Finance department that the proposed scale of investment would create tremendous stress on the resources of Government. Scrutiny of records in Corporations and Government revealed the following:

4.1.12.1 Inadequate capital contribution by Government to Corporations

As against Rs 6674.24 crore required to be contributed by Government till March 2002, the actual contribution was only Rs 1898.10 crore (28.44 *per cent*). Consequently, the Corporations resorted to market borrowing and raised Rs 9454.08 crore which was far in excess of the original estimates and requirements.

4.1.12.2 Huge interest liability on Government

Despite the disagreement of the Finance and Planning Departments, Government created five Irrigation Development Corporations, but failed to provide agreed capital contribution. Due to delay in completion of the projects coupled with poor recovery of water charges, interest payment on borrowings could not be met. Government as a guarantor, had to pay Rs 2693.79 crore during 1996-97 to 2001-02.

4.1.12.3 Creation of huge liabilities by Corporations

Out of 25 major, 48 medium and 300 minor ongoing irrigation projects costing Rs 18,070 crore entrusted to three Corporations for completion, only 5 medium and 105 minor projects have been completed as of March 2002. Instead of giving priority to the 263 incomplete/ongoing projects, 76 new projects (8 medium and 68 minor) were taken up by the GMIDC and TIDC and incurred an expenditure of Rs 328 crore on these projects upto March 2002.

[7] VIDC, GMIDC, TIDC and KIDC

Corporations had to shelve 103 irrigation projects due to lack of funds on which an expenditure of Rs 2738.67 crore had already been incurred

Despite unsound financial position, 20 new projects costing Rs 88.55 crore were sanctioned during the year 2001-02. These investment decisions coupled with delay in completion of ongoing projects created huge liability amounting to Rs 29694 crore of which Rs 14000 crore belonged to low priority works. Consequently, Government had to step in and stop further investments in projects where expenditure incurred was less than 50 *per cent* of the project cost. This meant three[8] Corporations had to shelve 12 major, 24 medium and 67 minor projects on which an expenditure of Rs 2738.67 crore was already incurred.

4.1.13 Inadequate inventory control

(i) Scrutiny of status report of Mechanical Stores Division, Dapodi (April 1995), revealed that spare parts (numbering 68018) costing Rs 28.67 crore procured upto 1995 were lying unutilised in 18 divisions. During audit (June 2002) it was observed that 42550 spare parts costing Rs 27.42 crore were still lying unutilised as of March 2002.

(ii) The EE, Vishnupuri Project Division No.I, Nanded procured 10914 running metres of mild steel pipes in 1996 valued at Rs 12.45 crore which remained unutilised as of June 2002 due to non-procurement of pumps required for Phase II of the project. Though the steel pipes got heavily rusted due to exposure to weather conditions, the Government (March 2002) stated that due to inadequacy of funds procurement of pumps could not be taken up. The inordinate delay and unco-ordinated purchase resulted in blockage of funds of Rs 12.45 crore.

(iii) Scrutiny revealed that 1692.189 Metric Tonne (MT) old steel valuing Rs 2.03 crore procured before 10 to 15 years remained undisposed as of April 2002 due to changes in original designs. The abnormal delay resulted in blockage of funds and decrease in disposable value. A write-off proposal has been moved to Government, sanction of which is still awaited.

4.1.14 Man Power Management

Surplus staff

Scrutiny in audit revealed that there were 11831 technical staff (Engineering) and 57127 non-technical staff in ID as of January 2002, of which cadrewise information was not available with Government (June 2002). Further scrutiny in audit revealed that, 1200 Junior Engineers and 2513 other staff of the department declared surplus could not be absorbed as of April 2002. This has resulted in nugatory expenditure of Rs 26.29 crore, calculated at the minimum of time scale for the period August 2001 to December 2002.

A test-check of the records of the mechanical organisation revealed that as against its capacity to execute 30900 thousand cubic metre (TCM) of earthwork only 26469 TCM work was planned for execution during 1996-97

[8] VIDC, GMIDC and TIDC

to 2000-01. As against this the civil wing allotted only 17814 TCM of earthwork. Thus, there was underutilisation of the machinery and manpower.

