

CHAPTER II

AUDIT OF TRANSACTIONS

2.1 Fraudulent drawal/misappropriation/embezzlement/losses

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1.1 Misappropriation of ₹ 18 lakh

Failure to observe the checks prescribed in the scheme guidelines resulted in fraudulent payment of ₹ 18 lakh.

The National Rural Employment Guarantee Act (NREGA), 2005 was enacted by the Union Government with a view to provide at least 100 days of guaranteed wage employment in a financial year to every rural household whose adult members were willing to do unskilled manual work. Based on the provisions of NREGA, the Gujarat State Rural Employment Guarantee Scheme (SREGS) was launched in August 2006. The District Programme Coordinators (DPC) were responsible for ensuring administrative and technical approvals, release and utilisation of funds, ensuring 100 per cent monitoring of works, muster roll verification and submission of Monthly Progress Registers.

Scrutiny of records of DPC, Dahod revealed (March 2010) that the Sarpanch of Nana Sarnaiya village was reported to have constructed (May-June 2008 and January-February 2009) a community well without obtaining the administrative approval of the DPC. Payment of ₹ 8,92,237 for the work had been made (October 2009) which was supported by 50 paid muster rolls. It was found by the Deputy District Programme Coordinator that these muster rolls had not been issued by NREGA Branch, DRDA, Dahod. Subsequent verification on 24 November 2009 of the stock of muster rolls by the DPC, revealed that 1000 muster roll forms were missing and the abovementioned 50 paid muster rolls were part of the missing muster rolls. Further, in respect of another payment of ₹ 9,25,128 made (September 2009) for the work, it was noticed that payments had been made to 1080 persons through credit to bank accounts but the names shown in the muster rolls were different from the names shown in the bank payment sheet for credit to the accounts. Both the vouchers had been pre-audited (June-July 2009) by M/s. Pipara and Company, Chartered Accountants. An FIR was filed (5 March 2010) with the police by the Additional DPC, NREGA, Dahod against 16 officials¹.

¹ (1) Taluka Development Officer, (2) Additional Assistant Engineer, (3) Technical Assistant, (4) Ex-MIA Coordinator, (5) Ex-MIS Coordinator, (6) Junior Clerk, (7) Assistant Accountant, (8) Auditor who had done pre-audit, (9) Manager, Bank of Baroda (Sukhsar), (10) Talati-cum-Mantri, Nana Sarnaiya, (11) Sarpanch, Nana Sarnaiya, (12) Talati-cum-Mantri, Moti Nadukan, (13) Sarpanch, Moti Nadukan, (14) Talati-cum-Mantri, Javesi, (15) Sarpanch, Javesi, (16) Sub-Post Master, Post Office, Fatepura.

In this connection, it is observed that the misappropriation became possible due to non-adherence to the procedures laid down and lack of monitoring as provided in the operational guidelines. Payments had been permitted to be made in respect of work for which administrative approval had not been accorded. Further, the transparency procedure in payment of wages prescribed in the guidelines² to prevent payment to ghost workers and for non-existent projects (Para 12.3.1 of Guidelines) had not been followed. Theft of 1000 muster rolls remained undetected for over five months which indicated that safe custody of muster rolls was not ensured and periodical physical verification was not done. Thus, due to non-adherence to the prescribed procedures, lack of adequate internal control measures and inadequate monitoring, misappropriation of a sum of ₹ 18,17,365 became possible.

The Assistant Commissioner (Rural Development) denied (June 2010) that the misappropriation was due to non-adherence to the prescribed procedure and due to lack of internal control measures. It was stated that meetings at district and taluka level were regularly conducted to review and monitor the effective implementation of the NREGA scheme, training programmes and workshops were also conducted. The reply is not acceptable as it is silent on the specific instances of non-adherence to procedures prescribed in the guidelines, as pointed out in the para *viz.* release of funds by DPC for works without administrative approval and technical sanction, non-ensuring of 100 per cent monitoring of works resulting in transparency procedures in payments not being followed as well as not conducting of periodical physical verification.

The matter was reported to Government in April 2010 and reminder issued on 11 June 2010. Reply has not been received (August 2010).

2.2 Infructuous/wasteful expenditure and overpayment

EDUCATION DEPARTMENT

2.2.1 Wasteful expenditure on setting up of District Computer Training Centres

Out of 25 District Computer Training Centres, 16 were not operational in the absence of qualified teachers/instructors even after the lapse of three years, resulting in wasteful expenditure of ₹ 4.36 crore.

Under the Action Plan (December 2004) for Computer Education and Computer Training for School Children (CECTSC) under the Eleventh Finance Commission, computer centres were proposed to be set up in 25 districts of the State by March 2005 at an aggregate expenditure of ₹10.75 crore. The unit cost of each centre was estimated at ₹ 43 lakh (Appendix - XVIII). A provision of ₹10.75 crore was made by the Finance Commission for Gujarat under 'Upgradation of Standard of Computer Education'. The Action Plan envisaged

² Payment in public place, names of recipients and amount to be read out loud and list to be put up in public place before being read out loud.

that in each of the 25 centres, 1,040 students from urban areas and 208 students from rural areas would be trained every year. At this time another centrally sponsored scheme of Information and Communication Technology in Schools ('ICT @ Schools') was launched in December 2004. These identical schemes were launched simultaneously for the same targeted beneficiaries.

The Government sanctioned (November 2004) ₹10.75 crore for setting up the computer centres in the districts to the Commissioner of Mid-Day Meals and Schools, Gandhinagar, who was made responsible for implementation of the programme. Out of ₹10.75 crore, an amount of ₹7.14 crore was placed with Gujarat Informatics Limited (GIL) in January and March 2005 for procurement of hardware and software. The balance amount of ₹3.61 crore was placed (January 2005) with the District Collectors for creation of infrastructure.

