

CHAPTER III

COMPLIANCE AUDIT

Audit of transactions of the Government Departments and their field formations brought out instances of loss, blockage of funds, wasteful expenditure and avoidable/ excess expenditure. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Losses

ROADS AND BUILDINGS DEPARTMENT

3.1.1 Loss to Government due to non-recovery of differential amount between star rate and issue rate of cement

Non-recovery of difference between star rate and issue rate of cement procured from the Gujarat State Civil Supplies Corporation Limited in six works led to loss of ₹ 1.35 crore to the Government during January 2009 to March 2014.

To make available cement to various departments regularly at reasonable (lower) rate than open market rate, the Government of Gujarat (GoG) nominated (Government Resolution (GR) of April 2004) the Gujarat State Civil Supplies Corporation Limited (the Company) as a nodal agency for centralized purchase of cement and its supply to various State Government Departments/ Corporations. The GoG also notifies issue rates of cement from time to time. As per the GR *ibid*, the Company would supply cement to the contractors based on indents issued by the concerned department at the issue rate notified by the GoG, subject to the condition of adjustment (payment/recovery) of rate difference between star rate¹ mentioned in the tender and issue rate. However, the R&B Department while inviting tenders did not stipulate supply of cement from the Company.

We test checked (between September 2011 and April 2014) records of five works awarded (between January 2009 and September 2012) by three divisions of the R&B Department and one work of the Gujarat State Road Development Corporation Limited, Gandhinagar (GSRDCL)². During scrutiny it was noticed that after award of work, the contractors directly purchased cement from the Company based on a copy of indent, work order and paid cost of cement directly to the Company at the issue rate fixed by the GoG.

We also observed that issue rate of cement of the Company was lower than the star rate. However, the contractors did not pass on benefit of the rate difference of cement to the Department. Due to non-adjustment

¹ The star rate is the rate of cement of the month in which draft tender papers are approved and is specified in the tender and used for calculation of adjustment of price variation.

² Public sector undertaking under the Administrative control of the R&B Department.

(payment/recovery) of rate difference between star rate and issue rate, we noticed a loss of ₹ 1.35 crore to the Government as tabulated below:

Sl. No.	Name of the Division	Name of Work	Star rate (₹ per MT)	Average issue rate (₹ per MT)	Difference (in ₹ per MT)	Total quantity of cement procured (in MT)	Difference not recovered (₹ in lakh)
1	Capital Project Division-3, Gandhinagar	Construction of major bridge on Gandhinagar Koba Aerodrome Road near Hansol.	6,200	4,287.20	1,912.80	4,148	79.35
2	R&B Division, Godhara	Construction of Champaner bypass road km 0/0 to 11/675	4,300	3,573.70	726.20	3,109	22.58
3		Widening and strengthening of Tuva-Mehlol-Vejalpur road (Km 0/0 to 18/370 km) ³	4,900	4,124	776	1,000	7.76
4		Four laning of Vadodara-Halol-Godhara (Jyoti circle to Duriya)	5,600	4,124	1,476	756	11.16
5	R&B Division, Dangs (Ahwa)	Construction of Eklavya Model Residential School, hostel building, dining hall and staff quarters at Saputara.	4,700	4,142.70	557.30	906	5.05
6	GSRDCL	Construction of ROB near Boriavi (District Anand)	4,300	4,150	150	6,225	9.37
Total							135.27

Examination of records of the Company revealed (June 2014) the following information:

- The Company issued 1.64 lakh MT cement valued at ₹ 68.56 crore to contractors executing works in 36 divisions⁴ of the R&B Department between 2009-10 and 2013-14. Out of that 77 per cent of the total cement was availed by 32 contractors⁵.
- The R&B Department did not develop any mechanism to collect data from the Company with regard to issue of cement to the contractors to ensure that cement is not drawn from the Company in any fraudulent manner.
- The Concessionaire, M/s. Ajay Engi Infrastructures Private Limited, procured 1,146 MT cement between September 2011 and September 2012 at a cost of ₹ 48.88 lakh from the Company for a work⁶ on a bogus indent. The Concessionaire procured cement over a signature of EE, R&B Division, Mehsana in the indents. However, EE confirmed (July 2014) that EE had not signed the indents and it seemed to be a fake.
- The contractor executing the work awarded by the GSRDCL availed 557 MT cement from the Company even after completion of work on

