

## Chapter-IV

### Miscellaneous topics of interest

#### 4A Government companies

##### 4A.1 Maharashtra Agro Industries Development Corporation Limited

###### 4A.1.1 Irregular expenditure in violation of Government directives

**Violating the Government directives, MAIDC incurred irregular expenditure on providing facilities to the Chairman and purchase of luxury cars.**

Government of Maharashtra (GOM) issued Government Resolution (October 1991) stipulating the facilities available to a part time Chairman/Member of Board of a State Public Sector Undertaking (PSU). The facilities *inter-alia* included sitting fees for attending Board meetings, reimbursement of expenditure towards residential telephone up to Rs.1,000 per month and expenditure of Rs.18,000 per year on petrol and oil for official use of vehicle. However, as per the Government of Maharashtra's clarification (November 1991), these facilities were not admissible to Chairman when he/she was a Cabinet Minister or Minister of State and to the officer appointed as *ex-officio* Director on the Board of Directors of the PSU.

However, Maharashtra Agro Industries Development Corporation Limited (Company) incurred an additional expenditure of Rs.7.31 lakh over and above the prescribed limit during March 1997 to June 1999 towards providing staff on contractual basis at the office/residence of the Chairman, rent for hired car, residential telephone, fax, *etc.* as per the instructions of the Chairman who was the Minister of State, Agriculture. When the matter was put up to the Board of Directors (July 1999) for *post facto* approval, the Board directed that no further payment should be made for any claim and further action should be taken as per rules. The Company pursued the matter of recovery of above amount with Chairman (October 1999/May 2000). However, neither the amount was recovered nor the matter was pursued further by the Company.

**The Company purchased luxury cars valued at Rs.10.33 lakh disregarding Government directives.**

The State Government reiterated (June 1996) the instructions issued in July 1991 for economy in expenditure and imposed restrictions on purchase of luxury cars without prior approval of the Government. Disregarding the Government directives, the Company without prior approval of Government purchased (January/August 2000) two air-conditioned Ambassador cars valued at Rs.10.33 lakh, one for Minister of State for Agriculture who was the Chairman of the Company and one for Secretary, Agriculture, a member of the Board of Directors. The Company incurred expenditure of Rs.3.33 lakh on petrol and maintenance during January 2000 to July 2001 on these cars. In addition to above, the Company incurred Rs.0.75 lakh towards fuel expenses of car used by the Personal Secretary to the Chairman. No action had been taken by the Company to withdraw the vehicles. The Company continued to incur expenditure on petrol and maintenance on these vehicles in violation of GOM decision.

**The Company incurred additional expenditure of Rs.8.06 lakh on providing facilities to Chairman.**

Thus, the expenditure of Rs.8.06 lakh (Rs.7.31 lakh and Rs.0.75 lakh) incurred by the Company in violation of Government directives on providing facilities to the part-time Chairman/Personal Secretary of Chairman was irregular. Similarly, the expenditure of Rs.10.33 lakh on purchase of two air conditioned cars for Chairman and Director without obtaining GOM approval and Rs.3.33 lakh on petrol and maintenance of the same was also irregular.

The matter has been reported to Government/Management in February 2002. The Management confirmed (April 2002) the facts and figures. The reply of the Government was awaited (September 2002).

## **4A.2 Maharashtra State Road Development Corporation Limited**

### **4A.2.1 Infuctuous expenditure on construction of the bridge without possession of land**

**Award of contract for construction of bridge before obtaining possession of required land led to infuctuous expenditure of Rs.43.35 lakh.**

**The Company awarded contract for construction of ROB without acquiring the required land.**

In accordance with Memorandum of Understanding (MOU) signed (March 1997) between IRCON International Limited (IRCON) and Maharashtra State Road Development Corporation Limited (Company) for construction of 29 Road Over Bridges (ROBs) at various locations in Maharashtra, it was proposed to construct ROB at Naigaon in Thane District. Acquisition of land required for the work was the responsibility of the Company. Without acquiring the land (admeasuring four hectares) belonging to the Department of Salt, Government of India, the Company accorded

approval for construction of ROB and contract was awarded (May 1999) to IRCON at an estimated cost of Rs.2.46 crore.

**The Company spent Rs.43.35 lakh on the project which was abandoned subsequently.**

In spite of protracted correspondence between the Company, State Government and Department of Salt, Government of India, the possession of the land was not received. Due to non-availability of land, the work of ROB at Naigaon was deleted from the scope of work entrusted to IRCON. An expenditure of Rs.43.35 lakh incurred by IRCON up to March 1999 towards technical scrutiny, approval of drawings, shifting of electrical and signalling cables and payments to consultants and contractors was adjusted against advances given to IRCON. The Company withdrew (July 2001) the work from IRCON and decided to take up the work on receipt of possession of land from the Department of Salt, Government of India.

However, the required land was not received by the Company and therefore, the construction of the ROB could not be taken up (July 2002). Thus, award of the contract for construction of ROB without possession of the land resulted in infructuous expenditure of Rs.43.35 lakh.

The matter has been reported to Government/Management in May 2002; their replies were awaited (September 2002).

### **4A.3 Maharashtra State Handlooms Corporation Limited**

#### **4A.3.1 Loss of subsidy in production of Janata cloth**

**Continuation of production of Janata cloth even after closure of scheme resulted in loss of subsidy of Rs.22.43 lakh.**

Central Government Janata Cloth Scheme was implemented in the State by Maharashtra State Handlooms Corporation Limited (Company) alongwith other implementing agencies *viz.* Handloom Weavers Co-operative Societies. The main objective of the scheme was to provide sustained employment to Handloom weavers and provide cheaper cloth *viz.* dhoties, sarees, lungees, *etc.* to weaker sections of the society. To implement the scheme, Central Government provided subsidy @ Rs.3.40 per square metre (since 1990) for the quantity of cloth produced and moved to sale outlets. Subsequently, Government of India decided (November 1997) to phase out the operation of the scheme by the end of March 1998.

Despite the decision of Government of India to phase out the Scheme, the Company continued to supply yarn to weavers for production of cloth under the scheme. The Company delivered 7.4 lakh square metres of Janata cloth to the sales outlets during the two quarters ending 30 June 1998 and claimed (October 1998) an amount of Rs.24.20 lakh towards subsidy. Government of India, however, released (June 1999) subsidy of Rs.1.77 lakh towards cloth

**The Company continued production of Janata cloth even after closure of the scheme by the Government resulted in loss of subsidy of Rs.22.43 lakh.**

actually delivered (51,999 square metres) up to 31 March 1998 and rejected the balance claim of Rs.22.43 lakh on the ground that the scheme was not in operation since April 1998.

