

## CHAPTER II

*This chapter contains one paragraph on “Energy Management of pumping stations of Gujarat Water Supply and Sewerage Board” and eight individual paragraphs on audit of transactions.*

### TRANSACTION AUDITS

#### NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT

##### 2.1 Energy Management of pumping stations of Gujarat Water Supply and Sewerage Board

###### 2.1.1 Introduction

The Gujarat Water Supply and Sewerage Board (GWSSB), established in April 1981, is responsible to provide water supply and sanitation services in the rural areas of the State. GWSSB operates various bulk/regional/group/individual water supply schemes and water drawn from sources are treated and supplied to end users. These activities require high energy consumption; therefore, proper functioning of the machineries and energy costs are key risk areas.

The Chief Engineer (Mechanical), GWSSB is responsible for operation and maintenance of water pumping stations and is assisted by Superintending Engineers (SEs) and Executive Engineers (EEs) at Circle and Division level respectively. Audit test checked records of 10 SEs and 12 EEs<sup>1</sup>. The important findings are discussed in the succeeding paragraphs.

The core activity of GWSSB is extraction by pumping and conveyance of water; the expenditure incurred during 2006-10 on Water Supply Schemes is detailed in **Table 1**.

**Table 1: Expenditure on Water Supply Schemes**

Year	(Rupees in crore)			
	Total expenditure of GWSSB	Of which total O&M expenditure	Of which, Expenditure on power	Percentage of expenditure on power to TE
2006-07	337.57	243.44	116.58	35
2007-08	448.17	307.71	174.25	39
2008-09	468.65	324.30	164.78	35
2009-10	484.91	345.36	180.14	37

(Source: Annual Accounts of Gujarat Water Supply & Sewerage Board)

<sup>1</sup> With a view to ascertain the efficiency of energy management practices adopted by them

We observed that expenditure on power to total expenditure (TE) of Water Supply (WS) Schemes ranged between 35 per cent and 39 per cent (2006-10).

### **2.1.2 Power saving measures not adopted**

#### **2.1.2.1 Norms for 'energy audit' not fixed**

Considering the ever increasing demand for energy and the critical importance of energy in economic growth, Government of Gujarat (GOG) made it mandatory for all High Tension (HT) consumers having contract demand of 200 KVA and above to carry out energy audit by approved auditors once in three years. However, it was seen that GWSSB had not fixed any norms for conducting energy audit.

We observed that out of 66<sup>2</sup> HT connections having contract demand of 200 KVA and above by GWSSB, energy audit was conducted (2006-10) in respect of 13 connections<sup>3</sup> only. Therefore, areas of inefficiencies and consequent leakage/wastage of energy remained unascertained in the remaining 53 connections.

While accepting (May 2011) the audit observation, EEs stated that GWSSB had not fixed any norms for energy audit, but the EEs of the Divisions had conducted energy audit of their own. They had received no instruction to do so from GWSSB. Thus, whatever energy audit conducted was done due to the initiative of the incumbent EE.

#### **2.1.2.2 Norms for reduction of friction not fixed**

Government instructed GWSSB (January 2006) to take various measures for reduction of friction in pumps so that energy costs could be controlled. However, GWSSB did not take any action in the matter.

### **2.1.3 Contract demands**

While applying for HT connection, consumer has to specify the contract demand based on load requirement and execute an agreement with the power supplier. The contract demand could be increased/decreased subsequently, depending on actual requirements. The charges leviable by the power supplier as per tariff fixed by Gujarat Electricity Regulatory Commission<sup>4</sup> (GERC) were –

- (i) Fixed demand charges<sup>5</sup> at 85 per cent of contract demand or actual maximum demand during the billing cycle, whichever was higher; and

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<sup>2</sup> (i) Ahmedabad-7 connections, (ii) Bhavnagar-10 connections, (iii) Bhuj-5 connections, (iv) Gandhinagar-5 connections, (v) Jamnagar-10 connections, (vi) Junagadh -3 connections, (vii) Mehsana-6 connections, (viii) Palanpur-9 connections, (ix) Rajkot-3 connections and (x) Surendranagar- 8 connections

<sup>3</sup> (i) Jamnagar-3 connections, (ii) Mehsana -4 connections, (iii) Palanpur-3 connections and (iv) Rajkot-3 connections

<sup>4</sup> The regulatory body empowered to fix tariffs for power consumed by consumers

<sup>5</sup> ₹98/kVA (kilovolt per ampere) upto 31.3.2010 and ₹100/kVA from 1.4.2010

(ii) Energy charges on actual units of electricity consumed.