Scrutiny (March 2010) of the records of the Commissioner revealed that ₹5.03 crore was spent for purchase of hardware/software and ₹1.78 crore was spent for setting up the computer training centres in the 25 districts. However, the computers were received at the centres between January 2005 and July 2006, as of March 2010, out of the 25 centres, 16³ centres could not start functioning. No student was trained in these centres against an assigned annual target of 19,968 students at 1,248 students per centre. In respect of the balance nine centres⁴, 4,992 students per centre were to be trained during June 2006 to March 2010. In all, only 3,805 students (8.46 *per cent*) were trained by these centres during the period as against 44,928 students targeted to be trained.

It was observed in audit that non-functioning of the 16 centres established after incurring expenditure of ₹4.36⁵ crore was mainly due to non-appointment of instructors/teachers because of non-availability of qualified staff⁶ as per the norms fixed by Government of Gujarat with fixed meagre remuneration of ₹4000 per month. Further, under the centrally sponsored scheme of 'ICT @ Schools' launched in December 2004, it was envisaged that individual schools would be provided with computers and other peripherals including internet and the students could undergo training in their respective schools. Thus, this appeared to be a case of duplication of schemes for the same targeted beneficiaries. This aspect was not evaluated and assessed before incurring the expenditure on setting up the District Computer Training Centres under the CECTSC scheme.

On this being pointed out (May 2010), Government replied (August 2010) that the qualifications initially fixed were very high and that these had been revised in March 2009. It was also admitted that despite periodic instructions by the Commissioner to the District Education Officers, out of 25 centres, 16 centres remained unused and the balance nine centres could not be put to optimal use.

³ (1) Ahmedabad (city), (2) Amreli, (3) Anand, (4) Dahod, (5) Narmada, (6) Bharuch, (7) Banaskantha, (8) Bhavnagar, (9) Kheda, (10) Patan, (11) Porbandar, (12) Navsari, (13) Vadodara, (14) Valsad, (15) Surat, (16) Surendranagar.

⁴ (1) Kutch-124, (2) Jamnagar-58, (3) Junagadh-1,616, (4) Panchmahal-327, (5) Mehsana-150, (6) Rajkot-559, (7) Sabarkantha-565, (8) Gandhinagar-111 and (9) Dang -295 students.

⁵ Cost of computers ₹3.22 crore and infrastructure ₹1.14 crore.

⁶ First Class BE (Computer)/First Class BE (IT/MCA) for instructor.

Thus, due to duplication of identical schemes for the same targeted beneficiaries rendered the expenditure of ₹4.36 crore incurred on setting up of the computer training centres wasteful.

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

2.2.2 Wasteful expenditure on construction of pumphouse facilities

Lack of coordination between the Gujarat Water Supply and Sewerage Board and the Irrigation wings of the Narmada, Water Resources, Water Supply and Kalpsar Department resulted in wasteful expenditure of ₹ 89.58 lakh and denial of intended water supply to beneficiary villages for 16 months.

The water demand of 73 villages of Dehgam and Gandhinagar talukas was proposed to be met from Labhor tank situated in Talod taluka in Sabarkantha District, which was under development as a source of supply for irrigation by the Irrigation wing - Sujalam Sufalam Circle, Gandhinagar, by filling the same through irrigation pipelines. For utilization of this tank for water supply also, the work of construction of an intake well and pump house facilities at Labhor tank was awarded (August 2004) to an agency⁷ by the Gujarat Water Supply and Sewerage Board (GWSSB) as a part of the work of 'Design, build and operate contract for distribution network of package SSW G-2' under the Sujalam Sufalam drinking water scheme. The Executive Engineer (EE), Public Health Works Division (PH Works Dn.), GWSSB, Gandhinagar was in charge of this work.

Scrutiny (October 2009) of records of the EE, PH Works Dn., GWSSB, Gandhinagar revealed that the development of Labhor Tank was shelved (August 2004) by the Irrigation Department as a follow-up of the decision taken by a Higher Level Technical Committee. GWSSB which was also under the same department i.e. Narmada, Water Resources, Water Supply and Kalpsar Department, remained unaware of this decision and considered this tank as a source for supply of drinking water for 73 villages. Consequently, it constructed (September 2007) downstream facilities at the Labhor Tank at a cost of ₹89.58 lakh⁸, which became infructuous. As water was not available from Labhor Tank for supply, GWSSB undertook the laying of separate 610 mm mild steel (MS) pipes for tapping water directly from the existing Hathmati-Guhai irrigation pipeline and completed the work in January 2009 at a cost of ₹33.19 lakh.

On this being pointed out (October 2009) in audit, the EE, PH Works Dn., GWSSB, Gandhinagar replied that the decision regarding non-development of the Labhor Tank was taken by higher authorities of the Irrigation Department after the work was allotted to the agency. The reply is not acceptable as the work order for construction of the above idling facilities was issued on 23 August 2004 after the decision of shelving the development work of Labhor Tank was

⁷ M/s. Electrosteel Infrastructures Services Limited

⁸ Intake Well – ₹13.04 lakh, Pumphouse – ₹23.20 lakh, Rising main – ₹1.73 lakh and Pumping machinery – ₹51.61 lakh.

taken by a high level committee on 17 August 2004. The fact remains that due to lack of coordination between GWSSB and the Irrigation Wing of the same Department i.e. Narmada, Water Resources, Water Supply and Kalpsar Department, the former proceeded with the construction of pumping facilities at Labhor Tank even when the decision to shelve of the upstream works had been taken. In the process, existing facilities constructed in September 2007 i.e. intake well, pump house, raising main and the pumping machinery were idling since then as the supply to these 73 villages was routed directly from the irrigation pipeline.