Thus, failure to stop the production of Janata cloth in view of the decision of Government of India to phase out the scheme resulted in loss of Rs.22.43 lakh towards subsidy.

The Company while accepting the facts stated (June 2002) that non receipt of subsidy was purely due to inconsistency on the part of Development Commissioner of Handlooms, Government of India, in whether to continue the scheme or not as the Government of India in June 1997 had indicated that the scheme would continue in 1998-99 also. The Government also endorsed the views of the Management.

The reply was not tenable as the Government of India had reviewed the continuance of the scheme and informed (November 1997) the discontinuance of the same from April 1998 to the Chief Secretary, Maharashtra with a request to complete the programme expeditiously in 1997-98 and that no funds would be available in the next financial year onwards. Thus, the closure of the scheme was known to the Company well in advance.

#### **4A.4 Maharashtra Small Scale Industries Development Corporation Limited**

##### **4A.4.1 Loss due to delay in shifting to new premises**

**Due to inordinate delay in shifting to new premises, the Company incurred loss of Rs.47.49 lakh on account of interest on blocking of funds and rent charges.**

Government of Maharashtra had allotted the office space of 553.11 sq. mtr. to Maharashtra State Small Scale Industries Development Corporation (Company) in Udyog Bhavan at Nagpur in the year 1989. After making payment of Rs.32.92 lakh to Maharashtra Industrial Development Corporation (MIDC-Nodal Agency), the Company took (August 1993) possession of the property and quotations were invited for the work of interior decoration, renovation of furniture *etc.* but the same were not finalised due to financial constraints, change in specifications *etc.* Meanwhile, Head Office of the company (June 1996) informed the Divisional Office regarding feasibility of utilisation of only 50 *per cent* space for Divisional Office and renting out the remaining space. However, the Company had not received any response for renting premises and it was decided (April 1997) to dispose of the premises to any other Government body, which also did not materialise. Meanwhile, the Divisional Office continued to operate from rented premises in Nagpur.

Since the building was not occupied for a considerable period, the Development Commissioner (Industry) decided to cancel the allotment (February 1998) and directed MIDC to refund the amount obtained from Company. Therefore, in the changed scenario, the Company decided (December 1998) to shift the Divisional Office to the new premises and hand over the rented premises to the landlord simultaneously. The Company finally shifted its divisional office to the new premises in October 2000 but continued to retain the rented premises.

**Inordinate delay in shifting to new premises resulted in loss of Rs.46.37 lakh on account of interest on blocking of funds and avoidable rent charges.**

Thus due to inordinate delay in shifting to new premises, the Company had not only incurred an avoidable extra expenditure of Rs. 1.12 lakh on the rent during this period but also suffered interest loss of Rs.46.37 lakh on blocked funds at the rate of 18 *per cent* per annum.

The matter was reported to the Government/Company in July 2002; their replies were awaited (September 2002).

#### **4A.5 Maharashtra State Police Housing and Welfare Corporation Limited**

##### **4A.5.1 Blocking of funds in construction of shops**

**Funds amounting to Rs.28 lakh remained blocked due to construction of shops on the land for which the Company had no clear title.**

The Maharashtra State Police Housing and Welfare Corporation Limited (Company) accorded (April 1993) administrative approval for construction of 329 quarters for police personnel at Nanded on land belonging to Superintendent of Police, Nanded at an estimated cost of Rs.10.54 crore. During the planning stage of the project, it was decided to construct 28 shops on the ground floor of the building in order to reduce the project cost. The scope of the project was subsequently reduced to 232 quarters and 28 shops as approved by the Nanded Municipal Corporation (March 1994).

The project was got implemented through Public Works Department as a deposit work and the quarters were handed over to Police Department. The title of the land on which 28 shops were constructed at a cost of Rs.27.80 lakh was not with the Company. In the absence of clear title to the land, the Company could not sell the shops on outright basis. The Board of Directors decided (April 1998) to lease out the shops for 30 years subject to formal approval of State Government. The Company approached the Government (February 2000) for permission to sell the shops on lease. In anticipation of permission, the Company invited (December 1999) tenders. In response, 18 offers ranging between Rs.5000 per sq. mtr. and Rs.10,700 per sq. mtr. were received.

The Company could not take any decision on the offers in absence of Government permission. Finance Department of the State Government objected to the action of the Company to lease the commercial units. The Company decided (September 2001) to cancel the bids and hand over the shops to Superintendent of Police, Nanded at a cost of Rs.38.64 lakh being the cost of construction plus interest thereon for utilisation/disposal. However, neither shops were handed over nor the payments were received (September 2002).

**The shops constructed at a cost of Rs.27.80 lakh were lying idle.**

Thus, construction of shops without verifying the title of the land resulted in blocking of Company's funds to the extent of Rs.27.80 lakh for more than 4 years. The loss of interest worked out to Rs.14.46 lakh during the period from April 1998 to March 2002 at the rate of 13 *per cent* per annum (the rate at which the Company borrowed the funds during this period)

The matter was reported to Government/Management in May 2002; their replies were awaited (September 2002).

## 4B Statutory corporations

### 4B.1 Maharashtra State Electricity Board

#### 4B.1.1 Avoidable extra expenditure due to unfair revision of tender condition in favour of past suppliers

**Due to unfair revision of tender condition regarding matching of lowest acceptable rates, the Board incurred avoidable extra expenditure of Rs.3.84 crore.**

Prior to February 1999, the tenders floated by Central Purchase Agency (CPA) of the Board, *inter-alia*, stipulated that the tenderers had an option to submit (within 30 days of opening of tender) a written confirmation of their willingness to supply material at the lowest acceptable rate to the Board; this was called matching of the rates. The lowest acceptable rate was known to the suppliers only after finalisation of the tender and not at the time of giving willingness. This process allowed the Board to avail of lower rate and at the same time broadens its supplier base. In view of the above condition the willing tenderer was required to match his rates with the lowest acceptable rates quoted by either new supplier (supplying to the Board for the first time) or a past supplier.