- ***Avoidable payments due to excess contracted demand***

There were 81 HT connections in the test-checked Divisions, of which in 15 connections, the actual demand was consistently less (2006-11) than the contract demand. However, review of actual demand with reference to contract demand was not done with a view to get the contract demand reduced. This resulted in avoidable payment of ₹94.27 lakh (**Appendix-XVII**) on demand charges during the period.

The EEs agreed to take up the matter with the power supply company; but attributed higher contract demand to incomplete projects (Ahmedabad and Jamnagar), mandatory payment of 85 *per cent* of demand charges during first two years (Bhavnagar and Rajkot) and HT connection being obtained on installed capacity of pumps. The replies are not tenable because demands should have been synchronized with the progress of work.

- ***Avoidable payments due to excess consumption than contracted demand***

In the case of HT connection of EE, PH Works Division, Mehsana, actual maximum demand was 796 to 921 (2007-08), 895 to 982 (2008-09), 890 to 1038 (2009-10) and 873 to 988 (2010-11). However, the Division had a contract demand of 550 KVA (upto December 2008) and 850 KVA (January 2009 onwards) and paid for the excess demand. Failure to review and increase the contract demand resulted in avoidable expenditure of ₹15.84 lakh.

- ***Avoidable expenditure due to obtaining HT connection for pump house without water at source***

Gujarat Water Supply and Sewerage Board got executed (December 2006) Dhari Group Regional Water Supply Scheme<sup>6</sup> (Amreli district). The source of Water Supply Scheme was Saurashtra Pipeline Project<sup>7</sup> (SPP).

Executive Engineer, Mechanical Division, Bhavnagar established pumping stations and accordingly obtained five HT connections<sup>8</sup> (July 2001 to February 2005). However, due to non-availability of water because of low carrying capacity of the pipelines of SPP, the pumping stations could not be made operational.

Meanwhile, the power supply company charged GWSSB minimum demand charges (July 2001 to August 2011) aggregating to ₹1.42 crore. Thus, action of

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<sup>6</sup> Expenditure incurred on the project was ₹30.41 crore

<sup>7</sup> Saurashtra Pipeline Project drawing water from Pariej and Kanewal tanks fed by Mahi Canal System. Under this project, pump-houses (Pariej/Kanewal and Piplc) and sumps (Pipli, Navda, Vallabhipur and Botad) were constructed. Water under the project was conveyed through MS bulk pipes (paragraph 3.3 of Audit Report for the year ended March 2003)

<sup>8</sup> Chhatadiya, Devla, Gavadaka, Malsika and Morzer

GWSSB to obtain HT power connection without ascertaining availability of water at source resulted in avoidable expenditure of the amount.

#### **2.1.4 Irregular levy/payment of electricity duty**

Section 3 (2) of Gujarat Electricity Act provides that electricity consumed for public water works are exempt from payment of Electricity Duty (ED). Scrutiny of energy bills of 37 HT<sup>9</sup> connections at pumping stations under nine Divisions revealed that GWSSB was being irregularly charged ED amounting to ₹6.81 crore (2006-11).

Of these, the power supply company stopped levy of ED in respect of eight connections; but the concerned EEs have not yet taken up the matter with the appropriate authority<sup>10</sup> for refund of ED already paid. And in the remaining 27 connections, GWSSB continued pay the ED (July 2011).

The EEs, while accepting avoidable payment, took-up or agreed to take-up the matter with the suppliers for refunds.

#### **2.1.5 Avoidable expenditure due to non-maintenance of power factor**

Power factor (PF) of an HT supply was defined to mean as 'ratio of real power flowing to the load to apparent power in the circuit'. Maintenance of PF is required to avoid (i) power loss in cables/switch gears, (ii) additional load requirement for running machineries and (iii) increased wear and tear to machineries. A consumer is required to maintain 90 per cent PF, failing which, PF adjustment charges at one per cent (for shortfall from 90-85 per cent for per unit of drop) and at two per cent (for shortfall below 85 per cent for each unit drop). Wherever, operation of pumping stations was out-sourced, liability for making payment of PF adjustment charges rest with concerned agency.