4.1.15 Other topics of interest

(a) Flood control measures

Government approved (April 1997) the Akola Flood Protection Scheme at an estimated cost of Rs 14.63 crore on the river Morna. The work was taken up in November 1997 and an expenditure of Rs 8.62 crore was incurred as of October 2002. While executing the work, it was found by Chief Engineer, Irrigation Department, Nagpur that 29 nallas passing through the Akola city and ending at various points on the river would be blocked if the scheme was put through. Therefore, during inspection by the Secretary, ID (December 2000) with the Collector, Akola and Administrator, Nagar Parishad, Akola, it was decided to study the feasibility of flood control by constructing a new dam on the upstream of the river in consultation with Central Designs Organisation (CDO), Nashik. Further study was in progress (December 2002). Thus, the expenditure of Rs 8.62 crore incurred on the scheme without considering all aspects turned out to be unfruitful.

(b) Huge expenditure on arbitration awards

Agreements with contractors for World Bank assisted projects provide for appointment of arbitrators in the event of any dispute between the contractor and the department. In two[9] circles test-checked, 72 cases were decided by arbitrators and all were in favour of the contractors. In all Rs 57.22 crore were paid including interest for delayed payments. The reasons for disputes were (i) delay in handing over the land and quarry specified in the tender and (ii) non-availability of department supply, material etc. These could have been avoided had the Government taken timely action against the erring officials and provided adequate mechanism to prevent recurrence of such lapses.

The matter was referred to the Secretary to the Government in September 2002 . No reply has been received (December 2002).

[9] Upper Penganga Circle and Jayakwadi Project Circle

SECTION 'B' – AUDIT PARAGRAPHS

IRRIGATION DEPARTMENT

4.2 Avoidable expenditure due to delay in filing the objection to the award

Despite legal advice, an Executive Engineer failed to file objection before a court within the statutory period, which resulted in avoidable expenditure of Rs 2.43 crore.

According to the provisions of the Indian Arbitration Act, 1940, awards are to be filed in a court of law for obtaining decree for its enforcement. Objections, if any, are to be filed within 30 days from the date of receipt of the notice from the court.

In respect of six works in Majalgaon Canal Division No.IX Parlivaijnath, district Beed, an arbitrator was appointed by the Government in July 1994. The arbitrator declared an award of Rs 2.13 crore in favour of the contractor on 14 April 1996 and ordered the Department to pay the amount to the contractor by 15 May 1996, failing which interest at the rate of 18 *per cent* was to be paid, till the date of actual payment. The award was filed in the court of Civil Judge, Beed on 24 April 1996 and the court served notices on 14 and 17 July 1996 for filing objections if any, within 30 days. The Executive Engineer, Majalgaon Canal Division No.IX, Parlivaijnath, however, moved an application before the court only on 31 October 1996 for setting aside the award. The court upheld (December 1997) the arbitration award in two of the six cases on the grounds that the department had failed to raise objections within the stipulated time and directed the department to pay the decretal amount.

Though the court upheld only 2 cases, Government decided (June 1998) to make payment in all 6 cases with some modification as concurred by the contractor. Accordingly, an amount of Rs 2.43 crore including interest at negotiated rate of 12 *per cent* was paid to the contractor on 2 July 1998.

Audit scrutiny (May 1999) revealed that as early as in May 1996, the solicitor on Government panel had advised that the arbitration award was erroneous and was liable to be set aside if a petition was filed under section 30 of the Indian Arbitration Act 1940. The Law and Judiciary Department had also directed (May 1996) prompt action to file an objection petition in the court for setting aside the award. In spite of these directions, the Irrigation Department did not file any objection within the statutory limit of 30 days, which resulted in avoidable expenditure of Rs 2.43 crore.

On this being pointed out, the Division replied that because of non-availability of authentic copies of arbitration award and delay in receipt of legal advice etc the Department could not move the court within the stipulated period.

The reply was not tenable as the Law and Judiciary Department must have had the original copy of award and had directed the Division in May 1996 itself to file a petition in the court for setting aside the awards. Failure to do so resulted in avoidable expenditure of Rs 2.43 crore.

The matter was referred to the Secretary to the Government in May 2002. No reply has been received (December 2002).

4.3 Unfruitful expenditure on construction of a minor irrigation tank

Faulty execution of a minor irrigation tank resulted in expenditure of Rs 2.24 crore remaining largely unfruitful for over 7 years.

Construction of Pimpri Hanuman Minor Irrigation Tank in Washim district to irrigate 251 hectares of land was completed in June 1995 at a cost of Rs 2.24 crore.