On the basis of representations received (July 1997 and November 1998) from various manufacturers, the Board decided (February 1999), to stipulate a minimum quantity of 10 to 20 *per cent* of tendered quantity to be supplied by a tenderer for matching of the lowest rate. The Board also decided that while the new suppliers had to match the rate with that of a new or past supplier, whichever was the lowest, however, the past suppliers were to match the rate with that of past suppliers only. The Board justified this decision on the ground that new suppliers normally quoted very low rate for limited quantities for the purpose of getting an entry as a supplier to the Board. This decision of the Board was contrary to the general principle of competitive bidding and biased in favour of the past suppliers and legally untenable also. The justification of the Board is not tenable as the matching of the rate was to be done with the lowest acceptable rate to the Board. Moreover, by stipulating a condition of minimum quantity to be supplied, non-serious tenderers were eliminated.

It was observed in audit that out of 26 tenders finalised between February 1999 and May 2001, orders were placed on both new and past suppliers at different matching rates against 14 tenders. The difference in rate ranged from Rs.2.11 to Rs.41,501.68 per unit. It was further noticed that, while in all these 14 tenders, the quantities offered by the new suppliers who were given orders, ranged from 26.6 to 100 *per cent* as against minimum

**The unfair revision of tender condition resulted in an avoidable extra expenditure of Rs.3.84 crore.**

prescribed quantity of 10 to 20 *per cent* of tendered quantity, the actual quantities ordered on new suppliers were only 1 to 86 *per cent*. 14 to 99 *per cent* quantity were ordered on past suppliers in spite of higher rates. The avoidable extra expenditure calculated with reference to the lowest acceptable rates of new and past suppliers where new suppliers had offered quantities in excess of minimum quantity prescribed in the tender but restricted by the Board to the minimum quantity worked out to Rs.3.84 crore (details are given in Annexure-11).

The Board stated (July 2002) that representations for differential treatment were received from past suppliers since the new suppliers were quoting unworkable rate and the past suppliers were required to match with them.

The reply was not tenable in view of the fact that the rates of new suppliers were lowest acceptable rates to the Board and therefore, can not be termed as unworkable. Moreover, the discrimination between tenderers was legally untenable. The new suppliers have also supplied the quantities for which orders were placed on them.

The matter was reported to Government in April 2002; the Government reply was awaited (September 2002).

#### **4B.1.2 Avoidable payment of interest**

##### **Failure of the Board to take advantage of falling interest rates by redeeming the loans of higher interest rate resulted in an avoidable additional expenditure of Rs.3.71 crore**

Maharashtra State Electricity Board (Board) availed (between October 1997 and October 1998) loan of Rs.100 crore from Raigad District Central Co-operative (RDCC) Bank at the rate of 15.5 *per cent* per annum. The loan was repayable in ten half-yearly instalments within seven years including initial moratorium period of two years. Subsequently, the financial market witnessed sharp decline in interest rates, which was evident from the fact that the Board was offered and had availed (December 1999) a loan of Rs.50 crore from Punjab National Bank at Prime Term Lending Rate (PTLR) *plus* 0.75 *per cent* which worked out to less than 13 *per cent*.

**The Board did not make any effort to redeem the loan taken at higher rate of interest resulting in avoidable interest payment of Rs.3.71 crore.**

However, the Board did not make any effort for prepayment of the loan taken from RDCC Bank at higher rate of interest by availing loan from other sources, which was available at lower rate of interest. Had the costlier loan been redeemed, the Board could have avoided the additional expenditure of Rs.3.71 crore (calculated from December 1999 to March 2002) towards differential rate of interest even after giving allowance for processing fee of 1.25 *per cent* to obtain new loan for redemption of costlier loan.

Thus, the Board's failure to take advantage of the falling interest rates in the market resulted in avoidable additional expenditure of Rs.3.71 crore with



further future liability for payment of interest at higher rate in respect of the remaining amount of loan up to October 2005.

The Board stated (July 2002) that the loan availed of from RDCC bank was on fixed interest rate basis and there was no specific provision in the agreement regarding prepayment of loan. The RDCC bank loan was without the security/guarantee and rate of interest on PFC/REC loans during the same period was much more than this. Further, even if RDCC Bank agreed for prepayment, it would have charged prepayment premium. Government endorsed the views of the Board.

The reply was not acceptable as there was no provision in the agreement, which prevented the Board from prepayment of loan and the Board has made no attempt for prepayment of loan by exploring the possibility of availing of loan from other financial institutions for redemption of costlier loans.

#### **4B.1.3 Double payment of royalty charges**

**The schedule rates of murum considered for granting extra work item was inclusive of royalty charges, even then separate royalty charges were paid resulting in double payment of Rs.15.29 lakh to the contractor.**

The work of raising of existing ash bund level at Nasik Thermal Power Station (NTPS) by two metres from 594.5 to 596.5 metres involving total estimated quantity of 2,31,540 cu.m. murum was awarded (May 1996) to S.M. Sancheti, Nagpur (Contractor) at a total cost of Rs.1.49 crore. Immediately after placement of work order, Board decided (June 1996) to increase the height of ash bund by four metres (598.5 mtrs.) instead of two metres. Revised estimates were prepared and scope of work was increased from Rs.1.49 crore to Rs.10.08 crore. The Contractor agreed to execute the work at the original tendered rates. The work was completed in June 1998 at a total cost of Rs.10.01 crore.

A scrutiny of final bill of the Contractor revealed that the tender item No.3 provided for laying murum embankment for casing zone with murum obtained from Board's area. The Contractor executed the quantity of 3,48,859 cu.m. under tender item No.3 (1,00,952 cu.m. with murum from the Board's area and 2,47,907 cu.m. from Contractors own source). The total quantity of 3,48,859 cu.m. was paid as per the tender rate of Rs.74.22 per cu.m. and 2,47,907 cu.m. was paid as an extra item of work at the rate of Rs.108.90 per cu.m. in addition to the tendered rate. Scrutiny of calculation of extra item rates of Rs.108.90 per cu.m. revealed that it included the cost of murum of Rs.25 per cu.m. based on the Public Works DSR for the year 1996-97 which was inclusive of royalty charges. However, the Board further added royalty charges of Rs.6.17 per cu.m. in the rate calculation of Rs.108.90 per cu.m. This has resulted in double payment of royalty charges

of Rs.15.29 lakh (2,47,907 cu.m. x Rs.6.17 per cu.m.) to the Contractor which was irregular and to be recovered from the Contractor.