We observed that of the billing of 43 HT connections (nine Divisions) at pumping stations, power supplier levied PF adjustment charges of ₹1.20 crore<sup>11</sup> (2006-11), which was avoidable. Of these, ₹54.37 lakh<sup>12</sup> pertained to pumping stations operated by GWSSB and rest pertained to outsourced agencies<sup>13</sup>, which was recoverable.

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<sup>9</sup> Ahmedabad (7 connections-₹8.70 lakh); Gandhinagar (3 connections-₹11.19 lakh); Mehsana (6 connections-₹291.06 lakh); Rajkot (3 connections-₹35.10 lakh); Junagadh (1 connection-₹35.86 lakh); Surendranagar (2 connections-₹31.67 lakh); Himatnagar (9 connections-₹35.62 lakh); Anjar 1 and 2 (5 connections-₹206.97 lakh); Jamnagar (1 connection-₹25.33 lakh) – Total ₹681.50 lakh

<sup>10</sup> Commissioner of Electricity Duty was entrusted with the power to collect ED from consumers through power supplier companies

<sup>11</sup> 2006-07-11 to 1 per cent (₹2.40 lakh); 2007-08-6 to 1 per cent (₹36.33 lakh); 2008-09-9 to 1 per cent (₹47.23 lakh); 2009-10-7 to 1 per cent (₹16.12 lakh); 2010-11-10 to 1 per cent (₹18.03 lakh) – Total ₹120.11 lakh

<sup>12</sup> (i) PH Works Division, Jamnagar - ₹12.99 lakh, (ii) PH Works Division, Junagadh ₹2.82 lakh, (iii) PH Works Division, Surendranagar - ₹5.48 lakh, (iv) PH Works division, Himatnagar - ₹26.39 lakh and (v) PH Works Division No.1, Anjar - ₹6.69 lakh

<sup>13</sup> Of ₹66 lakh due from outsourced agencies, recovery of ₹52.43 lakh has been effected (May 2011)

## 2.1.6 Excess payments of energy charges

### 2.1.6.1 Excess payment due to incorrect tariff

Under the electricity tariff in respect of LT consumers, rates for water works were classified under three distinct categories as in **Table 2**.

**Table 2: Classification of water works**

	Category	4/2006 to 1/2009		2/2009 to 3/2010		4/2010 to 3/2011	
		Fixed charges	Energy charges	Fixed charges	Energy charges	Fixed charges	Energy charges
		Amount in rupees per BHP (fixed charges)/unit (energy charges)					
a	Water works (WW)/ sewerage pumps (SP) operated by other than local body	15.00	3.40	15.00	3.50	15.00	3.60
b	WW and SP operated by local authority and GWSSB located outside Gram Panchayats	9.00	3.20	9.00	3.30	9.00	3.40
c	WW of Municipalities and GWSSB located within Gram Panchayats	0	2.30	0	2.40	0	2.50

(Source: Electricity tariff of power supply company)

Audit scrutiny revealed that power supplier wrongly classified GWSSB under category (a) though these fell under lesser category of (b) or (c). Such categorization resulted in excess payment of fixed charges/energy charges of ₹13.14 crore in respect of 302 LT connections at pumping stations under 12 divisions as in **Table 3**.

**(Table 3: Excess payment due to wrong classification)**

(Rupees in lakh)

Sr. No.	Place of division	Number of LT connection at pumping stations	Excess payment of fixed charges	Excess payment of energy charges	Total
1	Ahmedabad	26	5.63	53.28	58.91
2	Anjar	28	1.89	71.42	73.31
3	Bhuj	2	0.05	1.91	1.96
4	Bhavnagar	7	0.71	8.83	9.54
5	Gandhinagar	5	1.30	6.87	8.17
6	Palanpur	156	38.73	784.58	823.31
7	Jamnagar	15	3.84	62.62	66.46
8	Junagadh	11	2.29	45.37	47.66
9	Rajkot (3 divisions)	40	8.71	180.86	189.57
10	Surendranagar	12	2.54	32.85	35.39
	<b>Total</b>	<b>302</b>	<b>65.69</b>	<b>1248.59</b>	<b>1314.28</b>

(Source: Information collected from GWSSB Divisions)

Scrutiny of the energy bills of 23 HT connections of pumping stations under four divisions revealed that supplier had incorrectly levied demand charges at higher

rates. These bills were paid by the divisions resulting in excess payment of demand charges of ₹34.41 lakh<sup>14</sup>.

