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Chapter III

Audit of Transactions

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

3.1 Fraudulent drawal/misappropriation/embezzlement/losses

Public Works Department

3.1.1 Fraudulent payment

The Public Works Department made a payment of ₹ 57.30 lakh to two contractors towards purchase of bitumen without obtaining original invoices as stipulated in the contract. Cross-verification by Audit subsequently revealed that the duplicate invoices on the basis of which the payments were admitted were forged.

Work of improvement of 76 Km Malharpeth-Pandharpur State Highway was awarded (February 2008) to M/s U.P. Bagal, Solapur (contractor) by the Executive Engineer, Public Works Division, Pandharpur, District Solapur (EE) at a cost of ₹ 1.48 crore. The work was to be completed in eight months from the date of issue of work order *i.e.*, by October 2008.

As per the contractual conditions bulk bitumen was to be procured and brought by the contractor at his own cost from any reputed Government refinery. Further, the contract also stipulated that the original challan and delivery memo of the bitumen obtained from the Government refinery should be submitted to the Engineer-in-charge and the same should be recorded in the measurement book of that work.

Scrutiny of running account bills (R A Bills) in March 2010 paid by EE to the contractor during the period from September 2008 to October 2008 revealed that 14 photocopies, instead of original invoices, involving purchase of 187.66 MT of bitumen from Hindustan Petroleum Corporation Limited (HPCL) valued at ₹ 51.51 lakh were attached to the paid R A bills. As some of these invoices had the same delivery number but different dates, a cross verification with HPCL was done by Audit to ascertain the genuineness of the invoices attached to R A Bills. On cross verification, the HPCL, Mumbai confirmed (May 2010 and September 2011) that 11²⁰ out of 14 photocopies of invoices involving purchase of 141.86 MT bitumen at ₹ 46.68 lakh were not issued/ generated by it. This indicated that the copies of the invoices furnished by the contractor in

²⁰ Remaining three invoices not included as they were not legible

support of purchase of bitumen were fake. The work was completed and the final bill was not paid (December 2011).

A similar case was noticed in respect of contract for strengthening the Padegaon – Dahegaon road (chainage from 33/700 to 35/400) awarded (August 2009) by the Executive Engineer, Public Works Division, Sangamner, District Nashik to M/s Sai Shanti Construction. The value of contract was ₹ 32.18 lakh to be completed in nine months *i.e.*, by May 2010. Three out of eight delivery challans submitted by M/s Sai Shanti Construction in support of purchase of 37.09 MT of bitumen at a cost of ₹ 10.62 lakh, on cross verification (September 2011) by Audit with HPCL, were also found to be not generated from its terminal.

Thus, payment made without obtaining original invoices as per the contractual condition and non-verification of the genuineness of the 14 duplicate invoices as detailed above indicated weak internal controls, resulting in fraudulent payment of ₹ 57.30 lakh²¹.

The matter was referred to the Government in June 2012; their reply was awaited as of January 2013.

3.2 Non-compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to the financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriations and frauds, but also helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are as under:

Water Resources Department

3.2.1 Irregular extra expenditure due to violation of contract conditions

Irregular admission of claim for an extra item rate list in deviation of contract conditions resulted in an extra expenditure of ₹ 3.73 crore.

The Executive Engineer, Minor Irrigation Division, Jalgaon (EE) under TIDC²² awarded (March 2002) a lump sum contract to a contractor for designing, planning and construction of a dam at Shree Padmalaya-II, Taluka Erandol, District Dhule at a tendered cost of ₹ 60.51 crore (4.89 *per cent* above the cost put to tender of ₹ 57.68 crore). The work was to be completed in 84 months (March 2009).

²¹ M/s U. P. Bagal Constructions: 11 invoices for ₹ 46.68 lakh and M/s Sai Shanti Constructions : 3 invoices for ₹ 10.62 lakh = ₹ 57.30 lakh

²² Tapi Irrigation Development Corporation

Special conditions of contract *inter alia* stipulated that (i) the contractor would carefully examine the work and site conditions and fully inform himself of the availability of construction material, local conditions *etc.* before quoting his offer; and (ii) the contract being lump sum, the bid price of which was based on the contractor's own design, no extra items/financial claims of the contractor would be considered.

Scrutiny of the records (October 2010) of EE revealed that as per approved estimates, the quantity of black soil required for gorge filling work was 945,435 cum which was to be transported from a distance of two to three km within the submergence area. However, the contractor transported only 183,012 cum of black soil from the submergence area and the remaining 762,423 cum was brought from a private land situated at a distance of eight km. This entailed an irregular extra expenditure of ₹ 3.73 crore which was sanctioned (July 2009) by the Superintending Engineer, Jalgaon Irrigation Project Circle, Jalgaon as an extra item rate list in violation of contract conditions mentioned above. An amount of ₹ 2.66 crore was paid to the contractor as of January 2011 (up to 36th Running Account bill).

The EE stated (October 2010) that the contractor reported and claimed from time to time that black soil in required quantity was not available within two to three km of submergence area. In order to complete the work on time it was necessary to carry 762,423 cum of soil from a distance of eight km. Hence, the contractor's claim for ₹ 3.73 crore was sanctioned and paid.