³ Works at Sl. No. 3 and 4 were awarded to M/s. R. K. Infrastructure who procured 1,756 MT cement from GSCSCL between July 2012 and March 2014 but work wise quantity of cement was not available, hence, approximate quantity of 1,000 MT and 756 MT considered.

⁴ Including unit of the Gujarat State Road Development Corporation Limited.

⁵ Contractors whose total purchases were more than ₹ 50 lakh and above during the year 2009-10 to 2013-14.

⁶ Construction of Rail Over Bridge at Ramosal railway crossing in Mehsana and concession agreement was signed in July 2011 with EE, National Highway Division, Ahmedabad.

15 October 2013. Thus, diversion of cement procured at lesser rate compared to the market rate could not be ruled out.

- The Company did not verify the authenticity of the indents issued by the R&B Divisions/ GSRDCL before issue of cement to the contractors.
- The Company had supplied cement to contractors based on indents issued by the concerned EEs of R&B Division, Godhara, CP Division-3, Gandhinagar and the GSRDCL.

Thus, issue of cement directly to the contractors by the Company without involving the indenting divisions led to losses to the Government and undue benefit to the contractors by not recovering the differential amount to the extent of ₹ 1.35 crore. The possibility of higher loss cannot be ruled out as there may have been such instances in other divisions.

The EE, R&B Division, Godhara stated (June 2012 and June 2014) that adjustment of difference between star rate and issue rate of cement was not provided in the tender and contractor was allowed to procure cement from the Company to expedite execution of work. It was also stated that indents for two works (Sl. No. 3 and 4) were not issued by the divisions. Similarly, EE, CP Division No. 3, Gandhinagar and GSRDCL also stated that they had not issued indents.

The above replies are not based on facts since tender condition did not stipulate purchase of the cement by the contractor from the Company. As such, provision for adjustment for differential amount of issue rate and star rate were not made in the tender. Further, contrary to the reply, EEs, Godhara, CP Division No. 3, Gandhinagar and the GSRDCL had issued indents to the Company for supply of cement to the contractors.

The Government stated (December 2014) that recovery of ₹ 30.16 lakh and ₹ 4.43 lakh has been made by the Gandhinagar and Dangs (Ahwa) Divisions respectively and remaining amount of ₹ 8.32 lakh in case of Gandhinagar would also be recovered from the contractor. It was also stated that actual quantity procured by the contractor for works of Godhara division is under verification and recoveries would be made accordingly. However, the Government did not furnish any reply for improvement in system of the procurement of cement from the Company.

It is recommended that the Government may investigate the system of issue of cement to the contractors by the Company for appropriate action in the matter.

ROADS & BUILDINGS AND NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENTS

3.1.2 Loss due to non-recovery/ non-incorporation of recovery provision in respect of cost of cement saved in mix design

Failure to include a suitable condition in the contract agreement with contractors led to loss/non-recovery of ₹ 1.13 crore towards cost of cement saved in the mix design.

Four⁷ divisions of Roads and Buildings (R&B) Department and two⁸ divisions of Water Resources (WR) Department awarded contracts for eight construction works for ₹ 74.43 crore between June 2006 and August 2010. The works were completed between June 2008 and June 2012 at a cost of ₹ 68.90 crore.

The contracts, *inter-alia*, provide for execution of 'controlled cement concrete' (mix-design) of the strength of M-15, M-20, M-25, M-30 and M-35. In Government orders (December 1986), instructions were issued for making provisions of 320 kg/cum, 400 kg/cum, 450 kg/cum, 475 kg/cum and 500 kg/cum cement for the above grades respectively for preparation of estimates. Estimates were accordingly approved, tenders floated and work orders issued.