The EEs, while accepting the incorrect categorization, took up or agreed to take up the matter with the electricity supplier licensees.

#### **2.1.6.2 Excess payment due to improper scrutiny of bills**

Scrutiny of records revealed that energy bills, as received from power supply companies were not scrutinized by Divisional/sub-Divisional Offices and payments made by SEs after bills were 'passed for payments' by the EEs/DEEs. Scrutiny of the bills of Palanpur Circle/Division revealed excess payment/double payment of ₹11.66 lakh due to improper scrutiny as detailed in **Table 4**.

**Table 4: Excess payment**

<b>(Rupees in lakh)</b>		
<b>Name of Division/Circle</b>	<b>Excess payment</b>	<b>Reasons for excess payment</b>
Public Health Division, Palanpur	5.67	Actual bill was for ₹63013.50 for June 2009. But supplier issued bill for ₹ 630135.00 which was paid without checking.
Public Health Circle, Palanpur	4.92	Incorrect recording of units consumed (June 2008, January 2009, October and November 2010) without checking reading of the previous bills.
Public Health Circle, Palanpur	1.07	The charges were levied by the supplier on 53844 units (November 2010) against actual consumption of 26922 units.
<b>Total</b>	<b>11.66</b>	

**(Source: Information collected from GWSSB Divisions)**

The EEs, while accepting the excess payment, took up or agreed to take up the matter with the electricity supplier licensees for refund.

The matter was reported to Government (August 2011), reply was not received (December 2011).

<sup>14</sup> (1) Mechanical Division and PH Works Division, Ahmedabad :Six cases - ₹3.98 lakh; (2) Mechanical Division and PH Works Division, Gandhinagar: Eight cases - ₹4.83 lakh; (3) PH Works Division, Mehsana :Five cases - ₹23.82 lakh; (4) PH Works Division, Surendranagar : Four cases - ₹1.78 lakh

**2.2.1 Fraudulent drawal/misappropriation/embezzlement/losses**

**URBAN DEVELOPMENT AND URBAN HOUSING  
DEPARTMENT**

**2.2.1.1 Under-realization of premium resulting in loss of ₹ 5.56 crore**

**Reduction of the value of the land for the purpose of conversion of leasehold to freehold resulted in loss of ₹5.56 crore**

The Gujarat Housing Board Act, 1961 (the Act) provides that the Board may retain, lease, sell, exchange or otherwise dispose of any land, building, or other property vested in it and situated in area comprised in any housing scheme sanctioned under the Act. But, under the Act, there was no provision to dispose of the land for any purpose other than housing

Scrutiny of records (September 2010) of Executive Engineer (EE), Housing Division, Ahmedabad revealed that GHB allotted (1978) 1,58,921 sqm land at Vastrapur (Ahmedabad city) to Life Insurance Corporation of India (LIC) on 99 years leasehold for their housing colony. Of the said land, LIC requested (December 2006) GHB for conversion of 81,770 sqm land from leasehold to freehold for construction of a commercial project.

In violation of the provisions of the Act, GHB resolved in their meeting (December 2006) to convert the land from lease-hold to free-hold for commercial purpose. It was also decided to levy 30 *per cent* premium of the value of the land as fixed by the Town Planner for such conversion, which worked out to ₹89.11 crore.

However Chairman<sup>15</sup> of GHB, on a request by LIC reduced the value to ₹83.55 crore, which was paid (December 2007) and conveyance deed registered (August 2010) transferring the title of the land to LIC. This resulted in under-realization of premium of ₹5.56 crore.

On being pointed out, Government stated (August 2011) that since LIC was a Government of India Corporation, in order to make their commercial project viable, it has been decided to reduce the rate. Government also stated that GHB, being the owner of the land could make revision in the suggestive price given by Town Planner, especially when the decision was taken by Chairman, GHB-cum-Principal Secretary, Urban Development and Urban Housing Department. The reply of Government was not tenable as –

- (i) GHB was not authorized by the Act to dispose of the land for any purpose other than housing; hence it could not allow conversion of land from lease-hold to free-hold for commercial purpose;

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<sup>15</sup> Chairman has his original charge of Principal Secretary, Urban Housing and Urban Development Department



- (ii) Contention of Government to subsidize the rate of land for a commercial project is not justifiable;
- (iii) Decision to charge LIC at 30 *per cent* of the market rate, as fixed by the Town Planner, was taken during the meeting of the Board of Directors of GHB; hence Chairman-cum-Principal Secretary was not authorized to modify the decision, especially when it was taken against the financial interests of the GHB.