The reply is not acceptable because the contractor was expected to be aware of the site conditions before quoting for the work and being a lump sum contract he was not entitled to any extra items/financial claims, as stipulated in the special conditions of contract. The fact that only 58 *per cent* of work has been completed as of July 2012 (against the target date of March 2009) further undermines the justification furnished by the EE that deviation from contract conditions was allowed in order to ensure timely implementation of the work.

The matter was reported to the Government (March 2012); their reply was awaited as of January 2013.

3.2.2 Avoidable extra expenditure

The Water Resources Department incurred an avoidable expenditure of ₹ 18.92 crore due to change in alignment of a canal work necessitated by failure in obtaining prior approval of Central Government under Forest (Conservation) Act, 1980.

As per Forest (Conservation) Act, 1980 no forest land or any portion thereof should be used for any non-forest purpose without the prior approval of the Central Government.

The work of construction of earth work, structures and lining in Km 1 to 10 of Chinchala distributory of Chinchala branch canal was awarded (March 2007)

was seriously affected due to delay in implementation of the project by more than 2½ years, besides, leading to an avoidable expenditure of ₹ 18.92 crore.

3.2.3 Undue benefit to contractors

The action of two irrigation corporations to load excise duty in the estimates for erection of radial gates and allied works in execution of three irrigation projects resulted in undue benefit of ₹ 9.44 crore to contractors.

As per General Exemption Notification No. 53 of Central Excise Tariff 2005-06, all goods fabricated at site of work for use in construction work attract 'nil' rate of duty.

Work of fabrication and erection of radial gates, stop log gates and hoisting arrangement *etc.* of three irrigation projects²⁴ in two divisions²⁵ of Vidarbha Irrigation Development Corporation (VIDC) and TIDC was awarded to three contractors between November 2006 and August 2008. The works were to be completed between May 2009 and October 2012.

Scrutiny of records (July and October, 2011) of these divisions revealed that Central Excise Duty (CED) at the rate of 16 to 16.32 *per cent* was included in the estimated cost of radial gates, stop log gates and hoist provided in the Schedule 'B' of contract. But, since the contractors had brought the raw material to the site of the project for fabrication and erection of gates and allied works, therefore, no CED was payable. The action of project authorities to load the rate of these items with CED thus, resulted in undue benefit to the contractors to the extent of ₹ 9.44 crore, of which, an amount of ₹ 4.61 crore had already been paid as of May 2012. The details are indicated in **Appendix 3.1**.

The Government stated (September 2012) that in respect of the irrigation project under VIDC, the contractor had fabricated parts of radial gates at his workshop and would pay the required CED. Therefore, it would not be fair to say that the contractor was getting any undue benefit from the department.

The reply is not acceptable as CED was required to be paid by the contractor on the finished goods before its removal from manufacturing premises / factory gate.

Regarding the remaining two projects under TIDC, the Government stated that the estimates were loaded with CED on the assumption that the contractors will manufacture the gates and the allied parts at the workshop in Dhule. The Government further contended that had CED not been loaded in the estimates, then the cost of establishing workshop at site and allied expenses incurred by the contractors would have to be loaded in the estimates.

²⁴ (i) Lower Panzara (Akkal Pada) Medium Project, Taluka Sakri, District Dhule. (ii) Wadi Shewadi Medium Project, Taluka Sindkhada, District Dhule (iii) Jigaon Medium Project, Taluka Nandura, District Buldhana

²⁵ (a) Dhule Medium Project Division No 1, Dhule (TIDC)
(b) Wan Project Division, Shegaon, District Buldhana (VIDC)

The reply is not acceptable as the contractors had carried out fabrication works at the dam site and availed of CED exemption. Therefore, loading of CED in the estimates *ab initio* by the department was wrong. Further, evidence available with audit indicated that the department had already factored in the workshop charges in the estimates for fabrication of radial gates and therefore, the contention of the Government in this regard was also not based on facts.

3.2.4 Irregular payment to a contractor

The action of the Water Resources Department to entrust the repair works on a tunnel completed eight years ago as an extra item not only breached the provisions of Maharashtra Public Works Manual but also resulted in irregular payment of ₹ 0.99 crore to the contractor.

As per Para 200 of the Maharashtra Public Works (MPW) Manual, tenders should invariably be invited publicly for all works except for extra items which should be undertaken as part of the original work and the work originally undertaken is in progress and the items which are really inseparable from the original contract and cannot conveniently be done by a different agency. Further, as per Para 228 no extra item should be got executed from the contractor on oral orders or in anticipation of the sanction of the competent authority.

Scrutiny of records of Executive Engineer, Tillari Head Works Division No.1, Konalkatta (EE) revealed (December 2011) that the third revised administrative approval for Tillari interstate irrigation project, district Sindhudurg was accorded (June 2008) at a cost of ₹ 1,390.04 crore by the Water Resources Department, Government of Maharashtra (Department). It was further observed that a sub-work for construction of concrete lining for tunnel in Km 9 (8065 m) and 10 (9198 m) *i.e.*, 1,133 meters of Banda Branch Canal of Tillari interstate irrigation project was awarded to M/s V I Shetty & Company at an estimated cost of ₹ two crore. The work order was issued in February 2006 with stipulated period of 12 months for completion of work. Periodical extensions were granted to the contractor up to May 2010.