Consequently, the entire expenditure incurred on downstream facilities at Labhor Tank amounting to ₹89.58 lakh was rendered wasteful. Further, because of shelving of the project of development of Labhor Tank and subsequent re-routing, the supply of water to these 73 villages could commence only from January 2009, after a delay of 16 months.

When this was reported (February 2010), Government stated (April 2010) that the works were executed to pump water from Labhor Tank. However, in order to avoid continuous pumping to lift water from the tank, tapping from Hathmati-Guhai Irrigation Pipeline was done so that direct flow of water from pipeline could be received. It was further stated that in case of shutdown of the irrigation pipeline, water could be supplied from the tank using pumping structures constructed under the said contract. The Government, however, stated that the matter of coordination among two departments would be made effective in future. The reply is not acceptable as Labhor Tank had not been developed and therefore, its utility even as temporary storage, is doubtful.

Thus, due to lack of coordination between GWSSB and the Irrigation wing, GWSSB continued with construction of pumping facilities at Labhor Tank, unaware of the decision of the Irrigation wing not to develop it as a water source, resulting in wasteful expenditure of ₹89.58 lakh.

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.2.3 Doubtful expenditure in execution of a work

An expenditure of ₹1.31 crore was stated to have been incurred in execution of work by a District Rural Development Agency. In the absence of mandatory records and registers including muster rolls, the expenditure was doubtful.

Under the Integrated Watershed Development Programme (IWDP), a Centrally Sponsored Scheme for promoting socio-economic development of villages, Government of India sanctioned (July 2003) ₹ three crore for implementation of a project in Kutiyana block of Porbandar District for treatment of land for the purpose of afforestation, improvement of grasslands etc. The shares of the Central and State Governments for the project were ₹2.75 crore and ₹0.25 crore respectively towards treatment of 5000 hectares of land to be completed within five years i.e. by July 2008. The project was implemented by the District Rural Development Agency (DRDA) Porbandar. The Executive Engineer, Panchayat

Irrigation Division, Porbandar was the nodal officer for the project which was to be executed by the constitution of 14⁹ Watershed Development Committees (WDC) at the grassroot level.

The work was to be executed at the Schedule of Rates (SOR) rate of the concerned Division and the completion certificate was to be given by the concerned WDC members. Materials were to be purchased from Government Co-operative Mandalis/Nigams for which stock accounts were to be maintained.

During the local audit of Director, DRDA, Porbandar in November 2009, a review of the vouchers for the period December 2004 to October 2006, showed that ₹1.31 crore was paid towards wages to labourers and suppliers towards supply of cement, sand, gravel for construction of a check dam, purchase of plants, and seedlings from nurseries etc. Payment for the materials purchased were made without maintaining requisite stock accounts and the payments towards the works stated to be executed were made without recording measurements as prescribed in the codal provision. Further, labourers' wages were paid without muster rolls. The completion certificates of the works were also not given by the concerned authorities, beneficiaries lists were not maintained and photographs of the sites before and after execution of the work were also not kept on record. When pointed out, the Director DRDA, Porbandar (December 2009) admitted non-maintenance of the prescribed records and assigned responsibility to the nodal officer Executive Engineer Panchayat Irrigation Division, Porbandar. He further stated that the project had been suspended (January 2007) and the matter would be reported to higher authorities.

Mandatory controls such as maintenance of stock registers, MBs, muster rolls meant to support claims for payments made to suppliers, labourers, and beneficiaries were not exercised. Thus, the expenditure of ₹1.31 crore stated to have been incurred was doubtful.

The matter was reported to Government in March 2010 and reminders issued on 7 May 2010, 16 July 2010 and 3 August 2010. Reply had not been received (August 2010).

ROADS AND BUILDINGS DEPARTMENT

2.2.4 Excess payment towards price variations ignoring directions of the Government

Non-adherence to tender stipulations and Government directions resulted in excess payment of ₹1.33 crore towards price variation for asphalt used in the construction of roads.

The Roads and Buildings Department issued (21 November 1998 and 4 October 2005), circulars with the approval of the Finance Department having the validity of a Government resolution stipulating that the base rate of asphalt

⁹ Bavalavadar, Chaliyana, Chuota, Ishwariya, Katada, Katwana, Mandava, Mahobatpara, Mal, Malanka, Roghda, Sidhpur, Thepoda and Vadala

for the purpose of calculation of price variations would be the rates prevalent in the month of approval of the Draft Tender Papers (DTP).

During audit (August 2009) of the records of the Executive Engineer (EE), District Roads and Buildings, Rajkot it was observed that in the tender documents (clause 59 A) in respect of six NABARD assisted cases¹⁰, the Division wrongly adopted the rate of asphalt (₹31,044) prevalent in the month of preparation of the estimates i.e. June 2008, as the base rate instead of the rate (₹36,222.51) prevalent in the month of approval of the DTP i.e. September 2008. The price variation for asphalt was thus paid on incorrect base rates. Considering the quantity (2,581.077 MT) of asphalt consumed in these works, excess payment¹¹ of ₹1.33 crore was, therefore, made in these cases.

On this being pointed out in audit, the EE, District R & B, Rajkot replied that in clause 59 A of the tender, the base rate of asphalt was the ex-Koyali Refinery rate prevailing on the date on which the estimates were prepared as per a department letter issued on 16 June 2001.

The reply is not acceptable as the department's letter dated 16 June 2001 cannot override the Government circular issued with the approval of the Finance Department. Even otherwise, the general conditions of contract stated that the month of approval of the DTP should be mentioned in the tender document itself so as to make the basis of estimation known to the bidders.