The Board stated (September 2002) that the rate of Rs.25 per cu.m was based on Public Works Department DSR rate 1996-97 which was not inclusive of royalty charges and hence royalty was paid extra to the contractor and there was no double payment to the contractor. The reply was not tenable as it was mentioned in the contract (May 1996) that items where material was brought by the contractor from his own sources, the rates were inclusive of royalty charges and hence payment of royalty charges separately resulted in extra payment to the Contractor. The reply of the Government was awaited (December 2002).

#### **4B.1.4 Irregular payment towards rebate and rate revision**

**The Board clubbed the quantities of two items of schedule of work and irregularly released rebate, which resulted in excess payment of Rs.1.62 crore to the contractor.**

The work of construction of earthen bund at Nasik Thermal Power Station (NTPS) of the Board, having estimated cost of Rs.5.39 crore, was awarded (September 1994) to S.M. Sancheti, Nagpur (Contractor) at a total cost of Rs.2.90 crore after deducting Rs.1.08 crore towards 20 *per cent* rate quoted by the Contractor below the estimated cost and Rs.1.41 crore towards 60 *per cent* additional rebate given by the Contractor on item no. 6(c) and 10 of schedule 'B' of work. According to schedule 'B' attached with work order, item No.6 consisting three sub items was for providing and laying embankment base for foundation bunds and approaches to drain wells was for murum from (a) casing zone, (b) Board's area, (c) contractors source and item No.10 was for providing and laying quarry spauls of approved hard stone quality.

The rates were firm for execution of quantities upto 130 *per cent* in schedule 'B'. The rebate of 60 *per cent* on item no.6(c) and 10 of schedule 'B' was admissible to the Board up to 130 *per cent* of the tendered quantity only.

Scrutiny of final bill of the contractor, which was paid in January 2001, revealed the following:

As per the tender condition, the Board had withheld Rs.0.76 crore towards 60 *per cent* rebate on item 6(c) from Running Account Bills paid to the contractor. However, while releasing the payment of final bill, the Board irregularly clubbed the quantities of 6(b) and 6(c) and calculated the quantity

of 1,60,881 cubic meters in excess of 130 *per cent*, as detailed below:

Item No.	Tendered quantity	130 <i>per cent</i> of tendered quantity	Actually executed quantity	Quantity beyond 130 <i>per cent</i> of tendered quantity
<i>(In cubic meters)</i>				
6(b)	Nil	Nil	1,65,000	} 1,60,881
6(c)	2,48,070	3,22,491	3,18,372	

Accordingly, based on the above said irregular clubbing of the quantities of item 6(b) and 6(c), the withheld amount of Rs.0.76 crore was released.

The Board stated (May 2001/September 2002) that as limited land was available for ash bund, it was advisable to create extra capacity by utilising murum available in Board's area to increase the capacity of the bund to accommodate more ash. Hence, the competent authorities had sanctioned execution of work of 1,65,000 cu. meters under item 6(b) as against *nil* quantity in the contract. Had the item 6(b) not been sanctioned, the quantities of item 6(c) would have been increased by 1,65,000 cu. meters. Hence, both the quantities were clubbed. The reply was not tenable, as contractor had offered rebate for item 6(c) only and not for item 6(b). Therefore, clubbing the quantities of 6(b) and 6(c) resulted in non-availing of rebate of Rs.0.76 crore, as admissible under the contract and resulted in excess payment of Rs.0.76 crore to the Contractor.

**The Board irregularly released rebate of Rs.0.76 crore and paid price escalation of Rs.0.86 crore to the contractor by clubbing the quantities of two separate items of the schedule of work.**

As per clause 9 of the work order (September 1994) the quantities beyond 130 *per cent* of quantities mentioned in schedule of work attract rate revision. In the tender against item 6(b) the quantity mentioned was *nil* and quantity executed against item 6(c) was below 130 *per cent* of tendered quantity. Hence, no price escalation was admissible.

However, on the above clubbed quantity of 1,60,881 cu. meters, Board paid price escalation of Rs.0.86 crore at the rate of Rs.53.68 per cu. meters (Revised rate Rs.116.48 and rate as per tender Rs.62.80 per cu. meters) resulting in excess payment to the contractor to that extent.

Thus, irregular clubbing of items 6(b) and 6(c) for calculating quantities beyond 130 *per cent* of tendered quantity resulted in excess payment of Rs.1.62 crore (Rs.0.76 crore *plus* Rs.0.86 crore) to the Contractor.

The reply of the Government was awaited (September 2002).

#### **4B.1.5 Idle investment in chlorination plants**

**The erection of chlorination plants at three TPSs was not completed and the amount of Rs.2.12 crore remained idle for more than 10 years.**

The chlorination system prevents biological growth in cooling water and shock treatment in case of excess biological growth in water used in thermal power stations.

The Board awarded a contract (May 1989) for designing, supply and erection of Chlorination Plants at its five Thermal Power Stations (Koradi, Chandrapur, Bhusawal, Parli-Vaijnath and Nashik) to Babubhai Narothamdas and Company, Mumbai (BANACO) at a total cost of Rs.2.26 crore, even though the past experience with the contractor was unsatisfactory.

As per the terms of the contract, the Board was to complete the civil works by February 1990 and BANACO was to take up the erection work from March 1990 and handover the plants by September of the same year. BANACO commenced the supply of plant and equipment in June 1990 and majority of equipment valued Rs.1.41 crore were supplied to all the Power Stations by February 1992. However, there was delay by the Board in handing over the Plant buildings to the contractor and it was finally done during March to October 1993. BANACO took up the erection work in 1993 at four TPSs (Bhusawal, Chandrapur, Koradi and Nashik) which was to be completed between June 1993 and January 1994. However, it could complete the work at Bhusawal TPS only in August 1999 and at Nashik TPS in August 2001 *i.e.* after lapse of 5 and 7 years, respectively.

The erection work in respect of other three TPS (Chandrapur, Koradi and Parli Vaijnath) remained incomplete (July 2002) even after 13 years from the date of issuing the work order.

As per the terms of contract in case of delay in completion of work, the liquidated damages equivalent to half *per cent* of contract price for each week subject to maximum of 10 *per cent* of contract price was recoverable from contractor. In addition to above, the Board could rescind the contract at the risk and cost of the contractor. The Board neither rescinded the contract at the risk and cost of the contractor at initial stage nor recovered the liquidated damages of Rs.22.43 lakh from the contractor. Actual expenditure incurred on these three chlorination plants was Rs.2.12 crore (building Rs.0.99 crore; plant and equipment: Rs.1.13 crore). As these plants were not commissioned for more than 10 years, the Board incurred consequential loss of interest amounting to Rs.2.53 crore (up to March 2002) at the rate of 12 *per cent* simple interest on the blocked funds. The purpose of setting up of Chlorination Plant *i.e.* to prevent biological growth in cooling water system was also not achieved.