During the inspection of the Irrigation Cum Power Outlet²⁶ (ICPO) of Tillari irrigation project in August and September 2009, the EE observed that the cement lining at the top of the tunnel in ch 710 m to 900 m (original length ch. 306 m to 1440 m) at 13 to 14 places had come down and cracks were noticed in cement concrete, which required repairs. The EE submitted (08 November 2009) a proposal to the Superintending Engineer (SE) for execution of these repair works under extra item rate list (EIRL) from M/s Shetty as a part of his original work, on the ground that it would take longer time to complete the work if taken up after inviting tenders. It was also mentioned in the proposal that M/s Shetty had completed the original work to the extent of 95 *per cent* and was ready to execute the repair work. The proposal was further forwarded (30 November 2009) by the SE to the Chief Engineer (CE) for according technical sanction.

²⁶ Another sub-work of Tillari irrigation project which was completed in May 2001

Audit scrutiny of relevant documents (measurement books and running account bills) revealed the following :

- As per measurement book, M/s Shetty undertook repair works on the tunnel on 17 November 2009. Whereas, the CE accorded technical sanction on 02 December 2009. Thus, the repair works were undertaken before obtaining the approval of the competent authority, in contravention of Para 228 of the MPW Manual.
- The original work for which M/s Shetty was engaged (concrete cement lining) in February 2006 was actually completed in February 2009 as evident from the measurement book. On the other hand, the repair works on the tunnel entrusted to him was taken up in November 2009 *i.e.* after a time lag of nine months. While M/s Shetty was paid ₹ 3.22 crore for the original work, he was additionally paid ₹ 0.99 crore for the repair works, as EIRL as part of his original work. Thus, entrusting the repair works to M/s Shetty without inviting tenders for a work at a different location and which already stood completed way back in May 2001 also contravened Para 200 of MPW Manual.

The Government stated (May 2012) that Tillari is an interstate project of Governments of Maharashtra and Goa. It was mandatory to release water for drinking and irrigation purpose for Goa State from 25 December 2009 and the period available for repair work was very less. As the repair work was of specific nature and due to urgency, the work was carried out on EIRL through an experienced agency (M/s Shetty) who was immediately available at the same site of Tillari Project carrying out the similar work of concrete lining of tunnel Km 9 to 10 of Banda Branch canal. The Government further stated that the work was carried out on war footing and completed before 26 December 2009 and water released on the same day. As both the works were within the scope of the Tillari Project, the decision was taken in the interest of timely water supply for drinking and irrigation purpose in the States of Maharashtra and Goa.

The reply furnished by the Government is not borne out of facts and therefore, lacks conviction. If it was considered mandatory by the Government to release water to Goa State within the ambit of interstate agreement, inspection of the tunnel, which already stood completed way back in May 2001, could have been carried out well in advance. Further, the contention that an experienced agency was immediately available at the same site carrying out the similar work is also not maintainable because the agency in question (M/s Shetty) had completed his original work in February 2009, whereas, the repair works on the tunnel was entrusted to him after a time lag of nine months in November 2009.

Thus, the action of the Department to award the repair works on the tunnel under EIRL not only breached the provisions of MPW manual but also resulted in an irregular payment of ₹ 0.99 crore to the contractor.

3.3 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are discussed below:

Water Resources Department

3.3.1 Avoidable extra expenditure

Failure of the Water Resources Department to consult the Public Works Department before taking up the work of construction of protection bund in Bhandara city resulted in an avoidable extra expenditure of ₹ 12.83 crore.

The Buildings and Communications Department of Government of Maharashtra instructed in August 1974 that at the stage of investigation of any irrigation project, the Executive Engineer of Water Resources Department (WRD) should intimate the Executive Engineer and Superintending Engineer of Public Works Department (PWD) the details of the road works which are affected or likely to be submerged, so as to enable the PWD to start investigation for alternative routes and preparation of plan and estimates. The Irrigation Department also directed (December 1982) that both WRD and PWD should inform each other and obtain permission/NOC from each other before execution of any road work. If the WRD desires to execute any road work they should do so only after obtaining the technical sanction to plans and estimates from PWD and also obtain their technical guidance and approval for any changes made during the execution of road work.

The Chief Engineer, Gosikhurd Project, Nagpur accorded (July 2006) technical sanction of ₹ 45.20 crore²⁷ for construction of a protection bund for Bhandara town along with appurtenant works based on a back water study of Gosikhurd Irrigation Project which had reported that about 2,201 houses in Bhandara would be affected due to back water of the project. The work was awarded to a contractor at a cost ₹ 44.41 crore in November 2007 for completion within 24 months *i.e.* by November 2009. As of September 2012, the work was still under progress and an expenditure of ₹ 57.76 crore was incurred which included an extra payment of ₹ 11.97 crore for execution of increased quantities of five²⁸ items of work under Clause 38 of agreement.