### 2.2.2 Infructuous/Wasteful expenditure and overpayments

## **NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT**

### 2.2.2.1 Wasteful expenditure of ₹7.43 crore on a water supply project

#### **Execution of Water Supply Scheme without ensuring 'source' resulted in wasteful expenditure of ₹ 7.43 crore**

In order to serve Mahuva taluka (Surat district) with safe drinking water, Chief Engineer (Zone I), Gujarat Water Supply and Sewerage Board (GWSSB) accorded Administrative Approval and Overall Technical Sanction (June 2007) for Vanskui Group Water Supply Scheme (VGWSS) at an estimated cost of ₹8.67 crore. Superintending Engineer (SE), Public Health Circle, GWSSB, Surat was in the charge of work.

Work order for the head-works<sup>16</sup> and distribution network was issued (October 2008) to a contractor at their tendered cost of ₹8.48 crore. The contractor executed the work (except those pertaining to canal crossing) costing ₹7.43 crore (April 2011). We observed that works related to canal crossing were not executed in the above sanction (July 2001).

We also observed that that work on VGWSS was started without getting water reserved from the source, viz. Ukal Left Bank Canal (ULBC). Though formal orders have not been received (July 2011), Water Resources Department (WRD) 'in principle' sanctioned (February 2011) permission to draw water from Kakrapar Left Bank Canal (KLBC). But, Government stated (July 2011) that source of KLBD was not feasible from techno-economical point of view. Moreover, identifying a new source would render the structures already constructed at the intake point of ULBC redundant making the expenditure wasteful.

When pointed out, Government stated (July 2011) that the work was started in anticipation of getting water reserved and permission to 'open cut cross design' for canal crossings; KLBC as source has been sanctioned in principle and that

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<sup>16</sup> Construction of intake chamber, Water Treatment Plant, underground sump, pump house, etc .



GWSSB was making all possible efforts for early approval. The reply of the Government is not justifiable as –

- (i) GWSSB took up the work without ensuring availability of ‘source’ of water;
- (ii) Identification of a new source to KLBC would result the expenditure wasteful on construction of head-works at the vicinity of ULBC;
- (iii) The question of canal crossings was still not solved with WRD.

Thus, taking up VGWSS without any water source and without obtaining permission to cross canals resulted in wasteful expenditure of ₹ 7.43 crore.

**2.2.2.2 Wasteful expenditure on payment of minimum demand charge of ₹ 55.73 lakh**

**Failure to synchronize pumping station with HT power connection resulted in wasteful expenditure of ₹ 55.73 lakh**

Electricity Supply Code and Related Matters Regulations, 2005 provides that where a High Tension (HT) consumer fails to avail of the power within 60 days from the date of intimation of commencement of power supply, he shall be liable to pay the demand charges and minimum monthly charges as applicable from the date from which the above period expires or such period as may be extended by the power distribution licensee.

Scrutiny of records (July 2010) of Executive Engineer (EE), Drainage Division, Gandhinagar revealed that the Division applied (April 2006) for HT power connection with contract demand of 2400 KWA from the power distribution licensee (Utter Gujarat Vij Company Limited) for Khed pumping station and an agreement was executed (November 2006). The distribution licensee notified (13 April 2007) release of power and thus, the Division became liable to avail power supply from 12 June 2007, which was extended for two months (12 August 2007) on a request from the EE.

We observed that the pumping station was completed (January 2009) and for the intervening period (August 2007 to December 2008), the Division paid (January 2009) minimum demand charges aggregating to ₹ 55.73 lakh without utilization of power. Thus failure to get completion of pumping station synchronized with obtaining HT power connection resulted in wasteful expenditure of the amount.

On being pointed out, Government stated (September 2011) that EE was not in a position to utilize power within the period of sixty days from the date of intimation regarding commencement of power supply by UGVCL and that a proposal (August 2010) to waive the idle charge submitted to UGVCL was rejected (September 2010). The reply of Government was not tenable as EE applied for HT power supply before its actual requirement.