The matter was reported to the Government in February 2010 and reminders issued on 7 May 2010 and 16 July 2010. Reply had not been received (August 2010).

2.2.5 Excess payment of price variation of ₹52.44 lakh towards asphalt

Non-adoption of ex-refinery rate for reimbursement of price variation towards asphalt resulted in excess payment of ₹52.44 lakh.

Clause 59 A of tenders relating to road works stipulates that the adjustment of price variation of asphalt shall be made on the basis of the difference between the purchase price and the base price (ex-refinery rate). In addition, Government, vide circular dated 2 September 2008, permitted import of asphalt subject to the condition that the rate at the time of purchase from the Indian port (in case of import) or the ex-refinery rate of PSUs prevailing on the date of purchase whichever was less, was to be taken into account for the calculation of the rate difference.

On scrutiny of records of the Executive Engineers, Roads and Buildings Divisions, Jamnagar, Vadodara (City), Bharuch, Rajpipla and Surendranagar in respect of

¹⁰ Improvement of rural roads under NABARD Scheme. PK NABARD /RJT/3- ₹19.99 lakh (386.110 MT), PK NABARD /RJT/5 - ₹24.56 lakh (474.310 MT), PK NABARD /RJT/1 - ₹13.61 lakh (262.907 MT), PK NABARD /RJT/6 - ₹24.29 lakh (468.974 MT), PK NABARD /RJT/7- ₹21.78 lakh (420.565 MT) and special component plan- ₹ 29.43 lakh (568.211 MT)

¹¹ Amount recovered based on base rate of ₹ 31,044 : ₹ 1,26,67,519; amount recoverable on base rate of ₹36,222.51 : ₹ 2,60,33,606

eight road works¹², it was observed that contractors procured 1358.205 MT of asphalt from HPCL and 1841.766 MT from BPCL depots situated at Savali/Vapi and 59.38 MT from Vinergy International (an importer). Price variation on asphalt was claimed and paid based on the importers' rates, which was contrary to tender provisions. Failure to regulate payment based on the ex-refinery rates as per the above stated provisions resulted in excess payment of price variation to the tune of ₹52.44 lakh (**Appendix -XIX**).

When this was pointed out, the department replied (September 2009) that as the purchase of asphalt was made from Government public undertakings, the actual procurement price was allowed for reimbursement. The reply is not acceptable as Clause 59 A clearly lays down that the contractor shall procure asphalt directly from the refinery only. Thus, the reimbursement of price variation on the basis of depot rates and rates of import without restricting to the ex-refinery rate resulted in excess payment to the tune of ₹52.44 lakh.

The matter was reported to Government in March 2010 and reminders issued on 11 May 2010 and 16 July 2010. Reply had not been received (August 2010).

2.3 Avoidable/excess/unfruitful expenditure

NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

2.3.1 Unauthorised expenditure on a drinking water supply scheme

Unauthorised expenditure of ₹29 lakh was made on a drinking water supply scheme which remained incomplete despite incurring an expenditure of ₹2.43 crore.

With a view to providing drinking water to 14 villages of Taluka Upleta in District Rajkot, the Chief Engineer (CE), Zone 3, Gujarat Water Supply and Sewerage Board (GWSSB), Rajkot accorded (April 2002) administrative approval and technical sanction for the work of a Regional Water Supply Scheme based on Venu-2 dam. The tender was approved (April 2003) by the Tender Purchase Committee (TPC) and the work was awarded (June 2003) to M/s. Avadh Construction, Rajkot (contractor) on turnkey basis for their tendered cost of ₹2.98 crore, with a stipulated completion date of June 2004.

Scrutiny of records of the GWSSB head office in Gandhinagar revealed (August 2009) that the tender provided for procurement of Mild Steel (MS) pipes from vendors approved by the Board. The contractor requested (February 2004) for exemption on account of higher cost of material on the ground that all the

¹² Excess amounts paid: (1) Khambhalia-Advana-Porbandar road SH No. 28 - Km 43/2 to 54/0 - ₹10,18,381 for 447.145 MT (HPCL), (2) Khambhalia-Lalpur road Km 0/0 to 9/8 - ₹6,69,518 for 286.809 MT (HPCL), (3) Padmala-Ranoli road - Km 0/0 to 5/0 - ₹4,99,674 for 218.631 MT (HPCL), (4) Jhagadia-Valia road - Km 0/0 to 19/2 - ₹6,27,304 for 323.205 MT (Vinergy/BPCL/HPCL), (5) Valia-Siludi road - Km 0/0 to 19/0 - ₹4,50,532 for 478.011 MT (BPCL), (6) Dediapada-Sagbara road - ₹9,49,332 for 460.180 MT (BPCL), (7) Movi-Dediapada road - Km 0/0 to 17/80 - ₹6,06,624 for 809.675 MT (BPCL) and (8) Fulki-Patdi-Kharaghoda road - Km 25/0 to 32/0 section Odu-Kharaghoda - ₹4,22,322 for 235.695 MT (HPCL).

approved vendors were situated outside the State. Meanwhile, the prices of MS pipes increased and the contractor requested for the use of High Density Polyethylene (HDPE) pipes instead of MS pipes. This was approved (June 2005) in principle by the CE, subject to the condition that the Board would not have to bear any loss on this account. The TPC (August 2007) observed that the changes in tender specifications made by the CE were not within his powers.

Due to the change in the class of pipes, against the estimated cost of ₹1.31 crore for MS Pipes, a sum of ₹1.74 crore was paid towards HDPE Pipes upto March 2008. Though the work was initially scheduled to be completed within 12 months, it remained incomplete even after the lapse of seven years since the commencement of the scheme. In view of the non-release of payments, the contractor requested (February 2008) that the dispute may be resolved through arbitration. This was rejected (February 2008) by the Board. In the meanwhile, the Board passed an amount of ₹13.43 lakh in March 2008, however, the payment was held in deposit and was not released. The contractor was paid a total of ₹2.43 crore till March 2008. Finally the Board issued (July 2009) a final notice for withdrawal of work.