**Chlorination plant at three TPSs was not commissioned even after 13 years from the date of work order resulting in idle expenditure of Rs.2.12 crore.**

The Board accepted the fact of non-completion of chlorination plants at three TPSs and stated (May 2002) that the delay was mostly attributable to BANACO. However, it was decided to get the work completed by BANACO on the same terms and conditions, as after a lapse of 13 years if the work was given to any other agency the cost would escalate. The Government endorsed the views of the Board. However, the fact remains that investment of Rs.2.12 crore on the three Chlorination Plants remained idle due to delays by the Board and BANACO and more so because the contract was awarded to BANACO in spite of their past unsatisfactory performance.

#### **4B.1.6 Excess payment of interest**

**Non-insistence by the Board for roll back of interest rate to the contracted rates when there was decrease in rate of interest of HDFC resulted in excess payment of Rs.38.02 lakh.**

The Board availed four loans aggregating Rs.28.34 crore between June 1988 and November 1990 from Housing Development Finance Corporation Limited (HDFC) for construction of staff quarters, repayable in 120 Equated Monthly Installments (EMI). The rate of interest agreed to was 14.5 *per cent*. The agreement further provided for prospective increase in rate of interest suitably if unforeseen or exceptional or extra ordinary changes in money market took place or if any Government or authority imposes any levy or tax.

HDFC increased interest rate on above loans to 16 *per cent* effective from April 1991 and further to 17 *per cent* effective from October 1991 on the ground of increase in cost of raising of funds and imposition of interest tax by Government. The repayment of loan was rescheduled based on the revised rate of interest and repayment was completed by September 1999.

**The Board did not insist for roll back of interest rate to the contracted rate, resulting in excess payment of interest of Rs.38.02 lakh.**

A scrutiny of the records revealed that even though the interest rates on housing loans decreased due to changes in money market conditions and reduction of interest tax by Government, the Board did not insist for roll back of interest rate to the contracted rate of 14.5 *per cent*. The decrease in interest rate was evident from the fact that HDFC also offered loan to the Board at the rate of 14.5 *per cent* in August 1997. This has resulted in payment of excess interest of Rs.38.02 lakh during September 1997 to September 1999.

It was replied by the Board (April 2002) that levy of interest tax by Government was the main reason for hike in interest rate and that the agreement did not stipulate a downward revision of interest. The Government also endorsed (April 2002) the views of the Board.

The reply was not tenable, as the increase in the interest tax was not the main reason for hike of interest rate as it had an impact of 0.45 *per cent* only in the rate of interest. Moreover, interest tax was reduced in March 1997. As soon as the circumstances, which led to the increase in rate of interest had ceased, the Board should have insisted for the roll back to the contracted rate.

#### **4B.1.7 Idle museum building**

**Museum building constructed at a cost of Rs.33 lakh remained unutilised for last 14 years due to pending decisions regarding manpower and maintenance of the building.**

The Board decided (March 1982) to construct a Technical Museum to develop tourism around Mahalaxmi Temple at Koradi, as a part of social service, as per the proposal made by the Collector, Nagpur in 1980-81.

The Board constructed (1987-88) the technical museum building at Koradi near its Thermal Power Station at a cost of Rs.33 lakh without carefully analysing the financial implications of equipping the museum building, maintenance of the proposed museum and specialized manpower requirements. Thereafter, it approached National Council of Science Museum, India (NCSM) to take over the building which was not agreed to as NCSM had inaugurated (June 1989) its own museum 'Raman Science Centre' at Nagpur. However, NCSM offered to develop exhibits/models at a cost of Rs.0.80 crore. The offer was rejected by the Board (1989), as the models offered were the same as exhibited at Raman Centre, Nagpur.

The issues of maintenance of the museum, manpower required, *etc.* could not be decided. The Board proposed (June 2000) to hand over the building to the Tourism Department and other Departments to share financial burden of fabrication of models and setting up of infrastructure facilities, *viz.* air cooling, cafeteria, display facilities *etc.* but none had responded. Thus, the building was not put to use as of March 2002 even after 14 years of its construction. As a result, expenditure of Rs.33.00 lakh incurred on construction remained blocked for 14 years resulting in loss of interest of Rs.0.55 crore (up to March 2002) on the blocking of funds.

The Board in its reply (May 2002) accepted that as no Department had agreed to participate in fabrication of models and maintenance of museum, the building remained un-utilised. The Government also endorsed (June 2002) the views of the Board.

The reply was not acceptable, as the construction of museum building valuing Rs.33 lakh which does not fall under main activity of the Board, was rather surprising. Moreover, building was constructed without analysis of the financial implications of maintenance of building, manpower requirement *etc.* which resulted in its non-utilisation for last 14 years and blocking of funds. There was no plan either for disposal or alternate use of the building (September 2002).

**Non utilisation  
of museum  
building valuing  
Rs.33 lakh for  
14 years.**

## 4B.2 Maharashtra State Road Transport Corporation

### 4B.2.1 Avoidable extra expenditure in purchase of engine oil

**Ineligible rate revision in basic prices of engine oil resulted in extra expenditure of Rs.0.50 crore.**

Maharashtra State Road Transport Corporation (Corporation) invited (September 1999) tenders for procurement of 23.30 lakh litres engine oil and placed rate contracts (June 2000) on three Public Sector Undertakings<sup>‡</sup> and one Private Sector Undertaking, Sah Petroleum Limited (SPL). The period of rate contract was May 2000 to May 2001, which was extended upto 16 November 2001.

According to the terms and conditions of rate contracts, basic prices would remain firm during the contractual period. Any upward/downward revision in rate of statutory levies and taxes would be made applicable to the suppliers on production of documentary evidence.