## ROADS AND BUILDING DEPARTMENT

### 2.2.2.3 Wasteful expenditure of ₹ 32.63 lakh

**Taking up construction of Taluka Seva Sadan at Borsad in the regulated area of a protected monument resulted in wasteful expenditure of ₹ 32.63 lakh**

Provisions contained in Ancient Monuments and Archaeological Sites and Remains Rules 1959 (AMASRR) read with Archaeological Survey of India (ASI) notification (June 1992) provides that every person intending to undertake any construction in a prohibited area upto 100 mtr from protected limits and regulated area of further beyond it upto 200 mtr near or adjoining protected monuments shall apply to the Director General of Archeology at least three months before the date of commencement of such construction and obtain requisite permission.

The Governor in Council of erstwhile Bomaby State declared (June 1923) the step-well at Borsad (Anand district) as a protected monument under Section 3(1) of Ancient Monuments Preservation Act, 1904.

Scrutiny of records (July 2010) of Executive Engineer (EE), Roads and Buildings (R&B) Division, Anand revealed that Government i.e. Revenue Department and R&B Department respectively accorded Administrative Approval (July 2009) and Technical Sanction (January 2009) for construction of Taluka Seva Sadan (TSS) at Borsad at an estimated cost of ₹ 3.88 crore. The work order was awarded (October 2009) at a tendered cost of ₹3.30 crore and the work commenced.

Since the site of work was within the regulated area of the protected monument and permission under AMASRR was not obtained, ASI directed (February 2010) EE to stop the construction. ASI also turned down (April 2010) the request for post-facto sanction for construction. The contractor was finally relieved (March 2011) under foreclosure clause of the agreement and was paid (March 2011) ₹32.63 lakh for the work already executed, which proved wasteful.

When pointed out, Government stated (July 2011) that work order was issued as EE learnt from Mamlatdar, Borsad about non-inclusion of the step-well in the list of monuments as on 31 December 1992, published by Archeological Department.

The reply of the Government is not tenable as the work order was issued (October 2009) without due diligence and ascertaining complete facts.

### 2.2.3 Avoidable/excess/unfruitful expenditure

#### **NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR DEPARTMENT**

##### 2.2.3.1 Avoidable payment of Electricity Duty of ₹1.61 crore

##### **Providing power supply to residential units without separate power connection resulted in avoidable payment of Electricity Duty of ₹1.61 crore**

The Bombay Electricity Duty Act, 1958 provides that Electricity Duty (ED) shall not be leviable on the power consumed by the Government, except those utilized for residential purposes. The subordinate legislation thereto further provides that where separate meters are not installed for the power consumed for different purposes, ED as applicable at the higher rate shall be levied for the whole of the power consumed.

Scrutiny of records (July 2010) of Executive Engineer (EE), Drainage Division, Gandhinagar revealed that the Division obtained power connection for two<sup>17</sup> pumping stations from the power distribution company. We observed that out of this power connection, Division provided power supply to the residential-units also without installing separate meters, which resulted in avoidable payment of ₹1.61 crore.

On being pointed out, Government stated (September 2011) that separate meters for residential blocks had now been installed and that exemption from payment of ED from the Commissioner for Electricity Duty is expected. The reply of the Government was not tenable as the Government had to pay the ED due to failure of the EE to install separate meters and that power consumption prior to installation of separate meters between Government and domestic purposes was not divisible.

#### **ROADS AND BUILDINGS DEPARTMENT**

##### 2.2.3.2 Avoidable expenditure of ₹72.68 lakh due to defective estimates

##### **Failure to draw correct estimates and appropriate tender conditions resulted in avoidable expenditure of ₹72.68 lakh**

Work orders for construction of four structures<sup>18</sup> were issued (July 2006 to January 2008) at an aggregate tendered cost of ₹67.86 crore against their estimated cost of ₹64.97 crore. Out of the above, work of three structures (except Engineering College Building at Surat) were completed (July 2008 to October 2010) at a cost of ₹50.06 crore, whereas the remaining one was under progress, for which payment of ₹19.71 crore has been made (February 2011). Executive

<sup>17</sup> Sujalam Sufalam Canal Pumping station at Khed and Fatepur on Hathmati Guhai Pipeline Project

<sup>18</sup> (1) Polytechnic Building at Godhra, (2) Engineering College Building at Dahod, (3) Engineering College Building at Surat (under construction) and (4) Multi storeyed Building at Surat

Engineers (EE) of Roads and Buildings Division at Godhra, Dahod and Surat were in charge of the works in their jurisdiction.