Audit scrutiny (January 2002) revealed that the storage of water in the tank never achieved its full capacity of 1.1914 Million metre cube in any of the years after completion of gorge filling in 1995. As against the targeted irrigation for 251 hectares, *per annum* irrigation in all five years has been nil. The failure was due to percolation of water on down stream of the dam due to defective work on Cut Off Trench (COT). According to the provisions of the Manual of Minor Irrigation works, the COT should not be filled in until it has been validated by the Engineer in charge. But this aspect could not be scrutinised, as no records were available in the division regarding validation of COT. Further, no corrective measures had been taken by the division till April 2002 to arrest the percolation though the Superintending Engineer, Irrigation Circle, Akola had directed it during his inspection in October 1997 and September 1998. The Executive Engineer, Minor Irrigation Department, Washim stated (April 2002) that detailed investigation was in progress to ascertain the exact reasons for non-impounding of water.

Thus, the faulty execution of work in disregard of codal provision and inertia in taking corrective measures resulted in the investment of Rs 2.24 crore remaining largely unfruitful for over 7 years.

The matter was referred to the Secretary to the Government in June 2002. No reply has been received (December 2002).

4.4 Extra contractual benefit to contractor due to change of specification and lead

Incorrect framing of rates resulted in extra payment of Rs 39.43 lakh to contractor.

Construction of Muktainagar lift irrigation scheme was entrusted to a contractor in October 1998 at a cost of Rs 17.84 crore prior to issue of technical sanction (December 1998) by Chief Engineer, Tapi Irrigation Development Corporation (TIDC). The work included construction of rising main of 3350 metre[10], delivery chamber[11], distribution system[12] and Mechanical/Electrical work[13].

Scrutiny of record of Executive Engineer (EE), Sardar Sarovar Cell division, Jalgaon (April 2001) revealed that the contract provided construction of initial 150 metre of rising main in 10 millimetre (mm) thick Spirally Welded Mild Steel (SWMS) and 3200 metre in Bar Wrapped Steel Cylindrical Reinforced Concrete (BWSCRC) pipes of 1100 mm diameter. SWMS and BWSCRC pipes were to be procured from Jalgaon and Pune at a lead of 55 and 432 kilometre (km) respectively based on the Schedule of Rates of Maharashtra Water Supply and Sewerage Board/Maharashtra Jeewan Pradhikaran (MJP).

In actual execution, 3528 metre of rising main was constructed against estimated 3350 metre, using 1320.80 metre of BWSCRC pipes and 1984.76 metre SWMS pipe of 8 mm thickness. The change from BWSCRC to 8 mm thick SWMS pipe was made on the recommendation of the consultant due to non-availability of the former being a new product. Since 8 mm SWMS was used, the lead was taken as 438 km for SWMS pipes. While computing the rate of lead charges of Rs 5.23 per Metric Tonne (MT)/km was considered as stipulated for Cast Iron un-reinforced cement pipes instead of the rate of Rs 1.70 per MT/km for Mild Steel pipes as per schedule of rates of MJP. This had resulted in extra payment of Rs 39.43 lakh.

The EE, Sardar Sarovar Cell division Jalgaon stated (April 2001) that payment was made as per the rate analysis approved by Chief Engineer. However, the Superintending Engineer, while accepting the facts stated that the estimated rates were not relevant in open competition tender.

The matter was referred to the Secretary to the Government in August 2002. No reply has been received (December 2002).

[10] Rs 4.50 crore
[11] Rs 0.22 crore
[12] Rs 9.48 crore
[13] Rs 3.65 crore

4.5 Avoidable expenditure due to incorrect estimation

Technical lapse of the Executive Engineer in preparing the estimate for painting of pipelines resulted in extra cost of Rs 34.40 lakh.

The Chief Engineer, Vidarbha Irrigation Development Corporation, Nagpur accorded technical sanction (September 1997) for the work of supply and laying of 1.4 metre diameter mild steel pipeline in two rows for 4548 metre length of rising main of Dhapewada Lift Irrigation Scheme (LIS) stage I in Tiroda tahsil of Bhandara district. The work was entrusted to a contractor for Rs 11.25 crore at 14.18 *per cent,* below the estimated cost of Rs 13.11 crore. The work included painting of 708 square metres (sq.mt.) of the internal surface of joints of the pipes with epoxy primer followed by three coats of heavy duty painting. The quantity put to tender was 1062 sq.mt. for the first and second coat over internal surface of joints and 38931 sq.mt. for the third coat of painting for full length internally.