Technical specifications of the tenders state that proportion of cement in the 'mix design' be determined so as to achieve the appropriate strength and differential be recovered for variation of the cement consumption.

We observed (July 2009 to February 2014) that as per test results of 'mix designs', the actual consumption of cement was less than the estimated provisions of 320 kg/cum, 400 kg/cum, 450 kg/cum, 475 kg/cum and 500 kg/cum respectively. As a result of reduction in proportion of cement, there were savings of 3,178.40 MT cement valued at ₹ 1.13 crore as shown in the **Appendix-3**. However, four divisions⁹ of the Departments did not provide for the recovery condition in the agreements and as such could not recover ₹ 0.99 crore. On the other hand though two divisions¹⁰ of the Departments had included a suitable condition in the agreement for recovery of cost of less consumption of cement, they did not recover ₹ 0.14 crore.

⁷ **R&B Department:** (i) EE, R&B Division, Patan-Construction of Government Engineering College and Construction of Girls High School, (ii) R&B Division, Dahod- Construction of residential school building for 120 girls and Construction of bridge across Anas river at Jhold-Khshlgadh road, (iii) Capital Project Division-I, Gandhinagar-Development work of Central Vista up to Railway Station and (iv) R&B, Navrangpura, Ahmedabad-Construction work of 'D' type residential tower in Vastrapur Government Colony campus.

⁸ **WR Department:** (i) Salinity Control Division, Bhuj-Construction of Chhadwada Bandhara and (ii) Panam Project Division, Godhara- Construction of eight VRBs on Left Bank Main Canal of Panam High Level Canal Project between chainage 0 to 11,550 m.

⁹ (i) Salinity Control Division, Bhuj (ii) Panam Project Division, Godhara (iii) R&B Division, Patan and (iv) R&B Division, Dahod.

¹⁰ (i) R&B, Navrangpura Division, Ahmedabad and (ii) Capital Project Division-I, Gandhinagar.

Thus, non-inclusion of the provision in the works agreements for recovery on account of variation in cement consumption and non-recovery of cost of less cement consumption wherever the condition was incorporated, resulted in unintended benefit to the contractors to the tune of ₹ 1.13 crore.

The Government in respect of WR Department while accepting (October 2014) the audit observation regarding non inclusion of the recovery condition in the agreement by Panam Project Division, Godhara stated that necessary departmental inquiry was initiated against the concerned official. In case of Salinity Control Division, Bhuj, it was stated that tender clause stipulated that works should be carried out as per the cement level derived in mix design and no extra claim would be entertained.

The R&B Division, Dahod stated (August 2013) that in absence of enabling condition in the agreements, recovery could not be effected for consumption of reduced quantity of cement. Further, EE, R&B Division, Patan stated (May 2014) that maintaining cement consumption as per estimates was not part of the contract.

The replies of the WR Department and EEs of R&B Department were not convincing as suitable conditions for recovery of less consumption of cement should have been incorporated.

The matter was reported to the Government in respect of R&B Department in June 2014; their replies were awaited (November 2014).

3.2 Blockage of funds/ wasteful expenditure

ROADS AND BUILDINGS DEPARTMENT

3.2.1 Irregular parking of fund to avoid lapse of grant

Eight divisions made advance payment of ₹ 6.72 crore during 29-31 March 2012 to Indian Oil Corporation Limited and EE, Roads and Buildings Division, Mehsana to avoid lapse of grant.

Rule 193(2) of the Gujarat Treasury Rules, 2000 stipulates that no money shall be drawn from the Treasury unless it is required for immediate disbursement. Further, it is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. Further, the Roads and Buildings Department vide its circulars of May 2000 prohibits placing advances with the oil companies for procurement of asphalt in the month of March to avoid lapse of grants. In addition, it was also stipulated (October 2005) that provision for issue of asphalt in Schedule-A of agreement should not be made.