**The Corporation allowed increase in basic prices of engine oil of Rs.0.50 crore even though there was no provision for price revision in the rate contracts.**

All the four suppliers demanded price increase in basic prices on the ground of increase in input cost from 1 December 2000 and the same was agreed to by the Corporation. The amendments to the original rate contracts were issued in January 2001, though no increase in basic price was payable as per terms of the contracts. The rate contract of BPCL was subsequently cancelled. There was no change in net payable rate of SPL. The prices of HPCL and IOC were increased to Rs.34.52 per litre from Rs.30.56 and Rs.32.22 respectively. Subsequently, quotations were received by the Corporation from oil companies and the rates were reduced with effect from 23 February 2001. However, the rates of HPCL and IOC (Rs.37 and Rs.35.75 per litre) were still higher than the original rates.

The Corporation purchased 8.51 lakh litres of engine oil from HPCL and IOC (3.21 lakh litres during 1 December 2000 to 22 February 2001 and 5.30 lakh litres from 23 February 2001 to 16 November 2001) at the increased rates which resulted in additional expenditure of Rs.0.50 crore compared to the prices of original rate contracts.

The matter has been reported to Government/Management in August 2002; their replies were awaited (September 2002).

<sup>‡</sup> Hindustan Petroleum Corporation Ltd (HPCL), Indian Oil Corporation Ltd. (IOC), Bharat Petroleum Corporation Ltd. (BPCL)

**4B.2.2 Avoidable expenditure due to delay in implementation of decision**

**The delayed implementation of Board of Directors' decision to acquire land resulted in excess expenditure of Rs.9.40 lakh.**

As the existing plot was found insufficient for the operation of the bus terminal at Amravati, the Corporation requested (April 1993) Municipal Corporation, Amravati (MCA) to transfer a plot for construction of a bus terminal. MCA offered (February 1994) a plot measuring 8,449 square metres at a cost of Rs.0.55 crore. Subsequently, the Regional Manager, Nagpur approached the central office in March 1994 seeking permission to purchase the plot stating that the price offered by the MCA was reasonable taking into account the prevailing market rate. The Corporation requested (October 1995) after a gap of 19 months to MCA to reduce the price to Rs.25 lakh for which no response was received from MCA. Subsequently, the Corporation decided (July 1996) not to acquire the said plot as the same was considered inadequate for its operations and the price offered by the MCA was exorbitant. Therefore, the Corporation decided to identify an alternative site.

The Regional Manager, Amravati, intimated (December 1996) that no suitable alternative was available. The Board decided (December 1997) to acquire the same plot, at a cost of Rs.0.84 crore as agreed by MCA. However, this decision was not implemented immediately. Meanwhile MCA raised (July 1998) the price of the plot to Rs.1.06 crore. Finally, in March 1999 the Corporation acquired the plot by paying Rs.1.06 crore to MCA. Thus, delay of 15 months in implementing the Board's decision to acquire land caused an extra payment of Rs.9.40 lakh being made to MCA after considering interest at the rate of 12 *per cent* for the period from December 1997 (Board's decision) and March 1999 (date of acquiring land) (Rs.1.06 crore *minus* (Rs.0.84 crore *plus* Rs.12.60 lakh)).

The Corporation stated (April 2002) that the difference between Government declared rate and the rate of Municipal Corporation was negligible. There were encroachments on the plot and the Corporation had asked MCA to remove encroachments before making the payment and taking possession of land. The Government endorsed (June 2002) the views of the Corporation.

The reply was not tenable as the encroachment on 164 square metres of the plot was removed in January 1998 *i.e.* within one month from the decision of Board to acquire the plot. Moreover, the Corporation was aware that price of plot had been revised by MCA in October 1996 and anticipating further increase in price, immediate action should have been taken to acquire the plot to avoid extra payment due to revision of price.

**The Corporation incurred extra expenditure of Rs.9.40 lakh due to delay in acquiring land.**



### 4B.2.3 Idle investment in construction of depots

**Five depots constructed between 1999 and 2001 at a cost of Rs.4.11 crore remained idle.**

Maharashtra State Road Transport Corporation (Corporation) resolved (October 1990/October 1994) to construct five depots in order to operate increasing number of schedules. The cost incurred on these depots were as given below:

Sr. No.	Name of the depot	Month of completion of civil work	Total investment (Rupees in crore)
1	Mahur	May 1999	0.79
2	Paranda	October 1999	0.92
3	Paoni	November 1999	0.77
4	Ralegaon	August 2000	0.74
5	Murtizapur	March 2001	0.89
<b>Total</b>			<b>4.11</b>

**The Corporation by ignoring financial viability constructed five depots at a cost of Rs.4.11 crore which remained idle.**

Scrutiny in audit revealed that the Deputy General Manager (Traffic) while processing the proposals stated that the existing depots could handle the increasing traffic and there was no necessity of construction of new depots. The Financial Advisor was also of the view that the new depots would not be financially viable as these depots were to be operated by transferring schedules from existing depots. Disregarding the above opinion, the Corporation decided to construct the new depots. Moreover, as the Corporation had not obtained approval of the State Government for recruitment of operating staff, these depots were not commissioned for want of staff. Thus, investment of Rs.4.11 crore in construction of these five depots proved to be an idle investment and the Corporation had to incur annual loss of interest of Rs.49.32 lakh thereon (at the rate of 12 *per cent per annum*).

The Corporation while agreeing to the facts stated (July 2002) that the State Government had banned recruitment of staff since 1997. It had requested the Government for early sanction of staff so that the depots can be commissioned quickly.

Government stated (September 2002) that the Corporation should have operated the depots by adjusting staff from other depots which was not done. It further stated that a detailed investigation would be done regarding reasons for change in view of Financial Advisor to construct depots even though the Corporation was well aware of the ban on recruitment and efforts should have been made to put the depots in operation since completion of construction.

### **4B.3 Maharashtra State Financial Corporation**

#### **4B.3.1 Non recovery of loan due to inadequate security**

##### **Release of loan by relaxing the pre-disbursement conditions and without adequate security resulted in non recovery of dues of Rs.2.67 crore.**

Maharashtra State Financial Corporation (Corporation) sanctioned (December 1995) a term loan of Rs.2.12 crore to Ramkamal Chemicals Private Limited (RCPL) to set up a project for production of Sodium Lauryl Sulphate at Kurkumbh. The loan was sanctioned subject to offering of a charge on the assets of sister concern (Jasmira Engineering Private Limited) as collateral security. The Corporation was aware that the promoters did not have any immovable property in their names except a residential flat. However, on the request from RCPL (December 1996), the condition for collateral security was also waived subject to the condition that charge on the assets of sister concern in respect of another loan taken by them would remain till the repayment of this loan. RCPL was also allowed to keep the machinery in the premises of sister concern (December 1996).