Scrutiny of records (March 2001) of the Executive Engineer (EE), Tekepar Lift Irrigation Division, Ambadi in Bhandara district revealed that during execution of the works, the actual quantity of painting of epoxy primer increased abnormally from the estimated 708 sq.mt. to 38143 sq.mt. Similarly, the quantity for first and second coating of heavy duty paint increased from the estimated 1062 sq.mt to 38143 sq.mt. As the actual quantity exceeded 125 *per cent* of the estimated quantity, the excess quantity was treated as extra item and Rs 66.38 lakh were paid at the District Schedule of Rate (DSR) rate instead of the contracted rate. The increase was due to painting the entire length of the pipeline. Had the requirement for the entire length of pipeline been included in the estimate, it would have cost Rs 31.98 lakh only. Thus, lapse on the part of the EE to estimate only the quantity required for the jointed portion of the pipeline instead of the entire length of the pipeline in estimates resulted in extra expenditure of Rs 34.40 lakh.

While admitting the fact, the EE stated (May 2002) that the estimate for the scheme was prepared on the basis of estimate of another similar ongoing work which was done in three parts (i) supply of pipe without primer or paint, (ii) applying one coat of primer and two coats of paint and (iii) laying of pipes applying three coats of paint and primer and three coats of paints to welded jointed portion only. However, while preparing estimate of Dhapewada LIS the second part was not included because of oversight.

The reply is an admission of the failure to prepare and check the estimates, which cost the exchequer Rs 34.40 lakh extra.

The matter was also referred to the Secretary to the Government in May 2002. No reply has been received (December 2002).

4.6 Extra contractual payment on dewatering work

Inadmissible payment of Rs 31.61 lakh treating the excess quantity of dewatering as extra item.

Construction of an overflow weir of the Paithan Hydro Electric Project was entrusted to a contractor in May 1996 at a cost of Rs 2.18 crore. The work was to be completed by May 1997. However, a proposal for extending the completion period to January 2001 remained to be approved by the Chief Engineer and Chief Administrator, Command Area Development Authority (CADA), Aurangabad as of February 2002. In accordance with the Government directives, whenever it is considered more practicable to provide the item of dewatering on lump sum basis and particularly when the item is likely to cost within Rs 5 lakh, the item could be included at lump sum rates in the tender. Accordingly, a lump sum provision of Rs 2.81 lakh was made in the agreement for the work of dewatering as part of construction of the weir. Even during the prebid conference, the contractors were specifically told to quote their offer assuming non-availability of Brake Horse Power (BHP) hour rate for the work of dewatering. Further as per specification in the tender, contractors have to make all the necessary arrangements for dewatering and shall have no claim on account of any additional scope of dewatering that might be required during the course of execution of the work.

Audit scrutiny of records (June 2001) of the Executive Engineer, Environmental Development Division, Aurangabad revealed that contrary to the contractual provision, the contractor was paid Rs 31.61 lakh on BHP hour rate basis instead of lump sum provision of Rs 2.81 lakh.

On this being pointed out by Audit (June 2001), the Executive Engineer stated (January 2002) that the reservoir level of Paithan dam at the time of tendering was below maximum drawn down level, the power generation by MSEB was not in progress and considering these aspects, the contractor might have quoted his offer which turned out to be a lower rate.

The reply was not tenable as (i) the Chief Engineer and Chief Administrator, CADA, Aurangabad had made a lump sum provision in the contract for dewatering in accordance with the Government directives, (ii) the contractor's demand for dewatering on BHP hour rate basis was not considered at the prebid stage and (iii) as per the contract condition, the contractor was supposed to have fully acquainted himself with the work and site conditions before quoting the rate. Thus, the payment of additional amount of Rs 31.61 lakh treating the excess quantity of dewatering as "extra item" was inadmissible and undue benefit to the contractor.

The matter was referred to the Secretary to the Government in June 2002. No reply has been received (December 2002).

PUBLIC WORKS DEPARTMENT

4.7 Public Works Deposits

4.7.1 Introduction

According to the Maharashtra Public Works Accounts Code (Code), deposit transactions of the Public Works Department are classified as (i) Public Works Deposits which pass through regular accounts of the divisions and (ii) interest bearing securities which do not pass through regular accounts of the divisions. The transactions of deposits are recorded in five categories namely; (i) Cash deposit of subordinates as security, (ii) Cash deposit of contractors as security, (iii) Deposit for works, other than *takavi* works to be done, (iv) Sum due to contractors on closed accounts and (v) Miscellaneous deposits. The deposits were increasing steadily as shown below:

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02
Opening balance (as on 1 April)	374.91	387.16	442.74	500.95
Amount received during the year	412.51	457.92	543.28	450.01*
Amount disbursed during the year	400.26	402.34	485.07	410.04*
Closing balance as on 31 March.	387.16	442.74	500.95	540.92

4.7.2 Deposit Works

As per codal provisions, expenditure on deposit works is required to be limited to the amount of deposits received. Any expenditure in excess of the amount received is chargeable to Miscellaneous Public Works Advances (MPWA) and adjusted subsequently on recovery of the excess amount.