²⁷ At Schedule of Rates (CSR) 2005-06

²⁸ Item No. 20(a) : Providing and constructing in-situ CC lining of M20 grade trap/granite *etc.* (ii) Item No. 21 : Providing and fixing in position Mild Steel, HYSD bar reinforcement (iii) Item No. 22 : Filling in plinth and floor (iv) Item No. 24 : Providing expansion joint *etc.* (v) Item No. 25 : Providing and fixing three coats of water proof cement paint

Scrutiny of records of Executive Engineer, Goshikhurd Rehabilitation Division, Ambadi, District Bhandara (EE) revealed (March 2010) that National Highway number six (NH) heading towards Sakoli and State Highway number 271 (SH) heading towards Tumsar were crossing Bhandara city in the east-west and north-south directions respectively. To connect these two highways, one link road SH 271(A) in the north-east direction was in existence, under the control of PWD, which was coming under the submergence of Gosikhurd reservoir. The alignment of proposed protection bund was intersecting SH 271 (A) and SH 271. PWD pointed out in October 2007 that as the height of protection bund had been kept at five to seven feet, the utility of link road would be lost and traffic would have to be diverted through Bhandara city leading to traffic jam and accidents. Subsequently, in a meeting of Superintending Engineer, PWD and Gosikhurd Project Circle, Nagpur held in January 2008 it was decided to construct road of state highway standard over the protection bund by increasing its top width so that it could be used as a link road and heavy vehicular traffic coming from Sakoli side and heading towards Tumsar would not pass through Bhandara city.

Incidentally, while the WRD had already awarded the work for construction of protection bund in November 2007, the decision to construct the diversion road of state highway standard on the protection bund was taken *post facto* only in January 2008 after consultations with the PWD, thus, necessitating implementation of extra items of work through a separate contract. The extra work was awarded to another contractor in June 2009 at a cost of ₹ 15.91 crore²⁹ for completion within 24 months. Also, an Extra Item Rate List (EIRL) amounting to ₹ 6.60 crore in respect of nine items of work³⁰, which were not initially envisaged in the original contract, as well as payment amounting to ₹ 6.44 crore under clause 38 for execution of 1,24,355 cum of additional earthwork for construction of casing zone with selected material at the rate of ₹ 518.45 per cum, were also sanctioned to the contractor who was entrusted with increased scope of work. As of September 2012, an expenditure of ₹ 23.71 crore was incurred against the second contract and the work was still in progress.

Evidently, if the PWD had been consulted before preparation of original estimates for the protection bund, the works could have been executed at the rates based on CSR 2005-06. The action of the WRD to not consult the PWD ahead of awarding the work of protection bund resulted in an extra expenditure of ₹ 12.83 crore as detailed below:

²⁹ At SoR 2008-09

³⁰ (i) Supplying of trap/granite/quartzite/gneiss stone metal 80 mm size; (ii) Supplying of trap/granite/quartzite/gneiss stone metal 40 mm size; (iii) Supplying soft murrum at the road side; (iv) Supplying sand at road side; (v) Spreading 80mm metal including sectioning complete; (vi) Spreading 40mm metal including sectioning complete; (vii) Spreading gravel/sand/soft murrum; (viii) Compacting 80mm subgrade/gravel, over size metal (200mm loose) layers; and (ix) Compacting 40 mm subgrade/gravel, over size metal (100mm loose) layers

Sl.No.	Extra expenditure due to	Amount (in ₹)
1.	Awarding of fresh work	4,16,00,261.24
2.	Clause 38	5,65,94,388.68
3.	Sanction of extra item rate list	3,01,43,185.94
		12,83,37,835.86

The item-wise details of extra expenditure incurred on account of awarding of fresh work, clause 38 and extra item rate list are indicated in **Appendix 3.2**.

The Government stated (September 2012) that the decision to construct the link road over the protection bund was taken as per the demand of people. It further stated that even if PWD had been consulted they would have suggested protection bund as a road structure as per their requirements and specifications. It added that the requirements were incorporated as and when the necessity cropped up, hence, it was not possible to ascertain the requirements of the PWD and accommodate the same in the estimates of 2005-06. Considering the price escalation on initial work, the action taken was reasonable.

The reply of Government is not acceptable as the WRD in the instant case failed to coordinate with PWD in violation of the existing instructions, leading to an avoidable extra expenditure of ₹ 12.83 crore.

Maharashtra Krishna Valley Development Corporation

3.3.2 Avoidable extra expenditure due to non-observance of Government directives

Non-observance of Government directives by the Water Resources Department in not including plum concrete in the tender *ab initio* for construction of a minor irrigation tank led to an avoidable extra expenditure of ₹ 1.73 crore.

The Irrigation Department, Government of Maharashtra issued directives in July 2002 that all future dam works for irrigation purpose should invariably be constructed in concrete in order to increase the life of the dam.

The Maharashtra Krishna Valley Development Corporation (MKVDC) accorded administrative approval (June 2000) for construction of a minor irrigation tank at Ghangaldara (taluka Junnar) in Pune at a cost of ₹ 4.55 crore. Technical sanction was accorded (August 2004) by the Chief Engineer, Pune at a cost of ₹ 6.50 crore. The work was awarded to a contractor in February 2006 at a cost of ₹ 6.06 crore for completion in 36 months (February 2009).

However, the work could not be commenced due to increase in cost of acquisition of land, schedule of rates, changes in the original design *etc.* The Water Resources Department (Department) accorded (June 2009) revised

administrative approval to the work at a cost of ₹ 17.14 crore. The work was completed at a cost of ₹ 17.31 crore³¹ within the extended period in May 2010.