We observed (February/March 2013) that the eight Executive Engineers (EE)¹¹ of Roads and Buildings Department made advances of ₹ 6.72 crore during 29 to 31 March 2012 for procurement of asphalt (₹ 5.32 crore by six divisions) and mix material (₹ 1.40 crore by two divisions) with Indian Oil Corporation Limited (IOCL) and R&B Division Mehsana¹² respectively without determining the immediate requirement.

In this regard, the following was observed:

- Against the advance of ₹ 2.45 crore, three EEs¹³ could procure asphalt valued at ₹ 1.38 crore only as of August 2014. Similarly, against the advance of ₹ 1.40 crore, EEs, Patan and Palanpur could procure mix materials valued at ₹ 0.42 crore and ₹ 0.36 crore respectively as of August 2014.
- Against the advance of ₹ 0.77 crore, EE, R&B Division, Rajpipla procured 7.02 MT asphalt valued at ₹ 0.03 crore only during 2012-13. The remaining quantities were procured during 2013-14.
- The EE, R&B Division-I, Surat, R&B Division (City), Vadodara and Bhuj made provision in 12 works for issue of asphalt in Schedule-A. 143.60 MT asphalt valued at ₹ 0.63 crore was procured during the year 2012-13 and 182.896 MT asphalt valued at ₹ 0.86 crore procured during the year 2013-14.

Thus, the advances of ₹ 6.72 crore were deposited with IOCL and EE, Mehsana at the fag end of financial year without any immediate requirement and to avoid the lapse of grant.

The Government stated (October 2013/December 2013) that IOCL would supply asphalt against the receipt of advances. Hence, such advances were made with IOCL so as to enable the divisions to take up the repairs/ renewal of road works on urgent/emergency basis.

The reply is not convincing since in the instant cases, the advances were made with IOCL and R&B Division, Mehsana without any immediate requirements for purchase of asphalt.

¹¹ R&B Division-1, Surat (₹ 0.70 crore), R&B Division (City), Vadodara (₹ 0.50 crore), R&B Division, Rajpipla (₹ 0.77 crore), R&B Division, Bhuj (₹ 1.40 crore), R&B Division, Junagadh (₹ 1.25 crore), R&B Division, Amreli (₹ 0.70 crore), R&B Division, Patan (₹ 0.70 crore) and R&B Division, Palanpur (₹ 0.70 crore).

¹² R&B Division, Mehsana having Government Hot Mix Plant and R&B Divisions, Patan and Palanpur deposited ₹ 0.70 crore each for procurement of mix material of asphalt.

¹³ R&B Division (City), Vadodara (₹ 0.26 crore), R&B Division, Junagadh (₹ 0.34 crore), R&B Division, Amreli (₹ 0.47 crore).

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.2.2 *Wasteful expenditure due to commencement of work without site survey*

Commencement of work without site survey led to wasteful expenditure of ₹ 1.96 crore.

The Government of Gujarat (GoG) constituted (September 2004) a High Power Committee (HPC) to tackle the issues related to pollution in and around Kharicut Canal, Vinzol-Vehla drain/canal and Khari River. The HPC in its 3rd meeting (January 2006) directed the Irrigation Department to take up lining of Vinzol Vehla and complete the work before monsoon of 2006, so that all the illegal outlets along the canal are plugged and domestic sewage is not discharged.

However, Executive Engineer (EE), Ahmedabad Irrigation Division (AID) prepared plan and estimates for remodelling of unlined portion in Vatva area Vinzol Vehla drain and awarded (February 2007) work to a contractor¹⁴ at a tendered cost of ₹ 6.97 crore with stipulated completion by January 2008. The scope of work included earthwork and cement concrete lining in 5,910 meter and construction of 10 structures.

The contractor completed earthwork and canal lining of 4,605 and 1,358 meter respectively and five structures at a cost of ₹ 1.96 crore. During progress of work, the EE encountered problems of sub soil water and consulted (October 2007) Central Design Organisation (CDO) for remedial measures. However, due to non availability of dry condition and seepage of polluted water from bed and side slopes, the contractor could not complete the work and stopped the work (March 2008). Based on new design suggested by the CDO (February 2009), cost of work was likely to increase to ₹ 22 crore (approximately) as it included change in scope of work. Therefore, the GoG rescinded the existing contract (January 2010). However, the EE did not take further action for award of work considering the exorbitant cost involved in completion of the work (October 2014).