Rs 10.50 crore spent in excess of deposit were neither debited to MPWA nor any recovery was effected

In 13 divisions Rs 10.50 crore were spent in excess of deposit received during September 1976 to March 2002. However, neither the excess expenditure was debited to MPWA nor any recovery was effected from the concerned department/agency. As a result, the resources of the divisions were strained for other items of work. The Executive Engineer (EE) agreed (June 2002) to debit the amount to MPWA for watching the recovery.

In two[14] divisions, out of Rs 11.58 crore received as deposit during January 1992 to March 2002, Rs 45.73 lakh was lying in deposit though works were completed in all respect. The EEs stated (June 2002) that action to refund the amount will be taken after due verification.

* Figures taken from Accountant General (A&E)
[14] EE, Road Project Division (Dn), Amravati; EE, Thane Creek Bridge Dn.No.II, Mumbai

4.7.3 Irregular accounting of deposits

(a) As per instructions issued by Government of Maharashtra (GOM), (October 2001) funds made available to implementing agency (EE) under Government of India (GOI), Prime Minister Gram Sadak Yojna (PMGSY) were to be deposited under the head "8443" Civil Deposit in Public Works deposits and expenditure incurred was to be charged to this head of account.

Contrary to the instructions Rs 17.48 crore were deposited in saving bank account by five[15] divisions during the period November 2001 to June 2002. The EEs stated that this was done in accordance with the Chief Engineer (CE), Nashik order (December 2001) who was the nodal officer for PMGSY.

(b) In two[16] out of 38 Divisions test-checked, deposit registers were not maintained for the period since April 2000.

Rs 65.36 lakh was irregularly paid by an EE by drawing funds from deposit head

(c) Scrutiny of records of the EE, Public Works Division, (PWD) Nanded revealed that the EE issued (February and March 2000) non-Letter Of Credit (LOC) cheques for Rs 65.36 lakh by drawing the amount from deposit head for payments towards budgeted works due to inadequate provision under LOC.

(d) Test-check of records of EE, PWD, Amravati, Khamgaon and Special Project Division, Amravati revealed that Rs 2.46 crore had been drawn through 45 running account bills by the EEs and kept in Miscellaneous Deposit. The amount was subsequently released to the contractors on hand receipt by issuing non-LOC cheques. Procedure adopted by divisions was irregular.

The EEs stated (July 2001) that endorsement of the LOC cheques by the treasury was made compulsory by the Government in February 1998 and sometimes treasuries were not endorsing the cheques for Rs 5 lakh and above. This necessitated budgeted funds being kept in 'Miscellaneous Deposit' and subsequently released through non-LOC cheques. EEs were circumventing regulations which was irregular.

The matter was referred to the Secretary to the Government in September 2002. No reply has been received (December 2002).

[15] EE, PW Dn., Beed, Latur, Nashik, Nilanga and Osmanabad
[16] EE, Harbour Engineer (North)Dn, Mumbai, EE, Public Works Dn.,Nashik

4.8 Non recovery of cost on construction of bus bays

The Department failed to recover 50 *per cent* share (Rs 72.50 lakh) of the cost of bus bays from Maharashtra State Road Transport Corporation though such expenditure was recoverable in advance of commencement of the work.

Government issued instructions in January 1997 that construction of bus bays on major roads should be taken up only at the places approved by the Maharashtra State Road Transport Corporation (MSRTC). The cost of construction was to be shared on 50:50 basis between MSRTC and the Public Works Department (PWD). The work was to be started by the PWD only on receipt of the 50 *per cent* share from MSRTC.

Scrutiny of records (February 2001) of the Executive Engineer (EE), Public Works Division No.-II, Nagpur and information collected from the Chief Engineer (CE), Nagpur (July 2001) revealed that 31 bus bays were constructed at a cost of Rs 1.45 crore without approval from MSRTC along with the improvement work of three state highways during January 1997 to March 2001. The department had not recovered the 50 *per cent* share from MSRTC before commencement of the work and had not taken any action to recover the amount thereafter (March 2002).

On this being pointed out, the EE stated (May 2001) that MSRTC would be requested to pay their share. The CE, Nagpur stated (July 2001) that to obtain Government orders for the bus bays at Government cost, the matter would be referred to the Government after getting the details from the field officers.