Scrutiny of records of Executive Engineer, Minor Irrigation Division, Pune revealed (July 2010) that the Department provided for uncoursed rubble (UCR) masonry in the initially sanctioned technical estimates for waste weir³² on the assumption that the foundation would be met at shallow depth. However, during actual execution of work, hard strata for foundation of waste weir were not available at shallower depth, leading to modification of design of waste weir, necessitating use of plum concrete *post facto*. Since the item plum concrete was not included in the tender *ab initio* this had to be sanctioned as an extra item rate list (EIRL) leading to an avoidable extra expenditure of ₹ 1.73 crore as indicated in **Appendix 3.3**.

The Government stated (August 2012) that while according technical sanction in August 2004 the possibility of providing plum concrete instead of UCR masonry was duly considered keeping in view the Government directives of July 2002. However, the same was not included as the total project cost in that case would have exceeded the administratively approved cost. It added that even if the provision of plum concrete had been included in the original sanctioned technical estimates, expenditure would have to be incurred in any case. Hence, no avoidable extra expenditure was involved in this case.

The reply of the Government clearly indicated that provision of plum concrete was not considered initially in order to retain the total project cost within the administratively approved amount, which in the process, violated the Government directives. Further, if the Department had included plum concrete in the initially sanctioned technical estimates, the district schedule of rates for 2003-04 would have applied (instead of the rates of 2008-09), leading to savings of ₹ 1.73 crore.

Agriculture, Animal Husbandry and Fisheries Department

3.3.3 Unfruitful expenditure on fresh water prawn hatchery project

Improper planning and implementation of fresh water prawn hatchery project at Dapchari in district Thane led to an unfruitful expenditure of ₹ 7.88 crore.

The Government of Maharashtra (GoM) took up the fresh water prawn hatchery Project in the State under the Financial Protocol signed in January 1996 between the Government of India and the French Republic. The project cost was to be shared in the ratio of 80:20 with the French Republic contributing in the form of 80 *per cent* soft loan and the remaining 20 *per cent* was to be provided by GoM. The GoM and M/s COFREPECHE (French consultant) entered into a contract in June 1997, which became effective from

³¹ Land acquisition: ₹ 2.46 crore; Works: ₹ 14.03 crore; Other works related to the project: ₹ 0.82 crore;

³² It is an escape provided for passage of surplus water from a tank or reservoir

December 1997, for implementation of the Project. The objectives of the Project *inter alia* were to:

- support the existing aquaculture sector in Maharashtra by providing good quality juveniles of fresh water prawns; and
- develop a modern aquaculture sector aiming at higher production of freshwater prawns.

Scrutiny of records of the project revealed (June 2011) that during the period 1997-98 to 2004-05, preliminary design, detailed engineering design, procurement and installation of equipment and transfer of technology and technical support services were accomplished with the assistance of the French consultant under the financial protocol. Apart from this, construction of civil works, overseas training to officers *etc.* was completed with the assistance of the funds released by the GoM from time to time. Thereafter, biological start-up was completed in two phases in November-December 2006 and July-August 2007 and post-larvae trial production was completed in August 2007.

Audit, however, observed that even after an investment of ₹ 6.88 crore³³ on the project as of June 2012, the actual production during the period 2007-12, against the targeted production capacity of 30 million post-larvae *per annum* for the first year (due to normal learning process) and 40 million post-larvae *per annum* in the subsequent years, was abysmally low as indicated below:

Year	Target	Actual production	Percentage of production
2007-08	300,00,000	60,000	0.20
2008-09	400,00,000	1,50,000	0.38
2009-10	400,00,000	1,00,000	0.25
2010-11	400,00,000	Nil	0
2011-12	400,00,000	Nil	0

Scrutiny in audit revealed improper planning and deficiencies in the implementation of the project which contributed to poor production during the period 2007-10 and 'nil' production during 2010-12. The broad reasons for failure of the project were as follows:

- The project was located in a remote and tribal area of Dapchari, district Thane with frequent power breakdown ranging between 12 and 15 hours a day, despite the fact that the project required continuous power supply. The generator supplied by the French Republic could not be repaired due to non-availability of spare parts;
- There was horizontal and vertical seepage into pre-growing and breeder ponds which could not be plugged. As a result water storage was not possible beyond 24 hours;

³³ ₹ 2.87 crore from French assistance and ₹ 4.01 crore spent by the GoM

- The design of larvae tank was defective due to which indirect sunlight was not available;
- Canal water was to be filtered before storing but due to non-availability of filtering facility post-larvae was affected by 'white tail' disease; and
- Non-receipt of funds for production during 2010-12.

In view of number of bottlenecks in the project, the French consultant during the second year of production recommended (October 2008) alternative water supply arrangements, construction of storage pond and tube well, additional staff for engineering and biological support and ultimately, privatisation of the farm after adaptation of technology, following satisfactory demonstration of production. The Commissioner of Fisheries based on the recommendation of the consultant also submitted (September 2009 and August 2012) a proposal to the Agriculture, Animal Husbandry and Fisheries Department (department) for privatisation of the project. While the project was continuously plagued by poor production during 2008-09 and 2009-10 and 'nil' production during 2010-11 and 2011-12, no action was taken by the department on the recommendations of the consultant and Commissioner of Fisheries. On the other hand, the project incurred an expenditure of ₹ 99.79 lakh on salaries and contingencies during 2010-11 and 2011-12.