The RCPL was required to submit the pollution control certificate, sanction of power by MSEB, working capital sanction by the bank and deposit of Rs.15 lakh as fixed deposit before disbursement of the loan. But all these conditions were relaxed (January 1997) in order to avoid delay in the implementation of the project on the assurance given by the RCPL to fulfill all these conditions later on.

As per guidelines, the loan was required to be disbursed on the basis of valuation of construction of building by an approved valuer and in case of plant and machinery on the basis of Chartered Accountant's certificate of expenditure incurred. In case of self-fabricated machinery, the valuation by the approved valuers was also required. Loan was to be disbursed only after the entire cost of machinery was fully paid and machinery was actually installed at site. However, the Corporation disbursed (January 1997) Rs.0.93 crore for building and plant and machinery without observing the guidelines in this regard.

RCPL failed to honour the assurance in respect of completion of formalities and did not avail the balance loan, which was subsequently cancelled (November 1999). RCPL also failed to repay the loan which was recalled by the Corporation (September 1999) for repayment of the entire outstanding dues of Rs.2.67 crore as on December 2001.

The Corporation did not take possession of properties, since management considered it difficult to sell the assets. The Corporation filed (October 2000) miscellaneous petition under section 31 of SFC Act. Summons were issued to the promoters of RCPL but returned unserved and the District Court, Pune

**Disbursement of loan by relaxing pre-disbursement condition and inadequate securities resulted in non-recovery of dues of Rs.2.67 crore.**

passed order (September 2001) to issue summons by Public Notice. Response was also not received from RCPL in respect of one time settlement.

Thus, due to failure to follow the guidelines for disbursement of loan, Rs.2.67 crore could not be recovered as the security of Rs.0.88 crore available was inadequate as the construction of building was up to plinth level and plant and machinery was in rusted condition.

The management stated (April 2002) that the pre-disbursement conditions were temporarily relaxed by Managing Director for which he was competent. RCPL had acquired the machinery and submitted Chartered Accountant's certificate and loan was released by the Corporation on proforma invoices, which was admissible as per guidelines.

The reply was not tenable as the Managing Director failed to safeguard the interest of the Corporation by sanctioning loan without observing the guidelines for sanction of loan and as a result thereof, the chances for recovery of Rs.2.67 crore were very dismal.

The matter was reported to Government (March 2002); their replies were awaited (September 2002).

#### **4B.3.2 Loss due to defective agreement and absence of security**

##### **Release of loan to a Non-Banking Finance Company without security resulted in non recovery of dues of Rs.7.79 crore.**

Maharashtra State Financial Corporation (Corporation) decided (November 1995) to render financial assistance to truck operators under hire purchase scheme through Non-Banking Finance Companies (NBFC) as business associates. As per the scheme, the Corporation would extend financial assistance to NBFC, which in turn advance the same to truck operators for hire purchase of commercial vehicles.

Accordingly, a memorandum of understanding (MOU) was entered into between Alpico Finance Limited (AFL) and the Corporation (January 1996) for financial assistance aggregating Rs.5.00 crore to be disbursed/availed within six months from the date of agreement. The agreement provided for sanction of loan by the Corporation, based on the recommendation of AFL on applications of beneficiaries and a tripartite agreement between AFL, the Corporation and customer whereby the vehicle owners were required to create a charge on the vehicle in favour of the Corporation. The MOU further provided for recovery of loan from the customers by AFL, repayment of advance in 36 Equated Monthly Installment (EMI) alongwith specified rate of interest irrespective of recovery from customers.

The Corporation released Rs.5.00 crore under the above loan scheme from February to April 1996. Another loan for an equal amount was sanctioned

(September 1996) on similar terms and conditions out of which the Corporation disbursed Rs.2.00 crore. Thus, a total amount of Rs.7.00 crore was released to AFL.

AFL defaulted in repayment of loan since January 1998. The repayment period of above two advances expired in March and September 1999, respectively. The total outstanding against AFL (August 2001) was Rs.7.79 crore (Principal: Rs.3.25 crore and interest: Rs.4.54 crore). Though AFL began defaulting from January 1998, the Corporation belatedly filed proceedings against AFL (August 2001) which was pending in Debt Recovery Tribunal (DRT) (September 2002).

**Failure of the Corporation to incorporate provision in agreement for remedies in case of default and absence of any security resulted in non recovery of dues of Rs.7.79 crore.**

It was noticed from the review of the Agreement that there were no remedies available to the Corporation in case of default in repayment except the provision for penal interest. The Corporation while releasing such large advances to AFL obtained no collateral security. The Corporation was unaware of details of beneficiaries, loan disbursed, recovered, outstanding, vehicles seized and disposed of by AFL *etc.* Resultantly, it could not take possession of the vehicles. Thus, the sanction and disbursement of loan without any security resulted in non recovery of Rs.7.79 crore.

The management while accepting the facts stated (July 2002) that the amount was released to AFL without any security. However, it was justified as the financial position of AFL was healthy and the Corporation never envisaged that AFL would face such difficulties. The problem started after putting restrictions by RBI on NBFCs to regulate deposit. The developments in financial sector had forced the AFL to commit defaults. The reply was not tenable as the Corporation failed to incorporate provisions in the agreement to safeguard its interest and for remedies in case of default in payment by AFL. In the absence of any other security, the chances of recovery were bleak.

The matter were reported to Government in July 2002; their replies were awaited (September 2002).

#### **4B.3.3 Loss due to non recovery of bridge loan**

**Non ensuring the existence of hypothecated machinery by conducting regular post disbursement inspection of the unit and delay in initiating action against promoters resulted in non recovery of Rs.0.68 crore.**

Maharashtra State Financial Corporation (Corporation) sanctioned (March 1991) a term loan of Rs.33.60 lakh to Bomex Auto Industries Private Limited (BAI), Thane for acquisition of assets (land and building: Rs.15.90 lakh; plant and machinery: Rs.17.00 lakh and reimbursement of statutory duty: Rs.0.70 lakh) to manufacture and fabricate bus bodies and other auto accessories. At the instance of BAI, a bridge loan of Rs.25.00 lakh was sanctioned (March 1992) as stopgap arrangement against hypothecation of plant and machinery and personal guarantees from promoters. Of the bridge loan amount, the Corporation disbursed (March 1992) Rs.23.75 lakh towards

building and plant and machinery. The loan was sanctioned on hypothecation of plant and machinery on the basis of Chartered Accountant's certificate and personal guarantees of promoters only. BAI failed to repay the bridge loan. Outstanding dues of the BAI were Rs.0.68 crore (principal: Rs.21.61 lakh and interest: Rs.46.43 lakh) as on December 2000.