The reply indicated that the CE had exceeded his powers as bus bays were constructed without Government orders. Also the reasons for constructing the bus bays without contribution of 50 *per cent* share from MSRTC was not cleared.

The matter was referred to the Secretary to the Government in May 2002. No reply has been received (December 2002).

4.9 Excess payment to the contractor beyond contractual obligation

Rs 44.15 lakh was paid to a contractor for extra depth of well foundation of additional spans and piers in contravention of contract condition.

Construction of bridge across Tarkarli creek near village Deoli on Vengurla-Malwan road in Sindhudurg district was awarded to a contractor in May 1997 on lump sum agreement at tendered cost of Rs 6.96 crore against estimated cost of Rs 3.52 crore for completion by November 1999. As the original length of 224 metres of bridge was increased to 264 metres, due to shifting of abutment position, the date of completion was extended to November 2000. The work was completed in extended period at a cost of Rs 11 crore which includes Rs 1.66 crore on account of escalation and Rs 2.38 crore for extra work.

Scrutiny of records (August 2001) of Executive Engineer (EE), Public Works Division, Sawantwadi revealed that as per schedule of items for increase in length of bridge including provision and construction of bridge components the contractor was to be paid Rs 4.04 lakh per metre. Accordingly, contractor was paid Rs 1.62 crore for 40 metre extra length bridge. Due to increase in length, two additional spans and piers (**P**0 and **P**5) were required to be constructed for which the contractor was not entitled to any additional amount other than for increase in length, which was a composite cost. The contractor was however, paid Rs 44.15 lakh for extra depth of well foundation for these piers of additional length.

EE, stated (March 2002) that the lump sum cost for extra length of the bridge was based on basic foundation level shown in General Arrangement Drawing (GAD) and the extra amount was paid for the height of well from below basic foundation level (Reduced Level 85.850 metres) to the final foundation level.

Reply of the EE was not tenable as the basic foundation level for additional piers was not decided at the time of agreement and entire bridge components for increased length was to be paid Rs 4.04 lakh per metre irrespective of the piers to be constructed.

The matter was referred to the Secretary to the Government in June 2002. No reply has been received (December 2002).

4.10 Unintended benefit to an entrepreneur

Failure to recover consultation fee resulted in unintended benefit of Rs 2.76 crore to an entrepreneur.

Improvement, strengthening and black topping of two road works in Thane district was entrusted to an entrepreneur on Build, Operate and Transfer (BOT) basis in January and December 1998 at a cost of Rs 36.69 crore and Rs 70.92 crore with 15 years and 10 years 8 months concession period respectively for collection of toll tax. Notifications for collection of toll tax were issued in January 1999 and April 2000 respectively. Agreement between the Executive Engineer (EE), Thane Construction Division, Thane and the entrepreneur provided that the former reserved the right to appoint Proof/ Supervision Consultant to check the design, quality and procedure of the construction and the entrepreneur shall include a fee of 1.5 *per cent* of the project cost in his cash flow. This amount was payable to the EE in four equal instalments during the construction period.

Scrutiny of the records (June 2001) of the EE revealed that the entrepreneur failed to pay Rs 1.61 crore (1.5 *per cent* each of the project cost) during construction period. However, the Department had neither initiated any action for recovery of amount nor the entrepreneur paid the same as of June 2002. An amount of Rs 1.15 crore as of June 2002 was also recoverable on account of interest for delayed payment.

On this being pointed out in audit, the EE asked (October 2001, January 2002) the entrepreneur to remit the amount in one lump along with interest, who contested the demand (February 2002) stating that the cost of expert consultant was not included in the project cost and the demand on this account was not reasonable. The plea of the entrepreneur was not acceptable as Notice Inviting Tender clearly stipulated inclusion of consultation fee in the project cost. The Superintending Engineer, Public Works Circle, Thane, while recommending (February 2002) the recovery to the Chief Engineer, Public Works Region Mumbai, sought for final orders in the matter. Recovery of Rs 2.76 crore was not effected as of June 2002.

The matter was referred to the Secretary to the Government in August 2002. No reply has been received (December 2002).

4.11 Excessive expenditure on maintenance of Chief Engineer's Bungalow

Inadmissible expenditure of Rs 40.65 lakh on maintenance of Chief Engineer's bungalow at Aurangabad in two years.

Repairs to Government buildings are carried out by the Public Works Department (PWD) from the funds provided separately for current and special repairs.