The Commissioner of Fisheries stated (September 2012) that the recommendations of the consultant could not be acted upon due to normal Government procedure adopted in preparation of proposal, estimates and approval from the concerned authorities.

Thus, despite a time lag of five years³⁴ and an investment of ₹ 7.88³⁵ crore, the fresh water prawn hatchery project in Maharashtra continues to be plagued with bottlenecks due to inadequacies in planning and implementation. As a result, the objective of supporting and developing a modern aquaculture sector aiming at higher production of fresh water prawns could not be achieved.

The matter was referred to the Government in May 2012; their reply was awaited as of January 2013.

³⁴ From completion of post-larvae trial production in August 2007

³⁵ Project expenditure: ₹ 6.88 crore + expenditure on salaries and contingencies during 2010-12: ₹ 99.79 lakh

Water Resources Department

3.3.4 Extra expenditure in construction of bridge and approach road

Initiating the works of construction of bridge and approach road without obtaining prior clearances and fulfilment of conditions stipulated by Ministry of Environment and Forests, Government of India, resulted in delay of more than six years in completion of works and an extra expenditure of ₹ 1.51 crore.

Ministry of Environment and Forests, Government of India (MoEF), promulgated the Forest Conservation Act, 1980 (Act) applicable to all the States and Union Territories except the State of Jammu and Kashmir. As per Para 4.4 of the guidelines to the Act, if a project involves forest as well as non-forest land, work should not be started on non-forest land till approval of the Central Government for release of forest land under the Act has been given.

A bridge was in existence on Sur River, Bhusaval-Jamner Road (State Highway 188) District Jalgaon. As the bridge was falling under the submergence area of Waghur Dam Project being constructed by Tapi Irrigation Development Corporation (TIDC), a 75 meter long new bridge adjacent to the existing bridge was proposed to be constructed as a deposit contribution work to provide connectivity across the river. Accordingly, the Executive Engineer, Waghur Project Division, Jalgaon (EE, WPD) of Water Resources Department (Department) deposited (April 2005-May 2009) ₹ four crore with the Executive Engineer, Road Project Division, Jalgaon (EE, RPD) of Public Works Department. The Chief Engineer, Public Works Region, Nashik (CE) accorded (July 2005) technical sanction for construction of the new bridge with a road top level of 237.19 meters for ₹ 1.64 crore. The construction of approach road to the bridge also involved two hectares of forest land.

The work for construction of bridge was awarded (November 2005) by the EE, RPD to M/s S.B. Engineers, Aurangabad for ₹ 1.43 crore. The work was to be completed by November 2006, which was extended up to June 2007. M/s S.B. Engineers completed foundation and substructure works and was paid ₹ 54.29 lakh up to October 2007. However, further work could not be continued as the MoEF objected to the proposal of the State Government (May 2008) for diversion of 78.62 hectares of forest land required for Waghur Project, which also included two hectares of forest land required for construction of approach road to the bridge. Therefore, the CE accorded approval (September 2007) for releasing the contractor from the work under Clause 15 (1)³⁶ of the agreement. Similarly, due to objections raised by the State Forest Department, the work of construction of approach road to the bridge awarded to another contractor (M/s B P Punshi) at a cost of

³⁶ If at any time after the execution of the contract, the Engineer-in-charge shall for any reason (other than default on part of the contractor) desire that the whole or part of the work shall not be carried out at all, he shall give to the contractor a notice in writing of such desire and upon the receipt, the contractor shall stop the work as required

₹ 0.90 crore in August 2005 was also terminated (July 2009) after incurring an expenditure of ₹ 18.02 lakh.

In June 2009, MoEF approved in-principle the proposal for diversion of 78.62 hectares of forest land for construction of Waghur project subject to fulfillment of 17 conditions which *inter alia* included raising compensatory afforestation to the extent of 78.62 hectares, immediate transfer and mutation of non-forest land in favour of State Forest Department *etc.* The EE, WPD however, construed it as MoEF's final approval and requested (February 2009) the EE, RPD to re-start the construction of the bridge and approach road. Consequently, the EE, RPD awarded (February 2009) the balance work of construction of bridge to M/s Rudraanee Infrastructure Limited, Aurangabad for ₹ 1.36 crore to be completed by February 2010. However, Range Forest Officer, Muktainagar objected (July 2009 and April 2010) to the construction work as the conditions laid down by MoEF were not stated to have been fulfilled. Consequently, the construction was stopped by the contractor from April 2010. In December 2010, the Superintendent Engineer, Public Works Circle, Jalgaon once again relieved the contractor under Clause 15 (1) of the agreement and the contractor was paid ₹ 1.18 crore as of February 2011.

Out of the total depositary contribution of ₹ four crore, the EE, RPD refunded (March 2011) an amount of ₹ 1.84 crore to the EE, WPD after adjusting an expenditure of ₹ 2.16 crore incurred on partial construction of bridge and approach road.