The contracts, *inter-alia* provides for execution of 'controlled cement concrete' (mix-design) of the strength of M.150, M.200 and M.250. In Government orders (December 1986) instructions were issued for making provisions of 320 kg/cum, 400 kg/cum and 450 kg/cum cement for the above grades respectively for preparation of estimates. Estimates were accordingly approved, tenders floated and work orders issued.

Technical specification of the tenders state that proportion of cement in the 'mix design' be determined so as to achieve the appropriate strength. However, there was no condition therein for price adjustment for variation of the cement proportion.

Verification of test results of 'mix design' revealed that actual consumption of cement was 248/260/300 kg/cum (M.150 grade), 300/350/360 kg/cum (M.200 grade) and 330/375/385 kg/cum (M.250 grade) against the estimated provisions of 320 kg/cum, 400 kg/cum and 450 kg/cum respectively.

As a result of reduction in proportion of cement, there was, in all savings of 2793.29 MT cement as compared to the quantity provided for in the estimates, the cost of which works out to ₹72.68 lakh (**Appendix-XVIII**). Thus, failure to incorporate appropriate contract conditions resulted in avoidable expenditure of ₹72.68 lakh.

When pointed out, Department stated (July 2011) that in absence of enabling conditions in the contract, recovery could not be made for consumption of reduced quantity of cement.

The reply of the Department is not tenable as the above payment could have been avoided, had tender specifications been drawn in conformity with IS specifications and conditions for price adjustment incorporated for variation of quantity of prime material. Meanwhile, it was seen that Superintending Engineer, Vadodara R&B Circle instructed (December 2008) to incorporate a 'special condition' in the agreement for price adjustment depending upon the consumption of cement.

When reported, Principal Secretary to Government of Gujarat, R&B Department stated (November 2011) that to bring uniform practice in department, finalization of cement consumption for different grade of cement concrete was in process of collection of data of mix design for different regions of State according to source of material available in the respective region. On the basis of this a circular would be issued and the same would be followed in future.

**2.2.4 Idle investment/idle establishment/blockage of funds**

**EDUCATION DEPARTMENT**

**2.2.4.1 Unauthorized parking of Government of India funds of ₹ 3.35 crore**

**Commissioner, Mid Day Meals did not utilize Government of India grant and furnished incorrect Utilization Certificates**

Government of India (GOI), Ministry of Human Resources Development, Department of School Education and Literacy sanctioned (February 2008) a grant of ₹ 3.35 crore to Government of Gujarat for procurement of kitchen devices in 6707 schools under National Programme of Nutritional Support to Primary Education, 2006 (the Programme). The Programme provides that the devices shall be procured in de-centralized manner, preferably at school/block level, to avoid delays. Commissioner, Mid-Day Meal Scheme (MDM), was in charge of implementation of the Programme.

Scrutiny of records (October 2009) of the Commissioner, MDM revealed that GOI revalidated (February 2009) sanction subject to condition that amounts shall not be carried forward to 2009-10. However the Commissioner unauthorizedly credited (March 2009) the grant to Gujarat Children Fund<sup>19</sup> and then deposited (June 2009) with State-owned Gujarat State Financial Services (GSFS). Commissioner also furnished (July 2009) Utilization Certificate to GOI.

The Commissioner withdrew (December 2010) the amount together with interest amounting to ₹3.68 crore and allotted (February 2011) to Deputy Collectors, MDM of all the districts. Details of actual utilization of the grant by the Deputy Collectors are awaited (July 2011). Thus the Commissioner, instead of refunding the amount to GOI at the end of 2008-09, unauthorizedly parked the amount in Children Fund/GSFS and thereafter allotted to Deputy Collectors of MDM for its utilization.

The Commissioner, MDM stated (May 2011) that GOG decided centralized procurement of kitchen devices through e-Tendering<sup>20</sup>. However, due to non-finalization of e-Tendering procedure, the grant could not be utilized within the stipulated period. The reply of the Commissioner is not tenable as the Programme itself provides for de-centralized purchases so as to avoid delays and therefore the whole purpose of sanction of GOI grant was defeated. Further, Commissioner furnished Utilization Certificates to GOI without actual utilization of funds.

