

CHAPTER - VI

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CHAPTER-VI

Compliance Audit Paragraphs relating to State Public Sector Undertakings (other than Power Sector)

Important Audit findings emerging from test-check of transactions of the State Government Companies and Statutory Corporation (other than Power Sector) are included in this Chapter.

Government companies

Social Justice and Special Assistance Department

Vasantrya Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited

6.1 *Violation of Government decision*

The Company made payment of arrears of ₹ 3.19 crore to employees in violation of Government orders. They also irregularly diverted NBCFDC funds to the tune of ₹ 1.60 crore for this purpose.

Vasantrya Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited (Company) acts as a State Channelising Agency for implementation of various schemes of the Government of Maharashtra (GoM) and National Backward Classes Finance and Development Corporation (NBCFDC) for development of Vimukta Jatis and Nomadic Tribes in the State of Maharashtra.

The GoM approved (June 2012) implementation of recommendations of sixth Pay Commission to employees of the Company with effect from 26 June 2012 without any payment of arrears for the period prior to 26 June 2012.

Audit observed that the Company decided (May 2015) to disburse arrears to the employees for the period from 01 January 2006 to 31 May 2012 from the available corpus of ₹ 2.80 crore (including ₹ 0.40 crore received from NBCFDC) held with different banks and administrative grant of ₹ 1.20 crore to be received from GoM. Subsequently, the Company diverted (May 2015) funds of ₹ 1.20 crore received from NBCFDC for the purpose of disbursing arrears pending receipt of administrative grant from GoM. Accordingly, the pay scale of the employees was revised with effect from 01 January 2006 and arrears of ₹ 3.19 crore was disbursed (May 2015) to 86 employees (including ₹ 1.39 crore to 34 employees retired after 1st January 2006). The Company later (April 2018) decided to recover the amount from its employees.

The Company in its reply (February 2019) accepted that the then administrative/finance officers without the permission of GoM and without approval from BoD had disbursed the arrears and recovery of the same would be effected from the salary of the employees. The recovery has been put on hold from May 2019 based on the order (April 2019) of Bombay High Court (HC), Aurangabad Bench after writ petitions were filed by employees of the Company. Further, as regards, recovery from retired employees, decision was

not yet taken by the Company/GoM (October 2019). Out of ₹ 3.19 crore disbursed as pay arrears to the employees (working and retired), ₹ 1.39 crore were arrears in respect of 34 retired employees and thus the possibility of recovery of the above was remote.

The decision of the Company for payment of arrears of ₹ 3.19 crore to its employees/retired employees was in violation of Government orders and diversion of NBCFDC funds for this purpose was irregular.

The matter was reported to the Government/Management (October 2019); their reply was awaited (April 2020).

Statutory Corporation

Home Department (Transport and Ports)

Maharashtra State Road Transport Corporation

6.2 Avoidable extra expenditure due to flawed tender evaluation

The Corporation incurred avoidable expenditure of ₹ 22.35 crore due to flawed tender evaluation of Facility Management Services (FMS) contract

The Board of Maharashtra State Road Transport Corporation (Corporation) decided (May 2016) to appoint an agency for state-wide Facility Management Services (FMS) by inviting tender. The scope of work included cleaning of 31 divisional offices, 250 bus depots, 588 bus stands, open spaces, 17000 buses etc. for a period of three years. Tenders were invited in August 2016 under two-bid system with quality-cum-cost-based-selection (QCBS)¹ methodology which were subsequently cancelled (November 2016) due to lack of clarity in tender conditions. Subsequently, a consultant was appointed (November 2016) for drafting of detailed tender document and revised tenders were published (January 2017) under QCBS methodology. In response, six bidders participated of which three bidders qualified technically.

¹ QCBS methodology of selection entails assigning of weightage for technical and financial bids (in this case it was in ratio of 70:30 for technical and financial bid) to determine the most responsive bidder.

The technical² and financial score (based on commercial bids) were as follows:

Bidder name	Tech-score out of 100	T-weight (at the rate of 70 per cent)	Financial bid (₹in crore)	Fin-Score ³	F-weight (at the rate of 30 per cent)	Result
	(a)	(b) = a x 0.70	(c)	(d)	(e) = d x 0.30	(f) = b + e
Party A	100	70.00	491.71	86.36	25.91	95.91
Party B	100	70.00	477.16	89.00	26.70	96.70
Party C	94	65.80	424.65	100.00	30.00	95.80

Party B quoted ₹ 477.16 crore and was L2. It was however declared as the most responsive bidder in terms of the combined score and called for negotiation. During negotiation, Party B lowered its quote to ₹ 447 crore which was accepted by the Corporation and Letter of Intent (LOI) was issued (August 2017).