The Government stated (July 2012) that a proposal for final clearance of 78.62 hectares of forest land was submitted in May 2012 after complying with all the conditions laid down by the MoEF in its in-principle approval. The EE stated (September 2012) that the balance bridge work with approach road was awarded to a contractor at a cost of ₹ 1.68 crore (4.97 per cent above the cost put to tender of ₹ 1.60 crore).

Thus, initiating the works of construction of bridge and approach road by Waghur Project Division, Jalgaon without obtaining prior clearances and fulfilment of conditions stipulated by MoEF and the consequent termination of contracts resulted in delay of more than six years in completion of works. The Department will also end up spending ₹ 3.84 crore³⁷ for a work which was originally awarded at a cost of ₹ 2.33 crore³⁸, leading to an extra expenditure of ₹ 1.51 crore.

3.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs frequently. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness of the Executive but is also an indication of lack of effective monitoring. Some of the cases reported in Audit about persistent irregularities have been discussed below:

³⁷ ₹ 2.16 crore already spent plus new tendered cost: ₹ 1.68 crore

³⁸ Construction of bridge: ₹ 1.43 crore and approach road: ₹ 0.90 crore

Water Resources Department

3.4.1 Non-recovery of mobilization advance and accumulated interest

The action of the Water Resources Department/GMIDC to award a work without establishing the legal status of land not only led to stoppage of work after incurring an expenditure of ₹ 3.39 crore, it also jeopardized the recovery of the outstanding mobilization advance of ₹ 2.29 crore together with an accumulated interest of ₹ 81.74 lakh from the contractor.

As per Government of Maharashtra Circular dated 01 March 2000, no provision for payment of advance to the contractors should be made in the tenders.

The Chief Engineer (CE), Godavari Marathwada Irrigation Development Corporation (GMIDC), Aurangabad communicated (March 2008) the approval to the acceptance of negotiated offer of a contractor³⁹ for the work of construction of earth work, paver lining and structures in km 36 to 45 with tail distributory of right bank canal of Lower Dudhana Project at 19.48 *per cent* above the cost put to tender of ₹ 20.88 crore. It was specifically mentioned in the communication that until the land required for the project was legally in possession of Water Resources Department (department), work order should not be issued to the contractor. The Executive Engineer, Majalgaon Canal Division No. X, Parbhani (EE) issued a work order to the contractor in April 2008 at the accepted tendered cost of ₹ 24.94 crore with a stipulation to complete the work in 24 months from the date of work order (March 2010). There was no provision in the tender for grant of mobilization advance to the contractor.

Scrutiny of records (February 2010) of EE revealed that immediately after the award of work in April 2008, the contractor requested for grant of mobilization advance of 10 *per cent* of the tendered cost. The CE, GMIDC recommended (April 2008) sanction of advance on the ground that the contractor had to make huge financial investment on erection of labour camps and mobilization of labour. Besides, as the said work was stated to be included in the Centrally Sponsored Scheme “Accelerated Irrigation Benefit Programme (AIBP)” the mobilization advance was expected to enable the contractor to complete the works as per the work plan of AIBP.

The Executive Director, GMIDC approved (May 2008) the mobilization advance of ₹ 2.49 crore to the contractor. The contractor through a separate agreement signed in May 2008, agreed to repay the advance in 12 monthly installment of ₹ 20,78,500 each and a simple interest of 13 *per cent* plus an overdue interest of two *per cent per annum* in the event of default in clearing the dues. The contractor also furnished 11 bank guarantees totaling ₹ 2.67 crore (towards advance plus interest payable thereon) which were valid upto 22/27 September 2009. The GMIDC further relaxed the repayment terms and allowed the advance to be recovered in installments from the Running

³⁹ M/s Balaji Agencies, Thane

Account (RA) bills of the contractor. Only one installment of ₹ 20,78,500 was recovered from the second RA bill of the contractor in August 2008, thus, leaving a huge outstanding of ₹ 2.29 crore which remained unrecovered as of September 2012. However, in the intervening period no efforts were made by the GMIDC to encash the bank guarantees or renew them.

The contractor furnished 13 post-dated cheques in May 2008 towards interest payment, which were presented to the bank by EE between May 2008 and March 2009. Of the 13 cheques, only nine cheques could be encashed, thus, enabling recovery of only ₹ 26.02 lakh towards interest up to March 2009. Of the remaining four cheques, while two cheques were dishonored by bank due to insufficient funds, two cheques were not presented by EE to the Bank. The contractor subsequently furnished (November 2009) 12 fresh cheques for payment of interest, of which, eight cheques were dishonored by the bank and the remaining four cheques were not presented to the bank. From April 2009 till December 2011 (33 months), interest amounting to ₹ 81.74 lakh was due from the contractor.

Audit scrutiny further revealed that the work order was issued to the contractor in April 2008 without ensuring that the land was legally in possession of the department. During execution of works there was severe agitation from the land owners for payment of higher compensation, which was not acceded to by the revenue authorities. Consequently, the land owners moved to court and the contractor had to stop the work from June 2008 after executing works valuing ₹ 3.39 crore.

Government stated (October 2012) that the advance was sanctioned to the contractor in terms of GMIDC Act 1997. It further stated that as the advance was interest bearing, there was no financial loss to the Corporation.