The recovery of outstanding dues from BAI was pursued routinely. In order to ensure existence of hypothecated plant and machinery, there were no regular post-disbursement inspections. There were no recorded reasons for not conducting post disbursement inspections. Notice under section 29 of SFC Act, 1951 was issued (October 1997) only after 5 years of disbursement of the bridge loan. BAI deposited three cheques aggregating Rs.10.00 lakh towards part payment of outstanding dues. However, all the three cheques were dishonoured. The Corporation had not initiated any action for dishonour of cheques under Negotiable Instruments Act.

When the authorised officer of the Corporation visited the factory for taking possession of hypothecated machinery (December 1997), it was noticed that no machinery was available in the premises. As the Corporation released the bridge loan against hypothecation of machinery alone, it could not take over the land and building.

The Corporation lodged a criminal case (July 2000) two and half years after noticing the non-existence of machinery. The delay was stated to be due to the non-co-operation from police. The Corporation's efforts to recover the amount did not fructify as yet (July 2002).

Thus, non ensuring the existence of hypothecated machinery by conducting regular post disbursement inspection of the unit and delay in initiating action against promoters resulted in non-recovery of Rs.0.68 crore (principal: Rs.21.61 lakh; interest: Rs.46.43 lakh).

The Corporation replied (March 2002) that they have initiated action for recovery. However, the Corporation could not recover any dues so far (July 2002).

The reply of the Government was awaited (September 2002).

#### **4B.3.4 Non recovery of loan due to insufficient security**

**As the directors did not hold any immovable property, the Corporation could not initiate action to invoke personal guarantee, thereby resulting in short recovery of Rs.0.71 crore.**

Maharashtra State Financial Corporation (Corporation) sanctioned (November 1995) a term loan of Rs.1.56 crore to Unicreme Cosmetics and Herbal Products Private Limited, TTC, Thane (UCHPL) for acquisition of land and construction of factory building (Rs.0.53 crore) and procuring of

**Irregular disbursement of loan, absence of post-disbursement inspection and delay in initiating action against promoters resulted in non recovery of loan.**

plant and machinery (Rs.1.03 crore) for manufacture of shampoos, creams and lotions.

The Corporation disbursed Rs.0.71 crore in three instalments during March 1996 to October 1997 on the basis of collateral security in the form of assets of Associates concerns who subsequently became serious defaulters of the Corporation on loans availed by them. Further, the directors were not holding any immovable property, which could be taken possession of and sold. Thus, the securities available were inadequate. The Corporation cancelled (April 1999) the balance loan of Rs.0.85 crore and finally took possession (December 1999) of the properties of the unit valuing Rs.0.77 crore (land and building: Rs.0.69 crore and plant and machinery: Rs.7.75 lakh) under section 29 of SFC Act. The unit was advertised for sale (May 2000). The distress sale value of the assets, as assessed by the valuer (excluding the cost of plant and machinery) was Rs.0.52 crore.

In response to the advertisement, Shree Jay Gajanan Agro (P) Limited offered (June 2000) the highest bid of Rs.45.00 lakh which was accepted. Possession was handed over (July 2000) by accepting Rs.15.75 lakh as initial down payment. The balance amount was receivable in six half-yearly installments.

As the directors did not hold any immovable property, the Corporation could not initiate action to invoke personal guarantee under section 31 of the SFC Act, for recovery of shortfall. Thus, in the absence of any security, the chances of recovery of the balance amount of Rs.0.71 crore were remote.

The management stated (March 2002) that action for recovery of shortfall of Rs.0.71 crore had been initiated by invoking personal guarantee of promoters under section 31 of SFC Act. The reply was not tenable as the concerns from which the Company obtained collateral security themselves were defaulters to the Corporation and the directors were not holding any immovable property. The reply of the Government was awaited (September 2002).

#### **4B.4 Maharashtra Industrial Development Corporation**

##### **4B.4.1 Under billing of water charges**

**Non incorporation of validation checks and improper coding in water billing system resulted in under billing of Rs.2.04 crore .**

Maharashtra Industrial Development Corporation (Corporation) had computerised its water billing system with Oracle as a back end and Developer 2000 as front end to generate water bills and to maintain database of its consumers.

A review of the water billing system revealed that as per the instructions issued (November 1997) by the Corporation in this regard, the industrial consumers were to be charged 50 *per cent* above the normal industrial rate if

they had not obtained Building Completion Certificate (BCC) on or before 1 December 1997. The database for the water billing system had two critical fields, which controlled the billing for BCC purposes; 'BCC date' and 'BCC field', both with 'Yes/No' option. The water billing system was programmed in such a way that if the 'BCC field' was 'Yes' (*i.e.* BCC submitted) the consumer would be billed at normal rate and if the 'BCC field' was 'No' (*i.e.* BCC not submitted) then the consumer would be billed at 1.50 times the normal rates. However, the Corporation had not fed the 'BCC date field' in billing system and it was left blank. This was a crucial lacuna as the date of obtaining the BCC was crucial for further billing purpose.

**Non incorporation of validity checks and improper coding in water billing system resulted in loss of revenue of Rs.2.04 crore.**

In the absence of validation check for linking the 'BCC date field' and 'BCC field' with 'Yes/No' option, 106 consumers who had not obtained 'BCC' on or before 1 December 1997 had been billed at normal rate instead of higher rate resulting in a revenue loss of Rs.1.70 core in respect of Thane, Dombivali and Ambernath divisions of the Corporation during the period December 1997 to March 2001. In respect of Ambernath division, Rs.34.37 lakh collected by way of penalty for non production of BCC from consumers had been subsequently refunded wrongly (August 1998) to the consumers by considering the date of starting production as 'BCC'.

Thus, non incorporation of suitable preventive, detective and corrective validation checks and improper coding of parameters of business rules resulted in loss of revenue of Rs.2.04 crore due to under billing of water charges.

The Corporation stated (December 2002) that the irregularities mentioned in Audit para were examined and modification carried out in the water billing software. Efforts are being made to recover the amount due to the Corporation. The reply of the Government was awaited (December 2002).

**MUMBAI**

**The**

**(MRIDULA SAPRU)**

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**Comptroller and Auditor General of India**