Audit observed that Party C was awarded 94 out of 100 in technical evaluation with 2-mark reduction for ISO (SA-8000) certification deficiency⁴ and 4-mark reduction for lower experience. Party C had submitted ISO 26000:2010 certificate which included all requirements of SA-8000. This was also confirmed by the ISO Certifying Authority. Thus, Party C was eligible for full 15 marks. It is pertinent to mention that in case 15 marks were awarded for Party C, the revised position of bidders would be as under:

Bidder name	Tech-score out of 100	T-weight (at the rate of 70 per cent)	Financial bid (₹in crore)	Fin-Score	F-weight (at the rate of 30 per cent)	Result
	(a)	(b) = a x 0.70	(c)	(d)	(e) = d x 0.30	(f) = b + e
Party A	100	70.00	491.71	86.36	25.91	95.91
Party B	100	70.00	477.16	89.00	26.70	96.70
Party C	96	67.20	424.65	100.00	30.00	97.20

Consequently, this would have resulted in Party C being the most responsive bidder with a quote of ₹ 424.65 crore which was ₹ 22.35 crore lesser than Party B (L2) even after considering the negotiated price. Thus, the Corporation incurred avoidable expenditure of ₹ 22.35 crore due to flawed tender evaluation of FMS contract by disregarding the ISO 26000:2010 certificate of Party C.

The Corporation replied (December 2019) that the certification sought (SA-8000) was not furnished by Party C resulting in deduction of marks. The reply, however, did not address the reason for ignoring the ISO 26000:2010 certificate.

The matter was reported to the Government (October 2019); their reply was awaited (April 2020).

² Technical evaluation on basis of Turnover (20 marks), Employee count (20 marks), Years of experience (15 marks), Project execution experience (30 marks) and Quality-Certifications (15 marks).

³ Ratio of individual financial bid to the lowest financial bid.

⁴ Non-submission of SA-8000 (Social Accountability) certificate; full marks (15 out of 15) for three or more certifications (ISO-9001, OHSAS, SA-8000), 13 marks for two certifications and 11 marks for single certification.

6.3 Loss of revenue

The Corporation terminated parcel-courier licence contract without following due procedures resulting in loss of revenue of ₹ 1.58 crore.

Maharashtra State Road Transport Corporation (Corporation) entered (November 2015) into a three-year licence deed for parcel-courier services for a consolidated licence fee of ₹ 37.50 crore *plus* taxes which was receivable on monthly basis in advance. The licensee was allowed to operate the parcel-courier business in bus stands of the Corporation and use the roof of the bus for shipments. The entire execution of the parcel-courier business was the responsibility of the licensee and the licensor was entitled to guaranteed monthly revenue (₹ 1.04 crore per month). As per Clause 41 of the licence deed, the Corporation was required to issue a notice in writing to the licensee to remove the cause of any dissatisfaction within a period of 30 days. Further, if the licensee failed to remedy such causes of dissatisfaction within the above period, the Corporation was at liberty to terminate the licence deed by giving the licensee 15 days' notice in writing. The Corporation terminated (16 December 2017) the contract of the licensee from 18 December 2017 citing certain violations⁵. It also decided to retender the parcel-courier contract and operate the parcel-courier services on its own and collect the revenue in the interim.

Audit observed that the termination order of the Corporation was not in conformity with the Clause 41 of the licence deed as the termination was effected without issuing the notice as mentioned in the licence deed. The violations pointed out were old and the individual breaches committed by the licensee were already penalised with monetary penalty. The licensee filed (December 2017) a writ petition with the High Court against the termination order. The Court, while setting aside (January 2018) the termination order had also observed that the said order was in violation of the Clause 41 of the licence deed. Subsequently, the Corporation restored the services of the licensee with effect from 14 February 2018 and allowed the operations for the balance tenure (till October 2018). However, during the interim two month period of non-operation, the Corporation lost the revenue towards licence fee of ₹ 2.08 crore from the licensee. Meanwhile, the Corporation could collect only ₹ 49.86 lakh during this period through its own collection mode. Thus, the hasty action of the Corporation to terminate the licensee without following due procedures and adhering to Clause 41 of the licence deed resulted in a loss of revenue of ₹ 1.58 crore (₹ 2.08 crore - ₹ 49.86 lakh) to the Corporation.

The Corporation replied (July 2019) that the licensee committed violations like illegal transportation of acids, milk products and carrying excess weight beyond permissible 500 Kg, and to avoid such future incidences, the contract was terminated with immediate effect. The reply was not tenable as the Corporation had not followed the due procedures in terminating the contract as laid out in Clause 41 of the contract which resulted in reinstatement of the

⁵ Transporting 100 kg beyond the 500 kg load limit, non-submission of GST certificate, carrying prohibited articles like acids, *etc.*

licensee and loss to the Corporation in the interim period. Moreover, the individual breaches committed by the licensee were old and were already penalised with monetary penalty.

The matter was reported to the Government (November 2019); their reply was awaited (April 2020).

Mumbai,
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