Our scrutiny (January 2011) revealed the following:

- The HPC in its meeting (January 2006) had explicitly directed the Irrigation Department to ensure that all the illegal outlets along Kharicut canal are plugged by the Ahmedabad Municipal Corporation (AMC) and Ahmedabad Urban Development Authority (AUDA) and domestic sewage is not discharged into the canal.
- Though the Vinzol Vehla (canal) was full of slush and mud, the EE, AID prepared plan and estimates of remodelling of the drain based on type design and cross section without ensuring that all outlets in canal had been plugged.

¹⁴ M/s. Anish Construction Company, Himmatnagar.

- The earthwork carried out in 3,247 meter at a cost of ₹ 0.55 crore was not followed by lining and the entire earthwork was damaged resulting in wasteful expenditure.

Thus, taking up work without actual site survey led to abandonment of the work after incurring unproductive expenditure of ₹ 1.96 crore.



(Photograph showing damaged executed earthwork in Vinzol Vehla drain)

The Government stated (July 2013) that the estimate for work was prepared after considering actual site condition and all the technical aspects involved anticipating that concerned authorities like AMC, AUDA and Gujarat Pollution Control Board would take required action for plugging of all the unauthorised outfalls and stop effluent to the Kharicut canal. However, it was admitted (July 2014) by the EE that the actual site survey, related soil sample test, borrow pit/ trial pit *etc.*, were not carried out before the preparation of estimate in view of the urgency to take up the work.

3.3 Extra/ excess expenditure

ROADS AND BUILDINGS DEPARTMENT

3.3.1 Extra expenditure in fixation of rate for extra item

Fixation of rate for extra item of epoxy painting work without properly analysing the available information led to extra cost of ₹ 0.71 crore during 2013-14.

The Executive Engineer (EE), Capital Project Division No. 3, Gandhinagar awarded (September 2012) the work of construction of major bridge on Gandhinagar-Koba-Aerodrome road near Hansol from four lane to six lane to a contractor¹⁵. The stipulated period for completion of the work was March 2014. The work was completed in June 2014 at a cost of ₹ 36.33 crore.

¹⁵ M/s. Ajay Engi-Infrastructure Private Limited, Mehsana.

The Superintending Engineer (SE), Design (R&B) Circle, Gandhinagar during his site visit suggested (May 2013) to provide for median (road divider) with crash barrier and also to provide for coating of bridge with epoxy paint as it would give protection to the bridge against weathering effect. As these items of works were not originally provided in the tender, these were awarded (September 2013) as six ‘extra items of work¹⁶’ estimated to cost ₹ 2.94 crore to the same contractor with the approval of the Roads and Buildings Department. Of these extra items, the item of epoxy painting to bridge structure constituted 67 per cent of the total cost of extra items. The epoxy painting work was to be done on 53,193 sq. m. at the approved rate (September 2013) of ₹ 369.70 per sq. m. which was based on the quotations invited earlier (February 2013) by the R&B Division, Kheda. The contractor executed extra item of epoxy painting on 47,962.47 sq. m. and was paid ₹ 1.61 crore¹⁷ (June 2014).

We observed (March 2014) that the Division carried out rate analysis of this extra item for epoxy painting work based on a single price quotation obtained (July 2013) for the supply of epoxy paint (*i.e.* ₹ 250 per sq. m.) from the market and arrived at ₹ 388.85 per sq. m.¹⁸. However, again the rate of this extra item was reworked to ₹ 369.70 per sq. m.¹⁹ considering the relatively lesser rate obtained for the epoxy paint²⁰ by the R&B sub division, Kheda of neighboring district.