Reply is not acceptable as the grant of mobilization advance was contrary to the directives of the Government and the tender conditions. Further, commencement of work without establishing the legal status of the land led to stoppage of work after incurring an expenditure of ₹ 3.39 crore, which in turn, jeopardized the recovery of outstanding advance of ₹ 2.29 crore and an accumulated interest of ₹ 81.74 lakh which will continue to rise till the mobilization advance is liquidated in full. The recovery of outstanding advance and interest thereon appears to be remote as the Corporation has no bank guarantee to fall back upon.

3.4.2 Unproductive expenditure on replacement of trash racks

Failure of the Water Resources Department to ensure *ab initio* the erection of new trash racks into Kolkewadi dam by employing underwater technique resulted in an unproductive expenditure of ₹ 83.75 lakh.

The Executive Engineer, Kolkewadi Dam Maintenance Division, Alore, Ratnagiri (EE) awarded (December 2005) the work of dismantling of old trash rack panels and fabrication and erection of new trash rack panels/gates (fixed type) of Kolkewadi dam to M/s Ganesh Builders, Solapur (contractor) at a cost

of ₹ 1.38 crore. The time limit for this work was two months *i.e.* end of February 2006. The contractor completed the fabrication work by the end of March 2006. However, dismantling of old trash rack panels and erection of new ones could not be undertaken by the contractor as Maharashtra State Power Generation Company Limited (MAHAGENCO) did not permit water outage from the dam despite repeated requests made by Kolkewadi Dam Maintenance Division, Alore. As no further work was possible, the contractor requested (July/August 2009) for termination of contract⁴⁰, which was eventually accepted by the Water Resources Department (department) only in November 2011. A payment of ₹ 83.75 lakh was made to the contractor till June 2009, which included an extra item of ₹ 14.75 lakh for application of rust converter in two coats on newly fabricated trash rack panels which got rusted with passage of time. The department again approved (November 2011) dismantling of old trash rack panels and fabrication of new trash rack panels (movable type) with underwater erection methodology (by deploying divers) at an estimated cost of ₹ 3.65 crore. The tendering process for this work was in progress as of July 2012.

Audit scrutiny revealed (December 2011) that the Kolkewadi Dam was commissioned in 1975 under Phase-3 of Koyna Hydro Electric Project (KHEP-3). KHEP-3 contained 36 trash rack panels⁴¹ fixed in front of bell mouth of four electricity generator sets. The MAHAGENCO intimated the EE in August 2001 that all the trash racks were in submerged condition since inception. Therefore, inspection and maintenance works, such as, cleaning, painting of trash racks, replacement of old trash racks *etc.*, if necessary, may be taken up in submerged conditions when the water level in the dam was low. The MAHAGENCO also opined that due to prolonged submergence the trash racks may get detached and adversely affect the turbines.

A Board of Consultants (BOC) in a meeting held at Koynanagar during June 2002 also endorsed that all the trash racks were badly rusted and needed to be replaced. However, as the trash racks were fixed type, the BOC observed that the replacement work may have to be carried out underwater with the help of divers under expert supervision.

Meanwhile, the EE intimated MAHAGENCO in April 2002 that maintenance of trash racks would require water outage. However, MAHAGENCO stated (May 2002) that due to an ever increasing demand for electricity in the State it would not be possible to shut off all the generators in Koyna electricity centre even for short duration. In the present situation it was not practical to keep the dam empty and suspend the production of electricity. The MAHAGENCO, therefore, requested the EE to undertake the maintenance works while the trash racks were inside the water, by using modern technique.

Evidently, the department did not acknowledge the technical opinion of MAHAGENCO and BOC and went ahead with the erection of new trash racks (fixed type) in December 2005 on the assumption that MAHAGENCO would

⁴⁰ Under clause 15 (1) of contract agreement

⁴¹ Trash rack panel is a device that stops the trash present in water before allowing the water into turbine for electricity generation

permit water outage. This not only led to an unproductive expenditure of ₹ 83.75 lakh, it also delayed the erection of new trash racks by more than nine years from January 2003 to July 2012.

The Government stated (July 2012) that it was only after an assurance given by MAHAGENCO for outage that the methodology of fixed type trash rack panels was decided and the contract awarded in December 2005. Since water outage from the dam was subsequently denied by MAHAGENCO, there was no alternative but to replace the old panels by employing underwater erection methodology in order to avoid damage to stage III turbines. The Government nevertheless admitted that an outage of 15 days would have meant a generation loss of about 100 million units or of ₹ 40 crore⁴² and further worsened the energy situation in the State. However, now with the adoption of underwater erection methodology the outage can be avoided and there would be no generation loss to the State.

The reply clearly indicated that the Government was fully conscious of the severity of outage even for short duration and it should have, therefore, adopted underwater erection technique *ab initio*. This action would have been compatible with the opinion of MAHAGENCO and BOC and consequently, the long delay in erection of trash racks and the unproductive expenditure of ₹ 83.75 lakh initially incurred could have been avoided.

Nagpur,
The 14 March, 2013

(SHEELA JOG)
Accountant General (Audit)-II,
Maharashtra

Countersigned

New Delhi
The 18 March, 2013

(VINOD RAI),
Comptroller and Auditor General of India

⁴² Considering the commercial value of generation at ₹ 4 per unit