Thus, the unauthorized change in tender specifications led to avoidable expenditure of ₹29 lakh.

On this being pointed out (April 2010), the Government stated (June 2010) that due to acute shortage of MS pipes in the market, as approved vendors of the Board were all from outside the State and the cost of material was high, permission sought by the contractor for procurement of pipes from unlisted vendors was given, considering urgency of requirement and interest of work.

The reply is not acceptable as the fact that approved vendors were all from outside the State was known at the time of tender and subsequent relaxation of the tender condition on account of rise in price was not permissible without obtaining the approval of the Board.

ROADS AND BUILDINGS DEPARTMENT

2.3.2 Extra expenditure of ₹4.41 crore due to delay in award of work

Non-adherence to the Ministry of Shipping, Road Transport and Highway guidelines for award of tenders within the time limit prescribed on two consecutive occasions resulted in a cost overrun of ₹4.41 crore in execution of National Highway work.

Clause 4.32 of the Ministry of Shipping, Road Transport and Highway (MOSRTH) manual provides a strict time schedule for evaluation of bids and award of contracts within 40 days from the date of receipt of bids. According to clauses 13.4 and 47 of the tender documents, the tender rates quoted by the bidder should remain fixed for contracts up to 12 months as no price escalation would be available to the agencies.

Scrutiny (February 2010) of the records of the Executive Engineer, National Highway Division, Ahmedabad revealed that the tender for the work

“Improvement of Riding Surface with 40 mm Bituminous Concrete at existing four-lane carriageway with paved shoulders on National Highway- 8A (Ahmedabad – Bhayala – Bagodara Road)” was invited in September 2007 and the contract was offered (January 2008) to M/s Patel Infrastructure Pvt. Ltd., Rajkot, the lowest bidder at a quoted cost of ₹8.82 crore. This agency was directed to pay the security deposit and submit a performance bond for entering into the agreement for execution of the work after a passage of two and half months from the last date of receipt of bids. This bidder requested (28 January 2008) for incorporation of a price escalation (PE) clause in the tender on account of rise in the cost of asphalt. If this was not possible, the bidder wished to be relieved from the work. The evaluation committee relieved (22 February 2008) the agency by forfeiting the security deposit amounting to ₹18.23 lakh and decided to re-invite tenders.

The tender was again invited for the second time on 26 February 2008 with the last date of receipt as 15 March 2008 and the quoted rates (₹10.38 crore) of M/s Classic Networks Pvt. Ltd., Rajkot, was the lowest. The department failed to finalise the tender within the validity period of the bid i.e. by 11 July 2008. On expiry of the validity period on 11 July 2008, the agency agreed (11 July 2008) to extend the validity of its bid upto 31 July 2008 subject to incorporation of a price escalation clause in the contract. Such conditional extension of the validity period was refused (28 July 2008) by MOSRTH and it was decided to re-invite the tender.

The tender for the work was invited for the third time in August 2008. The tender of M/s Classic Networks Pvt. Ltd., Rajkot at a rate of ₹15 crore (having validity period up to 9 January 2009) was accepted on 31 January 2009 i.e. during the extended validity period. The work order was issued on 5 February 2009 and the work was completed in July 2009 at a cost of ₹14.97 crore.

Even though, the MOSRTH guidelines provided for a strict time schedule for evaluation of bids and award of contracts, the department could not finalise the formalities in the time. Thus, the department had to pay ₹4.41 crore¹³ more for the same work due to delay in finalising of the bids.

On this being pointed out (March 2010), Government replied (August 2010) that the work was executed on behalf of Government of India (GOI) and Government of Gujarat had acted as per the directions of GOI only. The reply is not acceptable as the critical time schedule of 40 days stipulated by GOI for evaluation of bids and award of contract was not adhered to leading to repeated retendering and consequential cost escalation.

2.3.3 Injudicious expenditure of ₹1.76 crore

Work executed under the same stretch of a National Highway Road during the defect liability period resulted in injudicious expenditure of ₹1.76 crore.

Clause 17 A of the tender conditions of the Gujarat Public Works Department provide that the contractor shall be responsible to rectify or re-execute the work

¹³ ₹14.97 crore (cost)- ₹ 10.38 crore(lowest bid in second tender) = ₹4.59crore-₹0.18crore (SD forfeited) = ₹ 4.41crore

or any defect within three years from the certified date of completion of work. The Engineer-in-charge shall give the contractor a notice in writing about the defects and the contractor shall make good the same within 15 days of receipt of notice. Under clause I of the tender conditions, the security deposit was to be refunded to the agency only after expiry of the defect liability period of three years from the date of completion of the work.