In March 1991, Government laid down a ceiling of Rs 21.60 per square metre (sq.mt.) *per annum* on current repairs and Rs 38.40 per sq.mt. on non-perennial items of repair for maintenance of government buildings. According to the Government instruction, repairs to the residential buildings are to be carried out only after receiving a request from the occupants in the prescribed format and report of the inspection carried out by the competent authority.

Scrutiny of records (September 2000) of the Executive Engineer (EE), Public Works Division, Aurangabad revealed that the EE spent Rs 16.96 lakh in 1998-99 and Rs 14.27 lakh in 1999-2000 on repair work to the Chief Engineer's (CE) bungalow (Area 716.85 sq.mt.) at Aurangabad, by exceeding the prescribed norms. There was, however, no request in the prescribed format from the occupant of the bungalow. The records relating to the inspection to be carried out before undertaking the repairs were also not made available. The repairs included (i) additions and alterations[17] to the bedroom and office room, (ii) provision of racks and cupboards, (iii) additions and alteration[18] to

[17] Rs 4.00 lakh
[18] Rs 2.06 lakh

the watchman's quarters, (iv) addition and alteration[19] to the brick masonry, (v) painting and flooring[20], (vi) providing vinyl flooring[21] and (vii) ground levelling and horticulture[22]. Besides an expenditure of Rs 11.12 lakh was incurred during 1998-99 on development of the bungalow premises which *inter alia* included earthwork in murrum, sand, shahabad flooring, repairs to flooring etc. Thus, Rs 42.35 lakh were spent in 2 years against the norms of Rs 0.85 lakh per year for perennial repairs. This resulted in inadmissible expenditure of Rs 40.65 lakh.

On this being pointed out (September 2000), the EE stated (March 2001) that the inspection of the premises were carried out before preparing the estimates but no records were kept and the repairs were carried out as per the oral instructions of CE. Items such as the works of land levelling, concrete paving, plantation and vinyl flooring were erroneously taken up under the current repairs. The CE in his reply stated (September 2001) that even if oral orders were given these were required to be got confirmed and the concerned EE was to act within the framework of prevailing rules. The Government in reply stated that the expenditure on repairs to the CE's bungalow during the two years was only Rs 8.95 lakh and the balance of Rs 32.86 lakh was spent on the PWD campus in Padampura and was inadvertently mentioned as repairs to the CE's bungalow. The reply of the Government is not tenable and borne out by the facts since the estimates, technical sanction and work orders revealed the works were sanctioned and executed as current repairs to the CE's bungalow. Moreover, the reply of CE does not contradict audit observation.

4.12 Extra expenditure due to faulty estimates

Failure to classify the strata properly in the estimates for road work resulted in extra expenditure of Rs 34.20 lakh.

Construction of a diversion road, 3.8 kilometre long on Kannad-Pishor-Sillod highway in Aurangabad district was entrusted to a contractor at Rs 95.01 lakh in March 1997 at 44.99 *per cent* above the estimated cost of Rs 65.53 lakh (prepared in 1991-92) for completion within 18 months. Agreement provided for payment at the Current Schedule of Rates (CSR) for new items for which there was no provision in the original estimate. Payment for quantities in excess of 25 *per cent* of the tendered quantities was also to be made at CSR increased or decreased by tender percentage in terms of agreement.

Audit scrutiny of records (December 2001) of the Executive Engineer (EE), Public Works Division (West), Aurangabad revealed that as per technical requirement no trial pits or bores were taken to ascertain the quantum of hard and soft strata prior to preparation of the estimates and no provision was made for hard strata in the estimate. During execution, huge quantity of 55000 cubic

[19] Rs 1.93 lakh
[20] Rs 1.95 lakh
[21] Rs 3.99 lakh
[22] Rs 6.07 lakh

metre (cu.mt.) hard rock was excavated and paid for as Extra Item Rate (EIR) at higher rates as compared to the rates prevailing at the time of invitation of tender involving additional expenditure of Rs 27.02 lakh. Further scrutiny also revealed that besides avoidable payment on account of EIR, the division also made payment of Rs 7.18 lakh for quantities executed beyond 125 *per cent* in 15 of 53 tender items because of faulty preparation of estimates. Thus, failure of the department to classify the strata properly resulted in avoidable expenditure of Rs 34.20 lakh.

The EE attributed (May 2002) the EIR to classification of Manjra rock found in the vicinity as soft rock in the initial estimate. However, the EE accepted that the wrong estimation was due to (i) calculation of formation width less by 2.80 metre, (ii) providing earthwork in banking in half area only instead of full area, (iii) provision of less height in embankment, (iv) non-provision of gutters and (v) change of site condition between sanctioning and actual commencement of the work.