We noticed that the Gujarat State Road Development Corporation Limited (GSRDCL), a Government Company under the R&B Department had fixed (June 2013) the rate of ₹ 221.65 per sq. m. for epoxy painting for a bridge work²¹ reckoning the rate of epoxy paint obtained (June 2013) from a manufacturer company²².

In view of the above, the rate of ₹ 369.70 per sq. m. fixed for the extra item of epoxy painting was on the higher side. Considering the rate of ₹ 221.65 per sq. m. being paid by GSRDC for the same extra item for epoxy painting, the Division incurred extra expenditure of ₹ 71.01 lakh²³ on this item of work (June 2014).

¹⁶ Providing and fixing of (i) PVC pipes, (ii) shail tex board, (iii) parapet of control cement of concrete of M -30, (iv) providing and applying protective coating of bridge structure, (v) providing and fixing of anchor bolt on two sides of bridge and (vi) providing RCC type median with crush barrier.

¹⁷ 14,990.88 sq. m. (paid at the rate of ₹ 369.70 per sq. m.) and 32,971.59 sq. m. (paid at part rate of ₹ 320 per sq. m. based on the status of work done).

¹⁸ Basic rate of asphaltic acrylic based protective paint (two coats ₹ 250 per sq. m. plus labour charge (two coats) ₹ 60 plus overhead charges at 15 per cent ₹ 47 (on ₹ 310 per sq. m.) plus 10 per cent profit ₹ 31.83. Therefore, total rate worked out to ₹ 388.85 per sq. m.

¹⁹ Epoxy primer base coat ₹ 96 per sq. m. (quantity 0.30×rate ₹ 320) plus Polyurethane paint finish coat ₹ 62.32 per sq. m. (quantity 0.152× rate ₹ 410) plus labour charges ₹ 130 per sq. m. plus sundries ₹ 30 per sq. m. Total ₹ 318.32 per sq. m., 15 per cent contractor profit ₹ 47.74 (on ₹ 318.32 per sq. m.) and one per cent labour cess ₹ 3.66 (on ₹ 366.06 per sq. m.). Therefore final rate approved was ₹ 369.70 per sq. m.

²⁰ Epoxy primer base coat ₹ 320 per litre and Polyurethane paint finish coat ₹ 320 per litre.

²¹ Construction of approaches of Railway Over Bridge *in lieu of* existing level crossing no. 264/B near Boriavi in km. 2/0-2 of Anand-Boriavi Road.

²² Asian Paints PPG Private Limited.

²³ Rate ₹ 369.70 per sq. m. minus ₹ 221.65 per sq. m. = ₹ 148.05 per sq. m. x 47,962.47 sq. m. of works executed till June 2014.

The Government stated (September 2014) that the market rates of epoxy paints were considered for the rate analysis and got the approval of the Committee of SEs. Further, there was no indication in the tender clause to consider the tender rate of similar item of other agency in other work.

The reply of the Government is not convincing as the rate of ₹ 369.70 per sq. m. was fixed without analysing the available information while carrying out the rate analysis.

NARMADA, WATER RESOURCES, WATER SUPPLY & KALPSAR DEPARTMENT

3.3.2 Extra expenditure due to defective estimates

Erroneous inclusion of quantities of canal lining in schedule of quantities by Executive Engineer, Irrigation Project Division No. 2, Bodeli led to avoidable extra expenditure of ₹ 0.60 crore.

Paragraph 143(1) of the Gujarat Public Works (GPW) Manual, Volume-I stipulates that care should be taken while finalising the detailed drawings and estimates of works so as to avoid frequent changes in the works after award on account of excess/extra items leading to an increase in cost and delay in completion of the works.

The Executive Engineer (EE), Irrigation Project Division No. 2, Bodeli awarded (February 2012) strengthening of earthwork, restoration of lining work and structures repairing of Right Bank Main Canal, distributaries and minor canals²⁴ of Sukhi Reservoir Project to a contractor at a tendered cost of ₹ 7.44 crore. The stipulated period for completion of the work was January 2013. The work was completed except pipeline work in June 2013 and the EE paid ₹ 7.87 crore for work done and measured (March 2014).