The work of Improvement of Riding Quality (IRQ) between Km 171/0 to 182/4 on National Highway 8A Chotila-Bamanbore (Rajkot-Ahmedabad) up lane was completed in May 2006. On this stretch, strengthening work was again taken up within a period of one year and one month of the completion of the previous work as detailed in the following table:

| Road section | Agency | Date of award/ Date of completion | Tender cost/ Actual cost | Specification |
|---|----------------------------|--------------------------------------|---|---|
| (1) Km 171/0 to 182/4 on NH 8A up lane | Shreeji Const. Co., Rajkot | 18 February 2006/ 17 May 2006 | ₹ 1.70 crore ₹ 1.66 crore | (i) 50 mm thick BM* (ii) 25 mm thick SDBC* (iii) HATRM* |
| (2) Km 171/0 to 182/0 up lane on NH 8A Km 171/0 to 175/6 down lane on NH 8A | Amber Builders, Dhoraji | 31 July 2007 / 28 February 2008 | ₹ 4.70 crore ₹ 4.34 crore (out of ₹ 4.34 crore, ¹⁴ ₹ 1.76 crore for repeated uplane work) | (i) 50 mm thick BM* (ii) 25 mm SDBC* (iii) HATRM* |

Scrutiny (December 2009) of the records of the Executive Engineer (EE) National Highway Division, Rajkot showed that expenditure of ₹1.76 crore incurred was injudicious as explained below:

- (i) The work on the stretch km 171/0 to 182/0 up lane was assessed in April 2007 to be damaged within a period of one year. As such, it withstood only one monsoon against the minimum defect liability period of three years provided in the tender.
- (ii) It was observed that neither did the EE issue a notice to the agency to rectify the defects nor did the department rectify the defects at the risk and cost of the agency out of the security deposit available with them. The entire expenditure of ₹1.76 crore was incurred without invocation of the defect liability clause.

On this being pointed out (March 2010), the Government replied (August 2010) that the work of IRQ was simply a part of current repairs to be provided for smooth passage of traffic, whereas the work of strengthening was a comprehensive treatment to be given to the road and executed under capital outlay. The reply is not acceptable as it was seen that the specifications of work in both IRQ as well as strengthening were found to be the same including materials, thickness of layers and treatments. Thus, resorting to strengthening work at a cost of ₹ 1.76 crore before expiry of the defect liability period in violation of the provisions of the contract was injudicious.

* Bituminous Macadam (BM)

* Semi Dense Bituminous Macadam (SDBC)

* Hot Applied Thermoplast Road Marking (HATRM)

¹⁴ ₹ 4.34 crore ₹ 1.76 crore (uplane repeated) = ₹ 2.58 crore pertained to downlane and extra items

2.3.4 Avoidable expenditure of ₹38.58 lakh in execution of works of sports complexes

Non-preparation of realistic designs and estimates by the architect appointed for constructing sports complexes led to avoidable expenditure of ₹ 38.58 lakh.

As per para 150 of the Gujarat Public Works Department (GPWD) Manual Volume-I, estimates should as closely approximate the probable actuals as possible. According to the general conditions of B2 tenders, payment for items in excess of 30 *per cent* of the tendered quantities should be made as per the Schedule of Rates (SOR) of the year during which the excess quantities were executed, irrespective of the rates tendered.

For promoting sports activities in the State, the Government¹⁵ decided (August 2006) to develop sports complexes in district headquarters and accorded administrative approval of ₹ 22.10 crore for constructing 10¹⁶ sports complexes at various places. The Draft Tender Papers (DTPs) for the work of construction of a sports complex at Himatnagar for ₹ 2.96 crore was approved in August 2006. The tender was floated in September 2006 and the work was awarded (January 2007) to M/s Ample Construction Co., Rajkot for ₹2.73 crore with the stipulated date of completion being within 11 months i.e. by December 2007. The DTP for the work of construction of a sports complex at Godhra for ₹ 2.44 crore was approved in August 2006. The tender was floated in August 2006 and the work was awarded (December 2006) to M/s Sanjiv N. Pandya, Godhra for ₹ 2.35 crore, with the stipulated date of completion being within 11 months i.e. by November 2007. The work at Himatnagar was completed within the extended time limit i.e. May 2009 at a cost of ₹ 4.58 crore, which included work valuing ₹1.07 crore executed over 130 *per cent* of tendered quantities with extra/new items of ₹74 lakh. The work at Godhra was completed within the extended time limit i.e. February 2009 at a cost of ₹ 3.79 crore, which included work valuing ₹17 lakh executed over 130 *per cent* of tendered quantities with extra/new items of ₹ 1.45 crore.

The records of Executive Engineers (EEs), Roads and Buildings Divisions, Himatnagar in March 2010 and Godhra in April 2010 revealed that Shri Jawahar Mori of Rajkot was appointed (March 2006) as an architect for preparation of estimates including the designs with detailed technical specifications, structural drawings and periodical site supervision during execution, etc. in co-ordination with the user agency i.e. the Sports Authority of Gujarat, for which 2.25 *per cent* of the estimated cost was payable as consultancy fees. Audit scrutiny of these works revealed the following deficiencies:

- Though the appointment of the architect was made in March 2006, the estimates were not prepared as per the requirements of the user agency for inclusion in the tender. The agreement with the architect did not provide any time line for submission of his plans and estimates before floating the tender.

¹⁵ In Sports, Youth and Cultural Activities Department

¹⁶ Amreli, Gandhidham, Godhra, Himatnagar, Junagadh, Limdi, Nadiad, Patan, Rajpipla and Saputara. The work at balance complexes other than Himatnagar and Godhra are in progress (April 2010).

- After awarding of contracts, the changes in the designs and specifications made by the architect resulted in significant variations in the quantities in various items. Also new items of work as extra items had to be introduced in the ongoing contracts. A total of extra / new items amounting to ₹2.19 crore had to be executed and quantities in excess of 130 *per cent* of estimated quantities amounting to ₹1.24 crore were executed as detailed in **Appendix - XX**.
- For excess quantities, the tender conditions provided for payment at the tendered rate for quantities upto 30 *per cent* of the estimates and for beyond 30 *per cent*, the payment was required to be regulated at the SOR. In the two contracts, variation quantities existed in 41 items of works beyond 30 *per cent* and even upto 1602 *per cent*. Resultantly, payments were made at the SOR rates for these excess quantities, which ranged from ₹29.40 to ₹2834, while the tendered rates for these items of work were only ₹24.27 to ₹2047.29 as detailed in **Appendix-XX**. Consequently, extra avoidable payment of ₹38.58 lakh was made due to non-inclusion of the excess quantities of the 41 items in the estimates put to tender. The architect introduced 93 new items of works as new items for which payment of ₹2.19 crore was made at the rates regulated by SOR. In these cases, the department was deprived of the benefits of obtaining competitive rates through tendering as these items were not built into the DTPs at the time of floating of tenders and awarding of contracts.