The justification given by the EE is not plausible as the estimates, though, prepared in 1991, were required to be reviewed by the EE to ascertain the correctness of the estimates after a lapse of 5 years before execution of the work. No such review was taken before execution of the work as envisaged in Public Work Manual.

The matter was referred to the Secretary to the Government in August 2002. No reply has been received (December 2002).

4.13 Avoidable extra cost on strengthening of road

Overlapping execution due to executing two tenders on the same road length, resulted in extra cost of Rs 25.86 lakh.

Improvement of Nagpur-Katol road on Kilometer (km) 8/0 to 81/400, was administratively approved by Government for Rs 34.85 crore in March 1996. The work was included in the budget of 1996-97 under Vidarbha Development Programme as per Government Resolution of February 1996. The work of widening, strengthening and black topping on km 40/0 to 59/0 technically sanctioned by the Chief Engineer in November 1996 for Rs 10.34 crore was entrusted (January 1997) to a Contractor 'A' at 10.98 *per cent* below the estimated cost of Rs 9.34 crore for completion by January 1999.

Scrutiny of records of the Executive Engineer (EE), Public Works Division No.-II Nagpur in March 2001 revealed that work on km 55/200 to 58/400 with the same scope was already entrusted to Contractor 'B' in December 1996 at 20.50 *per cent* above the estimated cost of Rs 37.36 lakh. The agreement was terminated in April 1997 after execution of work to the extent of Rs 26.07 lakh. The portion of strengthening and black topping with 4 *per cent* bituminous content in 1.55 km length and seal coating in 2.59 km length was also executed by Contractor 'A'. This resulted in avoidable expenditure of Rs 23.92 lakh. Further, in order to provide murum blanketing, the work already executed in 680 metre was excavated involving extra expenditure of Rs 1.94 lakh. Thus, executing two tenders on the same road length resulted in extra cost of Rs 25.86 lakh.

On this being pointed out, the EE stated (April 2002) that technical sanction for km 55 to 59 was accorded to utilise the budget provision of the year 1995-96, whereas the second agreement was finalised against budget allotment of 1996-97.

The reply was not tenable as utilisation of the budget provision cannot be a reason to entrust the work when the tender for the same work was under the process of acceptance and strengthening and seal coating of the same length was to be executed under the latter agreement.

The matter was referred to the Secretary to the Government in August 2002. No reply has been received (December 2002).

4.14 Loss of interest due to delayed finalisation of drawings

Depositing of funds for construction of Road Over Bridge with Railways without ensuring finalisation of drawings resulted in loss of interest of Rs 46.20 lakh.

Administrative approval for construction of Road Over Bridge (ROB) on Yavatmal-Dhamangaon-Anjansingi road in Yavatmal district at an estimated cost of Rs 2.10 crore was accorded in November 1995. The ROB work included approach roads with two small bridges costing Rs 1.37 crore. The work was to be got executed through General Manager (Works) Central Railway.

In January 1996, the General Manager (Works) Central Railway (CR) Mumbai demanded Rs 1.47 lakh for preparation of plans and estimate and Rs 73.50 lakh for construction of ROB. The Executive Engineer (EE), Special Project Division Amravati accordingly, deposited the amount of Rs 1.47 lakh in January 1996 and Rs 73.50 lakh in December 1996 with the Chief Cashier, CR, Mumbai. The agreement signed by the Chief Engineer (CE), Public Works Department (PWD), Amravati with Central Railway, however, neither stipulated the date of commencement nor the target date for completion of work. The drawing prepared by the Railway Authorities in January 1999 was approved by the CE in January 1999.

The estimates of the ROB were revised to Rs 3.78 crore in November 2001 and the Division was asked to deposit the balance amount. Work of ROB was yet (June 2002) to be taken up by the railway authorities, though original cost of bridge as demanded by railway authorities had already been paid by the Division.

Audit observed that the railway authorities took over 3 years to prepare the drawings and 5 years to revise the estimate and the PWD authorities also did not pursue the commencement of work with the railways. Thus, payment to railway authorities without the approval of drawings resulted in a loss of Rs 46.20 lakh by way of interest for the period December 1996 to March 2002 at the rate of 12 *per cent per annum*.

The EE stated (August 2000) that the amount was deposited as demanded by the railway authorities. However, the fact remained that the work was yet to commence and the Divisional Officers had failed to pursue the matter in the last 7 years.

The matter was referred to the Secretary to the Government in May 2002. No reply has been received (December 2002).