Clause 14.2 of the tender of above work stipulated that except when the quantity of any item exceeds the quantity as in the tender by more than 30 per cent, the contractor will be paid for the quantity in excess of 30 per cent at the rate entered in the SoR of the year during which the excess quantity is first executed.

The scope of work includes providing and laying of 7.50 centimeter (cm) thick plain/ reinforce cement concrete lining of M-15 grade in canal²⁵ bed (item no. 12A) and in slopes (item no. 12B) with water curing. The tendered quantity of lining in bed and slopes was 1,07,736.15 square meter (sq. m.) and 14,614.56 sq. m. respectively and the contractor quoted ₹ 234 per sq. m. for both the items.

²⁴ The work consisted of repairing of Right Bank Main Canal (RBMC) Ch. 0 to 10.10 km and Khodsal distributary of RBMC Chainage 0 to 16.125 km, Jabugam distributary and its system (remaining work), RBMC Chainage 32,600 to 38,075 m, Chhantalavadi distributary and Taragol Main Canal Chainage 0 to 7,800 m and Minor of Sukhi Reservoir Project.

²⁵ Main canal, Distributaries and Minors.

We observed (January 2013) that the estimated quantities of work (Schedule-B²⁶) were based on detailed estimates prepared (November 2009) by the Irrigation Project (IP) Sub-division 12 and 48, Pavijetpur and Jambughoda respectively. The division provided quantities of canal lining work in bed and slopes separately in Schedule-B as item No. 12A and 12B respectively. However, while preparing the detailed estimates for canal lining in bed and slopes, IP sub-division 12 clubbed 69,334.71 sq. m. quantities of slopes in the quantities of canal lining in bed and worked out total quantity of 1,03,332.81 sq. m. but IP sub-division 48 prepared them separately. While preparing (December 2011) the combined estimated quantities of various items of the works in the schedule-B at divisional level, this mistake resulted into incorrect inclusion of quantities of canal lining in bed and slopes in the Schedule-B of the tender leading to huge savings and excess under item no. 12A and 12B.

The actual executed quantities of canal lining in bed was 29,250.49 sq. m. and in slopes was 1,01,749.89 sq. m. till March 2014. Hence, 82,750.962 sq. m. of canal lining in slopes was executed in excess of more than 30 *per cent* of the tendered quantity. Reckoning the provisions of Clause 14.2 of the tender, the Division made the payments to the contractor for 82,750.962 sq. m. of lining in slopes done at the rate of ₹ 306.25 *per sq. m.* derived based on the SoR 2012-13. Thus, non-taking of due care while preparing the tendered quantities despite availability of correct estimated quantities of lining in bed and slopes led to incurring of extra expenditure of ₹ 59.79 lakh²⁷ (including excess payment of ₹ 9.27 lakh due to incorrect approval of water curing rate instead of membrane curing) on account of difference in tendered rate and new rate adopted for the excess quantity executed.

The Government in its reply (September 2014) accepted that there was an error in preparation of estimates and draft tender papers particularly the Schedule-B wherein part of the slopes lining quantity was erroneously clubbed with bed lining. It further added that the detailed explanations were being sought from the concerned officers and appropriate action would be taken.

3.4 Regularity issues

FORESTS AND ENVIRONMENT DEPARTMENT

3.4.1 Short recovery of net present value for diversion of forest land

Incorrect classification of forest land led to short recovery of net present value of ₹ 58.64 crore from M/s. Mundra Port and Special Economic Zone Limited.

The Union Ministry of Environment and Forests (MoEF), based on a proposal (July 1999) from the Forests and Environment Department of Government of Gujarat (GoG), granted (May 2004) in-principle approval for diversion of 1,840 ha and 168.42 ha forest land in Mundra and Dhrub villages of Kachchh

²⁶ Quantities showing the estimated quantities of various items of work to be carried out.

²⁷ (₹ 306.25 *per sq. m.* – ₹ 234 *per sq. m.* x 82,750.962 sq. m.).