The EEs stated (March/April 2010) that the excess and extra items occurred on account of changes made during the execution of work by the Sports Authority of Gujarat as per their requirements. As the architect was specifically appointed for these works of sports complexes, it was incumbent upon the architect to prepare the designs and estimates on a realistic basis as per the requirements of the user agency so as to enable the department to invite tenders with a view to get competitive rates.

The matter was reported to Government in May 2010 and reminders issued on 11 June 2010, 16 July 2010 and 3 August 2010. Reply had not been received (August 2010).

2.4 Idle investment/idle establishment/blockage of funds

AGRICULTURE AND CO-OPERATION (FISHERIES) DEPARTMENT

2.4.1 Idle expenditure on free supply of gas kits to fishermen

There was idle expenditure on gas kits procured at ₹ 4.57 crore and supplied to fishermen free of cost under the scheme of replacement of petrol/kerosene based engines of their boats.

The Agriculture and Co-operation Department (Fisheries) issued (March 2007) a resolution approving a scheme envisaging provision of free LPG/CNG kits to

fishermen for conversion of the petrol/kerosene based engines of their boats, with the aim of ensuring a clean and pollution-free environment in the ports.

A contract for supply of 6000 LPG kits was awarded (April 2007) to M/s Ratan Singh and Bros (agency) for a total contract price of ₹9.11 crore (including taxes), out of which ₹ 8.30 crore, being 90 per cent of the value, was paid in April/May 2007. The balance 10 per cent was payable after installation and commissioning of all the kits. The agency supplied 6,000 kits between April and May 2007. Though all the kits were distributed to fishermen in four districts¹⁷ by June 2007, only 56 kits had been installed as of February 2010. The agency informed (May 2009) the Commissioner of Fisheries that the kits could not be installed due to lack of involvement and coordination of the department's local bodies in the installation work. They further stated that the fishermen were also not cooperating in the matter as they wanted gas connections along with LPG cylinders, free of cost.

On this being pointed out (February 2010), the Government stated (July 2010) that they had organised installation camps in May 2010 where a total of 2640 kits were installed. As of August 2010, 3304 gas kits were still lying uninstalled, resulting in idle expenditure of ₹4.57 crore on the scheme.

HEALTH AND FAMILY WELFARE DEPARTMENT

2.4.2 Idling of a Nursing School building due to non-adherence to Indian Nursing Council specifications

Construction of a new Nursing School at Amreli at a cost of ₹ 3.07 crore without providing the basic facilities specified by the Indian Nursing Council led to the building remaining idle for two years.

The Indian Nursing Council Act, 1947 provides for recognition by the Indian Nursing Council (INC) for commencement of nursing training schools. As per the INC norms, buildings housing such schools should have physical facilities such as classrooms, laboratories, chambers for teaching faculty, hostels etc.

The nursing school attached to the General Hospital, Amreli was functioning from the Medical College, Bhavnagar, 100 km away from Amreli. In April 2006, the Health and Family Welfare Department sanctioned ₹3.28 crore for construction of a new nursing school for 200 students at Amreli. The work was to be executed through the Roads and Buildings Division (Division). A work order was issued to M/s Arjun Construction Company, Porbandar for the above work to be completed by October 2008. The work was completed as scheduled at a cost of ₹3.07 crore.

It was observed (June 2009) by the Chief District Medical Officer (CDMO) that the new building did not have some of the physical facilities prescribed by INC including laboratories, a library and hostel facilities.

As per the INC Act, recognition of a nursing school is given only after inspection of the facilities provided as per the specifications of INC. A perusal of the records revealed that the Additional Director, Health had pointed out (August 2006)

¹⁷ Jamnagar, Junagadh, Kutch and Porbandar.

to the Chief Architect, Roads and Building Department that the construction undertaken by the Division was not as per the norms of INC. The Division replied (September 2006) that the construction undertaken by them was based on the working plans approved by the CDMO. Thus, though both the CDMO and the Division were aware in August 2006 that the nursing school did not have all the required minimum facilities as per INC norms, no proper efforts were made by the department to provide the same.

The Government agreed with the audit observation and stated (May 2010) that necessary provisions had been made in the current year's budget for the renovations required for providing the essential facilities. They also stated that after inspection and recognition by INC, the nursing school would be started. Thus as of September 2010, the building constructed at a cost of ₹ 3.07 crore, remained idle for two years since its completion.

2.5 Regulatory issues and other points

EDUCATION DEPARTMENT AND LABOUR AND EMPLOYMENT DEPARTMENT

2.5.1 Short recovery of Labour Welfare Cess

Decision of the State Government to recover labour cess at ₹ 30 per sq.m of built-up area, as against one per cent of the actual cost of construction as stipulated in the Central legislation resulted in short recovery of labour cess amounting to ₹ 87 lakh in respect of 186 works executed during 2007-09.

Government of India (GOI) enacted (August 1996) the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 for constitution of a Welfare Board in each State to undertake social security schemes¹⁸ for such workers. GOI also enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). Section 14 of the Cess Act stipulated that the rule making power under the Act vested only with the Central Government. To augment the resources of the Board, Section 3 of the Cess Act provided for levy and collection of Labour Welfare Cess at the rate of not less than one per cent of the cost of construction incurred by an employer.