The matter was reported to Government (June 2011); reply has not been received (September 2011).

<sup>19</sup> A fund created by Education Department of GOG (January 1985) to encourage development of children

<sup>20</sup> State Government made e-tendering compulsory for estimated value of ₹10 lakh and above from June 2007

### 2.2.5 Regulatory issues and other points

## PORTS AND TRANSPORT DEPARTMENT

### 2.2.5.1 Outstanding recovery of dues

#### **Gujarat Maritime Board failed to recover ₹28.73 crore due to it from a licensee towards interest on belated payments and deficiency in wharfage not handled**

Gujarat Maritime Board (GMB), constituted under the GMB Act, 1981 (the Act) was entrusted with *inter-alia* the responsibilities of providing facilities for handling cargo and powers to levy port dues and other charges for services rendered, as per Schedule of Port Charges (SoPC) as notified from time to time.

Gujarat Maritime Board entered into an agreement<sup>21</sup> (December 2006) with Continental Warehousing Corporation Limited, Mumbai<sup>22</sup> (licensee) to lease out 250 metre long existing jetty of the former at Rozi pier<sup>23</sup> of Jamnagar port to the latter for a period of 25 years. Analysis of conditions of the agreement *inter-alia* provided that –

- Licensee was to pay one time premium of ₹2.50 crore and the cost of construction of jetty amounting to ₹11.30 crore in four equal quarterly installments. The first installment was to be paid before execution of the agreement;
- Licensee was to handle the minimum guaranteed cargo of 9.2 lakh MT in a year. Even if it failed to do so, it would be liable to pay wharfage charges at the then prevailing rates on the difference between the guaranteed minimum tonnage and actual cargo handled;
- Delayed payment would attract levy of interest at 18 *per cent* per annum and that failure to comply with the conditions of agreement or any rules, regulations and notifications of GMB would entail termination of the contract after serving such notices as provided in the agreement; and
- Licensee may take loan on the basis of collateral security of the jetty with the approval of the GMB.

However, we observed that there was no provision in the contract to safeguard the interest of GMB in case any loan was taken by the licensee and it failed to repay it.

Scrutiny of records of GMB (November 2010) and information subsequently made available by GMB/Government revealed that –

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<sup>21</sup> After inviting offers (February 2005) for private investment to use on lease basis the existing GMB jetty

<sup>22</sup> A company in private sector registered under Companies Act, 1956

<sup>23</sup> Declared by Customs Department as landing place (February 2007)



- The licensee requested (April 2007 and March 2008) for approval for obtaining collateral security for availing term loan of ₹3.50 crore and ₹14.75 crore from Indian Overseas Bank, Chennai and GMB accordingly issued approval letters (July 2007 and August 2011)
- The licensee paid the first installment in time (November 2006), but defaulted in the payment of further installments for over a year (April 2008) and therefore was liable to pay interest.
- The licensee failed to handle minimum guaranteed cargo during 2006-11.

Thus, the licensee was liable to pay ₹28.73 crore<sup>24</sup> which was not paid (March 2011). GMB served notices (February and September 2009), but the contract has not been terminated as per agreement.

When reported, Government stated (September 2011) that against collateral security for the term loan taken by the licensee from IOB, there was un-discharged liability (July 2011) of ₹1.47 crore. This term loan was subsequently taken over by AXIS Bank (April 2010). The Government further stated that this was done without consent of GMB and owing to these facts, it was not found appropriate to take action to terminate the agreement.

The reply of the Government is not justified as in August 2011 when the GMB issued a collateral security to the licensee, it had already defaulted on the following counts:

- (i) Payment of second and subsequent installment of the premium,
- (ii) Handle minimum guaranteed cargo,
- (iii) Payment of interest for delayed payments.

There also existed an audit observation (November 2010) to this effect.

Thus, not having adequate provisions in the contract safeguarding the interest of the Government as well as overlooking the deficiencies mentioned above by GMB led to non-realization of ₹28.73 crore.

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<sup>24</sup> Interest on belated payment of premium and cost of jetty (₹1.62 crore), wharfage on deficient cargo handled (₹20.91 crore), and interest (upto March 2011) on the wharfage dues (₹6.20 crore)