District respectively to M/s. Adani Chemicals Limited (the user agency) for setting up of a solar salt project and salt washery.

The user agency, however, sought (September 2007) the permission of the MoEF through the GoG for using the forest land to develop terminal and solid bulk cargo handling facilities at Mundra port in the name of M/s. Mundra Port and Special Economic Zone Limited (MPSEZL) on the plea of changing business environment and opportunities.

While the decision of MoEF in this regard was awaited, on 28 March 2008, the Supreme Court of India in its judgment classified forests of India in six ecological classes and fixed rates of the net present value (NPV) to be recovered from the user agency for diversion of forest land for non-forest purposes. Accordingly, the GoG also notified (September 2008) NPV rates based on the ecological classes and density of forests of Gujarat. The forests of district Kachchh fall under two categories *i.e* (i) Eco-Class-II- Littoral and Swamp Forests²⁸ and (ii) Eco-Class-IV-Tropical and Thorny Forests²⁹. The rates of NPV for open forests land having density of less than 40 *per cent* under Eco-Class-II and Eco-Class-IV are ₹ 7.30 lakh *per ha* and ₹ 4.38 lakh *per ha* respectively.

The GoG submitted (January 2009) a fresh proposal seeking the approval of MoEF for the diversion of previously earmarked forest land of 1,840 ha and 168.42 ha for development of port based Special Economic Zone instead of solar salt project and salt washery. The MoEF granted (February 2009) in-principle approval. The Deputy Conservator of Forests (DCF), Kachchh East Division, Bhuj recovered (July 2009) NPV of ₹ 87.97 crore from the user agency at ₹ 4.38 lakh *per ha* (as applicable for Eco-Class-IV forest land) on the total 2,008.42 ha of forest land.

We observed (November 2012) that the Conservator of Forests (CF), Bhuj, in his Inspection Report (December 2008) had stated that the site of the diverted forest land was an outer area of the sea and the creeks were full of mangrove vegetation.

Reckoning the classifications of forests given in the Champion and Seth's book 'Forest Types of India', the coastal belt of Mundra including the diverted forest land falls under Eco-Class-II-Littoral and Swamp Forests. Therefore, diverted forest land should have been classified as Eco-Class-II, for which NPV was of ₹ 7.30 lakh *per ha*. Thus, the incorrect classification of forest land under Eco-Class-IV instead of Eco-Class-II resulted in short recovery of NPV of ₹ 58.64 crore³⁰ from the user agency.

The Principal Chief Conservator of Forests stated (June 2013) that though the diverted forest land was situated at the western coast of Arabian Sea and the

²⁸ It covers Mangroves and notified inter tidal mudflat as forests in Jamnagar, Kachchh, Rajkot and other coastal districts.

²⁹ It covers thorn forests, thorn forests mixed with grass patches, reserved and non-reserved vidis and other forest land in Kachchh, Jamnagar, Porbandar, Surendranagar, Ahmedabad, Rajkot, Bhavnagar, Amreli, Gandhinagar, Mehsana, Patan and Junagadh (except part in Gir and Girnar).

³⁰ ₹ 7.30 lakh *per ha*. (-) ₹ 4.38 lakh *per ha*. X 2,008.42 ha.

creeks had mangrove vegetation, the area diverted to the user agency was exclusive of creeks. It was also stated that the diverted forest land was categorised as Eco-Class-IV having poor vegetation.

The reply is not convincing as the diverted forest land was being flooded with sea water during high tide and as such should have been classified as Eco-Class-II having littoral and swamp forest. Further, the Department did not produce any records in support of their argument that the diverted forest land was under Eco-Class-IV category with poor vegetation. On the contrary the CF, Bhuj had stated that that the site of the diverted forest land was an outer area of the sea and the creeks were full of mangrove vegetation.

Thus, the incorrect classification of diverted forest land led to passing of undue benefit of ₹ 58.64 crore to the user agency.

The matter was reported to the Government in May 2014; their reply was awaited (October 2014).



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The

Countersigned



(SHASHI KANT SHARMA)

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The