The State Government constituted (December 2004) the Gujarat Building and Other Construction Workers Welfare Board (Board) to collect the cess with effect from 18 December, 2004. The Government made it imperative (January 2005) for all its departments, Public Sector Undertakings and local authorities to collect and pay the cess as per the Cess Act 1996. The State Government (Labour and Employment Department), however, issued (June 2006) orders adopting ₹3000 per sq. m¹⁹ as the cost of construction, considering the then prevailing rates of building materials, overriding the provisions of the Central Cess Act, which provided for levy of labour cess on the actual cost of construction.

¹⁸ Provide loans and advances to beneficiaries for construction of houses, education of children, medical expenses for treatment of major ailments of the beneficiaries or dependents or for such other welfare measures and facilities as may be determined by the Board

¹⁹ ₹ 30 per sq.m of the built up area to be charged as cess

Scrutiny (November-December 2009) of the records of the State Project Officer (SPO), Sarva Shiksha Abhiyan Mission, Gandhinagar revealed that in respect of 186 construction works awarded during the period April 2007-March 2009, cess was collected at the rate of ₹3000 per sq.m as cost of construction in pursuance of the State Government order of June 2006. Thus, the cost of construction of these works was assumed to be ₹84 crore while the actual cost was ₹171.80 crore, leading to short recovery of labour welfare cess to the tune of ₹87.32 lakh as detailed in **Appendix -XXI**. The decision of the State Government thus resulted in less collection of labour cess than the minimum one *per cent* of the cost of construction as stipulated by the Central Government.

On this being pointed out (March 2010), the Secretary, Education Department stated (June 2010) that the directives in the Government Resolution dated 2 June 2006 of the Labour and Employment Department had been followed.

The Labour and Employment Department stated (June 2010) that this being a policy matter, it was under consideration of the Government (August 2010).

2.6 General

HOME DEPARTMENT, PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT AND REVENUE DEPARTMENT

2.6.1 Lack of response to audit findings

Response to audit findings was not adequate in respect of Revenue Department and Home Department and two District Rural Development Agencies at Bhavnagar and Vadodara.

Accountant General (Civil Audit), Rajkot conducts periodical inspections of Government departments to test check their transactions and to verify the maintenance of important accounting and other records as per the prescribed rules and procedures. After inspection, Inspection Reports (IRs) are issued to the heads of the departments, with copies to the heads of the offices inspected. Rule 14 of the Gujarat Financial Rules, 1971 provides for prompt response to ensure corrective action and accountability. Serious irregularities are brought to the notice of the concerned Secretaries in the form of draft paragraphs. Half-yearly reports are also sent to the Secretaries of the administrative departments in respect of pending IR paragraphs to facilitate monitoring of action on the audit observations.

A scrutiny of IRs issued upto March 2010, pertaining to the Revenue Department and Home Department revealed that 1856 paragraphs relating to 669 IRs remained outstanding at the end of March 2010, for which first replies in respect of 125 IRs involving 513 paragraphs had not been received from the concerned auditee offices.

The year-wise position of the outstanding IRs and paragraphs was as detailed below:

| Year in which IRs were issued | Department | | | | Total | |
|-------------------------------|--------------------|-------------|-----------------|------------|------------|-------------|
| | Revenue Department | | Home Department | | IRs | Paras |
| | IRs | Paras | IRs | Paras | | |
| Upto 2005-06 | 172 | 288 | 121 | 314 | 293 | 602 |
| 2006-07 | 101 | 264 | 04 | 19 | 105 | 283 |
| 2007-08 | 15 | 44 | 51 | 218 | 66 | 262 |
| 2008-09 | 133 | 408 | 08 | 12 | 141 | 420 |
| 2009-10 | 07 | 13 | 57 | 276 | 64 | 289 |
| Total | 428 | 1017 | 241 | 839 | 669 | 1856 |

Similarly, a scrutiny of IRs issued upto March 2010, pertaining to the District Rural Development Agencies (DRDA), Bhavnagar and Vadodara, revealed that 276 paragraphs relating to 24 IRs remained outstanding at the end of March 2010, for which first replies in respect of four IRs involving 37 paragraphs had not been received from concerned auditee offices. The year-wise position of outstanding IRs and paragraphs is detailed below:

| Year in which IRs were issued | District Rural Development Agency | | | | Total | |
|-------------------------------|-----------------------------------|------------|-----------|------------|-----------|------------|
| | Bhavnagar | | Vadodara | | IRs | Paras |
| | IRs | Paras | IRs | Paras | | |
| Upto 2005-06 | 09 | 80 | 09 | 128 | 18 | 208 |
| 2006-07 | 01 | 11 | 01 | 09 | 02 | 20 |
| 2007-08 | 01 | 10 | 01 | 09 | 02 | 19 |
| 2008-09 | 01 | 17 | 01 | 12 | 02 | 29 |
| 2009-10 | -- | -- | -- | -- | -- | -- |
| Total | 12 | 118 | 12 | 158 | 24 | 276 |

Lack of remedial action by the departmental authorities resulted in non-settlement of these outstanding paragraphs which included serious cases of irregularities as detailed in **Appendix -XXII**. As a result, the deficiencies and lapses pointed out continued to remain unaddressed.

On this being pointed out (May 2010), the Secretary, Revenue Department stated that they have taken up the issue with due concern and all the heads of departments had been asked to comply with the audit objections in due course so that the primary objections could be settled at the initial stage. Principal Secretary, Panchayats, Rural Housing and Rural Development Department stated that DRDAs were in the process of submitting replies to pending paras and that every month, meetings for review of audit paras had been undertaken. No reply had been received from the Home Department (August 2010).

